KEFI MINERALS

EMERGING GOLD MINER

ANNUAL REPORT 2015

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Highlights of 2015

(Includes post-period highlights in early 2016)

Ethiopia – Progressing Tulu Kapi into development
February 2015 – Updated Mineral Resource of 20.2Mt at 2.65g/t gold, containing 1.72 million ounces.
April 2015 – Mining Agreement signed and Mining Licence granted.
April 2015 – Updated Probable Ore Reserve of 15.4Mt at 2.12g/t gold, containing 1.05 million ounces.
June 2015 – Definitive Feasibility Study completed.
October 2015 – Appointed mining contractor and process plant construction contractor.
December 2015 – Preferred finance syndicate selected

Ethiopia – Optimising Tulu Kapi open-pit production
December 2015 – Feedback from project contractors, financiers and partners was incorporated into an improved project development plan:

- Increased forecast production to 115,000 ounces per year at All-in Sustaining Costs of US$746/oz
- Projected net operating cash flow has increased to US$58 million per annum at US$1,250/oz
- After-tax NPV (8% discount rate) of US$153 million (c. £96 million) at commencement of construction.

Ethiopia – Defining further value
March 2016 - Completed preliminary economic assessment ("PEA") of Tulu Kapi's underground mining potential:

- Based on the 2014 Mineral Resource, the underground mining inventory of 1.3Mt at 5.17g/t gold adds c. 50,000 ounces p.a. over four years.
- Identified exploration potential for tripling the current 330,000 ounce underground Mineral Resource to c. 1 million ounces.

Saudi Arabia
April 2015 – Geophysics delineated strongly conductive zones below 6-km long gossan at Hawiah.
May 2015 – PEA confirmed sufficient oxide gold resource for heap leach development at Jibal Qutman.

Corporate
May 2016 – KEFI received formal confirmation from the Government of Ethiopia of its commitment to invest equity capital of US$20 million in Tulu Kapi.
June 2016 – Tulu Kapi funding requirement reduced to an estimated US$130 million.
June 2016 – Finance plan now based on project equity of US$20 million from the Government of Ethiopia, project debt of US$95 million and residual US$15 million to be optimised in Q3-16.

Executive Chairman's Report

Our assets provide a healthy platform to deliver shareholder value by developing profitable mines in Ethiopia and Saudi Arabia.

During 2015, KEFI Minerals made substantial progress towards becoming a gold producer and continued to make discoveries in one of the world's great under-developed minerals provinces – the Arabian-Nubian Shield ("ANS").

We work closely with a first-tier syndicate for Tulu Kapi's construction, mining and financing. Accordingly, our Tulu Kapi Gold Project remains on track for construction commencement in late 2016 and to start production commissioning towards the end of 2017. Initial open-pit gold production is projected at 115,000 ounces per annum. Tulu Kapi's Ore Reserves of 1.0 million ounces and Mineral Resources of 1.7 million ounces have significant upside potential.

At our Jibal Qutman Gold Project in Saudi Arabia, we are at the stage of submitting the Mining Licence Application for the planned heap-leach operation.

The robust economics of KEFI Minerals' two development projects are clear from the following table:

		Tulu Kapi	**Jibal Qutman**
Project Stage		Funding	PEA
Gold Production	**Ounces per annum**	**115,000**	**30,000**
All-in Sustaining Costs ("AISC")	US$/oz	746	600
Operating Margin	US$/oz	504	650
Operating Margin	**US$ million per annum**	**58**	**19**
Operating Margin	%	40%	52%
All-in Costs ("AIC")	US$/oz	869	815
Project Margin	US$/oz	381	435
Initial Life-of-Mine Production	**Ounces**	**980,000**	**139,000**
Project Margin – Life of Mine	**US$ million**	**373**	**59**
Project Margin	%	30%	35%
Initial Capital Payback	**Years**	**<3**	**<2**

Note: the above parameters are based on a gold price of US$1,250/oz. AISC and AIC are per the World Gold Council Standard. The AIC includes each project's initial capital and excludes financing costs and income taxes.

The above metrics demonstrate that:

- The AISC/oz place both projects in the bottom cost quartile of existing gold producers;
- Strong margins provide substantial annual cash flows;
- Both projects can comfortably debt-fund the majority of the initial capital required; and
- Both projects rapidly repay the initial capital.

Both of these development projects are surrounded by exciting potential for further growth through exploration.

Robust Gold Project - Tulu Kapi

Great strides have been made over the past year to optimise Tulu Kapi and progress this project towards development. Our team has significantly reduced the anticipated capital expenditure, increased the head grade of gold-bearing ore and improved estimated project returns.

Progress over the past year includes:

- An updated Ore Reserve which included a high-grade portion of 12.0 million tonnes at 2.52g/t gold, containing 0.98 million ounces;
- Completion of the 2015 Definitive Feasibility Study ("2015 DFS") in mid-2015;
- Independent technical experts reviewing the DFS on behalf of potential financiers;
- Mining contractor and processing plant construction contractor selection; and
- Refinement of the 2015 DFS costs and mine plan.

Feedback on the 2015 DFS from project contractors, financiers and partners was incorporated into an improved project development plan. This further work has delivered an even more robust gold project:

- Gold production of 115,000 ounces per annum for eight of the initially planned ten years;
- All-in Sustaining Costs of approximately US$746/oz;
- Initial capital costs of US$108million (US135 million, after adding transaction costs and cost-overrun facility);
- At a gold price of US$1,250/oz:
  - After-tax NPV (8% discount rate) of US$153 million (leveraged) and US$172 million (unleveraged);
  - After-tax IRR of 45%; and
  - Payback of 2.5 years.

This high-value, low-capex asset is now poised for development as the required funding package is close to being finalised.

Ethiopian Government and Project Funding

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

In April 2015, the Tulu Kapi Mining Agreement ("MA") between the Ethiopian Government and KEFI was formalised. Under the MA, the Company has been granted a Mining Licence, which is valid for a period of 20 years, along with all major permits required for the development and operation of the Tulu Kapi mine.

In November 2015, the Government of Ethiopia further demonstrated its strong support by confirming its intention to invest equity capital of approximately US$20 million to increase its share of the project from 5% to 25-30%, depending on the final financing structure.

Tulu Kapi's initial capital estimate has been methodically reduced from US$289 million at the time of the project's acquisition by KEFI in December 2013. Our target now stands at c. US$108 million (including working capital), c. US$120 million after adding transaction, financing and insurance costs and US$135 million inclusive of overrun facilities. After taking current spending programmes into account, total funding requirements at financial completion later in 2016 are estimated at US$130 million. KEFI's cost-reduction, combined with the recent firming of the gold price, has provided the flexibility in structuring the required funding.

The major component of the project finance is the debt package of US$95 million, including the cost-overrun facility. A gold-price hedging facility is also planned for up to 10% of gold reserves, as a further risk-mitigant. Notably, the debt-finance structuring has been designed to ensure that all commitments are met on schedule even if the gold price drops to US$850/oz.

Of the remaining required funding of US$40 million, some US$5 million will have been spent by the time of planned "financial close" during H2-16 of the funding syndication and, combined with the Government of Ethiopia's planned equity investment of US$20 million into the project subsidiary, the residual requirement has been reduced to US$15 million. The final mix of how best to finance this residual amount will be made at the end of Q3-16 in light of the then prevailing gold price and offers on the table, which include further equity investment by project contractors and a subordinated convertible note.

This carefully staged approach to risk-mitigation and financing is judged to provide the best cost of capital for the Company, risk-management for the project and simplicity for structuring the syndicate. This staged approach has also allowed the Company to react to changing gold prices and financial market conditions since the acquisition of Tulu Kapi on 30 December 2013.

Lastly, on the matter of the funding approach, the Directors are sensitive to the need to minimise equity dilution, within the bounds of conservative financial leverage for Tulu Kapi. Our approach has, over a two-year period, transformed an uneconomic project into one which is now robust, fully permitted, supported by a first-tier syndicate of partners, contractors and financiers and has significant upside potential for shareholders from the forecasts used for financing that include gold production from only the current open-pit reserves.

Further Potential at Tulu Kapi

In parallel with working towards open-pit gold production, KEFI has also evaluated the potential for developing an underground mine underneath the Tulu Kapi open pit. A preliminary economic assessment ("PEA") 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 + underground) gold production to more than 150,000 ounces per annum over four years.

Oxide Gold Project - Jibal Qutman

Drilling at Jibal Qutman during 2015 has continued to extend knowledge of gold mineralisation and discover further oxide gold deposits. Our team has continued to work towards developing an open-pit, heap-leach ("HL") gold operation. The approach being taken is for a low-capex start-up which can be expanded in modular stages as additional mineralisation is delineated.

A staged development approach is likely for Jibal Qutman. 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.

Studies to date have provided the information required for a Mining Licence Application which is currently being discussed with the Saudi regulators.

Outlook

KEFI Minerals is positioned to become the operator of two gold development projects in the highly prospective ANS. We have achieved this progress with only a few highly-experienced, full-time professional-level staff around whom we will build the full operating team. We are well supported by a number of high calibre, quality specialist companies who work with us in creating value.

The gold price drifted down during 2015 and hit a five-year low of US$1,050/oz in December 2015. Lack of interest in the gold sector and low share prices made raising equity very difficult for gold companies. KEFI minimised expenses while maintaining momentum towards becoming a gold producer. In order to help reduce cash outflows, some employees agreed to take KEFI shares in lieu of a significant portion of their salary. Some employees also invested significant amounts into KEFI share placings.

The gold price has rebounded to US$1,200-1,300/oz in the first half of 2016. Investor interest has returned to the sector and KEFI's share price has doubled since the all-time low share price in late 2015. The current global gold price has already provided a significant boost to the Tulu Kapi's NPV, which at the price of US$1,250/oz and using a discount rate of 8% stands at US$153 million post tax and financing.

Furthermore, on current estimates, for every US$100/oz increase in the gold price, there is an increase of US$37 million to the project valuation – highlighting the significant upside still available to shareholders given a current market capitalisation of approximately £18 million (US$26 million). The NPV is projected to be much higher again upon commencement of production, providing higher target Company share valuations as at 2018.

Our lower risk, higher return approach to developing Tulu Kapi and Jibal Qutman remains even more appropriate than it was last year. Capital markets now demand business strategies and performance which emphasise profitability and dividend generation as well as growth through cost-effective exploration. In the past year, KEFI has reinforced its focus on both.

Low share prices have placed many strains and challenges on companies throughout the gold sector. We deeply appreciate the strong support of our shareholders, communities and other key stakeholders in supporting KEFI, particularly as we are an early entrant in emerging mining districts. I also highlight the Board's deep appreciation for the dedication and professionalism of our hard-driving teams of personnel, professional advisers and service providers along with the families that support us.

The Board is confident of our strategy and asset base. We have the appropriate mix of technical and financial expertise to prudently progress our projects into profitable gold mines with the aim of maximising and returning value to shareholders via share price appreciation and ultimately dividends. The team will be built further as we move towards production.

I look forward to seeing some of you at the Annual General Meeting on 30 June 2016 in London.

Harry Anagnostaras-Adams

Executive Chairman

Exploration Director's Report

Strategically, the Company's focus is clearly placed on opportunities in the Arabian-Nubian Shield ("ANS").

KEFI is very fortunate with potential exposure to a +1,000 km^2 portfolio of targets at various stages within the highly prospective ANS. The value-adding potential for shareholders of this portfolio surpasses that of the Tulu Kapi mine development.

Our priorities in cost effectively discovering economic gold and copper in Ethiopia and Saudi Arabia remain:

1. Tulu Kapi - increase our understanding of the ore body and systematically search for nearby ore bodies;
2. Jibal Qutman – increase oxide gold resources on the granted Exploration Licence ("EL") and surrounding Exploration Licence Applications ("ELAs");
3. Hawiah – determine if a copper-gold-zinc VHMS deposit lies beneath the 6km-long, gold-bearing surface gossan; and
4. Evaluate further opportunities in the ANS, particularly within KEFI's current pipeline of ELA's in both countries.

Our ability to achieve these objectives flows from having experienced teams which are all based at our sites in the region.

Ethiopia – Further Potential at Tulu Kapi

The Tulu Kapi gold deposit and nearby area has multi-million ounce potential with our prospects near Tulu Kapi at an early stage of being explored.

In February 2015, further data and better delineation of individual ore lodes provided the basis for Tulu Kapi's Indicated Resource increasing to 18.8 million tonnes at 2.67g/t gold, containing 1.62 million ounces.

There is significant potential to expand Tulu Kapi's Mineral Resource as it remains open along strike, down plunge and at depth. The economic potential is also enhanced by the gold grades increasing with depth as well as the ore lenses thickening, making underground mining very attractive.

A number of prospects have been identified within trucking distance of Tulu Kapi. Proposed exploration activity will be significantly expanded with this focus, as these prospects have the scope and potential to add substantial value by providing additional ore to the Tulu Kapi processing facility.

Saudi Arabia – Adding to Project Pipeline at Jibal Qutman and Hawiah

KEFI has a 40% beneficial interest in a large portfolio of ELAs and two granted ELs in Saudi Arabia via Gold and Minerals Co. Limited ("G&M"), our joint venture company with Abdul Rahman Saad Al Rashid and Sons Limited ("ARTAR"). This portfolio is continually being reviewed to manage our pipeline of longer term opportunities. Some ELAs contain highly prospective targets that were quickly identified by surface sampling and reconnaissance by KEFI Minerals, as well as historical mine workings in all the application areas.

Since the Jibal Qutman EL was granted in July 2012, KEFI Minerals rapidly advanced this project from grassroots exploration to assessing the best way to bring to account the gold mineralisation discovered to date.

Drilling expanded several zones of gold mineralisation during 2015 and infill drilling increased confidence in Mineral Resources. The main exploration focus during 2015 has been along strike from the Red Hill prospect where drilling has now intercepted gold mineralisation along a corridor at least 2 km long.

Jibal Qutman's exploration focus during 2016 is to further increase near-surface oxide gold resources and provide the critical mass to trigger gold production via a low-capex, heap-leach operation.

Following the grant of the Hawiah EL in December 2014, KEFI commenced exploration of an unusually large 6km-long gossan for gold at the surface and a volcanic-hosted massive sulphide ("VHMS") copper-gold-zinc sulphide orebody at depth. The Hawiah EL was one of KEFI's higher priority ELAs as the geological setting is analogous to large VHMS deposits in the ANS that also have well-preserved, mature oxidised zones enriched in gold at surface.

Initial surface exploration has confirmed that the gossans are enriched in gold and the mineralisation has good continuity along strike, as well as containing abundant secondary copper showings. Our initial geophysical survey indicates it is underlain by a large metal-bearing body. Further exploration activities at the prospect are pending the outcome of negotiations with local stakeholders to ensure robust long-term access to this and other prospective ground in the region.

The Hawiah EL is the sort of prospect that makes us excited to be exploring the ANS as it has all the hallmarks of a copper-gold-zinc VHMS deposit, which are typically quite valuable.

