KEFI Minerals Plc

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AIM: KEFI

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KEFI Minerals plc

Acquisition of Interest in Tulu Kapi

Placing of new Ordinary Shares

Director Dealings

and Notice of General Meeting

KEFI Minerals, the AIM-quoted gold and copper exploration and development company, is pleased to announce that it has entered into a conditional agreement to acquire 75% of the issued share capital of Nyota Minerals (Ethiopia) Limited (the "Target"), the owner of the Tulu Kapi licence (the "Acquisition").

The consideration will be satisfied by the payment of £1 million in cash and the issue of up to 116,666,667 Ordinary Shares at a previously agreed value of 3 pence per share. In addition, the Company has conditionally raised £4.5 million (before expenses) through the placing of 225,000,000 new Ordinary Shares at 2 pence per share (the "Placing").

The Placing and the Acquisition are conditional, among other things, on the passing of the resolutions to be proposed at the General Meeting (the "Resolutions"), to be held at the offices of Moore Stephens, Level 6, 460 Church Street, Paramatta, New South Wales, Australia on 27 December 2013 at 10.30 a.m. AEDT.

The Company has today posted a circular to shareholders, which will be available to download from its website at www.kefi-minerals.com, which sets out the details of the Proposals and the notice convening the General Meeting. Defined terms used in this announcement are the same as those defined in the circular unless the context requires otherwise. The Company presentation is also available to shareholders on the KEFI Minerals website.

HIGHLIGHTS

- KEFI Minerals will, as a result of the Acquisition and Placing, have an enlarged market capitalisation of £17 million (circa $28 million), representing $18 per ounce of its beneficial interests in 1.6Moz of JORC-compliant mineral resources within its two advanced gold development projects in the highly prospective Arabian-Nubian Shield.

- KEFI Minerals has fully financed the Acquisition by raising £4.5 million (before expenses) at a placing price of 2p a share. Management preliminary estimates of the Tulu Kapi project indicate attractive operating costs of circa $500/oz Au.

- The funds raised will be used to pay for the cash element of the Acquisition; to complete additional work at Tulu Kapi and refine the Definitive Feasibility Study ("DFS") prior to development in 2015; to complete the Pre-Feasibility Study for Jibal Qutman in Saudi Arabia in 2014; to ensure there are sufficient funds available to meet KEFI Minerals' share of the Target's VAT obligations to the Ethiopian Government in 2014, and for working capital purposes.

- Tulu Kapi was first mined in the 1930s and a DFS was completed in December 2012, which produced a JORC-compliant Inferred and Indicated Resource estimate of 25Mt at 2.34g/t Au (1.9Moz Au), including a Probable Reserve of 17Mt at 1.82g/t Au (1.0Moz Au).

- This DFS was based on the work performed to date, which comprised over 120,000m of drilling and an aggregate expenditure of over $50 million.

- The Directors of KEFI have set a development plan for Tulu Kapi aimed at reducing the anticipated capital and operating expenditure, which should allow for a lower start-up risk and a higher overall return.

- Following completion of the Acquisition, KEFI Minerals and its subsidiaries (the "Enlarged Group") will be positioned as an operator of two gold development projects within the Arabian-Nubian Shield.

- The Directors believe that both of these projects have significant resource growth potential beyond the deposit estimates already reported.

- By 2017 the aggregate estimated production at these projects attributable to KEFI Minerals could exceed 80Koz Au p.a. The cash generated will be used to fund further exploration and, when appropriate, payment of dividends.

The Company is also pleased to announce that following the requisite approvals, Jeff Rayner, the Company's Managing Director, and Harry Anagnostaras-Adams, the Company's Non-Executive Chairman, have agreed to subscribe for Ordinary Shares as part of the Placing. Following the subscription, Jeff Rayner and Harry Anagnostaras-Adams will respectively be interested in 3,783,333 and 6,966,667 ordinary shares, representing approximately 0.44 and 0.81 per cent of the Enlarged Share Capital (assuming the maximum number of Consideration Shares are issued).

Jeff Rayner, Managing Director of KEFI Minerals, commented:

"We are extremely excited by the prospects of the Tulu Kapi licence, which will significantly increase our development potential within the Arabian-Nubian Shield. Ethiopia has diverse untapped mineral resources and is actively encouraging exploration and development and we look forward to growing our portfolio of operations.

