

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult a person authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities before taking any action. An investment in KEFI Minerals plc involves a high degree of risk and, in particular, your attention is drawn to the Risk Factors set out in Part II of this document. The content of this document has not been approved by WH Ireland, a firm authorised by the Financial Services Authority ("FSA"), for the purposes of section 21 FSMA.

The directors of KEFI Minerals plc (the "**Company**") whose names appear on page 4 of this document, accept responsibility individually and collectively for the information contained in this document and for compliance with the AIM Rules. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. In connection with this document, no person is authorised to give any information to or make any representation other than as contained in this document. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission. This document, which is an admission document required by the AIM Rules, has been prepared in connection with the proposed placing and subsequent admission to trading of the Company's Ordinary Shares on AIM. This document has been drawn up in accordance with the AIM Rules. It is not a prospectus for the purposes of the Prospectus Rules and has not been filed with the FSA.

Application will be made for the entire issued and to be issued share capital of the Company to be admitted to trading on AIM and it is expected that Admission will take place on 18 December 2006. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser authorised for the purposes of FSMA. London Stock Exchange plc has not itself examined or approved the contents of this document. Apart from the application to AIM, the Ordinary Shares are not dealt in on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to trading on any such exchange. PROSPECTIVE INVESTORS SHOULD READ THE WHOLE TEXT OF THIS ADMISSION DOCUMENT. YOUR ATTENTION IS PARTICULARLY DRAWN TO THE SECTION ENTITLED "RISK FACTORS" SET OUT IN PART II OF THIS DOCUMENT.

KEFI Minerals plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5976748)

Placing of 46,666,667 new Ordinary Shares at 3p per share and Admission to trading on AIM

Nominated Adviser and Broker
WH Ireland Limited

Share capital immediately following Admission

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
200,000,000	£2,000,000	Ordinary Shares of 1p each	88,666,667	£886,666

All the Placing Shares will, upon Admission, rank *pari passu* in all respects with the Existing Ordinary Shares and will rank in full for all dividends and other distributions declared, made or paid in respect of the Ordinary Shares after Admission. WH Ireland, which is authorised and regulated by the FSA, is acting as nominated adviser and broker to the Company in relation to the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to clients of WH Ireland, nor for advising any other person on the contents of this document or any transaction or arrangement referred to herein. WH Ireland has not authorised the contents of any part of this document nor does it accept responsibility for any part of this document for the purposes of the AIM Rules or otherwise and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by WH Ireland for the accuracy of any information or opinions contained in this document or for the omission of any information from this document, for which the Company and the Directors are solely responsible.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America (the "**United States**"), Canada, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been, and will not be, registered under the United States Securities Act 1933 as amended or under the applicable securities legislation of the United States, or any province or territory of Canada, the Republic of South Africa, the Republic of Ireland or Japan or in any country or territory where to do so may contravene local securities law or regulations. Accordingly, the Ordinary Shares may not, subject to certain exemptions, be offered or sold directly in or into the United States, Canada, the Republic of South Africa, the Republic of Ireland or Japan or to any national, resident or citizen of the United States, Canada, the Republic of South Africa, the Republic of Ireland or Japan. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

Copies of this document can be obtained following its publication free of charge at the offices of W H Ireland at 11 St James's Square, Manchester, M2 6WH during normal business hours on any weekday (excluding weekends and public holidays) for a period of one month from Admission.

CONTENTS

	<i>Page</i>
Expected Timetable of Principal Events	3
Placing Statistics	3
Directors, Secretary and Advisers	4
Definitions	6
Glossary of Technical Terms	9
Part I Information on the Group	16
Part II Risk Factors	31
Part III Financial Information	
Section A: Illustrative pro forma statement of net assets of the Group	35
Section B: Accountant's Report on KEFI Minerals plc	38
Section C: Financial Information on KEFI Minerals plc	40
Section D: Accountant's Report on Mediterranean Minerals (Bulgaria) EOOD	41
Section E: Financial Information on Mediterranean Minerals (Bulgaria) EOOD	43
Part IV Competent Person's Report	52
Part V Additional Information	105

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of publication of this document	12 December 2006
Admission effective and dealings commence on AIM in the Enlarged Share Capital	18 December 2006
CREST accounts credited (where applicable)	18 December 2006
Share certificates in respect of the Placing Shares to be despatched (where applicable)	29 December 2006

PLACING STATISTICS

Placing Price	3p
Number of Existing Ordinary Shares	42,000,000
Number of Placing Shares	46,666,667
Estimated gross proceeds receivable by the Company pursuant to the Placing	£1,400,000
Number of Ordinary Shares in issue immediately following Admission	88,666,667
Market capitalisation of the Company at the Placing Price following Admission	£2,660,000
Approximate percentage of the Enlarged Share Capital on Admission represented by the Placing Shares	52.63 per cent.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Aristidis Eleftherios Anagnostoras-Adams <i>Non-executive Chairman</i> Jeffrey Guy Rayner <i>Managing Director</i> Ian Rutherford Plimer <i>Non-executive Director</i> John Edward Leach <i>Finance Director</i> all of whose business address is: 3 Agios Demetrios Street 2012 Acropolis Nicosia Cyprus
Registered Office	27/28 Eastcastle Street London W1W 8DH
Company Secretary	Cargil Management Services Limited 22 Melton Street London NW1 2WB
Principal Place of Business	Akarpalas Apt. No: 22 Inonu Caddesi Kat 1-2-3 34437 Gumussuyu-Taksim Istanbul Turkey Telephone: +90 212 251 6622
Nominated Adviser and Broker	WH Ireland Limited 11 St James's Square Manchester M2 6WH
Reporting Accountants and Auditors to the Company	Moore Stephens LLP St Paul's House Warwick Lane London EC4M 7BP
UK Legal Advisers to the Company	Field Fisher Waterhouse LLP 35 Vine Street London EC3N 2AA
Bulgarian Legal Advisers to the Company	Djingov, Gouginski, Kyutchukov & Velichkov 10 Tsar Osvoboditel Blvd. Sofia 1000 Bulgaria

Turkish Legal Advisers to the Company	Birsel Law Offices Inonu Caddesi 5319 Gumussuyu-Beyoglu Istanbul 34437 Turkey
Solicitors to the Placing	Cobbetts LLP Ship Canal House King Street Manchester M2 4WB
Competent Person	AMC Consultants (UK) Limited 7 Bridge Avenue Maidenhead Berkshire SL6 1RR
Registrars	Share Registrars Limited Craven House West Street Farnham Surrey GU9 7EN
Financial PR	Bishopsgate Communications Limited Henry Thomas House 5-11 Worship Street London EC2A 2BH

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Acquisition”	the acquisition by the Company of the entire issued share capital of MMB pursuant to the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement described in paragraph 10.5 of Part V of this document
“Act”	Companies Act 1985, as amended
“Admission”	admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange relating to AIM companies and their nominated advisers
“AMC” or “Competent Person”	AMC Consultants (UK) Limited
“Artvin Project”	the Group’s interest in the Artvin province of north-eastern Turkey as set out in paragraph 3 of Part I of this document
“Articles”	the articles of association of the Company, as at the date of this document
“Board” or “Directors”	the board of directors of the Company whose names are set out on page 4 of this document
“Combined Code”	the Principles of Good Governance and the Combined Code on Corporate Governance, published in June 2006 by the Financial Reporting Council
“Company” or “KEFI Minerals”	KEFI Minerals plc, a company incorporated in England and Wales on 24 October 2006 with company number 5976748
“CREST”	the electronic settlement system to facilitate the holding and transfer of title to shares in uncertificated form operated by CRESTCo
“CRESTCo”	CRESTCo Limited, a company incorporated in England and Wales and the operator of CREST
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755)
“DAM”	Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirketi, a company incorporated in Turkey on 11 July 2005
“EMED”	EMED Mining Public Limited, a company incorporated in Cyprus on 17 September 2004
“Enlarged Share Capital”	the Existing Ordinary Shares together with the Placing Shares
“Existing Ordinary Shares”	the 42,000,000 existing Ordinary Shares in issue at the date of this document
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group”	KEFI Minerals, together with its subsidiaries MMB and DAM
“Gümüşhane Project”	the Group’s interest in the Gümüşhane province of north-eastern Turkey as set out in paragraph 3 of Part I of this document

“Lehovo Project”	the Group’s interest in the Lehovo province of Bulgaria as set out in paragraph 4 of Part I of this document
“Lock-In Agreement”	the conditional agreements dated 12 December 2006 between the Company (1), WH Ireland (2) and the Locked-In Persons (3), details of which are set out in paragraph 16 of Part I and paragraph 10.4 of Part V of this document
“Locked-In Persons”	Jeffrey Guy Rayner, Ronald Hugh Beevor, Fiona Mary Beevor, Ian Rutherford Plimer, Semarang Enterprises Limited, Blue Strong Kolchis Consultants Limited, DCC Geo Consultants Limited, Rosanna Simeone, John Leach, Braeburn Holdings Limited and EMED
“London Stock Exchange”	London Stock Exchange plc
“MMB”	Mediterranean Minerals (Bulgaria) EOOD, a company incorporated in Bulgaria on 11 March 2005
“Official List”	the official list of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company
“Placing”	the conditional placing by WH Ireland of the Placing Shares on behalf of the Company at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 12 December 2006 between the Company (1), the Directors (2) and WH Ireland (3) relating to the Placing, details of which are set out in paragraph 10.9 of Part V of this document
“Placing Price”	3p per share, being the price at which each Placing Share is to be issued pursuant to the Placing
“Placing Shares”	the 46,666,667 new Ordinary Shares to be issued pursuant to the Placing
“Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004 as published by the FSA, pursuant to section 73A of FSMA
“Register”	the register of Shareholders of the Company
“Registrars”	Share Registrars Limited
“Relationship Agreement”	the agreement made between (1) EMED and (2) the Company, dated 7 November 2006 the details of which are more particularly set out at paragraph 10.7 of Part V of this document
“Services Agreement”	the agreement made between (1) EMED and (2) the Company, dated 7 November 2006 the details of which are more particularly set out at paragraph 10.8 of Part V of this document
“Share Dealing Code”	the share dealing code adopted by the Company in order to ensure compliance with Rule 21 of the AIM Rules
“Shareholder(s)”	holder(s) of Ordinary Shares
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purpose of Part VI of FSMA
“uncertificated” or “in uncertificated form”	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	United States of America
“VAT”	value added tax in the United Kingdom
“WH Ireland”	WH Ireland Limited
“WHI Warrants”	warrants issued to WH Ireland to subscribe for a total of 666,667 Ordinary Shares at the Placing Price exercisable at any time before the third anniversary of Admission
“£” or “pound”	UK pounds sterling, the lawful currency of the UK

Notes

In this document, the symbols “£” and “p” refer to pounds and pence sterling respectively and the symbols “A\$” and “US\$” refer to Australian dollars and American dollars respectively.

Any reference to any provision of any legislation in any jurisdiction shall include any amendment, modification, re-enactment or extension thereof.

Unless otherwise stated, all references to legislation refer to the laws of the United Kingdom.

Words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine and neutral gender.

GLOSSARY OF TECHNICAL TERMS

The following is an explanation of technical terms used throughout this document:

accretionary complex	a geological region formed by constructive tectonic processes
alluvial or alluvium	unconsolidated, transported sediment
altered or alteration	referring to physical or chemical change in a rock or mineral subsequent to its formation
amphibolite	a rock of medium metamorphic grade rich in the iron and magnesium silicate minerals called amphibole
anomaly	zone or point in the soil or underlying rock determined by exploration methods to be different from its general surroundings
Archaean	a geological time period older than 2400 million years
argillic (alteration)	refers to the conversion of pre-existing minerals to clay minerals
arsenopyrite	an arsenic iron sulphide mineral, FeAsS
assay	test to determine the content of various chemical elements in a sample
Au	chemical symbol for gold
Au equivalent	an equivalent gold value that represents all of the contained metals in a deposit
Aster data	advanced Spaceborne Thermal Emission and Reflection Radiometer. High-resolution satellite imagery of the Earth in 14 different wavelengths of the electromagnetic spectrum, ranging from visible to thermal infrared light
base metal	non-precious metal, usually refers to copper, lead, zinc
basement	generally refers to the older cratonic rocks below the sedimentary basins
breccia or brecciated	a rock composed of angular fragments of rock embedded in a matrix
bulk tonnage	refers to orebodies that can be mined using large-scale mining equipment, usually considered by open pit methods
Cambrian	a geological time period from 530 to 460 million years ago
carbonate	minerals containing calcium and/or magnesium carbonate
Carboniferous	a geological time period from 345 to 285 million years ago
cations	an atom or group of atoms carrying a positive electric charge
chalcopyrite	a copper iron sulphide mineral, CuFeS ₂ , a principal source of copper ore
chlorite	a green platy iron-magnesium rich silicate mineral
clastic	refers to rocks formed from fragments of pre-existing rock
compression	the system of forces that tend to decrease the volume of or shorten rocks
conglomerate	a coarse-grained sedimentary rock containing rounded or sub-rounded rock and mineral fragments
core	cylinder of rock recovered from diamond drilling
craton	a large stable mass of rock, usually igneous and/or metamorphic, which forms a major structural unit of the earth's crust
Cretaceous	a geological period from 100 to 70 million years ago

continental margin	submerged portions of the continental masses on crustal plates, including the continental shelf, the continental slope, and the continental rise
Cu	chemical symbol for copper
cyanide in leach, cyanidation	a method of extracting gold and silver from an ore by dissolving them in a weak solution of sodium cyanide
development	mining carried out to gain access to ore
diamond drilling	method of obtaining a cylindrical core of rock by drilling with a diamond impregnated bit
drilling	mechanical means of obtaining rock or sub-surface samples
detachment fault	a low angle normal fault
diorite	a group of igneous rocks intermediate in composition between acid and basic
dip	the angle at which layered rocks, foliation, a fault, or other planar structures, are inclined from the horizontal
dolomite	a calcium magnesium carbonate mineral
Eocene	a geological time division part (from 40 to 58 million years ago) of the Tertiary period
epithermal	low temperature hydrothermal processes
extensional block faulting	regions of the earth that have undergone a system of forces resulting in extension or stretching, usually associated with structures formed by extension of the crust or lithosphere
fault	a fracture in rocks along which rocks on one side have been moved relative to the rocks on the other
feldspar	a very abundant group of rock-forming silicate minerals in which calcium, sodium and potassium are in combination with aluminium
felsic	used to describe rocks whose dominant constituents are the light-coloured silicate minerals such as quartz and feldspar
ferruginous or ferruginisation	altered or stained by iron minerals such as haematite or goethite and usually having a reddish-brown and/or yellow-brown colouration
fold belt or orogenic belt	a linear or arcuate region that has been subjected to folding and other deformation during an orogenic cycle
foliation	a penetrative planar fabric present in rocks
geochemical	prospecting techniques which measure the content of certain metals in soils and rocks and stream sediments and define anomalies for further testing
geophysical	prospecting techniques which measure the physical properties (magnetism, conductivity, density etc) of rocks and define anomalies for further testing
geological mapping	the process of recording geological information
geological model	a conceptual representation of the geology of an area or ore deposit style
geological indicators	the presence of specific geological factors that indicate the presence of a particular environment
gneiss	banded rocks formed during high-grade metamorphism
graben	downthrown area between two faults

