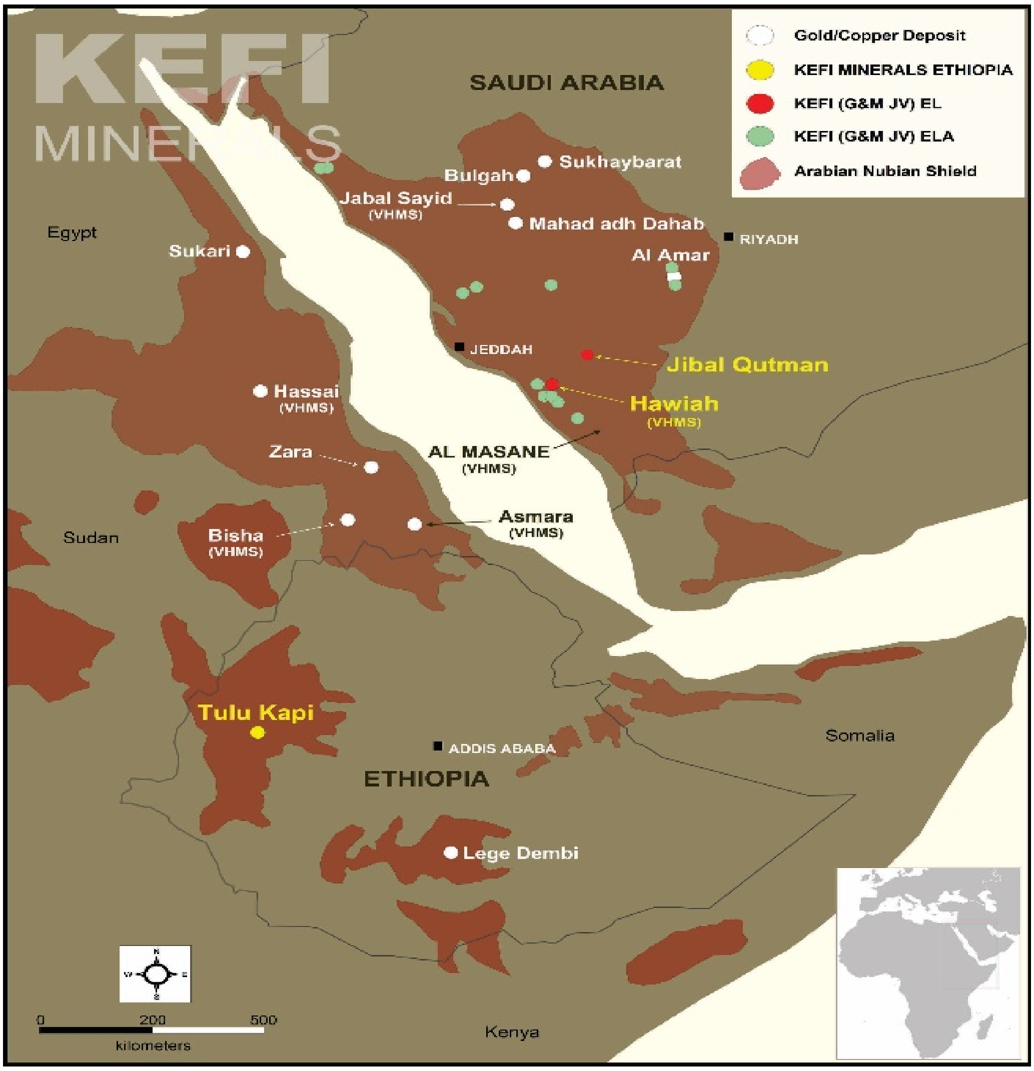
EMERGING GOLD MINER



2018 ANNUAL REPORT

Focused on the Arabian-Nubian Shield

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

Mission and Approach

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 internationally.

KEFI partners with appropriate local organisations of standing, such as ARTAR in the Kingdom of Saudi Arabia and, in Ethiopia, local investment company ANS Mining and the Ethiopian government. Operationally, we align with industry specialists such as Lycopodium and Ausdrill/African Mining Services - selected as our principal project contractors for KEFI's first development project, Tulu Kapi Gold Project in Ethiopia. KEFI was initially led by exploration specialists and now our organisational development has seen the appointment of management teams with long-standing track records in mine development and operation in Africa and elsewhere.

Our specific purpose at the Tulu Kapi Gold Project is set out in the Tulu Kapi Mining Agreement between the Ethiopian Government and KEFI, which incorporates several foundation 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 (World Bank) Performance Standards and Equator Principles.

Upon triggering Tulu Kapi's full development, KEFI intends to launch exploration programs in the district surrounding Tulu Kapi. We have already mobilised field programs at Hawiah in Saudi Arabia within the Wadi Bidah Mineral District, which contains large-scale VMS targets for gold and copper.

We are confident in our mission, assets, partners, and team. We look forward with great determination and anticipation to proceed with our next chapter from KEFI's pole position in both Ethiopia and Saudi Arabia, after what can only be described as a long and tough establishment period with challenging geopolitics and markets.

Executive Chairman's Report

It is with great sorrow that I report the recent passing of our Chairman, Mr Mark Wellesley-Wood. He was a gentleman of the highest integrity and discipline, a true professional who made a great contribution to the industry internationally over decades. Mark also made a significant contribution towards the development of KEFI.

Mark joined our Board of Directors in mid-2016, eighteen months after KEFI entered Ethiopia to take control of the Tulu Kapi Gold Project, which had over US$40 million spent on it by the previous controllers and was in need of an overhaul both technically and financially. Mark made a significant contribution to guiding that overhaul and was also a great morale-builder and supporter. What initially appeared to us to be an 80,000 oz per annum gold project is now planned to be 140,000 per annum gold producer. We progressed the project despite the challenges around us such as the Ethiopian political unrest from late 2015 with States of Emergency introduced in October 2016 and finally lifted in June 2018.

In short, since taking control of Tulu Kapi, we spent a further US$20 million on what is now a robust project. Various development activities have already started – the Government of Ethiopia has committed US$20 million (Ethiopian Birr equivalent) to install the offsite infrastructure in exchange for earning project equity and has started the detailed design and tender preparation process. We expect to shortly see full development programs initiated by the project subsidiary Tulu Kapi Gold Mines Share Company ("TKGM") with the support of the three project partners – KEFI, the Ethiopian Government and our Ethiopian private sector partner, ANS Mining Share Company ("ANS Mining"), which has committed a total of US$38 million (Ethiopian Birr equivalent) staged in two tranches. The next step is community resettlement and detailed engineering and procurement for the on-site infrastructure. Then full funding can be closed and major construction works can commence.

Subject to receiving a confirmatory letter from the Ethiopian central bank as regards already-agreed project finance terms, we will have received all regulatory consents and financial commitments to trigger the development program (starting with community resettlement and detailed engineering and procurement). What remains then is for TKGM's next equity funding round to close with ANS Mining. The terms for the first tranche of US$11.4 million (Ethiopian Birr equivalent) have already been agreed and we are assembling the updates to TKGM shareholder agreements on already-agreed terms and liaising with the regional government to grant permission to start the resettlement of the community. Whilst KEFI remains reliant on the performance of its counterparties, this intertwined set of steps is now in hand.

KEFI now sits at the forefront of our sector in one of the world's great under-developed minerals provinces – the Arabian-Nubian Shield ("ANS"). We have established a solid platform to pursue our ambition to discover and develop profitable mining opportunities in Ethiopia and Saudi Arabia and thus build shareholder value. This has been done despite a time of weak geopolitics and market cycle. There have been consequential timetable slippages and increases in the cost of capital that has resulted in shareholder dilution.

I would like now to look forward and refer to certain aspects of the environment that we work within, as well as the specifics about our own situation and plans.

Firstly, the wider environment for gold and the companies within the junior gold mining sector: according to the World Gold Council, central banks lifted their gold purchases by 68% in the first quarter of 2019 and we have concurrently seen a sharp recovery in investor sentiment in both equity and debt markets. On the other hand, it is obvious to KEFI shareholders that this recovery has not flowed through to our sector of explorer-developers as indicated by the VanEck Junior Gold Miners ETF - which is still trading at levels of only circa 20% of when the gold price peaked in 2011. So, whilst it appears that the current global macro environment is now conducive for an increase in gold sector indices from current cyclical lows, such an increase has yet to occur.

With regards to the geopolitical environment of the countries within which we operate: - with hindsight we can see that the political and regulatory environment of Ethiopia and Saudi Arabia severely restricted our progress until recently. Not only did we have the States of Emergency in Ethiopia, but in Saudi Arabia minerals tenements were effectively frozen pending an overhaul of many aspects of the Saudi Government. It is a relief that we can can also see that both countries took major steps forward during 2018, with newly-appointed pro-development Government leadership in both countries making huge improvements including within our sector.

Fortunately KEFI's standing in both countries is that of a steadfast and respected operator of joint ventures with strong local partners and exciting ground positions. Thus we are well positioned to benefit from this new environment. In our view KEFI has control of the most attractive project in each country : in Ethiopia we control the only ready to develop project which also comes with a reserved area of 1,900 square kilometres of the surrounding district containing many advanced drill-out targets for satellite deposits. In Saudi Arabia we control a 120 kilometre long belt containing 24 Volcanogenic Massive Sulphide ("VMS") systems, any one of which has the potential to be a company maker.

Against this improving backdrop of a great land position, improved markets and geopolitics, KEFI will push forward and should, we believe, be in a more supportive environment than has been evident for some time. We believe that we have the opportunity to make rapid progress and to stand-out in what will sooner or later be a cyclical turnaround for the sector. This targeted success will have resulted from our focus and tenacity over the past years and should be opportune timing for the start up of our first operating unit and for us to also go onto the front foot with exploration in both Ethiopia and Saudi Arabia.

Our first production is planned at Tulu Kapi in the Oromia Region of Western Ethiopia. The planned Tulu Kapi open pit gold mine and processing facility is typical of many such "open-pit-CIL-gold-projects" around the world and uses standard technology and industry practices long-applied in mature highly-regulated mining jurisdictions such as Scandinavia, Australia and North America. Tulu Kapi has a 1.0 million ounce gold ore reserve and 1.7 million ounce mineral resource. Tulu Kapi will also provide an operating base in the heart of Ethiopia's most prolific gold district where gold has been mined for millenia.

From a social-licence viewpoint, it is notable that the KEFI-controlled licencee and operating company TKGM is a joint Ethiopian-KEFI company with long-standing community support and a strong commitment to maximising local participation in the workforce and supply chain. TKGM, like KEFI, emphasises transparency in all dealings and compliance with leading international standards for social and environmental aspects including World Bank IFC Principles and the Equator Principles. Whenever civil unrest has affected our area, the local community and authorities have protected TKGM.

From a price-risk viewpoint, we have designed the development and finance plans to withstand a flat gold price for the next ten years of US$1,050/oz – which is the lowest gold price experienced in the past five years. The average gold price during the past five years was approximately US$1,300/oz and that has been adopted as KEFI's base case flat gold price assumption for financial projections for the next ten years.

From an upside maximisation viewpoint, it is notable that KEFI has reserved the exploration rights to an area of 1,900 square kilometres of prospective ground with walk-up drill targets within trucking distance of Tulu Kapi. It is also notable that a 10% increase in either production or gold price above our base case assumption of 140,000 oz p.a. and US$1,300/oz, increases project NPV by c. 50%. And it is also notable that the upside potential of our ground position in Ethiopia is actually surpassed by that in Saudi Arabia, albeit earlier days for those projects.

Our current schedule is to commence the full development program in Ethiopia as soon as possible upon closing of the next project-equity injection and to trigger the first phase of community resettlement when so instructed by the Regional Authorities, to target commissioning Tulu Kapi towards the end of 2020, with full gold production from mid-2021 at an average annual rate of 140,000 ounces from the open pit. Because of recent looting and isolated incidents of inter-ethnic violence, we liaise with the authorities to ensure safe processes at all times commencing with resettlement phase I.

Tulu Kapi - Open Pit Production Targets

KEFI's financial targets for the Tulu Kapi open-pit include:

- Gold production of 140,000 ounces per annum for seven years;
- At a flat average gold price of US$1,300/oz:
    - All-in Sustaining Costs of c. US$800/oz (ignoring financing charges);
    - All-in Costs ("AIC") c. US$1,000/oz;
    - After-tax, leveraged IRR of 56%;
    - After-tax, leveraged NPV (8% discount rate) of US$117 million at start of construction;
    - After-tax, leveraged NPV (8% discount rate) of US$193 million at start of production;
    - Payback of 3 years; and
    - Average EBITDA of US$80 million per annum and average net cash flow (after debt repayments and all planned commitments) of US$30 million per annum.
- A circa 50% increase in NPV results from either a 10% increase in gold price or a 10% increase in product output.

Our development 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. The overall contractual package for the process plant includes incentives and penalties for performance and ongoing operational support as required. The mining services agreement is a conventional schedule of rates agreement under which Ausdrill subsidiary African Mining Services provides the mining equipment, systems and operators and gets paid for performing according to the KEFI/TKGM plans and directions.

KEFI bases the finance structure on the numbers and schedules in the 2018 Plan, founded on the JORC (2012) based Ore Reserve Report (Snowden 2015), and the refined Definitive Feasibility Study as optimised with the principal contractors. We have then run a range of sensitivity analyses to ensure robust coverage of fixed obligations under a range of scenarios. The plans and sensitivity analyses have then been reviewed by the Independent Technical Expert (Micon 2018).

KEFI's Exploration Programs

The ANS has been the Company's primary focus since 2008 when KEFI 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 since established our pole position in the region.

KEFI has, through its local-joint venture companies, a nearly 3,000 square kilometre portfolio of exploration properties at various stages within the highly prospective ANS. We have formulated an ambitious exploration program to advance in parallel with the development at Tulu Kapi.

In Saudi Arabia exploration of the Wadi Bidah Mineral District ("WMBD") is our primary focus as this provides the potential for discovery of world-class gold-copper deposits. The WMBD is a large area with 24 large VMS systems having been identified. Field work has commenced at the Hawiah Exploration Licence with drilling scheduled for later in 2019. Other VMS systems have already been developed within the ANS in recent years, with several being of a scale many times that of our Tulu Kapi Gold Project.

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 owned 40% by KEFI and 60% by 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.

Early on, we demonstrated the prospectivity of our tenements by discovering gold at Jibal Qutman in Saudi Arabia and quickly delineated Mineral Resources totalling 733,000 ounces of near-surface gold. That was a good start and further drilling has a very good chance of increasing oxide gold resources on the granted Exploration Licence ("EL") and surrounding pending ELAs. But, in the meantime, that project is on hold awaiting Mining Licence tenure confirmation whilst we focus on the much bigger play at WBMD.

In Ethiopia, we are also keen to test VMS prospects on our application areas under KEFI subsidiary KEFI Minerals (Ethiopia) Limited ("KME") in which high-grade copper and gold has been drilled.

The most advanced exploration target is the continuation of the Tulu Kapi deposit below the planned open pit. 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. Average grade of the Mineral Resource below the planned open pit is 5.7 grammes per tonne.

A number of other gold 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.

The potential of the ANS has recently been more widely recognised and the world's two largest gold companies, Barrick Gold and Newmont Mining, are now active in Saudi Arabia and Ethiopia respectively.

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 to provide an economically robust project and an appropriate financing plan. Nearly all capital requirements are to be met at the project level by the combination of project contractors, partners and financiers.

Looking forward, the Company's projections show significant value generating upside to shareholders from Tulu Kapi alone, let alone from the pipeline of other value-adding opportunities.

Annual General Meeting

We are extremely grateful for the patience and support of the community in Tulu Kapi, the contractors Ausdrill and Lycopodium, our hard-working small organisation of highly-experienced personnel and, of course, our extremely patient shareholders. We run a tight and low-cost operation with all our key people and their families are themselves shareholders.

We would welcome the opportunity to meet shareholders at the Annual General Meeting at 11am on Friday 28 June 2019 at Marlin Hotel, 111 Westminster Bridge Road, Waterloo, London, SE1 7HR. After the formal meeting, we will have an informal presentation and discussion. Those of you who are unable to attend are encouraged to submit questions to info@kefi-minerals.com.

Yours faithfully,

Harry Anagnostaras-Adams

Executive Chairman.

4 June 2019

Finance Director's Report

Before reporting our activities and plans, I would like to set out some of the foundations of our financing philosophy. First, because of the weak stock market for our sector in recent years, we have arranged nearly all of the capital for the development of Tulu Kapi at the project level, in TKGM. And because of our tight cost control, we run our corporate office in Nicosia at a fraction of what the cost would be in London. The management and control and the substance of the Company is located in Cyprus. Other than our Nicosia-based corporate management and financial control and corporate governance team, all operational staff are based at the sites for project works. In order to further reduce cash outflows and align management and shareholders, all senior management and some other service providers agreed to take KEFI shares in lieu of a significant portion of salary or fees.

The delays over the past few years, during which both Ethiopia and Saudi Arabia have undergone substantive political changes, cost KEFI dearly in having to raise capital at disappointingly low share prices to fund our activities. And whilst we cannot underestimate the work ahead to close all our financings and start development, we can certainly say that we have assembled a first-class platform to complete the task.

Equity Funding

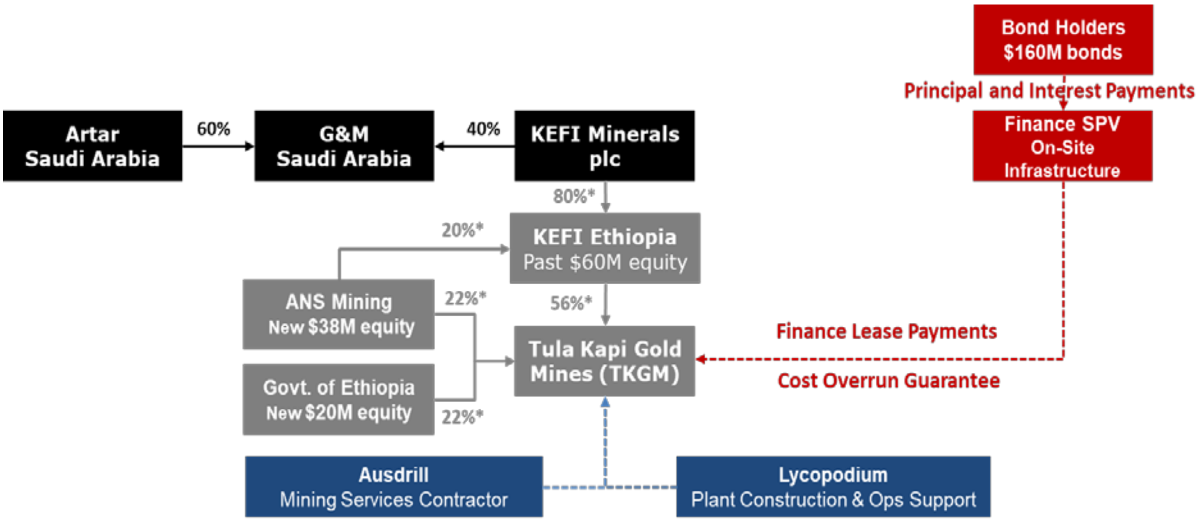
KEFI's acquisition of the Tulu Kapi Gold Project in 2014 also brought to our Company all the shareholders of the previous project owner. To strengthen the share register at that time, we introduced two major UK financial institutions as KEFI shareholders. Those particular institutions have since liquidated their junior mining portfolio including their KEFI holdings. Today we have a number of smaller institutional shareholders such as African-focused investment funds and the only shareholders with over 10% of the Company are the combined holdings of management and contractors.

