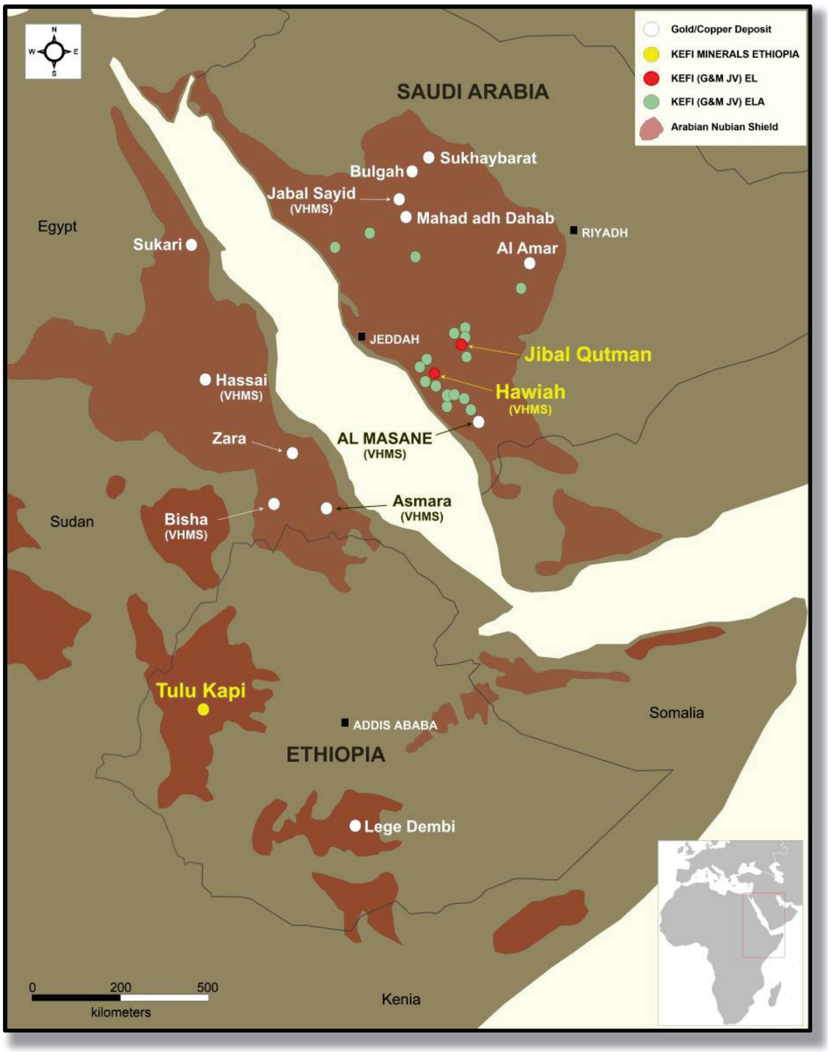
KEFI MINERALS

EMERGING GOLD MINER



Focused on the Arabian-Nubian Shield

2017 ANNUAL REPORT

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Note: All $'s in this report are US$'s.

Mission and Plan

KEFI's mission is to cost-effectively discover or acquire economic mineralisation and to follow through with responsible mine development and production in compliance with local laws and international best practice.

The geological region of focus is the Arabian-Nubian Shield, due to its world-class prospectivity combined with our expertise both locally and in the prolific goldfields of Western Australia which share the same geological features.

KEFI's structural approach is to partner appropriate organisations of standing, such as ARTAR in the Kingdom of Saudi Arabia or the Government of Ethiopia and to align with industry specialists such as Lycopodium Limited and Ausdrill Limited, for operational support. KEFI's management team oversees the overall system.

Our specific purpose at the Tulu Kapi Gold Project is encapsulated in the Tulu Kapi Mining Agreement between the Ethiopian Government and KEFI, which incorporates several key documents including development and operating plans, an Environmental and Social Impact Assessment and the Community Resettlement Action Plan and Development Plan which comply with International Finance Corporation Performance Standards and Equator Principles.

Upon triggering Tulu Kapi's development, and subject to all regulatory approvals, KEFI intends to judiciously launch exploration programs in the district surrounding Tulu Kapi, as well as in Saudi Arabia in the district around our gold discovery at Jibal Qutman. In the recently applied-for Wadi Bidah Mineral District, which contains large-scale VMS targets for gold-copper, the KEFI-ARTAR joint venture will also pursue the potential of the set of world-class targets in an appropriate manner.

We are confident in our mission, our consortium, our plan and our team. We look forward to an exciting next chapter.

Community consultation meeting at Tulu Kapi

Executive Chairman's Report

It has been a challenging year and we now stand with assets, relationships and people that provide a great platform to deliver shareholder value by developing profitable mines in Ethiopia and Saudi Arabia. KEFI Minerals is at the forefront of the minerals sector in one of the world's great under-developed minerals provinces – the Arabian-Nubian Shield ("ANS"). KEFI has, in the past year, begun the process of transforming its structure in preparation for the task ahead. We now have responsibilities wider than when we focused on exploration and we have been entrusted by the consortium of parties now assembled around KEFI for the development of the Tulu Kapi Gold Project ("Tulu Kapi") in Ethiopia.

Tulu Kapi remains our primary focus and KEFI has assembled the proposed full project funding consortium including contractors, equity and non-equity capital. For Tulu Kapi to proceed, all stakeholders now rely on closing out the remaining Government processes and approvals, along with completion of due diligence and formal documentation. We work hard with the community of Tulu Kapi, the Regional Government of Oromia, project contractors Lycopodium and Ausdrill, the infrastructure financier and our Ethiopian investment partners - the Government of Ethiopia and also a syndicate of private sector investors.

Over the past 18 months, political changes in Ethiopia caused some delays and it is today pleasing to see a rapid and smooth transition to new national leadership with widespread support in Ethiopia and what appears to be a progressive attitude to reform on various fronts. Throughout these recent political changes KEFI and our consortium for Tulu Kapi remained steadfast and took the opportunity to improve project plans.

We improved project economics by bringing forward planned operating cash flows to increase annual gold production from 115,000 to 140,000 ounces for the first seven years. We also took the opportunity with our financial advisers to significantly lower financing costs from an indicative 14% to an indicative 7% by simplifying the financial structure. Current indications are subject to market conditions and to completion of due diligence.

Economic estimates for 100% of Tulu Kapi at US$1,300/oz are for average net cash flow (after debt repayments and all other planned commitments) of $32 million per annum. All-in Sustaining Costs ("AISC") remain c. US$800/oz and All-in Costs ("AIC") c. $1,000/oz. Tulu Kapi's Ore Reserves of 1.0 million ounces and Mineral Resources of 1.7 million ounces have significant upside potential.

In both Ethiopia and Saudi Arabia, we have applied for regulatory permission for exploration concurrently with the development of Tulu Kapi.

Development-Ready Gold Mine - Tulu Kapi

As part of the process of arranging funding, the project consortium refined Tulu Kapi's detailed development and operating plans, all incorporated into the 2018 Plan and KEFI's financial targets for the open-pit project now include:

- Gold production of 140,000 ounces per annum for seven years;
- At a flat average gold price of $1,300/oz for all eight years of gold production:
  - All-in Sustaining Costs of less than $800/oz (ignoring financing charges);
  - After-tax, leveraged IRR of 51%;
  - After-tax, leveraged NPV (8% discount rate) of $115 million at start of construction;
  - After-tax, leveraged NPV (8% discount rate) of $192 million at start of production; and
  - Payback of 3 years.
- A 50% increase in NPV results from either a 10% increase in gold price or a 10% increase in plant throughput.

The 2018 Plan reflects, among other things, a fixed price, lump-sum processing plant design and supply contract with Lycopodium and a warranted ore processing rate of 1.9-2.1 million tonnes per annum. The plant assembly aspect of the development is planned as a reimbursable cost-based arrangement with incentives and penalties for performance.

KEFI bases the finance structure on the numbers and schedules in the 2018 Plan which is for the open pit only. We have also run a range of sensitivity analyses to ensure robust debt-service coverage under a range of scenarios. The plans and numbers have also been reviewed in detail by the Independent Technical Expert for the bond investors.

Significant value is also expected to be added from the contemplated underground mine.

Strong Support from Ethiopian Government for Tulu Kapi Development

Responsible mine development is the overriding priority for KEFI and our partner the Ethiopian Government. We target to bring Tulu Kapi into production as rapidly as we prudently can whilst ensuring compliance with all relevant governance and quality standards.

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

Unfortunately, Ethiopia has been experiencing the strains of being one of the highest growth countries in the world.

This has resulted in two separate States of Emergency being declared in the past 18 months, both of which have since been lifted. KEFI Minerals' operational activities have continued and appropriate security precautions instituted as required although Government administrative procedures have suffered delays.

The Government has welcomed KEFI's plans to explore the district around Tulu Kapi so as target a longer life to this planned development. In October 2017, KEFI received confirmation from the Ethiopian Government that the area proposed to be explored by KEFI has been set aside with the intention of being granted to KEFI upon commencement of development of Tulu Kapi. This Exploration Licence Application ("ELA") covers an area in excess of 1,000 km^2 with known gold prospects within c. 50km of Tulu Kapi, which is considered an economic trucking distance to the planned processing plant.

Exploration Opportunities

The ANS has been the Company's primary focus since 2008 when it was invited to be the operator of an exploration joint venture in the Kingdom of Saudi Arabia. Our experience since then has reinforced our excitement by the opportunity provided and we have worked hard to establish our pole position in the region.

KEFI is fortunate to have c. 3,000 km^2 portfolio of exploration properties at various stages within the highly prospective ANS. We are aiming to commence an aggressive exploration program later this year in each country, to advance in parallel with the development at Tulu Kapi.

We demonstrated the prospectivity of our tenements by discovering gold at Jibal Qutman in Saudi Arabia and quickly delineating Mineral Resources totalling 733,000 ounces of gold. Further drilling has a very good chance of increasing oxide gold resources on the granted Exploration Licence ("EL") and surrounding ELAs.

KEFI also has a set of volcanogenic massive sulphide ("VMS") copper-gold prospects near Tulu Kapi in Ethiopia and in the Wadi Bidah Mineral District ("WBMD") near the Hawiah prospect in Saudi Arabia. As usual since our entry into Saudi Arabia in 2008, the tenement applications are made by ARTAR on behalf of our joint venture company Gold & Minerals Limited ("G&M"), which is 40% KEFI and 60% ARTAR). This has proved efficient for a number of reasons and KEFI has the right to instruct that the tenements be transferred to G&M.

At Hawiah, a huge VMS copper-gold target has been identified based on the surface-sampling of a six-kilometre long gossan (oxidised mineralisation exposed on the surface) and the strong geophysical anomalies beneath the gossan.

In Ethiopia, we are also keen to test VMS prospects on our application areas under KEFI subsidiary KEFI Minerals (Ethiopia) Limited ("KME") in which past explorers found high-grade copper and gold more than 40 years ago but have not been followed up since then.

Capital Management

The business model of the Company has always been to raise equity capital to fund the next stage of exploration and development. At the same time, KEFI has worked hard to minimise Tulu Kapi's development funding requirements through engineering, contracting and project finance, which have been designed holistically to provide an economically robust project and a befitting financing plan. Nearly all capital requirements are planned to be met at the project level.

KEFI unfortunately has also had to issue equity at the parent company level at disappointingly low share prices. Having said that, the Company's projections and those of the research analysts that follow us closely show significant value generating upside to shareholders from Tulu Kapi alone, let alone from the pipeline of less mature projects which we expect will yield more value-adding opportunities.

On 15 June 2018 KEFI announced a capital-raising for £5.5 million ($7.4 million) to fund finance closing costs and early project works in preparation for full finance drawdown and development activities targeted for implementation after the end of the Ethiopian wet season in September 2018.

Our Annual General Meeting will be at 11h00 on 12 July 2018 and we will introduce some of our new senior management team, all of whom are shareholders and take much of their remuneration in shares.

KEFI Being Prepared for Development and Operations

As KEFI Minerals prepares to develop Tulu Kapi, the Company's senior management team was expanded in early 2018 with the appointments of:

- David Munro as Head of Operations – he is a mining engineer who previously was Managing Director of Billiton BV and President Strategy and Development of BHP Billiton;
- Eddy Solbrandt as Head of Systems – he is the founder of GPR Dehler, an independent, international management consultancy which specialises productivity improvement for mining companies worldwide; and
- Brian Hosking as Head of Human Resources and Technical Planning – originally a geologist, he has focussed on human resources for the mining industry and has provided remuneration advice, management assessment and executive search to a wide range of clients.

This expands the senior executive team with individuals providing the senior operational leadership required for the Company to support the operating teams on the ground.

It remains an exciting time to be developing a new gold mine and many quality people have been earmarked to join our project as the Company enters the development phase. A recent appointment was the senior site services manager to oversee the Company's social performance team for community programs as part of the role.

Outlook

KEFI's vision is to capitalise on its pole position in both Ethiopia and Saudi Arabia and, in the long term, to become a successful dividend-paying explorer and developer in the ANS which, first and foremost, honours all its obligations and then proceeds to provide benefits to today's generation within the community in a manner which enhances opportunities for future generations.

KEFI Minerals is the operator of two potentially high-growth joint-ventures, well positioned to pursue prudent project development whilst continuing to add value through targeted exploration.

Pre-works for Tulu Kapi have already commenced and our base case schedule for first gold production from Tulu Kapi is 24 months from drawdown of the full project funding package, with incentives to start up earlier.

Initiatives on both sides of the Red Sea reflect our conviction that the ANS has world-class prospectivity overseen by governments that have put a strategic priority on the mining sector. Both Ethiopia and Saudi Arabia have this year installed younger national leaders who are demonstrably pro-development.

The KEFI team is looking forward to mine development commencing as soon as practical. KEFI's collaborative approach with contractors, community and other stakeholders during the planning phase should put us in good stead to work through the inevitable challenges as the project progresses.

We have achieved this progress with a very small team around whom we will build the full operating team in conjunction with the project contractors, both of whom have over 20 years of mine building experience in Africa. We are also well supported by a number of high calibre, quality specialist advisers also selected for their pre-eminence in start-ups of this nature. The finance plan remains subject to completion of all Government approvals and processes, due diligence and documentation.

You will perhaps have noticed that, whilst this Annual Report has been issued before the end of June 2018 as required, we delayed its release so that it could capture and duly report material recent events. On behalf of the Directors, I thank all staff, shareholders and other stakeholders for your patience and support and I look forward to providing a further update on our progress at the Annual General Meeting in London.

Harry Anagnostaras-Adams

Executive Chairman.

Finance Director's Report

KEFI's strategy is to maximise shareholder value through the development of a focused portfolio of mining operations and projects at various stages, while at the same time managing the 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 introduce partners and contractors in certain circumstances to minimise risk and broaden the human and financial resources available.

