Keras Resources plc / Index: AIM / Epic: KRS / Sector: Mining

7 March 2016

Keras Resources plc ('Keras' or 'the Company' or 'the Group')

Final Results

Keras Resources plc, the Australian gold development company, is pleased to announce its final results for the year ended 30 September 2015.

Highlights:

- Focused on gaining near-term cash flow – gold production expected in Q2 2016 following the acquisition of Chaffers, which holds the Grants Patch Gold tribute agreement in Australia
- Name change to Keras Resources PLC to reflect re-focused strategy on Australian gold and cash flow opportunities
- Completed equity fund raising of £835,000 in February 2015 and raised £564,000 in February 2016 by way of the issue of an unsecured loan note to include the limited working capital required to commence gold production
- Finalised the Definitive Feasibility Study for the Nayega manganese project in Togo which indicates that the capital and operating costs will be substantially reduced from previous estimates.

Keras Managing Director Dave Reeves said, "2016 will be characterised by maiden cash flows and we are delighted with the progress made during the period, which set the foundations for what we are confident will be a successful year ahead. Gold production is set to commence shortly which will be a very significant milestone in our genesis, particularly considering that this will be achieved with limited capital and minimal dilution. This will make us the next, and possibly the only Australian gold producer on AIM. This transaction is particularly attractive given the positive gold pricing environment in Australia at the moment and therefore we believe that it makes sense to focus on this region and commodity in the near to mid-term, and I hope shareholders will agree that this de-risked strategy has the potential to drive significant growth in Keras going forward. I would like to thank shareholders for their support and patience during the period under review and look forward to delivering positive news in respect to our forthcoming achievements shortly."

Chairman's Statement

The year since our last Annual Report has been a time of positive transition which has seen us implement significant strategic initiatives; a portfolio assessment and diversification; and most importantly, an acquisition of a near-term gold production company in Australia which has seen us successfully transform ourselves in more than name alone and enter 2016 a stronger company.

Over the past year, the continued downward pressure on commodity prices, in particular iron-ore, has led us to reflect on our African operations and reassess our development strategy to ensure that we can continue to deliver maximum value for our shareholders. This in turn led to the decision to refine our core assets and re-focus our portfolio to identify high value development projects with a direct route to production and cash generation and targeting opportunities where good margins can be made despite price cycle lows.

With this in mind, we identified an ideal opportunity to deliver cash flow at very low cost within six months and therefore proceeded to acquire private Australian gold mining company Chaffers Mining (Pty) Limited ('Chaffers'). Chaffers has a five year tribute agreement to mine defined gold deposits at leases owned by Norton Gold Fields ('Norton'), located 30km north of Kalgoorlie in the heart of the Western Australian goldfields, product from which will be treated at Norton's nearby Paddington processing plant, 25km away. This opportunity was acquired in an all share deal and represents a very exciting new project in our portfolio. Most importantly, limited working capital of approximately £300,000 is required to commence production at the Grants Patch lease and we have secured a loan to fulfil this requirement.

The agreement covers historic resources of more than 350,000 ounces of gold and mining leases have been granted for deposits which comprise remnant resources below historic pits and previously unmined near-surface deposits. The shallow laterite and oxide deposits provide an excellent opportunity to deliver first production in Q2 2016. We are initially targeting production of 20,000 to 30,000 ounces of gold per annum at AISC C3 costs of c.AUD 900/oz. Keras will pay mining and processing costs, plus a 22% royalty to Norton.

This acquisition was especially timely in light of the recent upturn in gold prices, especially when comparing against the lowering Australian dollar which currently prices gold at more than AUD 1,600/oz therefore offering lower operating costs and higher earnings potential for projects based in Australia.

This acquisition also bolstered our Board and management team. In November 2015, Chaffers' Peter Hepburn-Brown was appointed as a Non-Executive Director of Keras and Peter George has taken up the role of Chief Operating Officer. They bring with them valuable knowledge of the deposits, as well as extensive experience of gold development and production, which will be very useful as we achieve our strategic goals.

Although it is fair to say that delivering value through Australian gold production is our primary strategy, our Nayega Manganese Project in Togo, West Africa is still important to Keras. This is due to its low capex, open pit, near-term production and low cost 250,000 tonne per annum manganese export potential. Nayega is an attractive deposit which we believe will deliver significant value for shareholders once in production. However its timeline for mine development and production is dependent on the final receipt of the mining licence. We would like to reassure shareholders that we have been highly active on the ground at Nayega and have ensured that all the relevant documents, government assurances and local support are in place so that we are well positioned to deliver first production within circa nine months from when we decide to commence development, subject to the availability of mining finance.

