

AIM: KEFI

1 April 2014

**KEFI Minerals Plc
("KEFI" or the "Company")**

QUARTERLY OPERATIONAL UPDATE

KEFI Minerals, the AIM-quoted gold and copper exploration and development company is pleased to release its first Quarterly Operational Update.

The Company is now in a period of transition as it changes its focus from exploration to development and production as a result of the recently acquired interest in the Tulu Kapi project which complements our existing successful venture in Saudi Arabia.

This Operational Update covers the period from 1 January 2014 to 31 March 2014 and encompasses the activities of two joint venture companies managed by KEFI Minerals, 75%-owned KEFI Minerals (Ethiopia) Limited (KME) (formerly called Nyota Minerals (Ethiopia) Limited) and 40%-owned Gold & Minerals Llc Limited (G&M).

HIGHLIGHTS

**The Democratic Republic Of Ethiopia
Tulu Kapi gold project, Western Ethiopia -KME**

- Following the acquisition of 75% of KME on December 29, 2013, the project camp was immediately re-opened and personnel mobilised to start community engagement and refinement of site development planning.
- Trenching commenced in February to aid geological structural interpretation.
- Refinement of the Definitive Feasibility Study (DFS) to reactivate the Mining Licence Application (MLA) has begun. The application process had been suspended by former management and the authorities would like to see the application reactivated as soon as possible.
- In March, the JORC-compliant Mineral Resource estimate was updated, which increased the Indicated category resource by 65% to 1.88Moz Au, for a total resource of 2.05Moz Au.
- A two month drilling programme is now underway and KME formally engaged independent consultants for Stage 1 of modifying the DFS to suit the anticipated 1.2Mtpa production rate at higher grades than historically planned.

**The Kingdom of Saudi Arabia
Jibal Qutman Project, Saudi Arabia - G&M**

- Drilling continued throughout the quarter and mineralisation remains open in three of the five adjacent open pits included in the mineral resource. (Please refer to a map on the Company's website at www.kefi-minerals.com/projects/saudi-arabia/jibal-qutman).
- In February, G&M updated JORC-compliant Mineral Resources to 495Koz Au.
- In March, completed the Preliminary Feasibility Study (PFS) and draft MLA for review by G&M before submittal to the authorities.

Corporate

- Directors approved the Business Plan targeting earliest development of profitable production from Tulu Kapi and Jibal Qutman, combined with an ambitious exploration programme focused within the Arabian Nubian Shield (ANS).
- Development Finance scenarios outlined to potential project financiers in a process which will intensify in Q3-2014 targeting non-binding detailed terms sheets by year-end 2014.
- VAT liability settled with Ethiopian Government with an agreed 3-year payment schedule.
- Incentive Options Plan updated and allocations made aggregating 5.4% of issued shares.

Jeff Rayner, Managing Director of KEFI Minerals, commented:

“We are pleased to be advancing development planning within the highly prospective Arabian Nubian Shield.

We have a number of milestones ahead for the year, targeting the re-activation of Tulu Kapi’s MLA in 2014 and the start of construction in 2015. In Saudi Arabia, Jibal Qutman project is equally important although its timeline is less clear pending refinement of technical studies after regulatory reviews.

We appreciate the support of premier investment institutions Odey Investments and Standard Life in such a challenging time in capital markets. It is clear that our increased focus on development and production, made possible with the acquisition of Tulu Kapi, has the potential to provide worthwhile returns to shareholders and benefit all stakeholders.”

HISTORY

KEFI Minerals was admitted to AIM in December 2006 and has, since then, examined many acquisition opportunities and exploration targets in various countries around the Mediterranean, Middle East and Africa. Its focus has settled on the Arabian Nubian Shield and, more particularly on its development projects in Ethiopia and Saudi Arabia together with the surrounding exploration portfolio.