Focus on Arabian-Nubian Shield

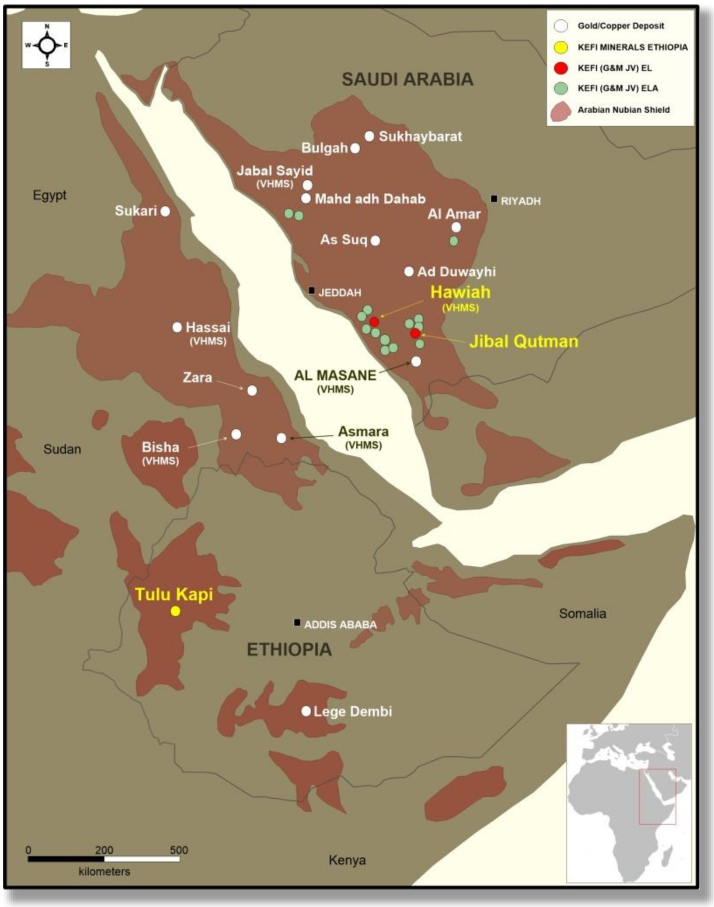
While our focus and expenditure is on adding resources for our two development projects, KEFI continues to work towards creating shareholder value by assessing other prospects in the under-explored ANS, particularly on the pipeline of ELA's in both countries.

Precambrian rocks host many of the major gold and base metal deposits globally, for example in Australia, Canada and South Africa. It is notable that the ANS is much larger than these other Precambrian terranes.

Even though a number of significant gold and base metal deposits are being mined in the ANS, very little modern exploration has been carried out over much of the area.

We are continually adding to our knowledge of the ANS and systematically building our database for project generation and optimisation.

Our aim has always been to deliver shareholder value by developing into profitable mines the gold and base metal deposits that the Company discovers or acquires in a cost-effective manner.



Location of KEFI's projects in ANS

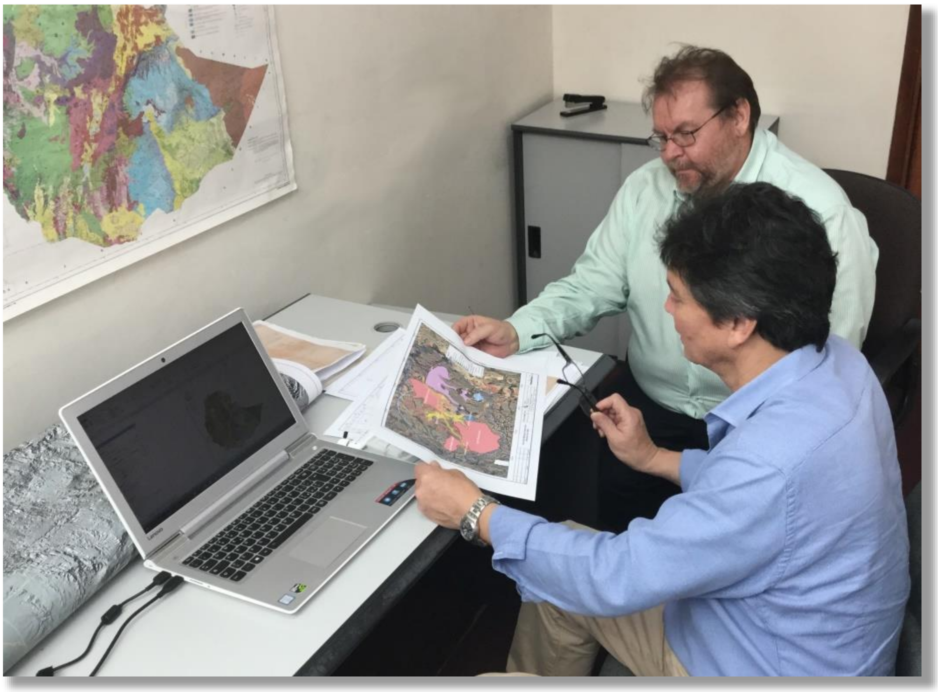
Since being formed in December 2006, KEFI Minerals has evaluated scores of acquisition opportunities and exploration targets in various countries around the Mediterranean, Middle East and Africa. The overall cost to assemble and progress towards development our current resources totalling 1.9 million ounces is about US$20/oz. The highly prospective Arabian-Nubian Shield is one of the largest under-explored mineral provinces in the world. The ANS has been the Company's primary focus since 2008 when it commenced exploration activities in the Kingdom of Saudi Arabia. The intellectual property of the information and experience gained over this period reinforces the value-creating potential of the Company's assets. We are indeed excited by the opportunity provided, in the Company's poll position in a very prospective region.

I look forward to updating shareholders and our communities on our progress towards these goals.

Jeffrey Rayner

Exploration Director

Chief Operating Officer's Report



Jeff Rayner (Technical Director) and Wayne Nicoletto (Chief Operating Officer) discuss plans for Tulu Kapi.

In early 2015, I was delighted to join KEFI Minerals Plc as Chief Operating Officer and also Managing Director of KEFI Minerals Ethiopia Limited. My experience includes building and operating mines in Australia, Africa and Asia. This is the second time I have lived in Ethiopia, having previously done so in 2001 when supporting the privatisation and operational modernisation of Lege Dembi - Ethiopia's only other major gold mine. KEFI is now entering an exciting chapter of its development, both for the Company and for the Ethiopian mining sector, as we continue to advance towards construction of the processing plant in Q4-16 and production commission from Q4-17.

Independent Consultants

During the past twelve months we made extensive use of internationally respected specialist consultants to attest to the quality of KEFI's overhaul of the Tulu Kapi project. This was important for establishing the "bankability" of a project which had stumbled under a previous owner's development plan. The independent consultants used for the 2015 DFS included Snowden Mining Industry Consultants Pty Ltd and Cube Consulting on geology and mine engineering, SENET Engineering for processing, Epoch for tailings management and Golder Africa Associates for environmental and social.

Our Project Finance advisers, Endeavour Financial, appointed Micon International Limited ("Micon") as Independent Engineer on behalf of the lenders. Similarly, Environ Corporation ("Environ") has been appointed as Independent Environmental & Social Consultant. Both independent consultants have prepared due diligence reviews on behalf of the future lending syndicate based upon the 2015 DFS, capital cost estimates and forecasts, and other documents including the Environmental and Social Impact Assessment. Subsequent amendments to the 2015 DFS following engagement of the preferred contractors has also been reviewed by Micon who prepared an addendum to their initial due diligence review. Environ will also prepare an addendum to their initial report in due course based on the finalised resettlement programme.

Construction and Operational Management

In November, KEFI engaged a "bolt-on" Owners Project Management Team from Increva in Perth. Increva will sit above the EPC contractor and report to me. The Increva team have integrated into the KEFI culture over the past twelve months as it was Increva that managed the rounds of bidding for the Engineering, Procurement, and Construction Management ("EPCM") and then Engineering, Procurement, and Construction ("EPC") contract, under the supervision of the KEFI senior executive team.

Plant Construction and Start-Up Contractor

KEFI has had very strong competition for this role from industry leaders and, during the finance syndication process, the Company appointed Lycopodium Ltd as the Plant Construction and Start-Up Contractor to replace Sedgman. Lycopodium is based in Australia with a successful track record of over 20 years in African operations. The principal terms of this appointment are the same as had applied with Sedgman and are set out below, which are subject to full detailed documentation.

Scope of work under the proposed contractual arrangements covers:

- Detailed equipment specification and procurement, with a Front End Engineering Design ("FEED") stage;
- Construction to occur under a fixed-price lump sum contract (Engineering, Procurement and Construction);
- Start-up management support (for up to two years of operation) including installation of plant operating policies and procedures, personnel training and systems, with handover upon satisfaction of performance;
- Estimated cost of c. US$60 million for a 1.5-1.7 Mtpa (range dependent on ore type) processing plant;
- Performance guarantees:
    - to remain in place until the end the first year of production; and
    - to ensure successful start-up before the final contractual retention sums are paid by KEFI.

This compares favourably with the previous estimate in the 2015 DFS of a total cost of US$61 million for a 1.2 Mtpa processing plant. The 2015 DFS also did not anticipate a fixed-price lump sum contract for construction with performance guarantees.

Mining Contractor

KEFI has appointed African Mining Services ("AMS"), a wholly-owned subsidiary of Ausdrill Limited as Contractor for Mine Establishment and Operation. AMS has strong African operations and a successful track record and has become a significant KEFI shareholder.

The principal terms and consequences of this appointment are set out below, all of which are subject to full detailed documentation:

- Scope covers certain pre-mining earthworks as well as the life-of-open-pit mining operation.
- Contractual payment rate to be based on per cubic metre delivered.
- Direct purchases by KEFI of certain key input costs such as explosives and fuel.
- KEFI and AMS are now jointly optimising the detailed operating plan for the benefit of the project and preparing matching detailed contractual documentation.

AMS will report to Increva initially during construction and, in due course, to the Mine Manager.

Next Scheduled Appointments

KEFI has appointed Brian Hosking to the Senior Executive Team as Human Resources ("HR") Overseer, to advise and support organisation design, HR policies, procedures and recruitment. Brian is principal of Meyer Hosking a mining industry specialist HR firm.

KEFI has selected an experienced Operations Manager who will oversee development of operating systems with the principal project contractors and will oversee, with the Executive Chairman and myself, recruitment in 2016-2017 of the Operations Management Team including Mine Manager, Plant Manager, Environmental Manager, HR Manager, and Finance Manager.

Wayne Nicoletto

Chief Operating Officer
Managing Director, KEFI Ethiopia

Sustainability Activities for the Tulu Kapi Project

Responsible mine development is the core requirement for KEFI and the Ethiopian Government. We welcome the Government's constructive attitude which encourages us to bring Tulu Kapi into production as rapidly as we prudently can whilst ensuring compliance with all relevant quality standards.

The Tulu Kapi Mining Agreement ("MA") between the Ethiopian Government and KEFI incorporated several key documents including an Environmental and Social Impact Assessment ("ESIA") and the Community Resettlement Action Plan ("RAP"). The ESIA is fully integrated with the design contemplated in the 2015 DFS and compliant with International Finance Corporation Performance Standards and Equator Principles.

Community consultation meeting at Tulu Kapi

The MA is a landmark achievement that provides the foundation to unlock the value of Tulu Kapi for all stakeholders and particularly the significant economic and social benefits that the project can bring to Ethiopia.

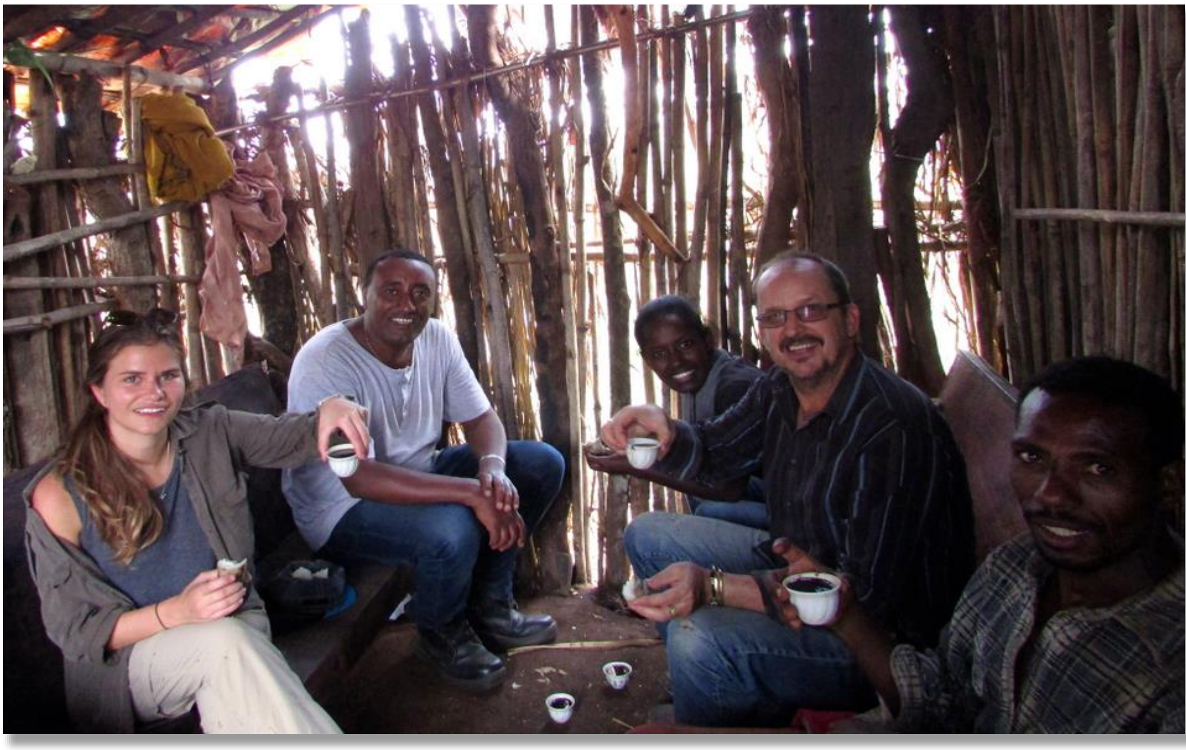
Our social licence team is based at Tulu Kapi, comprising locally experienced Ethiopian professionals led by internationally experienced managers and supported by internationally experienced specialist advisers. Our management processes involve continual consultation with the community, federal, regional and local authorities and other local institutions before and during implementation of the RAP.

Our firm commitment is the full compliance with international, national and provincial regulations and also to consult relevant communities, scientific bodies and non-governmental organisations. We take every reasonable effort to be the highest-quality neighbour within our communities but do not expect to be able to satisfy every request on every occasion. We are confident that this policy of compliance and consultation will enable our stakeholders to realise the benefits from and to take advantage of the exploration and mining activities undertaken by us.

Some examples of KEFI's initiatives to minimise social disruption whilst maximising social benefits include:

- Sculpting the Mining Licence area to reduce the number of affected households from approximately 460 to 260;
- Facilitating the inspection of more than fifteen locations, before the community selected its preferred new host lands;
- Introducing and maximising our Ethiopian team of specialists in livelihood restoration to commence programmes of consultation and planning, well before resettlement commences; and
- Introducing "source locally" policies from the outset for the project supply chain, subject to normal standards of quality and price.

During 2015, KEFI's expanded Social Performance Team has refined the plans for livelihood restoration of community members to be resettled and for the community development foundation. Planning includes schooling, health facilities, access roads, water as well as improved housing and livelihood restoration. KEFI supports these efforts as appropriate under international standards. KEFI is also maximising local content in procurement and manning.



KEFI Social Performance Team meeting with villagers near Tulu Kapi, second from right is Rodger Barnes, KEFI Team Leader

We are confident that, with sincere and determined work by all parties, all matters of concern which arise can be dealt with properly in order to maximise the benefits to local communities in employment, services and long-term development. We have selected project contractors with proven records in local training and employment in Africa for over 20 years and, with them, we ensure that project planning includes compliance with relevant local and international standards. We will make every reasonable effort to train and then promote the local Oromo recruits into positions of responsibility with a special emphasis on female empowerment, as agreed formally within the Mining Agreement signed in 2015.

We seek to achieve development that provides enormous benefits today, without compromising the ability of future generations to meet their own needs both economically and environmentally.

Ethiopia

Tulu Kapi was progressed towards development during 2015 with the completion of the DFS and subsequent work to reduce risk and further improve project economics.

Annual average gold production is currently estimated to be approximately 115,000 ounces per annum for the eight core years of production from the open pit. Overall, at All-in Costs (including operating, capital and closure costs) are estimated at circa US$869 per ounce including the initial investment and US$746/ounce excluding the initial investment, much lower than industry averages.