In May 2015, we completed the Definitive Feasibility Study ('DFS'), which marked a significant milestone at Nayega with a maiden ore reserve of 8.48Mt at 14% Mn and plans for an accelerated start-up option. The accelerated start-up entails the simplification and modularisation of the process circuit which we are confident will substantially reduce the capital and operating costs and should have a positive impact on the project's profitability. Other elements of the original model remain largely unchanged, with 750,000tpa ore initially being mined and processed by scrubbing/screening and DMS, albeit using a modified process flow route. In addition to this we remain in discussions with various third-party financiers for funding Nayega at project level. Full details are intended to be announced upon receipt of the mining licence.

We envisage that revenues generated through production from Grants Patch will position the Group to take on larger projects in the future and with this in mind, we continually assess new acquisition opportunities. Considering the current price levels and general appetite for this commodity our iron-ore portfolio in Gabon and South Africa no longer meets our investment criteria and has been de-prioritised with no exploration expenditure currently being attributed to it. We are currently evaluating joint venture and trade sale opportunities to realise the value of, and where possible, monetise our non-core assets.

Financial review

With regard to funding, we successfully completed fundraising in February 2015 for £835,000 with support from new and existing shareholders and Board participation by way of subscription, further aligning the Directors with Keras shareholders. Post year end, we have announced the closing of a £565,000 debt facility that will see us enter positive cash flow at Grants Patch, thereby minimising dilution to shareholders.

Our company name change to Keras Resources marks the beginning of our transformation into a gold production company, with a firm focus on generating cash flow. The commencement of gold production in Q2 2016 will be transformational and will enable us to look at adding further gold production in Australia and continue evaluating prospective opportunities in the natural resource market. We are at an important stage of our development and with a new strategic vision, a strong team at the helm and our Australian acquisition, the coming months are set to be particularly exciting for us.

Under these circumstances, the Board decided to fully impair the value of all African iron assets and the Leinster Manganese Project. Notwithstanding this, we continue to seek ways of realising value for shareholders from those assets. This decision has reduced net assets to less than half of the paid up share capital. In accordance with S.656, Companies Act 2006 this will be considered at the forthcoming Annual General Meeting but it should be stressed that the decisions already made by the Board are intended to rectify the situation.

I would like to thank investors for their support during the year and look forward to the coming months.

Brian Moritz
Chairman
4 March 2016

Operating review

Australia – Grants Patch Gold Tribute Project (100% owned)

With Chaffers, Keras has acquired a five year tribute agreement with Norton Gold Fields which will see it mine in the near-term certain defined gold deposits located on Norton's leases, located 30km north of Kalgoorlie in the heart of the Western Australian goldfields.

The deposits have historic resources of 5,741,155t @ 1.97g/t for 363,599 ounces of gold and the Group plans to commence production in Q2 2016, which will generate near-term cash flow to be channelled into advancing development at the Nayega manganese project. Keras anticipates initial production rates of 20,000 to 30,000 oz Au per annum, which will be treated at Norton's nearby Paddington processing plant with AISC C3 costs anticipated to total AUD900/oz. Keras will pay a 22% royalty to Norton.

Initially, Keras will target shallow laterite and oxide gold deposits to generate revenue rapidly. Deposits comprise previously mined pits with remainder economic material below the pit floor or unmined new areas. At the first two laterite gold pits, Accord and Anomaly 22, new estimates totalling 164,000t at an average grade of 1.4g/t, containing 7,200oz Au have been produced, mine designs finalised and environmental studies completed. 94,350t at 1.39g/t Au have been assigned to Anomaly 22 and 69,496t at 1.32g/t Au to Accord and this is expected to provide the first four to five months of mining for the Company. A small programme of confirmatory reverse circulation drilling will be conducted ahead of production. These initial pits have been chosen due to the fact that there is no pre-strip required. Modelling of Bent Tree, a further remnant open pit, is on-going and will be announced when completed. Once open-pit operations are performing at plan, high-grade underground opportunities will be investigated, for example, at Prince of Wales, which hosts historic resource of 154,000 @ 8g/t gold. All equipment required for mining and haulage will be hired from local contractors and confirmatory drilling and assaying will be conducted prior to the commencement of production.

The project offers significant cost advantages, with the 100% interest in Chaffers purchased at £465,000 in shares plus an additional £465,000 in shares on production of 10,000oz Au, at 30 day VWAP to announcement of successfully completing this milestone. Keras is poised to take advantage of a very profitable gold sector as an AIM listed Australian gold producer.

Togo - Nayega Manganese – 85%

Keras holds an 85% interest in the Nayega manganese project which covers a 92,390 hectares area in northern Togo, held through Societe Generale des Mines SARL. The project is 30km from a main road which has direct access to the regionally important deepwater port of Lome 600km away and has >800,000t per annum back loading capabilities.