grade	quantity of metal per unit weight of host rock
granite	a coarse grained igneous rock consisting largely of quartz and feldspar
granodiorite	a coarse grained intermediate igneous rock
grass roots	used in this report to refer to an early stage of exploration as opposed to an advanced stage
grid	rectangular pattern marked on ground, usually with wooden pegs, to provide reference points for exploration observations and measurements
g/t	grams per tonne, a standard mass unit for demonstrating the concentration of precious metals in a rock, equivalent to parts per million (ppm)
heap leaching	method of extracting metals from ore dumped on a prepared pad by applying a solution, usually by irrigation via sprinkling or by dripping
hornblende	a green to black amphibole mineral formed in the late stages of cooling in igneous rock
hydrothermal	a process related to the introduction of heated or superheated waters associated with igneous activity
hydroxyl ion bonds	a type of chemical bond
igneous	a rock formed by the solidification of a mineral-rich molten liquid
intrusion or intrusive	a mass of rock formed by magma forcibly occupying a space within pre-existing rocks, then cooling beneath the earth's surface
intermediate	rocks with silica content that fall in between felsic or acid, and mafic or basic compositions
JORC, JORC Code	Joint Ore Reserves Committee, common reference to the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004
Jurassic	a geological time period from 195-135 million years ago
kaolin	clay mineral derived from alteration of aluminium silicate minerals
Kuroko style Volcanic Massive Sulphide	a type of metal sulphide ore deposit, mainly Cu-Zn which are associated with and created by volcanic-associated hydrothermal events. 'Kuroko' type deposits are named after the definitive type initially discovered in the collisional island arc setting of Japan
lacustrine	deposited in a lake
Landsat TM	mapping based on satellite recorded multi-spectral imagery of the Earth's surface
lenses	geological features bounded by converging surfaces
limestone	a sedimentary rock consisting chiefly of calcium carbonate mainly as calcite
logging (of drill core)	systematic recording of geological properties of drill core
lithology	general descriptive term referring to the composition and texture of rocks present in any area
mafic or basic	used to describe igneous rocks of low silica content (usually 45-55 per cent. SiO ₂ , or silicon dioxide) whose dominant mineral constituents are iron and magnesium silicates
magma or magmatic	molten rock material under the earth's crust, from which igneous rock is formed by cooling
magmatic arc	see "volcanic island arc"

marble	granular limestone or dolomite that has recrystallized under the influence of heat, pressure, and aqueous solutions. The main mineral in marble is calcite
massive	homogenous structure with no bedding, lamination or orientation of mineral grains
massive sulphide	body of mineralisation comprised mainly of sulphide minerals
mesothermal	a hydrothermal deposit formed at intermediate temperatures and depths
Mesozoic	a geological era ranging in time from 225 my to 70 my
metamorphism or metamorphic	term applied to pre-existing sedimentary and igneous rocks which have been altered in composition, texture, or internal structure by processes involving pressure, heat and/or the introduction of new chemical substances
metallogenic belt or province	a region characterised by a particular mineral assemblage, or by one or more specific types of mineralisation
Mineral Resource	defined in the 2004 JORC Code as 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
mineralisation	the process by which minerals are introduced into a rock. More generally a term applied to accumulations of economic or related minerals in quantities ranging from anomalous to economically recoverable
mineralised zone	a volume of rock which contains anomalous to economically recoverable quantities of mineral
Miocene	a geological time division, part of the Tertiary period
molybdenite	mineral form of molybdenum sulphide, MoS ₂ , that is the principal ore of molybdenum
Moz	million ounces, a unit of measure
Neogene	an interval of geologic time incorporating the Miocene and Pliocene of the Tertiary period; the Upper Tertiary
Neo-Tethys	Tethys Ocean was a Mesozoic era ocean that existed between the continents of Gondwana and Laurasia before the opening of the Indian Ocean
Oligocene	a geological time division, part of the Tertiary period
open cut	mine excavation produced by quarrying or other surface earthmoving equipment
open pit	mine excavation produced by removing all material overlying and including the extracted ore. No underground caverns are created
Ordovician	a geological time period from 460 to 435 million years ago
ore	mineral bearing rock which can be mined and treated profitably under current or immediately foreseeable economic conditions
Ore Reserve	defined in the 2004 JORC Code as 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. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves

ore body	a physically discrete body of rock comprising ore
ore field	a region recognised as containing several known occurrences of potentially economic mineralisation
orogeny or orogenic	the process of formation of mountains
ounce or oz	troy ounce equivalent to approximately 31.1 grams
outcrop	expression of rock unit at surface
Palaeocene	a geological time division, part of the Tertiary period
Palaeozoic	a geological era from 570 to 225 million years ago
Pb	chemical symbol for lead
phyllosilicates	a structural type of silicate mineral in which flat sheets are formed by the sharing of three of the four oxygen atoms in each tetrahedron with neighbouring tetrahedrons. Also known as layer silicate; sheet mineral; sheet silicate
pluton	an igneous intrusion; a body of consolidated magma
porphyry or porphyritic	a rock composed of relatively large mineral grains (phenocrysts) in a fine-grained groundmass
porphyry style	orebodies which are associated with porphyritic intrusive rocks, commonly containing copper, gold or tin
precious metals	generally refers to gold and silver
Pre-feasibility study	a relatively comprehensive analysis which is qualified by the availability and accuracy of fundamental criteria and assumptions to the degree that it cannot be the basis for final decisions
prospective or prospectivity	areas or regions considered to be favourable for potential for economic mineralisation
prospect	the location or probable location of a mineral deposit
Precambrian	major interval of geologic time between about 540 million years (Ma) and 3.8 billion years (Ga) ago, comprising the Archean and Proterozoic eras
propylitic	a style of hydrothermal alteration dominated by a characteristic mineral assemblage (e.g. epidote, calcite, chlorite, pyrite)
Pacific rim	the region bordering the Pacific Ocean
pyrite	an iron sulphide mineral, FeS ₂
pyrrhotite	magnetic iron sulphide mineral, FeS
quartz	mineral species composed of crystalline silica (SiO ₂)
Quaternary	a geological period from two million years ago to the present
Recent	youngest time division of the Quaternary
recovery	the percentage of metal in an ore extracted by the metallurgical process

reconnaissance	inspection or exploration of an area
Reserve	see "Ore Reserve"
Resource	see "Mineral Resource"
rift or rifting	a zone of the Earth's crust which ruptures under extensional forces
rock chip sampling	refers to collecting a representative sample comprising numerous small chips of rock
sandstone	a medium grained sedimentary rock with a high content of quartz
schist	fine grained micaceous metamorphic rock with laminated fabric
scheelite	the mineral CaWO_4 , found in igneous rocks and occurring as the principal ore of tungsten
sedimentary	rocks formed of particles deposited from suspension in water, wind or ice
sericite	a member of the mica mineral group; an aluminium silicate often derived from alteration
serpentinite	a metamorphic rock derived from ultramafic rocks
shale	mudstone or claystone with very thin fissile bedding
shear or shearing	zone in which rocks have been deformed by lateral movement along parallel planes
stacked vein	quartz veins occurring in close-spaced parallel or near parallel sheets
silicified or silicic or silicification	referring to rocks in which a significant proportion of the original constituent minerals have been replaced by silica
skarn	a metamorphic zone developed in the contact area around igneous rock intrusions when carbonate sedimentary rocks are invaded by and replaced with chemical elements that originate from the igneous rock mass nearby
soil anomaly	a zone or point determined by geochemical sampling and assaying of the soil to be different from the general surrounds
stockwork	a set of veins in a number of different orientations
stratiform	parallel to sedimentary bedding
stratigraphy	refers to the classification of a series of layered rock or strata
stream sediment sampling	systematic sampling of sediments within drainage channels
strike	the direction of bearing of a bed or layer of rock in the horizontal plane
structural corridor/zones/trends	refers to processes of fracturing and folding of rocks
structural feature	a significant fracture, fault or shear in which mineralisation may be concentrated
structural targets	zones of deformation interpreted to be favourable to the localisation of mineralisation
structural	refers to processes of fracturing and folding of rocks
sulphides	minerals consisting of a chemical combination of sulphur with metals
synform	a downward closing fold structure
terrain	a term applied to a rock or group of rocks and to the area in which they crop out
Tertiary	a geological time period from 70 to 2 million years ago
thrust	a low angle fault

tonne or t	unit of measure, a metric tonne equal to 1,000 kilograms
trenching	process of excavating a trench from which channel samples are collected
Triassic	a geological time period from 225 to 195 million years
ultrabasic or ultramafic	used to describe igneous rocks of very low silica content (usually <45 per cent. SiO ₂), consisting essentially of iron and magnesium silicates to the virtual exclusion of quartz and feldspar
unconformity or unconformable	a contact between rock units that represents a time break in rock deposition or formation
underground methods	methods used for underground mining as opposed to open pit methods
vein	a tabular form mineral filling of a rock fracture
volcanic	rocks formed from the solidification of lava extruded on or erupted at the Earth's surface. Also includes pyroclastic rocks
volcanoclastic	descriptive of a clastic sediment containing material of volcanic origin
volcanic island arc	long, curved chain of oceanic islands associated with intense volcanic and seismic activity and mountain-building processes
workings	refers to pits, shafts and adits mark by prospectors in search of minerals
world class	ranking among the foremost in the world
Zn	chemical symbol for zinc

PART I

INFORMATION ON THE GROUP

1. Introduction

The Company was formed on 24 October 2006 for the purpose of holding EMED's exploration interests in Turkey and Bulgaria with a view to creating shareholder value through the discovery and exploitation of gold and copper deposits.

In November 2006, the Company completed the acquisition of EMED's Turkish and Bulgarian exploration interests through the acquisition of EMED's subsidiary MMB which owns the entire issued share capital of DAM. In addition the Company acquired a database of mining information relating to Turkey. The Directors believe that KEFI will be able to develop and realise the potential of these exploration assets more effectively than was possible within EMED, where they were peripheral to EMED's business.

Since December 2004, the Group has been funded by loans from EMED of approximately £350,000 and by equity investment totalling £120,000. Out of the loans provided by EMED, £25,000 has been waived and £300,000 has been assigned to KEFI as part of the arrangements relating to the acquisition of MMB by the Company.

The Admission is intended to raise the profile of the Company both generally and within the mining sector in order to provide a means by which the Company may fund the exploration necessary to support its objectives and to create a market in the Ordinary Shares. The Directors consider that by seeking Admission they will be able to improve the Company's ability to advance its mineral exploration, develop its projects, attract funding and, where appropriate, attract joint venture partners. The Directors also consider that Admission will facilitate future investment in the Company by Turkish and other Eastern European investors.

2. Background

The Group's exploration assets comprise exploration licences in Turkey and Bulgaria and the ownership of a database containing information about further prospective sites in Turkey. In addition, the Group benefits from an ongoing relationship with its original parent company, EMED.

In Turkey, the Group has two projects. It holds fifteen exploration licences in one project covering an approximate area of 253 square kilometres on predominantly state forestry land in the Artvin province of north-eastern Turkey (the Artvin Project). It also holds four exploration licences in the second project, covering an approximate area of 68 square kilometres on predominantly farming land in the Gümüşhane province of eastern Turkey (the Gümüşhane Project).

In Bulgaria, the Group has one project area comprising one exploration licence covering an approximate area of 71 square kilometres on predominantly state forestry land, farming land and rural villages, which is located approximately 150 kilometres south of Sofia (the Lehovo Project).

The Group also holds the rights to a proprietary database which contains information about approximately 100 further prospective sites in Turkey. The Group has begun to exploit this information in order to provide a pipeline of new exploration targets.

EMED has agreed, pursuant to the Relationship Agreement, that any mining opportunities identified by EMED which are in Bulgaria or Turkey will be referred to KEFI for the Board's consideration. In addition, pursuant to the terms of the Services Agreement, EMED's technical and administrative systems and personnel are available for use by KEFI on a cost-recovery basis. Further details of the Relationship Agreement and the Services Agreement are set out in paragraphs 10.7 and 10.8 of Part V of this document.

Given the assets now held by the Group as well as the arrangements that are in place to exploit those assets, the Directors are confident and enthusiastic about KEFI's future.

The rest of this Part I of this document should be read in conjunction with the Competent Person's Report set out at Part IV of this document.

3. Turkey

General Background

Turkey has a population of approximately 70 million people and a democratically elected government. According to information from the US Department of State (Bureau of European and Eurasian Affairs) and US Central Intelligence Agency World Factbook, the Turkish economy has been undergoing sustainable

growth since 2002 with decreases in interest rates and inflation. During this period foreign trade has grown significantly as there have been many reforms including new exploration licence regulations.¹ A hydro-electric project comprising of eighteen major dam installations is currently being undertaken throughout the country, with a number of these in the Artvin district. As a consequence there are coincident major road and bridge civil engineering projects being carried out throughout the region.²

Mining Background

Turkey has an established historical mining background with both large and small scale deposits of various commodities being successfully identified and developed, predominantly by local entities. Active exploration and development by foreign mining companies in recent times has been limited.³ This has been due to a perception of difficulties related to development issues and a lack of trust in the mining industry as a result of the legacy of previous operators, including environmental practices which would not comply with current industry standards. This has been known to lead to regulators suspending mining operations. In this respect, the Directors believe that KEFI will benefit from its ongoing relationship with EMED and EMED's team who are experienced in good environmental practices.

In addition, historical data is proprietary and is not available through a public collative data system. In this respect the Directors consider KEFI's prospects and competitive position in Turkey is strengthened as it already owns a large proprietary database for this region.

Recent changes to the Turkish Mining Law and a progressive development attitude of the Turkish Government has generated a positive environment for exploration and mining activities.⁴ There are currently 15 foreign mining companies active in Turkey including BHP Billiton Limited, Rio Tinto Limited and Newmont Mining Limited.