"We remain equally focused on growing our footprint in Saudi Arabia – where Jibal Qutman has provided rapid progress to date. We once again upgraded the resource there and are continuing to move towards submitting a Mining Licence Application. We hope to grow the number of exploration licences both in Ethiopia and Saudi Arabia and are working hard towards becoming a producing entity focused on generating dividends as well as organic growth within a highly prospective region."

Enquiries

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Background to the Acquisition

KEFI Minerals has identified a gold opportunity in the Arabian-Nubian Shield ("ANS") of Western Ethiopia, the Tulu Kapi gold deposit, currently owned by Nyota Minerals Limited ("Nyota"). KEFI Minerals has agreed to acquire 75% of the issued share capital of the Target, a wholly owned subsidiary of Nyota and the holder of the Tulu Kapi Exploration Licence ("EL") and surrounding ELs, with Nyota retaining a participating 25% interest. The consideration comprises up to 116,666,667 new Ordinary Shares (the "Consideration Shares") (subject to adjustment as described below) at an agreed price of 3 pence per share and a cash payment of £1 million (circa $1.6 million). The Consideration Shares are being issued in addition to the Placing Shares and the cash payment will be funded by the proceeds of the Placing.

Information on Tulu Kapi

Tulu Kapi was first mined in the 1930s and a DFS was completed in December 2012, which produced a JORC-compliant Inferred and Indicated Resource estimate of 25Mt at 2.34g/t Au (1.9Moz Au), including a Probable Reserve of 17Mt at 1.82g/t Au (1.0Moz Au). This DFS was based on the work performed to date, which comprised over 120,000m of drilling and an aggregate expenditure of over $50 million.

KEFI Minerals has devised an alternative approach, which the Directors believe will reduce the anticipated capital and operating expenditure, thus facilitating a lower start-up risk and higher overall return. Working in partnership with Nyota, KEFI Minerals believes a limited programme of RC drilling, surface sampling and metallurgical test work in 2014 will be sufficient to refine a DFS for planned development in 2015 based on a production plan of ± 85Koz Au p.a. Management's preliminary estimates of the Tulu Kapi project indicate attractive operating costs of $500/oz Au.

Summary of the Acquisition terms

The Company has entered into a share purchase agreement pursuant to which it has conditionally agreed to acquire 75% of the issued share capital of the Target.

The principal terms of the Acquisition, as set out in the share purchase agreement, are as follows:

- KEFI Minerals will acquire 75% of the issued share capital of the Target. The consideration will be satisfied as to £1 million in cash and the issue of up to 116,666,667 Ordinary Shares.
- The number of Consideration Shares to be issued to Nyota Bermuda – the vendor of the shares in the Target – (or, at the option of Nyota Bermuda, another member of its group) will be reduced by an amount equivalent to any sums due to KEFI Minerals under the secured loan facility referred to below.

- Completion of the Acquisition is conditional on, inter alia; the satisfaction or waiver of the following conditions on or before 13 January 2014 (or such later date as the parties may agree): (i) Shareholders approving the Resolutions; (ii) Admission; and (iii) KEFI Minerals being satisfied in its absolute discretion of the formalisation of an agreement with the Ethiopian Ministry of Finance on payment of the Target's reverse VAT liability and such liability not exceeding 105 million Birr (circa £3.31 million).
- Each of KEFI Minerals and Nyota Bermuda has given the other party certain customary warranties. In addition, Nyota Bermuda has indemnified KEFI Minerals and the target in respect of certain matters.
- Nyota has agreed to guarantee the obligations of Nyota Bermuda under the Share Purchase Agreement.
- Nyota Bermuda has undertaken not to dispose of any interest in the Consideration Shares for six months following Admission, subject to certain limited exceptions or with the prior written consent of KEFI Minerals and have further undertaken for 12 months only to dispose of such shares on an orderly market basis.

Following completion of the Acquisition, the relationship between KEFI Minerals and Nyota, as respective 75:25 joint venture partners in the Target, will be governed by the terms of a shareholders' agreement, the principal terms of which are as follows:

- KEFI Minerals will be the manager of the Target and senior KEFI management will be based at the field offices.
- Nyota's 25 per cent. beneficial interest in the Target remains undiluted by further investment made by KEFI Minerals until a revised JORC-compliant resource estimate for Tulu Kapi has been approved. KEFI Minerals currently anticipates publishing these revised estimates in Q1 2014.
- Nyota will guarantee the obligations of Nyota Bermuda under this agreement.
- The agreement contains provisions for the approval of work programmes and budgets, together with the manner of funding the Target's operations.
- The agreement contains standard provisions concerning the transfer and issue of further shares together with certain reserved matters requiring the approval of both parties.