Exploration has been focussed on Tulu Kapi and district, to support the project development plans.

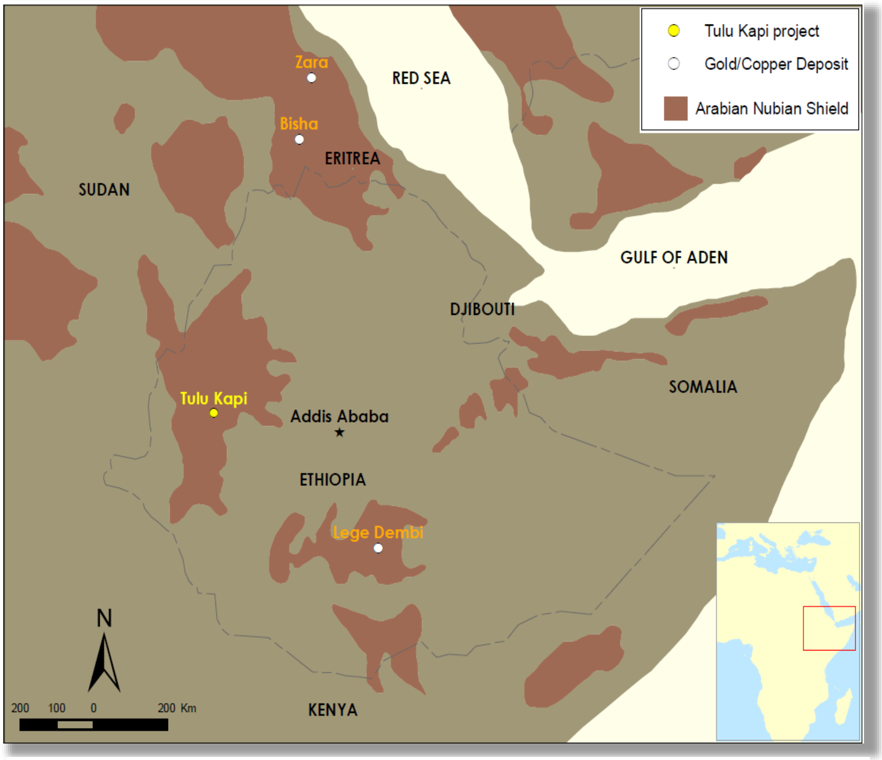
Tulu Kapi - Background

Tulu Kapi is located approximately 360km due west of Ethiopia's capital, Addis Ababa. A main road to Addis Ababa is within 12km of Tulu Kapi and was sealed with asphalt during 2014.

The altitude of the project area is between 1,600m and 1,765m above sea level. The climate is temperate with annual rainfall averaging about 150cm.

The surface topography around Tulu Kapi is hilly with deeply dissected river valleys. Subsistence farmers primarily grow coffee and fruit in the river valleys.

The Tulu Kapi gold deposit was discovered and mined on a small scale by an Italian consortium in the 1930's. Nyota Minerals Limited acquired the licences in 2009 and then undertook extensive exploration and drilling which culminated in an initial DFS in December 2012.



Location of Tulu Kapi in Ethiopia.

In December 2013, KEFI Minerals acquired 75% of Tulu Kapi for £4.5 million. This acquisition cost equates to only US$10 per reserve ounce and provided information collected from historical expenditure of more than US$50 million.

In September 2014, KEFI acquired Nyota Minerals' remaining 25% interest in Tulu Kapi for £1.5 million The Ethiopian government became entitled to a 5% free-carry interest in Tulu Kapi upon granting of the Mining Licence in April 2015.

Tulu Kapi – Permits and Mining Agreement

The Tulu Kapi Mining Agreement ("MA") between the Ethiopian Government and KEFI was formalised in April 2015. The terms of the MA include:

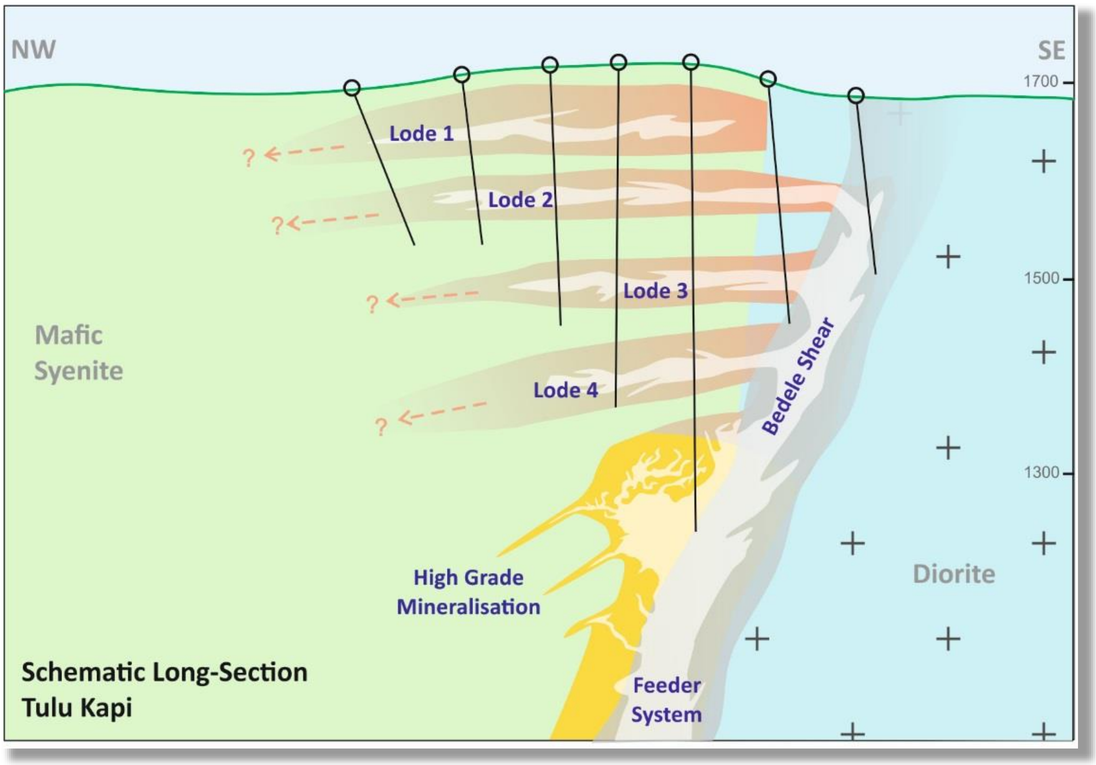
- Renewable 20-year Mining Licence covering an area of 7km^2, with full permits for the development and operation of the Tulu Kapi gold project.
- Fiscal arrangements:
    - 5% Government free-carried interest;
    - Royalty of 7%;
    - Income tax rate for mining of 25%;
    - Historical and future capital expenditure is tax deductible over four years; and
    - Stabilisation of fiscal arrangement to protect KEFI in case of future legislative changes.
- Government undertaking to facilitate international financing arrangements.

Attachments to the MA include the Environmental and Social Impact Assessment, the Development and Production Work Programme and the Community Resettlement Action Plan.

Tulu Kapi - Geology

The Tulu Kapi region has typical Precambrian type geology which is characterised by prominent hills of intrusive rocks and deeply incised valleys containing metasediments and metavolcanic rocks.

Gold at the Tulu Kapi deposit is hosted in quartz-albite alteration zones as stacked sub-horizontal lenses in a syenite pluton into which a swarm of dolerite dykes and sills have been intruded. Gold mineralisation extends over a 1,500m by 500m zone and is open at depth (+550m).



Schematic long section of the Tulu Kapi Gold Deposit.

The mineralisation is characterised by a simple mineralogy comprising gold, silver, pyrite and minor sphalerite and galena. The gold is free milling with metallurgical recoveries averaging 93% for oxide and sulphide ore in the planned open pit.

At depth beneath the main body of mineralised syenite there is a zone adjacent to the Bedele shear that is characterised by significantly higher gold grades, with occasional coarse visible gold, more base metal sulphides and a shallower apparent dip than the main body above it.

Tulu Kapi – Resources and Reserves

In February 2015, KEFI released an independently verified increased Indicated Resource estimate totalling 18.8 million tonnes at 2.67g/t gold, containing 1.62 million ounces.

Resource Category	Area	Tonnes (millions)	Gold (g/t)	Contained Gold (million ounces)
Indicated	Above 1,400m RL	17.7	2.49	1.42
Inferred		1.3	2.05	0.08
Sub-Total		**19.0**	**2.46**	**1.50**
Indicated	Below 1,400m RL	1.1	5.63	0.20
Inferred		0.1	6.25	0.02
Sub-Total		**1.2**	**5.69**	**0.22**
Indicated	Overall	18.8	2.67	1.62
Inferred		1.4	2.40	0.10
Total		**20.2**	**2.65**	**1.72**

Note: Resources were estimated using cut-off grades of 0.45g/t gold above 1,400m RL and 2.50g/t gold below 1,400m RL. For further information, see KEFI announcement dated 4 February 2015.

The Mineral Resources were split above and below the 1,400m RL to reasonably reflect the portions of the resource that may be mined via open pit and underground mining methods.

Based on the Indicated Resource above 1,400m RL, the following Ore Reserve was estimated in April 2015.

Reserve Category	Cut-off (g/t gold)	Tonnes (millions)	Gold (g/t)	Contained Gold (million ounces)
Probable - High grade	0.90	12.0	2.52	0.98
Probable - Low grade	0.50 - 0.90	3.3	0.73	0.08
Total		**15.4**	**2.12**	**1.05**

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

The high-grade portion of the Ore Reserve contains nearly all the contained ounces and totals 12.0 million tonnes at 2.52g/t gold, containing 0.98 million ounces.

The above Mineral Resources and Ore Reserves were estimated using the guidelines of the JORC Code (2012).

Tulu Kapi - Definitive Feasibility Study and Subsequent Optimisation

A DFS was completed in December 2012 by Nyota Minerals that evaluated construction of a 2.0Mtpa CIL processing plant and estimated initial capital expenditure of $289 million, including an allocation for working capital.

KEFI is pursuing an alternative approach for Tulu Kapi that has significantly reduced the anticipated aggregate capital and operating expenditure, which provides less start-up risk and a higher overall return.

KEFI's 2015 Definitive Feasibility Study ("2015 DFS") was completed in June 2015. Independent specialist advisers to the 2015 DFS included Senet (assembly of DFS and ore processing), Snowden (Mineral Resources and Ore Reserves), Epoch (tailings management), Cube Consulting (grade control and mine optimisation), Golder (environmental and social impact) and Endeavour Financial (project finance advisor and arranger).

Following completion of the 2015 DFS, the cost estimates and mine plan have been refined further. These refinements are the product of:

- collaboration between the KEFI project management team and the project contractors - Ausdrill/African Mining Services and Lycopodium (who replaced Sedgman in June 2016); and
- reviews by the Independent Technical Consultants for the project financiers - Micon (development and operating) and Environ (Social and Environmental).

This work has delivered even more robust gold project than the 2015 DFS as shown in the table below.

	2015 DFS 13-year LOM (owner mining)	Refined Mine Plan 10-year LOM (contract mining)
Waste:ore ratio	7.4:1.0	7.4:1.0
Processing rate	1.2Mtpa	1.5Mtpa
Total ore processed	15.4Mt	15.4Mt
Average head grade	2.1g/t gold	2.1g/t gold
Gold recoveries	93%	93%
Annual steady-state gold production	95,000 ounces	115,000 ounces
Total LOM gold production	961,000 ounces	980,000 ounces
Initial construction capital	US$176M	US$108M
Total funding requirement	US$168 M	US$132M
All-in Sustaining Costs	US$724/oz	US$746/oz
All-in Costs (including initial capital expenditure)	US$888/oz	US$869/oz
Average annual operating cash flow	US$50M p.a.	US$58M p.a.
Net Cash after Debt Service & Tax	N.A	US$326M
After-tax NPV (8%)	US$118M (ungeared)	US$153M (geared)
IRR	22% (ungeared)	45% (geared)
Payback	3.5 years	2.5 years

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

Tulu Kapi's initial construction capital is currently estimated at c. US$108 million, c. US$120 million after adding transaction, financing and insurance costs and US$135 million after adding cost overrun facilities.

Tulu Kapi - Development

Tulu Kapi will be a conventional open-pit mining operation with a CIL processing plant. The mine will be connected to Ethiopia's electricity grid via a new 47km long, 132 kV power line. An emergency diesel power plant will also be installed to provide emergency backup power to critical process equipment in the event of a grid power failure.

The construction project management team is led by Mr Wayne Nicoletto, who was appointed Head of Operations of KEFI and Managing Director of KEFI Minerals Ethiopia Limited in February 2015. His development and operational expertise complements the local expertise of Dr Kebede Belete, Country Manager for KEFI.

Following the international tenders, in October 2015 KEFI appointed Ausdrill Limited (via subsidiary African Mining Services) as mining contractor and Lycopodium as process plant construction contractor (replacing Sedgman).

At Ausdrill facility in Perth - from left to right, Sergio DiGiovanna (Project Value Engineering), Guy Ware (Processing), Geoff Davidson (Mining), Harry Anagnostaras-Adams (Executive Chairman)

Tulu Kapi is fully-permitted and the work currently being undertaken should ensure construction can proceed quickly and efficiently once funding is in place.

Tulu Kapi – Potential for Underground Mine

The Tulu Kapi orebody is very amenable to underground mining as ground conditions are good, gold grades increase and ore lenses thicken with depth. Gold mineralisation remains open along strike, down plunge and at depth. Notably, the most northerly hole drilled into the deepest portion of the deposit intersected 90m at 3g/t gold and demonstrates that the deposit remains open down plunge.

A preliminary economic assessment ("PEA") of Tulu Kapi's underground mining potential was completed in March 2016. Based on the 2014 Mineral Resources, the underground mining inventory of 1.3Mt at 5.2g/t gold adds gold production of c. 50,000 ozs p.a. over four years.

The PEA considered the gold mineralisation greater than a cut-off of 2.5g/t gold below the base of planned open pit, which is c. 1,450m RL (i.e. 50m higher than the 1400m RL division for the 2015 Mineral Resource Statement). It also considered economic lenses above 1,450m RL but outside of the planned open pit.

The key outcomes of the PEA were that:

- Underground mine development is economically justified based on the 2014 Mineral Resources;
- Combined gold production from the open pit and underground mine approximates 150,000oz p.a.;
- The underground mine adds an estimated US$44 million to the Project's after-tax NPV (8%) at a gold price of US$1,250/oz; and
- Subject to the results of a full DFS, underground mine development to commence after repayment of development finance – targeting the third year of open-pit operations.

As the deposit remains open, KEFI has identified exploration potential for tripling the current 330,000oz underground Mineral Resource to c. 1Moz.

Tulu Kapi – Regional Exploration Potential

The Tulu Kapi district exploration priorities are now being overhauled in light of Tulu Kapi's planned development. This process will place revised emphasis on certain historical discoveries of gold mineralisation. There is significant potential for further gold orebodies to be discovered within trucking distance of the Tulu Kapi processing plant.

Ethiopia, regional exploration - centre left Amha Hailejesus (senior exploration geologist) and centre right Fabio Granitzio (exploration manager)

Saudi Arabia

The Kingdom of Saudi Arabia is a country with a long history of gold and copper mining that dates back over 3,000 years. As part of a broader strategy to diversify the country's revenues away from oil, Saudi Arabia is looking to expand and develop its mineral sector.