ETHIOPIA

Tulu Kapi project

We now have 47 personnel in Ethiopia, almost all based at Tulu Kapi camp site. Consultations with regulatory authorities have been both efficient and constructive. Milestones for 2014 are expected to include:

- Q2-14:
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 - TK field results, re trenching and drilling
 - Initial Reserve Update after preliminary production plan revision
 - DFS scope settled: DFS final contracts awarded under refined production plan
- Q3-14:
 - Resources & Reserves completion after KEFI trenching and drilling
 - DFS progress reports
 - Project Finance non-binding detailed terms sheets
- Q4-14:
 - DFS signed-off and MLA re-activated

SAUDI ARABIA

Jibal Qutman

The recently completed PFS identified the preferred option for project development, including mine access, mining method, processing method and infrastructure requirements. The preliminary starter-plan studies have, for the time being, focused on minimum production of circa 32,000oz pa Au from mining and processing 1Mtpa for 9 years grading 1.1g/t Au, based on:

- Geological review and a JORC standard mineral resource estimate,
- Metallurgical testing,
- Process design and preliminary engineering details suitable for cost estimation of the project to within +/- 25% accuracy,
- Detailing of all labour requirements and mine and plant consumables, in order to confirm the estimated operating costs,
- Preliminary reviews by independent specialist consultants.

PFS financial modelling demonstrates a profitable operation with Opex under \$700/oz Au and total costs (including Capex and closure) under \$1,000/oz Au. This would improve if ongoing drilling continues to expand mineral resources and, in due course, establishes the requisite ore reserves.

Milestones for 2014 are expected to include:

- Q2-14:
 - MLA submitted after review and refinement with authorities
 - Drilling results
- Q3-14:
 - Project Finance non-binding indicative terms sheets
 - Drilling results
- Q3/4-14:
 - DFS triggered
 - Drilling results

Other Licences

In Ethiopia, there are 5 licences adjacent to Tulu Kapi, some with encouraging historical results. Fieldwork has commenced under KME and some inherited licence renewal issues need resolution with the authorities where appropriate to protect tenure.

In Saudi Arabia there are 3 granted licences other than Jibal Qutman and 23 exploration licence applications have been made on behalf of G&M by local lead-partner ARTAR. The granting of exploration licences in Saudi Arabia involves extensive community and regulatory consultation with a view to making for a smoother process during the potential development phase. G&M is one of the few private sector minerals parties to have been granted exploration licences in the past two years. Some of our applications are at advanced stages and we are also discussing with the authorities the appropriateness of prioritising applications in the vicinity of Jibal Qutman.

Milestones for 2014 are expected to include results from fieldwork on licences in both Ethiopia and Saudi Arabia. As a result of KEFI Minerals' recently enlarged portfolio, the Company is reviewing its exploration priorities in consultation with the respective regulatory authorities to best serve the two development projects and the policy priorities of the jurisdictions we operate in. Shareholders will be advised of these priorities in due course.

Enquiries

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References in this announcement to exploration results and mineral resources have been approved for release by Mr. Jeffrey Rayner. Mr Rayner is a geologist and has more than 25 years' relevant experience in the field of activity concerned. He is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has consented to the inclusion of the material in the form and context in which it appears.

Further information on KEFI is available at www.kefi-minerals.com

KEFI operates in Ethiopia and Saudi Arabia

In December 2013, KEFI Minerals acquired 75% of Tulu Kapi licence in western Ethiopia and intends to refine the development plan for the project, aimed at reducing the previously planned capital and operating expenditure.

KEFI is now positioned as an operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with an attributable 1.73Moz of JORC-compliant mineral resource plus significant resource growth potential. By 2017, the aggregate estimated production at these projects attributable to KEFI could exceed 80,000oz pa Au, generating cash flows for further exploration and expansion as warranted, recoument of development costs and, when appropriate, dividends to shareholders.

In 2009, KEFI formed the Gold and Minerals Joint Venture ("G&M") in Saudi Arabia with local Saudi partner Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), to explore for gold and associated metals in the Arabian Shield. To date, the G&M has lodged 23 Exploration Licence Applications, of which four have been granted. KEFI is advancing its Jibal Qutman project through Pre-Feasibility Study with a view of applying for its first mining licence.

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

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