In connection with the Proposals, KEFI Minerals has also provided a subsidiary of Nyota with a £360,000 (circa $590,000) secured loan facility. As noted above, any amounts due to KEFI Minerals under this facility on completion of the Acquisition will reduce the number of Consideration Shares to be issued to Nyota Bermuda using the agreed price of 3p per Ordinary Share. The loan is repayable on the earlier of completion of the Acquisition or 31 August 2014. Interest accrues on the loan at a rate of 10 per cent. per annum.

Background to and reasons for the Placing

KEFI Minerals is raising £4.5 million (before expenses) to satisfy: (i) the cash element of the Acquisition consideration; (ii) complete additional work at Tulu Kapi and refine the DFS prior to development in 2015; (iii) complete the Pre-Feasibility Study for Jibal Qutman in Saudi Arabia in 2014; (iv) ensure there are sufficient funds available to meet KEFI Minerals' share of the Target's VAT obligations to the Ethiopian Government in 2014, and (v) contribute toward KEFI Minerals' ongoing corporate costs including the arrangement of project finance facilities for the planned gold mine developments.

The Enlarged Group

Following Completion, the Enlarged Group will be positioned as an operator of two gold development projects within the Arabian-Nubian Shield: Tulu Kapi in Ethiopia and Jibal Qutman in Saudi Arabia. The Directors believe that both of these projects have significant resource growth potential beyond the deposit estimates already reported.

Kefi Minerals' market capitalisation on Admission at the Placing Price of $27.7 million implies a valuation of $18/oz Au for its beneficial interest in 1.6Moz of JORC-Compliant mineral resources within its two advanced gold development projects in the highly prospective Arabian-Nubian Shield.

By 2017 the aggregate estimated production at these projects attributable to KEFI Minerals could exceed 80Koz Au p.a. The cash generated will be used to fund further exploration and, when appropriate, a dividend policy which the Directors highlight as a priority.

Further ELs are expected to be granted in Saudi Arabia and project generation is expected on other Ethiopian ELs, subject to the renewal and extension of the existing ELs on acceptable terms.

The Placing

The Company has conditionally raised £4.5 million (before expenses) by way of a placing by Fox-Davies, as agent to the Company, of 225,000,000 new Ordinary Shares at 2 pence per share pursuant to the Placing Agreement. WHI Stockbrokers assisted in the Placing and acted as agents to Fox-Davies. The Placing Shares have been conditionally placed with existing Shareholders and institutional investors.

The Placing is conditional, among other things, on Completion of the Acquisition, the passing of the Resolutions to be proposed at the General Meeting and Admission becoming effective on or before 8.00 a.m. on 30 December 2013 (or such later date as Fox-Davies and the Company may agree being not later than 13 January 2014).

The Company is also pleased to announce that following the requisite approvals, Jeff Rayner, the Company's Managing Director, and Harry Anagnostaras-Adams, the Company's Non-Executive Chairman, have agreed to subscribe for Ordinary Shares as part of the Placing. Following Admission, Jeff Rayner and Harry Anagnostaras-Adams will respectively be interested in 3,783,333 and 6,966,667 Ordinary Shares, representing approximately 0.44 and 0.81 of the Enlarged Share Capital on Admission (assuming the maximum number of Consideration Shares are issued).

Under the terms of the Placing Agreement, the Company has given certain customary warranties and indemnities to Fox-Davies in connection with the Placing and other matters relating to the Company and its affairs.

The Placing Shares will be allotted and credited as fully paid and will rank pari passu in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on or after the date of their allotment.

The Placing Price was determined having regard to market conditions at the time the Placing Agreement was entered into. The VWAP of the Ordinary Shares during November 2013 was 2.32 pence and the Placing Price represents a 14 per cent. discount to the VWAP. The Directors believe that the Placing Price is fair and reasonable as far as Shareholders are concerned.

Application will be made to London Stock Exchange plc for the Consideration Shares and Placing Shares to be admitted to trading on AIM and it is expected that, subject to the passing of the Resolutions at the General Meeting, Admission will become effective and that dealings will commence in the Consideration Shares and Placing Shares on 30 December 2013.

Following Admission, there will be 863,255,721 Ordinary Shares in issue (assuming the maximum number of Consideration Shares are issued) and Nyota will be the beneficial owner of approximately 13.5% of the Enlarged Share Capital.

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