In June 2018, KEFI completed a £5.5 million placing of ordinary shares at 2.5p per share, with existing and new shareholders, contractors and senior management.

In December 2018, KEFI shareholders approved a £4 million secured working facility convertible at 2p per share, with long-standing shareholder Sanderson Capital Partners Limited, with fees payable in shares at 2 pence per share, in lieu of interest.

Partnering with Local Investors at the Project Level

Project level funding arrangements are summarised in the chart below.



*TKGM shareholdings shown on a fully-diluted basis,
after accounting for 5% free-carried shareholding of Ethiopian Government

Partnering in Saudi Arabia

In the Kingdom of Saudi Arabia, KEFI conducts all its activities through Gold and Minerals Co. Limited ("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 is fortunate to have such a large and strong Saudi group as a partner.

G&M has assembled a large and prospective portfolio of exploration licences and applications. Having made a gold discovery at Jibal Qutman and pegged a large prospective portfolio of targets elsewhere, the joint venture looks forward to development and expansion in the minerals sector which the Saudi Government has made a national strategic priority.

Partnering in Ethiopia

KEFI has signed agreements to establish joint venture companies in Ethiopia, with partners from both the Government sector and private sector.

KEFI's wholly-owned subsidiary KEFI Minerals (Ethiopia) ("KME") and the Government of Ethiopia formed Tulu Kapi Gold Mines Share Company ("TKGM") in 2017 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 within KME.

In May 2017, the Government of Ethiopia formally committed to a US$20 million equity investment in TKGM.

In February 2018, the Ethiopian Ministry of Mines, Petroleum and Natural Gas formally transferred the Mining Licence from KME to TKGM in accordance with the agreed plan.

In September 2018, KEFI reached agreement with an Ethiopian investment syndicate named ANS Mining Share Company ("ANS Mining") for a proposed equity investment in TKGM for the Ethiopian Birr equivalent of US$30 million. ANS Mining has subsequently agreed to increase its equity commitment from US$30 million to US$38 million. Two-thirds of the ANS Mining investment is for a 22% equity interest in TKGM and the remaining one-third is for a 20% equity interest in KME.

Based on current estimates of capital spending and capital contributions, KEFI will be majority owner of KME which in turn will be majority shareholder of TKGM. Upon closing of project finance, the ownership of the Tulu Kapi Gold Project via TKGM would be circa:

- 22% by the Ethiopian Government;
- 22% by ANS Mining; and
- 56% by KME.

KME would be owned 80% by KEFI and 20% by ANS, which results in KEFI's beneficial ownership of TKGM being c. 45% and ANS Mining's beneficial ownership of TKGM being c.33%.

The Government has approved its budget allocations for the TKGM investment and has started the associated works it needs to fund. Project equity investment by ANS Mining is the next step in the plan and will allow project development to commence with equity funds from the three partners in TKGM (KEFI, Government and ANS Mining) to forestall the schedule for drawing down (and in due course repaying) the non-equity funding.

Tulu Kapi Development Funding

The Tulu Kapi Gold Project consortium now includes KEFI, the Government of Ethiopia, the project contractors Lycopodium and Ausdrill, ANS Mining, and the proposed infrastructure financiers.

Excluding the past investment of c. US$55-US$60 million to the end of 2018 and also excluding the c. US$50 million mining equipment supplied by the mining contractor, the overall US$242 million funding plan for Tulu Kapi is summarised in the tables in the table below:

Application of Funds

	US$ millions	GBP millions
On-site Infrastructure	106.3	81.8
Mining	28.6	22.0
Off-site Infrastructure	20.0	15.4
Owner's Costs (community, working capital, management, spares, contingency,	54.5	41.9
Interest during grace and other finance effects	32.8	25.2
Aggregate Funding Requirements	**242.2**	**186.3**

Sources of Funds

	US$ millions	GBP millions
TKGM Equity 2019		
- Government	20.0	15.4
- ANS Mining	38.0	29.2
- KEFI	10.0	7.7
Sub-Total	**68.0**	**52.3**
Working Capital Facility	14.2	10.9
Infrastructure Finance	160.0	123.1
Aggregate Sources	**242.2**	**186.3**

Note: The KEFI equity 2019 contribution sourced from cash, working capital facility and refunds on closing of full funding.

In May 2018, KEFI announced that it formally mandated ACT Capital the bond arranger for the infrastructure finance, to be sourced from the placement of US$160 million of Listed Infrastructure Bonds (the "Bonds"). Having completed independent reviews of the project, this process is currently awaiting TKGM triggering the bond-implementation program which can proceed upon receipt of the final clearance of the structure from the Ethiopian central bank.

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

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

Indicative terms for the infrastructure finance Bonds include a 9-year tenor with a 2.5-year grace period. The overall amount of the funding package includes planned safety buffers to protect the Bond Investors.

The plant and ancillary infrastructure will be built and its performance guaranteed by Lycopodium, 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, 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 of these Ethiopian Government entities have received budget approval and are readying sub-contractor tender documentation.

Subject to receiving a confirmatory letter from the Ethiopian central bank as regards some already-agreed but formally outstanding matters, the Ethiopian Finance Ministry and Central Bank will have approved the terms of the proposed project finance package, subject to approving final closing documentation. These terms include the right to use leasing, a debt/equity capital ratio of up to 70/30, recognition of historical expenditure in the calculation of the capital ratio, the right to use gold price hedging and the application of market-based long-term fixed interest rates. Whilst these matters are conventional mining project finance terms, they are new to Ethiopia and it has been considered important to ensure all stakeholders are in full agreement before commencing activities on the ground.

Once these closing requirements are confirmed by KEFI to ANS Mining, TKGM expects to receive the initial US$11.4 million (Ethiopian Birr equivalent) subscription. This will place TKGM in the position that all three of its shareholders (KEFI, Government and ANS Mining) are contributing to the equity funds being used to kick off the two-year development program. KEFI and the Government have already been contributing.

The local Government has approved the community compensation and TKGM is preparing to trigger the first phase of community resettlement when cleared to do so by the Regional Government. Likewise, the infrastructure finance program must comply with its own regulatory compliance requirements. Whilst that process has already completed formal reports from the Independent Technical Expert (Micon) regarding the project technical aspects and associated risk reports, implementation is suspended and awaits KEFI/TKGM confirmation that it is ready to trigger full implementation. The planned sequence is to kick-off development with project equity capital and to close the balance of the full project funding package before starting major construction works. This sequencing serves a number of important purposes, including that it extends the production ramp-up period and consequential cash build-up before debt-service commitments commence at the end of the project-finance grace period.

Whilst the challenges of structuring and implementing project financing in emerging or frontier markets have created the many reported delays and costs, the finance plan is reasonably conventional for mining project finance internationally and we are now in the stages of implementation for development start-up.

The balance sheet of TKGM at full closing of all project finding will reflect all equity subscriptions which are currently estimated to exceed US$120 million (Ethiopian Birr equivalent) along with the all assets and liabilities in accordance with IFRS.

Accounting Policy

KEFI writes off all exploration expenditure.

KEFI's carrying value of the investment in KME, which hold the Company's share of the Tulu Kapi Gold Project currently under development is £ 4.6 million as at 31 December 2018. It is important to note KEFI's planned 45% beneficial interest in the underlying valuation of Tulu Kapi Gold Project is £41 million at 31 December 2018 based on project net present value.

In addition, the balance sheet of TKGM at full closing of all project funding will reflect all equity subscriptions which are currently estimated to exceed £94 million or US$120 million (Ethiopian Birr equivalent).

KEFI Working Capital Funding

The planned project-level funding is all aimed at allowing TKGM to stand on its own feet when it is reasonably possible, with its three supportive shareholders along with its project financiers and contractors.

Pending TKGM becoming self-sufficient, KEFI has continued to provide all management and financial support required and will continue to do so as required as TKGM establishes its structures. The ability of KEFI to maintain its support for TKGM whilst it establishes itself is based on its own support in the capital markets and an appropriate reference to going concern risk is provided in the Audit Report, as has been the case since the formation of the Company.

The financial support provided by KEFI for TKGM has been sourced by KEFI from issues of ordinary equity capital and we recently introduced a convertible, secured working capital facility from a long-standing shareholder. From time to time we have availed ourselves of short-term bridging advances for working capital from other supportive shareholders.

The KEFI Notice of Annual General Meeting include several proposed resolutions to provide Directors with requested refreshment and updating of delegated authorities and ensuring adequate flexibility in managing working capital whilst proceeding with the implementation of full project finance closing for Tulu Kapi Gold Project and other activities planned for the next twelve months.

John Leach

Finance Director

4 June 2019

Organisational Development

As KEFI Minerals prepares to develop Tulu Kapi, the Company's senior management team was expanded in early 2018 with the appointments of the following individuals to the senior team alongside the Executive Chairman and Finance Director:

- **David Munro, Operations** – mining engineer who previously was Managing Director of Billiton BV and President Strategy and Development of BHP Billiton;

- **Eddy Solbrandt, Systems** – founder of GPR Dehler, an independent, international management consultancy which specialises productivity improvement for mining companies worldwide;

- **Brian Hosking, Exploration and Technical Planning** – originally a geologist, he founded Meyer Hosking and has also focussed on human resources for the mining industry; and

- **Norman Green, Head of Projects** – founder of Green Team International, a longstanding project management consultancy to the extractive industries.

The expanded senior executive team supports the subsidiary Boards and operating teams on the ground.

Wayne Nicoletto is Managing Director, Ethiopia – a metallurgical engineer who has led the start-up and operation of mines in Africa and elsewhere over many years. Appointments have also been made within the team under Wayne including Project Manager AK Roux and Senior Site Services Manager Pete Smith who work with External Relations Head Dr Kebede Belete and others in our great social licence and project planning teams.

Jeff Rayner is Exploration Adviser, since stepping down as Managing Director in 2014.

The Boards of Directors of KEFI and the joint venture companies have also evolved over the past year as the Company prepares for its next chapter.

KEFI

- In July 2018, KEFI separated the roles of Chairman and Managing Director. Mark Wellesley-Wood assumed the role of Non-Executive Chairman and Harry Anagnostaras-Adams the role of Managing Director. Following the passing of Mark Wellesley-Wood in late April 2019, Harry Anagnostaras-Adams resumed the role of Executive Chairman, and that role will be adjusted appropriately as we proceed.
- In September 2018, Mark Tyler was appointed to the KEFI Board as an additional independent Non-Executive Director. Mark was previously a mining investment banker in London and South Africa, including as co-head of Mining and Resources Finance at Nedbank, a South African bank. He is currently also a senior resources advisor to Exotix Capital and the London representative for Auramet International, a precious metal merchant financier. He therefore brings considerable mining finance expertise to the Board.

TKGM

The TKGM Board of Directors comprises four directors from KEFI (including the chairman with casting vote), two directors from each of the other two shareholders:

- The directors from the Ministry of Finance of the Government of Ethiopia are Ato Getachew Negera, Ministerial Policy Adviser, and Ato Bochu Sentayehu, Director-Legal of Ministry of Finance;
- The directors from ANS Mining are Ato Hailemelekot Teklegeorgis (former Federal State Minister of Finance and current chairman of a major Ethiopian bank) and Ato Wondwossen Zeleke (long-standing natural resources senior executive in Ethiopia and internationally); and
- The directors from KEFI are Harry Anagnostaras-Adams (Chairman), John Leach, Wayne Nicoletto (Managing Director), Kebede Belete (external relations).

ANS Mining has also nominated two special advisers to the TKGM Board:

- Ato Zafu Eyessuswork Zafu (former chairman of Ethiopian Chamber of Commerce and current chairman of a major Ethiopian bank and insurance group); and
- Major General Alemshet Degife (former head of the Ethiopian Air Force).

An ANS foundation shareholder and Director, Ato Demissie, is a leading investment banker who has played a key role in various key business development initiatives in Ethiopia and is doing likewise in the case of the gold sector and TKGM specifically.

G&M

The G&M Board of Directors comprises three from ARTAR and two from KEFI:

- Sheik Abdulrahman al Rashid (Chair), Sulaiman al Rashid and Omran al Rashid; and
- Harry Anagnostaras-Adams and Brian Hosking (Chief Executive).

The Boards are confident of our strategy and asset base. We have the appropriate mix of local leaders and industry-experienced technical and financial expertise to prudently progress our projects into profitable mines and we have an organisational development plan for each entity which will see requisite human resources added with recruitment as we progress.

A key feature of the KEFI approach is for the operating companies to become truly local companies with maximum local employment to be developed as early as responsibly possible. For instance, at TKGM more than 1,000 jobs are being created through the region around Tulu Kapi during construction.

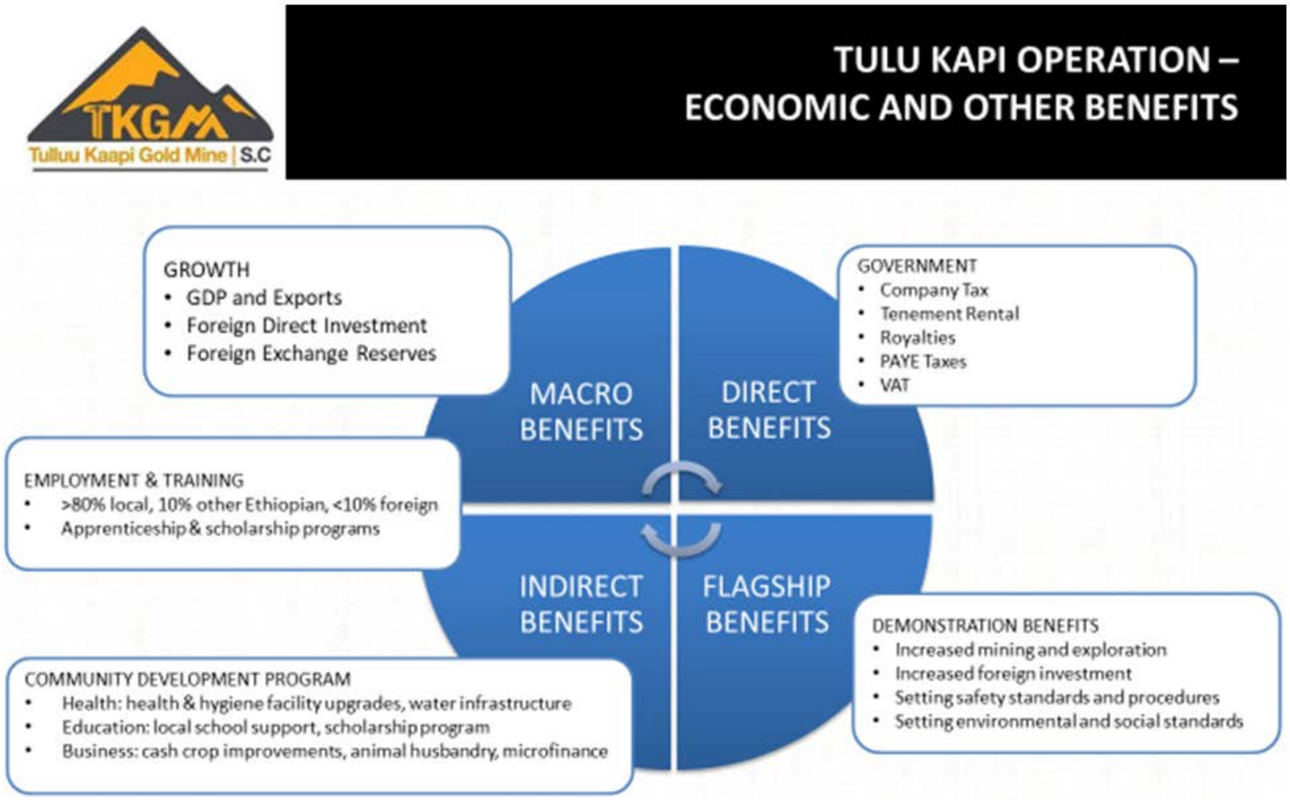
Social Licence

Corporate social responsibility is an often over-used term but in KEFI's case it is a core function which today dominates our daily activities in Ethiopia in particular because of the profound changes we are about to introduce to a farming community in Western Ethiopia.

Detailed plans have been set out and approved by the authorities and are designed to comply with Ethiopian law and also international standards, summarised in International Finance Corporation (a division of the World Bank) principles and the Equator Principles.

The Tulu Kapi project has never been interrupted in the 14 years of its activities, including the recent years of civil unrest. This record reflects the great care and discipline applied in community engagement and participation. The community not only supports the project, but the project is integrated into the community very deliberately and consistently.

The following conceptual summary slide captures some of the key aspects of our social licence.



Ethiopia

Following completion of the DFS in 2015, Tulu Kapi 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.

Ore Reserves of 1.0 million ounces and Mineral Resources of 1.7 million ounces have significant upside potential.