KEFI minimises expenses while maintaining momentum towards becoming a gold producer. We run our corporate office in Nicosia at a fraction of what the cost would be in London. Other than our financial controller, all staff are based at the sites for project or finance works. In order to help reduce cash outflows and align interests, some employees, Directors and consultants have taken, and continue to take, KEFI shares in lieu of a significant portion of salary or fees.

Equity Funding

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

In March 2017, shareholders approved a fundraising comprised of:

- £0.6 million placing of equity by Brandon Hill Capital;
- £0.4 million subscription by certain of the Directors, employees and Lycopodium; and
- £1.9 million received from Lanstead Capital during 2017.

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

A key aspect of the March 2017 fundraising was that the subscription by Lanstead was subject to a Sharing Agreement which allowed KEFI to potentially benefit financially from positive share price performance, whilst limiting the financial downside risk from a negative share price performance. The actual funds to be received during 2017 and 2018 were therefore variable with respect to average share market price in each month.

The number of Ordinary Shares issued to Lanstead under the Sharing Agreement was fixed up-front at 82.4 million Ordinary Shares. Whilst the share price underperformed, the Lanstead Sharing Agreement underpinned the Company's expenditure for 2017 and KEFI received a total of £1.9 million from Lanstead during 2017. The sharing agreement will expire in July 2018.

The Company also received VAT refunds of c. £2.5 million from the Government of Ethiopia during 2017.

On 15 June 2018 the company closed a share placing of £5.5 million, which consisted of £3million in cash and £2.5 million for the reduction of creditors and other outstanding amounts. The placing is in two tranches. The first tranche of £1.5 million was completed immediately (for cash) and the second tranche of £4.0 million (for cash and creditor reduction) is subject to approval of shareholders at the General Meeting on 2 July 2018.

In addition, the company previously announced on 11 June 2018, that it had reached agreement in principle with an Ethiopian investment syndicate for a proposed acquisition of a 30% ownership interest in KEFI's wholly-owned subsidiary KEFI Minerals (Ethiopia) Limited ("KME") and holder of the Company's interest in the Tulu Kapi Gold Mines Share Company Limited ("TKGM"). Under the proposed terms, which remain subject to final documentation and government approval, the syndicate will invest US$30 million in local currency (Birr) equivalent of which US$9 million will be invested in August 2018 and the balance upon closing of long term project finance.

Partnering the Government in Ethiopia and ARTAR in Saudi Arabia

In 2017, KME and the Government of Ethiopia formed Tulu Kapi Gold Mines Share Company Limited ("TKGM") as the project company for developing Tulu Kapi. The exploration projects outside the Tulu Kapi Mining Lease area are not part of TKGM and remain 100% owned by KME.

Based on current estimates of capital spending and capital contributions, KEFI will be majority owner of KME. Upon closing of project finance, the ownership of the Tulu Kapi Gold Project via TKGM would be circa 23% by the Ethiopian Government and 77% by KME. KME would be owned 70% by KEFI (equivalent of 54% of TKGM) and 30% by the Ethiopian investment syndicate (equivalent of 23% of TKGM).

In February 2018, the Ethiopian Ministry of Mines, Petroleum and Natural Gas formally transferred the Mining Licence from KME to TKGM. The TKGM Board has approved the business plan for the mine development to commence as soon as financing is implemented. A key feature of the TKGM business plan is for local people to be trained as the operators, with over 1,000 jobs being created through the region around Tulu Kapi during construction.

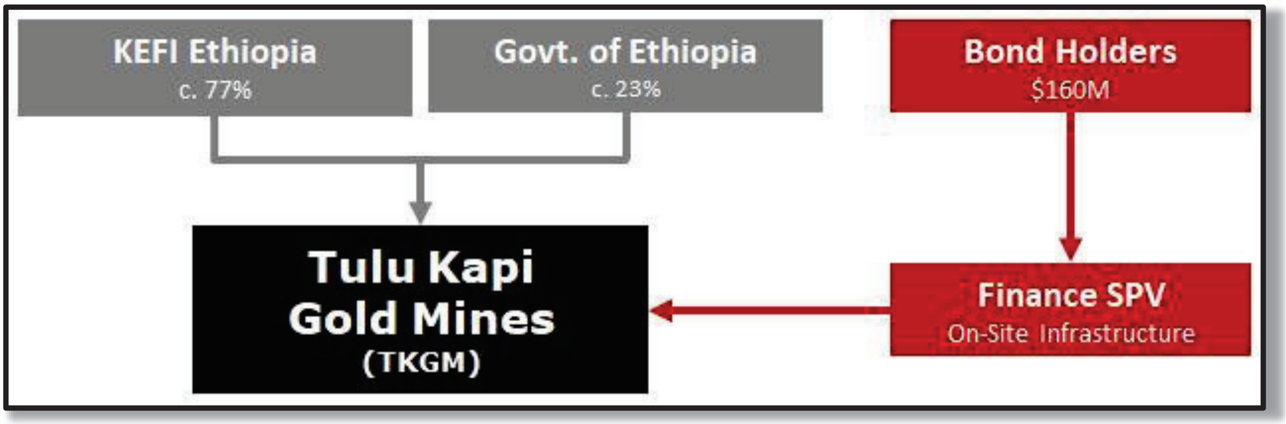
In the Kingdom of Saudi Arabia KEFI conducts all its activities through G&M, our joint venture company with Abdul Rahman Saad Al Rashid and Sons Limited ("ARTAR"). KEFI is operator with a 40% interest and ARTAR has 60%. KEFI's is fortunate to have such a strong Saudi group as a partner and G&M has assembled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

Tulu Kapi Development Funding

The Tulu Kapi Gold Project consortium now includes KME, the Government of Ethiopia, the project contractors Lycopodium Limited and Ausdrill Limited, a syndicate of Ethiopian equity investors and the infrastructure financier.

In May 2018, KEFI announced that it formally mandated the bond arranger for the placement of $160 million of Listed Infrastructure Bonds (the "Bonds"), after having worked together for some twelve months.

Upon successful completion of due diligence, documentation and private placement of the Bond issue, the planned Luxembourg-listed Bonds will fund ownership by KEFI's Luxembourg-regulated Finance SPV of the gold processing plant and ancillary infrastructure at the Tulu Kapi Gold Project for lease to TKGM.



Conditions of the funding package include:

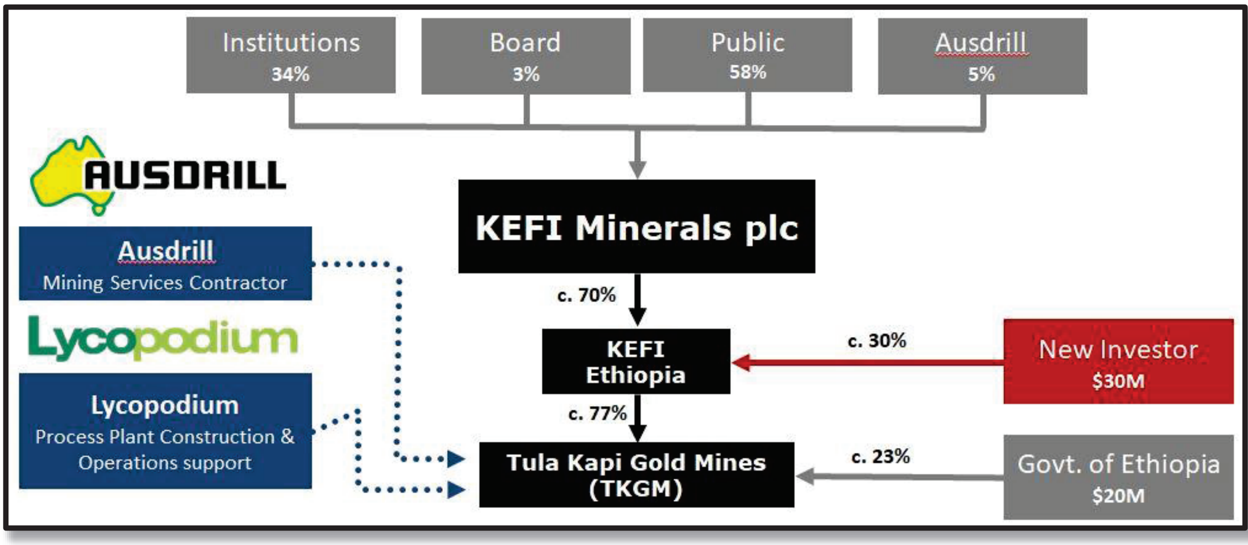
- equity into the project of $20 million from the Government of Ethiopia (as already formally committed);
- further equity into the project of $20-30 million (KEFI has agreed in principle for $30 million with a local investment syndicate);
- completion of Government approvals and processes, including the financing agreements and security arrangements and the registration by the relevant Ethiopian authorities of the equity capital that has already been invested by KME of c. $60 million; and
- that KEFI remain controlling shareholder of TKGM and that its senior executive team oversee the planning and controls at TKGM.

Drawdown of the infrastructure finance will be timed to accommodate project construction activities.

The infrastructure finance Bonds are planned to have a 9-year tenor with a 2.5-year grace period. The overall amount of the funding package provides a safety buffer for contingencies and the Bonds can be prepaid at any time.

Annual debt-service costs during production is c. $27 million per annum versus base case EBITDA of c. $73 million at a gold price of US$1,300/ounce. Net cash flow after debt repayments and all other commitments is estimated at an average of $32 million which will be available for debt prepayments, cash reserves, exploration, development and dividends.

Proposed Finance Structure



The plant and ancillary infrastructure will be built and its performance guaranteed by Lycopodium Limited, which is one of the leading gold plant specialist engineering groups and has an exemplary track-record in Africa, where it has built many such plants for over 20 years.

The open pit mine will be built and operated by Ausdrill Limited, through its wholly-owned subsidiary, African Mining Services Limited, which has been a leading African mining contractor for over 25 years.

The off-site infrastructure will be built and operated by the Ethiopian Roads Authority and the Ethiopian Electric Power Corporation, both Ethiopian Government entities.

The Ethiopian Finance Ministry and Central Bank has approved tax treatments and capital ratios and we await the remaining approvals.

Statutory Accounts and Reporting

KEFI's financial statements for 2017 are attached and report financial results based, among other things, on the write-off of most historical pre-development expenditure at Tulu Kapi and the write-off of all exploration expenditure. This is not intended to imply Directors' view of the inherent value of Company assets, but merely reflects conservative accounting policy.

In November 2017, KEFI reported that a court ruling by the Federal Supreme Court of Ethiopia eliminated KEFI's potential liability regarding a $12 million damages claim brought in 2014 by third parties in Ethiopia relating to events which took place between 1998 and 2006. In January 2018 KEFI reported a mutual deed of release and settlement with Oryx which ended its involvement with the Tulu Kapi project financing.

John Leach

Finance Director

Organic Growth in Arabian-Nubian Shield

The highly prospective Arabian-Nubian Shield is one of the largest under-explored mineral provinces in the world.

Ethiopia and Saudi Arabia are the two largest countries in the Arabian-Nubian Shield, by land mass. Both countries opened to modern mining during the past decade and both have recently installed young pro-development leadership.

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.

The ANS is believed to be the next major exploration frontier in Africa, with some likening its potential to that of the recent West African mineral exploration boom. Some significant orebodies in the ANS are:

- Sukari gold deposit in Egypt – Centamin
- Bisha gold-copper deposit in Eritrea – Nevsun Resources
- Hassai gold deposit in Northern Sudan – La Mancha Resources
- Jabal Sayed copper-gold in Saudi Arabia – Barrick Gold

We are continually adding to our knowledge of the ANS and systematically building our database for project generation and optimisation. 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 pole position in a very prospective region.

For example, Hawiah 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 VMS deposit, which are typically quite valuable. And we recently overhauled the G&M portfolio of applications in Saudi Arabia to cover most of the Wadi Bidah Mineral District.

An aggressive exploration program is scheduled to begin in H2-18 to tackle a recently expanded exploration application package now approximating 3,000 km^2. This is the aggregate of our applied-for positions in Ethiopia (100%-owned) and Saudi Arabia (40%-owned). The commencement of the program relies on both Governments formalising licences as scheduled.

The goals for KEFI's exploration program are:

- to support and expand Tulu Kapi production from the initial 140,000 ounces per annum;
- to justify and support the start-up of Jibal Qutman in Saudi Arabia, to generate cash flow for self-funding a large exploration program; and
- to capitalise on the Company's pole position in the fast-expanding ANS minerals sector in gold and copper.

Our long term aim is 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.

Ethiopia

Following completion of the DFS in 2015, Tulu Kapi has continued to progress towards development with the appointment of contractors and subsequent work to further improve project economics.

Gold production is currently estimated to average 140,000 ounces per annum over the seven years of mining the open pit. Estimated All-in Sustaining Cost is in the order of US$800/ounce, much lower than the industry average.

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

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 potentially attractive.

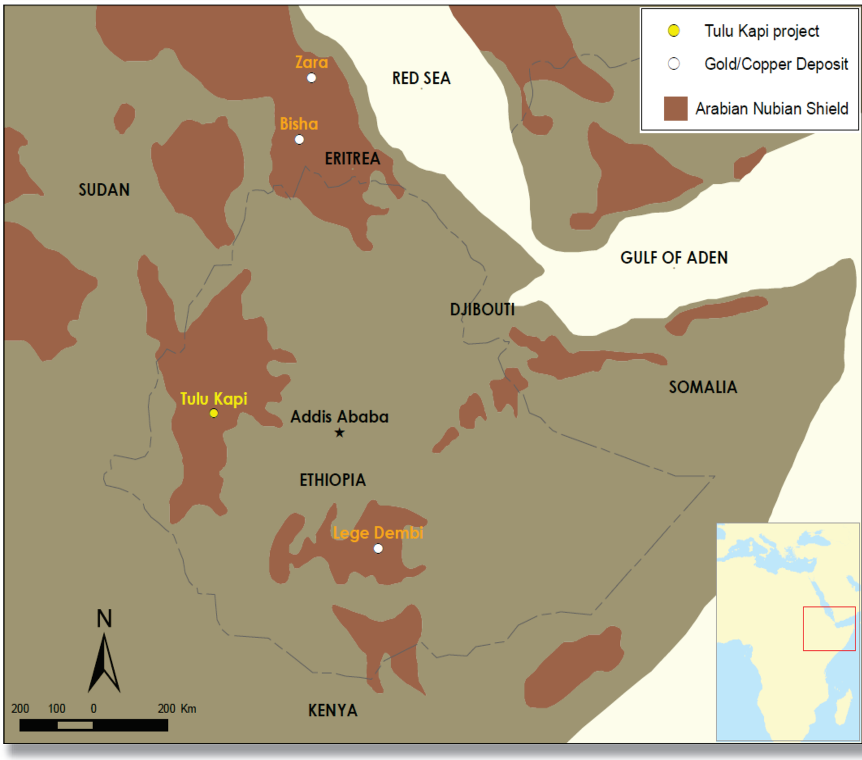
A number of prospects have been identified within trucking distance of Tulu Kapi. Proposed exploration activity will be significantly expanded with this focus, as these prospects have the scope and potential to add substantial value by providing additional ore to the Tulu Kapi processing facility.

