

2 June 2016

The following announcement replaces the “Reduced Tulu Kapi funding requirements” announcement released on 2 June 2016 at 07:00 with RNS number 9673Z. The original announcement contained erroneous figures for the “Financing/Insurance/Transaction Costs” and “Cost Overrun Facility” in the column headed “2015 DFS-based Plan” in the table showing net funding requirements. All other information remains unchanged.

KEFI Minerals plc
(“KEFI” or the “Company”)

REDUCED TULU KAPI FUNDING REQUIREMENTS AND FINANCE COSTS

Flagship project in Ethiopia sees funding requirements reduced further by c. US\$13 million to approximately US\$130 million and cost of financing lowered by removing large gold stream finance facility

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Kingdom of Saudi Arabia and the Federal Democratic Republic of Ethiopia, announces that it has further reduced the funding requirements and finance costs for the development of the Tulu Kapi Gold Project. The Company remains on track to execute syndicated financing documentation at the end of Q3-16.

Highlights of the changes include:

- Net funding requirement reduced from c. US\$145 million to c. US\$130 million due to further refinements to project contracting arrangements and the project plans;
- Average cost of finance reduced by removing a large gold stream finance facility – decision taken in consultation with the proposed lead banks and major shareholders at project and Company level; and
- Updated plan facilitates increased net cash generation – projections at gold price of US\$1,250/oz now indicate US\$173 million available for debt repayment, reinvestment and dividends in first 3 years of production.

The reduced net funding requirement is summarised below, along with a comparison with the 2015 financing plan, which was based on the 2015 Definitive Feasibility Study (“DFS”):

	2016 Plan 10-year open pit mine plan US\$M	2015 DFS-based Plan 13-year open pit mine plan US\$M
Processing	59.7	72.3
Roads & Power Connection	15.0	17.8
Tailings (TSF) and Water	9.7	8.2
Resettlement/Community Programs	9.2	7.8
EPCM/Processing Indirects	N.A	10.8
Mining	5.4	10.6
Owners’ Costs during construction	9.8	7.6
Subtotal	108.8	135.1
Pre-Production Funding/VAT Refunds	(0.9)	(5.5)
Funding for Capital Expenditure	107.9	129.6
Financing/Insurance/Transaction Costs	13.8	5.4
Cost Overrun Facility	15.0	10.0
Total Funding Requirement	136.7	145.0
Spent before Financial Completion	c. 5.0	0

Net Funding Requirement	131.7	145.0
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The DFS was prepared from first principles on an owner-mining basis to ensure input costs are fully understood, and showed funding for capital expenditure of US\$176 million. The figures in the table above show the 2015 DFS-based plan figures reduced after adjustment for project-contractor arrangements (see announcement dated 17 August 2015). The net funding requirement has, until recently, stood at c. US\$145 million after provisions for financing costs and cost-overrun facilities, and is now c. US\$130 million.

The reduced cost of financing is due to the replacement of large gold stream finance with alternative capital sources. To date KEFI has been focusing on arrangements for project contracting, debt facilities and project equity, the combination of which has reduced the anticipated remaining funding requirement from the initial DFS-based owner-operated figure of c. US\$176 million to c. US\$15 million of residual funding requirements, details of which are set out below:

	2016 Finance Plan US\$M	2015 Finance Plan US\$M
Funding Sources:		
Proposed Senior Secured Debt	85	65
Cost Overrun Debt Facility	10	15
Project Equity Capital	20	15-20
Funding Sources to date	115	95-100
Residual Funding Sources to be Optimised in H2-16		
Mezzanine Facility (ranks as equity in security)	5-10	35-40
Equity, at Project or Company level	15 less 5-10 Of Mezzanine Facility = 5-10 Equity	45-50 less 35-40 of Mezzanine Facility = 5-10 Equity
Net Funding Requirement	130	145

The mezzanine facility was, until recently, intended to be a US\$35-40 million gold stream arrangement. KEFI is now considering either a much smaller gold stream facility or a subordinated convertible note proposal, made possible by the reduced funding needs and the planned increase in senior secured debt. The refined plan has enhanced the project's economic robustness. Formal appointment of the full syndicate is in progress, other than optimisation of the sources of the residual funding requirement of US\$15 million for which decisions will be made during Q3-16 as the project continues to de-risk. The focus is balancing the minimisation of equity dilution versus the minimisation of risk and cost for shareholders.