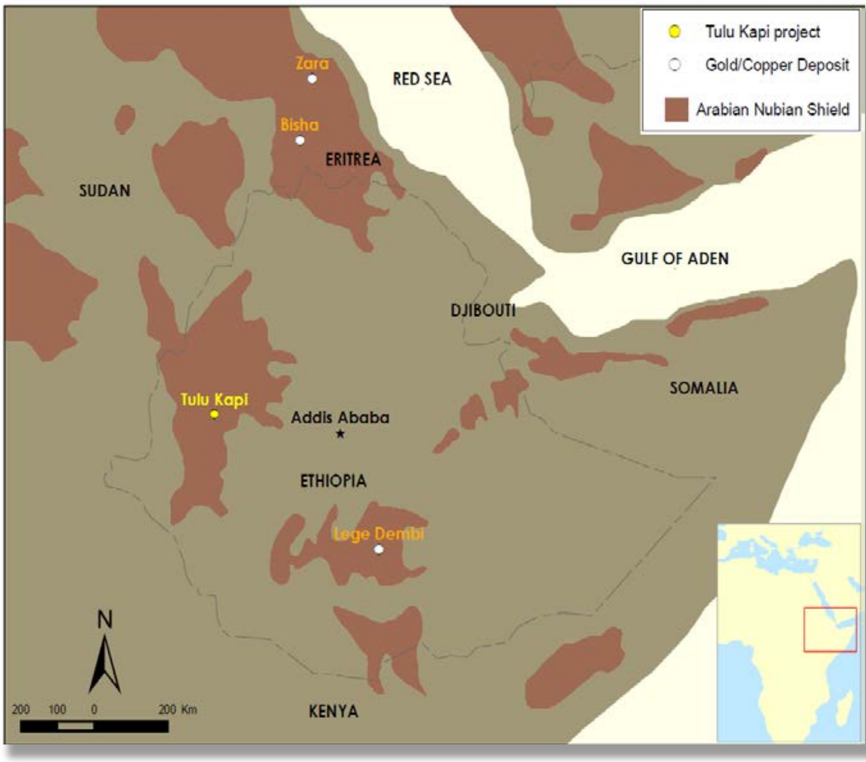
Tulu Kapi - Background

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.

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



Location of Tulu Kapi in Ethiopia.

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 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 eight production years.

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.

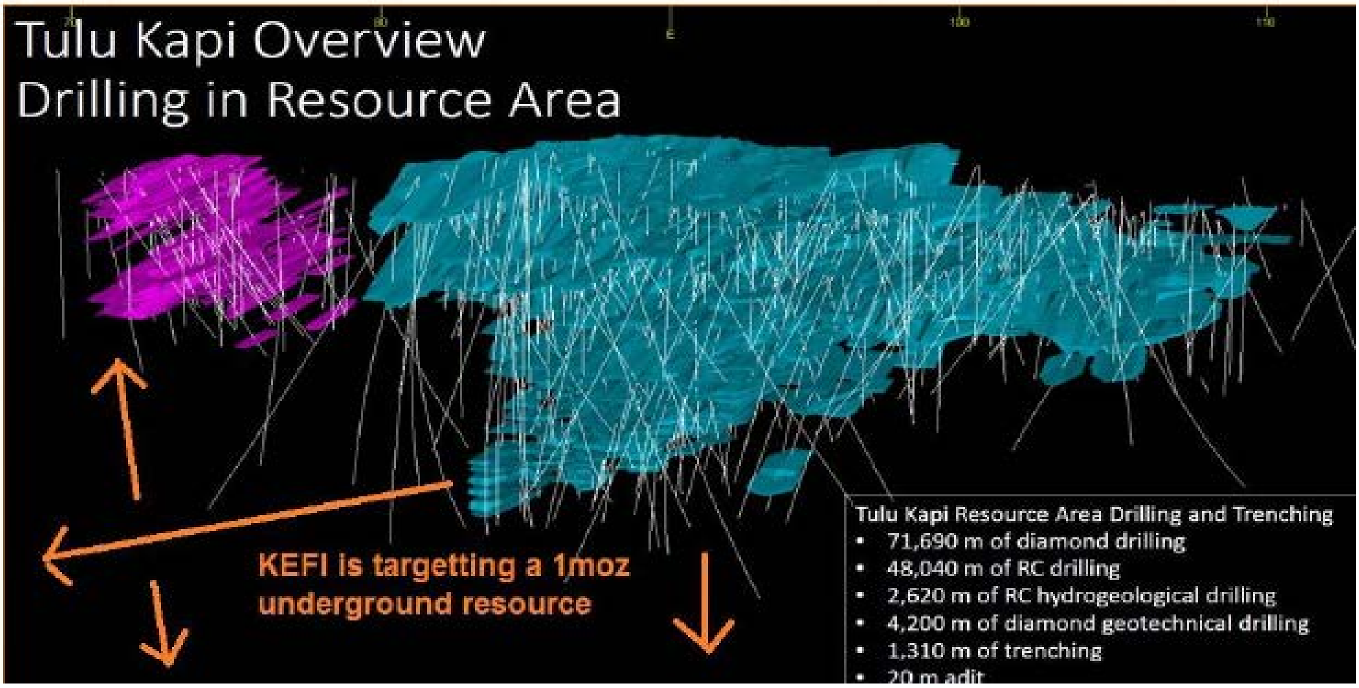
Trenching at Tulu Kapi

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:

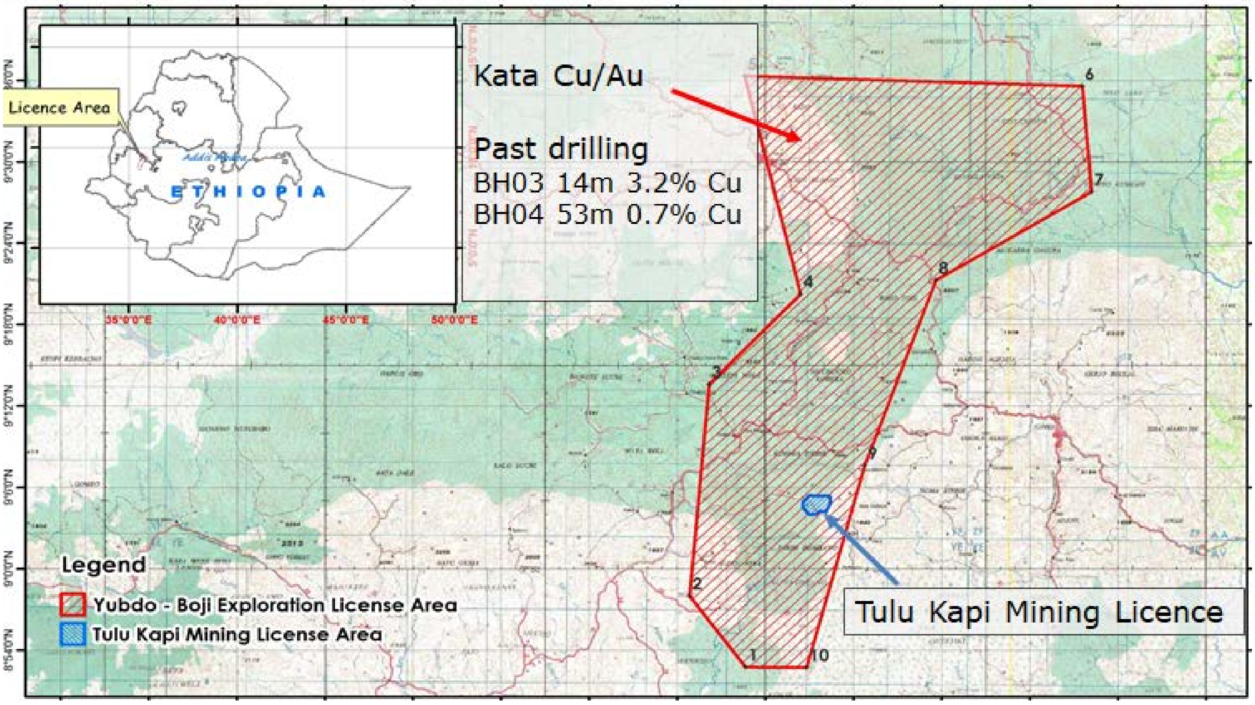
- Underground mine development is economically justified based on the 2014 Mineral Resources;
- Combined gold production from the open pit and underground mine approaches 200,000 ounces p.a.;
- The underground mine adds an estimated $28 million to the project's after-tax NPV (8%) at a gold price of $1,250/oz; 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. 1,900 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

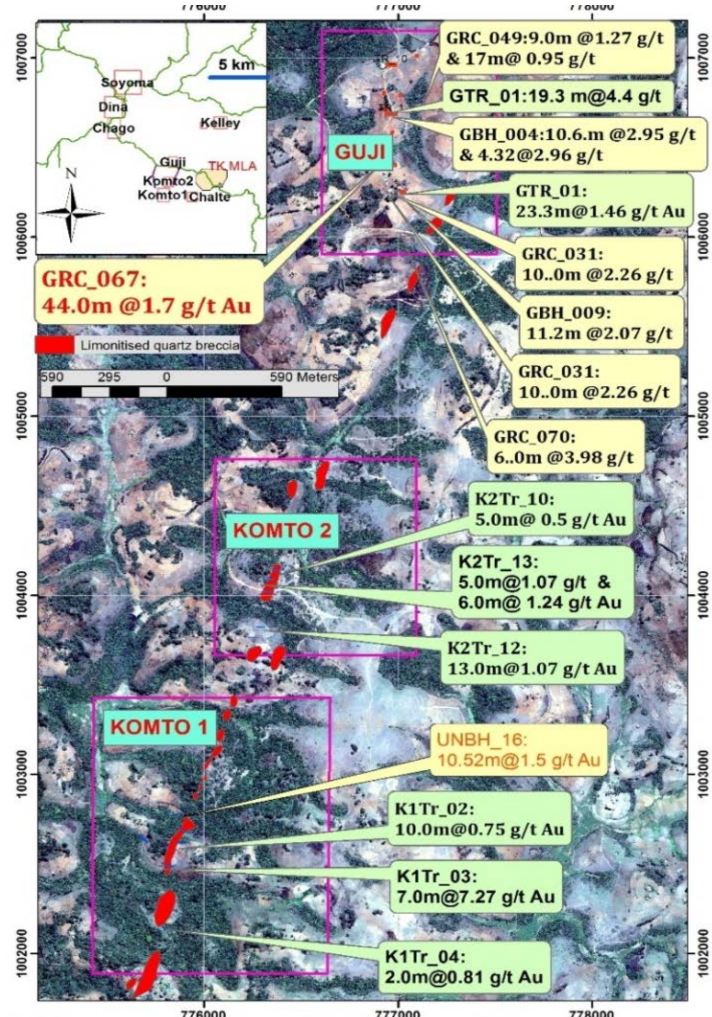
The area covered by this ELA covers a VMS copper-gold prospect named Kata.

United Nations drilled six diamond holes at Kata in the 1970s 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-Kpmto trend: best trench & drill holes gold intersections,

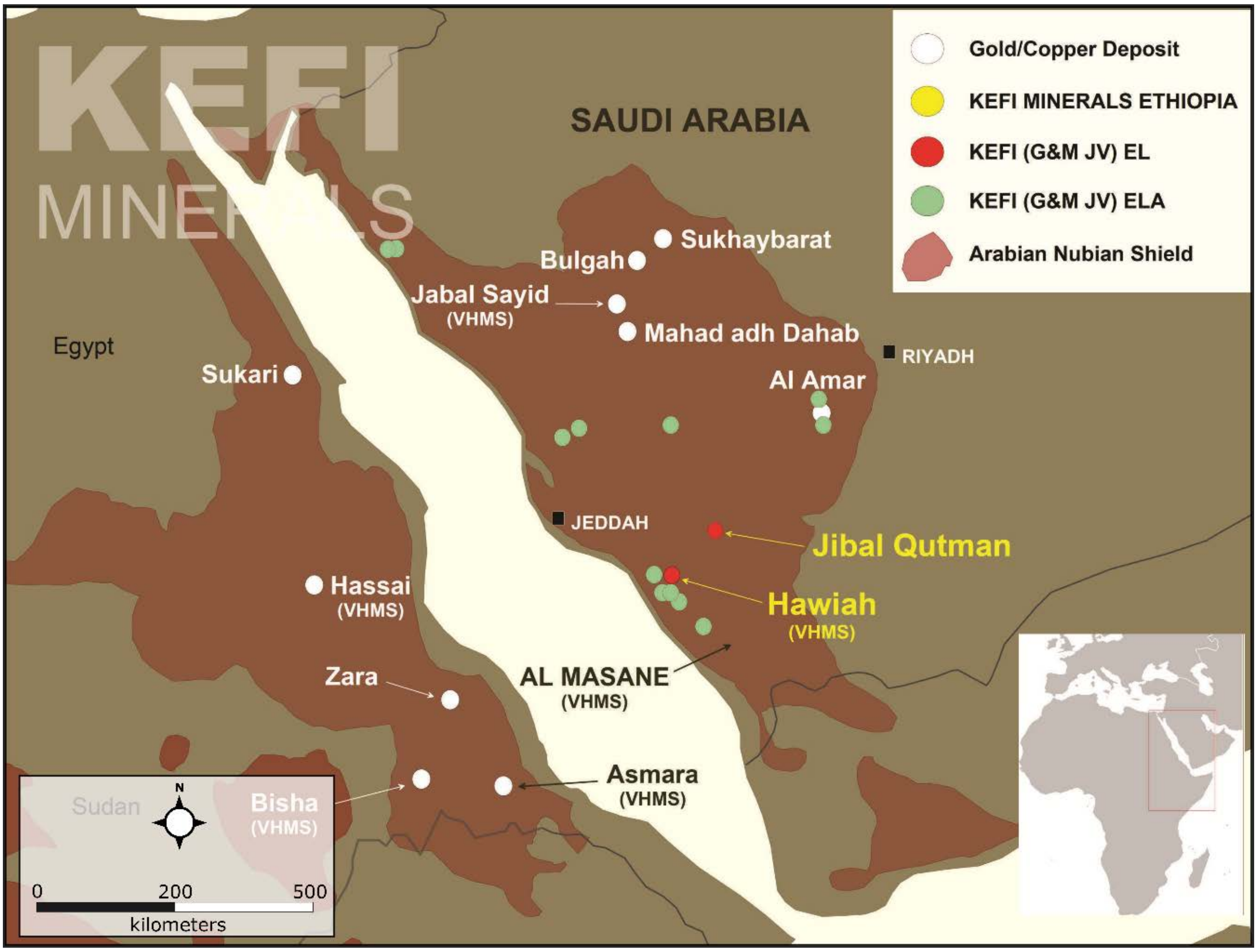
Guji-Komto Belt: best trench and drill hole gold results

Saudi Arabia

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

1. **Wadi Bidah Mineral District:** a 120-kilometre-long VMS Belt. We start at Hawiah – to determine if a copper-gold-zinc VHMS deposit lies beneath the 6km-long, gold-bearing gossanous ridge;
2. **Jibal Qutman:** to increase oxide gold resources on the granted Exploration Licence ("EL") and surrounding pending Exploration Licence Applications ("ELAs");

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 been preparing 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 which is clear is now coming a head under new Government leadership and a newly appointed Ministry for our sector.

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 discoveries 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 being 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
- Being prepared for the soon-to-be promulgated modern mining code.

Saudi Arabia - Hawiah

Hawiah is the sort of prospect that makes us excited to be exploring the ANS. It has all the hallmarks of a copper-gold-zinc VMS deposit, which are typically quite valuable. As such we recently overhauled the G&M portfolio of applications in Saudi Arabia to cover most of the Wadi Bidah Mineral District ("WBMD").

The Hawiah prospect is located within the WBMD in the southwest of the Arabian Shield. The WBMD is a 120km-long belt which hosts over 24 VMS known 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.

Following the granting of the 95km^2 Hawiah exploration licence (EL) in December 2014, KEFI commenced exploration of the unusually large 6km-long gossanous ridge 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 (now renewed) remains one of KEFI's higher priority ELs as the geological setting appears analogous to other large VMS deposits in the ANS that have well-preserved, mature oxidised zones enriched in gold at surface.

Initial surface exploration has confirmed that the main gossanous ridgeline is 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.

Field work has recommenced with follow-up trenching, geological mapping, geophysical survey (induced polarisation) and satellite imaging programs all underway. These programs are leading up to the drilling of this exciting target.

Hawiah Geology and Exploration

The planned exploration programme at Hawiah aims to:

- Define a near-surface, economic gold resource in the gossanous ridge 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 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 VMS 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.

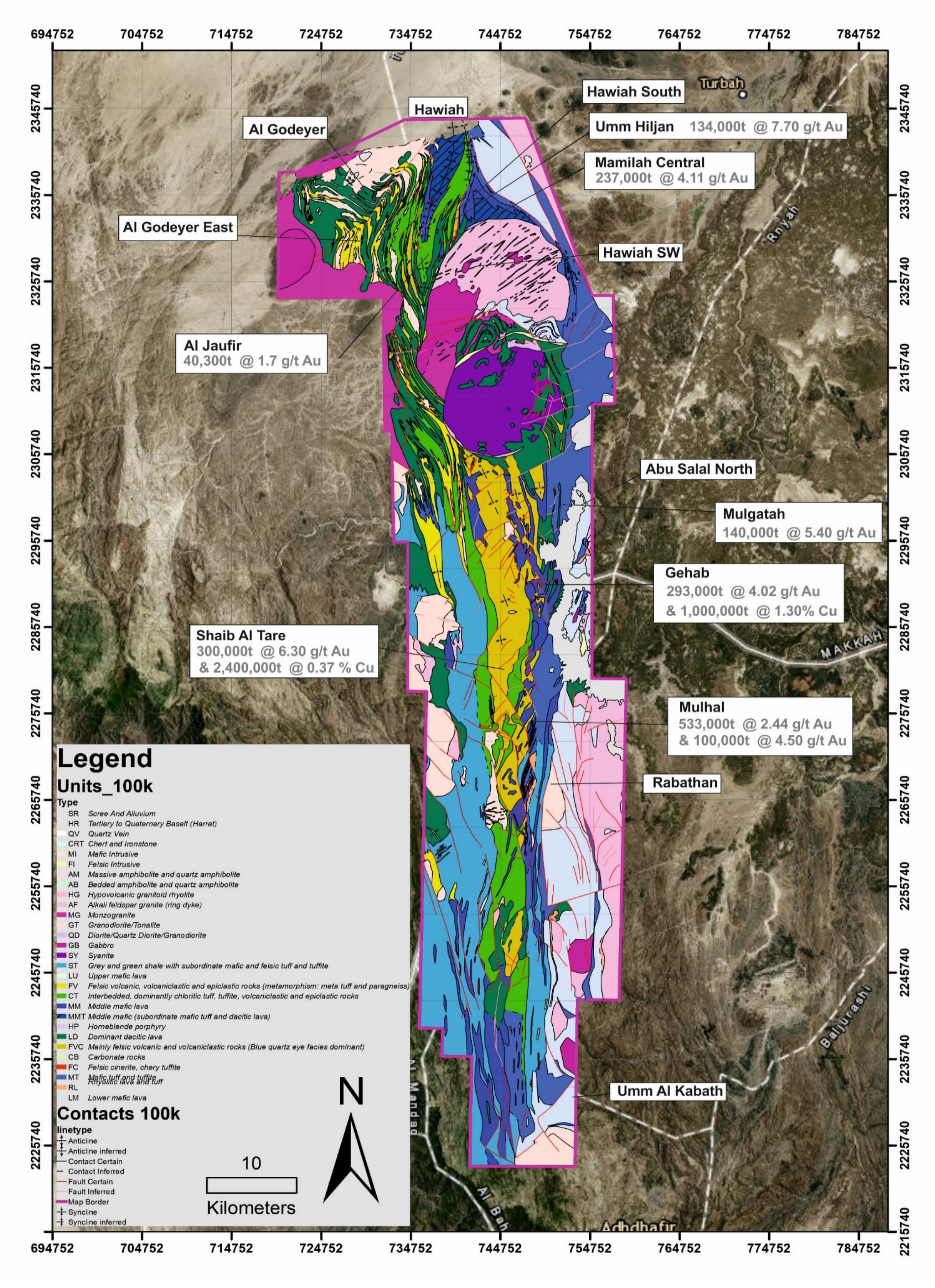
KEFI has several other ELAs pending within the WBMD covering other existing targets and highly prospective ground.

