

10 May 2016

Keras Resources plc ('Keras' or 'the Company')
KalNorth Option Exercised

Keras Resources plc, the Australian gold mining company, is pleased to announce that it has exercised the Option Agreement it was granted in March 2016 over the Lindsay's Project ('Lindsay's') in the Western Australian Goldfields by KalNorth Gold Mines Limited ('KalNorth').

Under the terms of the Option Agreement, Keras was granted an exclusive and irrevocable option to mine the Lindsay's Project in consideration for a share of the net revenues derived from the project. Keras and KalNorth will now finalise a formal agreement, which will contain full representations and warranties in respect of the Lindsay's Project, prior to the commencement of mining operations.

The Lindsay's Project incorporates total open pit and underground resources of 215,000 ounces Au, of which 77% falls in the Indicated Resource category. This includes the high-grade Parrot Feathers deposit which comprises a resource of 401,000t at 4.2g/t Au for 54,000 ounces Au. Keras, at its cost, is currently undertaking an internal assessment to look at decreasing dilution by developing on reef and upgrading the ore through the use of optical sorters. The mining will initially start on the remaining open pit resources with a fully ramped up underground production rate expected to be between 10,000 and 20,000 ounces per annum. All the mining permits are in place for the current operation.

Highlights

- **Exercising the option increases the Company's taxable resources by 215,100 ounces Au at a grade of 1.7g/t Au**
- **Identified three open pit resources comprising approximately 100,000 tonnes of ore at an average 2.46g/t for 7,900 ounces - further drilling is required on two of these pits before a final decision to mine them is made**
- **Reverse Circulation ('RC') drill rig will be mobilised in May 2016 to begin grade control drilling at the first pit**
- **Plan to commence a 10,000t bulk sample at the Lindsay's Underground Mine under a Programme of Works licence, concurrent with the open pit operation**
 - **The bulk sample will provide grade and geotechnical data for the ongoing underground feasibility study as well as test material for the optical sorting equipment**

Keras Managing Director, Dave Reeves said, "Subsequent to the successful £1.25m placing last month, we are pleased to have been able to fast-track our internal assessment of the Lindsay's Mine

to the point that we are now comfortable to exercise the KalNorth Option to redevelop the project. As with our current operations at Grants Patch, in order to mitigate the mining risk we will be extracting the ore through a staged approach with significant grade control and in-fill drilling ahead of the mining face. The underground bulk sample, extracted from a 300m on-reef decline drive, will not only provide significant grade and geotechnical information for the ongoing feasibility study but, as it forms part of the underground development plan, will reduce the time required to develop the high-grade Parrot Feathers resource.”

The internal assessment of the open pit resources at Lindsay’s has identified approximately 7,900oz Au of potentially economic resources in three pits namely; the Trial Pit, the LC4 pit and the LC1 pit. The Trial Pit comprising 25,000t at 2.2g/t for 1,800oz Au is the most advanced and only requires grade control drilling prior to production. The LC4 and LC1 pit comprise 11,300t at 3.85g/t for 1,400oz Au and 60,000t at 2.45g/t for 4,700oz respectively. A RC drill rig will be mobilised in May to begin grade control drilling at the Trial Pit resource where mining will initially commence followed by in-fill drilling at the LC4 and LC1 resources.

In addition the Company plans to commence a 10,000t bulk sample at the Lindsay’s Underground Mine under a Programme of Works licence concurrent with the open pit operation. The bulk sample, extracted from a 300m on-reef decline drive, will provide grade and geotechnical data for the on going underground feasibility study as well as test material for the optical sorting equipment. The Company will source the rental equipment required to develop the decline, including a drilling jumbo, front end loader and a mobile optical sorter that includes a crusher. The ore will be crushed and sorted on surface before dispatch to a toll mill. The decline would form part of the main underground workings allowing a rapid transition to full-scale mining once the test phase has been successfully completed.

Under the agreement with KalNorth, gross revenue from production will be allocated in order as follows:

- Payment of State or Government royalties, direct operating expenditure and working capital expenditure (excluding any capital expenditure on mining equipment that will remain the property of Keras);
- 10% of operating cash flow deemed as a management fee payable to Keras;
- Amount remaining after deducting the management fee to be split 49:51 between Keras and KalNorth for a gold price equal or lower than A\$1,600/oz; and
- For that part of the Project Profit derived from a gold price which is greater than A\$1,600/oz, 30% of the Project Profit attributed to the gold price above \$1,600/ounce will be distributed to KalNorth, with the remaining 70% to Keras.

Mining will take place using a dry hire mining fleet, manned by Keras personnel. Haulage and milling will be undertaken using local contractors who will be appointed shortly. Keras will be responsible for providing mine management and securing all required permits for the trial decline.

****ENDS****

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