Recent mining developments in Turkey include the Ovacik, Kisladag and Mastra Gold Mines. In 2001 the 800,000oz Au resource Ovacik Gold Mine (owned by Koza Altin Isletmeleri A.S.) was commissioned and in 2006 the 7Moz Au resource Kisladag Gold Mine (owned by Eldorado Gold Corporation) was opened. These deposits are being mined using open cut mining methods and gold recovery is carried out using conventional cyanide in leach and cyanide heap leach technologies. Other developments in Turkey in 2006 include the construction of the Mastra (600,000oz Au resource) underground gold mine, progress of the permitting process for Eldorado Gold Corporation's high grade Efemcukuru gold (+1Moz Au resource) deposit, and a feasibility study is currently being undertaken on the 5Moz Au resource at the Copley Gold deposit (owned by Anatolia Minerals Development Limited). Fronteer Development Group Incorporated is currently drilling out two deposits with reported +1Moz Au resources in north-western Turkey.⁵

The Directors believe that recent gold discoveries and developments are positive indicators of the mineral wealth of the known Tethyan metallogenic belt and the commitment of the Turkish Government towards supporting and expanding the mining industry.

1 extracted from paragraph 2.2.1 of the CPR in Part IV of this document;

2 extracted from paragraph 2.2.3 of the CPR in Part IV of this document;

3 extracted from paragraph 2.2.4 of the CPR in Part IV of this document;

4 extracted from paragraph 2.2.4 of the CPR in Part IV of this document;

5 extracted from paragraph 4.1 of the CPR in Part IV of this document;



Figure 1: Mineral deposits in Turkey, showing major deposits and mines⁶

Mining Law in Turkey

Licences and mining activities are regulated by the General Directorate of Mining Affairs (“MTA”), a unit of the Ministry of Natural Resources which periodically announces the availability of exploration licences for tender. Interested parties have at least one month to lodge an application. The tender application is submitted and appraised in closed confidence, with the award of the tender based on the highest offer. The tenure is secure and is issued for a period of three years, after which time a company is required to submit an exploration activity report to the MTA. Application can be made to extend the exploration licence for an additional two years, provided the activity report states that the exploration activities have been insufficient to establish the extractable reserves on which mining activities have been conducted; the detailed work on the reserve assessment is pending and more time is needed to accurately assess the available reserves and to carry out tests.

If exploration is successful and the holder wishes to progress to a development stage, then application can be made for a concession to mine. The mine concession can be granted for a period of between 10 and 60 years and in principle the operation licence is granted to the previous holder of the exploration licence for the same mining area. The MTA evaluates applications on the basis of technical information provided by the licensee and on site surveys.

KEFI currently holds exploration licences in Turkey in the Artvin and Gümüşhane areas, all of which were granted for three years in 2005 or 2006 and accordingly will be reviewed in 2008 or 2009.

Projects

The Group’s projects are located in the Eastern Pontides volcanic province of north-eastern Turkey which form part of the Alpine-Himalayan-Indonesian mountain range. The Eastern Pontides are part of a metallogenic province with numerous historically mined deposits and new emerging producers. The styles of mineralisation identified and mined include porphyry copper, gold deposits, epithermal gold deposits, and Kuroko style Volcanic Massive Sulphide (“VMS”) copper, lead, zinc and gold deposits.⁷

Before selecting the current project areas the Group undertook research of the Eastern Pontides district to identify areas of potential prospectivity, based on favourable lithology, known economic mineralisation in the district, geologically anomalous identifying features such as large scale alteration, and identification with analogous terrain of known deposits in other geographical regions. MMB and DAM also obtained advice from Turkish exploration consultants who had access to a proprietary geochemical database that identified geochemically anomalous areas of interest. The Group’s projects were selected on the basis of identifying prospective areas for mineralisation based on all of these factors.⁸

6 extracted from figure 18 on page 87 of the CPR in Part IV of this document;

7 extracted from paragraph 3.1.1 of the CPR in Part IV of this document;

8 extracted from paragraph 4.1.2.1 of the CPR in Part IV of this document;

Artvin Project

The Group's projects in the province of Artvin are located within the Lesser Caucasus mountain range (see Figure 2, below) and the geologically favourable Cretaceous volcanics that are known to host a number of significant base metal and smaller vein style base metal and gold deposits.⁹

The topography is steep and rugged, rising up to an elevation in excess of 3,000 metres. The vegetation ranges from moderately dense forest at lower elevation to open Alpine grassland above 2,000 metres elevation. The higher elevations receive snow during the winter months. The Directors believe that a field season of seven months within a twelve month period, from April to October, could be reasonably expected for exploration activities.¹⁰

As set out above, the Artvin projects comprise fifteen individual exploration licences. The majority of these are contiguous, however there are three areas of exclusion which are owned by other interests.¹¹ The Directors do not believe this will affect the Group's exploration efforts in this Project area.

A number of significant VMS base metal-gold mines and deposits occur within 50 to 100km along the strike towards the Artvin Project. These VMS deposits are preferentially hosted within the felsic volcanic units, which have recently been demonstrated by KEFI geologists to extend into the Artvin Project. Examples of the VMS deposits hosted in the felsic volcanics in the vicinity of Artvin include the large Cayeli Mine (operated by Inmet Mining and Etibank) with reserves of 19.7 million tonnes at 4.2 per cent. copper, 6.5 per cent. Zn, 0.8g/t Au and 44g/t Ag, the Murgul deposit with reserves of 80 million tonnes at 1.1 per cent. copper and the Cerattepe Mine (Inmet Mining) with reserves of 2.8 million tonnes at 5.1 per cent. copper.¹²

The Directors believe that the presence of large areas of hydrothermally altered felsic volcanic rocks and the numerous small mine workings in the Artvin Project are positive indicators of the presence of VMS style mineralisation.

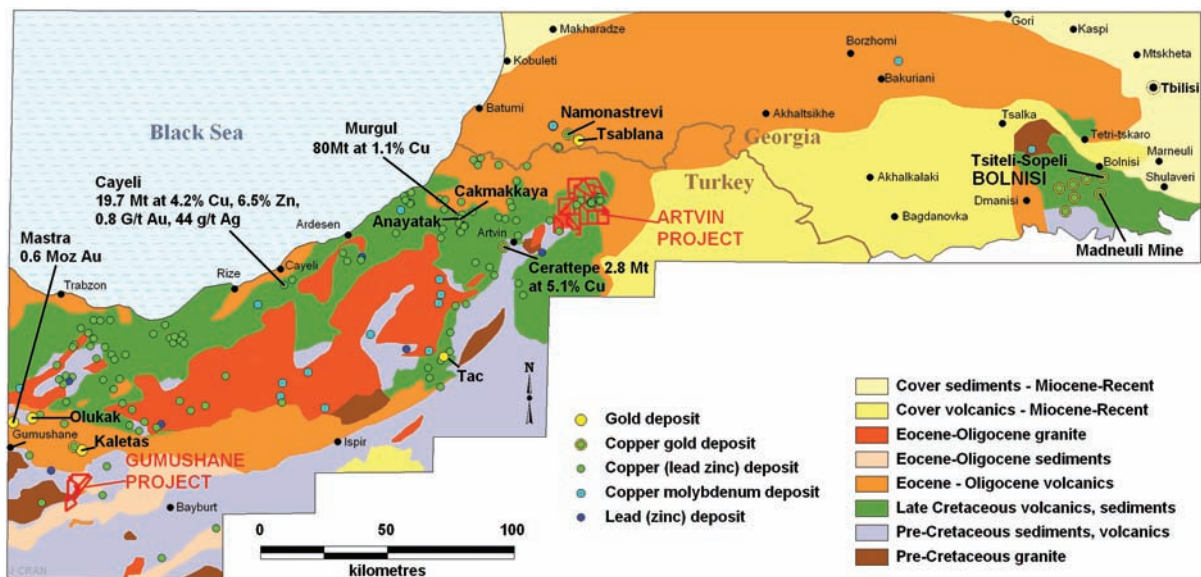


Figure 2: Geological map of the north-eastern Pontides, showing major deposits and location of KEFI exploration licences¹³

Gümüşhane Project

The Group's exploration licences in the province of Gümüşhane are located between the Black Sea Mountains and the Anatolian Plateau (see Figure 2) within a geologically favourable Jurassic volcanic-sedimentary sequence. The topography varies, but generally consists of rolling hills and open plains, with some moderate to steep areas of elevation up to 2,300 metres. The vegetation is sparse with mainly open grassland. Some of the higher elevations receive snow during the winter months. As with the Artvin Project,

⁹ extracted from paragraph 2.2.2.1 of the CPR in Part IV of this document;

¹⁰ extracted from paragraph 4.1.2.1 of the CPR in Part IV of this document;

¹¹ extracted from paragraph 2.2.5 of the CPR in Part IV of this document;

¹² extracted from paragraph 3.1.2.1 of the CPR in Part IV of this document;

¹³ extracted from figure 4 on page 72 of the CPR in Part IV of this document;

the Directors believe that a field season of seven months within a twelve month period, from April to October, could be reasonably expected for exploration activities but it is likely that some activities, such as drilling, could be carried out over the entire twelve month period.¹⁴

The exploration licences were applied for and granted in 2005 as a result of the Group's reconnaissance activities which noted the presence of anomalous gold in stream anomalies in existing geochemical data. As an initial phase, the Group has carried out a preliminary regional reconnaissance assessment of the projects to identify specific areas to target and prioritise for more focussed work. The reconnaissance work has included literature research, broad scale ground traversing, site visits to deposits in the area, and ground investigation of areas with anomalous geochemistry, significant alteration, and historical recordings of mineralisation.

The Group acquired Aster satellite data over two regional areas that incorporate the Artvin and Gümüşhane Projects and commissioned two independent interpretation studies of the data by geological imagery consultants. The first study, carried out by HME Partnership of London, conducted spectral enhancement of the data in order to map mineral distribution. The Group did not supply HME with any background information regarding location of projects, identity of anomalous areas, or identity of areas of interest from their own reconnaissance studies. In this way the interpretation of the data was without bias or influence. The HME study identified four areas of interest in Artvin and four areas of interest in Gümüşhane that warranted further investigation. Aster data is difficult to interpret in areas with dense vegetation, and cloud cover. Artvin is affected by both these factors and consequently the interpretation is not as distinctive as Gümüşhane, where the areas of interest show up more clearly.¹⁵

The Aster data shows that the area of hydrothermal alteration and quartz veining observed during reconnaissance at Oylumdere (a project area within Gümüşhane) lies within a zone four and a half kilometres long and up to one and a half kilometres wide. This supports the idea that a large hydrothermal system has occurred in the south-west portion of the Gümüşhane Project which may have mineralisation associated with it. Other smaller zones within the projects require further follow up work.¹⁶

The second study was carried out by Michael Baker, Geological Consultant, London, using Landsat and Aster data and was aimed at producing a more detailed assessment of the project areas. The purpose of this study was to produce detailed geological interpretations of the areas, combine these with the results of an Aster spectral analysis and with mineral occurrence data, and to identify potential targets for follow-up exploration.¹⁷

Image interpretation by Michael Baker suggests that three prospective target styles have potential for mineralisation in the study area and should be targeted for follow up work: dykes and alteration zones along Late Tertiary extensional faults; intrusions and vein/fracture zones in the Eocene arc, and vein and intrusion-related targets in the Late Cretaceous volcanics.¹⁸

Conclusion

In summary, the Directors are encouraged by the fact that stratigraphically favoured host rocks have been recognised by the Group to occur in the Artvin Project. These volcanics have been affected by extensive hydrothermal alteration and that there is evidence of historical workings indicating potential for economic mineralisation. AMC has concluded at paragraph 6.3 of Part IV of this document, that the project area appears prospective for large scale bulk tonnage style deposits and that there is potential for epithermal gold style mineralisation. However, it notes that the area has not been historically explored for gold.

In addition, the Directors are encouraged by geochemical anomalies and areas of extensive hydrothermal alteration, which have been recognised in the Gümüşhane Project, as well as coincident areas of interest identified from the Aster data interpretation. AMC has concluded at paragraph 6.3 of Part IV of this document, that the area is conducive for potential bulk tonnage replacement and epithermal style mineralisation. However, it notes that very little previous exploration has taken place in this area and that it should be regarded as grass roots type exploration.

14 extracted from paragraph 2.2.2.2 of the CPR in Part IV of this document;

15 extracted from paragraph 4.1.2.2 of the CPR in Part IV of this document;

16 extracted from paragraph 4.1.2.2 of the CPR in Part IV of this document;

17 extracted from paragraph 4.1.2.2 of the CPR in Part IV of this document;

18 extracted from paragraph 4.1.2.2 of the CPR in Part IV of this document;

4. Bulgaria

Background

Bulgaria has a population of approximately 7.4 million people and has a democratically elected government. Since the collapse of the Soviet Union, Bulgaria's economy has gradually changed to one which is largely market-based. According to information from the US Department of State (Bureau of European and Eurasian Affairs) and the US Central Intelligence Agency World Factbook, low inflation and steady progress of structural reforms has led to an improved business environment with an average 4 per cent. growth since 2000 and an increase in significant amounts of foreign direct investment.

Mining Background

Bulgaria has a long tradition of mining for base metals and precious metals, and has a number of current operating mines.¹⁹ Dundee Precious Metals Incorporated are carrying out underground mining at the Chelopech Mine (2.5 Moz Au equivalent reported reserves) and are waiting on approvals to mine the Ada Tepe gold deposit (751,000oz Au equivalent reported reserves) at Krumovgrad in south east Bulgaria. The Panagyurishte District in central Bulgaria contains large porphyry copper mines at Assarel and Elatzite. Other foreign companies currently exploring for gold include Balkans Gold Limited and Hereward Ventures Limited.²⁰

Mining Law in Bulgaria

Exploration project application is relatively simple but initiation of the process leads to a competitive market situation. A party may file with the Ministry of Environment and Water an application for an exploration licence for a particular area if such an area is vacant. Once the application is filed, the issuing authority publishes an announcement of its intent to grant an exploration licence for that particular area in two central daily newspapers. If another party demonstrates interest in obtaining such a licence within one month of the date of publication of the announcement, the Ministry shall open a tender procedure. The licence is granted to the applicant who has made the highest ranking offer, as evaluated by the appointed tender commission on the basis of the proposed exploration programme and expenditure, and the exploration experience of the applicant or the group to which it pertains. The tender and evaluation process usually takes between 6 and 12 months.

The exploration licence is issued by the Minister of Environment and Water subject to the prior approval of the Council of Ministers.

