28 July 2016

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

Quarterly Report for the period end 30 June 2016

Keras Resources plc, the Australian gold mining company, is pleased to provide an update on the Company's activities for the quarter ended 30 June 2016. The grade being reported on is provisional until final confirmation is received from the Paddington Mill owned by Paddington Gold Pty Ltd, a subsidiary of Norton Gold Fields ('Norton').

Overview:

- Operations commenced in March 2016 with first ore milled in April 2016
- First quarter provisional production from the small scale open pits at Anomaly 22 and Accord:
    - 63,346 tonnes mined and toll processed at a provisional grade of 1.36 g/t Au for a total of 2,763 ounces Au
    - Total operating cost per ounce (ex-Tribute) of A$1,407/oz and total operating cost (Tribute incl.) of A$1,736/oz with an average gold price received for the quarter of A$1,687/oz
    - Lower than expected productivity in the small pits resulted in higher operating costs
- Re-evaluation of mining protocols and operating procedures, including increasing excavator and trucking capacity, optimising grade control drilling and re-negotiating contracts to significantly reduce costs and increase margins
- Mining has been completed at these two deposits and the Company is now mobilising the new mining fleet to start the next stage of development by mining at the higher grade Wycheproof project
- Wycheproof expected to benefit significantly from the optimisation procedures implemented as well as being a profit share rather than a royalty payment – positive cash flow anticipated
- Detailed plans and costing with contractors for higher margin and longer life undergrounds well advanced
- Underground Prince of Wales Bulk Sample approval received
- At the end of the quarter the Company had a cash balance of £0.75 million

Keras Managing Director Dave Reeves said, *"Based on the first quarter production figures we have introduced improved operational procedures and efficiencies to reduce costs, increase margins and maximise the value of the tribute lease areas under our control. The move now into the higher-grade pits at Wycheproof and then Lindsay's will, I believe, reflect positively in our next production update. To ensure maximisation of these higher-grade opportunities, and offset the start-up operational challenges experienced, we have changed the grade control sampling procedures, optimised the labour force, and up-sized the mining fleet. Importantly the new open pit areas are subject to a profit share tribute agreement rather than a royalty based agreement which should significantly impact our percentage profit. Furthermore, the majority of, if not all of the next quarter's production will be batch processed through a third party mill which should reduce the time associated with grade reconciliation and payment".*

"Therefore, although we have had initial teething issues and were disappointed by May and June's performance, we have learnt a lot from mining these smaller pits. All the above initiatives should see the new open pit operations producing positive cash flow in the coming quarters. It is now a matter of cost control and ensuring that our operations are maximising efficiencies as we continue to implement the original strategy of building a gold production business around the higher grade and higher margin, longer life underground operations in the region."

Further details:

Following the commencement of production in late March, the Company produced a provisional 23,609t @ 1.30g/t for 1,215 oz Au in April. The following two months experienced operational issues, which the Board believes have now been rectified with performance expected to improve as these take effect, production moves to the higher-grade pits and the agreements switch to profit share rather than royalty.

In the quarter ending 30 June 2016 the Company mined and toll processed 63,346 tonnes at a provisional grade of 1.36 g/t for a total of 2,763 ounces Au. The grade being reported is provisional until final confirmation is received from the Paddington Mill owned by Paddington Gold Pty Ltd, a subsidiary of Norton. The final grade data from the sampling and recoverable gold determination procedure at Paddington Mill is currently behind schedule due to the sample crusher being temporarily unavailable during the quarter. The Company will provide final grades when they have received the outstanding grade reconciliations, which are expected in the next 6 weeks.

Assuming the provisional grades above, the total operating cost per ounce (ex-Tribute) was A$1,407/oz and the total operating cost (Tribute incl.) was A$1,736/oz with an average gold price received for the quarter of A$1,687/oz. To date, the grades of only 7,430 tonnes of the total 63,346 tonnes have been finalised. The Company will update the market again as soon practicable once the final grades are determined.

To maximise the current higher-grade targets the Company has implemented multiple initiatives to ensure it can take advantage of the shift to the higher-grade pits. These include a reverse circulation drilling ('RC') grade control ('GC') programme that is completed on the open pit prior to operations commencing instead of a rolling GC programme using blast holes ahead of the mining face. Although the use of blast holes for GS is considered industry standard, the Company has implemented the RC programme to mitigate the risk of grade issues going forward due to the delayed nature of grade feedback from toll mills.

With regards to labour, Keras has taken the decision to optimise the work force, and in particular contract all labour directly and specifically for the job required. Previously the Company had used multi-skilled operators for flexibility which came at a higher cost. In addition all labour will now be moved to on-site accommodation to increase the available operating time and again, reduce costs.

Additionally, the mining fleet has been resized to increase productivity and reduce labour costs. The 65 tonne excavator has been replaced with a 120 tonne excavator and the two wheel drive rigid trucks have been replaced with six wheel drive articulated trucks, which can operate in the wet. The increased productivity associated with using a bigger excavator will be supplemented by a pit design, which now moves from the 1m benches at the Anomaly 22 and Accord pits to 3m benches at the Wycheproof pit.

In addition to the productivity and cost saving processes implemented by the Company, mining has also moved into the higher-grade Wycheproof project and importantly the Tribute Agreement is a profit share rather than a royalty payment. The terms of the Norton royalty effectively resulted in 22% lower gold price and if had been mined as a profit share instead it would have resulted in a small profit. In addition to the positive changes to the Tribute economics, the majority, if not all the mined tonnes will be batch processed at a nearby mill that should result in timely grade reconciliations and accelerated payment terms. Final negotiations on this are in progress and we will update the market as soon as practicable once they are finalised.

Underground

The underground operations remain the long term future of the Company. They will provide increased production at higher margins when bought into production. Extensive design work and costing with contractors has been completed in the quarter and when finalised, results will be released to the market.

The Prince of Wales Bulk Sample permit has now been received which allows the Company to target the shallow, higher-grade ore that can be easily accessed form the existing decline.

Other Projects

The Company continues to evaluate additional gold projects in Australia to build a larger, sustainable production base. Various projects have been looked at and are at different levels of investigation.

The mining licence for the Nayega manganese project in Togo is still awaiting award and some positive discussions have been had in the quarter with the Togolese Mines Department.

Corporate

During the quarter the Company completed an equity fund raising of £1,250,000 before expenses.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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

****ENDS****

Dave Reeves	Keras Resources plc	dave@kerasplc.com
Nominated Adviser		
Gerry Beaney/David Hignell	Northland Capital Partners Limited	+44 (0) 20 3861 6625
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