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/Zijin) and Asmara (Sichuan Road & Bridge Mining Investment Development) deposits;
- Sudan - Hassaii (Ariab) deposits; and
- Saudi Arabia - Jabal Sayid (Barrick and Ma'aden) and Al Masane (Al Kobra Mining) deposits.

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



Gold and Copper Deposits in the WBMD. G&M has a granted Exploration Licence at Hawiah and has lodged Exploration Licence Applications over all G&M priority target areas throughout the 120 kilometre-long WBMD

Saudi Arabia - Jibal Qutman

Since the Jibal Qutman EL was granted in July 2012, KEFI Minerals 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 prepared for four additional areas near Jibal Qutman. These applications are pending to the overhaul of mining and exploration regulations and also the review by the Defence Ministry of activities in that area.

Upon proceeding at Jibal Qutman, 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 less than 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 processing and 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.

Glossary and Abbreviations

AIC	All-in Costs
AISC	All-in Sustaining Costs
ANS Mining	ANS Mining Share Company S.C
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 exploration adviser to KEFI, the Company's former Managing Director 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**
John Leach, **Finance Director**
Norman Ling, **Non-Executive**
Mark Tyler, **Non-Executive**

Company Secretary
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Consolidated Financial Statements

Year ended 31 December 2018

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Group Strategic Report
For the year ended 31 December 2018

KEFI Minerals PLC Company number: 05976748

The directors present their Group Strategic Report for the year ended 31 December 2018.

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 Group 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 is focused primarily on the advanced Tulu Kapi Gold Project development project in Ethiopia, along with its pipeline of other projects within the highly prospective Arabian Nubian Shield. KEFI targets that production at Tulu Kapi will generate cash flows for capital repayments, further exploration and expansion as warranted and, when appropriate, dividends to shareholders.

KEFI Minerals in Ethiopia

KEFI owns 95% of the Tulu Kapi Gold Project in Ethiopia (TKGM). The Government of Ethiopia is entitled to a 5% free carried-interest and a 7% royalty on gold production.

In May 2017, the Government of Ethiopia formally committed to a US$20 million equity investment in TKGM Based on current estimates of capital spending and capital contributions, KEFI will be majority owner of KME which in turn will be majority shareholder of TKGM. Upon closing of project finance, the ownership of the Tulu Kapi Gold Project via TKGM would be circa:22% by the Ethiopian Government including its 5% fee carried interest; The Government has approved its budget allocations for the TKGM investment.

Ethiopia is Africa's highest growth country and has, over the past six months, instituted positive progressive and transformative reforms on many levels throughout the country. The Federal Ministry of Mines, Petroleum and Natural Gas announced that it has drafted a new Proclamation for regulation of the mining industry, particularly with an eye to stimulating growth. The Ministry's statement referred to the introduction of investment incentives and the removal of obstacles. The security situation for our Project in Ethiopia is considered better than most mining sites on the continent and KEFI/TKGM has strong government, business and community support, having earned and maintained strong social licence at Tulu Kapi. The Company has completed the independent technical reviews of the project as required by its bond arranger and exclusive placing agent, ACT Capital GmbH ("ACT Capital"). In light of the overall progress with Government clearances, Project due diligence and indicative structuring and pricing, the process is in suspension awaiting the final formal confirmations from the Ethiopian central bank before proceeding with the next stages which include the formation of KEFI's Luxembourg-based company which would issue the planned listed bond. The bond issue will be subject to the satisfaction of compliance procedures, including those of the various institutions/banks and listing authorities, and then the successful private placement of the planned listed bond. All these processes are being co-ordinated with other Project matters by KEFI within the Project consortium which includes the principal contractors, Lycopodium (process plant), Ausdrill/AMS (mining) and MKS/PAMP (gold refining) and the Ethiopian Project equity partners in the Government and private sector. The finance is expected to have a 9-year tenor and 2.5-year non repayment grace period.

After year-end ANS Mining Share Company S.C ("ANS Mining") has confirmed receipt from its investors of its first Project-equity instalment commitments for US$11.4 million (Ethiopian Birr equivalent). The amount is higher than that previously anticipated US$9 million (Ethiopian Birr equivalent). The remainder of the US$38 million (Ethiopian Birr equivalent) ANS commitment will be subscribed at close of full development funding. It has also been agreed that, of the total commitment of US$38 million (Ethiopian Birr equivalent), one third will be invested via KEFI subsidiary KEFI Minerals (Ethiopia) Limited ("KME") so that ANS Mining will be KEFI's minority partner in KME which controls TKGM and the exploration areas in the Tulu Kapi district which are considered prospective for potential satellite and stand-alone deposits. The other two thirds of the ANS Mining investment will be directly into TKGM. The impact of this refined approach will mean that KEFI will have a strong partner at the KME table to consider potential new projects. We expect Ethiopia's mining sector to become more active on the back of our first-mover initiative. The ownership levels will be that KEFI will own c. 80% of KME which in turn will hold c. 56% of TKGM and that KEFI's beneficial ownership of TKGM will be c. 45% (both ownership levels in TKGM are net, after adjustment for the Government's 5% free carried interest).

KEFI Minerals in the Kingdom of Saudi Arabia
Saudi Arabia has announced new industry policies and has yet to release the details of the associated regulations. These changes aim to spur development of its minerals sector. The security situation for our projects in Saudi Arabia, as with our sites in Ethiopia, is considered manageable with standard procedures and also derives largely from Gold and Minerals Limited ("G&M") (the Project company of KEFI and partner ARTAR) ensuring and maintaining strong social licence with its local communities.The Hawiah Exploration Licence (refer to page 23)is held for KEFI's local joint venture company Gold and Minerals Limited ("G&M") by partner Abdul Rahman Saad Al Rashid & Sons Company Limited ("ARTAR"). Reconnaissance activities will now be re-activated by KEFI in its role as operator of G&M, with the focus on refining plans for a drilling campaign targeting gold at the surface and the underlying volcanogenic massive sulphide ("VMS") copper-gold-zinc sulphide orebody. Whilst the work over the next six months is expected to be low-cost, it has a high potential impact on the effectiveness of drilling which is planned to commence in H2 2019 when the Company has also started the planned development activities at the Tulu Kapi Gold Project in Ethiopia ("Tulu Kapi"). This program follows a hiatus for G&M of over two years whilst the Saudi Government undertook a thorough review of its mining code to encourage external investment into its potentially prolific mining sector.

Funding

In summary, KEFI raised approximately GBP5.6million (After share issue costs).

- During June and July 2018, the Company raised additional funds and settled a number of debts through the issue of 220,000,000 new ordinary shares of 1.7p each in KEFI ("Shares") at a price of 2.5 pence as follows:
    - 120,000,000 new Shares to existing and institutional shareholders to raise £3 million cash (before expenses);
    - 47,801,642 new Shares to certain project contractors and other third parties in settlement of outstanding invoices of approximately £1.2 million; and
    - 52,198,358 new shares to certain directors and management of the Company following the publication of the Company's annual results to satisfy accrued fees and salaries of approximately £1.3 million.
- In December 2018 the company issued 19,000,000 KEFI Ordinary shares to pay the convertible note facility fees of GBP380,000.

In November 2018 the Company entered into a secured convertible loan facility for up to £4.0 million to provide the necessary working capital funds to progress its Tulu Kapi gold project in Ethiopia. The facility was signed with Sanderson Capital Partners Ltd, a long-term investor in the company. The Company has the right to borrow up to £4 million from the Lender, which is split into the First Facility (the initial £2 million working capital facility), the Second Facility (the optional additional working capital facility of £1 million) and the Third Facility (the optional additional working capital facility of £1 million). Amounts drawn under the Loan Facility are not subject to any interest payments.

During the year the Company assembled equity development capital at the project level, based on significant local financial institutional support for project equity investment. ANS Mining, has an investment commitment subject to certain conditions to subscribe to new shares in the project company TKGM and KME totalling US$38 million.

The Group considers that, despite extensive delays due to political change in both of its host countries, 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 cash flow needs through cash flow projection, appraisal of technical reports monitoring the marketplace and the Group's physical presence in the Kingdom of Saudi Arabia and the Federal Democratic Republic of Ethiopia. The Group also holds regular board meetings. Based on the results, the Board concluded that significant local ownership was appropriate as a risk-mitigant, which has been arranged, and that no changes are required to the current overall strategy.

Key Performance Indicators

Key Performance Indicators for the Group for the year ended 31 December 2018 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.

Group Strategic Report (continued)
For the year ended 31 December 2018

The following progress was achieved in FY 2018:

- KEFI's Ethiopia Government sector co-investor in TKGM, Ministry of Finance, commenced its activities for construction of the infrastructure it is obliged to provide as its US$20 million (Ethiopian Birr equivalent) project equity contribution
- Ethiopian private sector investor, ANS Mining became KEFI's second local partner, committing US$38 million (Ethiopian Birr equivalent) To KME and TKGM
- Board and Management has been strengthened for project implementation, in KEFI and in operating joint venture companies
- Mandated ACT Capital the bond arranger for the infrastructure finance (planned to be sourced from the placement of $160 million of Listed Bonds), completed independent reviews of the project, and now currently sits awaiting TKGM triggering the bond-implementation program upon receipt of the final clearance of the structure from the Ethiopian central bank.
- The Independent Technical Expert signed the Tulu Kapi Gold Project due technical diligence reports
- Financing policy of TKGM permitted as regards capital ratios, hedging of gold produced once in production, banking) and some residual aspects currently await formalization by Ethiopia central bank
- Exploration rights were applied over a large number of large VMS targets in the Saudi Arabian Wadi Bidah Mineral District, starting at Hawiah where the Exploration Licence was renewed on 30 November 2018
- KEFI working capital provided by shareholders via equity placing, secured convertible working capital facility and short term bridging advances.

Focus for FY 2019:

- Continuing Government-sponsored engineering works and construction of off-site infrastructure at an estimated total cost of US$20M, in exchange for equity in TKGM
- Closing the project equity required to fund the small first phase of the development program and then to also trigger subscription of non-equity capital for the large second phase of the development program;
- Closing the non-equity funding for Tulu Kapi, after obtaining remaining regulatory clearance of project debt finance and contract documentation;
- Trigger the development program and proceed with community resettlement, construction and commencement of district exploration
- Maximise local employment and supply chain participation in TKGM activities
- Management to ensure that the Group's projects comply with relevant social, environmental, employment and other legislation in the applicable jurisdiction along with relevant international standards.

Results

Operating Expenses

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Exploration expenditure	**(93)**	(146)
Administrative expenses, mainly on project development preparations	**(2,440)**	(2,535)
Investigatory, pre-decisional project finance transaction costs	**(1,599)**	(865)
Warrants issued costs	**(23)**	-
Share based payments	**(158)**	(93)
Share of loss from jointly controlled entity	**(161)**	(286)
Loss on revaluation of financial Asset- Receivable from Lanstead Sharing Agreement	**2**	(2,280)
Foreign exchange gain/(loss)	**(24)**	14
Interest cost	**(459)**	(75)
Loss for the year	**(4,955)**	(6,266)

The Group's results for the year are set out on page 54.

As at 31 December 2018, the Group market capitalisation was £8.86 million (2017: £9.32 million). At the year end the Group had equity of £15,352,000 (2017: £14,470,000). During 2018, the Group has incurred exploration expenditure of £93,000 (2017: £146,000) from operations and an operating loss of £4,474,000 (2017: £3,925,000).

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.

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 placements during the year raising £5.6 million in cash for goods and services and is made up of the following placements:

Issued	£'000
Share Equity June 2018 at 2.5p	1,662
Share Equity July 2018 at 2.5p	3,838
Share Equity December 2018 at 2p	380
Funds raised before expenses	5,880
Less Share Issue Costs	(237)
	5,643

In December 2018 the Company entered into a Convertible Loan Facility with Sanderson Capital Partners Limited, the Company has the right to borrow up to £4,000,000 from the Lender, which is split into the First Facility (the initial £2,000,000 working capital facility), the Second Facility (the optional additional working capital facility of £1,000,000) and the Third Facility (the optional additional working capital facility of £1,000,000.

Organisation overview

The Corporate Head Office of the Group is located in Nicosia, Cyprus, and provides corporate and management and support services to the overseas operations. East African operations are managed out of Addis Ababa, Ethiopia. The Saudi Arabia exploration is managed out of 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.

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 for each worthwhile project;
- Develop profitable metals production;
- Maintain strong social licence generally and good local community relationships; and
- Employ good environmental and other operational and corporate governance practices.

Group Strategic Report (continued)
For the year ended 31 December 2018

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 appointment of a new Prime Minister as a positive step towards the facilitation of broader democratic representation in Government. 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 and manage the situation.

Community relations

Mutual support between the Group's 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 Ethiopia and Saudi Arabia and monitors performance on a regular basis.

Principal risks and uncertainties(continued)

Tulu Kapi gold project

During the year the Group carried out and an independent technical due diligence risk review of Tulu Kapi gold project in Ethiopia. The purpose of the review was to identify any fatal flaws or critical technical issues that would result in a significant negative effect on the Project economics, significant environmental damage, or serious danger to health and safety. Overall, the identified risks are manageable and capable of mitigation.

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 favourable.

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

4 June 2019

Report of the Board of Directors
For the year ended 31 December 2018

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 2018.

General information

The following information is set out in the Group Strategic Report due to its strategic importance; 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- Current

The members of the Board of Directors of the Company as at 31 December 2018 and at the date of this report are shown on page 31. In accordance with the Company's Articles of Association, one third of the board of directors must resign each year. The remaining directors, presently members of the Board, will continue in office.

The Board comprises five Directors:

Harry Anagnostaras-Adams
Managing Director, and Executive Chairman since 29 April 2019

Mr Anagnostaras-Adams (B.Comm, MBA) has been Executive Chairman since 2014 and was previously 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
Non-Executive Chairman, until his passing 29 April 2019

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 passed away in April 2019. Mark was 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 and 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).

Report of the Board of Directors (continued)
For the year ended 31 December 2018

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.

Mark Tyler
Non-Executive Independent Director.

Appointed to Board on 5 September 2018.

Mark Tyler was previously a mining investment banker in London and South Africa, including as co-head of Mining and Resources Finance at Nedbank, a South African bank. He is currently a senior resources advisor to Exotix Capital and the London representative for Auramet International, a precious metal merchant financier.

Directors' indemnities

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

Remuneration report

This remuneration report for the year ended 31 December 2018 outlines the remuneration arrangements of the Company and the Group. The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Details of key management personnel of the Parent and Group are set out below.

Remuneration philosophy

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board believes that executive remuneration satisfies the following key criteria:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency

These criteria result in a framework which can be used to provide a mix of fixed and variable remuneration, and a blend of short and long-term incentives in line with the Company's limited financial resources. Fees and payments to the Company's Non-Executive Directors and Senior Executives reflect the demands which are made on, and the responsibilities of, the Directors and the senior management. Such fees and payments are reviewed annually by the Board. The Company's Executive and Non-Executive Directors, Senior Executives and Officers are entitled to receive options under the Company's Employee Share Option Scheme.

While the Group's operations have been in the project development stage, the objective of the Board has been to minimise the number of senior executives it employs to maintain the total remuneration of such executives at a level that is commensurate with the resources of the Group and the level of activity undertaken.

(All amounts in GBP thousands unless otherwise stated)

Non-executive director remuneration arrangements

The Board seeks to set remuneration of non-executive Directors at a level which provides the Company with the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is appropriate at this stage of the Company's development. The Chairman's fee is set at £50,000 p.a. and Non-Executive Director fees at £25,000 p.a. The Company has assumed responsibility for any potential liability to National Insurance Contributions (NICs) for Non-Executive director Mr. Norman Ling, both employer and employee contributions in respect of, or by any reason of, the payment of fees. At present, no Committee fees are paid to Directors.

Non-Executive Directors are entitled to be paid reasonable travelling, accommodation and other expenses incurred as a consequence of their attendance at meetings of Directors and otherwise in the execution of their duties as Directors. Non-executive Directors are also entitled to additional remuneration for extra services or special exertions.

Executive director and key management personnel ("KMP") remuneration arrangements

Service agreements Remuneration and other terms for KMP are formalised in contractor agreements. Details of these agreements are set out below:

Executive directors and other key management personnel Executive remuneration packages comprise a mix of the following components: Fixed remuneration and other benefits and long-term incentives provided by the issuing of options under the Employees and Contractors Option Plan.

Fixed remuneration and other benefits

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and competitive in the market. Fixed remuneration for most executives is comprised of base salary, and in some cases includes other benefits such as housing, medical care and vehicles. The Company does not have a retirement benefit scheme for executive directors.

Long term share incentives

The Employees and Contractors Option Plan of the Group was established in 2014. The Company's full Share Option Plan 2014 is available on the Company website. The objective of the Plan is to provide an opportunity for senior executives and contractors to participate as equity owners in the Company and to reward key executives and contractors in a manner which aligns this element of remuneration with the creation of shareholder wealth. At the discretion of the Board and subject to the Rules of the Plan, executives may be granted options under the Plan.

Directors and Key Management Personnel	Agreement type	Term	Notice Period	Other Benefits
Managing Director and Finance Director	Consulting Services	Rolling forward arrangement	12 Months'	Medical/Air tickets home; and Share Options. The Managing Directors life insurance and accident insurance premiums are paid.
General Manager Ethiopia	Consulting Services	Rolling forward arrangement	12 Months'	Medical/Air tickets home. In country accommodation; and Share Options.
International Mining Performance: Head of Operations, Head of Systems, Head of Human Resources and Technical Planning	Consulting Services	Rolling forward arrangement until 30 December 2020	6 Months'	50% of the Fees paid in Shares and 50% in cash; and Share Options.