The exploration licence is valid for up to three years, commencing on the date of execution of an exploration agreement. The Minister may grant up to two extensions of an exploration licence (each extension could be granted for a period of up to two years).

Historical data is collated in a government data storage archive. Holders of exploration licences are required to provide a written annual report detailing work programmes and results. This data remains in moratorium until termination of the respective exploration agreement, when it becomes accessible, subject to certain confidentiality undertakings by the users and payments of fees (until then it could be used by a third party only with the consent of the exploration licence holder).

The rights and the obligations arising from an exploration licence can be transferred entirely or partially to third parties, meeting the statutory eligibility requirements, only upon the permission of the Minister. Assignment is requested by an application to that effect supported by evidence regarding the satisfaction of the eligibility requirements. If the assignment is permitted, the Minister, the transferor and the transferee sign an amendment to the exploration agreement, reflecting the fact of assignment.

If exploration is carried out within private land, an agreement with the landowner is required in order for the exploration permit holder to conduct exploration and other related activities. In the case of state forestry land, an application for access is made to the relevant government department stating the location and size of the area affected, and a permit is issued to undertake exploration within the area. In addition, the exploration licence holder must rehabilitate the areas affected by exploration activities.

If a commercial discovery is made and the licence holder wishes to progress to a development stage, then application is made for a concession to mine to the Directorate of Natural Resources and Concessions at the Ministry of Economy and Energy. The concession is granted by the Bulgarian Council of Ministers upon proposal of the Minister of Economy and Energy.

¹⁹ extracted from paragraph 4.2.1 and 6.2 of the CPR in Part IV of this document;

²⁰ extracted from section 4 of the executive summary of the CPR in Part IV of this document;

The mine concession can be granted for a period up to a maximum of 35 years, with a possibility for one extension of up to 15 years under the terms and conditions agreed in the concession agreement.

The holder of an exploration licence may be appointed directly as a concessionaire for the discovered deposit of underground natural resources, provided that a commercial discovery has been made and such a discovery has been registered with the Ministry of Environment and Water. Registration is evidenced by the issue of a commercial discovery certificate. The administrative procedure for a direct grant of a concession is initiated upon submission to the Minister of an application within 6 months from the receipt of the commercial discovery certificate.

The Minister may refuse to initiate the procedure for the direct grant of a concession based on a number of circumstances explicitly provided for by the law, including: (i) threat to national security, the environment, or due to health and safety issues; (ii) the applicant having presented untrue information; (iii) the applicant having proposed a minimal mandatory working project, which does not meet the established technical and technological standards and the requirements for preservation of the environment; (iv) the applicant having filed a request for an area for which other concessions or exploration permits have already been granted.

The refusal to grant a concession is subject to appeal before the Bulgarian courts of law.

The Council of Ministers issues a decision for the grant of a concession upon a proposal made by the Minister. Such decision is subject to promulgation in the state gazette and communication to the respective municipalities at the location of the concession areas. The decision of the Council of Ministers is subject to appeal before the Bulgarian Supreme Administrative Court by all interested parties within 7 days from the promulgation of the decision in the state gazette, including, the municipalities at the location of the concession areas.

Project

The Lehovo Project is located approximately 150 kilometres south of the city of Sofia, the Bulgarian capital, and approximately 20 kilometres to the south east of the city of Sandanski. More particularly, it is located within the Lehovo ore field which is a ten kilometre square area that is located between the villages of Belyoro, Goleshevo and Lehovo. The topography ranges from rolling hills to relatively steep, mountainous terrain up to approximately 1,200 metres elevation. The vegetation ranges from open grassland to moderately dense forest cover. The area receives some snow during the winter months. The Directors believe that a field season of seven months within a twelve month period, from April to October, could be reasonably expected for exploration activities.²¹ The area was extensively explored from 1957 to 1993 by the former state government mining department (Committee for Geology and Preservation of the Earth).²² MMB also holds an exploration licence relating to a further area in Bulgaria. MMB is in the process of seeking to terminate this licence. Termination is expected to occur early in 2007.

²¹ extracted from paragraph 2.3.2 of the CPR in Part IV of this document;

²² extracted from paragraph 4.2.1 of the CPR in Part IV of this document;



Figure 3: Location of the Lehovo Project owned by the Group²³

Exploration activities in the Lehovo Project area included geological mapping, geophysical surveying, geochemical sampling, trenching and drilling. Work was targeted at delineating stratiform base metal and molybdenum mineralisation. In 1995-1996 selective zones of old drill core were reviewed and re-assayed for gold mineralisation by Professor Slavcho Mankov, a Bulgarian exploration consultant. Gold was found associated with quartz veining with results including 0.7 metres at 17g/t returned. The drill core is still available and can be accessed for examination and logging.²⁴

MMB undertook its own research in the Lehovo district to identify areas of potential prospectivity based on favourable lithology, known economic mineralisation in the district, geologically anomalous with identifying features such as large scale alteration, and identification with analogous terrain of known deposits in other geographical regions. MMB also obtained advice from Professor Slavcho Mankov who collated available exploration data for the area for assessment. The projects were selected on the basis of identifying prospective areas for mineralisation based on all of these factors.²⁵

As an initial phase, MMB has carried out a preliminary regional reconnaissance assessment of the projects to identify specific areas to target and prioritise for more focussed work. The reconnaissance work has included literature research, broad scale ground traversing, and ground investigation of areas with anomalous geochemistry, significant alteration, and historical recordings of mineralisation.²⁶

Conclusions

KEFI has identified three areas of geological interest for further investigation within the project area: Kazanite, Touchi Dol and South Lehovo. The Directors are also encouraged that reconnaissance work by the Group's personnel has identified a structural corridor with a strike length of approximately eight kilometres with the potential for gold and base metal mineralisation. Quartz-pyrite-arsenopyrite veins ranging in thickness from millimetres up to several centimetres occur as a stacked sequence within host meta-volcanics and

23 extracted from figure 2 on page 69 of the CPR in Part IV of this document;

24 extracted from paragraph 4.2.1 of the CPR in Part IV of this document;

25 extracted from paragraph 4.2.2 of the CPR in Part IV of this document;

26 extracted from paragraph 4.2.2 of the CPR in Part IV of this document;

sediments and appear analogous to the Monte Ollasteddu gold deposit in the Sarrabus-Gerrei district of Sardinia in Italy. Monte Ollasteddu is a new style of high grade gold mineralisation recognised in Sardinia. The vein style observed at Kazanite is similar in description to the veining and lithological host unit of the Monte Ollasteddu deposit, which is at resource delineation stage.²⁷ No current resource figures were available for the Monte Ollasteddu at the date of this Document.

The Lehovo Project is located in a geologically and structurally favourable environment that has the potential for economic mineralisation based on the results of previous exploration activities and the presence of historical workings. Areas of hydrothermal alteration and sulphide bearing quartz veining have also been identified in the prospect area. AMC considers the project area appears prospective for large scale bulk tonnage epithermal gold vein style deposits, but notes that the area has not been historically explored for gold.²⁸

5. EMED

The Directors believe that the ongoing relationship between KEFI and EMED is extremely important to the Group's ongoing economic viability. KEFI has entered into the Services Agreement and the Relationship Agreement in order to formalise the understanding between the two companies.

The principal activity of EMED is to explore for and develop natural resources, with a focus on copper and gold. EMED's region of interest spans from Eastern Europe to Iran which includes many past centres of mining with under-explored potential for many styles of mineralisation such as volcanogenic-hosted massive sulphide copper-gold, epithermal gold and porphyry copper-gold. EMED's directors and senior management have extensive experience in exploration, development and financing of natural resources projects in many countries. The core exploration team comprises five experienced geologists based in Cyprus who support and work with colleagues and advisers, most of whom are located within the region. The team combines local experts with practitioners experienced in discovery, development and mining from the well-established natural resources sector in Australasia.

Under the terms of the agreements KEFI will benefit from EMED's experience of identifying prospective sites for future exploration as well as the experienced team of individuals that EMED has established. More specific details of the Relationship Agreement and the Services Agreement are set out at paragraphs 10.7 and 10.8 of Part V of this document.

6. The Database

Pursuant to the Acquisition Agreement, KEFI also acquired an extensive exploration database which contains individual target assessments of 100 prospective areas in Turkey. The data was compiled by John Nethery, Ian Plimer (Deputy Chairman of KEFI), Gavin Thomas, and Omer Akinci during three field campaigns in the period of 1989 to 1991.²⁹ All are exploration geologists of international repute with a track-record between them including the discovery of the world class Lihir Gold Mine now in operation in Papua New Guinea and the Milos Island discovery in Greece. The Directors estimate the replacement cost of the Turkish database to be £1.5 million.

A summary of Ian Plimer's biography is included at paragraph 8 of this Part I below. Professor Plimer and John Nethery predicted and found a number of epithermal gold deposits in Greece and Turkey and they both spent some 15 years in epithermal gold exploration in the eastern Mediterranean. John Nethery is managing director of Nedex Pty Ltd, geological consultants and Gavin Thomas is chief executive officer of mining company Kingsgate Consolidated Limited. Mr Omer Akinci has recently retired as professor of economic geology in Turkey at Suleyman Demirel University and has acted as a consultant in Turkey to international exploration and mining companies.

The strategy behind the assembly of this database and its acquisition by KEFI is that the geological terrain in Turkey is analogous to the volcanic island arc setting of the Pacific and Americas belt (the "Pacific Rim") that hosts world class gold deposits. Previous historical exploration and geological investigation of this terrain in Turkey had not recognised the potential for development of epithermal style gold deposits. The database summarises the field work in over 100 locations where the mineralisation was considered to have analogies with that of relevant areas within the Pacific Rim.³⁰

²⁷ extracted from paragraph 3.2.2 of the CPR in Part IV of this document;

²⁸ extracted from paragraph 6.2 of the CPR in Part IV of this document;

²⁹ extracted from paragraph 2.4 of the CPR in Part IV of this document;

³⁰ extracted from paragraph 2.4 of the CPR in Part IV of this document;

The database comprises 14 hard copy reports, 38 hard copy maps and a large volume of other data in digital format. The data is catalogued and KEFI has begun to catalogue the information into a relational database format for ease of access.³¹

AMC has reviewed the database and, as set out in the Competent Person's Report in Part 4 of this document, is of the opinion that it will provide KEFI with numerous opportunities in Turkey to identify prospective areas for project generation.

7. Exploration Strategy

KEFI has a budget and cash flow set out for the period ended 30 June 2008 of £1.5 million. This is described in more detail in the Competent Person's Report in Part IV of this document. As also set out in Part IV, AMC has reviewed the exploration budget proposals and considers that they are appropriate and justified. Exploration proposed for the Artvin and Gümüşhane Projects during the period include:

- geological mapping and geochemical rock chip sampling in target areas to identify key geological indicators, develop a detailed understanding of the geological model, and locate areas of potential mineralisation for further investigation;
- geochemical stream and soil sampling as part of the assessment of key areas, as above, and to delineate targets for follow up work;
- verification and validation of historical geochemical data to identify target areas for follow up work in the Gümüşhane Project;
- geophysical surveys on key areas if warranted; and
- drill testing of priority targets to progress further or relinquish.

Work on the Lehovo Project during the period ended 30 June 2008 will focus on the Kazanite, Touchi Dol and South Lehovo areas and will include:

- geological mapping and geochemical rock chip sampling in target areas to identify key geological indicators, develop a detailed understanding of the geological model, and locate areas of potential mineralisation for further investigation;
- geochemical stream and soil sampling as part of the assessment of key areas, as above, and to delineate targets for follow up work;
- verification and validation of historical geochemical data to identify target areas for follow up work;
- examination and review of historical drill core from the Kazanite and South Lehovo areas;
- geophysical surveys on key areas if warranted; and
- trenching and sampling along regular grids to develop drill target definition.

In addition, KEFI will continue to review other additional opportunities in respect of areas that are geologically prospective on an ongoing basis so that it may apply to take up exploration licences as soon as they become available. As set out in the Competent Person's Report in Part IV of this document, assessment of the Group's existing projects is at an early stage and accordingly, the Directors and AMC believe that the Group should be able, quickly and cost effectively, to assess the projects and identify and prioritise target areas for follow up work or relinquish the exploration licences should their prospectivity be reduced.

8. Directors and Senior Management

Directors

Arisitidis Eleftherios Anagnostaras-Adams, Non-Executive Chairman (age 51)

Arisitidis Anagnostaras-Adams (BComm, MBA) is currently managing director of AIM-listed EMED Mining Public Limited. He was formerly managing director of ASX and AIM-listed Gympie Gold Limited and deputy chairman of Australian Gold Council, executive director of unlisted investment company Pilatus Capital Limited and general manager of natural resources investment company Clayton Robard Limited which handled approximately US\$2 billion funds. Arisitidis was an inaugural senior investment manager in Australia for Citicorp Capital Investors Limited and was manager of Australian mergers and acquisitions for CitiNational Merchant Bank, and a chartered accountant with Price Waterhouse Coopers.

³¹ extracted from paragraph 2.4 of the CPR in Part IV of this document;

Jeffrey Guy Rayner, Managing Director, (age 42)

Jeffrey Rayner is a geologist (BSc Hons) with 20 years' experience in gold exploration and mining in Australia, Europe and Asia. He started his career in Australia with BHP Gold and later Newcrest Mining Limited. He was involved in the early exploration discovery of the Cracow and Gosowong epithermal deposits and the Cadia Hill deposit, presently operating mines. In 1988 he joined Gold Mines of Sardinia plc as exploration manager, responsible for exploration and mining in Sardinia and project generation in Europe. As part of his time at Gold Mines of Sardinia plc he led the exploration discovery of the Monte Ollastettu gold deposit in Sardinia. He joined EMED in 2006 and has managed its Eastern European projects, resulting in the early drill discovery of the Biely Vrch deposit in Central Slovakia, until he became a director of KEFI in November 2006.

Ian Rutherford Plimer, Non-Executive Deputy Chairman (age 60)

Ian Plimer is the inaugural professor of Mining Geology at the University of Adelaide. He was previously professor and head of geology at the University of Melbourne (1991-2005) and professor and head of geology at the University of Newcastle (1985-1991). He has been senior research geologist (North Broken Hill Ltd.) and on the staff at Macquarie University, the University of New South Wales (Broken Hill Division) and the University of New England. He has published more than 120 scientific papers on ore deposits, has published 6 books and is a regular broadcaster. Professor Plimer and John Nethery predicted the location of, and found a number of, epithermal gold deposits in Greece and Turkey and they both spent some 15 years in epithermal gold exploration in the eastern Mediterranean. Ian Plimer has been a director of CBH Resources Ltd. (ASX:CBH) since 1998 during which time it grew from A\$2 million market capitalisation to a significant zinc-lead-silver producer with a A\$700 million market capitalisation.

