

1 July 2015

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

SECOND QUARTER 2015 OPERATIONAL UPDATE

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Kingdom of Saudi Arabia and the Democratic Republic of Ethiopia, is pleased to provide its quarterly operational update for the period 1 April to 30 June 2015. The update encompasses the activities of KEFI Minerals (Ethiopia) Limited (“KME”) in Ethiopia and Gold & Minerals Llc Limited (“G&M”) in Saudi Arabia.

HIGHLIGHTS

Tulu Kapi gold project, Ethiopia

(Wholly-owned by KEFI; Government entitled to 5% free carried interest)

- **Mining Agreement (“MA”)** signed by the Company and Ethiopian Government, granting the 20-year Mining Licence and permitting development and operation
- Updated **Ore Reserve** estimate to 15.4Mt at 2.12g/t Au, **containing 1.05Moz**
- Completed **2015 Definitive Feasibility Study (“2015 DFS”)**:
 - Gold production remains at 960,000oz over 13 years with an average of 95,000oz p.a. during the steady-state 10 years
 - All-in Sustaining Costs remain at c. US\$780/oz, ranking in the lowest cost quartile globally for gold producers
- Initial funding requirement remains at c. US\$120 million, based on planned use of contract-mining and all-new processing plant. This represents a significant decrease compared with the 2012 DFS prepared by the previous owner of the Tulu Kapi asset
- Conducting scheduled discussions with short-listed contractors, debt-style financiers and equity investors at both project level and parent company level to optimise development funding on schedule in Q3 2015
- The independent technical experts for the short-listed financiers completed site due diligence to facilitate activation of formal credit processes in accordance with funding timetable
- All households to be resettled this year have selected their new host lands and preparations are underway for their move after their current crops have been harvested, within KEFI’s start-up timetable

Gold & Minerals Ltd Joint Venture (“G&M”), Saudi Arabia

(40%-owned by the Company with KEFI as operator)

Jibal Qutman

- Updated **Mineral Resource** estimate to 28.4Mt at 0.80g/t Au, **containing 733,045oz**
- Completed preliminary economic assessment evaluating a potential heap leach operation on a potential open cut mineable resource of 6.6Mt at 0.95g/t Au, containing 201,600oz
- Internal preliminary assessment suggests an operating cash cost of US\$600/oz on a 1.5Mt per annum heap leach mine

Hawiah

- Completed an initial 53-trench surface sampling programme over a 6 km-long gossanous horizon and a geophysical survey over the southern half of the gossanous horizon
- Exploration highlighted a large drilling target of 2,000m lateral and 300m vertical extent thought to overlie volcanically hosted massive sulphide (copper-gold-zinc) style mineralisation
- KEFI intends to conduct initial drilling of this target during H2 2015

Corporate

- Completed £2.9 million placing at 0.8p per share as scheduled, to fund all activities pending full development funding for Tulu Kapi

Harry Anagnostaras-Adams, Executive Chairman of KEFI Minerals, commented:

“This has been a very successful quarter where, at our key Tulu Kapi project, we have been granted full development permitting from the Government of Ethiopia and tabled the 2015 DFS for financier review on schedule and on specification. At our projects in Saudi Arabia, our continued exploration has yielded encouraging results and we remain excited about our prospects. In addition, to support our activities, we completed our scheduled equity placing to raise approximately £3 million.

“We are now focusing on finalising full development funding for Tulu Kapi this quarter with a view to commencing construction by year end, commissioning late 2016 and gold production in 2017.”

OPERATIONAL REVIEW

Tulu Kapi gold project, Western Ethiopia

Fundamental milestones for Tulu Kapi were achieved during the quarter, primarily with the grant of the Mining Licence as part of the MA with the Ethiopian Government as well as the completion of the 2015 DFS.

The MA between the Ethiopian Government and KEFI was formalised in April 2015. The terms of the MA include a 20-year Mining Licence covering an area of 7km², full permits for the development and operation of the Tulu Kapi gold project and a 5% Government free-carried interest.

The 2015 DFS is based on a conventional open-pit mining operation and a 1.2Mtpa carbon-in-leach (“CIL”) processing plant, with gold recoveries averaging 91.5%. Gold production remains at 960,000oz over 13 years with an average of 95,000oz per steady-state year (i.e. excluding the start-up year and the processing of low-grade stocks after open pit mining).

Utilising semi-selective mining techniques, it is planned to process ore mined above 0.9g/t Au and stockpile ore mined between 0.5g/t Au and 0.9g/t Au. Based on this mining approach, the following key mining and financial parameters for Tulu Kapi were estimated in the 2015 DFS:

	Initial 10 Years (excluding low-grade stock)	13-year LOM (including low-grade stock)
Waste:ore ratio	9.9:1.0	7.4:1.0
Total ore processed	12.0Mt	15.4Mt
Average head grade	2.5g/t Au	2.1g/t Au
Total gold production	888,000oz	961,000oz
Cash Operating Costs	US\$653/oz	US\$661/oz
All-in Sustaining Costs	US\$774/oz	US\$780/oz
All-in Costs (including initial capex)	US\$911/oz	US\$906/oz

All-in Sustaining Costs at c. US\$780/oz ranks the project in the lowest cost quartile globally for gold producers. This includes all operating costs, royalties, sustaining capital and closure, but excludes initial capital investment.