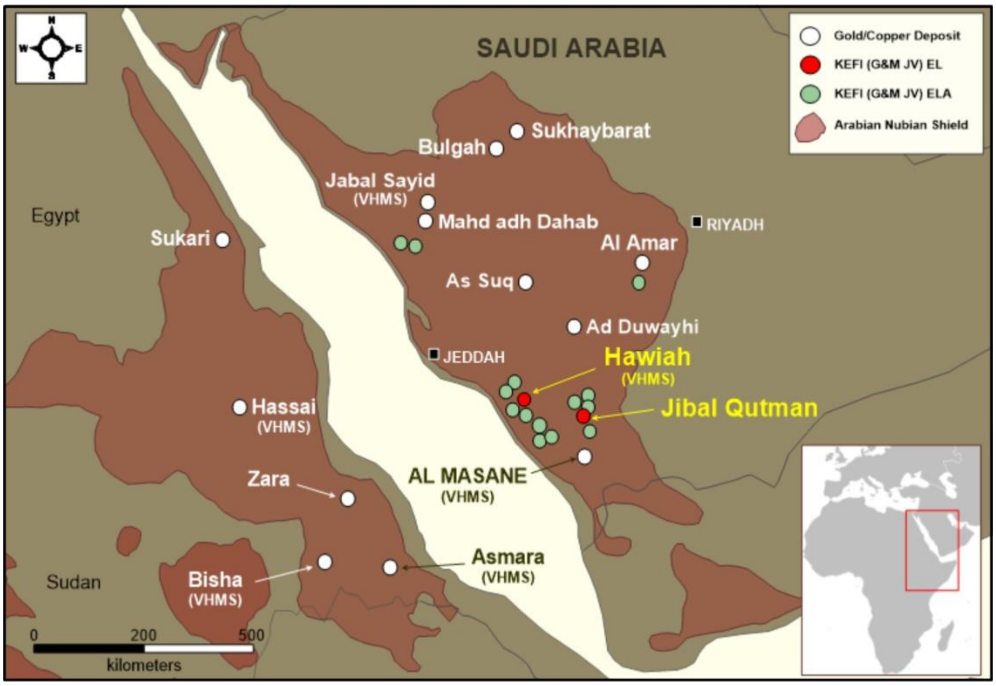
Key commercial advantages for KEFI in Saudi Arabia are:

- A country under-explored for minerals with only a few companies exploring for gold and copper;
- The Precambrian ANS rocks are very prospective for gold and copper;
- Exploration, development and operating costs are low by industry standards, benefitting from low energy and labour costs;
- Saudi Industrial Development Fund provides loans for up to 75% of the capital cost of mine development at attractive interest rates;
- A modern mining code; and
- A strong local joint venture relationship.

KEFI remains well placed to advance and develop our projects with the assistance of our partner ARTAR, a leading local industrial group owned by Sheikh Al Rashid and his family. As a 40% shareholder and manager of G&M, KEFI Minerals has established a strong foothold from which to build on the momentum achieved to date.

The Kingdom of Saudi Arabia has instituted policies to encourage minerals exploration and development. A resurgence of the Kingdom's minerals sector could generate significant employment and assist with development of infrastructure in remote areas of the country. G&M is aligned with these policies, with KEFI as the technical partner and operator, and ARTAR as the majority shareholder. Combined with KEFI's technical excellence, ARTAR's local presence and financial strength has been instrumental in establishing G&M as a respected explorer in Saudi Arabia.

The Directors of KEFI are increasingly confident that, given the Company's approach of strong local ownership from the outset for its operations in Saudi Arabia, it is well placed to establish a secure long term position in the country. KEFI is fully committed to consolidate G&M's presence in Saudi Arabia as the exploration results achieved since commencing exploration demonstrate the substantial opportunity to discover and develop mines in the country.



Location of G&M ELs and ELAs in Saudi Arabia, including the main gold and VHMS copper deposits in the ANS.

Saudi Arabia - Jibal Qutman

The Jibal Qutman EL is located in the central southern region of the Arabian-Nubian Shield and covers an area of 99.9km^2. The EL covers an important part of the prospective Nabitah-Tathlith Fault Zone, a 300km-long structure with over 40 gold occurrences and ancient gold mines.

Drilling undertaken since the EL grant in July 2012 has identified gold resources in six areas - Main Zone, West Zone, South Zone, 3K Hill, 4K Hill and Red Hill. Given the established regional prospectivity for shallow oxide gold deposits, ELAs have been submitted for four additional areas near Jibal Qutman.

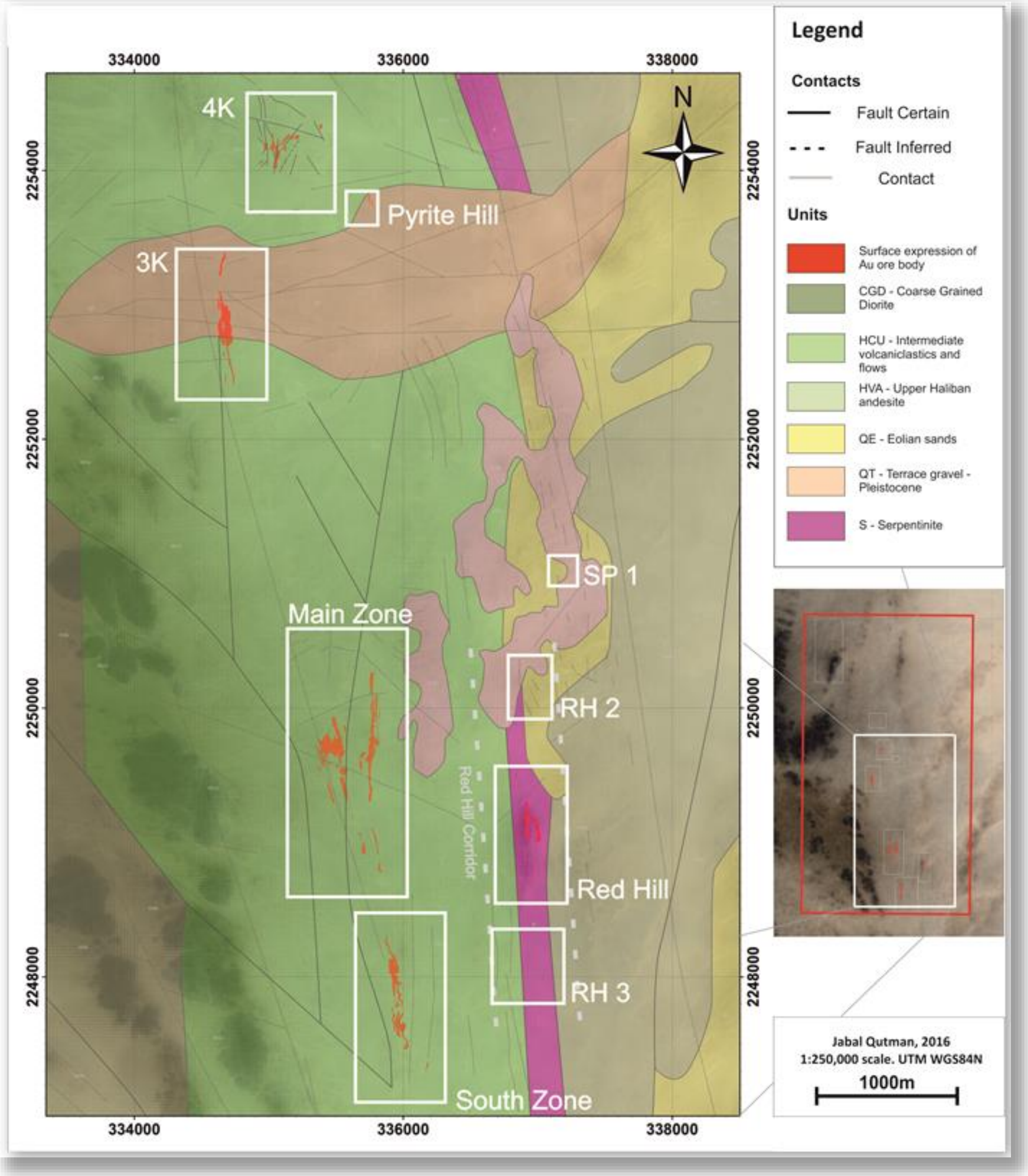
Drilling has identified oxide gold mineralisation that is amenable to heap leach ("HL") processing. Accordingly, the Company is focusing on producing gold via an open cut, HL operation. The HL approach has the advantages of speeding up the potential development timetable and lowering capital requirements to potentially as little as US$3 million for KEFI's equity contribution to initial development costs.

Jibal Qutman Exploration

During 2015, an infill programme was carried out over the established deposits - Main Zone, West Zone, South Zone, 3K Hill and 4K Hill. The programme comprised 89 reverse circulation (RC) holes for a total of 5,489m. This led to an improved resource model for the oxide mineralisation and to increased oxide resources.

Geologist team briefing at Jibal Qutman. From Left, Tomos Bryan (senior geologist), Fabio Granitzio (exploration manager), Zsolt Molnar (senior resource geologist), Timothy Eatwell (exploration geologist) and Luca Purpura (exploration geologist).

The main exploration focus during 2015 has been on the Red Hill corridor. An initial Mineral Resource has been defined at the main Red Hill prospect. Gold mineralisation was discovered at the RH2 and RH3 prospects along strike to the north and south, respectively. Red Hill now sits at the centre of a corridor of mineralisation at least 2 km long and contains a previously unrecognised mineralisation style at Jibal Qutman - listwaenite hosted gold.



Location of Jibal Qutman prospects.

Mineral Resource Estimates for Jibal Qutman

In May 2015, KEFI released an updated Mineral Resource estimate of 28.4 million tonnes at 0.80g/t gold, containing 733,045 ounces for Jibal Qutman.

As summarised in the table below, the majority of the Mineral Resource is now in the Indicated category.

	Category	Tonnes (millions)	Gold (g/t)	Contained Gold ('000 ounces)
Oxide	Indicated	8.3	0.86	229
	Inferred	2.8	0.64	58
	Sub-Total	**11.1**	**0.80**	**287**
Sulfide	Indicated	9.7	0.86	269
	Inferred	7.6	0.72	176
	Sub-Total	**17.3**	**0.80**	**446**
Oxide + Sulfide	Indicated	18.0	0.86	498
	Inferred	10.4	0.70	235
	Grand Total	**28.4**	**0.80**	**733**

Note: For further information, see KEFI Minerals announcement dated 6 May 2015. Small discrepancies may occur due to the effects of rounding.

The oxide gold mineralisation contained with the above Mineral Resource is estimated to total 11.1 million tonnes at 0.80g/t gold, containing 287,000 ounces.

Preliminary Economic Assessment for Jibal Qutman

Metallurgical test work has confirmed that Jibal Qutman oxide mineralisation is amenable to heap leach processing. The key outcomes from a Preliminary Economic Assessment for Jibal Qutman completed in May 2015 were:

- 1.5Mtpa heap leach operation;
- Gold production 139,000 ounces over an initial mine life of 4.5 years;
- Oxide open-pit optimisation studies show a potential mineable resource of 6.6 million tonnes at 0.95g/t gold, for 201,600 contained ounces;
- Waste:ore ratio of 2.2:1.0;
- Average gold recovery of 73%;
- Cash operating cost of US$597/ounce; and
- Capital expenditure of US$30 million.

Combined with the potential for development loans for up to 75% of capex requirements, it may be possible for KEFI to fund its share of the equity portion with under US$3 million in equity or other forms of finance.

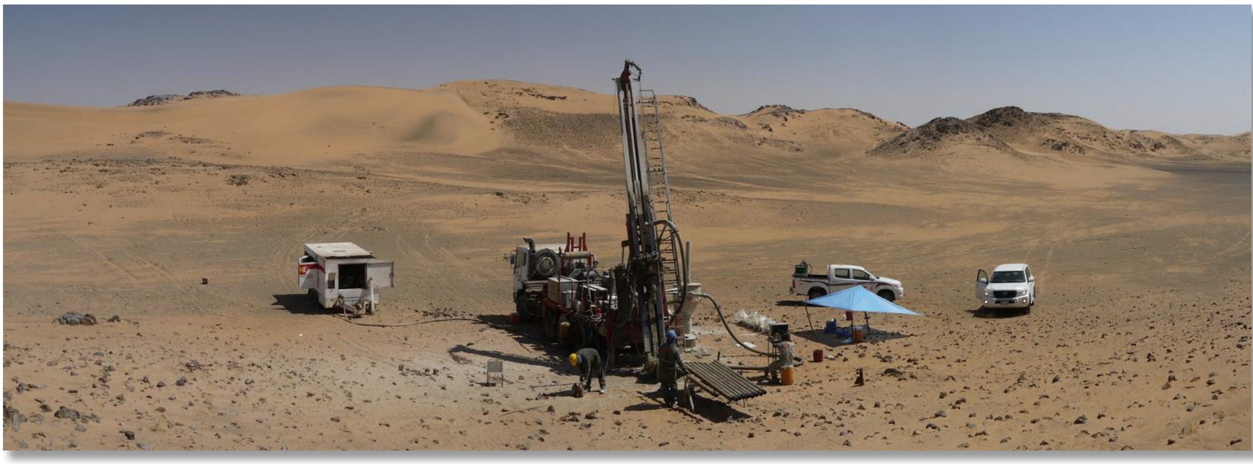
Saudi regulatory officials reviewing sampling procedures.

Jibal Qutman Outlook

Jibal Qutman's business objectives over the coming year are to:

- Complete the current review of the Preliminary Feasibility Study with the regulatory authorities;
- Submit the MLA after completion of these regulatory reviews;
- Commence the DFS;
- Explore the surrounding ELAs after their grant, which have high prospectivity for additional resources; and
- Prepare applications for construction and operating licences.

This strategy envisages Jibal Qutman becoming G&M's foundation for a strong, sustainable mining company in Saudi Arabia.



Reverse circulation drilling at Jibal Qutman.

Saudi Arabia - Hawiah

In December 2014, the 95km^2 Hawiah EL was granted to ARTAR on behalf of G&M. The Hawiah prospect is located within the Wadi Bidah Mineral District ("WBMD") in the southwest of the Arabian Shield. The WBMD is a 120km long belt which hosts over 24 volcanically hosted massive sulphide ("VHMS") occurrences and historic workings for copper and gold.

The initial focus at Hawiah is on gold enrichment in surface gossans and a large VHMS copper-gold-zinc sulphide target at depth, associated with a 6km-long, north-south exposure of a highly silicified and variably gossanous horizon. Initial surface exploration has confirmed that the gossans are enriched in gold and the mineralisation has good continuity along strike, as well as containing abundant secondary copper showings.

The planned exploration programme at Hawiah aims to:

- Quickly define a near-surface, economic gold resource in the gossan via trenching and RC drilling; and
- Simultaneously search for a major copper-gold-zinc sulphide ore body along strike and/or at depth.

Further exploration activities in Hawiah are on hold pending the outcome of ongoing community negotiations. It is very important that all the correct steps are taken with local stakeholders to ensure our licence to operate is robust both on the Hawiah EL and for other ELAs in the WBMD.

Hawiah Geology and Exploration

The Hawiah EL covers a predominantly bimodal mafic and felsic volcaniclastic succession in a broad anticline, with an unusually large expression of surface mineralisation outcropping on the eastern limb. Hawiah's silicified and gossanous horizon was mapped and trenched by France's Bureau De Recherches Geologiques et Minieres ("BRGM") in the 1980s, who identified its gold-bearing potential and the gold potential of the WBMD.

In February 2015, KEFI completed a first-pass, wide-spaced trenching programme. A total of 53 trenches, for a total length of 1,620m, was excavated over the 6km-long gossanous horizon. KEFI's trenches repeated all of the BRGM's trenches, as well as extending the known (4km) exposure to the south and to the north.

Almost all of KEFI's trenches contained anomalous gold, including 6m at 2.2g/t gold, 2m at 8.7g/t gold, 6m at 1.9g/t gold, 3m at 5.8g/t gold, 2m at 7.5g/t gold and 8m at 3.0g/t gold.

The BRGM and KEFI results both confirm that gold grades occur with good continuity along the strike length of this 6km-long gossanous horizon.