John Edward Leach, Finance Director (part-time) (age 58)

John Leach, a Canadian and Australian citizen based in Sydney and Nicosia, Cyprus holds a Bachelor of Arts (Economics) and a Masters in business administration. He is a member of the Institute of Chartered Accountants (Australia), the Canadian Institute of Chartered Accountants and is a Fellow of the Australian Institute of Directors. He has over 25 years' experience in senior executive positions in the mining industry internationally.

John Leach is executive chairman of Resource Mining Corporation Limited, a listed Australian company (ASX:RMI) with iron ore interests in Western Australia and nickel interests in Papua New Guinea. He is also the chief financial officer of EMED. Mr Leach is contracted to KEFI pursuant to the terms of the Services Agreement.

Senior Management

Pursuant to the terms of the Services Agreement, KEFI also has access to employees of EMED which include the following key individuals:

Venelin Jeleu, Adviser – Bulgaria

Associate Professor Venelin Jeleu (BSc, PhD) is EMED's adviser in Bulgaria and senior project geologist. He has 31 years' experience in field exploration, researching and teaching the structural geology of Bulgaria and has worked for state-owned enterprises and ministries, as well as being a contract-geologist for private companies such as Navan Mining Resources Plc. Professor Jeleu served as co-ordinator of the joint European project for training and environmental management for natural resources between 1998 and 2002, and has also written or co-written over 90 geological research papers.

Ömer Celenk, Adviser – Turkey

Ömer Celenk is EMED's Country Adviser in Turkey. He is a Turkish Citizen based in Ankara. Ömer has 26 years' experience as a geochemist and economic geologist. He has previously worked for the Turkish Geological Survey, the United Nations in India, Philippines and Uganda, and also for Kenmare Resources Limited. Since 1994 he worked as a freelancer consultant on economy geology and geochemistry mainly in Turkey until being recruited by EMED in early 2006. Ömer's services are contracted to KEFI pursuant to the terms of the Services Agreement.

Ronald David Cunneen, BSc (Honours), Head of Exploration, EMED.

Ronald Cunneen has been an exploration and mine geologist for the past 20 years and has previously worked for Renison Goldfields Limited as a mine and exploration geologist focused on base metals and gold

including work at Mount Lyall Copper Mine in Tasmania, base metal exploration in New South Wales, Northern Territory, Queensland, Australia and Papua New Guinea. For 10 years he was head of mine geology and exploration for Gympie Gold Limited, at its gold subsidiary Gympie Eldorado Gold Mines Pty Limited and its associate D'Aguilar Gold Pty Limited. He began work for EMED in December 2004.

Dr Demetrios Constantinides, Head of Regional Development, EMED

Dr Constantinides (MSc, PhD) is head of regional development for EMED. He is a Cypriot Citizen based in Athens and Nicosia and he has 31 years' experience in mineral exploration and mineral economics. He has held senior roles in European Union mining projects, the post of director for public relations and international affairs for the Institute of Geology and Mineral Exploration in Greece (IGME). Previously, he was the deputy director of exploration of IGME, as well as being a consultant to various international mining companies including Rio Tinto plc, Kyprou Gold Limited, and general manager and deputy chairman of Thrace Minerals Limited (a wholly-owned subsidiary of Greenwich Resources plc). He began work for EMED in July 2005.

James Norman Cran, Project Manager, EMED

James Cran has 25 years' experience as a base metal and gold exploration geologist and has worked for, amongst others, Gympie Gold Limited in Australia; Newcrest Mining Limited in Greece, Indonesia, and Australia; Newmont Australia Limited in Australia, Papua New Guinea, the Solomon Islands and Fiji; Anaconda Australia Inc and Aquitaine Australia Minerals Pty. Limited in Australia. He assisted in the discovery of the Tolukuma epithermal gold deposit in Papua New Guinea; the discovery of an open pit, banded iron formation hosted gold deposits at Randals in the Archaean of Western Australia and in the discovery of the Viper epithermal gold deposit at Sappes in Greece. He began work for EMED in December 2004.

Robert James Close, Head of Cyprus and Middle East Exploration, EMED

Robert Close has 35 years' geological experience in exploration and project management in Australasia and Eurasia. He has a varied technical background in ore deposits from project generation to deposit discovery and development feasibility, with an operational focus on precious metals and VMS deposits. Recently he was general manager for National Mining Co Limited in Oman bringing copper deposits to development, and he has previously managed base metal-gold exploration for Plutonic Resources Limited and Pancontinental Mining Limited in Australia and New Guinea, as well as working for Newmont Mining Limited and North Queensland Resources Limited in Queensland. Robert has operated as a consultant geologist since 1998. He joined EMED in February 2006 and was appointed head of Cyprus and Middle East exploration.

9. The Placing

The Company is proposing to raise £1,400,000 (before expenses) by the issue of 46,666,667 new Ordinary Shares at the Placing Price. The Placing Shares will represent approximately 52.63 per cent. of the Enlarged Share Capital of the Company at Admission. The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the rights to all dividends and other distributions declared, made or paid following Admission, and will be issued credited as fully paid. The Placing has not been underwritten.

Application will be made for the Existing Ordinary Shares and the Placing Shares to be admitted to AIM.

The Placing is conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring by no later than 18 December 2006 (or such later date as WH Ireland and the Company may agree, being no later than 31 December 2006).

Further details of the Placing Agreement are set out in paragraph 10.9 of Part V of this document.

In addition, Direct Portfolio Services Limited has agreed to subscribe for 1,666,667 new Ordinary Shares at the Placing Price. The subscription will occur on 5 April 2007 and the 1,666,667 new Ordinary Shares to be issued will be admitted to trading on AIM at this time.

10. Share Options

The Company has granted options in respect of an aggregate of 16,000,000 Ordinary Shares.

A summary of the terms of the option agreements under which these options have been granted is set out in paragraph 10.11 of Part V of this document. The Directors intend to grant further options over Ordinary Shares in the future in order to incentivise certain Directors and key employees.

It is the Director's intention to grant options over Ordinary Shares in respect of no more than 20 per cent. of the fully-diluted share capital of the Company at any time.

11. Warrants

The Company has agreed, conditional on Admission, to grant to WH Ireland the WHI Warrants which grant WH Ireland the right to subscribe for 666,667 new Ordinary Shares. The WHI Warrants are exercisable at the Placing Price at any time until the third anniversary of Admission. Full details of the WHI Warrants are set out in paragraph 10.10 of Part V of this document.

12. CREST

The Directors have arranged with CRESTCo Limited for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if the relevant shareholders so wish. CREST is a paperless settlement procedure, which allows securities to be evidenced without a certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under the CREST system.

CREST is a voluntary system and holders of the Existing Ordinary Shares and the Placing Shares who wish to receive and retain certificates in respect of Ordinary Shares will be able to do so.

13. Admission, Settlement and Dealings

Application will be made for the issued and to be issued Ordinary Shares to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 18 December 2006.

WH Ireland has been appointed as the Company's Nominated Adviser and Broker in relation to the Placing and Admission.

14. Reasons for Admission and Use of Proceeds

The Directors believe that Admission should assist the Group by enhancing its market profile. The Directors also believe that this increased profile and status should assist the Group by improving its ability to advance its mineral exploration, develop its projects, attract funding and, where appropriate, attract joint venture partners. In particular, the Directors consider that Admission will facilitate future investment in the Company by Turkish and other Eastern European investors, and anticipate it will encourage the recruitment of additional high quality, experienced local staff.

The gross proceeds of the Placing are expected to be approximately £1,400,000. The Directors intend that these will be used to contribute towards the costs of the Placing and Admission and to implement the business plan as reviewed in the Competent Person's Report and the Accountant's Reports which essentially comprises the:

- exploration of existing projects;
- prospecting of areas of interest identified in the Company's existing database; and
- evaluation of the Group's pipeline of other opportunities.

15. Prospects

KEFI has acquired exploration licences in the known Tethyan metallogenic belt. Historical exploration and mining, in both Turkey and Bulgaria, demonstrates that there is potential for identifying and developing economically viable deposits. The Group has also acquired an extensive exploration database which will provide it with the opportunity and a competitive advantage to identify prospective areas for project generation in Turkey.

The Directors believe that the technical, administrative and relationship support of EMED provided under the Services Agreement and Relationship Agreement will enable KEFI to advance rapidly in its exploration and project development activities.

16. Lock-ins and Orderly Market Arrangements

At Admission, the Locked-In Persons and persons connected with them will together own 38,283,333 Ordinary Shares, representing approximately 43.18 per cent. of the Enlarged Share Capital.

In accordance with Rule 7 of the AIM Rules the Locked-In Persons have undertaken to the Company and to WH Ireland that they will not sell or dispose of, except in certain limited circumstances, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission. They have further agreed that for the subsequent 12 months they will effect a sale only through the brokers for the time being of the Company and will only do so following consultation with the broker in relation to any such disposal and further that any such disposal will be made in such a manner and as such broker may reasonably require with a view to maintaining an orderly market in the Ordinary Shares.

In addition, Starvest plc has agreed that, except in certain limited circumstances, for the 12 month period commencing on the date of Admission they will effect any sale of any Ordinary Shares held by them at the date of Admission following consultation with the Company's broker and further provided that any such disposal shall be effected through the broker in such orderly manner as the broker shall reasonably require, with a view to maintaining an orderly market in the Ordinary Shares.

Further details of these arrangements are set out in paragraph 10.3 and 10.4, respectively, of Part V of this document.

17. Dividend Policy

The Directors currently propose to reinvest any earnings of the Group to finance the growth of the Group's business and therefore do not propose to declare or pay, nor are they likely to declare or pay, any dividends in the near future.

18. Corporate Governance

The Directors recognise the importance of sound corporate governance and intend that the Company will comply with the main provisions of the Combined Code insofar as they are appropriate given the Company's size and stage of development.

The Board consists of one full time executive director who holds a key operational position in the Company (the managing director), one part-time executive finance director and two non-executive directors, who bring a breadth of experience and knowledge, both of whom are independent of management and any business or other relationship which could interfere with the exercise of their independent judgment. The Board regularly reviews key business risks including the financial risks facing the Group in the operation of its business.

The Company has established properly constituted (i) audit, (ii) remuneration and (iii) physical risks committees of the Board with formally delegated duties and responsibilities, the details of which are set out below:

An Audit Committee, comprising the two non-executive directors, has been established by the Company. The Audit Committee is chaired by Professor Plimer and meets at least twice each year. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on and for meeting with the Group's auditors and reviewing their reports on the accounts and the Group's internal controls.

The Company has in addition established a Remuneration Committee, comprising the two non-executive Directors. The Remuneration Committee is chaired by Mr Anagnostaras-Adams. The Remuneration Committee is responsible for reviewing the performance of the executives, setting their remuneration, determining the payment of bonuses, considering the grant of options under any share option scheme and, in particular, the price per share and the application of performance standards which may apply to any such grant.

The Company has also established a Physical Risks Committee, comprising the two non-executive Directors. The Physical Risks Committee is chaired by Mr Anagnostaras-Adams and is responsible for reviewing the compliance with regulatory and industry standards for environmental performance and occupational health and safety of personnel and the communities affected by the Company.

The Company has adopted and will operate a share dealing code governing the share dealings of the Directors and applicable employees during close periods and is in accordance with Rule 21 of the AIM Rules.

19. City Code on Takeovers and Mergers

The Company is incorporated in England and Wales but has its head office in Cyprus, and is also controlled and managed from outside the United Kingdom. Accordingly, transactions in the Ordinary Shares of the Company will not be subject to the provisions of the City Code on takeovers and mergers ("City Code"). There are, however, provisions under the Articles that are similar or analogous to certain provisions of the City Code, as described in paragraph 4.2 of Part V of this document.

20. Taxation

General information regarding UK taxation in relation to Admission and the Placing is set out in paragraph 14 of Part V of this document. **If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.**

21. Additional Information

Your attention is drawn to the information included in the rest of this document. In particular, you are advised to consider carefully the risk factors contained in Part II of this document.

PART II

RISK FACTORS

The Ordinary Shares should be regarded as a highly speculative investment and an investment in the Ordinary Shares should only be made by those with the necessary expertise to fully evaluate the investment. The Directors believe that the following risks should be considered carefully by investors before acquiring any Ordinary Shares. If any of the risks described in this document actually occurs, the Group may not be able to conduct its business as currently planned and its financial condition, operating results and cash flows could be seriously harmed. In that case, the market price of the Ordinary Shares could decline and all or part of an investment in the Ordinary Shares could be lost. No inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

Specific Risk Factors

Risks relating to Turkey and Bulgaria

The Group's primary assets are located in Bulgaria and Turkey. Investors in KEFI should be aware of the specific country risk issues associated with these countries.

The Group plans to invest in natural resource opportunities spanning parts of Eastern Europe and Western Asia. Investors in KEFI should be aware that many of the countries in this region have higher than average country risk due to the potentially unstable political and business environments. The economies of many of these countries differ from the economies of many developed countries in many respects, including the level of government intervention, level of development, maturity of legal system and control of foreign exchange. Many countries have been undergoing a transition from a planned economy to a more market-orientated economy. However, the relevant governments often continue to play a significant role in regulating industry by imposing industrial policies, controlling allocation of resources and providing preferential treatment to particular industries or companies. Future earnings by the Group could be affected if the relevant governments were to reverse recent trends and impose restrictions on business.

Foreign exchange transactions in parts of these countries continue to be subject to foreign exchange controls and require certain approvals. These limitations could affect the ability to obtain required foreign exchange for capital expenditures or for the repatriation of profits and capital from mining operations.

Many Eurasian governments have been introducing new laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively recent, their interpretation or their enforcement may have a material effect on business operations.

City Code on Takeovers and Mergers

The Company was incorporated in England but is managed and controlled outside the UK. Accordingly the City Code does not apply to KEFI. It is emphasised that although the Ordinary Shares will trade on AIM, the Company will not be subject to takeover regulation in the UK.

Exploration and production risks

Exploration and production activities may be hampered by mining, heritage, community and environmental legislation, industrial disputes, cost overruns, land claims and compensation, and other unforeseen events.

The success of the Group also depends on the delineation of reserves that can be mined economically, access to required development capital, movements in the price of metals, securing and maintaining title to its exploration projects and obtaining all consents and approvals necessary for the conduct of its exploration and mining activities.