The table below provides the key components of the estimated peak funding requirement for the start-up based on contract mining and building an all-new processing plant, and excluding historical costs of

approximately US\$65 million and post-start-up capital investment to be funded by net operating cash flows to sustain production:

	US\$ million
Processing	65.6
Infrastructure	19.7
Tailings (TSF)	7.5
Indirect (EPCM, etc)	14.3
Owners Cost	8.9
Subtotal	113.0
Pre-Production Funding	2.4
Working Capital	6.2
Total Initial Capital for Start-up, after contractor funding	121.6

Contingency provisions aggregate to approximately 10%.

Discussions are being conducted with debt-style financiers (commercial banks, development banks and product-linked lenders), contractors, the Government of Ethiopia and existing shareholders so as to finalise full development funding during Q3 2015. In addition, the independent technical experts for the short-listed financiers completed site due diligence to facilitate the activation of formal credit processes in accordance with the financing timetable.

Potential Mining Contractors and Engineering, Procurement and Construction Management (EPCM) Contractors have been short-listed and final bidding will now proceed followed by procurement once development funding is arranged.

The base-case financial metrics tabulated below are stated on an after tax basis:

	Unleveraged	Leveraged
IRR	28%	52%
NPV (0%, ie undiscounted)	US\$263M	US\$187M
NPV at start construction 2015 (8% real discount rate)	US\$125M	US\$106M
NPV at start production 2017 (8% real discount rate)	US\$256M	US\$156M
Payback	2.5 years	4.5 years
Average Operating cash flow before depreciation, financing charges and tax (first ten years)	US\$47M p.a.	US\$47M p.a.

The above scenarios are at a US\$1,250/oz gold price and the leveraged scenario is based on the targeted US\$100 million of secured debt-based finance. This would result in a greater project IRR and higher NPV for current shareholders than if KEFI funded the project entirely through equity finance.

An updated Tulu Kapi Ore Reserve estimate totalling 15.4Mt at 2.12g/t Au, containing 1.05Moz was released in April 2015:

JORC (2012) Reserve category	Cut-off (g/t Au)	Tonnes (million)	Gold (g/t)	Ounces (million)
Probable - High grade	0.90	12.0	2.52	0.98
Probable - Low grade	0.50 - 0.90	3.3	0.73	0.08
Total		15.4	2.12	1.05

Note: Mineral Resources are inclusive of Ore Reserves. All numbers are reported to three significant figures. Small discrepancies may occur due to the effects of rounding.

This Ore Reserve estimate is based on the Indicated Resource above 1,400m RL and reflects KEFI's envisaged semi-selective mining strategy that will utilise an elevated cut-off grade. Ore at a cut-off of between 0.50g/t and 0.90g/t Au is planned to be stockpiled and then processed in the final three years of the project, resulting in a project life of 13 years for the 2015 DFS.

In addition, all households that are to be resettled this year have selected their new host lands and preparations are underway for their move after their current crops have been harvested, which is within KEFI's start-up timetable.

Jibal Qutman project, Western Saudi Arabia

The following Mineral Resource estimate totalling 28.4Mt at 0.80g/t Au, containing 733,045oz was released in May 2015:

INDICATED				INFERRED			
	Tonnes	Au (g/t)	Ounces		Tonnes	Au (g/t)	Ounces
OXIDE	833,6176	0.86	229,165	OXIDE	2,806,468	0.64	58,164
SULPHIDE	9,706,111	0.86	269,323	SULPHIDE	7,606,335	0.72	176,392
TOTAL	18,042,287	0.86	498,488	TOTAL	10,412,803	0.7	234,556

Note: Numbers may not add up due to rounding.

Pit optimisation studies have been applied to the oxide resources at Jibal Qutman. Initial results show a potential mineable resource in a series of shallow open pits of 6.6Mt at 0.95g/t Au for an in-situ 201,600oz.

Positive metallurgical heap leach test work results were received during the quarter from coarse crush cyanide leach on four of the main oxide deposits, averaging 69% gold recovery over a five-day leach time.

The following parameters were applied to the preliminary, internal economic assessment, some of which were derived from G&M's 2014 technical study of the potential CIL operation at Jibal Qutman and also from case examples of similar currently operating heap leach mines: mining cost US\$1.60/t; heap leach processing cost US\$5.50/t; general and administration US\$2.00/t; average gold recovery 69%; mining dilution 10% and Au price US\$1,250/oz.

The Company's preliminary economic assessment indicates gold production of 139,000oz over an initial 4.5 years life of mine, at an average grade of 0.95g/t Au, gold recoveries averaging 69% and a strip ratio of 2.18. Operating costs would be approximately US\$600/oz.

KEFI anticipates that such a development, if validated by independent studies, approved by the authorities and committed by G&M, would involve an investment of US\$30 million, potentially with 75% funding by local finance institutions with KEFI's 40% share of equity funding being US\$3 million.