Tulu Kapi - Background

Tulu Kapi is located approximately 360km due west of Ethiopia's capital, Addis Ababa. A main road to Addis Ababa has now been sealed to within 12km of Tulu Kapi.

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, crops and fruit.



Location of Tulu Kapi in Ethiopia.

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 project in 2009 and then undertook extensive exploration and drilling which culminated in an initial DFS in December 2012.

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

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 also 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 for this new project in this new sector.

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

Some key approvals are now on the critical path for the project financing to close according to schedule.

Tulu Kapi - Geology

The Tulu Kapi region has typical Precambrian 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). 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. KEFI geologists have steadily increased their understanding of the Tulu Kapi orebody and utilising this knowledge as part of the systematic search for nearby gold deposits.

Tulu Kapi – Resources and Reserves

The Tulu Kapi Mineral Resources total 20.2 million tonnes at 2.65g/t gold, containing 1.72 million ounces. As summarised in the table below, c. 94% of the Mineral Resources are in the Indicated category.

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, respectively.

The Tulu Kapi Ore Reserves were based on the Indicated Resource above 1,400m RL and total 15.4 million tonnes at 2.12g/t gold, containing 1.05 million ounces. As detailed in the table below, 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. This split shows that 78% of the ore tonnes and 93% of the contained gold is contained in the higher-grade zones of the Ore Reserve which are processed preferentially in the first eight production years. Lower-grade ore is stockpiled for processing subsequently.

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.

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

Following KEFI completing the 2015 Definitive Feasibility Study ("2015 DFS") in June 2015, the cost estimates and mine plan were refined further and summarised in the 2017 DFS Update of May 2017. These refinements were the product of collaboration between the KEFI project management team, its specialist advisers and the project contractors - Ausdrill/African Mining Services and Lycopodium.

The 2015 DFS and 2017 DFS Update planned to preferentially process higher-grade ore (mined above cut-off grade of 0.9g/t gold) and to stockpile ore mined at grade 0.5-0.9g/t gold.

In May 2018, KEFI released the 2018 Plan which incorporated further refinements by the project funding consortium. Whilst resources and reserves and the mine plan remain essentially unchanged, the planned processing plant has been expanded to a nameplate of 1.9-2.1Mtpa, in order to expand early cash flows by reducing stockpiles.

The 2018 Plan is supported by the:

- draft mining services agreement with Ausdrill;
- draft plant design, supply and construction contracts with Lycopodium;
- confirmations of commitment and schedule for roads and power from Ethiopian Roads Authority and Ethiopian Electricity & Power Corporation;
- draft operational arrangements with the explosives, fuel, laboratory services, refiners and other ancillary support services; and
- the draft report by the independent technical experts for the lenders.

The implementation plans have been agreed on a base schedule of 24 months from drawdown of project finance to first gold pour. Incentivised arrangements are proposed for faster start-up.

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

	2015 DFS 13-year LOM (owner mining)	2017 DFS Update 10-year LOM (contract mining)	2018 Plan 8-year LOM (contract mining)
Waste:ore ratio	7.4:1.0	7.4:1.0	7.4:1.0
Processing rate warranted	1.2Mtpa	1.5-1.7Mtpa	1.9-2.1Mtpa
Total ore processed	15.4Mt	15.4Mt	15.4Mt
Average head grade	2.1g/t gold	2.1g/t gold	2.1g/t gold
Gold recoveries	91.5%	93.3%	93.3%
Annual steady-state gold production	95,000 ounces	115,000 ounces	140,000 ounces
Total LOM gold production	961,000 ounces	980,000 ounces	980,000 ounces
All-in Sustaining Costs	$724/oz	$801/oz	$793/oz
All-in Costs (incl. initial capex)		$937/oz	$973/oz
Average net operating cash flow	$50M p.a.	$60M p.a.	$73M p.a.
Payback	3.5 years	3 years	3 years

Notes:

- *The above metrics assume a gold price of $1,250/oz for the 2015 DFS and $1,300/oz for the 2017 DFS Update and 2018 Plan.*
- *Life of Mine ("LOM") is the time to mine the planned open pit only.*
- *Gold production and net operating cash flow are for the first eight years of gold production.*

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 dedicated power line relatively close to the country's major hydro power-generation source. 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.

Tulu Kapi is permitted for development and operation. The work currently being undertaken should ensure construction can proceed quickly and efficiently once funding is in place. Ancillary licences and permits are expected to be dealt with expeditiously as development progresses. KEFI Minerals works closely with the various ministries and government organisations involved with the project.

Tulu Kapi – Potential for Underground Mine

The Tulu Kapi orebody is amenable to underground mining as ground conditions are good, Ore Reserve 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.

An internal preliminary economic assessment ("PEA") of Tulu Kapi's underground mining potential was completed in March 2016. Based on the 2014 Mineral Resources, the current underground mining inventory of 1.3 million tonnes at 5.2g/t gold potentially adds gold production of c. 50,000 ounces p.a. for four years.

The PEA considered the gold mineralisation below the base of planned open pit at a cut-off grade of greater than 2.5g/t gold, 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:

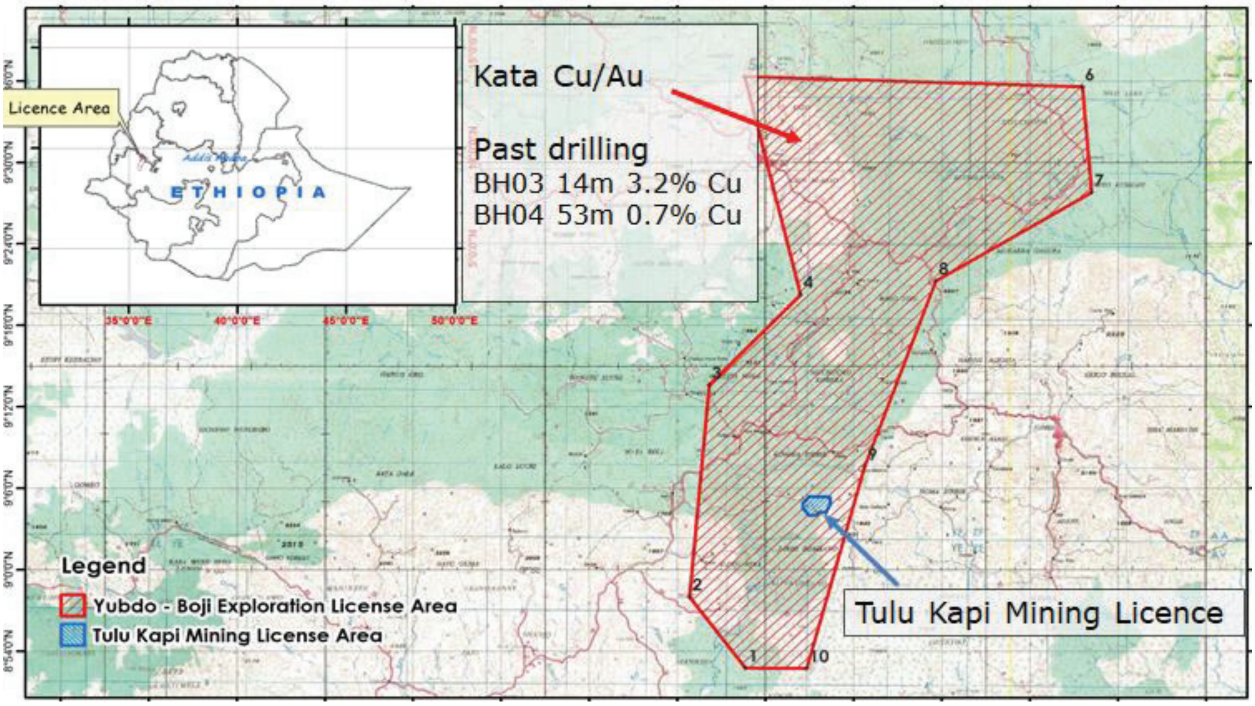
- Underground mine development is economically justified based on the 2014 Mineral Resources;
- Combined gold production from the open pit and underground mine approaches 200,000 ounces p.a.;
- The underground mine adds an estimated $28 million to the project's after-tax NPV (8%) at a gold price of $1,250/oz; and
- Subject to the results of a full DFS, underground mine development is targeted to commence in the first half of open-pit operations.

As the deposit remains open, KEFI has identified as yet untested exploration potential for tripling the current 330,000 ounce underground Mineral Resource to c. 1 million ounces.

Tulu Kapi –Exploration Licence Applications

Regional exploration is at an early stage but significant potential has already been identified for further gold orebodies to be discovered near Tulu Kapi as well as potential for VMS copper-gold orebodies.

In October 2017, KEFI received confirmation from the Ethiopian Government that the area proposed to be explored by KEFI has been set aside with the intention of being granted to the KEFI group upon commencement of development of Tulu Kapi. This ELA covers c. 1,000 km^2 covering known prospects within 50km of Tulu Kapi, which is considered an economic trucking distance to the planned processing plant.



Location of ELA surrounding Tulu Kapi ML

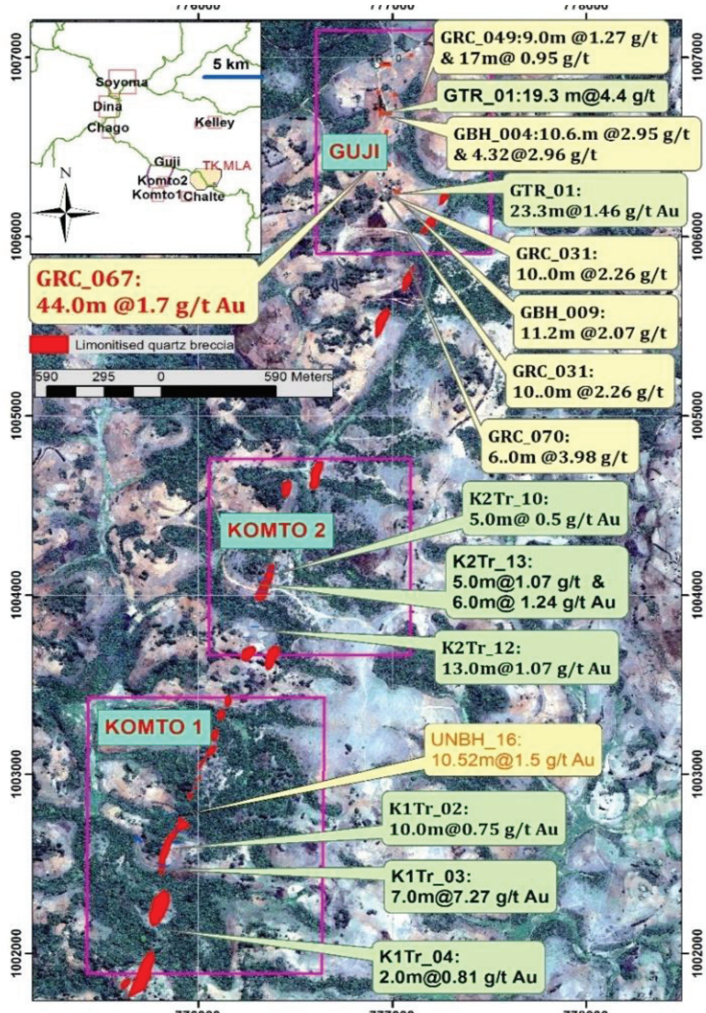
The area covered by this ELA covers a VMS copper-gold prospect named Kata.

United Nations drilled six diamond holes at Kata in the 1970's along a 600m strike. Mineralisation is open along strike and at depth, and soil geochemistry defines a >2km copper anomaly (gold not assayed). This drilling intercepted high-grade copper with the best results of 14m at 3.2% copper and 53m of 0.7% copper.

Geochemical and geophysical surveys have identified strong gold anomalies along three major shear zones parallel to the shear zone containing the Tulu Kapi gold deposit.

One of these shear zones lies only a few kilometres to the west of Tulu Kapi where shallow gold mineralisation has been identified over +9km along the Guji-Komto Belt. Trenching and drilling results already indicate the potential for oxide gold mineralisation in a series of shallow open pits (c.40m depth).

If proven up as economic by further drilling, this gold mineralisation may potentially be treated at the Tulu Kapi processing plant or, if scale and mineralogy warrant, say as stand-alone heap-leach operations which is supported by preliminary metallurgical testwork.



Guji-Komto Belt: best trench and drill hole gold results

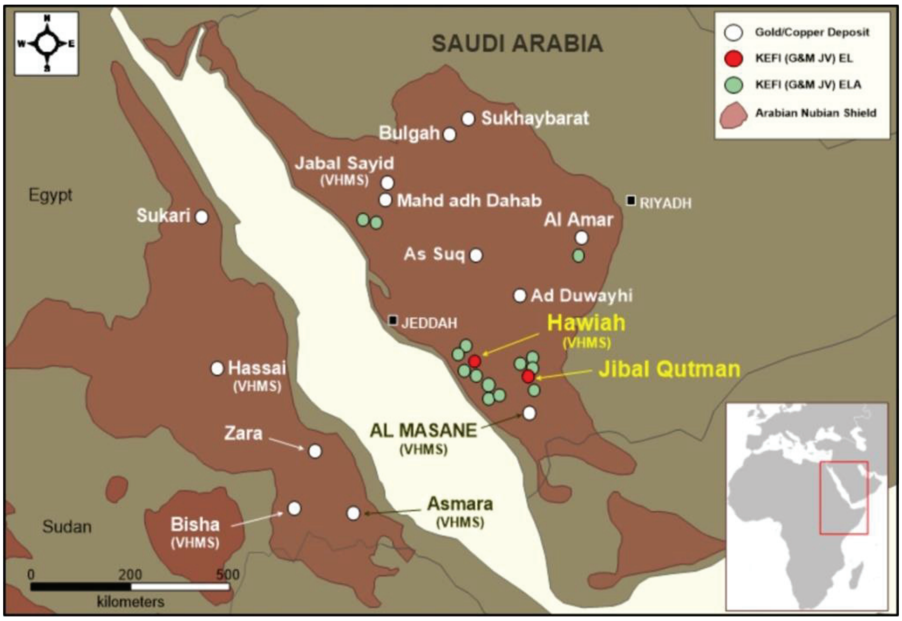
Guji-Kpmto trend: best trench & drill holes gold intersections,

Saudi Arabia

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

1. Jibal Qutman – increase oxide gold resources on the granted Exploration Licence ("EL") and surrounding Exploration Licence Applications ("ELAs");
2. Hawiah – determine if a copper-gold-zinc VHMS deposit lies beneath the 6km-long, gold-bearing surface gossan;
3. Wadi Bidah VMS Belt.