The Group's success will also be dependent upon it being able to attract further funding, from the capital markets or from competent joint venture partners to assist the Group in its exploration strategy and the development of any economically viable reserves.

Exploration may be unsuccessful, resulting in a reduction of the value of those projects, diminution in the cash reserves of the Group and possible relinquishment of the exploration projects. Whether or not income will result from projects undergoing exploration, development and production programmes depends on successful establishment of mining operations. Factors including costs, actual mineralisation, consistency

and reliability of ore grades, and mineral prices affect successful project development, as does the design and construction of efficient processing facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees and consultants.

Development and mining of mineral deposits involve obtaining licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretion by such authorities. It may or may not be possible for such conditions to be satisfied, or it may be that the satisfaction of the conditions is not commercially practicable.

Exploration, mining, processing and transporting activities may be prevented, delayed or adversely affected by many factors outside the control of the Group. These include adverse operating conditions (such as unexpected geological conditions, seismic events, fire, weather, accidents), compliance with governmental requirements, land owner issues, labour and safety issues, shortages or delays in installing, commissioning and repairing plant and equipment or import or customs delays. Problems may also arise due to interruptions to essential services (such as power, water, fuel, equipment or transport capacity) or technical support which result in a failure to achieve expected target dates for exploration or production and/or result in a requirement for greater expenditure.

Payment obligations

Under the exploration permits and licences and certain other contractual agreements to which the Group is or may in the future become a party, the Group is or may become subject to payment and other obligations. In particular, the licence holders are required to expend the funds necessary to meet the minimum work commitments attaching to the licences. Failure to meet these work commitments will render the exploration licence liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Group.

Applications and licences

All of the permits or licences in which the Group has or may earn an interest in will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each tenement, permit or licence is usually at the discretion of the relevant government authority. If a tenement, permit or licence is not renewed or granted, the Group may suffer significant damage through loss of opportunity to develop and discover mineral resources on the tenement.

While the Directors have no reason to believe that the existence and extent of any of the Group's properties are in doubt, title to mining properties may be subject to potential litigation by third parties claiming an interest in them. Under the mineral title system in some of the countries the Group is or will be active in, the issuance of an exploration licence does not imply that other parties do not have any prior claims over that area. Whilst the Group has made and will make investigations to determine if prior rights exist, there can be no assurance that such rights do not exist.

The failure to comply with all applicable laws and regulations, including failures to pay taxes, meet minimum expenditure requirements or carry out and report assessment work, may invalidate title to tenements or licences. The Group might not be able to retain its interests in tenements, permits or licences when they come up for renewal.

Environmental Risk

Exploration and production activities have become subject to increasing environmental responsibility and liability. KEFI will seek to operate in accordance with the highest standards of environmental practice, however, the potential for liability is an ever present risk.

Environmental legislation may change in a manner that may require stricter standards and a heightened degree of responsibility for companies and their directors and employees. There may also be unforeseen environmental liabilities resulting from exploration and mining activities and these problems and liabilities may be costly to remedy.

The Group is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

The Group, as a participant in exploration and mining activities, may become subject to liability from hazards that cannot be insured against or against which it may elect not to be insured because of high premium costs or other reasons. The Group may incur liabilities to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

General Risk Factors

Reliance on management

The future development of the Group is dependent upon its present and prospective management team. The Company does not have “key man” life insurance policies covering any of its directors, managers or employees. The loss of any key management for whatsoever reason may have an adverse effect on the future of the Group.

Competition

The sector in which the Group operates is very competitive and there can be no certainty that the Group will be able to achieve the market penetration it seeks.

Additional capital and dilution

The Company may require additional capital for the Group's future expansion and/or business development. If the Group fails to generate sufficient cash through the provision of its services, then the Company may need to raise additional capital from equity or debt sources to fund any such expansion or development. If the Company is unable to obtain financing on terms acceptable to it then it may be forced to curtail the Group's planned development. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of those Shareholders may be reduced. Shareholders may experience subsequent dilution and/or such new securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. There can be no guarantee that any further capital raisings will be successful.

Dividends

There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders (subject to recommendations by the Directors) or, in the case of interim dividends to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time. The Company has no intention of declaring a dividend in the short to medium term.

Planning uncertainty

This document contains certain forward-looking statements that are subject to certain risks and uncertainties, in particular statements regarding the Company's plans, goals and prospects. These statements and the assumptions that underlie them are based on the current expectations of the Directors and are subject to a number of factors, many of which are beyond their control. As a result, there can be no assurance that actual performance of the Company will not differ materially from the matters described in this document.

Currency exchange risks

As a consequence of the international nature of the Group's business, the Company is exposed to the risk of changes in foreign currency exchange rates. This may result in gains or losses with respect to movements in exchange rates that may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Group's operating results.

Retention of key business relationships

The Group relies significantly on strategic relationships with other entities (particularly EMED) and also on good relationships with regulatory and governmental bodies. The Group also relies upon third parties to provide essential contracting services. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and the Group could be adversely affected by changes to such relationship or difficulties in forming new ones. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contacts, could adversely impact the Group, its business, operating results and prospects.

Various aspects of the Group's future performance and profitability are dependant upon the outcome of future negotiations with third parties. The Group's interests may, in future, be held in a joint venture and in some case, a joint venture partner may be the manager of the joint venture. In these situations the joint venture decision may not accord to the Group's stated plan.

Areas of investment risk

The prices of publicly quoted securities can be volatile. The price of securities is dependent upon a number of factors, some of which are general or market or sector specific and others that are specific to the Group.

The Ordinary Shares will not be listed on the Official List of the UK Listing Authority and although the Ordinary Shares will be traded on AIM, this should not be taken as implying that there will always be a liquid market in the Ordinary Shares. In addition, the market for shares in smaller public companies is less liquid than for larger public companies. Therefore an investment in the Ordinary Shares may be difficult to realise and the price of the Ordinary Shares may be subject to greater fluctuations than might otherwise be the case.

An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Ordinary Shares cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others which are extraneous. On any disposal of their Ordinary Shares, investors may realise less than the original amount invested or may lose their investment in its entirety.

The risks noted above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

The investment described in this document is speculative and may not be suitable for all recipients of this document. Potential investors are accordingly advised to consult a person authorised under FSMA who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to him.

PART III

FINANCIAL INFORMATION

SECTION A: ILLUSTRATIVE PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following unaudited pro forma statement of net assets of the Group following the Acquisition, Placing and Admission has been prepared for illustrative purposes only to provide information about the impact of the Placing on the Group and because of its nature may not give a true reflection of the financial position of the Group. It has been prepared on the basis that the Placing and Admission were undertaken as at 30 June 2006 and on the basis set out in the notes:

	<i>Kefi</i> (Note 1) £'000	<i>MMB</i> (Note 2) £'000	<i>Debt</i> (Note 3) £'000	<i>Placing</i> (Note 4) £'000	<i>Pro forma</i> £'000
ASSETS					
Current assets					
Cash at bank and in hand	—	6	—	1,010	1,016
	—	6	—	1,010	1,016
TOTAL ASSETS	—	6	—	1,010	1,016
LIABILITIES					
Current liabilities					
Trade and other payables	—	(334)	300	—	(34)
	—	(334)	300	—	(34)
TOTAL LIABILITIES	—	(334)	300	—	(34)
NET ASSETS	—	(328)	300	1,010	982

Basis of preparation:

The above pro forma statement of net assets is based on the following:

Note 1 — the financial information on the Company as at 31 October 2006 as set out at Part IIIC.

Note 2 — the financial information on MMB and its subsidiary DAM as at 30 June 2006 as set out at Part IIIE, converted from Euro to £ at the rate of £1: Euro 1.4473, being the approximate rate ruling at 30 June 2006.

Note 3 — the assignment of indebtedness due to EMED in the amount of £300,000.

Note 4 — the proceeds of the Placing of 46,666,667 Ordinary Shares of £0.01 each in the Company at a price of £0.03p per share, less estimated expenses of the Placing and Admission of 390,000.

Note 5 — no adjustment has been made in respect of any trading results since 30 June 2006.

St. Paul's House
Warwick Lane
London EC4M 7BP

The Directors
KEFI Minerals plc
3 Agios Demetrios
2101 Acropolis
Nicosia
Cyprus

The Directors
W.H. Ireland Limited
11 St James's Square
Manchester M2 6WH

12 December 2006

Dear Sirs

KEFI MINERALS PLC ("the Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part IIIA of the AIM Admission Document dated 12 December 2006, which has been prepared on the basis described in the notes thereto, for illustrative purposes only, to provide information about how the acquisition of a controlling interest in the subsidiary undertakings and business of KEFI Minerals plc and the placing of new shares might have affected the financial information presented on the basis of the accounting policies to be adopted by KEFI Minerals PLC in preparing the financial statements for the period ending 31 December 2007. This report is required by guidance issued by the London Stock Exchange with respect to the AIM market and is given for the purpose of complying with that guidance issued by the London Stock Exchange and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the Pro forma financial information in accordance with guidance issued by the London Stock Exchange.

It is our responsibility to form an opinion, as required by guidance issued by the London Stock Exchange as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously given by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (i) the Pro forma financial information has been properly compiled on the basis stated; and
- (ii) such basis is consistent with the accounting policies of KEFI Minerals plc.

Declaration

For the purposes of guidance issued by the London Stock Exchange we are responsible for this report as part of the AIM Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM Admission Document in compliance with guidance issued by the London Stock Exchange.

Yours faithfully

Moore Stephens LLP
Chartered Accountants

SECTION B: ACCOUNTANT'S REPORT ON KEFI MINERALS PLC

MOORE STEPHENS
CHARTERED ACCOUNTANTS

St. Paul's House
Warwick Lane
London EC4M 7BP

The Directors
KEFI Minerals plc
3 Agios Demetrios
2102 Acropolis
Nicosia
Cyprus

The Directors
WH Ireland Limited
11 St James's Square
Manchester M2 6WH

12 December 2006

Dear Sirs,

KEFI MINERALS PLC

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM admission document dated 12 December 2006 (the "Admission Document") issued by KEFI Minerals plc (the "Company"). This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Basis of preparation

The Company was incorporated in England and Wales on 24 October 2006 as a public limited company. On incorporation, the Company had an authorised share capital of £2,000,000 divided into 200,000,000 Ordinary Shares of £0.01 each, of which two were issued.

On 7 November 2006, the Company issued 12,000,000 Ordinary Shares of £0.01 each for cash at par value.

On 8 November 2006, the Company entered into an agreement to acquire, the whole of the issued share capital of Mediterranean Minerals (Bulgaria) EOOD, a company incorporated in Bulgaria, in consideration for the issue of 29,999,998 Ordinary Shares in the Company.

Save for the above transactions, the Company has not traded, has not made up any accounts for presentation to its members and has not declared or paid any dividends. For the purpose of the Admission Document, a balance sheet of the Company has been prepared as at 31 October 2006.

The Company will incur expenses relating to the Admission as described in the Admission Document. These expenses are not accrued in the balance sheet as at 31 October 2006 set out below and, accordingly, no profit and loss account for the period from incorporation to 31 October 2006 is required to be presented.

The financial information has been drawn up in accordance with International Financial Reporting Standards. The financial information in this report does not constitute statutory accounts within the meaning of Section 240 of the UK Companies Act 1985 (as amended).

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view for the purposes of the Admission Document, and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 31 October 2006 in accordance with the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards, as described in note 1 to the financial information.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

Moore Stephens LLP
Chartered Accountants
Registered Auditors

SECTION C: FINANCIAL INFORMATION ON KEFI MINERALS PLC

BALANCE SHEET as at 31 October 2006

	Note	£
Current assets		
Cash and cash equivalents		—
Total assets		—
Stockholders equity and liabilities		
Share capital	2	—
Total equity		—

NOTES TO THE FINANCIAL INFORMATION

1. Accounting Policies

(a) Accounting Convention

The financial information has been prepared, on the going concern basis, and in accordance with applicable International Financial reporting Standards.

(b) Currency

The Company's presentation currency is sterling.

2. Share Capital

	No.	£
<i>Authorised</i>		
Ordinary Shares of £0.01 each	200,000,000	2,000,000
<i>Called up and fully paid</i>		
Ordinary Shares of £0.01 each	2	—

3. Trading

The Company was incorporated on 24 October 2006 in the United Kingdom. As at 31 October 2006, the Company had not commenced to trade, nor entered into any transactions. Accordingly, no income statement, statement of changes in equity or cash flow statement has been presented.

4. Parent undertaking and ultimate controlling party

At 31 October 2006, the parent undertaking and ultimate controlling party of the Company was EMED Mining Public Limited (formerly Eastern Mediterranean Resources Public Limited), a company incorporated in Cyprus.

5. Post balance sheet events

On 7 November 2006, the Company issued 12,000,000 Ordinary Shares in the Company for cash at par value.

On 8 November 2006, the Company entered into an agreement to acquire from EMED Mining Public Limited (formerly Eastern Mediterranean Resources Public Limited) the whole of the issued share capital of Mediterranean Minerals (Bulgaria) EOOD, a company incorporated in Bulgaria, in consideration for the issue of 29,999,998 Ordinary Shares in the Company. This issue of shares was also partly in satisfaction of indebtedness due to EMED Mining Public Limited. Pursuant to this acquisition, and by a deed of amendment dated 22 November 2006, the Company has undertaken to issue shares in itself to a value of A\$105,000 when a tenement in Turkey identified in data assigned to Mediterranean Minerals (Bulgaria) EOOD is obtained, in settlement of obligations pertaining to the acquisition of such data, up to a maximum of four tenements.

On 12 December 2006, the Company granted options over 16,000,000 Ordinary Shares exercisable at the Placing Price, one third on Admission, two thirds after one year and all after two years following Admission, with an expiry date six years following Admission.

On 12 December 2006, the Company issued warrants to subscribe for up to 666,667 Ordinary Shares at a subscription price of 3p per share. The warrants expire on the third anniversary of Admission.

SECTION D: ACCOUNTANT'S REPORT ON MEDITERRANEAN MINERALS (BULGARIA) EOOD

MOORE STEPHENS
CHARTERED ACCOUNTANTS

St. Paul's House
Warwick Lane
London EC4M 7BP

The Directors
KEFI Minerals plc
3 Agios Demetrios
2101 Acropolis
Nicosia
Cyprus

The Directors
WH Ireland Limited
11 St James's Square
Manchester M2 6WH

12 December 2006

Dear Sirs,

MEDITERRANEAN MINERALS (BULGARIA) EOOD

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM admission document dated 12 December 2006 (the "Admission Document") issued by KEFI Minerals plc. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of Mediterranean Minerals (Bulgaria) EOOD (the "Company") and its subsidiary undertaking Doğu Akdeniz Mineralli Ltd. (together the "Group") for the period from its date of incorporation, 11 March 2005, to 31 December 2005, and the six months to 30 June 2006 ("the Financial Statements").