During the period under review, we made significant progress on the ground proving up the economic potential and developing the 250,000 tonne low-capex, open-pit manganese mine towards production of a 38% manganese product with the potential to provide cash flow for the Group and its shareholders.

The Definitive Feasibility Study ('DFS') to develop Nayega as a manganese export operation completed in 2015 and the results indicate a notable reduction in capital and operating costs. Additional testwork conducted during the course of 2015 has led to improved understanding of how the mineralised material responds to beneficiation. As a result, Keras assessed an 'accelerated start-up' option which employs a modified process flow-route for manganese product. Nayega also offers low cost processing credentials offering an average mining depth of 4m, no waste stripping and no drill and blast needed. This and the size of the operation will allow for a small scale mining operation that can be managed by a local contractor which again should minimise costs.

Further to the DFS work completed, additional pitting at exploration targets T27 and T48 at Nayega allowed the estimation of resources for these two prospects. Inferred resources of 220,000t @ 15.6% Mn and 2.75Mt @ 9.2% Mn were defined at T48 and T27, respectively. Both areas are within easy trucking distance (T48 is <1km northwest, T27 is 6.5km east) of the Nayega deposit and are likely to have a substantial positive impact on its future development. Nayega's total JORC Code compliant resource in all categories is now 14Mt @ 12.4% Mn. This includes the 8.48mt @ 14% reserve.

Full details of the DFS, including economics, will be released once the mining licence is granted. With regard to the mining licence, negotiations with Togolese Government representatives over the Mining Convention have concluded. The Mining Convention is a comprehensive document outlining Keras' and the Government's commitments to each other on fiscal, environmental and social issues. This is a significant step for Keras and in conjunction with grant of the Environmental Permit last period, clears the way for the mining licence to be granted.

Gabon - Mebaga Iron Ore – 78%

Mebaga is a DSO iron ore project located in the north of Gabon within an extensive iron ore province, which extends from Gabon into the Republic of Congo ("ROC") and Cameroon. Major deposits in the region include Belinga in Gabon (1Bt @ 60% Fe); Mbalam in Cameroon (775Mt @ 57% Fe) and Avima in the ROC (690Mt @ 58% Fe). The project has significant benefits as the closest DSO project to the Libreville port in the Belinga Super Group area.

The 305 sq km project which spans over a 19km Banded Iron Formation ('BIF') strike has an Exploration Target of 630 - 1,050Mt @ 25 – 65% Fe, including 90 to 150Mt @ 35 – 65% Fe oxide (weathered), estimated over 11km of 19km BIF strike where mineralisation is open both along strike and at depth. The DSO potential has been authenticated by the 2013 drilling.

In August 2014, we completed a desktop study for operations and associated costs at Mebaga which highlighted that significant potential exists for low operating costs. Subsequent to this study, the iron ore price has dropped to approximately $40/t and the project is considered un-economic at these prices. As a result of this, the Group has been investigating other initiatives to realise value from this asset but in the meantime, its carrying value has been fully impaired.

South Africa - Malelane Iron Ore – 74%

Malelane is located in the mineral rich Mpumalanga region of South Africa. Keras holds a 74% interest in the project, which incorporates prospecting rights over a 4,192 Hectare area.

Malelane hosts a JORC Code compliant Inferred Resource of 139Mt at 37% Fe, which is only defined over 1.5km of the 14km BIF strike identified within the project area. A Scoping Study completed by Keras utilising this maiden resource in 2012 illustrated a potential method of developing Malelane as an initial 1.8Mtpa open-pit, low strip ratio operation with a 57% Fe product over a 16.6 year Life of Mine ('LOM').

With the reduction in iron ore pricing, this asset is not considered economic and its carrying value has been fully impaired.

South Africa – Leinster Manganese – 74%

The 47,004 hectare Leinster project is our second manganese project, located in the Northern Cape and North West Provinces of South Africa. The project covers the entire Leinster Basin, an erosional outlier of the Kalahari Manganese Field, which is the largest manganese metallogenic province in the world.

The Leinster deposit lies at an average depth of 80m below surface and is envisaged as an underground operation with ore trucked or railed to port for the export market. Anglo American, who drilled 51 holes on the Leinster property between 1977 and 1988, previously held the property. Using this information, Coffey Mining calculated an exploration target of 5.5 to 8.7Mt at 28.6 to 31% Mn for Leinster on behalf of Keras Resources. The target is open in all directions.
With the reduction in manganese pricing, this asset is not considered economic and its carrying value has been fully impaired.