KEFI has a 40% beneficial interest in a large portfolio of ELAs and ELs in Saudi Arabia via G&M, our joint venture company with ARTAR, which is the official applicant on behalf of G&M.



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

KEFI remains well placed to advance and develop our projects with the assistance of our partner ARTAR, a leading local industrial and international investment group owned by Sheikh Al Rashid and his family.

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.

During 2016, the Saudi Government created the Energy, Industry and Mineral Resources Ministry. This new ministry has now prepared new mining policies in consultation with local mining industry participants. G&M has upgraded its portfolio of licence applications in preparation for the deregulation of the sector which should expedite mining development in the country. We await clarification of the new regulatory regime.

Key commercial advantages for KEFI in Saudi Arabia are:

- The G&M relationship between ARTAR and KEFI;
- The KEFI exploration team that was born out of the experience of discovery in similar geological terrane in Western Australia;
- Saudi Arabia is 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; and
- An about-to-be promulgated modern mining code.

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. Subject to the new regulatory regime, 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.

Saudi Arabia - Jibal Qutman

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.

The Jibal Qutman EL is located in the central southern region of the Arabian Shield and covers an area of 99km^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 by G&M 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. These applications have been in process for a prolonged period due to the overhaul of regulations and also the review by the Defence Ministry of activities in that area. G&M remains hopeful that its close collaboration with the authorities will allow work to proceed soon after new regulations are passed.

G&M will initially focus on testing the feasibility of developing a small heap-leach operation to self-fund G&M's exploration activities in Saudi Arabia.

Mineral Resource Estimates for Jibal Qutman

The current Mineral Resource estimate for Jibal Qutman totals 28.4 million tonnes at 0.80g/t gold, containing 733,045 ounces. As summarised in the table below, the majority of the Mineral Resource is 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.

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

Internal Preliminary Economic Assessment for Jibal Qutman

Metallurgical test work has confirmed that Jibal Qutman oxide mineralisation is amenable to heap leach ("HL") processing. Accordingly, the Company is focusing on initially 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.

Key outcomes from an internal Preliminary Economic Assessment for Jibal Qutman in May 2015 were:

- 1.5Mtpa HL operation;
- Gold production c. 140,000 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 c. 200,000 contained ounces;
- Waste:ore ratio of c. 2:1;
- Average gold recovery of c. 70%;
- Cash operating cost of c. US$600/ounce; and
- Capital expenditure of c. 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 for under US$5 million in equity.

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

Jibal Qutman Outlook

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

- Follow-up the Mining Licence Application with the regulatory authorities;
- Commence full feasibility studies upon grant of the ML;
- Explore the surrounding ELAs after their grant, which have high prospectivity for additional near-surface oxide gold resources; and
- Prepare applications for construction and operating licences, if warranted.

This strategy aims for Jibal Qutman becoming G&M's foundation for a self-funding exploration program in Saudi Arabia.

Saudi Arabia - Hawiah

Following the grant of the 95km^2 Hawiah EL in December 2014, KEFI commenced exploration of an unusually large 6km-long gossan for gold at the surface and a volcanogenic massive sulphide ("VMS") copper-gold-zinc sulphide orebody at depth. Field activities were suspended during the initial term of the EL for local security and community relations issues. Once risks had been managed in close collaboration with local authorities and community leaders, and once community relations were satisfactorily established for long term stable operations, the field work was re-activated for a short period before the EL came up to its expiry date.

The Hawiah EL (renewal pending) was one of KEFI's higher priority ELAs as the geological setting is analogous to large VMS 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 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 VMS occurrences and historic workings for copper and gold. ARTAR, on behalf of G&M, has applied for most of the prospective ground in the WBMD.

Hawiah Geology and Exploration

The planned exploration programme at Hawiah aims to:

- 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.

The Hawiah EL (renewal pending) 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, which identified its gold-bearing potential.

In February 2015, KEFI completed a first-pass, wide-spaced trenching programme 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. Self-potential ("SP") geophysical surveys were completed over the 6 km-long gossanous horizon during 2015 and 2016. Two strong anomalies were identified:

- 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.

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.

G&M continues to ensure that 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 and WBMD Regional Prospectivity

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

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

KEFI has several other ELAs 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.

VMS deposits are major sources of copper-lead-zinc-gold-silver ore bodies. Examples of large VMS 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 VMS deposits.

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
c.	Circa
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
KME	KEFI Minerals (Ethiopia) Limited
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.
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
TKGM	Tulu Kapi Gold Mines Share Company Limited
VMS deposits	Volcanogenic 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 former Exploration Director of KEFI Minerals and a Member of the Australian Institute of Geoscientists (“AIG”). 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**
Mark Wellesley-Wood, **Non-Executive Deputy Chairman**
John Leach, **Finance Director**
Norman Ling, **Non-Executive**

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United Kingdom
www.investor-focus.co.uk

Consolidated Financial Statements

Year ended 31 December 2017

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Group Strategic Report
For the year ended 31 December 2017

KEFI Minerals PLC Company number: 05976748

The directors present their Group Strategic Report for the year ended 31 December 2017.

Incorporation and principal activity

KEFI Minerals PLC ('KEFI" or the "Company") or together with its subsidiaries ("the Group") was incorporated on 24 October 2006 and was admitted to AIM in December 2006 with an initial market capitalisation of £2.7 million at the placing price.

The principal activities of 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 and determine their viability for commercial development; and
- To develop those mineral deposits and market the metals produced.

Review of operations

KEFI has continued to make progress on both the financing and development fronts. Management has adjusted the base case pricing to $1,300 per oz following the recent and anticipated gold price strength and remain confident of the economics of the Tulu Kapi Gold Project. The project continues to receive strong support from the Ethiopian government.

KEFI continue to prepare and finalise the project financing and the development of the Tulu Kapi project with the government, contractors and preferred project financiers.

On 1 February 2018, KEFI announced the appointment of David Munro, former MD of Billiton, and his two partners at International Mining Performance, to the senior management team as a prelude to triggering development and operations.

KEFI Minerals in Ethiopia

KEFI owns 95% of the Tulu Kapi Gold Project in Ethiopia. The Government of Ethiopia is entitled to a 5% free carried-interest and a 7% royalty on gold production. The Government proposes to fund all off-site infrastructure up to a limit of US$20 million which will increase its shareholding in the project company.

KEFI is now refining the application of funds required to develop Tulu Kapi. Draft finance documentation has been lodged with the Ethiopian government for approval so that issuance of the listed bonds can proceed. The placing of the proposed listed bonds is subject to final documentation and completion of due diligence. Debt commitment would come first, then followed by equity commitment for the residual funding requirement. The placing of the listed bonds to finance Tulu Kapi will commence once documentation has been approved by Ethiopia's central bank, with drawdown expected about three months later, around the end of Q3 2018. The drawdown timetable is timed to coincide with community and contractor preparations but cannot start until the central bank approves it.

The Finance SPV, which will be incorporated in a major financial centre, will own the on-site infrastructure, control gold proceeds and lease the on-site infrastructure to the project company Tulu Kapi Gold Mine Share Company ("TKGM"). The finance is expected to have a 9-year tenor and 2.5-year non repayment grace period. The SPV will have Independent Directors and Independent Monitoring Engineers.

The Group has agreed a base case 2-year construction schedule, with incentivised targets for quicker schedule.

KEFI Minerals in the Kingdom of Saudi Arabia

To date, Gold and Minerals ("G&M") joint venture, of which KEFI is operator and 40% owner has conducted preliminary regional reconnaissance and has been granted five Exploration Licences ("ELs"), including Jibal Qutman and the 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, 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.

Abdul Rahman Saad Al Rashid & Sons Co. ("ARTAR"), on behalf of G&M, holds the EL applications. ELs are renewable for up to three years and bestow the exclusive right to explore and to obtain a (mining) lease within the area.

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

Funding

In summary, KEFI raised during 2017 £2.8 million (actual cash received after expenses) via the issue of 100 million shares at an issue price of 5.6p, including £1.9 million from Lanstead Capital L.P. ("Lanstead") which was subject to a sharing agreement under which the cash received reduced or increased depending on monthly share prices This sharing agreement expires in July 2018. The vast majority of the funds raised were expended on the development of Tulu Kapi over the following 12 months, with the remainder being directed towards exploration and corporate costs.

KEFI raised approximately GBP2.9million (actual cash received before expenses), , by way of:

- a placing of 10,695,182 Placing Shares to both existing and new shareholders at the Issue Price to raise GBP600,000 (before expenses);
- a subscription by certain Directors, employees and a supplier of the Company for 7,130,118 Company Subscription Shares at the Issue Price to raise GBP400,000 (before expenses); and
- a subscription of 82,352,941 Lanstead Subscription Shares by Lanstead at the Issue Price which raised raise GBP1.9 million during 2017 and the balance during 2018 (before expenses).
- Of the gross proceeds from the Lanstead Subscription, GBP693,000 (being 15%) was retained by the Company and a balance of GBP3,927,000 was pledged by the Company pursuant to the Sharing Agreement. The Sharing Agreement entitled the Company to receive back those proceeds on a pro rata monthly basis over a period of 18 months, subject to adjustment upwards or downwards each month depending on the Company's share price at the time, as explained in more detail below. The Sharing Agreement provided the opportunity for the Company to benefit from positive future share price performance. However, the KEFI share price was well below the benchmark price of 7.48p. During the year to 31 December 2017, the Company received GBP 1,239,196 in credit support instalments from Lanstead, net of Sharing Agreement settlements pursuant to the Subscription Agreements. The amount of 407,853 remains invested in the Sharing Agreements as at 31 December 2017.

Key Performance Indicators

Key Performance Indicators for the Group for the year ended 31 December 2017 are those relevant to the exploration, acquisition, project evaluation and early-stage finance phases of its activities.

Key Performance finance and non-financial Indicators include:

- Cash Flow Forecasts: Regular cash flow monitoring to ensure project development targets are met and that working capital is maintained.
- Operational Success: Advancing projects through cost-effective exploration into development and production
- Environmental, Health & Safety: Ensuring that all efforts are made to reduce adverse personal, corporate and environmental outcomes, through best practice training and implementation.

The following progress was achieved in FY 2017:

- Signed the Project Company (TKGM) Shareholders Agreement;
- Increased projected in ore processing capacity from 1.5-1.7Mtpa to 1.9- 2.1Mtpa (depending on ore hardness), funded by an expansion of the proposed financing facility, from US$135m to US$160m;
- Mining Licence transferred to the newly incorporated TKGM;
- The Roads and Power Authorities have committed to construct and operate off-site infrastructure;
- The community resettlement plans and compensation were agreed, and ready for implementation upon drawdown;
- Company exercised the highest possible standard of care for their health and safety and no incidents were recorded during the year;
- Finance Ministry and Central Bank are reviewing the documentation for US$160 million infrastructure finance Contractors; and
- KEFI received all of its VAT refund in accordance with the agreement entered with the Government of Ethiopia

Group Strategic Report (continued)
For the year ended 31 December 2017

Focus for FY 2018:

- Formalising the development funding for Tulu Kapi and obtaining regulatory clearance of project debt finance and contract documentation;
- Raising the residual equity required to complete the finance and trigger loan drawdown;
- Resettling the community; and
- Starting construction of the Tulu Kapi gold project.

The Group considers that its primary projects in Ethiopia and Saudi Arabia continue to progress satisfactorily and careful monitoring and control has been carried out in respect of cash management.

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 Federal Democratic Republic of Ethiopia, including attendance at regular board meetings. Based on the results, the Board have concluded that no changes are required to the current strategy.

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

Results

Operating Expenses

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Exploration expenditure	**(146)**	(125)
Administrative expenses, mainly on project development preparations	**(2,535)**	(2,190)
VAT refund	**-**	2,512
Investigatory, pre-decisional project finance transaction costs	**(865)**	-
Warrants issued costs	**-**	(164)
Share based payments	**(93)**	(281)
Share of loss from jointly controlled entity	**(286)**	(726)
Loss on revaluation of financial Asset- Receivable from Lanstead Sharing Agreement	**(2,280)**	-
Foreign exchange gain/(loss)	**14**	(123)
Interest cost	**(75)**	(136)
Loss for the year	**(6,266)**	(1,233)

The Group's results for the year are set out on page 41.

As at 31 December 2017, the Group market capitalisation was £9.32 million (2016: £12.43 million). At the year end the Group had equity of £14,470,000 (2016: £15,547,000). During 2017, the Group has incurred exploration expenditure of £146,000 (2016: £125,000) from operations and an operating loss of £3,925,000 (2016: £974,000).

Lanstead financing offered the Company financial support and flexibility, but poor share price performance meant that the expected amounts receivable under the Equity Swap Agreements had fallen significantly which resulted in a loss of £2,280,000 on the revaluation of financial asset.

The focus during the year has been the preparation of project funding and development of the Tulu Kapi Gold Project in Ethiopia ("Tulu Kapi" or the "Tulu Kapi project") with our partner the Government of Ethiopia, contractors Lycopodium and Ausdrill/African Mining Services and preferred project financiers. The increased activity levels resulted in higher administrative expenditure and project transaction expenses in comparison to the previous year.

Group Strategic Report (continued)
For the year ended 31 December 2017

In October 2017, Ethiopia's central bank devalued the Ethiopian Birr by 15% to boost exports. The devaluation had an impact on the KEFI company accounts performance. In the KEFI company accounts a translated monetary currency loss of £1,900,000 was reported in 2017 which was attributable to the currency translation of the intercompany loan. The impact on the group accounts was, however, not material.

All exploration expenditure incurred in 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.

The Company made placement during the year raising £2.8 million (actual cash received) as follows:

Issued	£'000
Share Equity March 2017 at 5.61p (Pre consolidation 0.33p)	1,000
Lanstead Share Equity	4,620
Lanstead Value Payment shares	231
Funds raised before expenses	5,851
Less Share Issue Costs	(356)
Less Transfer realised loss of derivative	(1,340)
Less Sharing Agreement that relates to 2018 year	(1,347)
	2,808

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

Organisation overview

The Corporate Head Office of the Group is located in Nicosia, Cyprus, and provides corporate and support services to the overseas operations. East African operations are managed out of Addis Ababa, Ethiopia. The Saudi Arabia exploration is managed through the ARTAR office in Riyadh. Field 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 evaluation, 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 mainly through periodic equity capital raisings and in 2017 signed a sharing agreement with Lanstead.

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;
- Secure funding;
- Develop metals production;
- Maintain good community relationships; and
- Employ good environmental governance practices.

Group Strategic Report (continued)

For the year ended 31 December 2017

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 mineralisation until production is possible, during which time the economic feasibility of production may change.

Substantial expenditure is required to establish ore reserves through drilling, to determine metallurgical processes to extract minerals from the ore and to construct mining and ore 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, and 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.

