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6 June 2017

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

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 its final results for the year ended 31 December 2016.

2016 HIGHLIGHTS

The robust economics of KEFI’s two development projects are demonstrated in the following table:

		Tulu Kapi	Jibal Qutman
Project Stage		Funding	PEA
Gold Production	**Ounces p.a.**	**115,000**	**30,000**
All-in Sustaining Costs (“AISC”)	US$/oz	777	600
Operating Margin	US$/oz	473	650
Net Operating Cash Flow	**US$ million p.a.**	**55**	**19**
Operating Margin	%	38%	52%
Initial Life-of-Mine Production	**Ounces**	**980,000**	**139,000**
Initial Capital Payback	**Years**	**3**	**2**
Initial Capital	**US$ million**	**160**	**30**

Notes:
The above parameters are based on a gold price of US$1,250/oz.
AISC is per the World Gold Council Standard. The AISC includes each project’s operating costs, Government royalties and sustaining capital but excludes financing costs and income taxes.
Tulu Kapi’s gold production and net operating cash flow are for the first eight years of gold production.
Tulu Kapi’s initial capital cost of US$160 million is based on the 2017 Definitive Feasibility Study Update (“2017 DFS Update”), reduced for contractually deferred payments and increased for non-Tulu Kapi costs during construction.
“PEA” means the Preliminary Economic Assessment completed by KEFI and announced on 8th March 2016.

The above metrics demonstrate:
- The AISC/oz place both projects in the bottom cost quartile of existing gold producers
- Strong operating margins above AISC provide substantial annual cash flows
- Both projects can comfortably debt-fund the majority of the development capital required
- Both projects rapidly repay the development capital

Tulu Kapi, Ethiopia
During 2016, KEFI concentrated on progressing the Tulu Kapi gold project (“Tulu Kapi”), Ethiopia’s first modern mine, and on upgrading its gold and copper exploration portfolio in the highly prospective Arabian-Nubian Shield (“ANS”). KEFI is targeting to commence development of Tulu Kapi in 2017 and open-pit gold production in 2019.

- Government of Ethiopia formally committed to invest US$20 million for equity in Tulu Kapi and, post-period, signed the Shareholder Agreement and other requisite documentation
- Project team refined the development plan and detailed mine plan, resulting in more robust metrics by incorporating feedback made by contractors, financiers, and partners to the 2015 Definitive Feasibility Study ("2015 DFS"), and, post period, all refinements to the 2015 DFS were incorporated into the 2017 Definitive Feasibility Study Update ("2017 DFS Update") in preparation for financing
- Assessing three financing proposals built around contractors experienced in African mining following tightening of mining debt-finance sector and concerns of financiers regarding Ethiopian State of Emergency
- The projected open-pit cash flows indicate that the net cash build-up (after currently indicated financing costs) in the first three production years is US$65 million to US$265 million for the gold price range of US$1,100/oz to US$1,900/oz which prevailed during the past seven years. Significant value also expected from the contemplated underground mine beneath the Tulu Kapi open pit within extensions of the same ore body.
- Completed Preliminary Economic Assessment ("PEA") confirming robust economics for the development of the underground mine – initial potential to increase production to >150,000 p.a. over four years whilst drilling to expand underground resources which are open in several directions.
- Post period, community resettlement programme was triggered paving the way to project development
- Post period, historical court claim pre-dating KEFI's ownership of Tulu Kapi was reduced from US$12 million to c. US$600,000 which KEFI has appealed to the Supreme Court to eliminate altogether.

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

- Surface-sampling and geophysical studies identified large precious and base metals targets at Hawiah
- Strategic overhaul of licence applications undertaken by G&M across the whole of Saudi Arabia
- Post period, Mining Licence Application for proposed heap-leach gold mine at Jibal Qutman lodged with Saudi government for continuing discussion and review
- KEFI expects the authorities in Saudi Arabia to deregulate the minerals exploration sector in 2017 from which the Company is well-positioned to benefit

Corporate

- Completed several equity placings, raising a total of £5.6 million (before expenses)
- In preparation for Tulu Kapi development, Mr John Leach Finance Director became a fulltime executive and Mr Mark Wellesley-Wood, an experienced African mining operator, joined the Board as a Non-Executive Director assuming the role of Deputy Chairman
- Post period, completed £5.62 million fundraising (before expenses)

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

"During 2016, we concentrated on progressing Tulu Kapi, Ethiopia's first modern mine, and on upgrading our exploration portfolio in the highly-prospective Arabian-Nubian Shield supported by our strong partners in Ethiopia and Saudi Arabia. With the Ethiopian State of Emergency, conventional finance proposals were stalled in 2016 so we successfully responded by focusing our efforts on alternative financiers familiar with Africa, especially Ethiopia, and particularly on proposals designed around African-experienced gold project contractors. As a result, we are now assessing three proposals. At the same time, operational activities continued uninterrupted and we now have a development-ready mine, once the funding package is finalised. We look forward to commencing development in 2017 and open-pit gold production in 2019.

"This year we also strengthened our pipeline of ANS growth projects to complement our Tulu Kapi open-pit gold mine, including the Tulu Kapi underground mine and satellite deposits; our oxide gold mine at Jibal Qutman in Saudi Arabia; a large VHMS base metal target at Hawiah in Saudi Arabia; and further exploration prospects in the Arabian-Nubian Shield. With the robust economics of our key development projects, including the ability to payback initial capital within three years – and strong pipeline, we have a well-positioned foundation, great growth prospects and are confident of delivering shareholder value."

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

ENQUIRIES

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

NOTES TO EDITOR

KEFI Minerals plc is the operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with attributable Mineral Resources (JORC 2012) of 1.93Moz gold (100% of Tulu Kapi's 1.72Moz gold in Ethiopia and 40% of Jibal Qutman's 0.73Moz gold in Saudi Arabia) 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.

Operational Review

The Company's assets provide a healthy platform to deliver shareholder value by developing profitable mines in Ethiopia and Saudi Arabia.

KEFI Minerals made substantial progress during 2016 towards becoming a gold producer in one of the world's great under-developed minerals provinces – the Arabian-Nubian Shield.

The Company's Tulu Kapi Gold Project in Ethiopia remains the primary focus. KEFI has continued to work with the Government of Ethiopia, industry experts and project contractors over the past year in order to ensure that construction can commence as soon as funding is in place.

Initial open-pit gold production from Tulu Kapi is projected at 115,000 ounces per annum at a low All-in Sustaining Cost of less than US$800/oz. Tulu Kapi's Ore Reserves of 1.0 million ounces and Mineral Resources of 1.7 million ounces have significant upside potential.

At the Company's Jibal Qutman Gold Project in Saudi Arabia, the Mining Licence Application for the planned heap-leach operation has been lodged with the Saudi Government for continuing discussion and review.

Development-Ready Gold Mine - Tulu Kapi

This high-value, low-capex asset is now poised for development when the funding package is finalised. Whilst KEFI's finance team has been preparing the funding package, the project development team has continued to work with the Company's selected contractors in order to further optimise Tulu Kapi's detailed development and operating plans.

Feedback on the 2015 DFS from project contractors, financiers and partners was incorporated into an improved mine plan in early 2016. All refinements to the 2015 DFS were, in May 2017, incorporated into the 2017 DFS Update in preparation for financing. This reflects, among other things, the fixed price, lump-sum processing plant construction contract with Lycopodium and a warranted ore processing rate of 1.5-1.7 million tonnes per annum.

KEFI bases the finance structure on the numbers and schedules in the 2017 DFS Update, which includes only the planned open pit. However, the Company will target a quicker construction schedule and 10% higher annual throughput compared with the contractually warranted estimates used for debt-structuring. KEFI's financial targets for the open-pit project include:

- Gold production of 120,000 ounces per annum for eight of the initially planned ten years;
- At a flat average gold price of US$1,200-1400/oz for all ten years of gold production (2019-2028):
    - All-in Sustaining Costs of less than US$800/oz (excluding financing charges);
    - After-tax, unleveraged IRR of 25%-36%;
    - After-tax, unleveraged NPV (8% discount rate) of US$98-184 million at start of construction;
    - After-tax, unleveraged NPV (8% discount rate) of US$272-375 million at start of production in 2019;
    - Annual net operating cash flows of US$56-78 million p.a. for the first eight years of production, and
    - Payback of 3 years.

As a result of KEFI's overhaul of all aspects of the project due diligence and planning, the project has soundly-based, robust economics and significant growth potential beyond the existing open-pit Ore Reserve estimate of 15.4 million tonnes at 2.12g/t gold, containing 1.05 million ounces.

The projected open-pit cash flows indicate that the net cash build-up (after financing costs) in the first three production years is US$65 million to US$265 million for a gold price range of

US$1,100/oz to US$1,900/oz. Significant value is also expected from the contemplated underground mine.

Strong Support from Ethiopian Government for Tulu Kapi Development
The Tulu Kapi Gold Project ranks high as a national priority within Ethiopia's Growth and Transformation Plan and KEFI is delighted to have the strong support of the community in addition to the support from the Government at all levels.

Responsible mine development is a high priority for KEFI and the Ethiopian Government. KEFI welcomes the Government's constructive attitude that encourages us to bring Tulu Kapi into production as rapidly as prudently possible whilst ensuring compliance with all relevant governance and quality standards.

The restrictions imposed by the State of Emergency declared by the Ethiopian Government in October 2016 have now mostly been lifted. KEFI's operational activities have continued as normal during this time and appropriate security precautions have been built into project planning.

After consultations with KEFI, the Government of Ethiopia has triggered the community resettlement programmes, which began with property surveys and host-land preparations and also incorporate livelihood restoration programmes.

Notably in May 2017, the Government of Ethiopia further demonstrated its strong support by executing the detailed formal documentation for its committed equity capital contribution of approximately US$20 million to Tulu Kapi's development. This investment will increase the Government's share of the project from a 5% free-carried interest to circa 25%, depending on the final financing structure.