Report of the Board of Directors (continued)

For the year ended 31 December 2018

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	12,737,848	1.98%
J Leach	5,602,223	0.87%
N Ling	295,486	0.05%

Grant Date	Expiration Date	Exercise Price Pence	H. Anagnostaras-Adams	J. Leach	N. Ling	M. Wellesley - Wood
01-Feb-18	31-Jan-24	4.5	1,200,000	1,200,000	1,200,000	-
22-Mar-17	21-Mar-23	7.5	3,442,184	674,083	-	882,353
05-Aug-16	04-Aug-22	10.2	-	882,353	-	588,235
19-Jan-16	18-Jan-22	7.14	943,412	314,471	314,471	-
20-Mar-15	19-Mar-21	22.44	382,353	58,824	117,647	-
12-Sep-14	11-Sep-20	29.92	-	-	132,353	-
27-Mar-14	26-Mar-20	39.1	382,353	132,353	-	-
			6,350,302	3,262,084	1,764,471	1,470,588

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 2018 is set out below:

31 December 2018	Salary and fees	Other compensation	Bonus Paid in Shares	Share based benefit incentive options[2]	2018 Total
Executive	£'000	£'000	£'000	£'000	£'000
H. Anagnostaras-Adams	**223**	**19**	**97**	**32**	**371**
J. Leach	**155**	**16**	**63**	**24**	**258**
Non-Executive					
N. Ling	**55**	**-**	**-**	**7**	**62**
M Wellesley-Wood[1]	**44**	**-**	**-**	**14**	**58**
M Tyler[1]	**10**	**-**	**-**	**-**	**10**
	487	**35**	**160**	**77**	**759**

Directors' emoluments (continued)

31 December 2017					2017
	Salary and fees	Other compensation	Bonus Paid in Shares	Share based benefit incentive options[2]	Total
Executive	£'000	£'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

[1]Appointments and Retirement as Director: During 2017 Mr. Plimer resigned as director in November 2017. In July 2018 the board roles were changed and Mr. Wellesley-Wood was appointed as Non-Executive Chairman. Mr. Mark Tyler was appointed In September 2018 as Non-Executive director.

[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.

Corporate governance statement

The Directors of the Company have elected to follow the main principles of the QCA Corporate Governance Code. The QCA Corporate Governance Code identifies ten principles that focus on the pursuit of medium to long-term value for shareholders without stifling the entrepreneurial spirit in which the company was created. In addition to the details provided below, governance disclosures can be found on the Company's website https://www.kefi-minerals.com/about/corporate-governance

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 Managing Director, in conjunction with the executive team, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to financial and governance matters, its operational environment and to the Directors' responsibilities as members of the Board. During the course of the year, the Chairman received updates and advice from the Company Secretary and the NOMAD to ensure the Company's compliance to the Rule 26 disclosures which became effective from the 28 September 2018. 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 Managing Director and Finance Director), and three Non-Executive Directors. The Non-Executive Directors, Mark Wellesley-Wood, Norman Ling and Mark Tyler 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 Non-Executive Chairman in July 2018. 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.

Mr. Mark Wellesley-Wood

On the 29 April 2019 Mr. Mark Wellesley-Wood passed away and Mr. Harry Anagnostaras-Adams resumed the role of Executive Chairman, which has been held until July 2018.

(All amounts in GBP thousands unless otherwise stated)

Report of the Board of Directors (continued)
For the year ended 31 December 2018

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 and Financial Risk Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit and Financial Risk Committee comprised two Non-Executive Directors: Mark Wellesley-Wood (Chairman) and Mark Tyler, 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 committee meetings to provide his skills and knowledge in 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 comprised two Non-Executive Directors: Mark Wellesley-Wood (Chairman), and Mark Tyler. 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.

Attendance Meetings of Directors and Committees

The following table sets out the number of Directors' meetings held during the financial year and the number of meetings attended by each director:

Board of Directors Meetings	Held	Attended
H. Anagnostaras- Adams	11	11
J. Leach	11	11
N. Ling	11	11
M Wellesley-Wood	11	11
M Tyler[1]*	3	3

Audit Committee	Held	Attended
N. Ling*	2	2
M Wellesley-Wood	3	3
M Tyler[1]*	1	1

Remuneration Committee	Held	Attended
N. Ling*	1	1
M Wellesley-Wood	1	1
M Tyler[1]*	-	-

[1]Mr. Mark Tyler was appointed in September 2018 as Non-Executive director

* Mr. M Tyler replaced Mr. N Ling as a member of the Audit Committee and Remuneration committee in September 2018.

Board Evaluation and Succession Planning

The QCA Code states that the Board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and individual director. During 2018 the process was facilitated internally by the Board and in order to prepare for the mine build and operational phases of the Company's development, the Board has implemented a number of management and Board changes during the year.

- The Board reviewed the talent and succession policy of the Company. On 1 February 2018, the Company expanded its senior executive team, from comprising only the two executive directors, by adding the heads of operations, systems and planning and since then the head of project construction.
- On 20 July 2018, Mark Wellesley-Wood, assumed the role of the Non-Executive Chairman and Harry Anagnostaras-Adams, the role of the Managing Director.
- On 5 September 2018 the Company appointed Mr. Mark Tyler to the KEFI Board as an additional independent Non-Executive Director and, therefore, independent Non-Executive Directors now comprise the majority of the Board.

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 Group's planning and an important aspect of the Group'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 Group finances its operations through equity and holds its cash as a liquid resource to fund its obligations of the Group'. Decisions regarding the management of these assets are approved by the Board. Please refer to page 63 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.

Ethical values and behaviours

The Board has the means to determine that ethical values and behaviours are recognised and respected via the senior management team ("Exco") to whom local country management reports. The board of KEFI also adheres to KEFI's Corporate Governance policies that cover, for example, ethical behaviour, anticorruption and anti-bribery as well as a whistle-blowing policy. The Board is also aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. A large part of the Company's activities is centred upon what needs to be an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviours is crucial to the ability of the Company to successfully achieve its corporate objectives.

Report of the Board of Directors (continued)

For the year ended 31 December 2018

Wider stakeholder needs and social responsibilities

The Group's long-term success relies upon good relations with all its stakeholders, both internal and external. The Board affords highest priority to ensuring that it maintains a strong understanding of the needs and expectations of all stakeholders. Feedback is sought regularly across several platforms. The Group's stakeholders include shareholders, employees, suppliers, customers, regulators, industry bodies and creditors. The principal ways in which their feedback on the Group is gathered are via meetings and conversations.

Understanding and meeting shareholder needs and expectations

The Board is aware of the needs and expectations of shareholders. The Company engages with its shareholders through quarterly conference calls and at its Annual General Meeting. The board supports the use of the AGM to communicate with both institutional and private investors. All shareholders are given the opportunity to ask questions and raise issues; this can be done formally during the meeting or informally with the directors afterwards.

Experience, skills and capabilities of the Board Directors

Experience, skills and capabilities of the Board Directors who have been appointed to the Company have been chosen because of the skills and experience they offer. The Board of Directors has strong, relevant experience across the areas of mining, accounting and banking. The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of gold mining and exploration. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. Skills and knowledge have been gained through aggregated experience in gold mining and the wider sector and these are maintained through ongoing involvement and participation within the industry. All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Governance structures and processes that support good decision-making

Details of the Company's corporate governance arrangements are provided its governance statement on the website https://www.kefi-minerals.com/about/corporate-governance. There are no matters expressly reserved for the Board. The Board considers the Group's governance framework is appropriate and in line with its plans.

Website publication

The Directors are responsible for ensuring that the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with applicable legislation governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Relations with shareholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Company's activities, strategy and financial position. The Board typically meets with large shareholders following the release of financial results and regards the Annual General Meeting (AGM) as a good opportunity to communicate directly with shareholders via an open question and answer session. The Company regularly holds public question and answer calls in support of announcements, providing smaller and private investors with direct access to management. The Board receives regular updates on the views of shareholders through briefings and reports from the Managing Director, Financial Director and the Company's brokers. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views.

The Company discloses contact details on its website and on all announcements released via RNS, should shareholders wish to communicate with the Board. Details of all shareholder communications are provided on the Group's website. Historical Annual Reports, notices of all general meetings from the last five years and the resolutions put to a vote at AGMs can be found on the Company's website. Over the last five years all resolutions put to a vote at AGMs have been duly passed. Whilst this has not occurred, should a significant proportion of votes get cast against a resolution at any general meeting the Board would naturally seek to understand the rationale for this through its engagement with shareholders.

(All amounts in GBP thousands unless otherwise stated)

Report of the Board of Directors (continued)

For the year ended 31 December 2018

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
Hargreaves Lansdown (Nominees) Limited Total	14.7%	94,120,536
Interactive Investor Services Nominees Limited Total	9.7%	62,053,419
HSDL Nominees Limited Total	5.8%	36,949,763
BNY (Ocs) Nominees Limited Total	5.6%	36,032,717
SVS (Nominees) Limited Total	5.5%	35,605,250
Vidacos Nominees Limited Total	5.4%	34,846,479
Jim Nominees Limited Total	5.3%	34,290,381
Barclays Direct Investing Nominees Limited Total	3.8%	24,238,861
Winchcombe Ventures Limited Total	3.5%	22,241,272
Share Nominees Ltd Total	2.9%	18,944,572

Events after the reporting date

During February 2019, the Company completed a £969,000 placing by issuing 57,000,000 new ordinary shares of 1.7p each in the capital of the Company at a price of 1.7 pence per share.

ANS Mining Share Company S.C ("ANS Mining") has confirmed receipt from its investors of its first Project-equity instalment commitments for US$11.4 million (Ethiopian Birr equivalent). The amount is higher than that previously anticipated US$9 million (Ethiopian Birr equivalent). The remainder of the US$38 million (Ethiopian Birr equivalent) ANS Mining commitment will be subscribed at close of full development funding. It has also been agreed that, of the total commitment of US$38 million (Ethiopian Birr equivalent), one third will be invested via KEFI subsidiary KEFI Minerals (Ethiopia) Limited ("KME") so that ANS Mining will be KEFI's minority partner in KME which controls TKGM and the exploration areas in the Tulu Kapi district which are considered prospective for potential satellite and stand-alone deposits. The other two thirds of the ANS Mining investment will be directly into TKGM. We expect Ethiopia's mining sector to become more active on the back of our first-mover initiative. The ownership levels will be that KEFI will own c. 80% of KME which in turn will hold c. 56% of TKGM and that KEFI's beneficial ownership of TKGM will be c. 45% (both ownership levels in TKGM are net, after adjustment for the Government's 5% free carried interest).

During April 2019 the Company issued 14,864,533 new Ordinary Shares of nominal value 1.7p each in the capital of the Company at a price of 2p per share.

Nominated advisor

The Company's nominated advisor is SP Angel Corporate Finance LLP.

Auditors

On 1 February 2019 Moore Stephens LLP merged its business with BDO LLP. As a result, Moore Stephens LLP has resigned as auditor and the directors have appointed BDO LLP as auditor in their place. A resolution will be proposed at the annual general meeting to reappoint BDO LLP as auditor for the next financial year.

Report of the Board of Directors (continued)

For the year ended 31 December 2018

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

4 June 2019

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, the Directors' 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 have elected to prepare the financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the Group's results for that year. 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 estimates that are reasonable and prudent;
- state whether the financial statements comply 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 Group and 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group 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

Our opinion

We have audited the financial statements of KEFI Minerals PLC (the Parent Company) and its subsidiaries (the Group) for the year ended 31 December 2018 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 financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- 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 2018 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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. We are independent of the Group and the Parent 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 Group is dependent on raising additional financing from a number of sources to enable it to carry out its planned business objectives and enable it to continue as a going concern.

As stated in note 2, these ,conditions, along with the other matters referred to in note 2, 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.

As described in note 4 to the financial statements the going concern assessment require management to make highly subjective judgements and as such this has been identified as a Key Audit Matter. Our audit procedures included the following: We reviewed the detailed forecasts and business plans to understand the funding requirement of the group and the key judgements being made. We also reviewed the current funds on hand, funding agreements in place and the group's ability to reduce expenditure over the next year if required to support the key assumptions being made.

Our assessment of key risks of material misstatement

In addition to the matter described in the material uncertainty related to going concern section, key audit matters are those matters that, in our professional judgment, 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.

(All amounts in GBP thousands unless otherwise stated)

Independent Auditor's Report to the Members of KEFI Minerals PLC (continued)

Matter	How we addressed the matter in our audit
Carrying value of Intangible assets The group has capitalised certain pre-production mining expenditure in accordance with the provisions of the accounting standards (see accounting policy note 2). This is an area that requires management to make a number of assumptions and judgements, and as such there is a risk that the carrying value could be materially overstated and potentially require impairment	We have 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. This has been agreed to the valuation of the mining asset prepared by management to support non impairment of the capitalised costs. We have reviewed other key assumptions made in this valuation which have been agreed to supporting evidence as required. We have also tested a sample of costs capitalised to check they are allowed under accounting standards and vouched these costs to third party supporting documentation. The above procedures have been completed with no issues being identified in respect to the carrying value of the intangible asset as set out in the key judgements section in note 4.

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.

We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We set materiality for the financial statements as a whole at £384,000 (2017: £347,000) which represents 2% of gross assets which is the figure that we considered be of most interest to the users of the financial statements given the nature of the Group's operations.

The parent company was audited to a materiality of £235,000 (2017: £211,000) based on 2% of the gross assets.

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at a range of £289,000 to £154,000 (2017: £255,000 to £136,000).

We agreed to report to the Audit and Risk Committee all potential adjustments in excess of £19,000 (2017:£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 £200,000 (2017:£147,000) and was based on 1.5% of gross assets.

Independent Auditor's Report to the Members of KEFI Minerals PLC (continued)

An overview of the scope of our audit
The group operates through one main trading subsidiary undertaking based in Ethiopia 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. This included meetings with the component auditor, which is a non BDO firm, throughout the audit process as well as an onsite visit to Ethiopia to meet with the component auditor and local management. We also performed analytical procedures in respect of the joint venture company and the non-trading subsidiaries.

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 our 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 this 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 47, 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.

Independent Auditor's Report to the Members of KEFI Minerals PLC (continued)

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.

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 BDO LLP, Statutory Auditor

London, UK

5 June 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income
Year ended 31 December 2018

	Notes	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Revenue		**-**	-
Exploration costs		**(93)**	(146)
Gross loss		**(93)**	(146)
Administrative expenses		**(2,463)**	(2,535)
Finance transaction costs	8	**(1,599)**	(865)
Share-based payments-equity settled	19	**(158)**	(93)
Share of loss from jointly controlled entity	21	**(161)**	(286)
Operating loss	6	**(4,474)**	(3,925)
Change in value of financial assets at fair value through profit and loss	15	2	(2,280)
Foreign exchange(loss)/gain		**(24)**	14
Finance costs	8	**(459)**	(85)
Finance income		**-**	10
Loss before tax		**(4,955)**	(6,266)
Tax	9	**-**	-
Loss for the year		**(4,955)**	(6,266)
Loss attributable to:			
-Owners of the parent		**(4,955)**	(6,266)
-Non-controlling interest		**-**	-
Loss for the period		**(4,955)**	(6,266)
Other comprehensive expense:			
Exchange differences on translating foreign operations		**(13)**	(398)
Total comprehensive expense for the year		**(4,968)**	(6,664)
Total Comprehensive Income to:			
-Owners of the parent		**(4,968)**	(6,664)
-Non-controlling interest		**-**	-
Basic and fully diluted loss per share (pence)	10	**(1.041)**	(1.987)

The notes on pages 60 to 97 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 2018

Company Number: 05976748

	Notes	The Group 2018	The Company 2018	The Group 2017	The Company 2017
		£'000	£'000	£'000	£'000
ASSETS					
Non-current assets					
Property, plant and equipment	11	**38**	**7**	43	6
Intangible assets	12	**18,757**	**6,726**	16,232	5,191
Investment in subsidiaries	13.1	**-**	**4,598**	-	4,598
Investments in jointly controlled entities	13.2	**-**	**181**	-	181
		18,795	**11,512**	16,275	9,976
Current assets					
Financial assets at fair value through OCI	14	**81**	**-**	79	-
Derivative financial asset at fair value through profit or loss	15	**-**	**-**	408	408
Trade and other receivables	16	**115**	**5,876**	94	5,079
Cash and cash equivalents	17	**88**	**33**	466	121
		284	**5,909**	1,047	5,608
Total assets		**19,079**	**17,421**	17,322	15,584
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	18	**9,719**	**9,719**	5,656	5,656
Deferred Shares	18	**12,436**	**12,436**	12,436	12,436
Share premium	18	**19,303**	**19,303**	18,661	18,661
Share options reserve	19	**1,032**	**1,032**	1,325	1,325
Foreign exchange reserve		**(215)**	**-**	(228)	-
Accumulated losses		**(27,998)**	**(28,418)**	(23,380)	(25,072)
Attributable to Owners of parent		**14,277**	**14,072**	14,470	13,006
Non-Controlling Interest	20	**1,075**	-	-	-
Total equity		**15,352**	**14,072**	14,470	13,006
Current liabilities					
Trade and other payables	22	**3,112**	**2,734**	2,852	2,578
Loan and borrowings	24	**615**	**615**	-	-
Total liabilities		**3,727**	**3,349**	2,852	2,578
Total equity and liabilities		**19,079**	**17,421**	17,322	15,584

The notes on pages 60 to 97 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 £4.6 million (2017: £8.2 million) has been included in the financial statements of the parent company.

On the 4 June 2019, the Board of Directors of KEFI Minerals PLC authorised these financial statements for issue.

