

6 October 2014

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

INDEPENDENTLY VERIFIED ORE RESERVE REPORTING  
ON TULU KAPI GOLD DEPOSIT IN ETHIOPIA

KEFI Minerals Plc (AIM: KEFI), an emerging gold miner with projects in the Kingdom of Saudi Arabia and the Federal Democratic Republic of Ethiopia, is pleased to announce an independently verified 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 at its wholly-owned Tulu Kapi project in Ethiopia.

**Harry Anagnostaras-Adams, Chairman of KEFI, said: "The independent verification of the one million ounce Tulu Kapi Reserve complements our recently published production, cost and valuation estimates and completes the independent substantiation of KEFI's overhaul of the Tulu Kapi gold project. With the achievement of this latest milestone, we are on track for commencing project development in the first half of 2015."**

**Ore Reserve Statement**

Snowden Mining Industry Consultants Pty Ltd ("Snowden") estimated gold Mineral Resources and Ore Reserve estimates for KEFI's Tulu Kapi gold deposit. Snowden identified an updated mining inventory based on the new Mineral Resource estimate from August 2014. Snowden's Ore Reserves at September 2014 are estimated using a 0.8 g/t Au cut-off as provided below.

**September 2014 Tulu Kapi Ore Reserve estimate reported above a 0.8 g/t Au cut-off**

JORC (2012) Reserve category	Cut-off (g/t Au)	Tonnes (Mt)	Au (g/t)	Ounces (Moz)
Probable	0.80	12.9	2.41	1.002

Note: Mineral Resources are inclusive of Ore Reserves

The key modifying factors used to estimate the Ore Reserve are based on the experience of Snowden and KEFI employees in this type of deposit and style of mineralisation. Table 2 summarises the status of material aspects of the December 2012 Ore Reserve estimate in the context of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 edition ("JORC Code") Table 1, Section 4, Check List of Assessment and Reporting Criteria.

**JORC Code, 2012 Edition - Table 1 report KEFI Minerals - Tulu Kapi - September 2014**

Criteria	Commentary
<b>Mineral Resource estimate for conversion to Ore</b>	<ul style="list-style-type: none"> <li>Snowden prepared the updated Tulu Kapi Mineral Resource estimate in August 2014. The relevant part of the Mineral Resource estimate is provided below. No planned dilution was applied to these estimates. Mineral Resources are inclusive of Ore Reserves.</li> </ul>

Criteria		Commentary					
<b>Reserves</b>		<b>JORC (2012) Mineral Resource category</b>	<b>Reporting elevation</b>	<b>Cut-off (g/t Au)</b>	<b>Tonnes (Mt)</b>	<b>Au (g/t)</b>	<b>Ounces (M)</b>
		Indicated	above 1.400 RL	0.45	17.31	2.37	1.32
<b>Site visits</b>	<ul style="list-style-type: none"> <li>No site visit is undertaken as a Snowden resource geologist visited the Tulu Kapi green fields site for the Mineral Resource estimate and has shared data and photos taken with the Ore Reserves Competent Person.</li> </ul>						
<b>Study status</b>	<ul style="list-style-type: none"> <li>A previous definitive feasibility study (“DFS”) was completed by the previous owner Nyota Minerals Limited (“Nyota”). However the new work is underway to confirm reserves and Snowden considers that most of the work completed is of a Prefeasibility level of accuracy however there are some omissions (that do not affect the materiality of the reserve estimate) that prevent Snowden determining the current reporting as a PFS and there is no published PFS for Kefi’s Tulu Kapi project.</li> </ul>						
<b>Cut-off parameters</b>	<ul style="list-style-type: none"> <li>An elevated cut-off grade was selected at 0.8 g/t Au, above the marginal economic cut-off grade.</li> </ul>						
<b>Mining factors or assumptions</b>	<ul style="list-style-type: none"> <li>To identify the Tulu Ore Reserve, a process of Whittle pit optimization, staged pit design and production scheduling was undertaken by Snowden.</li> <li>The mining method is conventional open pit drill and blast, load and haul on a 7.5 m high blasting bench reflective of the semi-selective mining consideration. A excavator bucket of 6.7m<sup>3</sup> matched the selectivity.</li> <li>There is no pre-strip burden.</li> <li>Overall the 500mm vertical block dilution has reduced the recovered ounces by about 10% and marginally increased the ore tonnage processed.</li> </ul>						
<b>Metallurgical factors or assumptions</b>	<ul style="list-style-type: none"> <li>The mineralization modeled and metallurgical testwork available indicate that conventional carbon in leach (“CIL”) extraction can be used to produce gold as dore.</li> <li>The gold is free milling and all the unit processes included in the design are standard and common to many current gold operations.</li> <li>The testwork programme included: <ul style="list-style-type: none"> <li>comminution testwork.</li> <li>flotation testwork.</li> <li>cyanidation testwork.</li> <li>oxygen uptake</li> <li>gravity recoverable gold testwork.</li> <li>thickening testwork</li> <li>cyanide detoxification</li> </ul> </li> <li>Variability testwork was conducted on samples from different lithologies and also from different ore zones and was mainly aimed at defining the differences in ore hardness (or grindability), and gold recovery. Samples were taken from 11 geographically diverse oxide ore locations for grindability and extraction testwork, 16 samples from spatially diverse fresh ore sources for extraction testwork and five samples from spatially diverse fresh ore sources for both comminution variability and extraction testwork. There are no deleterious metals identified.</li> <li>No bulk sample or pilot scale test work was justified or completed.</li> <li>The metallurgical factors were developed by SENET and reviewed by Snowden.</li> <li>Metallurgical recoveries are: <ul style="list-style-type: none"> <li>Oxide ore: 95.6%</li> <li>Fresh ore: 94.0%</li> <li>Fresh hard ore: 89.6%</li> </ul> </li> </ul>						