Further Potential at Tulu Kapi
In parallel with working towards open-pit gold production, KEFI has already evaluated the potential for developing an underground mine beneath the Tulu Kapi open pit. A Preliminary Economic Assessment completed in early 2016 indicated robust economics for an underground mine. Based on 2014 Mineral Resources, the addition of an underground mine has the potential to increase total (open pit and underground) gold production to more than 150,000 ounces per annum over four years. The orebody remains open and further potential will be added.

The Government has encouraged KEFI to plan an ambitious exploration programme in the district around Tulu Kapi and elsewhere in Ethiopia. Targets have been identified for both satellite gold deposits and stand-alone development projects. Tulu Kapi is intended to become a central ore processing centre for additional deposits to be developed in the district.

Oxide Gold Project - Jibal Qutman
In Saudi Arabia, the first priority for the Company's G&M Joint Venture is to develop an open-pit, heap-leach ("HL") gold operation, using a staged development approach predicated on a low-capex start-up to be expanded in modular stages as additional mineralisation is delineated. The potential cash flow from HL oxide gold production is an opportunity to fund:

- construction of a carbon-in-leach ("CIL") plant to process the deeper sulphide ore profitably; and
- exploration in Saudi Arabia to create a strong Saudi mining company for the long term.

Following on-site meetings with regulators in March 2017, the Mining Licence Application for the Jibal Qutman HL gold development was lodged with the Saudi Government for continuing discussion and review.

At Hawiah, G&M has identified a huge target for precious and base metals based on the surface-sampling of a six-kilometre long gossan (oxidised mineralisation exposed on the surface) and the results of the geophysical surveys of the ground beneath the gossan.

KEFI's Saudi venture is a strategic long-term priority and the Company is confident of having established an early-entrant position in what will emerge as a world-class minerals province. During the past year, G&M overhauled its portfolio of licence applications by discarding some and adding others. The next key step is for G&M to review the new Saudi mining industry regulations and policies that are expected to be published soon. KEFI will then proceed with Jibal Qutman soon after the planned Tulu Kapi development and also expand exploration activities as results warrant.

Financing Review

Equity Funding

KEFI has, to date, financed its activities through periodic capital raisings and contributions by partners.

The Company completed several equity placings during 2016, raising a total of £5.6 million (before expenses).

In March 2017, shareholders approved a £5.62 million fundraising comprised of:

- £0.60 million placing of equity by Brandon Hill Capital;
- £0.40 million subscription by certain of the Directors, employees and Lycopodium; and
- £4.62 million subscription by Lanstead Capital.

Following the completion of the March 2017 fundraising and associated consolidation of the Company's capital on a 17-for-1 basis, KEFI had a total of 332.7 million Ordinary Shares on issue.

A key aspect of the March 2017 fundraising is that £3.93 million of the £4.62 million subscription by Lanstead is subject to a Sharing Agreement that allows KEFI to benefit financially from positive share price performance, whilst limiting the financial downside risk from a negative share price performance.

The number of Ordinary Shares issued to Lanstead under the Sharing Agreement is fixed at 82.4 million Ordinary Shares. However, the amount from Lanstead due to KEFI under the Sharing Agreement is adjustable upwards or downwards at each of the 18 monthly settlements that commenced in May 2017. The Lanstead Sharing Agreement underpins the Company's expenditure for 2017 and is focused on an increasing share price being beneficial to both Lanstead and KEFI shareholders.

Partnering the Government in Ethiopia and ARTAR in Saudi Arabia

In May 2017, KEFI Minerals (Ethiopia) Limited ("KME") and the Federal Democratic Republic of Ethiopia signed the Shareholders' Agreement and other foundation documentation for the incorporation, ownership and operation of Tulu Kapi Gold Mines Share Company Limited ("TKM"), which will result in TKM owning 100% of Tulu Kapi. The exploration projects outside the Tulu Kapi Mining Lease area are not part of TKM and remain 100% owned by KEFI.

In the Kingdom of Saudi Arabia KEFI conducts all its activities through Gold and Minerals Co. Limited, its joint venture company with Abdul Rahman Saad Al Rashid and Sons Limited ("ARTAR"). KEFI is operator with a 40% interest and ARTAR has 60%. KEFI is fortunate to have such a strong Saudi group as a partner and G&M has assembled a large and prospective portfolio of exploration licences and applications. Having made a discovery at Jibal Qutman, the joint venture looks forward to development and expansion in the minerals sector, which the Saudi Government has made a national strategic priority.

Tulu Kapi Development Funding

The Tulu Kapi funding process is ongoing with several potential financiers who are comfortable investing in Ethiopia.

The foundations of risk management for funding Tulu Kapi include that all short-term (up to five years) debt servicing commitments are met even if the price of gold drops to and stays at c. US$900/oz whilst longer-term (5-10 years) commitments are acceptable as long as they are covered by a flat price of c. US$1,000/oz. It is notable that the lowest gold price in the past seven years is c. US$1,100/oz and the highest c. US$1,900/oz.

Since acquiring the project, KEFI has continually refined and reduced project capital requirements and rendered more reliable production plans. Before adding financing charges and costs of other KEFI activities, the current estimate of total KEFI group requirement for Tulu Kapi development capital is c. US$160 million, which has been approximately halved from the previous owner’s estimate.

KEFI’s progress on project financing was delayed during 2016 as a result of the tightening of the mining debt-finance sector generally and the declaration of the Ethiopian State of Emergency, which had the effect of depressing the interest of financiers unfamiliar with Ethiopia. The Company responded by elevating its focus onto alternative financiers familiar with Africa and especially Ethiopia and, in particular, to design financing proposals with African-experienced gold project contractors. KEFI now has three financing proposals built around alternative project contracting syndicates, and has prioritised the funding structure designed around the preferred contractors selected in 2016 – Ausdrill for mining and Lycopodium for processing.

As a result of recent progress, along with potential financiers, the Government and contractors, KEFI has intensified preparations for development to commence this year. The syndication brings with it the complexities of multiple jurisdictions and “paving the way” in Ethiopia for which this is the first internationally-financed major mining project finance transaction. Nevertheless, all syndicate members are working to the common objective of starting production in 2019.

Outlook

KEFI’s initiatives on both sides of the Red Sea reflect the Company’s conviction that the ANS has world-class prospectivity overseen by governments that have made the mining sector a strategic priority. KEFI is very fortunate to have a +1,000 km^2 portfolio of exploration properties at various stages within the highly prospective ANS – and this portfolio will grow.

The Company has established a solid platform with world-class partners in each jurisdiction and has, with industry-leading contractors, developed a counter-cyclical opportunity to establish successful mining operations in the region. KEFI’s approach has been to place its development strategy into the hands of a team of seasoned operators with a proven record of start-up successes in Africa. This team has transformed Tulu Kapi from an uneconomic project into one that is now being evaluated by financiers as a robust, fully-permitted project with significant upside potential for shareholders.

The Board is confident of the Company’s strategy and asset base. KEFI has the appropriate mix of industry-experienced technical and financial expertise to prudently progress its projects into profitable gold mines. In addition, the Company has an organisational development plan that will see requisite human resources added with recruitment as progress warrants. The Company now has two cornerstone shareholders in Odey Asset Management and Lanstead Capital that support rapid growth companies. Project contractors Ausdrill and Lycopodium are also shareholders as is the Board of Directors.

KEFI Minerals is positioned to become the operator of two gold development projects in the highly-prospective ANS. The Company has achieved this progress with a small team around whom the full operating team will be built in conjunction with the project contractors, both of whom have over 20 years of mine building experience in Africa. The Company is well supported by a number of high calibre, quality specialist advisers also selected for their pre-eminence in start-ups of this nature.

As a result, the calm and improving situation in Ethiopia, combined with the range of financing scenarios being considered by the Company, make the Board confident that the Tulu Kapi Gold Project can proceed to development in 2017.

Consolidated statement of comprehensive income

Year ended 31 December

(All amounts in GBP thousands unless otherwise stated)

	Notes	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
Revenue		**-**	-
Exploration costs		**(125)**	(4)
Gross loss		**(125)**	(4)
Administrative expenses		**(2,190)**	(1,720)
Vat refund		**2,512**	-
Share-based payments	17	**(445)**	(378)
Share of loss from jointly controlled entity	19	**(726)**	(735)
Operating loss	6	**(974)**	(2,837)
Foreign exchange loss		**(123)**	(50)
Finance costs	8	**(136)**	(319)
Loss before tax		**(1,233)**	(3,206)
Tax	9	**-**	-
Loss for the year		**(1,233)**	(3,206)
Other comprehensive income:			
Exchange differences on translating foreign operations		**200**	56
Total comprehensive loss for the year		**(1,033)**	(3,150)
Basic and fully diluted loss per share (pence)	10	**(0.037)**	(0.20)

The accompanying notes are an integral part of these consolidated financial statements.

Statements of financial position

31 December

(All amounts in GBP thousands unless otherwise stated)

	Notes	The Group 2016	The Company 2016	The Group 2015	The Company 2015
ASSETS					
Non-current assets					
Property, plant and equipment	11	**61**	**6**	81	3
Intangible assets	12	**13,992**	**3,939**	11,845	1,078
Fixed asset investments	13.1	**-**	**4,598**	-	4,598
Investments in jointly controlled entities	13.2	**-**	**181**	-	181
		14,053	**8,724**	11,926	5,860
Current assets					
Available for sale financial assets	14	**95**	**-**	92	8
Trade and other receivables	15	**3,056**	**8,069**	358	7,710
Cash and cash equivalents	16	**410**	**400**	562	393
		3,561	**8,469**	1,012	8,111
Total assets		**17,614**	**17,193**	**12,938**	**13,971**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	**3,883**	**3,883**	2,623	2,623
Deferred Shares	17	**12,436**	**12,436**	12,436	12,436
Share premium	17	**16,279**	**16,279**	12,347	12,347
Share options reserve	17	**1,474**	**1,474**	1,212	1,212
Foreign exchange reserve		**170**	**-**	(30)	-
Accumulated losses		**(18,695)**	**(18,496)**	(17,645)	(15,623)
Total equity		**15,547**	**15,576**	10,943	12,995
Current liabilities					
Trade and other payables	20	**2,067**	**1,617**	1,995	976
		2,067	**1,617**	1,995	976
Total liabilities		**2,067**	**1,617**	1,995	976
Total equity and liabilities		**17,614**	**17,193**	12,938	13,971

The accompanying notes are an integral part of these consolidated financial statements.