In order to test the deeper VHMS potential, KEFI is using geophysics and geochemistry to define drill targets.

KEFI undertook a self-potential ("SP") geophysical survey to provide a geophysical orientation over the most prospective southern-half of the 6 km-long gossanous horizon. This survey comprised 38 east-west trending survey lines at 100m line spacing, for a total along strike coverage of 3.8 km.

Two anomalies have been identified on the SP survey results:

- An intense north-south trending SP anomaly with a continuous maxima of 350 millivolts, located between 125m and 300m below surface with an 800m strike length. The intensity of this anomaly is consistent with the presence of a massive sulphide source, or to a high and contiguous concentration of disseminated sulphides at depth; and
- A parallel SP anomaly with a similar but less continuous intensity located 600m to the east.

SP survey instruments at Hawiah

The targets generated by the SP survey are planned to be followed-up with a more detailed induced polarisation ("IP") geophysical survey. The IP survey is designed to test for electrical conductors (i.e. massive sulphides) down to vertical depth of 600m below surface. The IP anomalies will provide targets with vertical depths that are planned to be tested by diamond drilling.

The BRGM undertook similar SP surveys in the 1980s over other gossans to the south of Hawiah in the WBMD, with limited follow-up drilling intersecting up to 10m at 2% copper.

Gossan outcrop at Hawiah

Hawiah Regional Prospectivity

The WBMD is a 120km-long, north-south trending belt which hosts 36 prospects of three main types:

- VHMS deposits;
- Volcano-sedimentary deposits associated with disseminated to sub-massive sulphides; and
- Shear zone & quartz vein hosted deposits.

KEFI has nine other exploration licence applications pending within the WBMD covering other existing targets and highly prospective ground.

The BRGM assessed the gold potential of gossans in the entire WBMD in the 1980s. The BRGM estimated a total of 400,000 ounces of gold to be contained in the gossans that were assessed in the WBMD, with the average grades of some deposits ranging from 5g/t gold to 7g/t gold. The BRGM also carried out some geophysical surveys over the gossans and carried out limited drilling to test the anomalies generated. Some massive copper-zinc sulphides were intersected, but the drill core was not systematically assayed for base metal content, nor followed up by further drilling.

VHMS deposits are major sources of copper-lead-zinc-gold-silver ore bodies. Examples of large VHMS deposits in the ANS include:

- Eritrea - Bisha (Nevsun) and Asmara (Sunridge) deposits;
- Sudan - Hassaii (Ariab) deposits; and
- Saudi Arabia - Jabal Sayid (Barrick and Ma'aden) and Al Masane (Arabian American) deposits.

The Hawiah EL and surrounding under-explored WBMD are considered to be very prospective for gold and VHMS deposits.

Saudi Arabia - Exploration Licence Applications

EL's are renewable for up to three years and bestow the exclusive right to explore and to obtain a 30-year exploitation (mining) lease within the area. ELAs are initially applied for and granted to ARTAR and granted ELAs will be transferred into G&M in due course.

Since first applying for exploration title in 2009, five ELs have been granted:

- 2011 - Selib North EL;
- 2012 - Hikyrin EL, Hikyrin South EL and Jibal Qutman EL; and
- 2014 - Hawiah EL.

Following rapid assessment, the Selib North, Hikyrin and Hikyrin South ELs have been relinquished.

As detailed in previous Annual Reports, the granting of ELs in Saudi Arabia involves extensive community and regulatory consultation. The involvement of more than a dozen government departments and committees at the application stage helps to facilitate the potential development phase.

A representative of each stakeholder must attend a joint field investigation on an appointed day, this is called an "Imara Committee" meeting. There are many other steps in the EL procedure and this often results in a lengthy assessment time (3-4 years) before the EL is granted. The benefit of the process is, that once granted, the title holder can perform all exploration works, including the feasibility stage. This process also brings the advantage that it engages the community from the outset.

G&M currently holds a large portfolio of ELAs that are at various stages of being processed by the DMMR, cover an area of more than 1,000km^2.

These ELAs are expected to provide a long-term stream of exploration projects containing ancient gold and copper occurrences to be evaluated using modern exploration methods. Surface sample results and some historical drilling from these ELAs suggests that they are highly prospective for gold and, or copper mineralisation.

Some of our applications are at advanced stages and we are also discussing with the authorities the appropriateness of prioritising applications in the vicinity of Jibal Qutman. The regional programme warrants long-term dedication.

Glossary and Abbreviations

AIC	All-in Costs
AISC	All-in Sustaining Costs
Arabian-Nubian Shield or ANS	The Arabian-Nubian Shield is a large area of Precambrian rocks in various countries surrounding the Red Sea
ARTAR	Abdul Rahman Saad Al Rashid & Sons Company Limited
BRGM	Bureau de Recherches Géologiques et Minières – the Geological Survey of France
CIL	Carbon in Leach
DFS	Definitive Feasibility Study
DMMR	Deputy Ministry for Mineral Resources – Kingdom of Saudi Arabia
EL	Exploration Licence
ELA	Exploration Licence Application
Epithermal	Hydrothermal mineral deposit formed within about 1 km of the Earth's surface and in the temperature range of 50 to 200 degrees Celsius, occurring mainly as veins
ESIA	Environmental and Social Impact Assessment
G&M	Gold and Minerals Co. Limited
g/t	Grams per tonne
Gossan	An iron-bearing weathered product overlying a sulphide deposit
HL	Heap leach
IP	Induced polarisation - a ground-based geophysical survey technique measuring the intensity of an induced electric current, used to identify disseminated sulphide deposits
JORC	Joint Ore Reserves Committee
JORC Code 2012	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
LOM	Life of mine
Massive sulphide	Rock comprised of more than 40% sulphide minerals
MA	Mining Agreement
ML	Mining Licence
Mt	Million tonnes
Mtpa	Million tonnes per annum
oz	Troy ounce of gold
PEA	Preliminary Economic Assessment

PFS	Pre-Feasibility Study
Precambrian	Era of geological time before the Cambrian, from approximately 4,600 to 542 million years ago
RC drilling	Reverse Circulation drilling. Percussion drilling method. Reverse circulation is achieved by blowing air down the rods, the differential pressure creating air lift of the water and cuttings up the "inner tube", which is inside each rod. The drill cuttings travel around the inside of the cyclone until they fall through an opening at the bottom and are collected in a sample bag
RL	Relative Level
SP	Self potential - a ground-based geophysical survey technique measuring the potential difference between any two points on the ground produced by the small, naturally produced currents that occur beneath the Earth's surface
VHMS deposits	Volcanic-hosted massive sulphides; refers to massive sulphide deposits formed in a volcanic environment with varying base metals (copper, lead and zinc) often with significant additional gold and silver
WBMD	Wadi Bidah Mineral District

Competent Person Statement

KEFI Minerals reports in accordance with the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code 2012").

The information in this annual report that relates to exploration results, Mineral Resources and Ore Reserves is based on information compiled by Mr Jeffrey Rayner. He is the Exploration Director of KEFI Minerals and a Member of the Australasian Institute of Mining and Metallurgy (“AusIMM”). Mr Rayner is a geologist with sufficient relevant experience for Group reporting to qualify as a Competent Person as defined in the JORC Code 2012. Mr Rayner consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Mineral Resources and Ore Reserves in this report have been previously released as follows:

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

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

Directors, Secretary and Advisers

Directors
Harry Anagnostaras-Adams, **Executive Chairman**
Ian Plimer, **Non-Executive Deputy Chairman**
Norman Ling, **Non-Executive**
Jeff Rayner, **Exploration Director**
John Leach, **Non-Executive**

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Strategic Report, Directors' Report and Consolidated Financial Statements

Year ended 31 December 2015

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Strategic Report
For the year ended 31 December 2015

KEFI Minerals PLC Company number: 05976748

The directors present their Group Strategic Report for the year ended 31 December 2015.

Incorporation and principal activity

KEFI Minerals PLC (‘KEFI”) was incorporated on 24 October 2006 and was admitted to AIM in December 2006 with a market capitalisation of £2.7 million at the placing price.

The principal activities of KEFI Minerals PLC (“the Company”) are:

- To explore for mineral deposits of precious and base metals and other minerals that show potential for commercial exploitation;
- To evaluate mineral deposits determining the viability of commercial development; and
- To develop those mineral deposits and market the metals produced.

Review of operations

KEFI is the operator of two advanced gold development projects within the highly prospective Arabian Nubian Shield, with an attributable 1.93Moz (95% of Tulu Kapi’s 1.72Moz and 40% of Jibal Qutman’s 0.73Moz) gold Mineral Resources (JORC 2012) plus significant resource growth potential. KEFI Minerals objective is that production at these projects generate cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

KEFI Minerals in Ethiopia

KEFI owns 100% of the Tulu Kapi Gold Project (“Tulu Kapi) in Ethiopia. The Government of Ethiopia is entitled to a 5% free carried-interest and a 7% royalty on gold production. The Tulu Kapi project has been overhauled and enhanced by the Company as follows:

- Expanded the Indicated Resource;
- Successfully overhauled the entire development and operating plan;
- Completed several independent cycles of due diligence on the optimised plans;
- Received full permission for development and operation;
- Signed a bilateral agreement with the Government of Ethiopia setting out the fiscal regime for life of mine; and
- Installed the project construction management team, project contractors and the lead bank.

• In August 2015, KEFI Minerals published the 2015 Definitive Feasibility Study (“DFS”) setting out capital requirements at US$176 million on an owner-operated basis, reduced from US$289 million estimate of the previous owner.

• Subsequent refinements and the terms of appointment of the project contractors in October 2015 reduced this to a funding requirement of approximately US$135 million, which has since been the focus of the financing syndicate with a view to striking an appropriate balance between risk-mitigation and equity dilution.

• Tulu Kapi’s annual gold production and All-in Sustaining Costs are estimated at approximately 115,000oz pa and approximately US$724/oz to US$752/oz at a gold price range of US$1,000/oz to US$1,400/oz,

• The project now has soundly-based robust economics and significant growth potential beyond the existing Ore Reserves estimate of 15.4Mt at 2.12g/t gold, containing 1.05Moz.

• KEFI is in the midst of assembling the development financing for Tulu Kapi and has published the findings of a Preliminary Economic Assessment (“PEA”) on potentially developing an underground mine underneath the Tulu Kapi open pit, which would increase total production (an aggregate of the open pit and underground mine) to over 150,000oz pa.

KEFI Minerals in Ethiopia (Continued)

The Company is focused on certain key targets for 2016:

- Complete the Front-End Engineering and Design in the first half of 2016 by the Engineering, Procurement and Construction contractor (via a fixed-price, lump-sum arrangement).
- Trigger resettlement of the community during quarter three.
- To complete financing in mid-2016, by assembling an international financing syndicate.
- Commence production at the end of 2017

KEFI Minerals in the Kingdom of Saudi Arabia

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

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

ARTAR, on behalf of G&M, holds a large portfolio of EL applications that cover an area of more than 1,000km^2. ELs are renewable for up to three years and bestow the exclusive right to explore and to obtain a 30-year exploitation (mining) lease within the area.

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

Funding

The Company successfully completed a number of equity placings in 2015 as detailed below. In particular, the Company raised £7.0 million (before expenses) through the placing of 1,386,302,022 new Ordinary Shares at an average price of 0.5p per share. The £7.0 million raised (before expenses) was allocated to:

- Pit optimisation studies applied to the oxide resources at Jibal Qutman;
- Approximately 75% of the infill drilling programme at Jibal Qutman (RC and diamond drilling) totalling 5,415m had been completed:
- Completed at Hawiah an initial 53-trench surface sampling programme over a 6 km-long gossanous horizon and a geophysical survey over the southern half of the gossanous horizon;
- Ensuring there are sufficient funds available to meet KEFI' share of the KEFI Minerals Ethiopia Limited VAT obligations to the Ethiopian government in 2015;
- 2015 Definitive Feasibility Study which was signed off and completed and reviewed by the Independent Technical Consultants for the project financiers; and
- Contribution towards KEFI's ongoing corporate costs including the arrangement of project finance facilities for the planned gold mine developments.

Strategic Report (continued)
For the year ended 31 December 2015

Key performance indicators

Key Performance Indicators for the Group for the year ended 31 December 2015 are those relevant to the exploration, acquisition, project evaluation and early-stage finance phases of its activities. The Group considers that its primary projects in Ethiopia and Saudi Arabia continue to meet expectations. Careful monitoring and control has been carried out in respect of cash management.

- Key Performance Indicators for 2016 include:
    - Formal appointment of development funding syndicate for Tulu Kapi gold project;
    - Shareholder approval of finance plan for Tulu Kapi gold project;
    - Start construction of the Tulu Kapi gold project;
    - Mining Licence Application for Jibal Qutman gold project in Saudi Arabia.

This includes the periodic review of the Group's results through management accounts, appraisal of technical reports, monitoring of the marketplace and the Group's physical presence in the Kingdom of Saudi Arabia and the Democratic Republic of Ethiopia, including attendance at regular board meetings of subsidiary companies. Based on the results, the Board have concluded that no changes are required to the current strategy.

Management ensure that the Group's projects are in compliance with relevant environmental and employment legislation in the applicable jurisdiction.

Results

As at 31 December 2015, the Group had a net negative working capital of £983,000 (2014: £ 2,141,000) and the Company's market capitalisation was £8.39 million (2014: £13.28million). At the year end the Group had equity of £10,943,000 (2014: £7,158,000). During 2015, the Group has incurred exploration expenditure of £4,000 (2014: £100,000) from operations and an operating loss of £2,837,000 (2014: £3,500,000).

The Company made several successful placements during the year raising £7.0 million (before expenses) as follows:

Issued	£'000
March 2015 at 1p	800
May 2015 at 1p	667
June 2015 at 0.8p	2,901
December 2015 at 0.3p	2,632
Funds raised before expenses	7,000
Less costs deducted from share premium and equity	(443)
	6,557

All exploration expenditure incurred at the Group's projects in the Kingdom of Saudi Arabia is written off when incurred in accordance with IFRS 6, pending the Directors' decision to commence project development. This policy is one of the factors in the Group recording a net loss for the year of £3,206,000 (2014: £ 3,963,000). Since the acquisition of KEFI Minerals Ethiopia Limited the administrative expenditure increased because of the greater focus on permitting, financing and staffing in preparation for exploitation of the Tulu Kapi asset**.** Direct development expenditure for the Group's project at Tulu Kapi in Ethiopia is capitalised, as this is intended to be developed for production. The Ethiopian Government is entitled to a 7% royalty on the gold mining revenue and a 5% free carried interest in the project.

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Exploration expenditure	**(4)**	(100)
Administrative expenses	**(1,720)**	(2,083)
Warrants issued costs	**(163)**	(66)
Share based payments	**(215)**	(269)
Share of loss from jointly controlled entity	**(735)**	(982)
Foreign exchange loss	**(50)**	(50)
Interest cost	**(319)**	(413)
Loss for the year	**(3,206)**	**(3,963)**

The Group's results for the year are set out on page 45.

Organisation overview

The Corporate Head Office of the Group is located in Nicosia, Cyprus, and provides corporate and support services to the overseas operations. An administration office is maintained in Izmir, Turkey. East African operations are managed out of Addis Ababa, Ethiopia. The Saudi Arabia Exploration is managed through the office on Riyadh. Field and base facilities are also maintained as required.

Strategic approach

The Board's strategic intent is to maximize shareholder value through the development of a focused portfolio of operations and projects at various stages, while at the same time managing the significant risks faced by companies in the exploration and development stage.

Our risk management approach places a clear focus on discovering and exploiting mineral wealth through multiple ventures within a focused framework, thus increasing the odds of success. We continuously monitor and review our investment strategies and are quick to relinquish licences which we believe will be uneconomic. We introduce partners in certain circumstances to minimise risk and broaden the human and financial resources available.