KEFI's activities have been unaffected with regards to its daily interface with the various government agencies and with the community at Tulu Kapi. Everyone that the Group deals with appears to regard the Prime Minister's resignation and the new appointment as a sincere step towards the facilitation of broader democratic representation in Government. The concurrently announced State of Emergency appears generally regarded as a preventative measure to ensure peace and order during the leadership transition

The Group enjoys a good working relationship with the relevant authorities in Ethiopia and Kingdom of Saudi Arabia and has a permanent management team in these countries to monitor developments.

Community relations

Mutual support between the Groups' operations and the communities around them is vital to the success of our activities and for maintaining our social licence to operate. KEFI regards its host communities as one of the most important of its primary stakeholders and contributing to these groups in a meaningful, sustainable and long-term manner is therefore central to its strategy. Our community development will be focused on: sustainable job creation; skills transfer (education and training); and infrastructure development.

Retention of key personnel

The successful achievement of the strategies, business plans and objectives depend upon its ability to attract and retain certain key personnel. Achievement of its objectives help to propagate a positive Company culture, in which employees feel they can directly contribute to the Company's success. The Group's employment policies and terms are designed to attract, incentivise and retain individuals of the right caliber.

Partner risk

Any joint venture arrangement contains an element of counterparty risk. The Company maintains good working relationships with its Joint Venture partners in Saudi and monitors performance on a regular basis.

Group Strategic Report (continued)
For the year ended 31 December 2017

Principal risks and uncertainties(continued)

Financial risks:

Commodity risk: A potential fall in commodity prices which could lead to it becoming uneconomic for the Group to mine its assets. The Group's principal interest is in gold. The Group will consider the use of appropriate hedging products to mitigate this risk as it approaches production.

Foreign currency risk: The Group's results are sensitive to foreign currency movements and in particular with its exposure to the Ethiopian Birr, arising from the Group's primary operations being in Ethiopia. The Group finances its overseas operations by transferring Pounds Sterling from the UK to meet local operating costs which are generally either denominated in Ethiopian Birr or US Dollars. The Group maintains the majority of its cash in Pounds Sterling and monitors relevant currency movements and takes action where needed.

Funding risk: To date the Group has relied upon shareholder funding of its activities. Future exploration and development activities may be dependent upon the Group's ability to obtain further financing through equity financing or other means. Although the Group has been successful in the past in obtaining equity finance there can be no assurance that the Group will be able to obtain adequate financing in the future or that the terms of the financing will be favorable.

The Group's other financial 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 Finance 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

John Edward Leach

Finance Director

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

18 June 2018

Report of the Board of Directors
For the year ended 31 December 2017

The Board of Directors presents its report for KEFI Minerals PLC and its subsidiaries together with the financial statements of the Group for the year ended 31 December 2017.

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, Issued, 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 2017 and at the date of this report are shown on page 22. 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 four 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 the Chairman of the Physical Risks Committee. He 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 where he was awarded the John Story Memorial Prize as outstanding graduate. He qualified as a Chartered Accountant while working with PricewaterhouseCoopers .

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 the 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.

Mark Wellesley-Wood

Deputy Chairman and Lead Independent Director

Mr Mark Wellesley-Wood is a mining engineer, with over 40 years' experience in both the mining industry and investment banking. He has been closely involved in mining activities in Africa, having started his career on the Zambian copper-belt. Mark is a former Executive Chairman and CEO of South African gold miner, DRDGold Limited, and a former director of Investec Investment Banking and Securities in London. He is currently Chairman of AIM-quoted Tri-Star Resources plc.

John Edward Leach

Finance Director

Mr Leach was appointed Non-Executive Director and part-time Finance Director in December 2006 with responsibility for oversight of the Company's finance and accounting functions. In August 2016, he assumed a full-time role as Finance Director as part of the Company's transition towards gold production.

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 Pan Continental Oil & Gas NL (2017) Resource Mining Corporation Limited (2006 to 2007) and Gympie Gold Limited (1995 to 2003).

(All amounts in GBP thousands unless otherwise stated)

Norman Ling
Non-Executive Independent Director

Mr Norman Ling holds a BA (Hons) German and Economic History and has previously served as a non-executive director of Nyota Minerals Limited. 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 the British Ambassador to Ethiopia, Djibouti and the African Union from 2008 to 2011, when he retired from government service.

Directors' indemnities

The Group maintains directors' and officers' liability insurance providing appropriate cover for any legal action brought against its Directors.

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 date of this report are as follows:

Director	Number of existing ordinary shares	% of issued share capital
H Anagnostaras-Adams	5,794,809	1.75%
J Leach	1,715,742	0.52%
N Ling	296,265	0.09%

On the 2 March 2017 the Company consolidated 17 Existing Ordinary Shares into one New Ordinary Share. The Directors to whom options over Ordinary shares have been granted after the share consolidation 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 Pence	H. Anagnostaras-Adams	I. Plimer	J. Leach	N Ling	M. Wessley-Wood
01-Feb-18	31-Jan-24	4.50	1,200,000	-	1,200,000	1,200,000	-
22-Mar-17	21-Mar-23	7.50	3,442,184	441,176	674,083		882,353
05-Aug-16	04-Aug-22	10.20	-	-	882,353	-	588,235
19-Jan-16	18-Jan-22	7.14	943,412	314,471	314,471	314,471	-
20-Mar-15	19-Mar-21	22.44	382,353	58,824	58,824	117,647	-
12-Sep-14	11-Sep-20	29.92	-	-	-	132,353	-
27-Mar-14	26-Mar-20	39.10	382,353	259,824	132,353	-	-
13-Sep-12	12-Sep-18	68.00	176,471	147,059	88,235	-	-
			6,526,773	1,221,354	3,350,319	1,764,471	1,470,588

Report of the Board of Directors (continued)
For the year ended 31 December 2017

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 2017 is set out below:

31 December 2017	Salary and fees	Other compensation	[2]Share based benefit incentive options	2017 Total
Executive	**£'000**	**£'000**	**£'000**	**£'000**
H. Anagnostaras-Adams	**240**	**[3]80**	**32**	**352**
J. Leach	**176**	**14**	**19**	**209**
Non-Executive				
I. Plimer-Retired[1]	**23**	**-**	**-**	**23**
N. Ling	**67**	**-**	**3**	**70**
M Wellesley-Wood[1]	**41**	**-**	**13**	**54**
	547	**94**	**67**	**708**

31 December 2016	Salary and fees	Other compensation	[2]Share based benefit incentive options	2016 Total
Executive	**£'000**	**£'000**	**£'000**	**£'000**
J Rayner-Retired[1]	96	21	47	164
H. Anagnostaras-Adams	211	18	46	275
J. Leach-Appointed[1]	87	10	31	128
Non-Executive				
I. Plimer	25	-	14	39
N. Ling	71	-	16	87
M Wellesley-Wood[1]Appointed	10	-	13	23
	500	49	167	716

[1]Appointments and Retirement as Director: During 2017 Mr. Plimer resigned as director in November 2017. In August 2016 Mr. Wellesley-Wood was appointed as Non-Executive director and Mr Leach assumed the role of Finance Director. Mr. Rayner stepped down from the Board in August 2016 but continues to serve as Adviser – Exploration and Corporate Development.

[2] Share based benefit incentive options: The figure is based on the valuation at the date of grant. The figure recorded relates to the amount relating to the current year as a proportion of the vesting period. Vesting is subject to a number of vesting conditions which may or may not be achieved. This figure is not a cash payment.

[3]Other compensation includes, life insurance and accident insurance premiums for 2014,2016 and 2017.

Report of the Board of Directors (continued)
For the year ended 31 December 2017

Corporate governance statement

The Board is committed to maintaining high standards of corporate governance. The Directors recognise 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 that is considered 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 Group supports the concept of an effective Board leading and controlling the Group. The Board is responsible for approving Group 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 Group Secretary and independent professionals at the Group'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 Finance Director), and two Non-Executive Directors. The Non-Executive Directors, Mark Wellesley-Wood and Norman Ling bring a breadth of experience and knowledge to the Company. They are considered to be independent of management and any other business relationships do not interfere with the exercise of their independent judgment. Mark Wellesley-Wood was appointed as lead senior independent director in March 2017. 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: Mark Wellesley-Wood (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. The Finance Director 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: Mark Wellesley-Wood (Chairman), and Norman Ling. 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 takes into consideration the terms that may be required to attract equivalent experienced executives to join the Board from other companies.

(All amounts in GBP thousands unless otherwise stated)

Report of the Board of Directors (continued)

For the year ended 31 December 2017

Internal controls

The Directors acknowledge their responsibility for the Group'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 Group 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 its obligations of the Company. Decisions regarding the management of these assets are approved by the Board. Please refer to page 50 of the financial statements.

Securities trading

The Directors 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.

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	Percentage	Number of Shares
The Bank Of New York (Nominees) Limited	27.70%	92,191,030
Hargreaves Lansdown (Nominees) Limited	13.20%	43,893,263
Interactive Investor Services Nominees Limited	9.20%	30,627,242
Hsdl Nominees Limited	5.70%	18,807,063
Ausdrill International Pty Ltd	5.00%	16,559,487
Jim Nominees Limited	4.30%	14,434,762
Barclays Direct Investing Nominees Limited	4.30%	14,315,448
Beaufort Nominees Limited	2.90%	9,546,585
Registered holdings per TR-1 disclosures were:		
Lanstead Capital LP	14.90%	49,545,012
Odey Asset Management LLP	13.30%	44,220,213
Ausdrill International Pty Ltd	5.00%	16,559,487

Report of the Board of Directors (continued)

For the year ended 31 December 2017

Events after the reporting date

On 1 February 2018, 9,600,000 options were issued to persons who discharge director and managerial responsibilities ("PDMRs") and a further 3,000,000 options have been granted to other non-board members of the senior management team. The options have an exercise price of 4.5p, expire after 6 years, and vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

In June 2018 Company reached agreement with an Ethiopian investment syndicate for the proposed acquisition of a 30% ownership interest in wholly-owned subsidiary KEFI Minerals (Ethiopia) Limited ("KME") and holder of the Company's interest in the Tulu Kapi Gold Mines Share Company Limited ("TKGM"). Under the proposed terms, which remain subject to final documentation and government approval, the syndicate will invest US$30,000,000 in Ethiopian Birr of which US$9,000,000 will be invested in August 2018 and the balance upon closing of project finance.

On 15 June 2018 the Company announced a capital-raising for £5,500,000 (US$ 7,310,000) to fund finance closing costs and early project works in preparation for full finance drawdown and development activities targeted for implementation after the end of the Ethiopian wet season in September 2018.

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

John Edward Leach

Finance Director

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

18 June 2018

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 Members of KEFI Minerals PLC

Financial statements subject to audit
We have audited the financial statements for the year ended 31 December 2017 which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and company statements of financial position;
- the consolidated and company statements of changes in equity;
- the consolidated and company cash flow statements; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the consolidated and parent company financial statements is applicable law and International Financial Reporting Standards as adopted by the European Union, and in the case of the parent company as applied in accordance with the Companies Act 2006.

Our opinion
In our opinion, Kefi Minerals PLC's ("the company" or "the parent company") financial statements ("the financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and, in respect of the parent company as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern
We draw attention to note 2 in the financial statements, which indicates that the going concern presumption may not be appropriate because its validity depends principally on securing funding, as a minimum to cover the Company's and Group's ongoing operating expenses and 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.

As stated in note 2, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

An overview of the scope of our audit
The group operates through one main trading subsidiary undertaking which was considered to be a significant component for the purposes of the group financial statements, as well as one joint venture company. The financial statements consolidate these entities together with a number of non-trading subsidiary undertakings as set out in note 13.1. In establishing our overall approach to the group audit, we determined the type of work that needed to be performed in respect of each subsidiary. This consisted of us carrying out a full review of the component auditors' working papers of the significant component within the group, which were subject to a full scope audit. We also performed analytical procedures in respect of the joint venture company, which is also subject to a full scope audit.

As part of the audit the component auditors documented the systems and performed walk-through tests on the key areas, and then used largely substantive techniques to the extent considered necessary to provide appropriate audit evidence to draw their conclusions.

Our detailed review of these procedures gave us the evidence that we need for our opinion on the financial statements as a whole and, in particular, helped mitigate the risks of material misstatements mentioned below.

Independent Auditor's Report to the Members of KEFI Minerals PLC-Continued

Our assessment of key risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Intangible asset **The group has capitalised certain pre-production mining expenditure. There is a risk that the expenditure could be materially overstated to reduce costs expensed in statement of comprehensive income assets in the statement of financial position.**	We have reviewed a sample of costs capitalised to ensure they are allowed under accounting standards and vouched these costs to third party supporting documentation. We have also reviewed the JORC compliant resource statement, prepared by an independent valuer, and agreed this to the Definitive Feasibility Study, prepared by another independent party, to support the carrying value of the intangible asset. The above procedures have been completed with no issues being identified

Going Concern is a key audit matter and has been addressed within the material uncertainty relating to going concern section of our report. The company has highlighted the uncertainty within its financial statements.

Our application of materiality

We set certain thresholds for materiality. These help us to establish transactions and misstatements that are significant to the financial statements as a whole, to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually on balances and on the financial statements as a whole.

In establishing the audit strategy, it was determined that the level of uncorrected misstatements judged to be material for the financial statements as a whole would be £347,000 approximately 2% of gross assets.

This is the threshold above which missing or incorrect information in financial statements is considered to have an impact on the decision makers of users. The parent company was audited to a materiality of £211,000 based on 2% of the gross assets.

We agreed to report to the Audit and Risk Committee all potential adjustments in excess of £17,250 being 5% of the consolidated financial statements materiality as a whole, in addition to other identified misstatements that warranted reporting on qualitative grounds.

We calculated a component materiality for the Ethiopian entity to ensure it was audited at an appropriate percentage of the overall materiality and applied this in our risk assessments and determining relevant audit procedures. Our materiality for the significant component was £196,500 and was based on 1.5% of gross assets.

Independent Auditor's Report to the Members of KEFI Minerals PLC-Continued

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, set out on page xx, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor’s Report to the Members of KEFI Minerals PLC-Continued

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs(UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor’s report.

Use of our report

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.

