

**15 October 2014**

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

**QUARTERLY OPERATIONAL UPDATE**

KEFI Minerals (AIM: KEFI), an emerging gold miner with projects in the Kingdom of Saudi Arabia and Democratic Republic of Ethiopia, is pleased to provide its third quarter operational update for the period from 1 July to 30 September 2014 as well as post-period events. The update encompasses the activities of KEFI Minerals (Ethiopia) Limited ("KME") in Ethiopia and Gold & Minerals Llc Limited ("G&M") in Saudi Arabia.

**HIGHLIGHTS*****Tulu Kapi gold project, Ethiopia***

- Received final independent verifications and approvals to enable, post period, reactivation of Mining Licence Application
  - Updated JORC compliant Mineral Resource reporting of total Indicated and Inferred Resource of 23.7 Mt at 2.51 g/t Au for 1.9Moz Au
  - Updated JORC compliant Ore Reserve reporting of total Probable Ore Reserves of 12.9 Mt at 2.41 g/t Au for 1.002 Moz Au
  - All-in-Costs estimated at \$844/oz – well below global industry averages
- Acquired remaining 25% of Tulu Kapi gold project from previous owner, which gives the Company full control and funding flexibility
- Post period, received headline indicative terms for project finance from several financial institutions, which is intended to be implemented in parallel with the project development timetable

***Jibal Qutman project, Western Saudi Arabia***

- Drilling and trenching continued with mineralisation remaining open in three of the five adjacent pits included in the reported Mineral Resource

**Harry Anagnostaras-Adams, Executive Chairman of KEFI Minerals, commented:**

**“We made tremendous progress during the last quarter which, post period, culminated in the reactivation of the Mining Licence Application for Tulu Kapi. With the strong support of the Ethiopian Government, KEFI can now see a clear path towards becoming a gold developer and commencing commercial production.**

**“While the present focus is predominantly on Tulu Kapi, we are also ready to advance our strong exploration portfolio of carefully selected targets within the highly prospective Arabian-Nubian Shield. As such, the Directors of KEFI are excited about the Company’s future prospects and are confident of delivering value to shareholders.**

**“I would like to thank the Ethiopian Government for their support and also our exploration, development planning and financing teams without whom the rapid progress of the Tulu Kapi project would never have been achieved.”**

## **OPERATIONAL REVIEW**

### **Democratic Republic Of Ethiopia** *Tulu Kapi gold project, Western Ethiopia*

This has been a historic period for the Tulu Kapi gold project where the Company focused on receiving the requisite independent verifications of project plans and headline indicative financing terms to enable the reactivation of the Mining Licence Application (“MLA”) on 6 October 2014, which had been suspended in mid-2013 by the previous owner of the asset. The Ethiopian Minister for Mines, Hon. Tolassa Shagi Moti, has confirmed to the Company, the Government's intention to expedite the processing of the MLA with a view to construction commencing in early 2015.

In addition, during the third quarter, KEFI took full control of the Tulu Kapi project. On 3 September, the shareholders of Tulu Kapi's previous vendor approved the sale of the remaining 25% to KEFI – resulting in the Company owning 100% of the project (it will convert to 95% upon the Government exercising its right in due course before commencement of production to a 5% free-carried equity position). The acquisition cost was paid mainly in KEFI shares and totalled £6M, which represents under \$10/oz gold Reserve.

The independent verifications received during the period and subsequently include:

- updated JORC 2012 compliant Mineral Resource reporting of total Indicated and Inferred Resource of 23.7 Mt at 2.51 g/t Au for 1.9 Moz Au;
- open pit Mine Plan for targeted production of 86,000 oz Au per annum for 10.5 years from mining and processing 1.2Mtpa at 2.4g/t Au;
- updated JORC compliant Ore Reserve reporting of total Probable Ore Reserves of 12.9Mt at 2.41g/t Au for 1.002 Moz Au; and
- costs estimates for the open pit, including total estimated operating costs at \$626/oz and All-in-Costs at \$844/oz including capex, opex, closure and royalties – well below global industry averages.

Post period, KEFI has received headline indicative financing terms of c. \$100M from several financial institutions, all of which are familiar with the project and have already undertaken initial due diligence. The finance plan remains to fund all pre-development obligations and activities with equity capital of c. \$5M through mid-2015, and that the c. \$130M investment required for development in 2015 will be optimised in mid-2015 and mostly financed by project-related debt.