The impact of the reduced funding requirements and finance costs on project economics is as follows:

Open Pit Only	Refined Mine Plan 10-year L-O-M (contract-mining)	2015 DFS-based 13-year L-O-M (contract-mining)
Waste:ore ratio	7.4:1.0	7.4:1.0
Processing rate	1.5Mtpa	1.2Mtpa
Total ore processed	15.4Mt	15.4Mt
Average head grade	2.1g/t gold	2.1g/t gold
Gold recoveries	93%	93%
Annual steady-state gold production	115,000 ounces	95,000 ounces
Total LOM gold production	980,000 ounces	961,000 ounces

Net Funding Requirement	c. US\$130M	c. US\$145M
All-in Sustaining Costs	US\$746/oz	US\$779/oz
All-in Costs (incl. initial capex)	US\$869/oz	US\$906/oz
Average annual operating cash flow	US\$58M p.a.	US\$44M p.a.
Geared After-tax NPV (8%) at start construction	US\$153M	US\$120M
Geared IRR	45%	37%
Payback	2-3 years	3-4 years

Note: The above metrics assume a gold price of US\$1,250/oz. Life of Mine ("LOM") includes the planned open pit only.

Mr Harry Anagnostaras-Adams, Executive Chairman, said: "Right from the start our strategy has been to make the Tulu Kapi project an economically robust proposition. With the support of our project contractors, lead banks and major shareholders at the project and parent-company level, we continue to refine the project and keep the costs under control. We look forward to updating the shareholders and the wider market as we continue making progress and at the Company's Annual General Meeting at the end of June."

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Further information can be viewed on KEFI's website at www.kefi-minerals.com

NOTES TO EDITOR

KEFI Minerals plc

KEFI is the operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with an attributable 1.93Moz (100% of Tulu Kapi's 1.72Moz and 40% of Jibal Qutman's 0.73Moz) gold Mineral Resources (JORC 2012) plus significant resource growth potential. KEFI targets that production at these projects generates cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

KEFI Minerals in Ethiopia

The Tulu Kapi gold project in Western Ethiopia is being rapidly progressed towards development, with the Mining Licence granted in April 2015.

KEFI's Definitive Feasibility Study was then completed and the Company is now refining contractual terms for project construction and operation. Latest estimates for annual gold production are c. 100,000oz pa for a 10-year period and All-in Sustaining Costs (including operating, sustaining capital and closure) of approximately US\$724/oz to US\$752/oz at a gold price range of US\$1,000/oz to US\$1,400/oz. Tulu Kapi's Ore Reserve estimate totals 15.4Mt at 2.12g/t gold, containing 1.05Moz. The eight core production years of the open pit are estimated to yield an average of 115,000oz pa.

All aspects of the Tulu Kapi (open pit) gold project have been reported in compliance with the JORC Code (2012) and subjected to reviews by appropriate independent experts. These plans now also reflect the agreed construction and operating terms with project contractors, and have been independently reviewed by experts appointed for the project finance syndicate.

A Preliminary Economic Assessment has been published that indicates the economic attractiveness of mining the underground deposit adjacent to the Tulu Kapi open pit, after the start-up of the open pit and after positive cash flows have begun to repay project debts.

At a gold price of US\$1,250/oz, the projected cash flows indicate a cash build-up in the first three production years of US\$173 million, which would be sufficient to repay all project debts, fund the development of the underground mine and commence paying dividends to shareholders.

KEFI Minerals in the Kingdom of Saudi Arabia

In 2009, KEFI formed G&M in Saudi Arabia with local Saudi partner, Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), to explore for gold and associated metals in the Arabian-Nubian Shield. KEFI has a 40% interest in G&M and is the operating partner. To date, G&M has conducted preliminary regional reconnaissance and has had five exploration licences ("ELs") granted, including Jibal Qutman and the more recently granted Hawiah EL that contains over 6km strike length of outcropping gossans developed on altered and mineralised rocks with all the hallmarks of a copper-gold-zinc VHMS deposit.

At Jibal Qutman, G&M's flagship project, Mineral Resources are estimated to total 28.4Mt at 0.80g/t gold for 733,045 contained ounces. The shallow oxide portion of this resource is being evaluated as a low capital expenditure heap-leach mine development.

ARTAR, on behalf of G&M, holds 24 EL applications that cover an area of approximately 1,484km². ELs are renewable for up to three years and bestow the exclusive right to explore and to obtain a 30-year exploitation (mining) lease within the area.

The Kingdom of Saudi Arabia has instituted policies to encourage minerals exploration and development, and KEFI Minerals supports this priority by serving as the technical partner within G&M. ARTAR also serves this government policy as the major partner in G&M, which is one of the early movers in the modern resurgence of the Kingdom's minerals sector.