The financial information has been drawn up in accordance with International Financial Reporting Standards. The financial information in this report does not constitute statutory accounts within the meaning of Section 240 of the UK Companies Act 1985 (as amended).

No financial statements for the Company have been prepared or presented to the members of the Company for any period since 30 June 2006.

The Financial Statements have been independently audited by Moore Stephens Stylianou & Co, Certified Public Accountants, Cyprus for the period from 11 March 2005 to 31 December 2005 and for the six months ended 30 June 2006 who have issued unqualified audit reports respectively for each period under review.

For each period under review, Moore Stephens Stylianou & Co have issued the unqualified report with a fundamental uncertainty regarding going concern as follows:

"Without qualifying our opinion we draw attention to the fact that the financial statements have been prepared on a going concern basis. This basis may not be appropriate because its validity depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource or alternatively the availability of funding to extend the Company's exploration activities. The financial information does not include any adjustment that would arise from a failure to complete either option. Details of the circumstances relating to this fundamental uncertainty are described in the accounting policies. Our opinion is not qualified in this respect. "

Responsibilities

The directors of KEFI Minerals plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view for the purposes of the Admission Document, and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2005 and 30 June 2006 and of its losses, cash flows, recognised gains and losses and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards, as described in note 2 to the financial information, and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest audited accounts.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

Moore Stephens LLP
Chartered Accountants
Registered Auditors

SECTION E: FINANCIAL INFORMATION ON MEDITERRANEAN MINERALS (BULGARIA) EOOD

CONSOLIDATED INCOME STATEMENTS

	11.3.05- 31.12.05	1.1.06- 30.6.06
<i>Note</i>	€	€
Revenue	—	—
Exploration costs		
Consultants and management costs	(65,870)	(90,390)
Travelling and accommodation	(60,729)	(8,491)
General expenses	—	(8,080)
Geology expenses	(73,345)	(38,264)
Data acquisition	—	(104,193)
Geochemistry expenses	(4,082)	—
Legal fees	(23,562)	—
Gross loss	<u>(227,588)</u>	<u>(249,418)</u>
Loss before tax	(227,588)	(249,418)
Tax	5 —	—
Net loss for the period	<u><u>(227,588)</u></u>	<u><u>(249,418)</u></u>

CONSOLIDATED BALANCE SHEETS

	31.12.2005	30.6.2006
<i>Note</i>	€	€
ASSETS		
Current assets		
Cash at bank and in hand	7 16,719	8,639
	<u>16,719</u>	<u>8,639</u>
Total assets	<u><u>16,719</u></u>	<u><u>8,639</u></u>
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	8 1,800	1,800
Accumulated losses	(227,588)	(477,006)
	<u>(225,788)</u>	<u>(475,206)</u>
Current liabilities		
Trade and other payables	9 242,507	483,845
	<u>242,507</u>	<u>483,845</u>
Total equity and liabilities	<u><u>16,719</u></u>	<u><u>8,639</u></u>

STATEMENT OF CHANGES IN EQUITY

	<i>Note</i>	<i>Share capital</i> €	<i>Accumulated losses</i> €	<i>Total</i> €
Net loss for the period		—	(227,588)	(227,588)
Issue of share capital	8	1,800	—	1,800
At 31 December 2005		<u>1,800</u>	<u>(227,588)</u>	<u>(225,788)</u>
Net loss for the period		—	(249,418)	(249,418)
At 30 June 2006		<u><u>1,800</u></u>	<u><u>(477,006)</u></u>	<u><u>(475,206)</u></u>

CONSOLIDATED CASH FLOW STATEMENTS

	<i>Note</i>	<i>11.3.05- 31.12.05</i> €	<i>1.1.06- 30.6.06</i> €
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax	1	<u>(227,588)</u>	<u>(249,418)</u>
Operating loss before working capital changes		(227,588)	(249,418)
Changes in working capital:			
Trade and other payables		242,507	241,338
Net cash from operating activities		<u>14,919</u>	<u>(8,080)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		1,800	—
Net cash from financing activities		<u>1,800</u>	<u>—</u>
Net increase in cash and cash equivalents		16,719	(8,080)
Cash and cash equivalents:			
At beginning of the period		—	16,719
At end of the period	7	<u><u>16,719</u></u>	<u><u>8,639</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. Incorporation and principal activities

Country of incorporation

Mediterranean Minerals (Bulgaria) EOOD (the "Company") was incorporated in Bulgaria, on 11 March 2005 as a private company with limited liability under the local Companies Law with registration number 131386266. Its registered office is at 10 Tsar Osvoboditel Blvd, Flat 3, Sredetz Region, Stolichna Municipality, 1000 Sofia, Bulgaria.

Principal activities

The principal activity of the Company and its subsidiaries ("the Group") is to explore for and develop natural resources, with focus on base and precious metals in the region of Central and Eastern Europe, Western Asia and the Middle East.

2. Accounting policies

The principal accounting policies adopted in the preparation of this financial information is set out below. These policies have been consistently applied throughout the period presented.

Basis of preparation

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have been prepared under the historical cost convention.

The preparation of financial information in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial information and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Adoption of new and revised International Financial Reporting Standards (IFRS) and Interpretations by the International Financial Reporting Interpretations Committee (IFRIC)

The Company has adopted the new and revised IFRS's that are relevant to its operations and are applicable for periods beginning on or after 1 January 2006. This adoption did not have a material effect on the Company's accounting policies.

The revised International Accounting Standards (IAS) and the new International Financial Reporting Standards (IFRS) that were applicable during the period from 1 January 2006 to 30 June 2006 are the following:

- IAS 1 (revised) "Presentation of Financial Statements – Additional Disclosures on Equity"
- IAS 19 (revised) "Employee Benefits"
- IAS 21 (revised) "The effects of Changes in Foreign Exchange Rates – Translation of Foreign Operation"
- IAS 39 and IFRS 4 (revised) "Financial Instruments: Recognition and Measurement" and "Insurance Contracts"
- IFRS 1 (revised) "First time adoption of International Financial Reporting Standards" in relation to IFRS 6 "Exploration for and Evaluation of Mineral Resources"
- IFRS 6 (issue 2004) "Exploration for and Evaluation of Mineral Resources"
- IFRIC 4 "Determining whether an Arrangement contains a Lease"
- IFRIC 5 "Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds"
- IFRIC 6 "Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment"

In addition, at the date of approval of these financial statements, the following accounting standards and interpretations issued but were not yet effective:

- IFRIC 7 “Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies” (effective for annual periods beginning on or after 1 March 2006)
- IFRIC 8 “Scope of IFRS 2” (effective for annual periods beginning on or after 1 May 2006)
- IFRIC 9 “Reassessment of Embedded Derivative” (effective for annual periods beginning on or after 1 June 2006)
- IFRIC 10 “Interim Financial Reporting and Impairment” (effective for annual periods beginning on or after 1 November 2006)

The Board of Directors expects that the adoption of the above standards in the future periods will not have a material effect on the Company and the Group’s financial statements.

Consolidation

The Group consolidated financial statements comprise the financial statements of the parent company Mediterranean Minerals (Bulgaria) EOOD and the financial statements of the following subsidiaries:

<i>Companies names</i>	<i>Date of acquisition/ incorporation</i>	<i>Country of incorporation</i>	<i>Effective proportion of shares held</i>
Doğu Akdeniz Mineralli Ltd	7 July 2005	Turkey	100%

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority’s proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group’s interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill was initially recognised as an asset at cost and subsequently measured at cost less any accumulated impairment losses. In accordance with the provisions of IFRS 3 that were effective from 1 January 2005, goodwill acquired on acquisition is not amortised. Instead, it is tested for impairment annually or more frequently, if events or changes in circumstances indicate that it might be impaired. Impairment losses are recognised directly to income statement. Impairment losses recognised for goodwill cannot be reversed in a subsequent period.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill can not be reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Foreign currency translation

(1) Presentation currency

The financial statements are prepared in Euro which is the Company's functional and presentational currency and which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company and the Group.

(2) Foreign currency translation

Foreign currency transactions are translated into the presentational currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Tax

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Going concern

The Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The financial information has been prepared on the going concern basis, the validity of which depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource or alternatively the availability of funding to extend the Group's exploration activities. The financial information does not include any adjustment that would arise from a failure to complete either option.

Share capital

Ordinary shares are classified as equity.

Exploration costs

Initially the Company adopted a policy of capitalising development costs and the costs of exploration tenements, application for exploration tenements and accumulated technical data and knowledge from previous exploration activity, where it was anticipated that these costs would be recovered. In October 2005, the Company adopted a conservative approach to exploration expenditure and writes these expenditures off to profit and loss as and when incurred.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

Analysis per sector

The Group operates in only one business segment, i.e. in the exploration and mining sector. Therefore, the Group's operations fall under one business segment in accordance with the IFRS 14.

The Group operates in Bulgaria and Turkey.

The Group supplies segmental information per geographical segments of operations in accordance with IFRS 14, in note 4.

Key management

Management has been provided by the Company's parent undertaking, EMED Mining Public Limited (formerly Eastern Mediterranean Resources Public Limited). Accordingly there is no disclosure of key management personnel compensation in this financial information.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period. For balance sheet figures, the comparative date is 31 December 2005. For the statement of operations and its corresponding notes, the comparative period is 11 March 2005 to 31 December 2005.

3. Financial risk management

(1) Financial risk factors

The Group is exposed to interest rate risk and liquidity risk arising from the financial instruments it holds. The risk management policies employed by the Group to manage these risks are discussed below:

(1.1) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group has low interest rate risk.

(1.2) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Group has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

(2) Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

4. Business and geographical segments

Business segments

The Group has only one distinct business segment, being that of mineral exploration.

Geographical segments

The Group's exploration activities are located in Bulgaria and Turkey and its administration and management is based in Cyprus.

	Period from 11 March 2005 to 31 December 2005			Period from 1 January 2006 to 30 June 2006		
	Bulgaria €	Turkey €	Total €	Bulgaria €	Turkey €	Total €
Revenue	—	—	—	—	—	—
Operating loss per sector	(164,274)	(63,314)	(227,588)	(42,842)	(206,576)	(249,418)
Loss before taxation			(227,588)			(249,418)
Taxation			—			—
Net loss for the year			(227,588)			(249,418)
Total of assets	8,751	7,968	16,719	4,461	4,178	8,639
Total of liabilities	176,725	65,782	242,507	215,277	268,568	483,845

5. Taxation

	11.3.05- 31.12.05	1.1.06- 30.6.06
	€	€
Corporation tax	—	—
Other taxes	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

The tax on the Group's results before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	€	€
Profit/(loss) before tax	<u>(227,588)</u>	<u>(249,418)</u>
Tax calculated at the applicable tax rates	—	—
Tax effect of expenses not deductible for tax purposes	—	—
Tax effect of tax loss for the period	—	—
Tax charge	<u>—</u>	<u>—</u>

Turkey

The corporation tax rate is 20 per cent. Due to tax losses sustained in the period, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years. As at 30 June 2006, the balance of tax losses which is available for offset against future taxable profits amounts to €269.890 (31 December 2005: €63.314).

Turkey Tax Loss Schedule

Tax year	Tax Losses	Compensation	Tax Losses Carried Forward
	€	€	€
2005	63,314	—	63,314
2006	206,576	—	206,576

Bulgaria

The corporation tax rate is 15 per cent. Due to tax losses sustained in the period, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years. As at 30 June 2006, the balance of tax losses which is available for offset against future taxable profits amounts to €207.116 (31 December 2005: €164.274).

Bulgaria Tax Loss Schedule

Tax year	Tax Losses	Compensation	Tax Losses Carried Forward
	€	€	€
2005	164,274	—	164,274
2006	42,842	—	42,842

6. Subsidiary

The details of the subsidiary are as follows:

Name	Date of incorporation/ Acquisition	Country of incorporation	Principal activities	Holding %
Doğu Akdeniz Mineralli Limited	7 July 2005	Turkey	Exploration of natural resources	100

Doğu Akdeniz Mineralli Limited was incorporated by Mediterranean Minerals (Bulgaria) EOOD on 7 July 2005.

7. Cash and cash equivalents

	31.12.2005	30.6.2006
	€	€
Cash at bank and in hand	16,719	8,639

8. Share capital

	Number of shares	BGN
<i>Authorised</i>		
Issue of shares	5,000	5,000
At 31 December 2005 and 30 June 2006	5,000	5,000

	Number of shares	€
<i>Issued and fully paid</i>		
Issue of shares	3,500	1,800
At 31 December 2005	3,500	1,800
At 30 June 2006	3,500	1,800

Authorised capital

Under its Memorandum the Company fixed its share capital at 5,000 ordinary shares of nominal value of BGN1 each.

Issued capital

Upon incorporation on 11 March 2005 the Company issued to the subscribers of its Memorandum and Articles of Association 3,500 ordinary shares of BGN1 each at par.

10. Trade and other payables

	31.12.2005	30.6.2006
	€	€
Payables to parent company (Note 11)	242,507	483,845
	242,507	483,845

11. Related party transactions

The Group is controlled by EMED Mining Public Limited (formerly Eastern Mediterranean Resources Public Limited), incorporated in Cyprus, which owns 100 per cent. of the Company's shares and is the Group's ultimate controlling party.

The following transactions were carried out with related parties:

11.1 Payables to related parties (Note 10)

	31.12.2005	30.6.2006
Name	€	€
EMED Mining Ltd. (formerly Eastern Mediterranean Resources Public Ltd.)	242,507	483,845

12. Commitments

The Group had no capital or other commitments as at 30 June 2006.

13. Contingent liabilities

During the period ended 30 June 2006, EMED Mining Public Ltd. ("EMED" — formerly Eastern Mediterranean Resources Public Ltd.) acquired a proprietary geological database that covers extensive parts of Turkey and Greece. The cost of obtaining the database was shared equally by the Company and Eastern Mediterranean Resources A.E. (Greece), a wholly owned subsidiary of EMED.

Under the terms of the original agreement, an additional contingent consideration of approximately €320,000 (£216,123) was to be settled by the issuance of 1,728,984 ordinary shares in EMED at 12.5p each if EMED secured at least four tenements in Turkey or Greece identified from the database.