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<b>Environmental</b>	<ul style="list-style-type: none"> <li>Rock characterisation was done by Golders and no issues were identified that cannot be mitigated or managed to an acceptable degree.</li> <li>Currently an exploration license is approved and a mining application license ("MLA") will be submitted for approval in October.</li> <li>The MLA allows provision for tails and waste dump.</li> </ul>																
<b>Infrastructure</b>	<ul style="list-style-type: none"> <li>KEFI is negotiating a power purchase from the local authority from the electricity grid.</li> <li>Accommodation will be either be from surrounding communities and a 250 man camp is being constructed.</li> </ul>																
<b>Costs</b>	<ul style="list-style-type: none"> <li>Process costs were developed from first principals by SENET.</li> </ul> <p>Process costs are:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>US\$/t</th> </tr> </thead> <tbody> <tr> <td>LOM oxide ore processing costs</td> <td>9.12</td> </tr> <tr> <td>LOM fresh ore processing costs</td> <td>6.79</td> </tr> <tr> <td>LOM fresh hard ore processing costs</td> <td>9.88</td> </tr> <tr> <td><b>LoM average process operating costs</b></td> <td><b>7.93</b></td> </tr> <tr> <td>Assay – Process Plant</td> <td>0.29</td> </tr> <tr> <td>Site G&amp;A</td> <td>5.95</td> </tr> <tr> <td><b>Total</b></td> <td><b>14.17</b></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Mining costs were developed from first principals by Snowden for an all up mining cost of US\$2.74/tonne.</li> <li>Snowden developed mining capital costs are US\$27.6 M</li> <li>KEFI estimated other capital as: <ul style="list-style-type: none"> <li>Process plant capital costs are US\$71.2 M</li> <li>mining infrastructure costs US\$7.8 M</li> <li>other Infrastructure costs (tailings storage facilities, roads, power, camp) of US\$29.5 M</li> <li>owners costs of US\$6.4 M</li> <li>sustaining costs of US\$40.3 M (including Snowden sustaining capital of US\$12 M</li> <li>Working capital of US\$19 M.</li> </ul> </li> <li>Closure costs are included in the valuation model.</li> <li>All costs were supplied in \$US.</li> <li>Refining costs of US\$8.88/oz including transport and marketing and royalties of 7% were applied to gold produced.</li> </ul>	Item	US\$/t	LOM oxide ore processing costs	9.12	LOM fresh ore processing costs	6.79	LOM fresh hard ore processing costs	9.88	<b>LoM average process operating costs</b>	<b>7.93</b>	Assay – Process Plant	0.29	Site G&A	5.95	<b>Total</b>	<b>14.17</b>
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<b>Market assessment</b>	<ul style="list-style-type: none"> <li>A gold price was supplied by KEFI at US\$1,250 per ounce.</li> <li>KEFI has comprehensive market studies including likely refiners.</li> <li>Gold is freely trade and the price set by the London Metal Exchange. A comprehensive marketing study was completed as part of the Nyota 2012 DFS including the refining of the ore the selling of gold is straight forward.</li> </ul>																