Stephen Corrall, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP,
Chartered Accountants and Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB
18 June 2018

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of comprehensive income

Year ended 31 December

	Notes	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Revenue		**-**	-
Exploration costs		**(146)**	(125)
Gross loss		**(146)**	(125)
Administrative expenses		**(2,535)**	(2,190)
Investigatory, pre-decisional project finance transaction costs		**(865)**	-
VAT refund		**-**	2,512
Share-based payments	18	**(93)**	(445)
Share of loss from jointly controlled entity	20	**(286)**	(726)
Operating loss	6	**(3,925)**	(974)
Change in value of financial assets at fair value through profit and loss	15	**(2,280)**	-
Foreign exchange gain/(loss)		**14**	(123)
Finance costs	8	**(85)**	(136)
Finance income	14	**10**	-
Loss before tax		**(6,266)**	(1,233)
Tax	9	**-**	-
Loss for the year		**(6,266)**	(1,233)
Other comprehensive (loss)/income:			
Exchange differences on translating foreign operations		**(398)**	200
Total comprehensive loss for the year		**(6,664)**	(1,033)
Basic and fully diluted loss per share (pence)	10	**(1.987)**	(0.628)

The notes on pages 47 to 74 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 2017	The Company 2017	The Group 2016	The Company 2016
ASSETS					
Non-current assets					
Property, plant and equipment	11	**43**	**6**	61	6
Intangible assets	12	**16,232**	**5,191**	13,992	3,939
Fixed asset investments	13.1	**-**	**4,598**	-	4,598
Investments in jointly controlled entities	13.2	**-**	**181**	-	181
		16,275	**9,976**	14,053	8,724
Current assets					
Available for sale financial assets	14	**79**	**-**	95	-
Derivative financial asset at fair value through profit or loss	15	**408**	**408**	-	-
Trade and other receivables	16	**94**	**5,079**	3,056	8,069
Cash and cash equivalents	17	**466**	**121**	410	400
		1,047	**5,608**	3,561	8,469
Total assets		**17,322**	**15,584**	17,614	17,193
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	**5,656**	**5,656**	3,883	3,883
Deferred Shares	18	**12,436**	**12,436**	12,436	12,436
Share premium	18	**18,661**	**18,661**	16,279	16,279
Share options reserve	18	**1,325**	**1,325**	1,474	1,474
Foreign exchange reserve		**(228)**	**-**	170	-
Accumulated losses		**(23,380)**	**(25,072)**	(18,695)	(18,496)
Total equity		**14,470**	**13,006**	15,547	15,576
Current liabilities					
Trade and other payables	21	**2,852**	**2,578**	2,067	1,617
		2,852	**2,578**	2,067	1,617
Total liabilities		**2,852**	**2,578**	2,067	1,617
Total equity and liabilities		**17,322**	**15,584**	17,614	17,193

The notes on pages 47 to 74 are an integral part of these consolidated financial statements.

The Company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own statement of comprehensive income. Loss after taxation amounting to £8.2 million (2016: £3.1 million) has been included in the financial statements of the parent company.

On the 18 June 2018, the Board of Directors of KEFI Minerals PLC authorised these financial statements for issue.

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

John Edward Leach
Finance Director

(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of changes in equity

Year ended 31 December 2017

	Attributable to the owners of the Company						
	Share capital	Deferred shares	Share premium	Share options reserve	Foreign exchange reserve	Accumulated losses	Total
At 1 January 2016	2,623	12,436	12,347	1,212	(30)	(17,645)	10,943
Loss for the year	-	-	-	-	-	(1,233)	(1,233)
Other comprehensive income	-	-	-	-	200	-	200
Total Comprehensive Income	-	-	-	-	200	(1,233)	(1,033)
Recognition of share based payments	-	-	-	445	-	-	445
Cancellation of options	-	-	-	(183)	-	183	-
Issue of share capital	1,260	-	4,296	-	-	-	5,556
Share issue costs	-	-	(364)	-	-	-	(364)
At 31 December 2016	**3,883**	**12,436**	**16,279**	**1,474**	**170**	**(18,695)**	**15,547**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(6,266)**	**(6,266)**
Other comprehensive income	**-**	**-**	**-**	**-**	**(398)**	**-**	**(398)**
Total Comprehensive Income	**-**	**-**	**-**	**-**	**(398)**	**(6,266)**	**(6,664)**
Transfer realised loss of derivative financial asset (Note 15)			**(1,340)**	**-**	**-**	**1,340**	**-**
Recognition of share based payments	**-**	**-**	**-**	**122**	**-**	**-**	**122**
Forfeited options	-	-	-	**(30)**	**-**	**-**	**(30)**
Cancellation of options	**-**	**-**	**-**	**(241)**	**-**	**241**	**-**
Issue of share capital	**1,773**	**-**	**4,078**	**-**	**-**	**-**	**5,851**
Share issue costs	**-**	**-**	**(356)**	**-**	**-**	**-**	**(356)**
At 31 December 2017	**5,656**	**12,436**	**18,661**	**1,325**	**(228)**	**(23,380)**	**14,470**

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

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

The notes on pages 47 to 74 are an integral part of these consolidated financial statements.

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Company statement of changes in equity

Year ended 31 December 2017

	Share capital	Deferred shares	Share premium	Share options reserve	Accumulated losses	Total
At 1 January 2016	2,623	12,436	12,347	1,212	(15,623)	12,995
Comprehensive loss for the year	-	-	-	-	(3,056)	(3,056)
Recognition of share based payments	-	-	-	445	-	445
Cancellation of options	-	-	-	(183)	183	-
Issue of share capital	1,260	-	4,296	-	-	5,556
Share issue costs	-	-	(364)	-	-	(364)
At 31 December 2016	**3,883**	**12,436**	**16,279**	**1,474**	**(18,496)**	**15,576**
Comprehensive loss for the year	**-**	**-**	**-**	**-**	**(8,157)**	**(8,157)**
Transfer realised loss of derivative financial asset (Note 15)	-	-	**(1,340)**	**-**	**1,340**	**-**
Recognition of share based payments	**-**	**-**	**-**	**122**	**-**	**122**
Forfeited options	**-**	**-**	**-**	**(30)**	**-**	**(30)**
Cancellation of options	**-**	**-**	**-**	**(241)**	**241**	**-**
Issue of share capital	**1,773**	**-**	**4,078**	**-**	**-**	**5,851**
Share issue costs	**-**	**-**	**(356)**	**-**	**-**	**(356)**
At 31 December 2017	**5,656**	**12,436**	**18,661**	**1,325**	**(25,072)**	**13,006**

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

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

The notes on pages 47 to 74 are an integral part of these consolidated financial statements.

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of cash flows

Year ended 31 December 2017

	Notes	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(6,266)**	(1,233)
Adjustments for:			
Depreciation of property, plant and equipment	11	**24**	55
Share based payments	19	**93**	281
Impairment of intangible asset	12	**-**	266
Issue of warrants	18	**-**	164
Fair value loss to derivative financial asset	15	**2,280**	-
Fair value loss to available for sale		**26**	-
Share of loss from jointly controlled entity	20	**286**	726
Exchange difference		**13**	44
		(3,544)	303
Changes in working capital:			
Trade and other receivables		**2,569**	(2,701)
Trade and other payables		**849**	51
Net cash used in operating activities		**(126)**	(2,347)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deferred exploration costs		**(988)**	(1,189)
Project evaluation costs		**(1,252)**	(1,224)
Acquisition of property plant and equipment		**(6)**	(35)
Advances to jointly controlled entity		**(379)**	(566)
Proceeds from disposal of available for sale asset		**-**	16
Net cash used in investing activities		**(2,625)**	(2,998)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	18	**3,163**	5,556
Issue costs	18	**(356)**	(364)
Net cash from financing activities		**2,807**	5,192
Net increase/(decrease) in cash and cash equivalents		**56**	(153)
Effect of cash held in foreign currencies		-	1
Cash and cash equivalents:			
At beginning of the year	17	**410**	562
At end of the year	17	**466**	410

The notes on pages 47 to 74 are an integral part of these consolidated financial statements.

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Company statement of cash flows

Year ended 31 December 2017

	Notes	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(8,157)**	(3,056)
Adjustments for:			
Share based payments	19	**93**	281
Issue of warrants	18	**-**	164
Fair value loss to derivative financial asset	15	**2,280**	-
Impairment of loan to subsidiary		**39**	64
Impairment of amount receivable from jointly controlled entity		**379**	494
Exchange difference		**3**	1
		(5,363)	(2,052)
Changes in working capital:			
Trade and other receivables		**2,990**	37
Trade and other payables		**961**	641
Net cash used in operating activities		**(1,412)**	(1,374)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property plant and equipment		**(4)**	(3)
Project evaluation costs		**(1,252)**	(2,861)
Advances to jointly controlled entity		**(379)**	(566)
Proceeds from disposal of available for sale asset		**0**	16
Loan to subsidiary		**(39)**	(397)
Net cash used in investing activities		**(1,674)**	(3,811)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	18	**3,163**	5,556
Issue costs	18	**(356)**	(364)
Net cash from financing activities		**2,807**	5,192
Net incease/(decrease) in cash and cash equivalents		**(279)**	7
Cash and cash equivalents:			
At beginning of the year	17	**400**	393
At end of the year	17	**121**	400

The notes on pages 47 to 74 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
Year ended 31 December 2017

1. Incorporation and principal activities

Country of incorporation

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

Principal activities

The principal activities of the Group for the year were:

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

2. Accounting policies

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

Basis of preparation and consolidation

The Company and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They comprise the accounts of KEFI Minerals PLC and all its subsidiaries made up to 31 December 2017. 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, as a minimum to cover its ongoing operating expenses and 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 presentation currency

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

2. Accounting policies (continued)

Foreign currency translation

(1) Foreign currency translation
Foreign currency transactions are translated into the presentational 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 2017 (2016: £Nil).

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

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

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

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

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.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2017

2. Accounting policies (continued)

Interest in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has joint control are referred to as jointly controlled entities. In the consolidated accounts 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. In the Company account the cost method of accounting is used.

Finance costs

Interest expense and other borrowing costs are charged to the statement of comprehensive income as incurred and is recognised using the effective interest method.

Tax

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

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

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

Investments

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

Exploration costs

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

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

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

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

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

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

2. Accounting policies (continued)

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 those 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.

Available for sale financial assets
Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. Shares in unlisted companies are recorded at cost. Any other financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through other comprehensive income.

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

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

3. Financial risk management

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

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

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

The Company has borrowings outstanding from its subsidiaries, the ultimate realisation of which depends on the successful exploration and realization of the Group's intangible exploration assets. This in turn is subject to the availability of financing to maintain the ongoing operations of the business. The Group manages its financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

3. Financial risk management (continued)

Market risk - Interest rate risk

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

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

	2017	2016
Variable rate instruments		
Financial assets	466	410

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2017 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 2017	Profit or Loss 2017	Equity 2016	Profit or Loss 2016
Variable rate instruments				
Financial assets – increase of 100 basis points	5	5	4	4
Financial assets – decrease of 25 basis points	(1)	(1)	(1)	(1)

Currency risk

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

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Australian Dollar, Euro, Turkish Lira, US Dollar, Ethiopia ETB and Saudi Arabian Riyal. Since 1986 the Saudi Arabian Riyal has been 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; with the Saudi Arabian Riyal exposure being included in the USD amounts.

	Liabilities 2017	Assets 2017	Liabilities 2016	Assets 2016
Australian Dollar	103	-	215	-
Euro	180	2	205	2
Turkish Lira	2	40	1	40
US Dollar	1,251	45	1,025	318
Ethiopia ETB	70	549	187	2,943

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Year ended 31 December 2017

3. Financial risk management (continued)

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2017 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 2017	**Profit or Loss 2017**	Equity 2016	Profit or Loss 2016
AUD Dollar	**10**	**10**	22	22
Euro	**18**	**18**	20	20
Turkish Lira	**(4)**	**(4)**	(4)	(4)
US Dollar	**120**	**120**	58	58
Ethiopia ETB	**(48)**	**(48)**	(276)	(276)

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.

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 £466,000 (2016: £410,000) and equity attributable to equity of the parent, comprising issued capital and deferred shares of £18,092,000 (2016: £16,319,000), other reserves of £19,759,000, (2016: ££17,923,000) and accumulated losses of £23,380,000 (2016: £18,695,000). The Group has no long term debt facilities.

Fair value estimation

The Group has certain financial assets and liabilities that are held at fair value. The fair value hierarchy establishes three levels to classify the inputs to valuation techniques to measure fair value:

Classification of financial assets and liabilities

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect fair value. All other receivables and payables are, where material, discounted to determine the fair value.

Differences arising between the carrying and fair value are considered not significant to adjust for in these accounts. The carrying and fair value of intercompany balances are the same as if they are repayable on demand.

As at each of December 31, 2017 and December 31, 2016, the levels in the fair value hierarchy into which the Group's financial assets and liabilities measured and recognized in the statement of financial position at fair value are categorized are as follows:

(All amounts in GBP thousands unless otherwise stated)

3. Financial risk management (continued)

	Carrying Amounts		Fair Values	
	2017	2016	**2017**	2016
Financial assets				
Cash and cash equivalents (Note 17) – Level 1	**466**	410	**466**	410
Available for sale financial assets (Note 14) - Level 2	**79**	95	**79**	95
Derivative financial asset (Note 15) - Level 2	**408**	-	**408**	-
Trade and other receivables (Note 16)	**94**	3,056	**94**	3,056
Financial liabilities				
Trade payables (Note 21)	**2,852**	2,067	**2,852**	2,066

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.

Accounting Judgement:

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.

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

Estimates:
Fair value of acquisitions

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

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

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

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

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5. Operating segments

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

	Cyprus	Turkey	Bulgaria	Ethiopia	Consolidated
	£'000	£'000	£'000	£'000	£'000
2017					
Operating (loss)/profit	**(3,600)**	**(23)**	**(3)**	**(13)**	**(3,639)**
Material non-recurring item	**(2,280)**	-	-	-	**(2,280)**
Foreign exchange profit/(loss)	-	**14**	-	-	**14**
Net Finance costs	**(75)**	-	-	-	**(75)**
	(5,955)	**(9)**	**(3)**	**(13)**	**(5,980)**
Share of loss from jointly controlled entity					**(286)**
Loss before tax					**(6,266)**
Tax					**-**
Loss for the year					**(6,266)**
Total assets	**5,652**	**41**	**4**	**11,625**	**17,322**
Total liabilities	**2,578**	**3**	**5**	**266**	**2,852**
Depreciation of property, plant and equipment	**3**	**-**	**-**	**21**	**24**
Impairment of intangible assets	**-**	**-**	**-**	**-**	**-**

	Cyprus	Turkey	Bulgaria	Ethiopia	Consolidated
2016	£'000	£'000	£'000	£'000	£'000
Operating (loss)/profit	(2,467)	(34)	(3)	(255)	(2,759)
Material non-recurring item	(482)	-	-	2,994	2,512
Foreign exchange profit/(loss)	(193)	70	-	-	(123)
Finance costs	(136)	-	-	-	(136)
	(3,278)	36	(3)	2,739	(506)
Share of loss from jointly controlled entity					(726)
Loss before tax					(1,232)
Tax					-
Loss for the year					(1,232)
Total assets	4,520	42	4	13,049	17,615
Total liabilities	1,617	2	4	443	2,066
Depreciation of property, plant and equipment	1	-	-	54	55
Impairment of intangible assets	-	-	-	266	266

Notes to the consolidated financial statements (continued)

Year ended 31 December 2017

6. Expenses by nature

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Exploration costs	**146**	125
Depreciation of property, plant and equipment (Note 11)	**24**	55
Material non-recurring item- VAT refund (Note 16 and Note 21)	**-**	(2,512)
Impaired intangible assets (Note 12)	**-**	266
Investigatory, pre-decisional -decisional project finance transaction costs	**865**	-
Warrants issue costs (Note 18)	**-**	164
Share based benefits to employees (Note 18)	**23**	77
Share of losses from jointly controlled entity (Note 5 and Note 20)	**286**	726
Directors' fees and other benefits (Note 22.1)	**708**	716
Consultants' costs	**356**	439
Auditors' remuneration - audit current year	**47**	39
Auditors' remuneration -secondary firm	**23**	23
Auditors' remuneration - associated firm	**10**	7
Legal Costs	**516**	201
Ongoing Listing Costs	**217**	174
Other expenses	**704**	474
Operating loss	**3,925**	974

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

7. Staff costs

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Salaries	**408**	550
Accumulated Leave Provision	**10**	49
Termination Package	**2**	126
Social insurance costs and other funds	**27**	32
	447	757
Average number of employees	**44**	45

Excludes Directors' remuneration and fees which are disclosed in note 22.1. These staff costs are capitalised in development exploration costs.