### **Kingdom of Saudi Arabia** *Jibal Qutman project, Western Saudi Arabia*

Drilling and trenching continued at KEFI's Jibal Qutman project in Saudi Arabia and, on 14 July 2014, the Company reported drilling results with the best results including 17m at 3.72g/t Au, 8m at 3.22g/t Au (including 3.0m at 7.21g/t Au), 13m at 2.27g/t Au and 22m at 2.51g/t Au. Mineralisation remains open in three of the five adjacent pits included in the reported Mineral Resource.

## **Other Licences**

In Ethiopia, KEFI continued drilling at licences adjacent to Tulu Kapi, reporting exploration results at Guji including 44m at 1.73 g/t Au and 6m at 3.98 g/t Au, and results at the Chalte prospect of 8m at 1.91 g/t Au and 8m at 1.88 g/t Au. This re-affirms the excellent prospectivity for additional gold deposits within haulage distance of the planned processing plant at Tulu Kapi. In Saudi Arabia, Selib North was downgraded in priority and, pending the grant of additional licences, the focus is now exclusively on Jibal Qutman and prospecting application areas, including the set of four tenements adjacent to Jibal Qutman.

## **Corporate**

During the period, the Company raised gross £2.125M cash, through private placement of ordinary shares, to fund the acquisition of remaining 25% of KME (the 95% owner of Tulu Kapi) and all costs for the reactivation of the MLA. Following the acquisition of KME, the vendor distributed its 13.85% shareholding in KEFI to its own shareholders on 24 September 2014.

On 12 September, KEFI announced the grant of 2,250,000 incentive options to the newly-appointed Non-Executive Director, His Excellency Mr Norman Ling, former British Ambassador to Ethiopia. The exercise price was set at a 24% premium to the then prevailing price per KEFI share and all terms and conditions were in accordance with the Incentive Options Scheme.

KEFI appointed, on 15 September, SP Angel Corporate Finance LLP as Nominated Adviser to the Company.

Post period, upon re-activating the Tulu Kapi MLA, Mr Harry Anagnostaras-Adams moved from Non-Executive to Executive Chairman with a particular focus on permitting, financing and staffing in preparation for exploitation of the Tulu Kapi asset. Previous Managing Director, Mr Jeff Rayner, assumed the role of Exploration Director to focus on identifying the Company's next value-adding stages beyond the construction and start-up of the Tulu Kapi open pit.

## **OUTLOOK FOR Q4 2014**

### **Tulu Kapi**

The previously foreshadowed milestones for 2014 have now been achieved, other than the updating of the Definitive Feasibility Study ("DFS") from its 2012 version (prepared by the previous owner of the asset). The Company is now working to update the DFS to reflect KEFI's overhaul of Tulu Kapi. Other priorities include the assessment of opportunities for further improvement such as considering refurbished plant (rather than all-new) and contract-mining (rather than owner-mining).

### **Jibal Qutman**

G&M continues to consider the development plan for Jibal Qutman whilst the zones of mineralisation expand with drilling results.

As stated previously, the Saudi authorities are reviewing their regulatory policy with regards to mineral exploration. The Directors of KEFI are increasingly confident that, given the Company's approach of strong local ownership from the outset – through its joint venture company, G&M,

which is 60% owned by local partner ARTAR – for its operations in Saudi Arabia, it is well-positioned to avoid any potentially negative impact resulting from a change in policy.

## **EXPLORATION AND CORPORATE STRATEGY**

In Ethiopia, there are three licences adjacent to Tulu Kapi. There are some encouraging historical results and further fieldwork has commenced under KEFI's ownership which reinforces the Company's initial positive assessment. In Saudi Arabia, there are two granted licences other than Jibal Qutman and 25 Exploration Licence Applications ("ELAs") on behalf of G&M by ARTAR.