<b>Economic</b>	<ul style="list-style-type: none"> <li>The after tax NPV was set at 8% in the KEFI financial model.</li> <li>A financial sensitivity study was undertaken evaluating capital expenditure, operating costs and gold price. The project was seen to be most sensitive to changes in gold price.</li> </ul> <p>The project cashflow summary from the KEFI model is:</p> <table border="1"> <tbody> <tr> <td>All in cash cost including. royalty (US\$/oz produced)</td> <td>844</td> </tr> <tr> <td>IRR ungeared (%)</td> <td>21.13</td> </tr> <tr> <td>NPV 8% US\$ M, after tax</td> <td>100.4</td> </tr> <tr> <td>NPV 8% per oz produced</td> <td>108.6</td> </tr> <tr> <td>Initial capital cost* (US\$ M)</td> <td>130.55</td> </tr> </tbody> </table> <p>*excludes working capital</p>	All in cash cost including. royalty (US\$/oz produced)	844	IRR ungeared (%)	21.13	NPV 8% US\$ M, after tax	100.4	NPV 8% per oz produced	108.6	Initial capital cost* (US\$ M)	130.55						
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Criteria	Commentary
<b>Social</b>	<ul style="list-style-type: none"> <li>A socio-economic study was prepared by Golder Consultants for Nyota and this is documented in 2012 DFS that was completed by SENET for Nyota. The commentary provides summary of the socio-economic characteristics of the area at a household level. Nyota conducted a stakeholder engagement program and survey in 2010. KEFI has advanced the planning on this matter with the regulatory authorities and has advised that there are no community or social encumbrances that could obstruct the provision of the MLA from the Ethiopian government.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>Mining activities are contingent on the successful approval of the MLA.</li> </ul>
<b>Classification</b>	<ul style="list-style-type: none"> <li>The Ore Reserve is classified as Probable in accordance with the JORC Code, corresponding, respectively, to the resource classifications of Indicated and the limited ability to quantify dilution until the ore wireframes can be assessed.</li> <li>No Inferred Resource is included in the Ore Reserve estimate.</li> </ul>
<b>Audits or reviews</b>	<ul style="list-style-type: none"> <li>Snowden has completed an internal peer review of the Ore Reserve estimate. The KEFI financial model was reviewed by Endeavour Financial Limited.</li> </ul>
<b>Discussion of relative accuracy/confidence</b>	<ul style="list-style-type: none"> <li>Snowden's opinion of Ore Reserve is that the classification of probable is reasonable. However lower confidence is attributed to the following modifying factors: <ul style="list-style-type: none"> <li>Dilution – whilst the dilution estimates are currently restricted to the analysis of available data. If the geological interpretation is advanced to wireframes that are developed, then these could be used to develop true ore body thickness histograms to assess the relative risk of narrow ore lenses as against the lode style material.</li> <li>Mining cost – The degree of selectivity will need to be better quantified for further Ore Reserve estimates and to consider Proved Ore reserves, this may involve the use of increased mining equipment that may also lower the productivity. Comprehensive quotations as non-binding should also be sourced from OEMs.</li> <li>Process cost - Snowden recommends that both capital and operating costs are reviewed / examined in detail during the next phase of the project to ensure that the estimates meet typical DFS requirements.</li> <li>Social - Snowden also recommends a labor, training and remuneration study be completed.</li> <li>Geotechnical - Assess trafficability and excavatability of the residual saprolitic material to determine road construction requirements and confirm blasting requirements.</li> <li>Geotechnical - Assess the removal requirements for unconsolidated material that lies beneath the current waste dumps. There may be extra cost to the project to achieve this.</li> </ul> </li> </ul>