Harry Anagnostaras-Adams
Executive Director- Chairman

John Edward Leach
Finance Director

Consolidated statement of changes in equity

Year ended 31 December 2018

	Attributable to the owners of the Company								
	Share capital	**Deferred shares**	**Share premium**	**Share options reserve**	**Foreign exchange reserve**	**Accumulated losses**	**Owners Equity**	**NCI**	**Total**
	£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000
At 1 January 2017	3,883	12,436	16,279	1,474	170	(18,695)	15,547	**-**	15,547
Loss for the year	-	-	-	-	-	(6,266)	(6,266)	**-**	(6,266)
Other comprehensive income	-	-	-	-	(398)	-	(398)	-	(398)
Total Comprehensive Income	-	-	-	-	(398)	(6,266)	(6,664)	-	(6,664)
Transfer realised loss of derivative financial asset (Note 15)	-	-	(1,340)	-	-	1,340	-	-	-
Recognition of share-based payments	-	-	-	122	-	-	122	-	122
Forfeited options	-	-	-	(30)	-	-	(30)	-	(30)
Cancellation of options	-	-	-	(241)	-	241	-	-	-
Issue of share capital	1,773	-	4,078	-	-	-	5,851	-	5,851
Share issue costs	-	-	(356)	-	-	-	(356)	-	(356)
At 31 December 2017	**5,656**	**12,436**	**18,661**	**1,325**	**(228)**	**(23,380)**	**14,470**	**-**	**14,470**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(4,955)**	**(4,955)**	**-**	**(4,955)**
Other comprehensive income	**-**	**-**	**-**	**-**	**13**	**-**	**13**	**-**	**13**
Total Comprehensive Income	**-**	**-**	**-**	**-**	**13**	**(4,955)**	**(4,942)**	**-**	**(4,942)**
Transfer realised loss of derivative financial asset (Note 15)	**-**	**-**	**(938)**	**-**	**-**	**938**	**-**	**-**	**-**
Recognition of share-based payments	**-**	**-**	**-**	**181**	**-**	**-**	**181**	**-**	**181**
Forfeited options	**-**	**-**	**-**	**(67)**	**-**	**67**	**-**	**-**	**-**
Expired options	**-**	**-**	**-**	**(407)**	**-**	**407**	**-**	**-**	**-**
Issue of share capital	**4,063**	**-**	**1,817**	**-**	**-**	**-**	**5,880**	**-**	**5,880**
Share issue costs	**-**	**-**	**(237)**	**-**	**-**	**-**	**(237)**	**-**	**(237)**
Non-controlling interest	**-**	**-**	**-**	**-**	**-**	**(1,075)**	**(1,075)**	**1,075**	**-**
At 31 December 2018	**9,719**	**12,436**	**19,303**	**1,032**	**(215)**	**(27,998)**	**14,277**	**1,075**	**15,352**

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
NCI (Non-controlling interest)	the portion of equity ownership in a subsidiary not attributable to the parent company

The notes on pages 60 to 97 are an integral part of these consolidated financial statements.

Company statement of changes in equity

Year ended 31 December 2018

	Share capital	Deferred shares	Share premium	Share options reserve	Accumulated losses	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2017	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**
Loss for the year					**(4,758)**	**(4,758)**
Transfer realised loss of derivative financial asset (Note 15)	**-**	**-**	**(938)**	**-**	**938**	**-**
Recognition of share-based payments	**-**	**-**	**-**	**181**	**-**	**181**
Forfeited options	**-**	**-**	**-**	**(67)**	**67**	**-**
Expired options	**-**	**-**	**-**	**(407)**	**407**	**-**
Issue of share capital	**4,063**	**-**	**1,817**	**-**	**-**	**5,880**
Share issue costs		**-**	**(237)**	**-**	**-**	**(237)**
At 31 December 2018	**9,719**	**12,436**	**19,303**	**1,032**	**(28,418)**	**14,072**

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 60 to 97 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 December 2018

	Notes	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(4,955)**	(6,266)
Adjustments for:			
Depreciation of property, plant and equipment	11	**10**	24
Share based payments	19	**158**	93
Issue of warrants	19	**23**	-
Fair value loss to derivative financial asset	15	**2**	2,280
Fair value loss to available for sale		**-**	26
Share of loss from jointly controlled entity	21	**161**	286
Exchange difference		**460**	13
Finance costs		**459**	85
		(3,682)	(3459)
Changes in working capital:			
Trade and other receivables		**(21)**	2,569
Trade and other payables		**871**	291
Cash generated from operations		**(2,832)**	(41)
Interest paid		**(344)**	(85)
Net cash used in operating activities		**(3,176)**	(126)
CASH FLOWS FROM INVESTING ACTIVITIES			
Deferred exploration costs	12	**(990)**	(988)
Project evaluation costs	12	**(1,535)**	(1,252)
Acquisition of property plant and equipment		**(6)**	(6)
Advances to jointly controlled entity		**(304)**	(379)
Net cash used in investing activities		**(2,835)**	(2,625)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	18	**4,942**	1,923
Issue costs	18	**(224)**	(356)
Derivative Financial Asset	24.1.2	**410**	1,240
Proceeds from bridge loan	24.1.1	**500**	-
Net cash from financing activities		**5,628**	2,807
Net (decrease)/increase in cash and cash equivalents		**(383)**	121
Effect of cash held in foreign currencies			-
Cash and cash equivalents:			
At beginning of the year	17	**466**	410
Effect of exchange rate fluctuations on cash held		**5**	(65)
At end of the year	17	**88**	466

Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of £20,000 (2017: £20,000)

The notes on pages 60 to 97 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 2018

	Notes	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(4,758)**	(8,157)
Adjustments for:			
Share based payments	19	**158**	93
Issue of warrants	19	**23**	-
Fair value loss to derivative financial asset	15	**2**	2,280
Impairment of loan to subsidiary		**-**	39
Impairment of amount receivable from jointly controlled entity		**496**	379
Exchange difference		**342**	3
Finance costs		**459**	85
		(3,278)	(5,278)
Changes in working capital:			
Trade and other receivables		**(21)**	2,990
Trade and other payables		**138**	961
Cash generated from operations		**(3,161)**	(1,327)
Interest Paid		**(344)**	(85)
Net cash used in operating activities		**(3,505)**	(1,412)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property plant and equipment		**(4)**	(4)
Project evaluation costs	12	**(1,535)**	(1,252)
Advances to jointly controlled entity		**(304)**	(379)
Loan to subsidiary		**(368)**	(39)
Net cash used in investing activities		**(2,211)**	(1,674)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	18	**4,942**	1,923
Issue costs	18	**(224)**	(356)
Derivative Financial Asset	24.1.2	**410**	1,240
Proceeds from bridge loan	24.1.1	**500**	-
Net cash from financing activities		**5,628**	2,807
Net (decrease) in cash and cash equivalents		**(88)**	(279)
Cash and cash equivalents:			
At beginning of the year	17	**121**	400
At end of the year	17	**33**	121

Cash and cash equivalents in the Company Statement of Financial Position includes restricted cash of £20,000 (2017: £20,000)

The notes on pages 60 to 97 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
Year ended 31 December 2018

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:

- Exploration 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.
- Evaluation of 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.
- Development of mineral deposits and marketing of 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 2018. The Company and the consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

When the excess is positive, goodwill is recognised in the statement of financial position, if the excess is negative, a bargain purchase price is recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries have been included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Intra-group balances and transactions, and any income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Accounting policies (continued)

Going concern

The assessment of the Group's ability to continue as a going concern involves judgment regarding future funding available for the development of the Tulu Kapi Gold project, exploration of the Saudi Arabia exploration properties and for working capital requirements. In considering the Group's ability to continue as a Going Concern, management have considered funds on hand at year end, planned expenditures covering a period of at least 12 months from the date of approving these financial statements and the Group's strategic objectives as part of this assessment. Due to the nature of its business, management increases or decreases administrative and exploration expenditures based on available working capital. Judgments must also be made with regard to events or conditions which might give rise to significant uncertainty.

In December 2018, the Group entered into a financing agreement with Sanderson Capital Partners for a convertible project loan facility of up to GBP4,000,000 million (Note 24.2). The ability of the Company to carry out its planned business objectives is dependent on its ability to continue to raise adequate financing from lenders, shareholders and other investors to meet its funding requirements. Additional financing will be required to continue the development of the Tulu Kapi Gold Project through to production.

The Group is currently evaluating and seeking a number of additional sources of financing the main focus of which is securing initial equity funding of US $58 million. The future equity funding of US $58 million will be invested by two shareholders the first being the Ethiopian Government with proposed project equity of US$20 million; and Ethiopian private sector partner ANS Mining Share Company Limited ("ANS Mining") with an equity injection of US$38 million (Note 28).

In addition, the Group has mandated advisors to prepare for a US$160 million long term financing which the Group is currently finalising. There is no assurance that such financing will be available on a timely basis or on acceptable terms. If the Group is unable to obtain adequate additional financing, will be required to consider alternative courses of action which could include disposing of all or part of the KEFI share of the Tulu Kapi Gold Project. The Group continually evaluates such potential outcomes and additional potential sources of finance. These conditions indicate the existence of material uncertainties which could cast significant doubt over the Group's ability to continue as a going concern.

These audited consolidated financial statements do not give effect to any adjustments, which could be material, and which would be necessary should the Group be unable to continue as a going concern and, therefore, be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different than those reflected in the audited consolidated financial statements

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").

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 2018 (2017: £Nil).

2. Accounting policies (continued)

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

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

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

Intangible Assets

Cost of licenses to mines are capitalised as intangible assets which relate to projects that are at the pre-development stage. No amortisation charge is recognised in respect of these intangible assets. Once the Group starts production these intangible assets relating to license to mine will be depreciated over life of mine.

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.

Interest in jointly controlled entities

The group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:
- Joint ventures: where the group has rights to only the net assets of the joint arrangement
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:
- The structure of the joint arrangement
- The legal form of joint arrangements structured through a separate vehicle
- The contractual terms of the joint arrangement agreement
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in Associates using the equity method

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, and expenses in accordance with its contractually conferred rights and obligations

2. Accounting policies (continued)

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.

Exploration costs

The Group has adopted the provisions of IFRS 6 “Exploration for and Evaluation of Mineral Resources”. The company still applies IFRS6 until the project financing is secured. Once financing is secured the project moves to the development stage.

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 technical feasibility and commercial viability of extracting the mineral resource are demonstrable, further costs are no longer capitalised as such and existing asset is reclassified accordingly, after being tested for impairment.

Once the Board decides on the development of a project, development expenditure will be capitalized as incurred only where it meets criteria for recognition as an intangible under IAS 38 or a tangible asset under IAS 16 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 of the project in its Licence areas in Saudi Arabia has not yet met its criteria for capitalization. Capitalized E&E costs for the Group’s project in Ethiopia have been recognized on acquisition, and have continued to be capitalised since this date, in accordance with IFRS 6. The technical feasibility of the project has been confirmed, and once the financing is secure the related assets will be reclassified as development costs in line with above.

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.

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.

2. Accounting policies (continued)

Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Amortised cost: These are Financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Loans and receivables, as well as cash are classified as amortised cost

Financial asset at fair value through other comprehensive income: Financial assets (debt) which are held with the objective as above but which maybe intended to be sold before maturity. And also includes strategic equity investments (that are not subsidiaries, joint ventures or associates) which would be normally held at fair value through profit or loss, could on irrevocable election be measured with fair value changes flow through OCI. On disposal, the gain or loss will not be recycled to P&L

Financial asset at fair value through profit and loss: Financial assets not meeting the criteria above and derivatives.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, overdrafts and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities as other financial liabilities. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise trade and other payables and borrowings.

Financial assets and liabilities at fair value through the profit or loss

Financial assets and liabilities at fair value through the profit or loss comprise derivative financial instruments. Subsequent to initial recognition, financial assets at fair value through the profit or loss are stated at fair value. Movements in fair values are recognised in profit or loss unless they relate to derivatives designated and effective as hedging instrument, in which event the timing of the recognition in the profit or loss depends on the nature of the hedging relationship. The Group does not currently have any such hedging instruments.

2. Accounting policies (continued)

New standards and interpretations

During the current year the Group and the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2018.

The Group and the Company applied IFRS 9 and IFRS 15 for the first time from 1 January 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2018, but do not have a significant impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments:

IFRS 9 Financial Instruments addresses the classification, measurement, and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Based on the assessment performed, the new guidance has the following impacts on the classification and measurement of its financial instruments

- Financial assets at fair value through Other Comprehensive Income (“OCI”): The equity instruments that were classified as available-for-sale financial assets satisfy the conditions for classification as at fair value through other comprehensive income (FVOCI) and therefore there is no impact in classification. Gains and losses accumulated in other comprehensive income are not recycled to the income statement.

Furthermore, under IFRS 9 there is no exception to carry investments in entities at costs less any recognised impairment and therefore, fair value will need to be calculated. There are no other significant changes to the accounting treatment of these assets.

- Impairment: The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. The Group applies the simplified approach and records lifetime expected losses on all trade receivables. However, given the short term nature of the Group’s receivables, there is not a significant impact in the financial statements. For the Parent Company, current and non-current receivables (except for non-current assets at fair value through profit and loss) are stated at amortised cost. A provision for impairment of receivables is established using the expected credit loss impairment model according IFRS 9.

The amount of the provision is the difference between the carrying amount and the recoverable amount and this difference is recognised in the income statement.

- Disclosures: The standard introduces expanded disclosure requirements and changes in presentation included in this report. The Group also assessed other changes introduced by IFRS 9 that have no impact - on the financial statements as explained below: - There is no impact on the accounting for financial liabilities, as the new requirements of IFRS 9 only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.
- No impacts in relation to derecognition of financial instruments as the same rules have been transferred from IAS39 Financial Instruments: Recognition and Measurement.

IFRS 15 – Revenue with Contracts with Customers, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The adoption of this standard has had no effect on the Group, as the Group does not currently have any revenue.

IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments) The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. As the Company does not have cash settled awards, the amendments to IFRS 2 do not impact the Consolidated and Company’s financial statements

2. Accounting policies (continued)

Standards issued but not yet effective

New standards, amendments and interpretations that are not yet effective and have not been early adopted There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Group, in particular: IFRS "16 Leases" (effective for periods beginning on or after 1 January 2019) requires lessees to use single on-balance sheet model and recognise all lease assets and liabilities on the balance sheet. Management have completed an assessment of existing operating contracts and do not anticipate the adoption of IFRS 16 to have a significant impact on the Group's financial statements as the operating leases held by the Group are of low value and the majority of the existing contracts either relate to service agreements or contain performance obligations based on variable terms and thus do not result in right of use assets or lease liabilities.

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. To mitigate our inherent exposure to credit risk we maintain policies to limit the concentration of credit risk, and ensure liquidity of available funds. We also invest our cash and equivalents in rated financial institutions, primarily within the United Kingdom and other investment grade countries, which are countries rated BBB- or higher by S&P the Group does not have a significant concentration of credit risk arising from its bank holdings of cash and cash equivalents.

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.

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:

	2018	2017
	£'000	£'000
Variable rate instruments		
Financial assets	**88**	466

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2018 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.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2018

3. Financial risk management (continued)

	Equity 2018 £'000	**Profit or Loss 2018 £'000**	Equity 2017 £'000	Profit or Loss 2017 £'000
Variable rate instruments				
Financial assets – increase of 100 basis points	**1**	**1**	5	5
Financial assets – decrease of 25 basis points	**(0.2)**	**(0.2)**	(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, CHF, Ethiopian Birr 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 2018 £'000	**Assets 2018 £'000**	Liabilities 2017 £'000	Assets 2017 £'000
Australian Dollar	**57**	**-**	103	-
Euro	**333**	**2**	180	2
Turkish Lira	**2**	**28**	2	40
US Dollar	**1377**	**51**	1,251	45
Ethiopian Birr	**169**	**273**	70	549
CHF Swiss Franc	**27**	**-**	-	-

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2018 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 2018 £'000	**Profit or Loss 2018 £'000**	Equity 2017 £'000	Profit or Loss 2017 £'000
AUD Dollar	**6**	**6**	10	10
Euro	**33**	**33**	18	18
Turkish Lira	**(3)**	**(3)**	(4)	(4)
US Dollar	**133**	**133**	120	120
Ethiopia ETB	**(10)**	**(10**	(48)	(48)
CHF Swiss Franc	**3**	**3**	-	-

(All amounts in GBP thousands unless otherwise stated)

3. Financial risk management (continued)

Liquidity risk

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

The Group	Carrying Amount	Contractual Cash flows	Less than 1 year	Between 1-5 year	More than 5 years
31 December 2018					
Trade and other payables	**3,112**	**3,112**	**3,112**	**-**	**-**
Loans and Borrowings	**615**	**615**	**615**	**-**	**-**
	3,727	**3,727**	**3,727**	**-**	-
31 December 2017					
Trade and other payables	2,852	2852	2852	-	-

The Company	Carrying Amount	Contractual Cash flows	Less than 1 year	Between 1-5 year	More than 5 years
31 December 2018					
Trade and other payables	**2,734**	**2,734**	**2,734**	**-**	-
Loans and Borrowings	**615**	**615**	**615**	**-**	**-**
	3,349	**3,349**	**3,349**	**-**	**-**
31 December 2017					
Trade and other payables	2,578	2,578	2,578	-	-

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 £88,000 (2017: £466,000) and equity attributable to equity of the parent, comprising issued capital and deferred shares of £22,155,000 (2017: £18,092,000), other reserves of £20,120,000, (2017: £19,759,000) and accumulated losses of £27,998,000 (2017: £23,380,000). The Group has no long-term debt facilities.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2018

3. Financial risk management (continued)

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 values of intercompany balances are the same as if they are repayable on demand.

As at each of December 31, 2018 and December 31, 2017, 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:

	Carrying Amounts		Fair Values	
	2018	2017	**2018**	2017
Financial assets	£'000	£'000	£'000	£'000
Cash and cash equivalents (Note 17) – Level 1	**88**	466	**88**	466
Financial assets at fair value through OCI (Note 14) - Level 2	**81**	79	**81**	79
Derivative financial asset (Note 15) - Level 2	**-**	408	**-**	408
Trade and other receivables (Note 16)	**115**	94	**115**	94
Financial liabilities				
Trade and other payables (Note 22)	3,112	2,734	3,112	2,734
Loans and borrowings (Note 24)	615	615	615	615

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

Finance transaction Costs

The company has expensed all costs incurred in preparatory work to secure funding to develop the Tulu Kapi mine project. The moment project funding is secured the direct transaction costs will be included as part of the initial carrying amount of the financial instrument, the recognition of these costs in profit or loss is spread over the term of the instrument through the application of the effective interest method.

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

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 are based in Cyprus. Turkey and Bulgaria are as a result f previous interest in Turkey.

	Cyprus	Turkey	Bulgaria	Ethiopia	Consolidated
	£'000	£'000	£'000	£'000	£'000
2018					
Operating (loss)	**(4,279)**	**(20)**	**(2)**	**(10)**	**(4,311)**
Material non-recurring item	**-**	**-**	**-**	**-**	**-**
Foreign exchange profit/(loss)	**(33)**	**9**	**-**	**-**	**(24)**
Net Finance costs	**(459)**	**-**	**-**	**-**	**(459)**
	(4,771)	**(11)**	**(2)**	**(10)**	**(4,794)**
Share of loss from jointly controlled entity					**(161)**
Loss before tax					**(4,955)**
Tax					**-**
Loss for the year					**(4,955)**
Total assets	**6,713**	**29**	**2**	**12,013**	**18,757**
Total liabilities	**3,351**	**1**	**4**	**371**	**3,727**
Depreciation of property, plant and equipment	**5**	**-**	**-**	**5**	**10**

	Cyprus	Turkey	Bulgaria	Ethiopia	Consolidated
2017	£'000	£'000	£'000	£'000	£'000
Operating (loss)	(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

6. Expenses by nature

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Exploration costs	**93**	146
Depreciation of property, plant and equipment (Note 11)	**10**	24
Investigatory, pre-decisional -decisional project finance transaction costs (Note 8)	**1,599**	865
Warrants issue costs (Note 19)	**23**	-
Share based benefits to employees (Note 19)	**26**	23
Share based benefits to key management (Note 19)	**55**	20
Share of losses from jointly controlled entity (Note 5 and Note 21)	**161**	286
Directors' fees and other benefits (Note 23.1)	**759**	708
Consultants' costs	**441**	356
Auditors' remuneration - audit current year	**45**	47
Auditors' remuneration -secondary firm	**28**	23
Legal Costs	**387**	516
Ongoing Listing Costs	**193**	217
Other expenses	**654**	694
Operating loss	**4,474**	3,925

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 31.12.18 £'000	Year Ended 31.12.17 £'000
Salaries	**627**	408
Accumulated Leave Provision	**-**	10
Termination Package	**-**	2
Social insurance costs and other funds	**38**	27
	665	447
Average number of employees	**50**	44

Excludes Directors' remuneration and fees which are disclosed in note 23.1. These staff costs are capitalised in development exploration costs. All these employees are involved in Tulu Kapi Project in Ethiopia.