The Company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own statement of comprehensive income. Loss after taxation amounting to £3.1 million (2015: £2.5 million) has been included in the financial statements of the parent company.

On the 5 June 2017, the Board of Directors of KEFI Minerals PLC authorised these financial statements for issue.

Harry Anagnostaras-Adams
Executive Director-Chairman
Company Number: 05976748

Consolidated statement of changes in equity

Year ended 31 December 2016

(All amounts in GBP thousands unless otherwise stated)

	Attributable to the owners of the Company						
	Share capital	**Deferred shares**	**Share premium**	**Share options reserve**	**Foreign exchange reserve**	**Accumulated losses**	**Total**
At 1 January 2015	12,352	-	8,433	848	(86)	(14,389)	7,158
Loss for the year	-	-	-	-	-	(3,206)	(3,206)
Other comprehensive income	-	-	-	-	56	-	56
Total Comprehensive Income	-	-	-	-	56	(3,206)	(3,150)
Recognition of share based payments	-	-	-	378	-	-	378
Cancellation of options	-	-	-	(14)	-	14	-
Issue of share capital	2,707	-	4,293	-	-	-	7,000
Restructuring of share capital	(12,436)	12,436	-	-	-	-	-
Share issue costs	-	-	(379)	-	-	(64)	(443)
At 31 December 2015	**2,623**	**12,436**	**12,347**	**1,212**	**(30)**	**(17,645)**	**10,943**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(1,233)**	**(1,233)**
Other comprehensive income	**-**	**-**	**-**	**-**	**200**	**-**	**200**
Total Comprehensive Income	**-**	**-**	**-**	**-**	**200**	**(1,233)**	**(1,033)**
Recognition of share based payments	**-**	**-**	**-**	**445**	**-**	**-**	**445**
Cancellation of options	**-**	**-**	**-**	**(183)**	**-**	**183**	**-**
Issue of share capital	**1,260**	**-**	**4,296**	**-**	**-**	**-**	**5,556**
Share issue costs	**-**	**-**	**(364)**	**-**	**-**	**-**	**(364)**
At 31 December 2016	**3,883**	**12,436**	**16,279**	**1,474**	**170**	**(18,695)**	**15,547**

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	**Description and purpose**
Share capital	amount subscribed for ordinary share capital at nominal value
Deferred shares	on 16 June 2015, under the restructuring of share capital, ordinary shares of 1p each in the capital of the Company were sub-divided into one new ordinary share of 0.1p and one deferred share of 0.9p
Share premium	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve	reserve for share options granted but not exercised or lapsed
Foreign exchange reserve	cumulative foreign exchange net gains and losses recognized on consolidation
Accumulated losses	cumulative net gains and losses recognized in the statement of comprehensive income, excluding foreign exchange gains within other comprehensive income
Non-controlling interest (NCI)	the portion of equity ownership in a subsidiary not attributable to the parent company

The accompanying notes are an integral part of these consolidated financial statements.

Company statement of changes in equity

Year ended 31 December 2016

(All amounts in GBP thousands unless otherwise stated)

	Share capital	Deferred shares	Share premium	Share options reserve	Accumulated losses	Total
At 1 January 2015	12,352	-	8,433	848	(13,117)	8,516
Comprehensive loss for the year	-	-	-	-	(2,456)	(2,456)
Recognition of share based payments	-	-	-	378	-	378
Cancellation of options	-	-	-	(14)	14	-
Restructuring of share capital	(12,436)	12,436	-	-	-	-
Issue of share capital	2,707	-	4,293	-	-	7,000
Share issue costs	-	-	(379)	-	(64)	(443)
At 31 December 2015	**2,623**	**12,436**	**12,347**	**1,212**	**(15,623)**	**12,995**
Comprehensive loss for the year	**-**	**-**	**-**	**-**	**(3,056)**	**(3,056)**
Recognition of share based payments	**-**	**-**	**-**	**445**	**-**	**445**
Cancellation of options	**-**	**-**	**-**	**(183)**	**183**	**-**
Issue of share capital	**1,260**	**-**	**4,296**	**-**	**-**	**5,556**
Share issue costs	**-**	**-**	**(364)**	**-**	**-**	**(364)**
At 31 December 2016	**3,883**	**12,436**	**16,279**	**1,474**	**(18,496)**	**15,576**

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	**Description and purpose**
Share capital	amount subscribed for ordinary share capital at nominal value
Deferred shares	on 16 June 2015, under the restructuring of share capital, ordinary shares of 1p each in the capital of the Company were sub-divided into one new ordinary share of 0.1p and one deferred share of 0.9p
Share premium	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve	reserve for share options granted but not exercised or lapsed
Accumulated losses	cumulative net gains and losses recognized in the statement of comprehensive income

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
Year ended 31 December 2016
(All amounts in GBP thousands unless otherwise stated)

	Notes	**Year Ended 31.12.16 £'000**	Year Ended 31.12.15 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,233)**	(3,206)
Adjustments for:			
Depreciation of property, plant and equipment	11	**55**	90
Share based payments	18	**281**	215
Impairment of intangible asset	12	**266**	-
Issue of warrants	17	**164**	163
Share of loss from jointly controlled entity	19	**726**	735
Exchange difference		**44**	37
		303	(1,966)
Changes in working capital:			
Trade and other receivables		**(2,701)**	29
Trade and other payables		**51**	(1,111)
Net cash used in operating activities		**(2,347)**	(3,048)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deferred exploration costs		**(1,189)**	(967)
Project evaluation costs		**(1,224)**	(1,739)
Acquisition of property plant and equipment		**(35)**	(11)
Advances to jointly controlled entity		**(566)**	(790)
Proceeds from disposal of available for sale asset		**16**	-
Net cash used in investing activities		**(2,998)**	(3,507)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**5,556**	6,923
Issue costs	17	**(364)**	(443)
Net cash from financing activities		**5,192**	6,480
Net decrease in cash and cash equivalents		**(153)**	(75)
Effect of cash held in foreign currencies		**1**	(3)
Cash and cash equivalents:			
At beginning of the year	16	**562**	640
At end of the year	16	**410**	562

The accompanying notes are an integral part of these consolidated financial statements.

Company statement of cash flows

Year ended 31 December 2016

(All amounts in GBP thousands unless otherwise stated)

	Notes	Year Ended	Year Ended
		31.12.16	31.12.15
		£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(3,056)**	(2,456)
Adjustments for:			
Share based payments	18	**281**	215
Issue of warrants	17	**164**	163
Impairment of loan to subsidiary		**64**	28
Impairment of amount receivable from jointly controlled entity		**494**	720
Exchange difference		**1**	74
		(2,052)	(1,256)
Changes in working capital:			
Trade and other receivables		**37**	45
Trade and other payables		**641**	20
Net cash used in operating activities		**(1,374)**	(1,191)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property plant and equipment		**(3)**	(1)
Project evaluation costs		**(2,861)**	(587)
Advances to jointly controlled entity		**(566)**	(790)
Proceeds from disposal of available for sale asset		**16**	-
Loan to subsidiary		**(397)**	(4,125)
Net cash used in investing activities		**(3,811)**	(5,503)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**5,556**	6,923
Issue costs	17	**(364)**	(443)
Net cash from financing activities		**5,192**	6,480
Net increase/(decrease) in cash and cash equivalents		**7**	(214)
Cash and cash equivalents:			
At beginning of the year	16	**393**	607
At end of the year	16	**400**	393

The accompanying notes are an integral part of these consolidated financial statements.

1. Incorporation and principal activities

Country of incorporation

KEFI Minerals PLC (the "Company") was incorporated in United Kingdom as a public limited company on 24 October 2006. Its registered office is at 27/28, Eastcastle Street, London W1W 8DH.

The Company has taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these financial statements.

Principal activities

The principal activities of the Group for the year were:

- To explore for mineral deposits of precious and base metals and other minerals that appear capable of commercial exploitation, including topographical, geological, geochemical and geophysical studies and exploratory drilling.
- To evaluate mineral deposits determining the technical feasibility and commercial viability of development, including the determination of the volume and grade of the deposit, examination of extraction methods, infrastructure requirements and market and finance studies.
- To develop mineral deposits and market the metals produced.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout both periods presented in these financial statements unless otherwise stated.

Basis of preparation and consolidation

The Company and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They comprise the accounts of KEFI Minerals PLC and all its subsidiaries made up to 31 December 2016. The Company and the consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Going concern

The Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company and Group will be able to secure adequate resources to continue in operational existence for the foreseeable future.

The financial information has been prepared on the going concern basis, the validity of which depends principally on securing funding to develop the Tulu Kapi mine project as an economically viable mineral deposit, and the availability of subsequent funding to extract the resource, or alternatively the availability of funding to extend the Company's and Group's exploration activities.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern.

Functional and presentational currency

Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") which for the Company is British Pounds (GBP). The financial statements are presented in British Pounds (GBP).

2. Accounting policies (continued)

Foreign currency translation

(1) Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the statement of comprehensive income.

(2) Foreign operations

On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly in which case they are recorded at the actual rate. Exchange differences arising, if any, are recognized in the foreign currency translation reserve and as a component of other comprehensive income, and recognized in profit or loss on disposal of the foreign operation.

Revenue recognition

The Group had no sales or revenue during the year ended 31 December 2016 (2015: £Nil).

Property plant and equipment

Property plant and equipment are stated at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition less depreciation.

Depreciation is calculated using the straight-line method to write off the cost of each asset to their residual values over their estimated useful life. The annual depreciation rates used are as follows:

Furniture, fixtures and office equipment	25%
Motor vehicles	25%
Plant and equipment	25%

Acquisitions and goodwill

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the business combination are written off to the statement of comprehensive income. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date. Where the Group acquires a subsidiary for less than the fair value of its assets and liabilities, this results in negative goodwill which is recognized in profit and loss.