As a result of the study, Snowden identified an updated mining inventory based on the Snowden Mineral Resource estimate from August 2014, 140827\_FINAL\_AU4448\_KEFI\_Tulu\_Kapi\_Resource\_Report. Only the Indicated Mineral Resource relating to the open pit portion of the Tulu resource was used as a basis for reserves estimation and this portion is summarised in Table 1 (see Appendix).

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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.

**BACKGROUND TO THE ORE RESERVE ESTIMATE**

The resource model was diluted during the reserve study via application of a 500 mm dilution skin around the z (vertical) dimension of the ore blocks. This level of dilution was considered reasonable for this style of deposit and mining technique. The dilution skin was then used to dilute the grade of the ore blocks.

Snowden also assessed the KEFI developed financial model to understand the economic viability of the project. Snowden relied on metal prices provided by KEFI, and understand from KEFI's and their consultants, in documents provided by KEFI, that there are no environmental, approvals, licensing or permitting encumbrances hindering the estimation of Ore Reserves.

Snowden has drawn a realistic outcome for the Tulu Kapi project based on the mine planning that has been done for the Ore Reserve estimate. The probable outcome for ore reserves reflects the accuracy of the data used as the basis for the estimate and the data accuracy may be able to be improved in future studies. For future mine planning and Ore Reserve studies Snowden makes some recommendations:

The degree of selectivity will need to be better quantified for further Ore Reserve estimates and to consider Proved Ore reserves, subject to Measured Mineral Resource identification. There may be a requirement to isolate ore by:

- Dozer ripping if the excavatability study reveals this is possible
- Variable blast heights to leave behind contaminated material
- Dozer pushing of blasted material
- Identification of any free dig in the saprolite

- Visual grade control that is because of the different gold bearing vein color
- More intense grade control drilling
- Detailed blasting timing /dynamics study to control movement.

The costs associated with these activities may need to be developed in the cost modeling studies.

A second hand mining fleet or contract mining may reduce the mining costs and these should be investigated. However if ownership mining is pursued then comprehensive costings should be received from original equipment manufacturer, vendors and non-binding quotes.

If the geological interpretation is advanced to wireframes that are developed, then these could be used to develop true ore body thickness histograms to assess the relative risk of narrow ore lenses as against the lode style material. Snowden recommends that both capital and operating costs are reviewed / examined in detail during the next phase of the project for metallurgy and process assumptions to ensure that the estimates meet typical DFS requirements. Snowden also recommends a labor, training and remuneration study be completed.

Based on the design reports and information provided, Snowden has made preliminary recommendations for pit slope stability design parameters and other geo-technical considerations including waste dump design. Snowden have recommended a scope of work for further geotechnical studies to consider the accuracy of feasibility study open pit and waste dump designs.

Snowden recommends that both capital and operating costs are reviewed / examined in detail during the next phase of the project for metallurgy and process assumptions to ensure that the estimates meet typical DFS requirements.

## **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 2.1Moz (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.

Expected milestones for the remainder of 2014 include the following:

- Assembly of bank syndicate and agreement of indicative terms sheet for project finance
- Re-activation of Tulu Kapi Mining Licence Application in October 2014 (suspended by previous owner in mid-2013)
- Application for Jibal Qutman Mining Licence for Joint Venture in Saudi Arabia

### **KEFI Minerals in Ethiopia**

On 5 September 2014, KEFI Minerals acquired the remaining 25% and now owns 100% of the Tulu Kapi Gold Project in western Ethiopia and intends to refine the development plan for the project, aimed at reducing the previously planned capital and operating expenditure. Early research has yielded encouraging results and was summarised in recent announcements in respect of the Tulu Kapi acquisition.

At the end of 2013, the Ethiopian Government 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 30 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.

### **DEFINITIONS OF EXPLORATION RESULTS, RESOURCES & RESERVES**

#### **EXTRACTED FROM THE JORC CODE: (December 2012) ([www.jorc.org](http://www.jorc.org))**

A 'Mineral Resource' is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade (or quality) are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade (or quality) continuity. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource and must not be converted to an Ore Reserve. It is reasonably expected that the majority of Inferred Mineral Resources could be upgraded to Indicated Mineral Resources with continued exploration.

An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of Modifying Factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes, and is sufficient to assume geological and grade (or quality) continuity between points of observation where data and samples are gathered. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource and may only be converted to a Probable Ore Reserve.

A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade (or quality), densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of Modifying Factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings



and drill holes, and is sufficient to confirm geological and grade (or quality) continuity between points of observation where data and samples are gathered. A Measured Mineral Resource has a higher level of confidence than that applying to either an Indicated Mineral Resource or an Inferred Mineral Resource. It may be converted to a Proved Ore Reserve or under certain circumstances to a Probable Ore Reserve.

An 'Ore Reserve' is the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified. The reference point at which Reserves are defined, usually the point where the ore is delivered to the processing plant, must be stated. It is important that, in all situations where the reference point is different, such as for a saleable product, a clarifying statement is included to ensure that the reader is fully informed as to what is being reported.

## APPENDIX

Summary of the status of material aspects of the December 2012 Ore Reserve estimate in the context of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 edition ("JORC Code") Table 1, Section 4, Check List of Assessment and Reporting Criteria.

**Table 1 Mineral Resource estimate basis for the Ore Reserve**

JORC (2012) Resource category	Reporting elevation	Cut-off (g/t Au)	Tonnes (Mt)	Au (g/t)	Ounces (M)
Indicated	above 1,400 RL	0.45	17.31	2.37	1.32