8. Finance costs

	2017 £'000	2016 £'000
Other finance costs	**85**	136
	85	136

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(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

9. Tax

	2017	2016
Loss before tax	**(6,266)**	(1,233)
Tax calculated at the applicable tax rates	**(786)**	(382)
Tax effect of non-deductible expenses	**731**	248
Tax effect of tax losses	**55**	341
Tax effect of items not subject to tax	**-**	(207)
Charge for the year	**-**	-

The Company is resident in Cyprus for tax purposes. A deferred tax asset of £1,271,982 (2016: £1,242,770) has not been accounted for due to the uncertainty over future recoverability

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 2017, the balance of tax losses which is available for offset against future taxable profits amounts to £ 10,175,859 (2016: £ 9,942,163).

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 2017, the balance of tax losses which is available for offset against future taxable profits amounts to £29,867 (2016: £25,476). 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 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 2017, the balance of exploration costs that is available for offset against future income from mining operations amount to £ 143,375 (2016: £811,471).

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 31.12.17 £'000	Year Ended 31.12.16 £'000
Net loss attributable to equity shareholders	**(6,266)**	(1,233)
Average number of ordinary shares for the purposes of basic loss per share (000's)	**315,273**	*196,471
Loss per share:		
Basic and fully diluted loss per share (pence)	**(1.987)**	*(0.628)

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

*The comparative figures have been restated to reflect the 17 for 1 consolidation as detailed in note 18.

11. Property, plant and equipment

	Motor Vehicles £'000	**Plant and equipment £'000**	**Furniture, fixtures and office equipment £'000**	**Total £'000**
The Group				
Cost				
At 1 January 2016	43	135	59	237
Additions	32	-	3	35
At 31 December 2016	**75**	**135**	**62**	**272**
Additions	**-**	**2**	**4**	**6**
Disposals	**(4)**	**(71)**	**-**	**(75)**
At 31 December 2017	**71**	**66**	**66**	**203**
Accumulated Depreciation				
At 1 January 2016	27	70	59	156
Charge for the year	6	46	3	55
At 31 December 2016	**33**	**116**	**62**	**211**
Charge for the year	**1**	**19**	**4**	**24**
Disposals	**(4)**	**(71)**	**-**	**(75)**
At 31 December 2017	**30**	**64**	**66**	**160**
Net Book Value at 31 December 2017	**41**	**2**	**-**	**43**
Net Book Value at 31 December 2016	**42**	**19**	**-**	**61**

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

The Company has no significant property, plant and equipment.

Notes to the consolidated financial statements (continued)

Year ended 31 December 2017

12. Intangible assets

	Project evaluation costs £'000	Deferred exploration costs £'000	Total £'000
The Group			
Cost			
At 1 January 2016	2,715	9,130	11,845
Additions	1,224	1,189	2,413
At 31 December 2016	**3,939**	**10,319**	**14,258**
Additions	**1,252**	**988**	**2,240**
At 31 December 2017	**5,191**	**11,307**	**16,498**
Accumulated Amortization and Impairment			
At 1 January 2016	-	-	-
Impairment Charge for the year	-	266	266
At 31 December 2016	**-**	**266**	**266**
Impairment Charge for the year	**-**	**-**	**-**
At 31 December 2017	**-**	**266**	**266**
Net Book Value at 31 December 2017	**5,191**	**11,041**	**16,232**
Net Book Value at 31 December 2016	3,939	10,053	13,992

	Project evaluation costs £'000	Total £'000
The Company		
Cost		
At 1 January 2016	1,078	1,078
Additions	1,225	1,225
Transfer from subsidiary	1,636	1,636
At 31 December 2016	**3,939**	**3,939**
Additions	**1,252**	**1,252**
At 31 December 2017	**5,191**	**5,191**
Accumulated Amortization and Impairment		
At 1 January 2016	-	-
Charge for the year	-	-
At 31 December 2016	**-**	**-**
Charge for the year	**-**	**-**
At 31 December 2017	**-**	**-**
Net Book Value at 31 December 2017	**5,191**	**5,191**
Net Book Value at 31 December 2016	3,939	3,939

12. Intangible assets (continued)

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

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

As at 31 December 2017 management performed an impairment review for deferred exploration costs, which relate to the Tulu Kapi licence area. The Net Present Value of the Tulu Kapi asset exceeded the net book value significantly.

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

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

In May 2017, KEFI announced an update to its 2015 definitive feasibility study (DFS) in order to account for all of the initiatives undertaken by the company in the intervening two years. According to the 2017 DFS update, the NPV at the start of construction is US$97,000,000 at a US$1,250/oz gold price and a 8% discount rate.

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

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

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

Notes to the consolidated financial statements (continued)

Year ended 31 December 2017

13. Investments

13.1 Fixed asset investments

The Company	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Cost		
At 1 January	**4,598**	4,598
Acquisitions	-	-
At 31 December	**4,598**	4,598

Subsidiary companies	Date of acquisition/ incorporation	Country of incorporation	Effective proportion of shares held
Mediterranean Minerals (Bulgaria) EOOD	08/11/2006	Bulgaria	100%-Direct
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket	08/11/2006	Turkey	100%-Indirect
KEFI Minerals Ethiopia Limited	30/12/2013	United Kingdom	100%-Direct
KEFI Minerals Marketing and Sales Cyprus Limited	30/12/2014	Cyprus	100%-Direct
Tulu Kapi Gold Mine Share Company	31/04/2017	Ethiopia	95%-Indirect

Subsidiary companies	The following companies have the address of:
Mediterranean Minerals (Bulgaria) EOOD	10 Tsar Osvoboditel Blvd., 3rd floor, Sredets Region, 1000 Sofia, the Republic of Bulgaria.
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket	Zeytinalani Mah. 4183 SK. Kapı No:6 Daire:2 UrlaA Izmir
KEFI Minerals Ethiopia Limited	27/28 Eastcastle Street, London, United Kingdom W1W 8DH
KEFI Minerals Marketing and Sales Cyprus Limited	23 Esekia Papaioannou Floor 2, Flat 21 1075, Nicosia Cyprus
Tulu Kapi Gold Mine Share Company	1st Floor, DAMINAROF Building,Bole Sub-City, Kebele 12/13, H.No, New.

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.

Kefi Minerals Ethiopia owns 95% of Tulu Kapi Gold Mine Share Company ("TKGM'), a company incorporated in Ethiopia. TKGM was dormant for the year ended 31 December 2017. The Government of Ethiopia was entitled to a 5% free-carried interest in TKGM. During the year the Tulu Kapi Gold Project mining license was transferred to TKGM. This entitlement is enshrined in the Ethiopian Mining Law and the Ethiopian Mining Agreement between the Ethiopian Government and KEFI Minerals Ethiopia, as well as the constitution of the project company. The Ethiopian Government has also undertaken to invest a further 20 million dollars in the project in return for the issue of additional equity ranking pari passu with the shareholding of KEFI Minerals Ethiopia. Such additional equity will not be entitled to a free carry.

The company owns 100% of KEFI Minerals Marketing and Sales Cyprus, a company incorporated in Cyprus. The company was dormant for the year ended 31 December 2017 and 2016. 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 2017

13. Investments (continued)

13.2 Investment in jointly controlled entity

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
The Company		
At 1 January/31 December	**181**	181

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

The company owns 40% of G&M. More information is given in note 20.2.

14. Available for sale financial assets

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
The Group		
At 1 January	**95**	92
Change in value of available-for-sale financial assets	**-**	3
Foreign currency movement	**(26)**	-
Interest Received	**10**	-
On 31 December	**79**	95

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
The Company		
At 1 January	**-**	8
Disposal of Investment	**-**	(16)
Profit on Sale	**-**	8
At 31 December	**-**	-

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Year ended 31 December 2017

15. Derivative financial asset

In March 2017, as part of subscription to raise, in aggregate, £5.56m (before expenses) from certain new shareholders, the Company initially issued 82,352,941 new ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") at a price of 5.61p per share to Lanstead Capital L.P. ("Lanstead") for £4,620,000 (before expenses). The Company simultaneously pledged with Lanstead for 85 per cent. of these shares with a reference price of 7.48p per share (the "Reference Price"). The equity sharing agreement is for a 18 month period. All 82,352,941 Ordinary Shares were allotted with full rights on the date of the transaction.

Accordingly, pursuant to the above arrangements, of the aggregate subscription proceeds of £4.6m received from Lanstead, £3.927m (85 per cent.) was pledged by the Company in the equity sharing agreement with the remaining £0.69m (15 per cent.) available for general working capital purposes.

To the extent that the Company's volume weighted average share price is greater or lower than the Reference Price at each sharing settlement, the Company will receive greater or lower consideration calculated on a pro-rata basis i.e. volume weighted average share price / Reference Price multiplied by the monthly transfer amount. As the amount of the effective consideration receivable by the Company from Lanstead under the sharing agreement will vary subject to the movement in the Company's share price and will be settled in the future, the receivable is treated for accounting purposes as a derivative financial asset and has been designated at fair value through profit or loss.

The difference between the cash consideration received and the share placement price of 5.61p per share is transferred from fair value through profit or loss to share premium account. During the current period an amount of £1,340,304 was recorded in share premium.

The Company also issued, in aggregate, a further 4,117,647 Ordinary Shares to Lanstead as a value payment in connection with the equity sharing agreement.

The fair value of the derivative financial assets as at 31 December 2017 has been determined by reference to the Company's then prevailing share price and has been estimated as follows:

	Share price	Notional number of shares Share price outstanding	Fair value
Value recognised on inception (notional)	0.0561	86,470,588	4,851,000
Transaction Cost"Value Payment Shares"	0.0561	(4,117,647)	(231,000)
		82,352,941	4,620,000
Gross proceeds of the Lanstead Subscription, (being 15%)		(20,588,235)	(693,000)
Equity sharing agreement		61,764,706	3,927,000
Consideration received to 31 December 2017	0.0328	(37,745,092)	(1,239,196)
Realised loss: Difference between placement price of 5.61p and actual consideration is processed via share premium			(1,340,304)
Unrealised Loss on derivative financial asset during the period ending 31 December 2017			(939,647)
		24,019,614	**407,853**
Payable within the next 12 months			**407,853**

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

16. Trade and other receivables

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
The Group		
Other receivables	**3**	38
Placing funds	**-**	198
Amount receivable from Saudi Arabia Jointly controlled entity (Note 22.3)	**-**	6
VAT Refund	**91**	2,809
Deposits and prepayments	**-**	5
	94	3,056

The Company fully discharged the inherited VAT liability during August 2016 and is entitled to a £2.7 million (Birr 73,500,000) VAT refund. During 2017 the Company received the VAT refund from Ethiopian Revenue and Customs Authority ("ERCA") .

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
The Company		
Deposits	**-**	8
Placing Funds	**-**	198
KEFI Minerals Marketing and Sales Cyprus Limited (Note 22.3)	**3**	3
Advance to KEFI Minerals Ethiopia Limited (Note 22.3)	**5,076**	7,815
Amount receivable from Saudi Arabia Jointly controlled entity (Note 22.3)	**-**	45
	5,079	8,069

Amounts owed by group companies total £12,136,000 (2016: £15,215,000). A provision of 7,057,000 (2016: £7,355,000) has been made against the amount due from the subsidiaries because these amounts are considered irrecoverable.. The advance issued to KEFI Minerals Ethiopia Limited is unsecured, interest free and repayable on demand. At the reporting date, no receivables were past their due date.

17. Cash and cash equivalents

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
The Group		
Cash at bank and in hand	**466**	410
The Company		
Cash at bank and in hand	**121**	400

Notes to the consolidated financial statements (continued)

Year ended 31 December 2017

18. Share capital

Authorized Capital

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

Issued and fully paid

	Number of shares '000	Share Capital	Deferred Shares	Share premium	Total
At 1 January 2016	2,621.639	2,623	12,436	12.347	27,406
Issued 22 March 2016 at 0.35p	499,360	499	-	1,248	1,747
Issued 29 July 2016 at 0.5p	761,922	761	-	3,048	3,809
Share issue costs	-	-	-	(364)	(364)
At 31 December 2016	3,882,921	3,883	12,436	16,279	32,598

On the 1 March 2017 Shareholders received one new ordinary share for every 17 existing ordinary shares

***At 1 January 2017**	**228,407**	**3,883**	**12,436**	**16,279**	**32,598**
Issued 2 March 2017 at GBP 0.17					
Share Equity Placement	**17,825**	**303**	**-**	**697**	**1,000**
Lanstead Share Equity	**82,353**	**1,400**	**-**	**3,220**	**4,620**
Lanstead Value Placement Fee	**4,118**	**70**	**-**	**161**	**231**
Share issue costs	**-**	**-**	**-**	**(356)**	**(356)**
Transfer realised loss of derivative financial asset	**-**	**-**	**-**	**(1,340)**	**(1,340)**
At 31 December 2017	**332,703**	**5,656**	**12,436**	**18,661**	**36,753**

*Post share consolidation figures

Issued capital

2017

On 2 March 2017, 104,295,888 shares of 1.7p were issued at a price of 5.61p per share. On issue of the shares, an amount of GBP4,077,969 was credited to the Company's share premium reserve.

The Company issued a total of 17,825,300 shares to investors for a total consideration of GBP 1,000,000.

Company issued 82,352,941 Shares to Lanstead Capital L.P. ('Lanstead'), for an aggregate consideration of GBP 4.620,000. In addition, the Company has entered into Equity Sharing Agreements with Lanstead which allow the Company to retain much of the economic interest in the Lanstead Subscription Shares. The Equity Sharing Agreements enable the Company to secure much of the potential upside and downside risk arising from anticipated near term news flow. Further details available in note15.

The Company also agreed to make a placement fee to Lanstead of 4,117,647 Ordinary Shares.