8. Finance transaction costs

	2018 £'000	2017 £'000
Interest on short term loan	**409**	85
Interest on short term loan related party (note 23.2)	**50**	-
Total finance costs	**459**	85
Transaction costs for secured convertible loan facility (note 24.2)	**380**	-
On-going arrangement investigation cost for long term finance	**1,219**	865
Total finance transaction costs	**1,599**	865

The above on-going arrangement cost relate to pre-investigation activities required to fund TK Gold project

Notes to the consolidated financial statements (continued)

Year ended 31 December 2018

9. Tax

	2018	2017
	£'000	£'000
Loss before tax	**(4,955)**	(6,266)
Tax calculated at the applicable tax rates	**(621)**	(786)
Tax effect of non-deductible expenses	**329**	731
Tax effect of tax losses	**308**	55
Tax effect of items not subject to tax	**(16)**	-
Charge for the year	**-**	-

The Company is resident in Cyprus for tax purposes. A deferred tax asset of £1,239,636 (2017: £1,271,982) 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 30%. 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 2018, the balance of tax losses which is available for offset against future taxable profits amounts to £ 9,917,086 (2017: £ 10,175,859).

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 2018, the balance of tax losses which is available for offset against future taxable profits amounts to £29,971 (2017: £29,867). 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 2018, the balance of exploration costs that is available for offset against future income from mining operations amount to £ 107,286 (2017: £143,375).

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%. According to the Proclamation holders of a mining licence are required to pay royalty on the sales price of the commercial transaction of the minerals produced.

United Kingdom

KEFI Minerals (Ethiopia) Limited is resident in United Kingdom for tax purposes. The corporation tax rate is 20%. In December 2016, KEFI Minerals (Ethiopia) Limited elect under CTA 2009 section 18A to make exemption adjustments in respect of the company's foreign permanent establishment's amounts in arriving at the company's taxable total profits for each relevant accounting period. This is an exemption for UK corporation tax in respect of the profits of the Ethiopian branch.

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 31.12.18 £'000	Year Ended 31.12.17 £'000
Net loss attributable to equity shareholders	**(4,955)**	(6,266)
Average number of ordinary shares for the purposes of basic loss per share (000's)	476,051	315,273
Loss per share:		
Basic and fully diluted loss per share (pence)	**(1.041)**	(1.987)

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

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 2017	75	135	62	272
Additions	-	2	4	6
Disposals	(4)	(71)	-	(75)
At 31 December 2017	**71**	**66**	**66**	**203**
Additions	**-**	**-**	**6**	**6**
At 31 December 2018	**71**	**66**	**72**	**209**
Accumulated Depreciation				
At 1 January 2017	33	116	62	211
Charge for the year	1	19	4	24
Disposals	**(4)**	**(71)**	**-**	**(75)**
At 31 December 2017	**30**	**64**	**66**	**160**
Charge for the year	**4**	**2**	**5**	**10**
At 31 December 2018	**34**	**66**	**71**	**170**
Net Book Value at 31 December 2018	**37**	**-**	**1**	**38**
Net Book Value at 31 December 2017	41	2	-	43

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 2018

12. Intangible assets

	Deferred exploration costs £'000	Project evaluation costs £'00	Total £'000
The Group			
Cost			
At 1 January 2017	10,319	3,939	14,258
Additions	988	1,252	2,240
At 31 December 2017	**11,307**	**5,191**	**16,498**
Additions	**990**	**1,535**	**2,525**
At 31 December 2018	**12,297**	**6,726**	**19,023**
Accumulated Amortization and Impairment			
At 1 January 2017	266	-	266
At 31 December 2017	**266**	**-**	**266**
Impairment Charge for the year	**-**	**-**	
At 31 December 2018	**266**	**-**	**266**
Net Book Value at 31 December 2018	**12,031**	**6,726**	**18,757**
Net Book Value at 31 December 2017	11,041	5,191	16,232

	Project evaluation costs £'000	Total £'000
The Company		
Cost		
At 1 January 2017	3,939	3,939
Additions	1,252	1,252
At 31 December 2017	5,191	**5,191**
Additions	1,535	**1,535**
At 31 December 2018	6,726	**6,726**
Accumulated Amortization and Impairment		
At 1 January 2017	-	-
Impairment Charge for the year	-	-
At 31 December 2017	-	-
Impairment Charge for the year	-	-
At 31 December 2018	-	-
Net Book Value at 31 December 2018	6,726	**6,726**
Net Book Value at 31 December 2017	5,191	**5,191**

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 £ 6,900,000 on acquisition of the project in December 2013. Further costs incurred by the Group since the acquisition have been capitalised. The Company had incurred historical exploration costs of £30,293,000 on the Tulu Kapi Gold Project asset. However, at the date of acquisition, actual Deferred Exploration Costs incurred on the Tuli Kapi Gold Project was impaired by £23,052,000 by the previous owners to a net book value of £6,900,000. Attached below a table reconciling the book value to the actual deferred exploration costs.

Deferred exploration costs

The Group	31.12.2013 £'000 Date of Acquisition	31.12.2014 £'000	31.12.2015 £'000	31.12.2016 £'000	31.12.2017 £'000	31.12.2018 £'000	TOTAL £'000
Cost	30,293	-	-	-	-	-	**30,293**
Additions	-	1,263	967	1,189	988	990	**5,397**
Total Cost	**30,293**	**1,263**	**967**	**1,189**	**988**	**990**	**35,690**
Impairment	(23,052)	-	-	(266)	-	-	**(23,318)**
Exchange differences	(341)	-	-	-	-	-	**(341)**
Net Book Value	**6,900**	**1,263**	**967**	**923**	**988**	**990**	**12,031**

Upon closing of full project funding for the development of Tuli Kapi Gold 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. The Board will also review the fair value of its investments in accordance with IFRS 9.

Management performs an impairment review for deferred exploration costs regularly, which relate to the Tulu Kapi licence area. The Net Present Value of the Tulu Kapi asset significantly exceeded the net book value as do the project equity commitments made by investors.

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. Management considers that both the VIU and FVLCD significantly exceed current carrying value, which is intended to be reviewed upon closing of full project funding.

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 an 8% discount rate.

12. Intangible assets (continued)

Based only on extracting its one million ounces of ore reserves within the planned open pit section of the Project, remain in accordance with previous guidance and as supported by the project feasibility studies and updates. The 8% discount rate is based on the expected future cost of the capital of the project.

NPV after debt and after tax, at 8% discount rate and at an average gold price of US$1300/oz:

- US$117,000,000(£90,000,000) for 100% and US$53,000,000(£41,000,000) for KEFI beneficial interest 45% at start of construction;
- US$193,000,000 (£148,000,000) for 100% and US$87,000,000(£67,000,000) for KEFI beneficial interest 45% at start of production two years later; and
- Average EBITDA $80 million per annum and average net cash flow (after debt repayments and all planned commitments) of $30 million per annum.

As is typically the case for mining projects, the project is most sensitive to commodity price. A 13.5% reduction in the gold price assumed to be flat for the next 10 years from $1,300/oz to $1,122/oz results in a reduction of NPV 8% to near zero and the converse has the opposite impact. The project has an after-tax leveraged IRR of 56% based on the base case of US$1,300/oz flat gold price for 10 years. The base case gold price was chosen because it approximates the average gold price for the past 5 years.

Another important driver is operating costs, for which an adverse change of more than 23% is required to reduce project NPV8% to zero when the gold price is $1,300/oz. The project is least sensitive to capital costs, with an adverse change of over 50% required to reduce project NPV8% to zero at $1,300/oz

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.

KEFI Minerals (Ethiopia) Limited 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 previous years.

13. Investments

13.1 Investment in subsidiaries

The Company	**Year Ended 31.12.18 £'000**	Year Ended 31.12.17 £'000
Cost		
At 1 January	**4,598**	4,598
Acquisitions	**-**	-
At 31 December	**4,598**	4,598

The Company carrying value of KEFI Minerals Ethiopia which holds the investment in the Tulu Kapi Gold project currently under development is £ 4,594,354 as at the 31 December 2018.

During the year management reviewed the value of its investments in the Company accounts to the project estimated NPV value. The result of the review shows that the NPV value is higher than the cost recorded in the company accounts.

As a guidance to shareholders, the after-tax, leveraged NPV of Tulu Kapi Gold Project at base case gold price of US$1,300/oz is £92,000,000 (US$117,000,000) at start of construction. Based on KEFI's planned 45% beneficial interest in the underlying valuation of Tulu Kapi Gold Project value is £41,000,000. The NPV value is substantially higher than the cost of £4,598,000 recorded in the accounts as at 31 December 2018. Although a non IFRS measure this Net Present Valuation has been previously reported by the Company and is based on the independently prepared financial models which are independently verified underlying project feasibility studies and plans.

In addition, the balance sheet of TKGM at full development funding will reflect all equity subscriptions which are currently estimated to exceed c. £94 million or US$120 million (Ethiopian Birr equivalent).

(All amounts in GBP thousands unless otherwise stated)

13. Investments (continued)

13.1 Investment in subsidiaries (continued)

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) Limited ("KME"), which operates the Tulu Kapi project in Ethiopia. The secured convertible loan facility is secured by the Company's shareholding in Kefi Minerals (Ethiopia) Limited.

KME owns 95% of Tulu Kapi Gold Mine Share Company ("TKGM'), a company incorporated in Ethiopia. The Tulu Kapi Gold Project mining license has been transferred to TKGM. The Government of Ethiopia was entitled to a 5% free-carried interest ("FCI") in TKGM. This entitlement is enshrined in the Ethiopian Mining Law and the Ethiopian Mining Agreement between the Ethiopian Government and KME, as well as the constitution of the project company. The 5% FCI refers to the equity interest granted by the company holding the mining license. The Ethiopian government is not required to pay for the 5% equity interest. The Ethiopian government can acquire additional interest in the share capital of the project at market price. 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 KME. 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, other than the right to market gold produced from the Tulu Kapi Gold Project, or liabilities at the date of acquisition. It is planned that this company will act as agent and off-taker for the onward sale of gold and other products in international markets.

13. Investments (continued)

13.2 Investment in jointly controlled entity

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'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 21.1.

14. Financial assets at fair value through OCI

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
The Group		
At 1 January	**79**	95
Foreign currency movement	**2**	(26)
Interest Received	**-**	10
On 31 December	**81**	79

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
The Company		
At 1 January	**-**	-
Disposal of Investment	**-**	-
Profit on Sale	**-**	-
At 31 December	**-**	-

(All amounts in GBP thousands unless otherwise stated)

15. Derivative financial asset

In March 2017, as part of subscription to raise, in aggregate, £5.6m (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 to Lanstead 85 per cent. of these shares with a reference price of 7.48p per share (the "Reference Price") under the conditions of an equity sharing agreement with an 18-month term. 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 was greater or lower than the Reference Price at each sharing settlement, the Company received 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 varied subject to the movement in the Company's share price and to be settled in the future, the receivable was 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 £937,561 was recorded in share premium.

The Company also issued, in aggregate, a further 4,117,647 Ordinary Shares to Lanstead as a value payment of £231,000 in connection with the equity sharing agreement.

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

Fair value of the derivative financial asset

	Audited 31.12.18 £	Audited 31.12.17 £
Balance Brought Forward	**407,853**	-
Value recognised on inception (notional)	**-**	4,851,000
Transaction Cost "Value Payment Shares"	**-**	(231,000)
Gross proceeds of the Lanstead Subscription, (being 15%)	**-**	(693,000)
Equity sharing agreement	**-**	3,927,000
Consideration received	**(409,934)**	(1,239,196)
Change in value of financial assets at fair value through profit and loss	**2,081**	2,687,804
Realised (loss): Difference between placement price of 5.61p and actual consideration is processed via share premium	(937,561)	(1,340,304)
Unrealised Loss on derivative financial asset during the year	939,642	(939,642)
Financial asset at fair value as at 31st December	**-**	407,858

15. Derivative financial asset (continued)

Notional number of shares and Share price outstanding

The value of the notional number of shares issued below is provided in the above table “Fair value of the derivative financial asset”.

	31.12.18 No of Shares	Share Price £	31.12.18 No of Shares	Share Price £
Balance brought forward	24,019,614		-	
Value recognised on inception (notional)	-		86,470,588	0.056
Transaction Cost “Value Payment Shares”	-		(4,117,647)	0.056
Gross proceeds of the Lanstead Subscription, (being 15%)	-		(20,588,235)	
Equity sharing agreement	24,019,614		61,764,706	
Consideration received	(24,019,614)	0.017	(37,745,092)	0.033
	-		24,019,614	

16. Trade and other receivables

	Year Ended 31.12.18 £’000	Year Ended 31.12.17 £’000
The Group		
Other receivables	**24**	3
VAT Refund	**91**	91
	115	94

	Year Ended 31.12.18 £’000	Year Ended 31.12.17 £’000
The Company		
Deposits	**22**	-
KEFI Minerals Marketing and Sales Cyprus Limited (Note 23.3)	**-**	3
Advance to KEFI Minerals (Ethiopia) Limited (Note 23.3)	**5,555**	5,076
Advance to Tulu Kaki Gold Mine Share Company (Note 23.3)	**299**	
	5,876	5,079

Amounts owed by group companies total £13,488,000 (2017: £12,136,000). A provision of £7,634,000 (2017: £7,057,000) has been made against the amount due from the subsidiaries because these amounts are considered irrecoverable. The Company has borrowings outstanding from its Ethiopian subsidiaries, the ultimate realisation of which depends on the successful exploration and realisation of the Group’s intangible exploration assets. Management is of the view if the company disposed of the Tuli Kapi asset the consideration received would exceed the borrowings outstanding. Management has made an assessment of the borrowings as at 31 December 2018 and determined that any expected credit losses would be immaterial. The advance issued to KEFI Minerals (Ethiopia) Limited and TKGM 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 31.12.18 £'000	Year Ended 31.12.17 £'000
The Group		
Cash at bank and in hand unrestricted	**68**	446
Cash at bank restricted (note 24.2)	**20**	20
	88	466
The Company		
Cash at bank and in hand unrestricted	**13**	101
Cash at bank restricted (note 24.2)	**20**	20
	33	121

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 £'000	Deferred Shares £'000	Share premium £'000	Total £'000
At 1 January 2017*	**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. Post share consolidation figures

	Number of shares '000	Share Capital £'000	Deferred Shares £'000	Share premium £'000	Total £'000
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**
At 1 January 2018	**332,703**	**5,656**	**12,436**	**18,661**	**36,753**
Share Equity Placement 20 June 2018	**66,500**	**1,130**	**-**	**532**	**1,662**
Share Equity Placement 03 July 2018	**153,500**	**2,610**	**-**	**1,228**	**3,838**
Share Equity Placement 17 December2018	**19,000**	**323**	**-**	**57**	**380**
Share issue costs	**-**	**-**	**-**	**(237)**	**(237)**
Transfer realised loss of derivative financial asset	**-**	**-**	**-**	**(938)**	**(938)**
At 31 December 2018	**571,703**	**9,719**	**12,436**	**19,303**	**41,458**

Issued capital

2018

On 20 June 2018, 66,500,000 shares of 1.7p were issued at a price of 2.5p per share. On issue of the shares, an amount of £532,000 was credited to the Company's share premium reserve.

On 3 July 2018, 153,500,000 shares of 1.7p were issued at a price of 2.5p per share. On issue of the shares, an amount of £1,228,000 was credited to the Company's share premium reserve.

18. Share capital (continued)

On 17 December 2018, 19,000,000 shares of 1.7p were issued at a price of 2p per share. On issue of the shares, an amount of £57,000 was credited to the Company's share premium reserve.

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 £4,077,969 was credited to the Company's share premium reserve. The 104,295,888 shares issued were split into the following three share issues.

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

Company issued 82,352,941 Shares to Lanstead Capital L.P. ('Lanstead'), for an aggregate consideration of £4.620,000. In addition, the Company entered into Equity Sharing Agreements with Lanstead which allowed the Company to retain an economic interest in the Lanstead Subscription Shares. Further details available in note 15.

The Company also agreed to make a placement fee to Lanstead of 4,117,647 Ordinary Shares for an aggregate consideration of £231,000.

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.

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.

19. Share Based payments

19.1 Warrants

2018

On 19 September 2018, the Company issued 2,000,000 warrants to subscribe for new ordinary shares of 1.7p each at 2.5p per share. These were issued to a service provider to provide ongoing services for 12 months.

During the period 1 January 2018 to 31 December 2018, 3,909,456 warrants were expired.

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 2018:

Grant date	Expiry date	*Exercise price	Expected Life Years	000's*
22-Mar-16	21-Mar-19	5.95p	3 years	1,469
29-Jul-16	28-Jul-19	8.50p	3 years	2,241
19-Sep-18	20-Sep-23	2.50p	5 years	2,000
				5,710

19. Share Based payments (continued)

19.1 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 2018	7,619
- granted	2,000
- cancelled/forfeited/expired	(3,909)
Outstanding warrants at 31 December 2018	5,710

*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:

	19 Sep 2018	29 Jul 2016	22 Mar 2016
Closing share price at issue date	2.12p	9.52p	6.12p
Exercise price	2.5p	8.5p	5.95p
Expected volatility	70%	87.3%	80.3%
Expected life	5yrs	3yrs	3yrs
Risk free rate	1.2%	0.31%	0.31%
Expected dividend yield	Nil	Nil	Nil
Estimated fair value	1.15p	5.44p	2.89p

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

For 2018, the impact of issuing warrants is a net charge to income of £23,000 (2017: Nil). At 31 December 2018, the equity reserve recognized for share based payments, including warrants, amounted to £1,032,000 (2017: £1,325,000).

