



23 June, 2014

Dear Shareholder,

On 11 June 2014, your Company, Nyota Minerals Limited, announced that together with its wholly owned subsidiary Nyota Minerals (Bermuda) Limited (together "Nyota") it had conditionally agreed to sell Nyota's remaining 25 per cent direct interest in the Tulu Kapi project to KEFI Minerals PLC ("KEFI") (the "Sale"). This letter, which is being sent in accordance with Rule 15 of the AIM Rules and to which the announcement of 11 June has been attached, is to explain two of the key conditions in more detail and the expected timing for the completion of the sale.

#### **Background to the Sale**

In December 2013, Nyota sold to KEFI a 75% interest in Nyota Minerals (Ethiopia) Limited (since renamed KEFI Minerals (Ethiopia) Limited). This is the company that owns 100% of the Tulu Kapi gold project as well as the exploration licences immediately adjacent to it that we refer to as the Proximal Exploration Licences.

This decision followed a strategic review with the objective of finding a supportive partner for the continued evaluation and subsequent potential development of the project.

Nyota continued to have a funding commitment equal to 25% of the total costs of the holding company but negotiated a free-carried period up to the point when KEFI had completed its resource update. The rationale for this was to give time for the dire funding conditions which have beset junior miners on AIM over the last few years to start to abate and to use the "good news" of a resource update to enable Nyota to raise further funds this year. Sadly, this has not proved to be possible.

The financing options open to Nyota over the past 3 months were both insufficient to fund the group's working capital requirements and highly dilutive for existing shareholders. For this reason, the Board has determined that to sell the remaining 25% of Tula Kapi for a combination of cash and shares is in the best interests of shareholders. Crucial to this decision is the use of the proceeds: with the cash being used to enable Nyota to focus on the Northern Blocks, where anomalous gold mineralisation has been identified in bedrock and there are interesting opportunities for alluvial gold mining. The funds will also be used to evaluate other new opportunities, both inside and outside of Ethiopia.

## Summary of the Sale

Subject to shareholder approval, Nyota will sell its direct 25 per cent interest in KEFI Minerals (Ethiopia) Limited for a total consideration of £1.5 million, comprising £0.75 million in cash and 50 million shares in KEFI at 1.5p per share (being a further £0.75 million in value). Together with Nyota's current holding of 102,481,158 shares in KEFI this will take Nyota's interest to 152,481,158 shares with a value at 1.5p per share of approximately £2.29 million (the "KEFI Shares"). This compares to Nyota's current market capitalisation of approximately £2.0 million.

The value at which the new KEFI shares are being issued to Nyota is identical to the placing price of the equity fundraise recently undertaken by KEFI.

## Conditions of the Sale

The Sale is conditional upon, amongst other things, the approval of Nyota's shareholders in two respects.

First, under AIM Rule 15, the Sale is conditional on the consent of Nyota's Shareholders.

Second, it is a condition of the Sale agreement that Nyota distributes its shares in KEFI to its shareholders ("Distribution"). This requires shareholder approval under the Australian Corporations Act.

It is important to understand that without both of these approvals the transaction will not complete.

## Timing and Documentation

In order to convene a general meeting to consider and, if thought fit, approve the Sale and the Distribution the Company must produce a Notice of Meeting and a prospectus. The directors anticipate that this will take about 4 weeks from the date of this letter. From the date that those documents are distributed to shareholders, the notice period for the meeting is a further 4 weeks.

Hence, if approved by Nyota's shareholders, the Sale is expected to complete towards the end of August 2014.

## Proposed Distribution of Nyota's holding in KEFI Minerals

As at the date of this letter, Nyota has 882,149,117 shares in issue. Should the Distribution be approved by shareholders, then Nyota would no longer hold an interest in Tula Kapi, either direct or indirect. Instead, each shareholder in Nyota would receive approximately 17 shares in KEFI (with an aggregate value of 27.2p at the current market price of 1.6p per share) for every 100 shares in Nyota (with an aggregate value of 22.5p at the closing price on 20 June 2014).

***The final ratio will be determined in due course and will be contained in the Notice of Meeting that will be sent to shareholders;*** adjustments will be necessary to provide for transaction fees, some of which are payable in KEFI shares rather than cash, and the possibility of a small fundraise to ensure working capital for the time being.

Immediately following the Sale and the Distribution, Nyota's sole asset is expected to be the Northern Block exploration licences in Ethiopia, where the focus will be on fast-tracking a potential alluvial gold mining opportunity in the vicinity of the Abay River. Further updates will be provided as progress is made in our field work and with our negotiations with the Ministry of Mines in Ethiopia.

Were the Sale not to complete, there are no restrictions to prevent Nyota from selling its KEFI shares. However it is not practical to consider the distribution of those shares to shareholders unless it were as part of the voluntary liquidation of the company.

**Action to be Taken**

The notice of meeting, which is expected to be sent with the prospectus in approximately 4 weeks, will contain the formal recommendation of the Board of Nyota Minerals Limited to vote in favour of the transaction. It will also contain the final details of the proposed distribution of the KEFI shares.

***Until the general meeting is convened, therefore, there is no action that shareholders need to take.***

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Chase', with a horizontal line underneath.