The Company expects to continue to define additional oxide resources in the licence area and on adjoining licence application areas. Cash flow from the heap leach could fund the addition of a CIL circuit for mining and processing of the sulphide mineralisation.

Looking further ahead, this development could be a source of funding for G&M's regional exploration programs and its timing could potentially involve completing the technical studies and permitting in 2016/17 and development thereafter.

Hawiah project, Western Saudi Arabia

Following the granting of the Hawiah Exploration Licence in December 2014, an initial 53-trench surface sampling programme was completed over a 6 km-long gossanous horizon thought to overlie volcanically hosted massive sulphide (copper-gold-zinc) style mineralisation.

A self-potential (“SP”) geophysical survey was completed during the quarter over the southern half of the 6km-long gold mineralised system exposed at the surface (outcropping gossan structure). The aim of the SP survey was to delineate metal-rich bodies directly beneath the gold bearing system at surface.

The results have identified:

- an intense SP anomaly with a continuous maxima of 350 millivolts, located between 125m and 300m below surface with an 800m strike length; and
- a parallel SP anomaly approximately 600m further east, showing similar but less continuous intensity

The results support the interpretation of a large metal-rich body directly beneath the gold-bearing gossan at surface. KEFI intends to conduct initial drilling of this target during H2 2015.

Corporate

In June 2015, the Company raised £2.9 million (before expenses) through the issue of 362,500,000 new Ordinary Shares at a price of 0.8p per share with existing shareholders and certain Directors. Following this placing, KEFI has 1,744,447,480 Ordinary Shares in issue.

Webinar

Mr Anagnostaras-Adams, KEFI’s Executive Chairman, will be hosting a live webinar at 3pm BST today, which can be viewed via <http://webcasting.brrmedia.co.uk/broadcast/139177>. Listeners are encouraged to submit questions by clicking on the link at the foot of the page or by emailing uk@brrmedia.com. The webinar will subsequently be available on the Company’s website at <http://www.kefi-minerals.com/news/videos>.

ENQUIRIES

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COMPETENT PERSON’S STATEMENT

The information in this release that relates to exploration results, Mineral Resources and Ore Reserves is based on information compiled by Mr Jeffrey Rayner. He is the Exploration Director of KEFI Minerals and a



Member of the Australasian Institute of Mining and Metallurgy (AusIMM). Mr Rayner is a geologist with sufficient relevant experience for Group reporting to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“2012 JORC Code”). Mr Rayner consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

The exploration results, Mineral Resources and Ore Reserves disclosed in this document have been previously released as follows:

Date of Release	Project	Subject	Competent Persons
22 April 2015	Tulu Kapi	Probable Ore Reserves	Frank Blanchfield Sergio Di Giovanni
4 February 2015	Tulu Kapi	Mineral Resource	Simon Cleghorn Lynn Olssen
6 May 2015	Jibal Qutman	Mineral Resource	Jeffrey Rayner

KEFI confirms that it is not aware of any new information or data that materially affects the information in the above releases and that all material assumptions and technical parameters, underpinning the estimates continue to apply and have not materially changed. KEFI confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

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) Au Mineral Resources (JORC 2012) plus significant resource growth potential. KEFI targets that production at these projects generate cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

Expected milestones for the remainder of 2015 at Tulu Kapi include:

- Formalisation of senior secured financing, agreement of final terms for project finance; and
- Full development funding and commencement of construction.

In addition, during 2015 KEFI anticipates triggering a Preliminary Feasibility Study to underpin the submission of a Mining Licence Application for Jibal Qutman in Saudi Arabia through its joint venture company, Gold & Minerals Ltd (“G&M”). The development of Jibal Qutman is targeted to follow the start-up of Tulu Kapi.

KEFI Minerals in Ethiopia

The Tulu Kapi gold project in Western Ethiopia is being rapidly progressed towards development. In October 2014, KEFI Minerals reactivated the Mining Licence Application and assembled indicative project finance terms. The Mining Licence was granted in April 2015 and the secured lenders' independent technical consultants have now commenced their due diligence.

The 2015 Definitive Feasibility Study focused on construction of a 1.2Mtpa processing plant with estimated annual steady-state gold production 95,000oz and All-in Sustaining Costs (including operating, sustaining capital and closure) averaging US\$780/oz (excluding initial investment).

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 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 (“EL”) granted, including Jibal Qutman and the recently granted Hawiah exploration licence that contains over 6km strike length of outcropping gossans developed on VMS altered and mineralised rocks.

At Jibal Qutman, G&M’s flagship project, the total Indicated and Inferred category Mineral Resources, JORC (2012) compliant, are now estimated at 28.4Mt at 0.80g/t Au for 733,045 contained gold ounces compared with 22.0Mt at 0.90g/t Au for 633,461 contained gold ounces previously estimated in March 2014, both at a cut-off grade of 0.2g/t Au.

ARTAR, on behalf of G&M, holds 24 exploration licence 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.

-Ends-