Purchased goodwill is capitalized and classified as an asset on the statement of financial position. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is reviewed for impairment on an annual basis. When the directors consider the initial value of the acquisition to be negligible, the goodwill is written off to the statement of comprehensive income immediately. Trading results of acquired subsidiary undertakings are included from the date of acquisition.

Goodwill is deemed to be impaired when the present value of the future cash flows expected to be derived is lower than the carrying value. Any impairment is charged to the statement of comprehensive income immediately.

2. Accounting policies (continued)

Interest in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has joint control are referred to as jointly controlled entities. The results and assets and liabilities of jointly controlled entities are included in these financial statements for the period using the equity method of accounting.

Finance costs

Interest expense and other borrowing costs are charged to the statement of comprehensive income as incurred.

Tax

The tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Tax is payable in the relevant jurisdiction at the rates described in note 9.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable differences and deferred tax assets are recognized to the extent that taxable profits will be available against which deductible temporary differences can be utilized. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when the deferred taxes relate to the same fiscal authority.

Investments

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognized as an expense in the period in which the impairment is identified, in the Company accounts. These investments are consolidated in the Group accounts.

Exploration costs

The Group has adopted the provisions of IFRS 6 “Exploration for and Evaluation of Mineral Resources”.

Exploration, evaluation and development expenditure, including acquisition costs of licences, in respect of each identifiable area of interest is expensed to the statement of comprehensive income as incurred, until the point at which development of a mineral deposit is considered economically viable.

Once the Board decides on the development of a project, development expenditure will be capitalized as incurred and amortized over the estimated useful life of the area according to the rate of depletion of the economically recoverable reserves or over the estimated useful life of the mine, if shorter.

The directors consider that the stage of development of its Licence areas in Saudi Arabia has not yet met its criteria for capitalization. Capitalized development costs for the Group’s project in Ethiopia have been recognized on acquisition, and will continue to be capitalised since this date, in accordance with IFRS 6.

A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated capitalized costs in relation to an abandoned area of interest will be written off in full against profit in the year in which the decision to abandon the area is made. Capitalized development expenditure will be amortized from the date at which production commences on a unit of production basis over the lifetime of the ore reserves for the area to which the costs relate.

Share-based compensation benefits

IFRS 2 "Share-based Payment" requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each statement of financial position date. The total amount expensed is recognized over the vesting period, which is the period over which performance conditions are to be satisfied.

The fair value is measured using the Black Scholes pricing model. The inputs used in the model are based on management's best estimate, including consideration of the effects of non-transferability, exercise restrictions and behavioural considerations.

Financial instruments

Financial assets at amortized cost

Loans and receivables are recognized when the Group becomes party to the contractual provisions of the financial instrument. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at fair value through profit or loss

Subsequent to initial recognition, when a financial asset is designated as such on initial recognition, it is classified as held at fair value through profit or loss. Assets other than held for trading are designated at fair value through profit and loss when the Group manages the holdings and makes purchase and sale decisions based on fair value assessments and documented risk management and investment strategies. Attributable transaction costs and changes in fair value are recognized in profit or loss.

Financial liabilities - equity

Financial liabilities are recognized when the Group becomes party to the loan. Financial liabilities represent trade payables and are initially measured at fair value and subsequently at amortized cost.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs. The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

3. Financial risk management

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand with an original maturity date of less than three months.

Financial risk factors

The Group is exposed to market risk (interest rate risk and currency risk), liquidity risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group does not consider this risk to be significant.

3. Financial risk management (continued)

Market risk - Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2016	2015
Variable rate instruments		
Financial assets	**410**	562

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2016 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. Given current interest rate levels, a decrease of 25 basis points has been considered, with the impact on profit and equity shown below.

	Equity 2016	**Profit or Loss 2016**	Equity 2015	Profit or Loss 2015
Variable rate instruments				
Financial assets – increase of 100 basis points	**4**	**4**	6	6
Financial assets – decrease of 25 basis points	**(1)**	**(1)**	(1)	(1)

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the functional currency of the entity.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, Turkish Lira, US Dollar, Ethiopia ETB and Saudi Arabian Riyal. Since 1986 the Saudi Arabian Riyal is pegged to the US Dollar, it is fixed at USD/SAR 3.75. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows: The Saudi Arabian Riyal exposure is included in the USD amounts.

	Liabilities 2016	**Assets 2016**	Liabilities 2015	Assets 2015
Australian Dollar	**215**	**-**	24	-
Euro	**205**	**2**	276	2
Turkish Lira	**1**	**40**	1	40
US Dollar	**1,025**	**318**	663	266
Ethiopia ETB	**187**	**2,943**	779	354

3. Financial risk management (continued)

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2016 would have increased/(decreased) equity and profit or loss by the amounts shown in the table below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the British Pound against the relevant currency, there would be an equal and opposite impact on the loss and equity.

	Equity 2016	**Profit or Loss 2016**	Equity 2015	Profit or Loss 2015
AUD Dollar	**22**	**22**	3	3
Euro	**20**	**20**	27	27
Turkish Lira	**(4)**	**(4)**	(4)	(4)
US Dollar	**58**	**58**	40	40
Ethiopia ETB	**(276)**	**(276)**	42	42

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The Group's contractual cash flows for its financial liabilities are all due within 3 months or less. In January 2014 agreement was made with the Ethiopian tax authorities to pay the reverse VAT over a period of three years (principal and interest). The VAT amount was settled during 2016 and has given rise to a VAT refund.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. This is done through the close monitoring of cash flows.

The capital structure of the Group consists of cash and cash equivalents of £410,000 (2015: £562,000) and equity attributable to equity of the parent, comprising issued capital and deferred shares of £16,319,000 (2015: £15,059,000), other reserves of £17,923,000, (2015: £13,529,000) and accumulated losses of £18,695,000 (2015: £17,645,000). The Group does not use derivative financial instruments and has no long-term debt facilities.

Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the reporting date.

	Carrying Amounts		**Fair Values**	
	2016	2015	**2016**	2015
Financial assets				
Cash and cash equivalents (Note 16)	**410**	562	**410**	562
Available for sale financial assets (Note 14)	**95**	92	**95**	92
Trade and other receivables (Note 15)	**3,056**	358	**3,056**	358
Financial liabilities				
Trade payables (Note 20)	**2,067**	1,995	2,066	1,995

Available for sale financial assets are classified as Level 1 within the fair value hierarchy, except for Ethiopian Government bonds, which are classified as Level 2. Level 1 items are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 items are derived from inputs other than quoted prices included within Level 1 that are observable for the assets either directly or indirectly.

Other financial assets and liabilities are short term and their carrying value is considered to approximate to their fair value.

4. Use and revision of accounting estimates and judgements

The preparation of the financial report requires the making of estimations and assumptions that affect the recognized amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant judgements include:

Going concern
The going concern presumption depends principally on securing funding to develop the Tulu Kapi mine project as an economically viable mineral deposit, and the availability of subsequent funding to extract the resource, or alternatively the availability of funding to extend the Company's and Group's exploration activities.

Significant estimates include:

Fair value of acquisitions

The 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. Fair value estimates are required. In calculating the fair value estimates of net identifiable net assets on acquisition significant judgements and estimates are required.

Share based payments
In calculating the fair value at the grant date, the Black Scholes model requires us to estimate the inputs to this model, in particular in respect of volatility. This assessment is based on historical share price movements assuming these will continue into the future.

Impairment review of asset carrying values
Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Where the recoverable amounts of Group cash generating units are assessed by analyses of discounted cash flows, the resulting valuations are particularly sensitive to changes in estimates of long term commodity prices, exchange rates, operating costs, the grouping of assets within cash-generating units and discount rates.

Capitalisation of exploration and evaluation costs
Under the Group's accounting policy, exploration and evaluation expenditure is not capitalised until the point is reached at which there is a high degree of confidence in the project's viability and it is considered probable that future economic benefits will flow to the Group. Subsequent recovery of the resulting carrying value depends on successful development or sale of the undeveloped project. If a project does not prove viable, all irrecoverable costs associated with the project net of any related impairment provisions are written off.

Contingent liabilities
A contingent liability arises where a past event has taken place for which the outcome will be confirmed only by the occurrence or non-occurrence of one or more uncertain events outside of the control of the Group, or a present obligation exists but is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A provision is made when a loss to the Group is likely to crystallise. The assessment of the existence of a contingency and its likely outcome, particularly if it is considered that a provision might be necessary, involves significant judgment taking all relevant factors into account.

5. Operating segments

The Group has only one distinct operating segment, being that of mineral exploration. The Group's exploration activities are located in the Kingdom of Saudi Arabia (through the jointly controlled entity), Ethiopia and its administration and management is based in Cyprus.

	Cyprus	**Turkey**	**Bulgaria**	**Ethiopia**	**Consolidated**
2016					
Operating (loss)/profit	**(2,467)**	**(34)**	**(3)**	**(255)**	**(2,759)**
Material non-recurring item	**(482)**	**-**	**-**	**2,994**	**2,512**
Foreign exchange profit/(loss)	**(193)**	**70**	**-**	**-**	**(123)**
Interest	**(136)**	**-**	**-**	**-**	**(136)**
	(3,278)	**36**	**(3)**	**2,739**	**(506)**
Share of loss from jointly controlled entity					**(726)**
Loss before tax					**(1,232)**
Tax					**-**
Loss for the year					**(1,232)**
Total assets	**4,520**	**42**	**4**	**13,049**	**17,615**
Total liabilities	**1,617**	**2**	**4**	**443**	**2,066**
Depreciation of property, plant and equipment	**1**	**-**	**-**	**54**	**55**
Impairment of intangible assets	**-**	**-**	**-**	**266**	**266**

	Cyprus	**Turkey**	**Bulgaria**	**Ethiopia**	**Consolidated**
2015					
Operating loss	(1,552)	(33)	8	(525)	(2,102)
Foreign exchange profit/(loss)	13	(26)	-	(37)	(50)
Interest	(179)	-	-	(140)	(319)
	(1,718)	(59)	8	(702)	(2,471)
Share of loss from jointly controlled entity					(735)
Loss before tax					(3,206)
Tax					-
Loss for the year					(3,206)
Total assets	1,695	42	4	11,197	12,938
Total liabilities	976	2	4	1,013	1,995
Depreciation of property, plant and equipment	-	-	-	90	90

6. Expenses by nature

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
Exploration costs	**125**	4
Depreciation of property, plant and equipment (Note 11)	**55**	90
Material non-recurring item- vat refund (Note 15 and Note 20)	**(2,512)**	-
Impaired intangible assets (Note 12)	**266**	-
Warrants issue costs (Note 17)	**164**	163
Share based benefits to employees (Note 17)	**77**	69
Share of losses from jointly controlled entity (Note 5 and Note 19)	**726**	735
Directors' fees and other benefits (Note 21.1)	**716**	718
Consultants' costs	**439**	246
Auditors' remuneration - audit current year	**62**	51
Auditors' remuneration - associated firm	**7**	-
Other expenses	**849**	761
Operating loss	**974**	2,837

The Group's stages of operations in Saudi Arabia as at the year-end and as at the date of approval of these financial statements have not yet met the criteria for capitalization of exploration costs. The Company only capitalises direct development costs for the Tulu Kapi gold project in Ethiopia.