The Group has to date financed its activities through periodic capital raisings and contributions by partners.

Business model

The following business model sets out how the Group will deliver on its strategic aims:

- Define additional reserves and resources in Saudi Arabia and Ethiopia;
- Develop metals production;
- Maintain good community relationships; and
- Employ good environmental governance practices.

Strategic Report (continued)
For the year ended 31 December 2015

Principal risks and uncertainties

The Group's operations are exposed to a variety of risks, many of which are outside of the Group's control. The Group has put in place controls to minimise these risks where possible.

Exploration industry risks:

Mineral exploration is speculative in nature, involves many risks and is typically unsuccessful in any one target. Following any discovery, it can take a number of years from the initial phases of drilling and identification of mineralization until production is possible, during which time the economic feasibility of production may change.

Substantial expenditures are required to establish mineral reserves through drilling, to determine metallurgical processes to extract minerals from rock and other natural resources and to construct mining and processing facilities.

As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

Government activity, which could include non-renewal of licences, may result in any income receivable by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in the countries in which the Group operates could adversely affect the value of its interests.

Political risks:

All of the Group's operations are located in foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to changes in policies or the personnel administering them, terrorism, nationalisation, appropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

Financial risks:

The Group's risks and use of financial instruments are described in Note 3 to the consolidated financial statements. Other risks are described in the Chairman's and Exploration Director's Reports.

Future developments

The Group will continue to focus efforts in Ethiopia and Kingdom of Saudi Arabia with the objective of identifying mineral prospects for further exploration and development.

By Order of the Board

Cargil Management Services Limited
27/28 Eastcastle Street
London
United Kingdom
Company Secretary

3 June 2016

Report of the board of directors
For the year ended 31 December 2015

The Board of Directors presents its report for KEFI Minerals PLC and its subsidiaries (the "Group") together with the financial statements of the Group for the year ended 31 December 2015.

General information

The following information is set out in the Group Strategic Report and includes: Incorporation and Principal Activity, Review of Operations, Funding, Key Performance Indicators, Results, Organisation Overview, Strategic Approach, Business Model, Principal risks and uncertainties, and Future Developments.

Board of directors

The members of the Board of Directors of the Company as at 31 December 2015 and at the date of this report are shown on page 28. All directors served throughout the year. In accordance with the Company's Articles of Association, one third of the board of directors must resign each year. The remaining directors, presently members of the Board, will continue in office.

The Board comprises five Directors.

Harry Anagnostaras-Adams
Executive Director – Chairman

Mr Anagnostaras-Adams (B.Comm, MBA) has been Executive Chairman since 2014 and was previously a Non- Executive Chairman. Mr Anagnostaras-Adams is Chairman of the Physical Risks Committee. Mr Anagnostaras-Adams holds a Bachelor of Commerce (Finance and Systems) from the University of New South Wales, Australia and a Master of Business Administration from the Australian Graduate School of Management. He qualified as a Chartered Accountant while working with PricewaterhouseCoopers and has a Master of Business Administration from the Australian Graduate School of Management where he was awarded the John Story Memorial Prize as outstanding graduate.

Mr Anagnostaras-Adams founded AIM and TSX - listed Atalaya Mining PLC (previously EMED Mining Public Ltd). Mr Anagnostaras-Adams has previously served as the Managing Director of Atalaya Mining PLC, ASX and AIM-listed, Devex Limited (later Gympie Gold Limited), Executive Director of investment company Pilatus Capital Ltd., General Manager of resources investment group Clayton Robard Limited Group, Senior Investment Manager of Citicorp Capital Investors Australia Ltd. and serves (or has served) as a non-executive Director of many other public and private companies across a range of industries. He has overseen many successful start-ups.

Ian Rutherford Plimer
Non-Executive Director – Deputy Chairman

Professor Ian Plimer BSc (Hons), PhD, FTSE, FGS, FAIMM was appointed Non-Executive Deputy Chairman in December 2006 and is Chairman of the Group's Audit Committee. He is Emeritus Professor at The University of Melbourne where he was Professor and Head (1991-2005). He was Professor of Geology (University of Newcastle 1985-1991) and Professor of Mining Geology (University of Adelaide 2005-2012). He has been awarded the prestigious Leopold von Buch Medal for Science, the Centenary Medal and the Eureka Prize (twice). Professor Plimer has published more than 130 scientific papers and is author of multiple best-selling books for the general public. Professor Plimer's main geological interests are in mineral resources. He serves on the boards of Silver City Minerals (ASX:SCI) and Niuminco Group Ltd (ASX:NIU), unlisted Hancock Prospecting Pty Ltd companies (Roy Hill Holdings, Hope Downs, Queensland Coal Investments) and represent Hancock Prospecting on the Lakes Oil NL board (ASX:LKO) and Sun Resources NL boards (ASX:SUR).

(All amounts in GBP thousands unless otherwise stated)

Jeffrey Guy Rayner

Executive Director - Exploration Director

Mr Rayner was appointed Managing Director of KEFI in November 2006 and assumed the role of Exploration Director in September 2014. Mr Rayner is a geologist (BSc Hons) with over 29 years' experience in gold exploration and mining in Australia, Europe and Asia. Mr Rayner started his career in Australia with BHP Gold and later Newcrest Mining Limited. He was involved in the early exploration discovery of the Cracow and Gosowong epithermal deposits and the Cadia Hill deposit, presently operating mines. In 1998 he joined Gold Mines of Sardinia PLC as exploration manager, responsible for exploration and mining in Sardinia and project generation in Europe. As part of his time at Gold Mines of Sardinia PLC he led the exploration discovery of the Monte Ollasteddu gold deposit in Sardinia. Mr Rayner joined EMED Mining Public Ltd (now Atalaya Mining PLC) in 2006 and managed its Eastern European projects, resulting in the early drill discovery of the Biely Vrch gold deposit in Central Slovakia

John Edward Leach

Non-Executive Director

Mr Leach was appointed Finance Director in December 2006 on a consulting basis in accordance with the terms of the Services Agreement dated 7 November 2006 and subsequently became a non-executive director with responsibility for oversight of the Company's finance and accounting functions.

Mr Leach is a Canadian and Australian citizen. Mr Leach holds a Bachelor of Arts (Economics) and a Masters of Business Administration. Mr Leach is a member of the Institute of Chartered Accountants (Australia), the Canadian Institute of Chartered Accountants and a Fellow of the Australian Institute of Directors. He has over 30 years' experience in senior financial and executive director positions within the mining industry internationally. Mr Leach has served on the Board of AIM and TSX listed Atalaya Mining PLC (2007 to 2014), and is a former member of the boards of Resource Mining Corporation Limited (2006 to 2007) and Gympie Gold Limited (1995 to 2003).

Norman Ling

Non-Executive Director

Mr Norman Ling holds a BA (Hons) German and Economic History and has previously served as a non-executive director of Nyota. He has held a series of appointments at the UK Foreign and Commonwealth Office in a career spanning more than 30 years. Mr Ling's last post was as British Ambassador to Ethiopia, Djibouti and the African Union from 2008 to 2011, when he retired from government service.

Directors' interests

The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of persons connected with them in the existing ordinary shares as at 31 December 2015 are as follows:

Director	Number of existing ordinary shares	% of issued share capital
H Anagnostaras-Adams	90,508,334	3.45%
I Plimer	6,450,001	0.25%
J Rayner	21,342,750	0.81%
J Leach	11,364,583	0.43%
N Ling	2,864,583	0.11%

(All amounts in GBP thousands unless otherwise stated)

Report of the board of directors (continued)
For the year ended 31 December 2015

The Directors to whom options over Ordinary shares have been granted at the date of this document and the number of ordinary shares subject to such options are as follows:

Grant Date	Expiration Date	Exercise Price	H. Anagnostaras-Adams	I. Plimer	J. Rayner	J. Leach	N Ling
19-Jan-2016	18-Jan-2022	0.42p	16,038,000	5,346,000	16,038,000	5,346,000	5,346,000
20-Mar-2015	19-Mar-2021	1.32p	6,500,000	1,000,000	6,500,000	1,000,000	2,000,000
12-Sep-2014	11-Sep-2020	1.76p	-	-	-	-	2,250,000
27-Mar-2014	26-Mar-2020	2.30p	6,500,000	4,417,000	8,833,000	2,250,000	-
13-Sep-2012	12-Sep-2018	4.00p	3,000,000	2,500,000	5,000,000	1,500,000	-
			32,038,000	13,263,000	36,371,000	10,096,000	9,596,000

Directors' emoluments

In compliance with the disclosure requirements of the listing requirements of AIM, the aggregate remuneration paid to the directors of KEFI for the year ended 31 December 2015 is set out below:

31 December 2015	**Salary and fees**	**[1]Other compensation**	**[2]Share based benefit incentive options**	**[3]Deferred incentive bonus**	2015 Total
Executive					
J. Rayner	**147**	**26**	**55**	**-**	**228**
H. Anagnostaras-Adams	**198**	**25**	**46**	**50**	**319**
Non-Executive					
I. Plimer	**25**	**-**	**19**	**-**	**44**
J. Leach	**25**	**-**	**12**	**-**	**37**
N. Ling	**76**	**-**	**14**	**-**	**90**
	471	**51**	**146**	**50**	**718**

31 December 2014	Salary and fees	Other compensation	Share based benefit incentive options	Deferred bonus incentive	2014 Total
Executive					
J. Rayner	160	164	81	47	452
H. Anagnostaras-Adams	182	-	55	60	297
Non-Executive					
I. Plimer	25	-	40	-	65
J. Leach	25	-	22	-	47
N. Ling	52	-	2	-	54
	444	164	200	107	915

[1]*Other Compensation: in 2014 includes leave accrual of £113,000 for leave not taken in the current year and previous years.*

[2] *Share based benefit incentive options: These represent the proportion of the fair value of the options at the grant date that vested in the current year, and are not a cash payment.*

[3]*Deferred incentive bonus: Bonus payable once finance is secured or approved by board. The deferred incentive bonus in 2015 was paid in KEFI shares.*

Corporate governance statement

The Board is committed to maintaining high standards of corporate governance. The Directors recognize the importance of sound corporate governance and intend to observe the requirements of the UK Corporate Governance Code, as published by the Financial Reporting Council, and the Corporate Governance Code for Small and Mid-Sized Quoted Companies 2013, as published by the Quoted Companies Alliance, to the extent they consider appropriate in light of the Company's size, stage of development and resources. However, it should not be considered that the Company has complied with the UK Corporate Governance Code or the Corporate Governance Code for Small and Mid-Sized Quoted Companies 2013.

Board of Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving Company policies and strategies. It meets at least every three months and is supplied with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new Directors and other Directors as necessary. The Group's key strategic and operational decisions are reserved exclusively for the decision of the Board.

The Board consists of two full time Executive Directors who hold key operational positions in the Company (the Executive Chairman and Exploration Director), and three Non-Executive Directors. Two of the Non-Executive Directors, Ian Plimer and Norman Ling, are considered to be independent of management and any business or other relationship which could interfere with the exercise of their independent judgment, bring a breadth of experience and knowledge to the Company. Ian Plimer has been the lead independent director. The Board regularly reviews key business risks, including the financial risks facing the Group in the operations of its business. The Directors are of the opinion that the Board composition contains a suitable balance. The Board maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of shareholders about the Company.

Board meetings

The Board meets regularly throughout the year. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters. All Directors have access to the advice of the Company's solicitors. Necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively, and all Directors have access to independent professional advice, at the Company's expense, as and when required.

Board committees

The Board has established the following committees, each of which has its own terms of reference:

Audit Committee

The Audit Committee considers the Company's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises two Non-Executive Directors: Ian Plimer (Chairman) and Norman Ling, and is responsible for ensuring that the financial performance of the Company is properly monitored and reported on and in this capacity interacts as needed with the Company's External Auditors. Mr. John Leach is invited and attends the audit committee meetings to provide his skills and knowledge in audit committee matters.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration of the Directors and senior executives. It comprises two Non-Executive Directors: Norman Ling (Chairman) and Ian Plimer. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board.

Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee also gives regard to the terms that may be required to attract equivalent experienced executives to join the Board from other companies.

Report of the board of directors (continued)
For the year ended 31 December 2015

Internal controls

The Directors acknowledge their responsibility for the Company's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst the Directors are aware that no system can provide absolute assurance against material misstatement or loss, regular reviews of internal controls are undertaken to ensure that they are adequate and effective.

Risk management

The Board considers risk assessment important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management who compare actual progress to forecasts. Project milestones and timelines are regularly reviewed.

Risks and uncertainties

Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system. The principal risks facing the Company are set out in the Strategic Report.

Risk management and treasury policy

The Board considers risk assessment as an integral activity in achieving its strategic objectives, with the Board regularly reviewing its projects and activities in this regard. The Company finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Company. Decisions regarding the management of these assets are approved by the Board. Please refer to page 54 of the financial statements.

Securities trading

The Directors intend to comply with Rules 21 and 31 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well. The Board has adopted a Share Dealing Code that is appropriate for an AIM quoted company and this applies to Directors, senior management and any employees who are in possession of "unpublished price sensitive information". All such persons are prohibited from trading in the Company's securities if they are in possession of "unpublished price sensitive information". Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

Relations with shareholders

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company's website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

(All amounts in GBP thousands unless otherwise stated)

Report of the board of directors (continued)
For the year ended 31 December 2015

Shareholders holding more than 3% of share capital

The Shareholders holding more than 3% of the share capital of the Company as at the date of this report and as far as the Directors' are aware:

Name	% of issued share capital	Number of existing shares
The Bank Of New York (Nominees) Limited *(Odey Asset Management LLP 19.54%)	19.95%	622,679,103
Hargreaves Lansdown (Nominees) Limited	10.18%	317,568,650
Jim Nominees Limited	7.65%	238,691,469
Ausdrill International Pty Ltd	7.31%	228,279,349
Barclayshare Nominees Limited	6.61%	206,242,508
J.P. Morgan Securities Plc *(Odey Asset Management LLP 6.52%)	6.60%	206,000,000
TD Direct Investing Nominees (Europe) Limited	6.50%	202,878,122
HSDL Nominees Limited	4.74%	147,868,946

* Beneficial holding Odey Asset Management LLP

Events after the reporting date

On 19 January 2016, 48,114,000 options were issued to the Directors and a further 31,886,000 options have been granted to other non-board members of the senior management team. The options have an exercise price of 0.42p, expire after 6 years, and vest in two equal annual instalments.

The Company raised GBP1,747,759 before expenses on 22 March 2016 through a placing of 499,359,791 ordinary shares of 0.1p each at a price of 0.35p per share. On this date, the Company also granted warrants to subscribe for 24,967,989 ordinary shares of 0.1p each at a price on 0.35p per share.

In May 2016 the Company received formal confirmation from the Government of Ethiopia of its commitment to invest equity capital of US$20 million in Tulu Kapi.

During June 2016 the funding requirement reduced from US$145 million to estimated US$130 million, after accounting for further anticipated savings and project spending prior to project finance completion in 2016.

In June 2016 the finance plan is based on Project Equity of US$20 million from the Government of Ethiopia, Project Debt of US$95 million which leaves a residual US$15 million to be optimised for financial completion in the second half of 2016. KEFI has received expressions of interest for equity investment from project contractors and mezzanine-style financiers.

Report of the board of directors (continued)
For the year ended 31 December 2015

Auditors

The auditors, Moore Stephens LLP, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Directors' confirmation

Each of the persons who are a director at the date of approval of this annual report confirms that:

- there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a Director, in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By Order of the Board

Cargil Management Services Limited
27/28 Eastcastle Street
London
United Kingdom
Company Secretary

3 June 2016

Statement of directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law Directors must not approve the financial statements unless they are satisfied that they give a true and fair view. The Directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the shareholders of KEFI Minerals PLC

We have audited the financial statements of KEFI Minerals PLC for the year ended 31 December 2015 which are set out on pages 45 to 76. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 42, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2015 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 to the financial statements concerning the Company and Group's ability to continue as a going concern. The going concern presumption may not be appropriate because its validity 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.