Overall, KEFI has operatorship of and potential exposure to a +1550 km<sup>2</sup> portfolio of targets at various stages within the highly prospective Arabian-Nubian Shield. The value-adding potential for shareholders of this portfolio surpasses that of the Tulu Kapi mine development. Accordingly, it is KEFI's intention to apply equal priority to exploration managed by Jeff Rayner, Exploration Director, as it will to building and operating Tulu Kapi. The Company is in the process of appointing a suitable individual for managing this process. Whilst the budgetary allocation to mine development will naturally dwarf the allocation to exploration, both activities are at the core of KEFI's business plan and will require equal commitment and leadership.

Further information, including a slide presentation which complements this Quarterly Update, can be viewed on KEFI's website at [www.kefi-minerals.com](http://www.kefi-minerals.com)

### **KEFI Minerals Plc**

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## **COMPETENT PERSONS STATEMENTS**

### Ore Reserves

The information in this report that relates to Tulu Kapi Ore Reserves is based on information reviewed or work undertaken by Mr Frank Blanchfield, FAusIMM and a full time employee of Snowden Mining Industry Consultants Pty Ltd. Mr Frank Blanchfield has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the

preparation of mining studies to qualify as a competent person as defined by the JORC Code (2012).

The scientific and technical information in this report that relates to process metallurgy is based on information reviewed by Mr Sergio Di Giovanni, who is a full-time employee (Project Development Manager) of KEFI Minerals Plc. Mr Sergio Di Giovanni is a member of the Australasian Institute of Mining and Metallurgy. Mr Sergio Di Giovanni has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined by the JORC Code (2012).

Mr Sergio Di Giovanni consents to the inclusion in the report of the matters related to the metallurgy, in the form and context in which it appears. Mr Blanchfield consents to the inclusion in this report of the matters based on information provided by Snowden and in the form and context in which it appears.

### Mineral Resources

The information in this report that relates to input data used for the Mineral Resources is based on, and fairly represents, information and supporting documentation – the compilation of which was overseen by Simon Cleghorn, Resource Manager and a full-time employee of KEFI and a Member of The Australasian Institute of Mining and Metallurgy. Simon Cleghorn has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Simon Cleghorn consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to the interpretation, estimation, classification and reporting of the Mineral Resources is based on, and fairly represents, information and supporting documentation – the compilation of which was reviewed by Lynn Olssen who is a Member of The Australasian Institute of Mining and Metallurgy and a full-time employee of Snowden Mining Industry Consultants Pty Ltd. Lynn Olssen has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Lynn Olssen consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

## **NOTES TO EDITOR**

### **KEFI Minerals Plc**

KEFI is now positioned as an operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with an attributable 2.0Moz (100% of Tulu Kapi's 1.9Moz and 40% of Jibal Qutman's 0.5Moz) Au Mineral Resources (JORC 2012) plus significant resource growth potential. KEFI targets that production at these projects generate cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

### **KEFI in Ethiopia**

The Tulu Kapi gold project in Western Ethiopia is being rapidly progressed towards development. In October 2014, KEFI Minerals reactivated the Mining Licence Application and assembled indicative project finance terms.

A Definitive Feasibility Study is evaluating construction of a 1.2Mtpa processing plant with estimated annual gold production 86,000 oz at total operating costs of \$626/ounce. The DFS is planned to be completed in late 2014 with construction targeted to commence in 2015 followed by initial commercial production in 2017.

The Company has received strong support from the Ethiopian authorities, who have confirmed their intention to expedite the processing of the MLA.

At the end of 2013, the Ethiopian Government also improved the fiscal regime applying to the gold sector, and Tulu Kapi in particular. This included lowering the income tax rate for mining (to 25% from 35%); settling of repayment schedule for inherited VAT liability (over three years rather than up-front); the removal of VAT on future exploration drilling expenditure; lowering royalty on gold mining (to 7% from 8%); accelerating the depreciation of historical and future capital expenditure (over four years); and clarifying the workings of the Government's 5% free-carried interest so that it does not impede conventional project financing terms.

### **KEFI Minerals in the Kingdom of Saudi Arabia**

In 2009, KEFI formed the Gold and Minerals Joint Venture Company ("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 conducted preliminary regional reconnaissance and lodged 25 Exploration Licence Applications (ELAs), of which four have been granted. Two of the granted ELs were relinquished in May 2014.

The ELAs were initially applied for and granted to ARTAR. Incorporation of G&M has been completed and any granted ELAs will be transferred into G&M in due course.

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.