7. Staff costs

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
Salaries	**550**	474
Accumulated Leave Provision	**49**	-
Termination Package	**126**	-
Social insurance costs and other funds	**32**	39
	757	513
Average number of employees	**45**	46

Excludes Directors' remuneration and fees which are disclosed in note 21.1. These staff costs are capitalised in development exploration costs.

8. Finance costs

	2016	2015
Interest paid to Ethiopian Revenue and Customs Authority ("ERCA") – Note 20	**-**	140
Other finance costs	**136**	179
	136	319

9. Tax

	2016	2015
Loss before tax	**(1,233)**	(3,206)
Tax calculated at the applicable tax rates	**(382)**	(515)
Tax effect of non-deductible expenses	**248**	308
Tax effect of tax losses	**341**	280
Tax effect of items not subject to tax	**(207)**	(92)
Tax effect of capital allowances	**-**	19
Tax effect of other timing differences	**-**	-
Charge for the year	**-**	-

The Company is resident in Cyprus for tax purposes. A deferred tax asset of £1,242,770 (2015: £1,336,989) has not been accounted for due to the uncertainty over future recoverability.

9. Tax (continued)

Cyprus
The corporation tax rate is 12.5%. Under certain conditions interest income may be subject to defence contribution at the rate of 15%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax year 2013 and 17% for 2014 and thereafter. Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 December 2016, the balance of tax losses which is available for offset against future taxable profits amounts to £ 9,942,163 (2015: £ 7,795,644).

Bulgaria
Mediterranean Minerals (Bulgaria) EOOD, the 100% subsidiary of the Company, is resident in Bulgaria for tax purposes. The corporation tax rate is 10%. Due to tax losses sustained in the period, no tax liability arises on the Mediterranean Minerals (Bulgaria) EOOD. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years. As at 31 December 2016, the balance of tax losses which is available for offset against future taxable profits amounts to £25,476 (2015: £34,035). The reduction in tax losses from the prior year is due to losses passing the five year threshold for their utilization.

Turkey
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket (Doğu Akdeniz Mineralleri), the 100% subsidiary of Mediterranean Minerals (Bulgaria) EOOD, and ultimately 100% subsidiary of the Company, is resident in Turkey for tax purposes. The corporation tax rate is 20%. Under local tax legislation, exploration costs are can only be set off against income from mining operations. Tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 December 2016, the balance of exploration costs that is available for offset against future income from mining operations amount to £ 811,471 (2015: £948,764).

Ethiopia
KEFI Minerals Ethiopia Limited is subject to other direct and indirect taxes in Ethiopia through its foreign operations. The mining industry in Ethiopia is relatively undeveloped. As a result, tax regulations relating to mining enterprises are evolving. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

During 2013, the House of People's Representatives passed an amendment to the Mining Income Tax Proclamation, reducing income tax from 35% to 25% and had received an initial draft of proposed amendments to the Mining Proclamation, which includes a reduction in royalty on gold production from 8% to 7%.

10. Loss per share

The calculation of the basic and fully diluted loss per share attributable to the ordinary equity holders of the parent is based on the following data:

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
Net loss attributable to equity shareholders	**(1,233)**	(3,206)
Average number of ordinary shares for the purposes of basic loss per share (000's)	**3,313,626**	1,577,708
Loss per share:		
Basic and fully diluted loss per share (pence)	**(0.037)**	(0.203)

The effect of share options and warrants on losses per share is anti-dilutive.

11. Property, plant and equipment

	Motor Vehicles	Plant and equipment	Furniture, fixtures and office equipment	Total
The Group				
Cost				
At 1 January 2015	60	198	61	319
Additions	-	7	4	11
Disposals	(17)	(70)	(6)	(93)
At 31 December 2015	**43**	**135**	**59**	**237**
Additions	**32**	**-**	**3**	**35**
At 31 December 2016	**75**	**135**	**62**	**272**
Accumulated Depreciation				
At 1 January 2015	39	73	47	159
Charge for the year	5	67	18	90
Disposals	(17)	(70)	(6)	(93)
At 31 December 2015	**27**	**70**	**59**	**156**
Charge for the year	**6**	**46**	**3**	**55**
At 31 December 2016	**33**	**116**	**62**	**211**
Net Book Value at 31 December 2016	**42**	**19**	**-**	**61**
Net Book Value at 31 December 2015	16	65	-	81

The above property, plant and equipment is located in Turkey and Ethiopia.

The Company has no significant property, plant and equipment.

12. Intangible assets

The Group	Project evaluation costs	Deferred exploration costs	Total
Cost			
At 1 January 2015	976	8,163	9,139
Additions	1,739	967	2,706
At 31 December 2015	**2,715**	**9,130**	**11,845**
Additions	**1,224**	**1,189**	**2,413**
At 31 December 2016	**3,939**	**10,319**	**14,258**
Accumulated Amortization and Impairment			
At 1 January 2015	-	-	-
Charge for the year	-	-	-
At 31 December 2015	**-**	**-**	**-**
Impairment Charge for the year	**-**	**266**	**266**
At 31 December 2016	**-**	**266**	**266**
Net Book Value at 31 December 2016	**3,939**	**10,053**	**13,992**
Net Book Value at 31 December 2015	2,715	9,130	11,845

The Company	Project evaluation costs	Total
Cost		
At 1 January 2015	976	976
Additions	587	587
Transfer from subsidiary	(485)	(485)
At 31 December 2015	**1,078**	**1,078**
Additions	**1,225**	**1,225**
Transfer to subsidiary	**1,636**	**1,636**
At 31 December 2016	**3,939**	**3,939**
Accumulated Amortization and Impairment		
At 1 January 2015	-	-
Charge for the year	-	-
At 31 December 2015	**-**	**-**
Charge for the year	**-**	-
At 31 December 2016	**-**	**-**
Net Book Value at 31 December 2016	**3,939**	**3,939**
Net Book Value at 31 December 2015	1,078	1,078

12. Intangible assets

Deferred exploration costs are associated with the Tulu Kapi mine in Ethiopia. The group recognized deferred exploration costs with a fair value of US$ 6,900,000 on acquisition of the project in December 2013. Further costs incurred by the Group since the acquisition have been capitalized.

Once the Board decides on the development of a project, development expenditure will be capitalized as incurred and amortised over the estimated useful life of the area according to the rate of depletion of the economically recoverable reserves or over the estimated useful life of the mine, if shorter.

As at 31 December 2016 management performed an impairment review for deferred exploration costs, which relate to the Tulu Kapi licence area, at 31 December 2016.The Net Present Value of the Tulu Kapi asset exceeded the net book value significantly.

The impairment review compared the recoverable amount of assets to the carrying value. The recoverable amount of an asset is assessed by reference to the higher of value in use (“VIU”), being the net present value (“NPV”) of future cash flows expected to be generated by the assets, and fair value less costs to dispose (“FVLCD”). The FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm’s length basis.

Project evaluation costs relating to work performed in assessing the economic feasibility and the independent technical review of the Tulu Kapi project have been capitalised by the Company. In August 2015, the Company published the Tulu Kapi Definitive Feasibility Study (“DFS”) evaluating a conventional open-pit mining operation and carbon-in leach (“CIL”) processing plant.

Feedback on the 2015 Definitive Feasibility Study (“2015 DFS”) from project contractors, financiers and partners was incorporated into an improved plan in early 2016. All refinements to the 2015 DFS were, in May 2017, incorporated into the 2017 DFS Update in preparation for financing. This reflects, among other things, the fixed price, lump-sum processing plant construction contract with Lycopodium and a warranted ore processing rate of 1.5-1.7 million tonnes per annum.

The Tulu Kapi Mining Agreement between the Ethiopian Government and the Company was formalised in April 2015. The terms include a 20-year Mining License, full permits for the development and operation of the Tulu Kapi gold project and a 5% Government free-carried interest. The Company is working towards funding the development of the Tulu Kapi project.

The schedule remains on track for project finance syndicate documentation and inter-creditor arrangements to be assembled and approved by syndicate and National Bank of Ethiopia for full drawdown by late- 2017. The Government of Ethiopia confirmed its intention to invest equity capital of US$20 million.

KEFI Minerals Ethiopia also has no other mining exploration licences in Ethiopia. All development costs relating to Yubdo and Billa Guilisso exploration licenses capitalised in previous years was impaired in the current year.