Independent auditor's report (continued)

To the shareholders of KEFI Minerals PLC (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michael Simms*, Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

6 June 2016

Consolidated statement of comprehensive income

Year ended 31 December

	Notes	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Revenue		**-**	-
Exploration costs		**(4)**	(100)
Gross loss		**(4)**	(100)
Administrative expenses		**(1,720)**	(2,083)
Share-based payments	17	**(378)**	(335)
Share of loss from jointly controlled entity	19	**(735)**	(982)
Operating loss	6	**(2,837)**	(3,500)
Foreign exchange loss		**(50)**	(50)
Finance costs	8	**(319)**	(413)
Loss before tax		**(3,206)**	(3,963)
Tax	9	**-**	-
Loss for the year		**(3,206)**	(3,963)
Loss attributable to:			
-Owners of the parent		**(3,206)**	(3,848)
-Non-controlling interest		**-**	(115)
Loss for the period		**(3,206)**	(3,963)
Other comprehensive income:			
Exchange differences on translating foreign operations		**56**	70
Total comprehensive loss for the year		**(3,150)**	(3,893)
Total Comprehensive Income attributable to:			
-Owners of the parent		**(3,150)**	(3,778)
-Non-controlling interest		**-**	(115)
		(3,150)	(3,893)
Basic and fully diluted loss per share (pence)	10	**(0.20)**	(0.40)

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 £2.4 million (2014: £3.2 million) has been included in the financial statements of the parent company.

The notes on pages 51 to 76 are an integral part of these consolidated financial statements.

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Statements of financial position

31 December

	Notes	The Group 2015	The Company 2015	The Group 2014	The Company 2014
ASSETS					
Non-current assets					
Property, plant and equipment	11	**81**	**3**	160	2
Intangible assets	12	**11,845**	**1,078**	9,139	976
Fixed asset investments	13.1	**-**	**4,598**	-	4,598
Investments in jointly controlled entities	13.2	**-**	**181**	-	181
		11,926	**5,860**	9,299	5,757
Current assets					
Available for sale financial assets	14	**92**	**8**	86	8
Trade and other receivables	15	**358**	**7,710**	335	3,076
Cash and cash equivalents	16	**562**	**393**	640	607
		1,012	**8,111**	1,061	3,691
Total assets		**12,938**	**13,971**	10,360	9,448
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	**2,623**	**2,623**	12,352	12,352
Deferred Shares	17	**12,436**	**12,436**	-	-
Share premium	17	**12,347**	**12,347**	8,433	8,433
Share options reserve	17	**1,212**	**1,212**	848	848
Foreign exchange reserve		**(30)**	**-**	(86)	-
Accumulated losses		**(17,645)**	**(15,623)**	(14,389)	(13,117)
Total equity		**10,943**	**12,995**	7,158	8,516
Current liabilities					
Trade and other payables	20	**1,995**	**976**	3,202	932
		1,995	**976**	3,202	932
Total liabilities		**1,995**	**976**	3,202	932
Total equity and liabilities		**12,938**	**13,971**	10,360	9,448

The notes on pages 51 to 76 are an integral part of these consolidated financial statements.

On 3 June 2016, the Board of Directors of KEFI Minerals PLC authorised these financial statements for issue.

Harry Anagnostaras-Adams
Executive Director

Company number: 05976748

(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of changes in equity

Year ended 31 December 2015

	Attributable to the owners of the Company							
	Share capital	Deferred shares	Share premium	Share options reserve	Foreign exchange reserve	Accumulated losses	Non-controlling interest	Total
At 1 January 2014	8,535	-	7,660	794	(156)	(10,062)	1,032	7,803
Loss for the year	-	-	-	-	-	(3,848)	(115)	(3,963)
Other comprehensive income	-	-	-	-	70	-	-	70
Total Comprehensive Income	-	-	-	-	70	(3,848)	(115)	(3,893)
Recognition of share based payments	-	-	-	335	-	-	-	335
Cancellation of options	-	-	-	(281)	-	281	-	-
Issue of share capital	3,817	-	958	-	-	-	-	4,775
Share issue costs	-	-	(185)	-	-	(177)	-	(362)
Transactions with owners of the Company	12,352	-	8,433	848	(86)	(13,806)	917	8,658
Acquisition of non-controlling interest	-	-	-	-	-	(583)	(917)	(1,500)
At 31 December 2014	**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**

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

Reserve	**Description and purpose**
Share capital	amount subscribed for 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 notes on pages 51 to 76 are an integral part of these consolidated financial statements.

(All amounts in GBP thousands unless otherwise stated)

Company statement of changes in equity

Year ended 31 December 2015

	Share capital	Deferred shares	Share premium	Share options reserve	Accumulated losses	Total
At 1 January 2014	8,535	-	7,660	794	(10,006)	6,983
Comprehensive loss for the year	-	-	-	-	(3,215)	(3,215)
Recognition of share based payments	-	-	-	335	-	335
Cancellation of options	-	-	-	(281)	281	-
Issue of share capital	3,817	-	958	-	-	4,775
Share issue costs	-	-	(185)	-	(177)	(362)
At 31 December 2014	**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**

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

Reserve	**Description and purpose**
Share capital	amount subscribed for 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 notes on pages 51 to 76 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows
Year ended 31 December 2015

	Notes	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(3,206)**	(3,963)
Adjustments for:			
Depreciation of property, plant and equipment	11	**90**	118
Share based payments	18	**215**	269
Issue of warrants	17	**163**	66
Share of loss from jointly controlled entity	19	**735**	982
Exchange differences on borrowings		**-**	-
Exchange difference		**37**	(4)
		(1,966)	(2,532)
Changes in working capital:			
Trade and other receivables		**29**	320
Trade and other payables		**(1,111)**	(207)
Net cash used in operating activities		**(3,048)**	(2,419)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of non-controlling interest		**-**	(750)
Deferred exploration costs		**(967)**	(1,263)
Project evaluation costs		**(1,739)**	(976)
Acquisition of property plant and equipment		**(11)**	(26)
Advances to jointly controlled entity		**(790)**	(868)
Net cash used in investing activities		**(3,507)**	(3,883)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**6,923**	4,025
Issue costs	17	**(443)**	(362)
Net cash from financing activities		**6,480**	3,663
Net decrease in cash and cash equivalents		**(75)**	(2,639)
Effect of cash held in foreign currencies		**(3)**	-
Cash and cash equivalents:			
At beginning of the year	16	**640**	3,279
At end of the year	16	**562**	640

The notes on pages 51 to 76 are an integral part of these consolidated financial statements.

<u>Non-cash transactions</u>

On 5 September 2014, the Company issued 50,000,000 shares at £0.01 at a price of £0.015 per share as part of the consideration to acquire the 25% minority in its subsidiary KEFI Minerals (Ethiopia) Limited.

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Company statement of cash flows

Year ended 31 December 2015

	Notes	Year Ended	Year Ended
		31.12.15 **£'000**	31.12.14 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(2,456)**	(3,215)
Adjustments for:			
Share based payments	18	**215**	269
Issue of warrants	17	**163**	66
Impairment of loan to subsidiary		**28**	45
Impairment of amount receivable from jointly controlled entity		**720**	1,020
Exchange difference		**74**	(148)
		(1,256)	(1,963)
Changes in working capital:			
Trade and other receivables		**45**	510
Trade and other payables		**20**	614
Net cash used in operating activities		**(1,191)**	(839)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property plant and equipment		**(1)**	(2)
Project evaluation costs		**(587)**	(976)
Advances to jointly controlled entity		**(790)**	(868)
Acquisition of minority interest		**-**	(750)
Loan to subsidiary		**(4,125)**	(2,852)
Net cash used in investing activities		**(5,503)**	(5,448)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**6,923**	4,025
Issue costs	17	**(443)**	(362)
Net cash from financing activities		**6,480**	3663
Net decrease in cash and cash equivalents		**(214)**	(2,624)
Cash and cash equivalents:			
At beginning of the year	16	**607**	3,231
At end of the year	16	**393**	607

The notes on pages 51 to 76 are an integral part of these consolidated financial statements.

Non-cash transactions

See Consolidated Statement of Cash Flows.

Notes to the consolidated financial statements
Year ended 31 December 2015

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.

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 the period 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 2015. 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).

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 2015 (2014: £Nil).

Notes to the consolidated financial statements (continued)
Year ended 31 December 2015

2. Accounting policies (continued)

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.

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.

2. Accounting policies (continued)

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.

(All amounts in GBP thousands unless otherwise stated)

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:

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 income and 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:

	2015	2014
Variable rate instruments		
Financial assets	**562**	640

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2015 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 2015	Profit or Loss 2015	Equity 2014	Profit or Loss 2014
Variable rate instruments				
Financial assets – increase of 100 basis points	**6**	**6**	6	6
Financial assets – decrease of 25 basis points	**(1)**	**(1)**	(2)	(2)

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 2015	Assets 2015	Liabilities 2014	Assets 2014
Australian Dollar	**24**	**-**	-	-
Euro	**276**	**2**	16	4
Turkish Lira	**1**	**40**	1	49
US Dollar	**663**	**266**	156	240
Ethiopia ETB	**779**	**354**	2,023	204

(All amounts in GBP thousands unless otherwise stated)

3. Financial risk management (continued)

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2015 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 2015	**Profit or Loss 2015**	Equity 2014	Profit or Loss 2014
AUD Dollar	**3**	**3**	-	-
Euro	**27**	**27**	1	1
Turkish Lira	**(4)**	**(4)**	(5)	(5)
US Dollar	**40**	**40**	(9)	(9)
Ethiopia ETB	**42**	**42**	182	182

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 VAT over a period of three years (principal and interest).

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 £ 562,000 (2014: £640,000) and equity attributable to equity holders of the parent, comprising issued capital and deferred shares of £15,059,000 (2014: £12,352,000), reserves of £13,529,000, (2014: £9,195,000) and accumulated losses of £17,645,000 (2014: £14,389,000). 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**	
	2015	2014	**2015**	2014
Financial assets				
Cash and cash equivalents (Note 16)	**562**	640	**562**	640
Available for sale financial assets (Note 14)	**92**	86	**92**	86
Trade and other receivables (Note 15)	**358**	335	**358**	335
Financial liabilities				
Trade payables (Note 20)	**1,995**	3,202	**1,995**	3,202

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.

(All amounts in GBP thousands unless otherwise stated)

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	Total
2015					
Operating (loss)/profit	**(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**

	Cyprus	Turkey	Bulgaria	Ethiopia	Total
2014					
Operating loss	(2,347)	(51)	(4)	(116)	(2,518)
Foreign exchange profit/(loss)	152	(11)	(30)	(161)	(50)
Interest	-	-	-	(413)	(413)
	(2,195)	(62)	(34)	(690)	(2,981)
Share of loss from jointly controlled entity					(982)
Loss before tax					(3,963)
Tax					-
Loss for the year					(3,963)
Total assets	1,784	48	4	8,524	10,360
Total liabilities	933	1	16	2,252	3,202
Depreciation of property, plant and equipment	-	-	-	118	118

Notes to the consolidated financial statements (continued)
Year ended 31 December 2015

6. Expenses by nature

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Acquisition costs	**-**	102
Exploration costs	**4**	100
Staff costs (Note 7)	**513**	367
Depreciation of property, plant and equipment (Note 11)	**90**	118
Warrants issue costs (Note 17)	**163**	66
Share based benefits to employees (Note 17)	**69**	69
Share of losses from jointly controlled entity (Note 5)	**735**	982
Directors' fees and other benefits (Note 21.1)	**718**	915
Consultants' costs	**246**	584
Auditors' remuneration - audit current year	**51**	56
Other expenses	**248**	141
Operating loss	**2,837**	3,500

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. Direct development costs have been capitalized for the operations in Ethiopia.

7. Staff costs

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Salaries	**474**	337
Social insurance costs and other funds	**39**	30
	513	367
Average number of employees	**46**	44

Directors' remuneration is disclosed in note 21.1

8. Finance costs

	2015	2014
Interest paid to Ethiopian Revenue and Customs Authority ("ERCA") – Note 20	**140**	413
Other finance costs	**179**	-
	319	413

9. Tax

	2015	**2014**
Loss before tax	**(3,206)**	(3,963)
Tax calculated at the applicable tax rates	**(515)**	(633)
Tax effect of non-deductible expenses	**308**	404
Tax effect of tax losses	**280**	325
Tax effect of items not subject to tax	**(92)**	(122)
Tax effect of capital allowances	**19**	17
Tax effect of other timing differences	**-**	9
Charge for the year	**-**	-

The Company is resident in Cyprus for tax purposes.

A deferred tax asset of £1,336,989 (2014: £1,056,460) 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 2015, the balance of tax losses which is available for offset against future taxable profits amounts to £ 7,795,644 (2014: £ 7,203,371).

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 2015, the balance of tax losses which is available for offset against future taxable profits amounts to £34,035 (2014: £171,146). 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 2015, the balance of exploration costs that is available for offset against future income from mining operations amount to £ 948,764 (2014: £908,198).

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 31.12.15 £'000	Year Ended 31.12.14 £'000
Net loss attributable to equity shareholders	**(3,206)**	(3,848)
Average number of ordinary shares for the purposes of basic loss per share (000's)	**1,577,708**	952,420
Loss per share:		
Basic and fully diluted loss per share (pence)	**(0.20)**	(0.40)

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

(All amounts in GBP thousands unless otherwise stated)

11. Property, plant and equipment

	Motor Vehicles	Plant and equipment	Furniture, fixtures and office equipment	Total
The Group				
Cost				
At 1 January 2014	60	180	53	293
Additions	-	18	8	26
At 31 December 2014 / 1 January 2015	60	198	61	319
Additions	-	7	4	11
Disposals	(17)	(70)	(6)	(93)
At 31 December 2015	43	135	59	237
Accumulated Depreciation				
At 1 January 2014	31	-	10	41
Charge for the year	8	73	37	118
At 31 December 2014 / 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
Net Book Value at 31 December 2015	16	65	-	81
Net Book Value at 31 December 2014	21	125	14	160

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

The Company has no significant property, plant and equipment.

(All amounts in GBP thousands unless otherwise stated)

12. Intangible assets

The Group	Project evaluation costs	Deferred exploration costs	Total
Cost			
At 1 January 2014	-	6,900	6,900
Additions	976	1,263	2,239
At 31 December 2014 / 1 January 2015	**976**	**8,163**	**9,139**
Additions	**1,739**	**967**	**2,706**
At 31 December 2015	**2,715**	**9,130**	**11.845**
Accumulated Amortization and Impairment			
At 1 January 2014	-	-	-
Charge for the year	-	-	-
At 31 December 2014 / 1 January 2015	**-**	**-**	**-**
Charge for the year	**-**		-
At 31 December 2015	**-**	**-**	**-**
Net Book Value at 31 December 2015	**2,715**	**9,130**	**11,845**
Net Book Value at 31 December 2014	976	8,163	9,139

The Company	Project evaluation costs	Deferred exploration costs	Total
Cost			
At 1 January 2014	-	-	-
Additions on acquisition	976	-	**976**
At 31 December 2014 / 1 January 2015	976	-	**976**
Additions	**587**	**-**	**587**
Transfer to subsidiary	**(485)**	**-**	**(485)**
At 31 December 2015	**1,078**	**-**	**1,078**
Accumulated Amortization and Impairment			
At 1 January 2014	-	-	-
Charge for the year	-	-	-
At 31 December 2014 / 1 January 2015	**-**	**-**	**-**
Charge for the year	**-**	-	-
At 31 December 2015	**-**	**-**	**-**
Net Book Value at 31 December 2015	**1,078**	**-**	**1,078**
Net Book Value at 31 December 2014	976	-	976

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.