David Reeves
Managing Director
4 March 2016

For further information please visit www.kerasplc.com, follow us on Twitter @kerasplc or contact the following:

Dave Reeves	Keras Resources plc	dave@kerasplc.com
Nominated Adviser		
Gerry Beaney/David Hignell	Northland Capital Partners Limited	+44 (0) 20 7382 1100
Broker		
Elliot Hance/Jonathon Belliss	Beaufort Securities Limited	+44 (0) 20 7382 8415
Financial PR		
Elisabeth Cowell/ Frank Buhagiar	St Brides Partners Limited	+44 (0) 20 7236 1177

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2015 £'000	2 £
Revenue	-	
Cost of sales	-	
Gross profit	-	
Administrative and exploration expenses	(1,180)	(1,
Loss from operating activities	(1,180)	(1,
Finance income	-	
Finance costs	(78)	(
Net finance costs	(78)	(
Results from operating activities after finance costs	(1,258)	(1,
Impairment of assets	(4,458)	
Loss before tax	(5,716)	(1,
Tax	-	
Loss for the year	(5,716)	(1,
Other comprehensive income		
Exchange translation on foreign operations	19	(
Total comprehensive loss for the year	(5,697)	(2,
Loss attributable to:		
Owners of the Company	(5,450)	(1,
Non-controlling interests	(266)	
Loss for the year	(5,716)	(1,

Total comprehensive loss attributable to:		
Owners of the Company	(5,373)	(1,
Non-controlling interests	(324)	
Total comprehensive loss for the year	(5,697)	(2,
Loss per share		
Basic and diluted loss per share (pence)	(0.528)	(0.

All activities are classed as continuing

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

	2015	
	£'000	**£**
Assets		
Property, plant and equipment	35	
Intangible assets	1,171	5
Non-current assets	1,206	5
Loans	-	
Trade and other receivables	52	
Cash and cash equivalents	64	
Current assets	116	
Total assets	1,322	5
Equity		
Share capital	5,504	4
Share premium	6,371	6
Other reserves	523	
Retained deficit	(11,275)	(5
Equity attributable to owners of the Company	1,123	5
Non-controlling interests	(661)	(
Total equity	462	5
Liabilities		
Loans and borrowings	375	
Trade and other payables	485	
Current liabilities	860	
Total liabilities	860	

Total equity and liabilities	1,322	5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2015

	Attributable to owners of the Company							
	Share capital £'000	**Share premium £'000**	**Share option reserve £'000**	**Exchange reserve £'000**	**Retained deficit £'000**	**Total £ '000**	**Non-controlling interests £'000**	**Total equity £'000**
Balance at 1 October 2014	4,669	6,439	229	196	(5,825)	5,708	(337)	5,371
Loss for the year	-	-	-	(183)	(5,267)	(5,450)	(266)	(5,716)
Other comprehensive income	-	-	-	260	(183)	77	(58)	19
Total comprehensive loss for the year	-	-	-	77	(5,450)	(5,373)	(324)	(5,697)
Issue of ordinary shares	835	-	-	-	-	835	-	835
Costs of share issue	-	(68)	-	-	-	(68)	-	(68)
Share-based payments	-	-	21	-	-	21	-	21
	835	(68)	21	-	-	788	-	788
Balance at 30 September 2015	5,504	6,371	250	273	(11,275)	1,123	(661)	462

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2015

	2015
	£'000
Cash flows from operating activities	
Loss from operating activities	(1,180)
Adjustments for:	
Depreciation	15
Profit on disposal of property, plant and equipment	(1)
Foreign exchange differences	139
Equity-settled share-based payments	21
	(1,006)
Changes in:	
- trade and other receivables	12
- trade and other payables	177
Cash used in operating activities	(817)
Finance costs	(15)
Taxes paid	-
Net cash used in operating activities	(832)
Cash flows from investing activities	
Proceeds from sale of property, plant and equipment	13
Acquisition of property, plant and equipment	-
Exploration expenditure	(224)
Net cash used in investing activities	(211)
Cash flows from financing activities	
Net proceeds from issue of share capital	655
Proceeds from short term borrowings	345
Net cash flows from financing activities	1,000
Net decrease in cash and cash equivalents	(43)
Cash and cash equivalents at beginning of year	107
Cash and cash equivalents at 30 September	64

NOTES

1. The financial information contained in this announcement does not comprise full statutory accounts.

2. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU. The financial statements have been prepared on the historical cost basis.

3. No dividend is proposed in respect of the period.

4. A formal notice of AGM along with the Annual Report and Accounts will be sent to shareholders shortly and will be uploaded to the Company's website in due course - www.kerasplc.com.