13. Investments

13.1 Fixed asset investments

The Company	**Year Ended 31.12.16 £'000**	Year Ended 31.12.15 £'000
Cost		
At 1 January	**4,598**	4,598
Acquisitions	**-**	-
At 31 December	**4,598**	4,598

Subsidiary companies	Date of acquisition/ incorporation	Country of incorporation	Effective proportion of shares held
Mediterranean Minerals (Bulgaria) EOOD	08/11/2006	Bulgaria	100%-Direct
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket	08/11/2006	Turkey	100%-Indirect
KEFI Minerals Ethiopia Limited	30/12/2013	United Kingdom	100%-Direct
KEFI Minerals Marketing and Sales Cyprus Limited	30/12/2014	Cyprus	100%-Direct

Subsidiary companies	The following companies have the address of:
Mediterranean Minerals (Bulgaria) EOOD	10 Tsar Osvoboditel Blvd., 3rd floor, Sredets Region, 1000 Sofia, the Republic of Bulgaria.
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket	Zeytinalani Mah. 4183 SK. Kapı No:6 Daire:2 UrlaA Izmir
KEFI Minerals Ethiopia Limited	27/28 Eastcastle Street, London, United Kingdom w1w 8DH
KEFI Minerals Marketing and Sales Cyprus Limited	23 Esekia Papaioannou Floor 2, Flat 21 1075, Nicosia Cyprus

On 8 November 2006, the company entered into an agreement to acquire from Atalaya Mining PLC (previously EMED) the whole of the issued share capital of Mediterranean Minerals (Bulgaria) EOOD, a company incorporated in Bulgaria, in consideration for the issue of 29,999,998 ordinary shares in the Company.

Mediterranean Minerals (Bulgaria) EOOD owns 100% of the share capital of Doğu Akdeniz Mineralleri ("Dogu"), a private limited liability company incorporated in Turkey, engaging in activities for exploration and developing of natural resources.

The Company owns 100% of Kefi Minerals Ethiopia, which operates the Tulu Kapi project in Ethiopia. The Government of Ethiopia is entitled to a 5% free-carried interest in the Tulu Kapi Gold Project. This entitlement is enshrined in the Ethiopian Mining Law and the Ethiopian Mining Agreement between the Ethiopian Government and KEFI Minerals Ethiopia. The implementation of this entitlement is intended to issue 5% of the shareholding of KEFI Minerals Ethiopia at the time of the final completion of the full project finance of the Tulu Kapi Gold Project. Once all the relevant documents are executed the intended arrangement would add 5% to the shareholding paid by the Ethiopian Government.

The company owns 100% of KEFI Minerals Marketing and Sales Cyprus, a company incorporated in Cyprus. The company was dormant for the year end 31 December 2016 and 2015. KEFI Minerals Marketing and Sales Cyprus had no assets or liabilities at the date of acquisition. No additional disclosure is considered necessary, as the entity is not significant to the financial statements. KEFI Minerals Marketing and Sales Cyprus will provide sales and marketing services for the Group once production commences. It is planned that this company will act as agent and off-taker for the onward sale of gold and other products in international markets.

13.2 Investment in jointly controlled entity

	Year Ended 31.12.16 £'000	**Year Ended 31.12.15 £'000**
The Company		
At 1 January/31 December	**181**	181

Jointly controlled entity	**Date of acquisition/ incorporation**	**Country of incorporation**	**Effective proportion of shares held**
Gold and Minerals Co. Limited (G&M)	04/08/2010	Saudi Arabia	40%-Direct

The company owns 40% of G&M more information in note 19.2.

14. Available for sale financial assets

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
The Group		
At 1 January	**92**	86
Change in value of available-for-sale financial assets	**3**	6
On 31 December	**95**	92

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
The Company		
At 1 January	**8**	8
Disposal of Investment	**(16)**	-
Profit on Sale	**8**	-
Change in value of available-for-sale financial assets	**-**	-
At 31 December	**-**	8

The Company successfully divested four Licences in Turkey in July 2011 to AIM listed Ariana Resources (AIM:AAU) for a nominal cash payment of 10,000 Turkish Lira, 910,747 new ordinary shares in Ariana and a Net Smelter Royalty ("NSR") of 2%. The NSR is payable by Ariana's wholly owned Turkish subsidiary Galata Madencilik San. ve Tic. Ltd. ("Galata") to KEFI Mineral's Turkish Subsidiary, Dogu, on commercial production of any mineral from the licences. No value has been attributed in these financial statements for the NSRs, due to uncertainty regarding when income from the NSRs will commence.

15. Trade and other receivables

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
The Group		
Other receivables	**38**	45
Placing funds	**198**	207
Amount receivable from Saudi Arabia Jointly controlled entity (Note 21.3)	**6**	6
VAT Refund	**2,809**	95
Deposits and prepayments	**5**	5
	3,056	358

The Company fully discharged the inherited VAT liability during August 2016 and is entitled to a £2.7 million (Birr 73,5000,000) VAT refund. The directors are of the opinion that the results of recent discussion with the VAT office that the reverse VAT refund is been processed by the relevant VAT branch office for settlement. Post Balance sheet during April 2017, the company received c.£1 million of the £2.7 million VAT refund. The Company has come to an agreement with Ethiopian Revenues and Customs Authority to receive the remainder of the funds by mid-2017.

	Year Ended 31.12.16 £'000	**Year Ended 31.12.15 £'000**
The Company		
Deposits	**8**	3
Placing Funds	**198**	207
KEFI Minerals Marketing and Sales Cyprus Limited (Note 21.3)	**3**	3
Advance to KEFI Minerals Ethiopia Limited (Note 21.3)	**7,815**	7,417
Amount receivable from Saudi Arabia Jointly controlled entity (Note 21.3)	**45**	80
	8,069	7,710

Amounts owed by group companies total £7,818,000 (2015: £7,420,000). Balances of £1,256,000 have been fully provided for all projects except for Ethiopia due to the uncertainty over the timing of future recoverability. The advance issued to KEFI Minerals Ethiopia Limited are unsecured interest free and repayable on demand. At the reporting date, no receivables were past their due date.

16. Cash and cash equivalents

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
The Group		
Cash at bank and in hand	**410**	562
The Company		
Cash at bank and in hand	**400**	393

17. Share capital

	Number of shares '000	Share Capital	Deferred Shares	Share premium	Total
Issued and fully paid					
At 1 January 2015	1,235,337	12,352	-	8,433	20,785
Issued 20 March 2015 at 1p	80,000	800	-	-	800
Issued 16 May 2015 at 1p	66,611	667	-	-	667
Sub-division of shares 16 June 2015 0.1p	-	(12,436)	12,436	-	-
Issued 16 June 2015 at 0.8p	362,500	363	-	2,538	2,901
Issued 11 December 2015 at 0.3p	877,191	877	-	1,755	2,632
Share issue costs	-	-	-	(379)	(379)
At 31 December 2015	**2,621.639**	**2,623**	**12,436**	**12.347**	**27,406**
Issued 22 March 2016 at 0.35p	**499,360**	**499**	**-**	**1,248**	**1,747**
Issued 29 July 2016 at 0.5p	**761,922**	**761**	**-**	**3,048**	**3,809**
Share issue costs	**-**	**-**	**-**	**(364)**	**(364)**
At 31 December 2016	**3,882,921**	**3,883**	**12,436**	**16,279**	**32,598**

Share issue costs of £Nil (2015: £64,000) relating to the 146,610,600 shares issued at par value during 2015 have been charged to equity. The remainder of share issue costs are charged against share premium arising on issue.

Authorized capital

That the articles of association of the Company were amended in 2010 and the liability of the members of the Company is limited.

Issued capital

2015

On 20 March 2015, 80,000,000 shares of 1p were issued at a price of 1p per share.

On 16 May 2015, 66,610,600 shares of 1p were issued at a price of 1p per share.

On 16 June 2015, 362,500,000 shares of 0.1p were issued at a price of 0.8p per share. On issue of the shares, an amount of £2,537,500 was credited to the Company's share premium reserve.

On 11 December 2015, 877,191,422 shares of 0.1p were issued at a price of 0.3 p per share. On issue of the shares, an amount of £1,754,500 was credited to the Company's share premium reserve.

2016

On 22 March 2016, 499,359,791 shares of 0.1p were issued at a price of 0.35p per share. On issue of the shares, an amount of £1,248,299 was credited to the Company's share premium reserve.

On 29 July 2016, 761,921,739 shares of 0.1p were issued at a price of 0.5p per share. On issue of the shares, an amount of £3,047,687 was credited to the Company's share premium reserve.

Restructuring of share capital into deferred shares

On 16 June 2015 the Company's issued ordinary shares of 1p each in the capital of the Company were sub-divided into one new ordinary share of 0.1p and one deferred share of 0.9p. The deferred shares have no value or voting rights. After the share capital reorganization there were the same number of New Ordinary Shares in issue as there are existing Ordinary Shares. The New Ordinary Shares have the same rights as those currently accruing to the existing Ordinary Shares in issue under the Company's articles of association, including those relating to voting and entitlement to dividends.

17. Share capital (continued)

Warrants

2015

On 18 March 2015, the Company issued 4,000,000 warrants to subscribe for new ordinary shares of 1p each at 1p per share.

On 11 May 2015, the Company issued 1,680,530 warrants to subscribe for new ordinary shares of 1p each at 1p per share.

On 15 June 2015, the Company issued 14,500,000 warrants to subscribe for new ordinary shares of 0.1p each at 0.8p per share.

On 11 December 2015, the Company issued 43,859,571 warrants to subscribe for new ordinary shares of 0.1p each at 0.3p per share.

2016

On 22 March 2016, the Company issued 24,967,989 warrants to subscribe for new ordinary shares of 0.1p each at 0.35p per share.

On 29 June 2016, the Company issued 38,096,087 warrants to subscribe for new ordinary shares of 0.1p each at 0.5p per share.

During the period 1 January 2016 to 31 December 2016, 22,780,000 warrants were cancelled or expired.

Details of warrants outstanding as at 31 December 2016:

Grant date	Expiry date	Exercise price	Expected Life Years	000's
20-Feb-12	19-Feb-17	3.00p	5 years	2,917
04-Jul-13	03-Jul-18	2.10p	5 years	1,310
16-Oct-13	15-Oct-18	2.25p	5 years	1,111
02-Dec-14	01-Dec-17	1.00p	3 years	4,000
16-Dec-14	15-Dec-17	1.00p	3 years	5,500
18-Mar-15	17-Mar-18	1.00p	3 years	4,000
11-May-15	10-May-18	1.00p	3 years	1,680
15-Jun-15	14-Jun-18	0.80p	3 years	14,500
11-Dec-15	10-Dec-18	0.30p	3 years	43,860
22-Mar-16	21-Mar-19	0.35p	3 years	24,968
29-Jul-16	28-Jul-19	0.50p	3 years	38,096
				141,942

17. Share capital (continued)

Warrants (continued)

The Company has issued warrants to advisers to the Group. All warrants, as noted above expire between two to five years after grant date and are exercisable at the exercise price.