Management performed an impairment review for deferred exploration costs, which relate to the Tulu Kapi license area, at 31 December 2015.The Net Present Value of the Tulu Kapi asset exceeded the net book value at 31 December 2015 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 capitalized 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.

Following completion of the DFS, the Company continued to improve project economics. Based on feedback from project contractors, financiers and independent technical consultants, the company in January 2016 increased planned production at Tulu Kapi to circa 115,000 ounces per annum at an estimated average AISC of US$742/ounce over nine year. This increase is a result of a planned increase in process plant capacity from 1.2Mtpa to 1.5-1.7Mtpa which has strengthened the financial and technical feasibility of the project.

The Tulu Kapi Mining Agreement between the Ethiopian Government and the Company was formalized 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 mid- 2016. Preferred banks selected and their mandates are being finalized and processed for formal approval. The Government of Ethiopia confirmed its intention to invest equity capital of US$20 million.

KEFI Minerals Ethiopia also has other mining exploration licenses in Ethiopia. The other licenses are Yubdo exploration license, and the Ankore exploration license. None of these licenses is considered core to the Group's operations in Ethiopia.

- The Yubdo exploration license 7th year extension period expired on June 28th 2014. The Ministry of Mines has verbally stated that they intend to extend the license period. KEFI has lodged the application for extension of this license during 2016.

- The Billa Gulisso exploration license expired in December 2015, and KEFI received notification during 2016 that this license has been terminated.

- Ankore exploration license: this area was included in the Tulu-Kapi mine infrastructure area during 2015.

13. Investments

13.1 Fixed asset investments

The Company	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Cost		
At 1 January	**4,598**	3,097
Acquisitions	**-**	1,501
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

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 2015 and 2014. 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.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2015

13.2 Investment in jointly controlled entity

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'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

14. Available for sale financial assets

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
The Group		
On 1 January	**86**	80
Change in value of available-for-sale financial assets	**6**	6
On 31 December	**92**	86

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
The Company		
On 1 January	**8**	12
Change in value of available-for-sale financial assets	**-**	(4)
On 31 December	**8**	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.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2015

15. Trade and other receivables

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
The Group		
Other receivables	**45**	43
Placing funds	**207**	130
Loan to Director (Note 21.2)	**-**	20
Amount receivable from Saudi Arabia Jointly controlled entity (Note 21.4)	**6**	32
VAT	**95**	96
Deposits and prepayments	**5**	14
	358	335

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
The Company		
Deposits	**3**	13
Placing Funds	**207**	130
Loan to Director (Note 21.2)	**-**	20
KEFI Minerals Marketing and Sales Cyprus Limited (Note 21.4)	**3**	-
Advance to KEFI Minerals Ethiopia Limited (Note 21.4)	**7,417**	2,807
Amount receivable from Saudi Arabia Jointly controlled entity (Note 21.4)	**80**	106
	7,710	3,076

Amounts owed by group companies total £7,420,000 (£: £2,807,000). Balances of £748,000 have been fully provided for all projects except for Ethiopia due to the uncertainty over the timing of future recoverability. The loans issued to the director and 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.

The Company raised £2,623,000 on 11 December 2015, of which an amount of £207,000 was received after 31 December 2015.

16. Cash and cash equivalents

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
The Group		
Cash at bank and in hand	**562**	640
The Company		
Cash at bank and in hand	**393**	607

Notes to the consolidated financial statements (continued)
Year ended 31 December 2015

17. Share capital

	Number of shares '000	Share Capital	Deferred Shares	Share premium	Total
Issued and fully paid					
At 1 January 2014	853,670	8,535	-	7,660	16,195
Issued 16 June 2014 at 1.5p	141,667	1,417	-	708	2,125
Issued 5 September 2014 at 1.5p	50,000	500	-	250	750
Issued 2 December 2014 at 1p	80,000	800	-	-	800
Issued 16 December 2014 at 1p	110,000	1,100	-	-	1,100
Share issue costs	-	-	-	(185)	(185)
At 31 December 2014	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**

Share issue costs of £64,000 (2014: £177,000) 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.

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.

2014

On 16 June 2014, 141,666,668 shares of 1p were issued at a price of 1.5p per share. On issue of the shares, an amount of £708,333 was credited to the Company's share premium reserve.

On 5 September 2014, 50,000,000 shares of 1p were issued at a price of 1.5p per share. On issue of the shares, an amount of £250,000 was credited to the Company's share premium reserve.

On 2 December 2014, 80,000,000 shares of 1p were issued at a price of 1p per share.

On 16 December 2014, 110,000,000 shares of 1p were issued at a price of 1p per share.

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.

No warrants were cancelled/expired or exercised in the period from 1 January 2015 to 31 December 2015.

2014

On 16 June 2014, the Company issued 8,500,000 warrants to subscribe for new ordinary shares of 1p each at 1.5p per share.

On 2 December 2014, the Company issued 4,000,000 warrants to subscribe for new ordinary shares of 1p each at 1p per share.

On 16 December 2014, the Company issued 5,500,000 warrants to subscribe for new ordinary shares of 1p each at 1p per share.

Details of warrants outstanding as at 31 December 2015:

Grant date	Expiry date	Exercise price	Expected Life Years	Number of warrants 000's
22 February 2011	21 February 2016	5.00p	5 years	780
20 February 2012	19 February 2017	3.00p	5 years	2,917
4 July 2013	3 July 2018	2.10p	5 years	1,310
16 October 2013	15 October 2018	2.25p	5 years	1,111
27 December 2013	26 December 2016	2.00p	3 years	13,500
16 June 2014	15 June 2016	1.50p	2 years	8,500
2 December 2014	1 December 2017	1.00p	3 years	4,000
16 December 2014	15 December 2017	1.00p	3 years	5,500
18 March 2015	17 March 2018	1.00p	3 years	4,000
11 May 2015	10 May 2018	1.00p	3 years	1,680
15 June 2015	14 June 2018	0.80p	3 years	14,500
11 December 2015	10 December 2018	0.30p	3 years	43,860
				101,658

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 2015	37,618
- granted	64,040
Outstanding warrants at 31 December 2015	101,658

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:

	11 Dec 2015	15 June 2015	11 May 2015	18 Mar 2015	16 Dec 2014	2 Dec 2014	16 Jun 2014
Closing share price at issue date	0.32p	0.90p	0.88p	1.33p	1.08p	1.08p	1.58p
Exercise price	0.3p	0.8p	1.00p	1.00p	1.00p	1.00p	1.50p
Expected volatility	79.1%	61.1%	60.9%	59%	48%	48%	50.3%
Expected life	3yrs	3yrs	3yrs	3yrs	3yrs	3yrs	2yrs
Risk free rate	0.39%	0.98%	0.98%	0.98%	0.59%	0.59%	0.87%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Estimated fair value	0.17p	0.40p	0.33p	0.64p	0.32p	0.32p	0.43p

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

For 2015, the impact of issuing warrants is a net charge to income of £163,000 (2014: £66,000). At 31 December 2015, the equity reserve recognized for share based payments, including warrants, amounted to £1,212,000 (2014: £848,000).

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Opening amount	**848**	794
Warrants issued costs (Note 6)	**163**	66
Share options issued to employees (Note 6)	**69**	69
Share options issued to directors (Note 6)	**146**	200
Cancelled options	**(14)**	(281)
Closing amount	**1,212**	848

18. Share options reserve

Details of share options outstanding as at 31 December 2015:

Grant date	Expiry date	Exercise price	Number of shares 000's
28-Feb-11	27-Feb-16	7.10p	100
29-Sep-11	28-Sep-16	3.78p	1,000
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	27,225
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
			81,275

	Weighted average ex. Price	Number of shares 000's
Outstanding options at 1 January 2015		48,350
- granted	1.32p	33,500
- cancelled/forfeited	3.92p	(575)
Outstanding options at 31 December 2015		81,275

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

On 28 February 2011, 550,000 options were issued which expire five years after the grant date, and are exercisable at any time within that period. On 29 September 2011, 2,000,000 options were issued which expire five 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 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 27 March 2013, 100,000 options were issued which expire six years after the grant date, and are exercisable at any time within that period. 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

(All amounts in GBP thousands unless otherwise stated)

18. Share options reserve (continued)

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.

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.

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
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
27-Mar-13	3.43p	3.43p	52.36%	6yrs	5.00%	Nil	0%	1.90p
13-Sep-12	3.63p	4.00p	56.90%	6yrs	5.00%	Nil	0%	2.05p
29-Sep-11	3.78p	3.78p	105.51%	5yrs	5.00%	Nil	0%	2.99p
28-Feb-11	6.40p	7.10p	162.00%	5yrs	5.00%	Nil	0%	5.98p

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

18. Share options reserve (continued)

For 2015, the impact of share option-based payments is a net charge to income of £215,000 (2014: £269,000). At 31 December 2015, the equity reserve recognized for share option-based payments, including warrants, amounted to £1,212,000 (2014: £848,000).

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%

Amounts relating to the Jointly Controlled Entity	SAR'000 Year Ended 31.12.15	SAR'000 Year Ended 31.12.14	GBP'000 Year Ended 31.12.15	GBP'000 Year Ended 31.12.14
Non-current assets	**493**	768	**36**	53
Current assets	**1,473**	1,885	**106**	129
	1,966	2,653	**142**	182
Non-current liabilities	**54,974**	45,095	**3,971**	3,092
Current liabilities	**1,048**	916	**76**	63
	56,022	46,011	**4,047**	3,155
Net liabilities	**(54,056)**	(43,358)	**(3,905)**	(2,973)
Share capital	**2,500**	2,500	**181**	171
Accumulated losses	**(56,556)**	(45,858)	**(4,086)**	(3,144)
	(54,056)	(43,358)	**(3,905)**	(2,973)
Exchange rates SAR to GBP				
Closing rate			**0.1806**	0.1714

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 2015 amounting to SAR56.6 million (2014: SAR45.8 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 £735,000 was recognized by the Group for the year ended 31 December 2015 (2014: £ 982,000) representing the Group's share of losses in the year.

As at 31 December 2015 KEFI owed ARTAR an amount of £90,000 (2014: receivable £186,000) - Note 21.5.

As at 31 December 2015, G&M owed KEFI an amount of £6,000 (2014: £32,000) – Note 21.4.

20. Trade and other payables

The Group	**Year Ended 31.12.15 £'000**	Year Ended 31.12.14 £'000
Accruals and other payables	**1,011**	825
Other loans	**236**	229
Payable to shareholders (Note 21.3)	**8**	8
Payable to jointly controlled entity (Note 21.5)	**90**	186
VAT Liability	**650**	1,954
	1,995	3,202

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. This initial payment, of ETB 27,111,509 (approximately £848,590), equivalent to 25% of the assessed tax amount outstanding, was made in January 2014. The balance of the liability plus interest accruing on the unpaid principal amount will be paid subject to a three-year payment plan formally agreed with ERCA. During the year an amount of ETB 45,100,000 (approximately £1,441,815), was paid. The amount to be paid over the next year is ETB 20,063,350 (approximately £ 647,832).

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

The Company

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Accruals and other payables	**886**	746
Payable to jointly controlled entity (Note 21.5)	**90**	186
	976	932

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 31.12.15 £'000	Year Ended 31.12.14 £'000
Directors' fees *	**471**	444
Directors' other benefits	**51**	164
Directors' bonus	**50**	107
Share option-based benefits to directors (Note 17)	**146**	200
Other key management personnel fees and other benefits	**204**	-
Other key management personnel bonus	**37**	-
Share option-based benefits other key management personnel	**11**	-
	970	915

* Part of the salary of the Exploration Director is paid directly by the jointly-controlled entity G&M.

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 are exercisable at the exercise price in whole or in part no more than one third from the grant date, two thirds after two years from the grant date and the balance after three years from the grant date.

21.2 Receivable from director

Name	Nature of transactions	Relationship	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Ian Rutherford Plimer	Loan to Director	Non-Executive Director	**-**	20

No interest is payable by the director and the loan was repaid in full in 2015.

21.3 Payable to shareholders

Name	Nature of transactions	Relationship	2015	2014
Atalaya Mining PLC (previously EMED)	Finance	Shareholder	**8**	8

21.4 Receivable from related parties

The Group

Name	Nature of transactions	Relationship	2015	2014
Gold & Minerals Co. Limited	Finance	Jointly controlled entity	**6**	32
			6	32

The Company

Name	Nature of transactions	Relationship	2015	2014
Gold & Minerals Co. Limited	Finance	Jointly controlled entity	**80**	106
KEFI Minerals Marketing and Sales Cyprus Limited	Finance	Subsidiary	**3**	-
Kefi Minerals Ethiopia Limited	Advance	Subsidiary	**7,417**	2,807
			7,500	2,913

(All amounts in GBP thousands unless otherwise stated)

21. Related party transactions (continued)

21.5 Payable to related parties

The Group

Name	Nature of transactions	Relationship	2015	2014
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity	**90**	186
			90	186

The Company

Name	Nature of transactions	Relationship	2015	2014
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity	**90**	186
			90	186

Name	Nature of transactions	Relationship	2015	2014
Atalaya Mining PLC (previously EMED)	Provision of management and other professional services	**Shareholder**	**8**	8

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 £52,000 (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 £210,000. 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 13th 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 2015, the balance in the deposit accounts was £20,000.

22.3 Legal Allegations

Allegations were made against a subsidiary of the Company in 2015 by 39 persons in the Oromiya Regional State of Ethiopia, that exploration drilling between 1998 and 2006 had caused damage to land occupied (but not owned) by them, despite rehabilitation having been completed, reported and accepted by the regulatory authorities at that time. They allege damage of ETB 249,589,430 (approximately £8 million). The allegations were dismissed in March 2014 but the plaintiffs have directed the allegations to another arm of the judiciary. The Group's lawyers believe that the allegations are spurious and that the chances of the judiciary holding that there exists a bona fide damages case to be heard are low.

23. Capital commitments

The Group has the following capital or other commitments as at 31 December 2015 0.03 Million (2014 0.8 Million),

	Year Ended 31.12.15 £'000	Year Ended 31.12.14 £'000
Exploration programme commitments	**-**	727
Property, plant and equipment	**27**	-
	27	727

24. Events after the reporting date

On 19 January 2016, 48,114,000 options were issued to the Directors and a further 31,886,000 options have been granted to other non-board members of the senior management team. The options have an exercise price of 0.42p, expire after 6 years, and vest in two equal annual instalments.

The Company raised GBP1,747,759 before expenses on 22 March 2016 through a placing of 499,359,791 ordinary shares of 0.1p each at a price of 0.35p per share. On this date, the Company also granted warrants to subscribe for 24,967,989 ordinary shares of 0.1p each at a price on 0.35p per share.

In May 2016 the Company received formal confirmation from the Government of Ethiopia of its commitment to invest equity capital of US$20 million in Tulu Kapi.

During June 2016 the funding requirement reduced from US$145 million to estimated US$130 million, after accounting for further anticipated savings and project spending prior to project finance completion in 2016.

In June 2016 the finance plan is based on Project Equity of US$20 million from the Government of Ethiopia, Project Debt of US$95 million which leaves a residual US$15 million to be optimised for financial completion in the second half of 2016. KEFI has received expressions of interest for equity investment from project contractors and mezzanine-style financiers.

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) as adopted by EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2015. This adoption did not have a material effect on the accounting policies of the Group. At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some, but not all of these were adopted by the European Union. The Board of Directors expects that the adoption of these accounting standards in future periods will not have an impact on the financial statements of the Group other than the following:

(i) Standards and Interpretations not adopted by the EU

New standards

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 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 9 has not been adopted by the European Union, and consequently there is no effective date.

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.

IFRS 15 has not been adopted by the European Union, and consequently there is no effective date.

KEFI Minerals is listed on AIM (Code: KEFI)
www.kefi-minerals.com