Richard Chase

CEO, Nyota Minerals Limited



11 June 2014

**Nyota Minerals Limited  
(‘Nyota’ or ‘the Company’)**

**SALE OF REMAINING 25% INTEREST IN TULU KAPI**

Nyota Minerals Limited (ASX/AIM: NYO), the gold exploration company in East Africa, announces that it has entered into a conditional agreement with KEFI Minerals plc ("KEFI") for the sale of Nyota's remaining 25% direct interest in the Tulu Kapi Gold Project in Ethiopia ("Tulu Kapi") for an aggregate consideration of £1.5 million comprising £750,000 in cash and 50 million new ordinary shares in KEFI (the "Sale").

**Details of the Sale**

Nyota's direct 25% interest in Tula Kapi is held through its 25% shareholding in KEFI Minerals (Ethiopia) Ltd ("KEFI Ethiopia"), which is the owner of 100% of Tulu Kapi and the proximal exploration licences. The Sale values KEFI Ethiopia at £6 million, the same value as in December 2013, when Nyota sold 75% of KEFI Ethiopia (then named Nyota Minerals (Ethiopia) Limited) for £4.5 million. The fair value of the 25% retained interest, as set out in the Company's most recent interim accounts, was \$2.0 million, or £1.25 million.

Completion of the Sale is conditional upon, inter alia, Nyota obtaining the approval of its shareholders for the Sale and to distribute, in specie, to Nyota shareholders its entire shareholding in KEFI (the "KEFI Distribution"). Following the KEFI Distribution, Nyota's shareholding in KEFI will be zero; hence the Sale will leave Nyota with no interest, either direct or indirect, in the Tulu Kapi project and the Proximal Licences. The Company's remaining exploration asset will be the 100% owned licences known as the Northern Blocks.

**Rationale for the Sale**

Nyota has previously announced that, with KEFI having completed a new mineral resource estimation in March, it was now required to contribute to the funding of KEFI Ethiopia pro-rata to its shareholding, or suffer dilution of its shareholding. A new budget was approved by KEFI Ethiopia in mid-April and the first cash call, with respect to the period from 12 March to 30 June 2014, was due on 2 May 2014. Nyota's 25% share of this cash call is £325,492; which it is currently unable to fund. Further dilution would follow if Nyota did not fund subsequent quarterly cash calls.

Financing options available to Nyota are insufficient to fund 25% of KEFI Ethiopia, the evaluation of the Northern Blocks and the Company's working capital requirements. Further, the funding offers that have been considered are highly dilutive to existing shareholders and / or potentially detrimental to the value of Nyota's shareholding in KEFI. Therefore, in light of the difficulties in raising finance in the current equity markets the Board believes a decision to sell the remaining 25% interest in Tula Kapi, so removing any requirement to fund the on-going costs of Tulu Kapi, is in the Company's best interests.

Nyota shareholders will have the opportunity, should they so choose and subject to the KEFI Distribution being approved, to maintain an interest in Tula Kapi via their shareholding in KEFI, which will arise from the KEFI Distribution.

The Sale cash consideration will be used by Nyota to focus on the further evaluation of the Northern Block Licences, including the potential for near term cash flow from mechanised alluvial mining, and on other opportunities in Ethiopia and elsewhere that the Company has identified.

### **The proposed KEFI Distribution**

Nyota currently holds 102,481,158 shares in KEFI. Receipt of the 50 million KEFI shares as part of the consideration for the Sale will increase Nyota's interest in KEFI to 152,481,158 shares (the "Distribution Shares"), representing approximately 14.6% of KEFI's expected issued share capital upon completion of the Sale; with an aggregate market value at 1.5p (being the price of the KEFI Placing (refer below)) of approximately £2.29 million.

On completion of the Sale, the Distribution Shares will be distributed pro rata to Nyota shareholders. The number of KEFI shares that individual Nyota shareholders would receive is approximately equal to the number of KEFI shares that Nyota owns multiplied by the percentage holding of a Nyota shareholder, subject to rounding down of fractions of a share entitlement. At the date of this announcement Nyota has 882,149,117 million shares on issue.

### **Shareholder Approval and Expected Timing of Completion**

The proposed KEFI Distribution requires, in accordance with the Corporations Act of Australia and ASIC guidelines, the approval of Nyota's shareholders at a general meeting. In addition, the Sale constitutes a disposal under Rule 15 of the AIM Rules for Companies and hence also requires the approval of Nyota's shareholders.

A circular will shortly be sent to Nyota shareholders in accordance with AIM Rule 15, save that this circular will not contain the notice of meeting convening the required general meeting.

The notice of meeting, together with a short form prospectus (which is required to satisfy Australian regulatory requirements in respect of the KEFI Distribution), is expected to be sent to Nyota shareholders in 4-6 weeks; with completion of the Sale expected to occur towards the end of August 2014.

### **KEFI Placing**

KEFI has today announced that it has conditionally raised £2 million (before expenses) through a placing of 133,333,333 new ordinary shares (the "Placing Shares") in the capital of KEFI, at 1.5 pence per share (the "Placing Price"). The KEFI Placing is not conditional on completion of the Sale.

KEFI states that the proceeds of the KEFI Placing, plus KEFI's existing cash resources will be sufficient to:

- fund the cash component of the Sale;

- fund the revision of the Tulu Kapi Feasibility Study in accordance with KEFI's development plan; and
- assemble the project finance syndicate and terms, and to reactivate the application for the Mining Licence ("MLA") at Tulu Kapi towards the end of 2014.

Further details of the KEFI Placing are contained in the announcement released today by KEFI ([www.kefi-minerals.com](http://www.kefi-minerals.com))

Further announcements will be made as and when appropriate.

**\*\*ENDS\*\***

For further information please visit [www.nyotaminerals.com](http://www.nyotaminerals.com) or contact:

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