	Number of warrants 000's
Outstanding warrants at 1 January 2016	101,658
- granted	63,064
- cancelled/forfeited/expired	(22,780)
Outstanding warrants at 31 December 2016	141,942

The estimated fair values of the warrants were calculated using the Black Scholes option pricing model.

The inputs into the model and the results for warrants granted during the year are as follows:

	29 July 2016	22 March 2016	11 Dec 2015	15 June 2015	11 May 2015	18 Mar 2015
Closing share price at issue date	0.56p	0.36p	0.32p	0.90p	0.88p	1.33p
Exercise price	0.50p	0.35p	0.3p	0.8p	1.00p	1.00p
Expected volatility	87.3%	80.3%	79.10%	61.10%	60.90%	59%
Expected life	3yrs	3yrs	3yrs	3yrs	3yrs	3yrs
Risk free rate	0.31%	0.31%	0.39%	0.98%	0.98%	0.98%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Estimated fair value	0.32p	0.17p	0.17p	0.40p	0.33p	0.64p

Expected volatility was estimated based on the historical underlying volatility in the price of the Company's shares.

For 2016, the impact of issuing warrants is a net charge to income of £164,000 (2015: £163,000). At 31 December 2016, the equity reserve recognized for share based payments, including warrants, amounted to £1,474,000 (2015: £1,212,000).

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
Opening amount	**1,212**	848
Warrants issued costs (Note 6)	**164**	163
Share options issued to employees (Note 6)	**77**	69
Share options issued to directors and key management (Note 6)	**204**	146
Cancelled options	**(183)**	(14)
Closing amount	**1,474**	1,212

18. Share options reserve

Details of share options outstanding as at 31 December 2016:

Grant date	Expiry date	Exercise price	Number of shares 000's
13-Sep-12	12-Sep-18	4.00p	14,150
24-May-13	23-May-19	2.915p	1,000
03-Sep-13	02-Sep-18	2.94p	1,000
08-Oct-13	07-Oct-18	2.27p	350
08-Jan-14	07-Jan-20	1.88p	400
16-Jan-14	15-Jan-20	1.99p	100
01-Feb-14	31-Jan-20	1.89p	100
27-Mar-14	26-Mar-20	2.30p	27,125
04-Apr-14	03-Apr-20	1.83p	100
12-Sep-14	11-Sep-20	1.76p	2,250
20-Mar-15	19-Mar-21	1.32p	27,000
16-Jun-15	15-Jun-21	1.32p	6,500
19-Jan-16	18-Jan-22	0.42p	80,190
23-Feb-16	22-Feb-22	0.74p	3,000
05-Aug-16	05-Aug-22	0.60p	35,000
			198,265

	Weighted average ex. Price	Number of shares 000's
Outstanding options at 1 January 2016		81,275
- granted	0.48p	118,190
- cancelled/forfeited/expired	3.94p	(1,200)
Outstanding options at 31 December 2016		198,265

The Company has issued share options to directors, employees and advisers to the Group.

On 13 September 2012, 15,500,000 options were issued which expire six years after the grant date, and are exercisable at the exercise price in whole or in part no more than one half after one year from the grant date and one half two years from the grant date.

On 24 May 2013 1,000,000 options were issued which expire six years after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date. On 3 September 2013 1,000,000 options were issued and on 8 October 2013, 350,000 options were issued both which expire five after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date

During January 2014 and February 2014 600,000 options were issued which expire six years after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date.

On 27 March 2014, 22,000,000 options were issued to the Directors and a further 5,400,000 options have been granted to other non-board members of the senior management team. Of the options issued, previously granted options over 22,100,000 Ordinary shares which were due to expire during 2014 have all been cancelled and the new grants of options have been made, in accordance with the terms of the Scheme the options vest in equal annual instalments over a period of 2 years and expire after 6 years.

18. Share options reserve (continued)

On 4 April 2014, 100,000 options were issued which expire six years after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date.

On 12 September 2014, 2,250,000 options were issued which expire six years after grant date and vest in equal annual instalments over a period of two years.

On 20 March 2015, 27,000,000 options were issued which expire six years after grant date and vest in equal annual instalments over a period of two years.

On 16 June 2015, 6,500,000 options were issued which expire six years after grant date and vest in equal annual instalments over a period of two years.

On 19 January 2016, 80,190,000 options were issued which expire six years after grant date and vest in normal circumstances, vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

On 23 February 2016, 3,000,000 options were issued which expire six years after grant date and vest immediately.

On 5 August 2016, 35,000,000 options were issued which expire six years after grant date and vest in normal circumstances, vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

The option agreements contain provisions adjusting the exercise price in certain circumstances including the allotment of fully paid Ordinary shares by way of a capitalisation of the Company's reserves, a sub division or consolidation of the Ordinary shares, a reduction of share capital and offers or invitations (whether by way of rights issue or otherwise) to the holders of Ordinary shares. The estimated fair values of the options were calculated using the Black Scholes option pricing model. The inputs into the model and the results are as follows:

Date	Closing share price at issue date	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividend yield	Discount factor	Estimated fair value
05-Aug-16	0.56p	0.60p	87.20%	6yrs	0.75%	Nil	0%	0.40p
23-Feb-16	0.33p	0.74p	82.65%	6yrs	0.90%	Nil	0%	0.11p
19-Jan-16	0.34p	0.42p	83.18%	6yrs	0.90%	Nil	0%	0.22p
16-Jun-15	0.83p	1.32p	61.11%	6yrs	1.53%	Nil	0%	0.38p
20-Mar-15	1.20p	1.32p	59.04%	6yrs	1.53%	Nil	0%	0.64p
12-Sep-14	1.43p	1.76p	43.40%	6yrs	1.09%	Nil	0%	0.52p
04-Apr-14	1.83p	1.83p	59.60%	6yrs	2.17%	Nil	0%	0.94p
27-Mar-14	1.85p	2.30p	59.60%	6yrs	2.17%	Nil	0%	0.94p
01-Feb-14	1.90p	1.89p	59.60%	6yrs	2.17%	Nil	0%	0.94p
16-Jan-14	1.83p	1.99p	59.60%	6yrs	2.17%	Nil	0%	0.94p
08-Jan-14	1.85p	1.88p	59.60%	6yrs	2.17%	Nil	0%	0.94p
08-Oct-13	2.69p	2.27p	63.83%	5yrs	1.70%	Nil	50%	0.80p
03-Sep-13	2.76p	2.94p	63.63%	5yrs	1.70%	Nil	50%	0.75p
24-May-13	2.19p	2.92p	59.80%	6yrs	5.00%	Nil	0%	1.18p
13-Sep-12	3.63p	4.00p	56.90%	6yrs	5.00%	Nil	0%	2.05p

Expected volatility was estimated based on the historical underlying volatility in the price of the Company’s shares.

18. Share options reserve (continued)

For 2016, the impact of share option-based payments is a net charge to income of £281,000 (2015: £215,000). At 31 December 2016, the equity reserve recognized for share option-based payments, including warrants, amounted to £1,474,000 (2015: £1,212,000).

19. Jointly controlled entities

19.1 Jointly controlled entity with Centerra Gold (KB) Inc.

On 22 October 2008, the Company entered into a Joint Venture Agreement in respect of its 100%-owned Artvin Project with Centerra Gold (KB) Inc ("Centerra KB"), a wholly-owned subsidiary of Centerra Gold Inc. In August 2011, KEFI Mineral's subsidiary holding these licences, was sold in return for a cash payment of US$100,000 and a 1% Net Smelter Royalty on all future mineral production from the Artvin licences.

19.2 Joint controlled entity with Gold and Minerals

Company name	Date of incorporation	Country of incorporation	Effective proportion of shares held at 31 December
Gold & Minerals Co. Limited	3 August 2010	Saudi Arabia	40%

Gold & Minerals Co. Limited has the following registered address: Olaya District. 659, King Fahad Road, Riyadh, Kingdom of Saudi Arabia.

	SAR'000		GBP'000	
Amounts relating to the Jointly Controlled Entity	**Year Ended 31.12.16**	Year Ended 31.12.15	**Year Ended 31.12.16**	Year Ended 31.12.15
Non-current assets	**223**	493	**19**	36
Current assets	**685**	1,473	**59**	106
	908	1,966	**78**	142
Non-current liabilities	**60,594**	54,974	**5,246**	3,971
Current liabilities	**667**	1,048	**58**	76
	61,261	56,022	**5,304**	4,047
Net liabilities	**(60,353)**	(54,056)	**(5,226)**	(3,905)
Share capital	**2,500**	2,500	**217**	181
Accumulated losses	**(62,853)**	(56,556)	**(5,443)**	(4,086)
	(60,353)	(54,056)	**(5,226)**	(3,905)
Exchange rates SAR to GBP				
Closing rate			**0.2165**	0.1806

In May 2009, KEFI announced the formation of a new minerals exploration jointly controlled entity, Gold & Minerals Co. Limited ("G&M"), a limited liability company in Saudi Arabia, with leading Saudi construction and investment group Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"). KEFI is the operating partner with a 40% shareholding in G&M with ARTAR holding the other 60%. KEFI provides G&M with technical advice and assistance, including personnel to manage and supervise all exploration and technical studies. ARTAR provides administrative advice and assistance to ensure that G&M remains in compliance with all governmental and other procedures. G&M is treated as a jointly controlled entity and has been equity accounted and has reconciled its share in G&M's losses.

The above figures reported represent cumulative exploration activity incurred by G&M since its incorporation in 2009. The accounting policy for exploration costs recorded in the G&M audited financial statements is to capitalise qualifying expenditure and review for impairment, if applicable. This is in contrast to the Group's accounting policy relating to exploration costs which is to expense costs through profit and loss until the Board decides on the development of a project (Note 2). Consequently, exploration costs of G&M at 31 December 2016 amounting to SAR62.6 million (2015: SAR56.6 million) have been adjusted to bring the figures in line with the Group's accounting policies.