Consolidation of ordinary shares

Following the Company's General Meeting on 1 March 2017, at the close of business on 1 March 2017 shareholders received one Ordinary Share of nominal value 1.7 pence each for every 17 Existing ordinary Shares of nominal value 0.1 pence each.

18. Share capital (continued)

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

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

Restructuring of share capital into deferred shares

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

Warrants

2016
On 22 March 2016, the Company issued 1,468,705 warrants to subscribe for new ordinary shares of 1.7p each at 5.95p per share.

On 29 June 2016, the Company issued 2,240,946 warrants to subscribe for new ordinary shares of 1.7p each at 8.50p per share.

2017
During the period 1 January 2017 to 31 December 2017, 730,392 warrants were cancelled or expired.

Details of warrants outstanding as at 31 December 2017:

Grant date	Expiry date	*Exercise price	Expected Life Years	*000's
04-Jul-13	03-Jul-18	35.70p	5 years	77
16-Oct-13	15-Oct-18	38.25p	5 years	65
18-Mar-15	17-Mar-18	17.00p	3 years	235
11-May-15	10-May-18	17.00p	3 years	99
15-Jun-15	14-Jun-18	13.60p	3 years	853
11-Dec-15	10-Dec-18	5.10p	3 years	2,580
22-Mar-16	21-Mar-19	5.95p	3 years	1,469
29-Jul-16	28-Jul-19	8.50p	3 years	2,241
				7,619

*Post share17/1 consolidation figures

18. 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 2017	8,350
- granted	-
- cancelled/forfeited/expired	(731)
Outstanding warrants at 31 December 2017	7,619

*Post share17/1 consolidation figures

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

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

	29 July 2016	22 March 2016
Closing share price at issue date	9.52p	6.12p
Exercise price	8.5p	5.95p
Expected volatility	87.3%	80.3%
Expected life	3yrs	3yrs
Risk free rate	0.31%	0.31%
Expected dividend yield	Nil	Nil
Estimated fair value	5.44p	2.89p

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

For 2017, the impact of issuing warrants is a net charge to income of nil (2016: £164,000). At 31 December 2017, the equity reserve recognized for share based payments, including warrants, amounted to £1,325,000 (2016: £1,474,000).

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Opening amount	**1,474**	1,212
Warrants issued costs (Note 6)	**-**	164
Share options issued to employees (Note 6)	**23**	77
Share options issued to directors and key management	**99**	204
Forfeited Options	**(30)**	-
Cancelled/Expired options	**(144)**	(183)
Cancelled/Expired Warrants	**(97)**	-
Closing amount	**1,325**	1,474

19. Share options reserve

Details of share options outstanding as at 31 December 2017:

Grant date	Expiry date	*Exercise price	*Number of shares 000's
13-Sep-12	12-Sep-18	68.00p	582
24-May-13	23-May-19	49.56p	59
03-Sep-13	02-Sep-18	49.98p	59
08-Oct-13	07-Oct-18	38.59p	21
16-Jan-14	15-Jan-20	33.83p	6
27-Mar-14	26-Mar-20	39.10p	1,309
12-Sep-14	11-Sep-20	29.92p	132
20-Mar-15	19-Mar-21	22.44p	1,529
16-Jun-15	15-Jun-21	22.44p	382
19-Jan-16	18-Jan-22	7.14p	4,088
23-Feb-16	22-Feb-22	12.58p	176
05-Aug-16	05-Aug-22	10.20p	1,471
22-Mar-17	21-Mar-23	7.50p	8,604
			18,418

*Post share17/1 consolidation figures

	*Weighted average ex. Price	*Number of shares 000's
Outstanding options at 1 January 2017		11,663
- granted	7.50p	9,535
- cancelled/ expired	48.62p	(631)
- forfeited	8.13p	(2,149)
Outstanding options at 31 December 2017		18,418

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

On 13 September 2012, 911,764 options were issued which expire six years after the grant date, and are exercisable at the exercise price in whole or in part no more than one half after one year from the grant date and one half two years from the grant date.

On 24 May 2013 58,823 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 58,824 options were issued and on 8 October 2013, 20,588 options were issued both which expire five after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date

During January 2014 and February 2014 35,294 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, 1,294,118 options were issued to the Directors and a further 317,647 options have been granted to other non-board members of the senior management team. Of the options issued, previously granted options over 1,300,000 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.

(All amounts in GBP thousands unless otherwise stated)

19. Share options reserve (continued)

On 12 September 2014, 132,353 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 2015,1,588,235 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, 382,353 options were issued which expire six years after grant date and vest in equal annual instalments over a period of two years.

On 19 January 2016, 4,717,059 options were issued which expire six years after grant date and vest in normal circumstances, vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

On 23 February 2016,176,471 options were issued which expire six years after grant date and vest immediately.

On 5 August 2016, 2,058,824 options were issued which expire six years after grant date and vest in normal circumstances, vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

On 22 March 2017, 9,535,122 options were issued which, expire after six years, and vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

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
22-Mar-17	4.50p	7.50p	72.20%	6yrs	0.75%	Nil	0%	2.42p
05-Aug-16	9.52p	10.20p	87.20%	6yrs	0.75%	Nil	0%	6.80p
23-Feb-16	5.61p	12.58p	82.65%	6yrs	0.90%	Nil	0%	1.87p
19-Jan-16	5.78p	7.14p	83.18%	6yrs	0.90%	Nil	0%	3.74p
16-Jun-15	14.11p	22.44p	61.11%	6yrs	1.53%	Nil	0%	6.46p
20-Mar-15	20.40p	22.44p	59.04%	6yrs	1.53%	Nil	0%	10.88p
12-Sep-14	24.31p	29.92p	43.40%	6yrs	1.09%	Nil	0%	8.84p
04-Apr-14	31.11p	31.11p	59.60%	6yrs	2.17%	Nil	0%	15.98p
27-Mar-14	31.45p	39.10p	59.60%	6yrs	2.17%	Nil	0%	15.98p
01-Feb-14	32.30p	32.13p	59.60%	6yrs	2.17%	Nil	0%	15.98p
16-Jan-14	31.11p	33.83p	59.60%	6yrs	2.17%	Nil	0%	15.98p
08-Jan-14	31.45p	31.96p	59.60%	6yrs	2.17%	Nil	0%	15.98p
08-Oct-13	45.73p	38.59p	63.83%	5yrs	1.70%	Nil	50%	13.60p
03-Sep-13	46.92p	49.98p	63.63%	5yrs	1.70%	Nil	50%	12.75p
24-May-13	37.23p	49.64p	59.80%	6yrs	5.00%	Nil	0%	20.06p
13-Sep-12	61.71p	68.00p	56.90%	6yrs	5.00%	Nil	0%	34.85p

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

19. Share options reserve (continued)

For 2017, the impact of share option-based payments is a net charge to income of £122,000 (2016: £281,000). At 31 December 2017, the equity reserve recognized for share option-based payments, including warrants, amounted to £1,325,000 (2016: £1,474,000).

20. Jointly controlled entities

20.1 Joint controlled entity with Gold and Minerals

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

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

Amounts relating to the Jointly Controlled Entity	SAR'000		GBP'000	
	Year Ended 31.12.17	Year Ended 31.12.16	**Year Ended 31.12.17**	Year Ended 31.12.16
Non-current assets	**84**	223	**7**	19
Current assets	**231**	685	**18**	59
	315	908	**25**	78
Non-current liabilities	**62,345**	60,594	**4,930**	5,246
Current liabilities	**904**	667	**71**	58
	63,249	61,261	**5,001**	5,304
Net liabilities	**(62,934)**	(60,353)	**(4,976)**	(5,226)
Share capital	**2,500**	2,500	**198**	217
Accumulated losses	**(65,434)**	(62,853)	**(5,174)**	(5,443)
	(62,934)	(60,353)	**(4,976)**	(5,226)
Exchange rates SAR to GBP				
Closing rate			**0.1977**	0.2165

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 2017 amounting to SAR65.3 million (2016: SAR62.6 million) have been adjusted to bring the figures in line with the Group's accounting policies.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2017

20. Jointly controlled entities (continued)

20.1 Jointly controlled entity with Gold and Minerals (continued)
A loss of £286,000 was recognized by the Group for the year ended 31 December 2017 (2016: £ 726,000) representing the Group's share of losses in the year.

As at 31 December 2017 KEFI owed ARTAR an amount of £228,000 (2016: receivable £170,000) - Note 22.4.

As at 31 December 2017, G&M owed KEFI an amount of £0 (2016: £6,000) – Note 22.3.

21. Trade and other payables

The Group	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Accruals and other payables	**2,431**	1,640
Other loans	**193**	257
Payable to jointly controlled entity (Note 22.4)	**228**	170
	2,852	2,067

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

The Company

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Accruals and other payables	**2,350**	1,447
Payable to jointly controlled entity (Note 22.4)	**228**	170
	2,578	1,617

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

22. Related party transactions

The following transactions were carried out with related parties:

22.1 Compensation of key management personnel

The total remuneration of key management personnel was as follows:

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Directors' consultancy fees *	**547**	500
Directors' other consultancy benefits	**94**	49
Share option-based benefits to directors (Note 19)	**67**	167
Other key management personnel fees and other benefits	**466**	323
Share option-based benefits other key management personnel (Note 19)	**20**	37
	1,194	1,076

* Directors' fees paid to the Executive Director Chairman and Finance Director are paid to consultancy companies of which they are beneficiaries.

Share-based benefits

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

22.2 Payable to shareholders

Name	**Nature of transactions**	**Relationship**	**2017**	2016
Lanstead Capital	Finance -Refer to Note15	Shareholder	**408**	-

Name	**Nature of transactions**	**Relationship**		
Atalaya Mining PLC (previously EMED)	Provision of management and other professional services	Shareholder	**5**	18
Lanstead Capital	Equity swap agreement: Subscription cash proceeds received-Refer to Note 15	Shareholder	**2,163**	-

22.3 Receivable from related parties

The Group

Name	**Nature of transactions**	**Relationship**	**2017**	2016
Gold & Minerals Co. Limited	Finance	Jointly controlled entity	**-**	6
			-	6

(All amounts in GBP thousands unless otherwise stated)

22. Related party transactions (continued)

The Company

Name	Nature of transactions	Relationship	2017	2016
Gold & Minerals Co. Limited	Finance	Jointly controlled entity	**-**	45
KEFI Minerals Marketing and Sales Cyprus Limited	Finance	Subsidiary	**3**	3
Kefi Minerals Ethiopia Limited	Advance	Subsidiary	**5,076**	7,815
			5,079	7,863

Kefi Minerals Ethiopia during 2017 repaid an amount of £1,200,000, the Company advanced £430,000 to the subsidiary.
The Company had a foreign exchange translation loss of £1,969,000 because of the devaluation of the Ethiopian Birr in October 2017.

22.4 Payable to related parties

The Group

Name	Nature of transactions	Relationship	2017	2016
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity	**228**	170
			228	170

The Company

Name	Nature of transactions	Relationship	2017	2016
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity	**228**	170
			228	170

23. Contingent liabilities

23.1 Geological database

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

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

23.2 Charge issued

On 13 August 2015, the Company created a fixed charge in favour of AIB Group (UK) Plc over amounts held in the Company's deposit accounts with the bank. The charge is in regard to time credit banking facilities provided by AIB Group (UK) Plc. at 31 December 2017; the balance in the deposit accounts was £20,000.

23. Contingent liabilities-continued

23.3 Legal Allegations

The original claim for damages of US9,000,000 (approximately ETB240 million) had been lodged against KEFI in 2014. The claim was based on the impact of exploration field activities conducted between 1998 and 2006, a period which pre-dated KEFI's involvement in the Tulu Kapi Gold Project. These exploration activities comprised the construction of drill pads and access tracks. No objections had been made until 2014 when certain parties from outside the Tulu Kapi district raised the matter and initiated court action against KEFI. The Oromia Regional Supreme Court earlier this year rejected 95% of these claims as having no legal basis and reduced KEFI's potential liability to £435,000. KEFI's appeal to the Court with regards to the remaining £435,000 has now succeeded and the Company is no longer liable for any damages. If another appeal is raised, which remains a possibility, KEFI would defend its position on the basis that it remains firmly of the belief, on legal advice and as previously reported, that it has no contingent or actual liability

24. Contingent asset

In 2011, KEFI Minerals completed the sale the Company's Artvin Project in north-eastern Turkey to a Turkish mining company. The Artvin Project comprised 15 Exploration Licences located in the Eastern Pontide Belt in north-eastern Turkey. Kackar Madencilik San. Tic. Ltd, 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.

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.

25. Capital commitments

The Group has the following capital or other commitments as at 31 December 2017 Nil (2016 Nil Million),

	Year Ended 31.12.17 £'000	Year Ended 31.12.16 £'000
Tulu Kapi Project Costs	353	-

26. Events after the reporting date

On 1 February 2018, 9,600,000 options were issued to persons who discharge director and managerial responsibilities ("PDMRs") and a further 3,000,000 options have been granted to other non-board members of the senior management team. The options have an exercise price of 4.5p, expire after 6 years, and vest in two equal annual instalments, the first upon the achievement of practical completion of the planned processing plant at the Tulu Kapi Gold Project and the second upon the achievement of nameplate capacity for a twelve-month period.

In June 2018 Company reached agreement with an Ethiopian investment syndicate for the proposed acquisition of a 30% ownership interest in wholly-owned subsidiary KEFI Minerals (Ethiopia) Limited ("KME") and holder of the Company's interest in the Tulu Kapi Gold Mines Share Company Limited ("TKGM"). Under the proposed terms, which remain subject to final documentation and government approval, the syndicate will invest US$30,000,000 in Ethiopian Birr of which US$9,000,000 will be invested in August 2018 and the balance upon closing of project finance.

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26. Events after the reporting date - continued

On 15 June 2018 the Company announced a capital-raising for £5,500,000 (US$ 7,310,000) to fund finance closing costs and early project works in preparation for full finance drawdown and development activities targeted for implementation after the end of the Ethiopian wet season in September 2018.

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

Amendments to the following International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) have been implemented by the Group in the period ended 31 December 2017:

Amendments to IAS 1 Presentation of Financial Statements
Amendments to IFRS 7 Financial Instruments : Disclosures
Amendments to IAS 27 Separate Financial Statements
Amendments to IAS 7 Statement of Cash Flows

Standards, Amendments to published Standards and Interpretations issued but not yet effective

Certain standards, amendments to published standards and interpretations have been issued that are mandatory for accounting periods beginning after 1 October 2016 or later periods, but which the Group has not early adopted.

At the reporting date of these financial statements, the following were in issue but not yet effective:

Amendments to IFRS 2 Share-Based Payments
IFRS 9 Financial Instruments
IFRS 11 Joint Arrangements
IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases

Where relevant, the Group is evaluating the effect of these Standards, amendments to published Standards and Interpretations issued but not yet effective, on the presentation of its financial statements. The Directors have assessed there to be no material impact of for standards on the Group financial statements of the new standards or interpretations issued.

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