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Opening amount	**1,325**	1,474
Warrants issued costs (Note 6)	**23**	-
Share options issued to employees (Note 6)	**26**	23
Share options issued to directors and key management	**132**	99
Forfeited Options	**(67)**	(30)
Expired options	**(206)**	(144)
Expired Warrants	**(201)**	(97)
Closing amount	**1,032**	1,325

19. Share Based payments (continued)

19.2 Share options reserve

Details of share options outstanding as at 31 December 2018:

Grant date	Expiry date	*Exercise price	*Number of shares 000's
16-Jan-14	15-Jan-20	33.83p	6
27-Mar-14	26-Mar-20	39.10p	1,274
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	7,907
01-Feb-18	31-Jan-24	4.50p	11,400
			28,365

*On 1 March 2017 17/1 share consolidation

	Weighted average ex. Price*	Number of shares* 000's
Outstanding options at 1 January 2018	13.87p	18,418
- granted	4.50p	12,600
- expired	67.00p	(603)
- forfeited	8.71p	(2,050)
Outstanding options at 31 December 2018	8.95p	28,365

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

During February 2014 5,882 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 Based payments (continued)

19.2 Share options reserve

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.

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.

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
01-Feb-18	3.69p	4.50p	68.30%	6yrs	1.09%	Nil	0%	2.11p
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
27-Mar-14	31.45p	39.10p	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

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

19. Share Based payments (continued)

19.2 Share options reserve (continued)

For 2018, the impact of share option-based payments is a net charge to income of £158,000 (2017: £122,000). At 31 December 2018, the equity reserve recognized for share option-based payments, including warrants, amounted to £1,032,000 (2017: £1,325,000).

19.3 Share Payments for services rendered.

In 20 June 2018 and 3 July 2018, the company issued 100,000,000 Ordinary Shares, at an issue price of 2.5 pence per share to certain directors, key management and employees project contractors of the company and other third parties in settlement of outstanding invoices of £2,500,000.

The total shares issued during 2018 for services rendered was as follows:

	Number of shares granted '000	Fair value per share issued	31.12.18 Value of services rendered £'000
Directors	10,830	2.50p	**271**
Person related to a director	1,068	2.50p	**27**
Key management	37,226	2.50p	**931**
Other Employees	3,075	2.50p	**77**
Payments to Project contractors and third parties' advances received	47,801	2.50p	**1,194**
	100,000		**2,500**

20. Non-Controlling Interest

	Year Ended 31.12.18 Birr'000	Year Ended 31.12.18 £'000
As at 1 January 2018	-	-
Acquisitions of non-controlling interest ("NCI")	34,250	**962**
Estimated non-controlling interest on future period claims on assets	4,037	**113**
Result for the year	(4)	**(0)**
	38,283	**1,075**

As at the 31 December 2018 the Government of Ethiopia had a 5% shareholding in the Tulu Kapi Gold Project. The NCI of £1,075,000 reflects value of the assets owned by the Government of Ethiopia in the Tulu Kapi Gold Project as at the 31 December 2018. The 5% figure will be reviewed on a continual basis as the project is developed.

20. Non-Controlling Interest (continued)

The Mining Proclamation entitles the Government of Ethiopia (GOE) to 5% free carried interest in TKGM. The 5% Non-Controlling interest reflects the government interest in the TKGM gold project. The GOE is not required to pay for the 5% free carry interest. This is a non-dilutive shareholding. The GOE can acquire additional interest in the share capital of the project at market price. The GOE has committed US $20,000,000 to install the off-site infrastructure in exchange for earning equity in Tuli Kapi Gold Mine Share Company.

The accumulated non-controlling interest is made up of the following of two amounts.

The amount of £962,000 is the 5% of the net assets of the Tulu Kapi Gold Mine Share Company as at 31 December 2018. The cash balance in the of the Tulu Kapi Gold Mine Share Company as at 31 December 2018 is £17,186.

The Ministry of Mines is in the process of reviewing development costs incurred after the 31 December 2014. The Company estimates that an amount of £113,000 will be recorded after this review is completed.

Most of the expenditure in TKGM has been capitalized so the result of the year is negligible.

The non-controlling interest of £1,075,000 reflects the 5% GOE portion of the anticipated value of the assets to be registered by the Ministry of Mines.

The financial information for Tulu Kapi Gold Mine Share Company as at 31 December 2018:

	Year Ended 31.12.18 Birr'000	Year Ended 31.12.17 £'000
Summarized Balance Sheet:		
Non-current assets	697,648	**19,595**
Current assets	1,002	**28**
Cash and Cash equivalents	614	**17**
	699,264	**19,640**
Equity	685,000	**19,242**
Loss Current Year	(75)	**(2)**
Current liabilities	14,339	**400**
	699,264	**19,640**

Notes to the consolidated financial statements (continued)

Year ended 31 December 2018

21. Jointly controlled entities

21.1 Joint controlled entity with Artar

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 Year Ended 31.12.18 100%	SAR'000 Year Ended 31.12.17 100%	GBP'000 Year Ended 31.12.18 100%	GBP'000 Year Ended 31.12.17 100%
[1]Non-current assets (Exploration costs)	**64,190**	65,260	**13,442**	12,901
Non-current assets	**27**	84	**6**	17
Cash and Cash Equivalents	**159**	81	**33**	16
Current assets	**64**	150	**13**	30
	64,440	65,575	**13,494**	12,964
Current liabilities	**(374)**	(956)	**(78)**	(189)
	(374)	(956)	**(78)**	(189)
Net Assets				
	64.066	64,619	**13,416**	12,775
Share capital	**2,500**	2,500	**524**	494
Non-current financial liabilities (Shareholder loans)	**64,890**	62,320	**13,588**	12,321
Accumulated losses	**(3,324)**	(201)	**(696)**	(40)
	64,066	64,619	**13,416**	12,775
<u>Exchange rates SAR to GBP</u>				
Closing rate			**0.2094**	0.1977
The Company	**SAR'000**	**SAR'000**	**£'000**	£'000
Loss from continuing operations	**(3,123)**	(22)	**(656)**	(4)
Included in the amount above				
Depreciation and Amortisation	**58**	158	**12**	31
Impairment exploration costs	**3,086**	-	**646**	-
Group				
Group Share 40% of loss from continuing operations			**(161)**	(286)

[1]Groups policy is to expense these exploration costs

21. Jointly controlled entities (continued)

21.1 Jointly controlled entity with Artar

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 has five Directors, of whom two are nominated by KEFI.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 project reaches development stage (note2). Consequently, exploration costs of G&M at 31 December 2018 amounting to SAR64.2 million (2017: SAR65.3 million) have been adjusted to bring the figures in line with the Group's accounting policy which is to expense all exploration costs.

A loss of £161,000 was recognized by the Group for the year ended 31 December 2018 (2017: £ 286,000) representing the Group's share of losses in the year. G&M impaired exploration costs during 2018. Because the group expenses all exploration costs in the year this impairment had no impact on the group accounts.

As at 31 December 2018 KEFI owed ARTAR an amount of £152,000 (2017: £228,000) - Note 23.4.

22. Trade and other payables

22.1 Trade and other payables

The Group	**Year Ended 31.12.18 £'000**	Year Ended 31.12.17 £'000
Accruals and other payables	**2,061**	1,829
Other loans	**203**	193
Payable to jointly controlled entity partner (Note 23.4)	**152**	228
Payable to Key Management and Shareholder (Note 23.4)	**696**	602
	3,112	2,852

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

The Company

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Accruals and other payables	**1,886**	1,748
Payable to jointly controlled entity partner (Note 23.4)	**152**	228
Payable to Key Management and Shareholder (Note 23.4)	**696**	602
	2,734	2,578

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

23. Related party transactions

The following transactions were carried out with related parties:

23.1 Compensation of key management personnel

The total remuneration of key management personnel was as follows:

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
[1]Directors' consultancy fees	**438**	547
[1]Share based payment: Directors' consultancy fees	**49**	-
Directors' other consultancy benefits	**35**	94
Share option-based benefits to directors (Note 19)	**77**	67
Share based payment: Directors bonus	**160**	-
[2]Short term employee benefits: Key management fees	**570**	420
[2]Share based payments short term employee benefits: Key management fees	**284**	
Short term employee benefits: Key management other benefits	**20**	53
Share option-based benefits other key management personnel (Note 19)	**55**	20
Share Based Payment: Key management bonus	**77**	-
	1,765	1,201

[1]Directors' fees paid to the Executive Director Chairman and Finance Director are paid to consultancy companies of which they are beneficiaries.
[2]Key Management comprised the Managing Director Ethiopia, Head of Operations, Head of Systems and Head of Planning.

Share-based benefits

The Company has issued share options to directors and key management. All options, except those noted in Note 19, 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.

23.2 Transactions with shareholders and related parties

Name	**Nature of transactions**	**Relationship**	**2018**	2017
Atalaya Mining PLC (previously EMED)	Provision of management and other professional services	Shareholder	**-**	5
Lanstead Capital	Equity swap agreement: Subscription cash proceeds received-Refer to Note 15	Shareholder	**409**	2,163
Sanderson Capital Partners	Loan facility, option, legal and due diligence fees- Refer to Note 22.2	Shareholder	**380**	-
Brandon Hill Capital Limited	Broker fees	Shareholder[1]	**60**	45
Brandon Hill Capital Limited	Loan arrangement fee	Shareholder[1]	**38**	-
Brandon Hill Capital Limited	Share placement fee	Shareholder[1]	**143**	65
Winchombe Venture Limited	Receiving of management and other professional services	Key Management and Shareholder	**566**	163
Members of International Mining Performance	Interest paid on loans advanced	Key Management and Shareholder	**50**	**-**
Nanancito Limited	Receiving of management and other professional services	Key Management and Shareholder	**440**	330
			2,086	2,771

[1] Brandon Hill Capital Limited became a 3.1% shareholder in the group on the 10 April 2019

(All amounts in GBP thousands unless otherwise stated)

23. Related party transactions (continued)

23.3 Receivable from related parties

The Company			2018	2017
Name	**Nature of transactions**	**Relationship**		
KEFI Minerals Marketing and Sales Cyprus Limited	Finance	Subsidiary	**-**	3
Tulu Kaki Gold Mine Share Company[1]	Advance	Subsidiary	**299**	-
Kefi Minerals (Ethiopia) Limited[2]	Advance	Subsidiary	**5.555**	5,076
			5,854	5,079

[1]The Company advanced £299,000 to the subsidiary Tulu Kapi gold Mine Share Company during 2018.

[2]Kefi Minerals (Ethiopia) Limited during 2017 repaid an amount of £1,200,000, the Company advanced £420,000(2017 £430,000) to the subsidiary. The Company had a foreign exchange translation profit of £58,000 (During 2017 the loss of £1,969,000 was because of the devaluation of the Ethiopian Birr in October 2017).

The above balances bear no interest and are repayable on demand.

23.4 Payable to related parties

The Group			2018	2017
Name	**Nature of transactions**	**Relationship**		
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity partner	**152**	228
Winchombe Ventures Limited	Fees for services	Key Management and Shareholder	**148**	162
Nanancito Limited	Fees for services	Key Management and Shareholder	**548**	440
Lanstead Capital	Finance -Refer to Note15	Shareholder	**-**	408
			848	1,238

The Company			2018	2017
Name	**Nature of transactions**	**Relationship**		
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity partner	**152**	228
Winchombe Ventures Limited	Fees for services	Key Management and Shareholder	**148**	162
Nanancito Limited	Fees for services	Key Management and Shareholder	**548**	440
Lanstead Capital	Finance -Refer to Note15	Shareholder	**-**	408
			848	1,238

24. Loans and Borrowings

24.1.1 Short Term Working Capital Bridging Finance

	Currency	Interest	Maturity	Repayment
Unsecured working capital bridging finance	GBP	Variable. Rate see below	On Demand	In KEFI Ordinary Shares or Cash at market parice

Unsecured working capital bridging finance	Balance 01.01.18 £'000	Principal Amount £'000	Transaction Costs	Interest £'000	Year Ended 31.12.18 £'000
Repayable in cash in less than a year	-	100	10	20	130
Repayable in Kefi Ordinary Shares at the option of the lender in less than a year	-	400	5	80	485
	-	**500**	**15**	**100**	615

The Group has the option to access working capital from certain existing stakeholders for up to GBP £1.5 million. This unsecured working capital bridging finance is short-term debt which is unsecured and ranks below other loans. In the event the Group is unable to pay this finance it will be repaid after other debt securities have been paid. Management expects that the company will meets its contractual obligation on the bridging finance on a timely basis going forward.

24.1.2 Reconciliation of liabilities arising from financing activities

	Balance 01.01.18 £'000	Cash Flows	Non-Cash Flows: Finance Costs	Non-Cash Flows: Fair Value changes	Non-Cash Flows: Shares	Year Ended 31.12.18 £'000
Unsecured working capital bridging finance	**-**	**500**	**115**	**-**	**-**	**615**
Derivative financial asset	**(408)**	**410**	**-**	**(2)**	**-**	**-**

	Balance 01.01.17 £'000					Year Ended 31.12.17 £'000
Derivative financial asset	-	1240	-	2280	(3,928)	408

24. Loans and Borrowings (continued)

24.2 Secured convertible loan facility

On the 28 November 2018 the Company had entered into an up to £4,000,000 secured convertible loan facility with Sanderson Capital Partners a long-standing Company shareholder that will underpin parent company working capital as it triggers the development of the project Loan Facility will include the following provisions, which are set out in the Term Sheet:

- Company may draw down the Loan Facility in monthly increments of £450,000 (the last instalment will be for whatever is the remaining undrawn balance available under the Loan Facility) at the Company's absolute discretion;
- Drawdowns will be at least 30 days apart and subject to no fundamental change in the business plan.
- There is no early repayment penalty and it is intended that the Company will repay any drawn amounts outstanding under the Loan Facility upon closure of the full debt and equity funding of the Project;
  The loan facility is secured by the Company's shareholding in Kefi Minerals (Ethiopia) Limited. The security provided to the Lenders would be cancelled at repayment, to make way for financing the Project;
- The Lenders will have an option to convert half of any repayment by the Company into new ordinary shares of par value 1.7p each in the capital of the Company("Shares") at a fixed price of 2p per Share. (if no repayment made the Lender may convert any or all of any outstanding balance at a price not below 2p);
- The backstop date for final repayment is 12 months from the date of entering into definitive documentation;
- To enter into the Loan Facility and to reflect that there is no interest coupon attached to it, the Company will issue 19,000,000 Shares to the Lender;
- A fee of 5% of any amounts drawn will be payable in Shares at the higher of 2p per Share or the preceding 5-day VWAP at the time of drawdown;
- The Company will pay an Option Fee of 5% for the right to trigger a £2 million Optional Second Facility after having used the First Facility. This fee will be paid by issuing new Shares at a price of 2p per Share; and
- The Optional Second Facility provides additional flexibility for a further £2 million with similar fees, but the Company is under no obligation to exercise this option.

In December 2018 the company issued 19,000,000 KEFI Ordinary shares at an issue price of 2p. The fees of £380,000 paid in shares was made up of the following First Facility fees: a) a commitment fee of 7.5% of the First Facility (being £150,000); b) a voluntary prepayment option fee of 2% of the Loan Facility (being £80,000); and c) an option fee of 5% of the Second Facility and the Third Facility (being £100,000) for the right to utilise the Second Facility d) Legal fees and due diligence costs (being £50,000). In addition, the Company agreed a drawdown fee equal to 5% of each drawdown amount under the First Facility which will be paid by the issue of New Ordinary Shares at the higher of the Issue Price or the preceding 5-day VWAP.

The Lender is a long-standing institutional shareholder who held Kefi Ordinary Shares amounting to approximately 1.11 % of the issued share capital of the Company on the date the convertible note agreement was executed.

On the 18 December 2018 the Company issued a drawdown notice of £450,000 to Sanderson. The funds relating to the drawdown are receivable after the 31 December 2018 therefore no amount has been recorded in the current year accounts.

25. Contingent liabilities

25.1 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 had 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 has been issued under this agreement in June 2007 for £43,750 (AUD 105,000).

25.2 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 2018; the balance in the deposit accounts was £20,000.

25.3 Legal Allegations

The original claim for damages of USD9,000,000 (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 in 2018 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

26. 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.

27. Capital commitments

The Group has the following capital or other commitments as at 31 December 2018 £525,000 (2017 £353,000),

	Year Ended 31.12.18 £'000	Year Ended 31.12.17 £'000
Tulu Kapi Project costs	**115**	353
Saudi Arabia Exploration costs committed to field work that has recommenced	**410**	-

28. Events after the reporting date

During February 2019, the Company completed a £969,000 placing by issuing 57,000,000 new ordinary shares of 1.7p each in the capital of the Company at a price of 1.7 pence per share.

ANS Mining Share Company S.C ("ANS Mining") has confirmed receipt from its investors of its first Project-equity instalment commitments for US$11.4 million (Ethiopian Birr equivalent which upon completion of certain conditions precedent will be invested in equity in TKGM. The total commitment by ANS is US$38 million (in Birr equivalent). The remainder of the US$38 million (Ethiopian Birr equivalent) commitment will be subscribed at close of full development funding.

It has also been agreed that, of the total commitment of US$38 million (Ethiopian Birr equivalent), one third will be invested via KEFI subsidiary KEFI Minerals (Ethiopia) Limited ("KME") so that ANS Mining will be KEFI's minority partner in KME which controls TKGM and the exploration areas in the Tulu Kapi district which are considered prospective for potential satellite and stand-alone deposits. The other two thirds of the ANS investment will be directly into TKGM. The impact of this refined approach will include that KEFI will have a strong partner at the KME table to consider potential new projects alongside KEFI.

It is anticipated that after ANS invests US$38 million (in Birr equivalent if the transaction and the transaction is completed then the ownership levels will be:

- KEFI will own c. 81% of KME which in turn will hold c. 56% of TKGM and that KEFI's beneficial ownership of TKGM will be c. 45% (both ownership levels in TKGM are net, after adjustment for the Government's 5% free carried interest).

On the 9th April 2019 the conditions precedent for the release of funds from the ANS subscription into TKGM are:

- Normal operational and documentary confirmations and undertakings requested by ANS,
- National Bank of Ethiopia approval of terms of the full project finance package, and
- KEFI's guarantee to ANS that if the project fails to proceed for whatever reason and is restructured in whichever manner decided by KEFI, KEFI will ensure that ANS recovers its 1st Instalment investment before KEFI recovers its own investment.

During April 2019 the Company issued 14,864,533 new Ordinary Shares of nominal value 1.7p each in the capital of the Company at a price of 1.7p to 2p per share. This shares issued were used to pay certain contracted managers and third party service providers and the 5% Sanderson fee on drawdown.

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