19. Jointly controlled entities (continued)

19.2 Jointly controlled entity with Gold and Minerals (continued)

A loss of £726,000 was recognized by the Group for the year ended 31 December 2016 (2015: £ 735,000) representing the Group's share of losses in the year.

As at 31 December 2016 KEFI owed ARTAR an amount of £170,000 (2015: receivable £90,000) - Note 21.5.

As at 31 December 2016, G&M owed KEFI an amount of £6,000 (2015: £6,000) – Note 21.4.

20. Trade and other payables

The Group	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
Accruals and other payables	**1,640**	1,011
Other loans	**257**	236
Payable to shareholders (Note 21.2)	**-**	8
Payable to jointly controlled entity (Note 21.4)	**170**	90
VAT Liability	**-**	650
	2,067	1,995

In January 2014 an agreement was made with Ethiopian Revenue and Customs Authority ("ERCA") to repay the balance of the VAT liability plus interest accruing on the unpaid principal amount over a three-year payment plan in accordance with the relevant tax proclamation, 25% of the assessed outstanding amount is payable immediately and the balance under an agreed payment schedule. . The balance of the liability plus interest accruing on the unpaid principal amount was paid within the three year payment period.

Other loans are unsecured, interest free and repayable on demand.

The Company

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
Accruals and other payables	**1,447**	886
Payable to jointly controlled entity (Note 21.4)	**170**	90
	1,617	976

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

21. Related party transactions

The following transactions were carried out with related parties:

21.1 Compensation of key management personnel

The total remuneration of key management personnel was as follows:

	Year Ended 31.12.16 £'000	Year Ended 31.12.15 £'000
Directors' consultancy fees *	**500**	471
Directors' other consultancy benefits	**49**	51
Directors' bonus	**-**	50
Share option-based benefits to directors (Note 17)	**167**	146
Other key management personnel fees and other benefits	**323**	204
Other key management personnel bonus	**-**	37
Share option-based benefits other key management personnel (Note 17)	**37**	11
	1,076	970

* Part of the salary of the Exploration Director was paid directly by the jointly-controlled entity G&M.
* Directors' fees paid to the Executive Director Chairman and Finance Director are paid to consultancy companies of which they are beneficiaries.

Share-based benefits

The Company has issued share options to directors and key management. All options, except those noted in Note 18, expire six years after grant date and vest in normal circumstances, vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve month period.

21.2 Payable to shareholders

Name	**Nature of transactions**	**Relationship**	**2016**	2015
Atalaya Mining PLC (previously EMED)	Finance	Shareholder	**-**	8

Name	**Nature of transactions**	**Relationship**		
Atalaya Mining PLC (previously EMED)	Provision of management and other professional services	Shareholder	**18**	8

21.3 Receivable from related parties

The Group

Name	**Nature of transactions**	**Relationship**	**2016**	2015
Gold & Minerals Co. Limited	Finance	Jointly controlled entity	**6**	6
			6	6

The Company

Name	**Nature of transactions**	**Relationship**	**2016**	2015
Gold & Minerals Co. Limited	Finance	Jointly controlled entity	**45**	80
KEFI Minerals Marketing and Sales Cyprus Limited	Finance	Subsidiary	**3**	3
Kefi Minerals Ethiopia Limited	Advance	Subsidiary	**7,815**	7,417
			7,863	7,500

21. Related party transactions (continued)

21.4 Payable to related parties

The Group			**2016**	2015
Name	**Nature of transactions**	**Relationship**		
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity	**170**	90
			170	90

The Company			**2016**	2015
Name	**Nature of transactions**	**Relationship**		
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity	**170**	90
			170	90

22. Contingent liabilities

22.1 Geological database

In 2006, Atalaya Mining PLC (previously EMED) acquired a proprietary geological database that covers extensive parts of Turkey and Greece and transferred to the Company that part of the geological database that relates to areas in Turkey.

Under the agreement, the Company has undertaken to make a payment of approximately £61,400 (AUD 105,000) for each tenement it is subsequently awarded in Turkey and which was identified from the database. The maximum number of such payments required under the agreement is four, resulting in a contingent liability of up to £246,000. These payments are to be settled by issuing shares in the Company. To date, only one tranche of shares have been issued under this agreement in June 2007 for £43,750 (AUD 105,000).

22.2 Charge issued

On 13 August 2015, the Company created a fixed charge in favour of AIB Group (UK) Plc over amounts held in the Company's deposit accounts with the bank. The charge is in regard to time credit banking facilities provided by AIB Group (UK) Plc. At 31 December 2016, the balance in the deposit accounts was £20,000.

22.3 Legal Allegations

A claim for damages of £9,000,000 (approximately ETB249 million) had been lodged against the Company in 2014. The claim was based on the impact of exploration field activities conducted between 1998 and 2006, a period which pre-dated the Company's involvement in the Tulu Kapi project. These exploration activities comprised the construction of drill pads and access tracks. No objections had been made until 2014 when certain parties from outside the Tulu Kapi district raised this matter and initiated court action. Those parties have since been removed by the Court rulings from the list of plaintiffs. The Oromia Regional Supreme Court in April 2017 rejected 95% of these claims as having no basis in fact or law and reduced KEFI's potential liability to c.£435,000 (ETB12,762,721). Moreover, the Company has appealed to the Federal Supreme Court with regards to the remaining ETB12,762,721 on the basis that it remains firmly of the belief, on legal advice and as previously reported, that it has no contingent or actual liability, having already settled any obligations when the matter was originally closed by both the regulators and the land occupiers. The Federal Supreme Court last week officially admitted the Company's appeal after due review, and the case is expected to be heard within the next two years.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2016

23. Capital commitments

The Group has the following capital or other commitments as at 31 December 2016 Nil (2015 0.03 Million),

	Year Ended 31.12.16 £'000	**Year Ended 31.12.15 £'000**
Exploration programme commitments	**-**	-
Property, plant and equipment	**-**	27
	-	27

24. Events after the reporting date

Consolidation of Ordinary Shares

At the close of business, 1 March 2017, shareholders received one New Ordinary Share of nominal value 1.7 pence each for every 17 Existing Ordinary Shares of nominal value 0.1 pence each. Immediately following the Consolidation (and prior to the issue of the Fundraising Shares) the number of New Ordinary Shares in issue and admitted to trading on AIM was 228,407,085.

Placing and the Lanstead Subscription

The Company conditionally raised £5,620,000 million before expenses on 1 March 2017 through a placing of 104,295,888 ordinary shares of 1.7p each at a price of 5.61p per share. After the placing and the 17:1 consolidation approved on 1 March 2017 there are 332,702,973 shares on issue.

The Lanstead Subscription involves the issuance of 82,352,941 shares and is governed according to a 'sharing agreement' and structured relative to a benchmark price, which has been set at 7.48p/share (0.44p/share pre-consolidation), such that KEFI may receive more than £4,620,000 if the share price exceeds this level and vice versa if it does not. To this end, £693,000 was contributed in March 2017 by Lanstead, with the balance being paid in equal instalments of £218,000 per month (subject to adjustment upwards or downwards) for 18 months commencing in April 2017.

Other

On 22 March 2017, 6,829,613 options were issued to persons who discharge director and managerial responsibilities ("PDMRs") and a further 2,705,509 options have been granted to other non-board members of the senior management team. The options have an exercise price of 7.5p, expire after 6 years, and vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

25. Adoption of new and revised International Financial Reporting Standards (IFRSs)

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2016. This adoption did not have a material effect on the accounting policies of the Group.

Up to the date of approval of the consolidated financial statements, certain new standards, interpretations and amendments to existing standards have been published that are not yet effective for the current reporting period and which the Group has not early adopted, as follows:

Issued by the IASB and adopted by the European Union New standards

- IFRS 9 ''Financial Instruments'' (effective for annual periods beginning on or after 1 January 2018).
- IFRS 15 ''Revenue from Contracts with Customers'' (effective for annual periods beginning on or after 1 January 2018).

IFRS 9 "Financial Instruments"

IFRS 9 makes substantial changes to the measurement of financial assets and financial liabilities. There will only be three categories of financial assets at either fair value through profit and loss, fair value through comprehensive income or measured at amortized cost. On adoption of the standard the Group will have to re-determine the classification of its financial assets based on the business model for each financial asset. This is not considered likely to give rise to any significant adjustments, other than the re-classification.

The principal change to the measurement of financial assets measured at amortized cost or fair value through other comprehensive income is that impairments will be recognized on an expected loss basis, compared with the current incurred loss approach. As such, where there are expected to be credit losses, these are recognized in profit or loss. For financial assets measured at amortized cost, the carrying amount is reduced for the loss allowance. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial assets.

Financial liabilities of the Group are expected to continue to be recognized at amortized cost.

IFRS 15 "Revenue from Contracts with Customers"

The standard has been developed to provide a comprehensive set of principles in presenting the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The standard is based around five steps in recognizing revenue:

1. Identify the contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price; and
5. Recognize revenue when a performance obligation is satisfied.

The Group is not currently generating income from gold sales revenue, hence there is not considered to be any significant impact at the Group's current stage of development. Management are currently evaluating the impact of the standard on the financial statements.

25. Adoption of new and revised International Financial Reporting Standards (IFRSs) (continued)

Amendments

- Amendments to IFRS2: Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018).
- Clarifications to IFRS 15 ''Revenue from Contracts with Customers'' (effective for annual periods beginning on or after 1 January 2018).
- IAS 7 (Amendments) ''Disclosure Initiative'' (effective for annual periods beginning on or after 1 January 2017)
- IAS 12 (Amendments) ''Recognition of Deferred Tax Assets for Unrealised Losses'' (effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRSs 2014–2016 Cycle (issued on 8 December 2016) (effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRSs 2014–2016 Cycle (issued on 8 December 2016) (effective for annual periods beginning on or after 1 January 2018).

New IFRICs

- IFRIC Interpretation 22 ''Foreign Currency Transactions and Advance Consideration'' (effective for annual periods beginning on or after 1 January 2018).

The Group is currently evaluating the effect of these standards or interpretations on its consolidated financial statements