Under the revised agreement of 22 November 2006, EMED transferred to Doğu Akdeniz Mineralli Ltd. that part of the geological database that relates to areas in Turkey. Consequently, EMED has been discharged from the original contingent consideration in respect of Turkey.

Under this agreement, Dogu Akdeniz Mineralli Ltd. has undertaken to make a payment of approximately €63,000 (AUD105,000) for each tenement it is subsequently awarded in Turkey and which was identified from the database. The maximum number of such payments required under the agreement is four, resulting in a contingent liability of up to €252,000. These payments are to be settled by issuing shares in KEFI Minerals plc, a company incorporated in the UK for the purposes set out in Note 14, at the then ruling share price.

14. Post balance sheet events

On 8 November 2006, the whole of the issued share capital of the company was acquired by KEFI Minerals plc, a company incorporated in England and Wales, which became the parent undertaking of the company.

As part of the arrangements relating to the acquisition, loans made by EMED to the Company and Doğu Akdeniz Mineralli Ltd. aggregating £300,000 were assigned to KEFI Minerals plc in consideration for the issue of shares.

PART IV

COMPETENT PERSON'S REPORT

AMC Consultants (UK) Ltd

Company No. 3688364



The Directors
KEFI Minerals Plc
27 -28 Eastcastle Street
London
W1W 8DH

The Directors
WH Ireland Limited
11 St James's Square
Manchester
M2 6WH

12 December 2006

Dear Sirs,

Re : Competent Person's Report for KEFI Minerals Plc

EXECUTIVE SUMMARY

1. Introduction

AMC Consultants (UK) Ltd was commissioned by KEFI Minerals Plc to prepare a Competent Person's Report on KEFI's exploration assets in Turkey and Bulgaria for the purpose of inclusion as part of the Admission Document produced for KEFI's application for admission to the AIM Market ("AIM") of the London Stock Exchange.

AMC Senior Geologist Ms S T Konopa carried out an office and site visit to the project areas and met with KEFI management and project personnel during the period 16 October to 29 October, 2006. During this time discussions were held with key KEFI personnel and information collected and reviewed for the purpose of compiling this report.

7 Bridge Avenue,
Maidenhead,
BERKSHIRE, SL6 1RR
UNITED KINGDOM

Telephone +44 1628 778 256
Facsimile +44 1628 638 956

www.amc-consultants.co.uk

2. Description and Location of KEFI Assets

KEFI has exploration licences covering two project areas in east Turkey; Artvin and Gümüşhane. The Artvin Project is located approximately 30 kilometres to the north-east of the city of Artvin, and incorporates fifteen licence holdings covering a total area of approximately 253.97 square kilometres. The Gümüşhane Project is located approximately 30 kilometres to the south-east of the city of Gümüşhane, and incorporates four exploration licence holdings covering a total area of approximately 68.4 square kilometres.

In Bulgaria, KEFI has a single exploration project area in the southern part of the country adjacent to the Greek border. The Lehovo Project is located approximately 150 kilometres south of the city of Sofia, covering a total area of approximately 71.4 square kilometres.

KEFI have commercially acquired an extensive exploration database which contains 100 individual target assessments of prospect areas in Turkey.

3. Regional and Local Geological Setting

The Artvin and Gümüşhane Projects are situated within the Eastern Pontides volcanic province of north eastern Turkey. The Eastern Pontides are part of a metallogenic province with numerous historically mined deposits and new emerging producers. The styles of mineralisation identified and mined include porphyry copper, gold deposits, epithermal gold deposits, and Kuroko style Volcanic Massive Sulphide (VMS) copper, lead, zinc and gold deposits. Reconnaissance work by KEFI has identified large zones of hydrothermal alteration at a scale that is not readily accounted for by small vein occurrences alone. The presence of this style of alteration, in conjunction with known base metal occurrences in the area, supports the possibility of the existence of bulk tonnage porphyry style and epithermal deposits in the area.

The Lehovo Project area is located within the Pirin metallogenic region of south Bulgaria, and part of the project falls within the Lehovo ore field. Three styles of mineralisation have been identified in this area; (i) stratiform lenses of base metal and gold mineralisation associated with faulting, (ii) stockwork veining with associated gold mineralisation hosted within altered granites, and (iii) vein and skarn associated molybdenite-scheelite mineralisation hosted within dolomite marbles. KEFI have identified three areas of geological interest for further investigation within the project area. Reconnaissance work by KEFI has identified a structural corridor with a strike length of approximately eight kilometres with the potential for gold and base metal mineralisation. Quartz-pyrite-arsenopyrite veins ranging in thickness from millimetres up to several centimetres occur as a stacked sequence within host meta-volcanics and sediments and appear analogous to the recently discovered Monte Ollasteddu gold deposit in the Sarrabus-Gerrei district of Sardinia in Italy. Monte Ollasteddu is a new style of high grade gold mineralisation recognised in Sardinia. The vein style observed at Kazanite is similar in description to the veining and lithological host unit of the Monte Ollasteddu deposit, which is at a resource delineation stage. No current resource figures were available for Monte Ollasteddu at the time of writing.

4. Exploration and Mining History

The Eastern Pontides felsic volcanic suite forms part of the Mesozoic to Tertiary age Tethyan Metallogenic Belt which hosts a number of major ore deposits, including the world class size porphyry copper and epithermal gold deposits of Moldova Nuova in Romania, Majdanpek and Bor in Serbia, Chelopech and Medet in Bulgaria, and the large porphyry copper, gold and epithermal gold deposits of the Bolnisi ore district of Georgia.

Turkey has a significant historical mining background with large and small scale deposits of various commodities being successfully identified and developed. Significant base metal and gold deposits include the Kuroko VMS style mineralisation in the Murgul ore field including Cakmakkaya, Anayatak, and Damar, with reported resources of 71.8 million tonnes grading at 1.7% Cu; the Cayeli Mine, and Lahanos with resources of 2.3 million tonnes grading at 3.6% Cu and 2.3% Zn. Significant epithermal style gold deposits include the Mastra deposit.

The Artvin Project lies within the Late Cretaceous felsic volcanic suite that hosts significant VMS, porphyry copper, gold and epithermal gold deposits throughout the region. A number of significant VMS base metal-gold mines and deposits occur within a range of 50 to 100 kilometres along the strike towards the Artvin Project. Examples of the VMS deposits hosted in the felsic volcanics in the vicinity of Artvin include the large Cayeli Mine with reserves of 19.7 million tonnes at 4.2% Cu, 6.5% Zn, 0.8g/t Au and 44g/t Ag; the Murgul deposit with reserves of 80 million tonnes at 1.1% copper; and the Cerateppe Mine (Inmet Mining) with reserves of 2.8 million tonnes at 5.1% copper.

Recent mining developments in Turkey include the Ovacik, Kisladag and Mastra Gold Mines. In 2001 the 800,000oz Au resource Ovacik Gold Mine (Koza Gold) was commissioned and in 2006 the 7Moz Au resource Kisladag Gold Mine (Eldorado) was opened. These deposits are being mined using open cut mining methods and gold recovery is carried out using conventional cyanide in leach and cyanide heap leach technologies. Other developments in Turkey in 2006 includes the construction of the Mastra (600,000oz Au resource) underground gold mine, progress of the permitting process for Eldorado's high grade Efemcukuru gold (+1Moz gold resource) deposit, and a feasibility study is currently been undertaken on the 5 Moz Au resource at the Copler Gold deposit (Anatolia Gold). Frontier Development are currently drilling out 2 deposits with reported +1 Moz Au resources in north western Turkey.

KEFI undertook research of the Eastern Pontides district to identify areas of potential prospectivity based on favourable lithology, known economic mineralisation in the district, geologically anomalous identifying features such as large scale alteration, and identification with analogous terrain of known deposits in other geographical regions. KEFI have carried out preliminary regional reconnaissance to identify specific areas to target and prioritise for more focussed work.

KEFI acquired Aster satellite data over two regional areas that incorporate the Artvin and Gümüşhane Projects and commissioned two independent interpretation studies of the data by geological imagery consultants. The initial study identified four areas of interest in Artvin and four areas of interest in Gümüşhane that warranted further investigation.

Bulgaria has a long tradition of mining for base metals and precious metals, and has a number of current operating mines. Dundee Precious Metals are carrying out underground mining at the Chelopech Mine (2.5 Moz Au equivalent reported reserves) and are waiting on approvals to mine the Ada Tepe gold deposit (751,000 Moz Au equivalent reported reserves) at Krumovgrad in south east Bulgaria. The Panagyurishte District in central Bulgaria contains large porphyry copper mines at Assarel and Elatzite. Other foreign companies currently exploring for gold include Mediterranean Minerals, Balkans Gold and Hereward Ventures.

The Lehovovo ore field region within the south west part of the project area was extensively explored from 1957 to 1993 by the former State government mining department. Exploration activities included geological mapping, geophysical surveying, geochemical sampling, trenching (98 trenches for 8,545 metres) and drilling (56 drill holes for 15,565 metres). Work during this period was targeted at delineating stratiform base metal and molybdenum mineralisation. In 1995-1996 selected zones of old drill core were reviewed and re-assayed for gold mineralisation by Professor Slavcho Mankov, a Bulgarian exploration consultant, with positive results including 0.7 metres at 17g/t Au returned.

5. KEFI Exploration Strategy, Program and Budget

KEFI's exploration strategy is based on selecting areas within prospective stratigraphic and structural settings with a high potential for base metal or gold mineralisation; rapidly identify, prioritise and assess targets; and rapidly progress the targets to a drilling stage. They aim to achieve this by using existing contacts and knowledge developed by EMED; create new contacts and further develop knowledge using an established local team; and utilise technical, commercial and political support from EMED as required.

KEFI have a budget set out for the period to 30 June 2008 for £1.5 million, along with a cash flow sensitivity case based on expenditure of £1 million. Proposed exploration expenditure is £751,000 with capital-raising, AIM listing and corporate costs making up the remainder of the budget. AMC has reviewed the exploration budget proposals and considers that they are appropriate and justified.

KEFI have a proposed exploration program for each project area that will allow them to rapidly and cost effectively assess and identify mineralisation targets for follow up work. Exploration activities proposed include geological mapping, geochemical sampling, geophysical surveying, trenching and drill testing of priority targets.

Monitoring of the exploration licence status of areas that are geologically prospective will be carried out on an ongoing basis so that KEFI can take up exploration opportunities for areas as soon as they become available.

6. Economic Potential and AMC Conclusions

KEFI has acquired project assets in an extensively mineralised province for which historical exploration and mining, in both Turkey and Bulgaria, demonstrates that there is good potential for identifying and developing economically viable deposits. The company has also acquired an extensive exploration database which will provide them with the opportunity and a competitive advantage to identify prospective areas for project generation in Turkey.

The Artvin and Gümüşhane Projects are located within a geologically favourable stratigraphy that is known to host a number of significant VMS style base metal and smaller vein style base metal and gold deposits. At Artvin, areas of extensive hydrothermal alteration have been recognised in the project area, and there is evidence of historical workings indicating potential for economic mineralisation. The project area appears prospective for large scale bulk tonnage style deposits. There is also potential for epithermal gold style mineralisation however the area has not been historically explored for gold. At Gümüşhane, areas of extensive hydrothermal alteration have been recognised in the project area, as well as coincident areas of interest identified in the Aster data interpretation. The area is conducive for potential bulk tonnage replacement and epithermal style mineralisation. Very little previous exploration has taken place in this area and it should be regarded as grass roots type exploration.

The Lehovo Project area is partly located within the Lehovo ore field where substantial historical exploration work has been carried out, and has identified the area as a favourable geological and structural environment for potential economic mineralisation. KEFI have identified three areas of geological interest for further investigation within the project area, and reconnaissance work has identified a structural corridor with a strike length of approximately eight kilometres with the potential for gold and base metal mineralisation.

In AMC's opinion assessment of the project areas is at an early stage. KEFI should be able to quickly and cost effectively assess the project areas and identify and prioritise target areas for follow up work, or relinquish the areas and progress to acquire other prospective areas.

7. Responsibility

The Competent Person's Report is complete up to and including 12 December 2006. AMC has provided and not withdrawn written consent for the inclusion of the Competent Person's Report in the Admission Document, and to the inclusion of statements made by AMC and to the references to its name in other sections of the document, in the form and context in which the report and those statements appear.

AMC accepts responsibility for this report for the purposes of a Competent Person's Report under the AIM Rules. Having taken all reasonable care to ensure that such is the case, AMC confirms that, to the best of its knowledge, the information contained in the Competent Person's Report is in accordance with the facts and contains no omission likely to affect its import.

CONTENTS

EXECUTIVE SUMMARY

- 1 INTRODUCTION AND TERMS OF REFERENCE
 - 1.1 Purpose
 - 1.2 Capability and Independence
 - 1.3 Interests
 - 1.4 Scope of Work
 - 1.5 Exclusions
 - 1.6 Information Sources
 - 1.7 Site Visit
 - 1.8 Glossary of Terms
- 2 DESCRIPTION AND LOCATION OF THE KEFI ASSETS
 - 2.1 KEFI Minerals Plc Operating Structure
 - 2.2 Turkey
 - 2.2.1 Overview
 - 2.2.2 Location, access and physiography
 - 2.2.3 Infrastructure
 - 2.2.4 Exploration and Mining Environment
 - 2.2.5 Project Description
 - 2.3 Bulgaria
 - 2.3.1 Overview
 - 2.3.2 Location, Access and Physiography
 - 2.3.3 Infrastructure
 - 2.3.4 Exploration and Mining Environment
 - 2.3.5 Project Description
 - 2.4 'Plethery' Data Base
- 3 REGIONAL AND LOCAL GEOLOGICAL SETTING
 - 3.1 Turkey
 - 3.1.1 Regional Geological Setting
 - 3.1.2 Local Geological Setting
 - 3.2 Bulgaria
 - 3.2.1 Regional Geological Setting
 - 3.2.2 Local Geological Setting
- 4 EXPLORATION AND MINING HISTORY
 - 4.1 Turkey
 - 4.1.1 Overview
 - 4.1.2 Exploration work by KEFI
 - 4.2 Bulgaria
 - 4.2.1 Overview
 - 4.2.2 Exploration work by KEFI
- 5 KEFI EXPLORATION STRATEGY, PROGRAM AND BUDGET
 - 5.1 Exploration Strategy
 - 5.2 Exploration Program and Budget
 - 5.2.1 Turkey Exploration Program
 - 5.2.2 Bulgaria Exploration Program

- 6 ECONOMIC POTENTIAL AND AMC CONCLUSIONS
 - 6.1 Turkey
 - 6.2 Bulgaria
 - 6.3 Conclusions
- 7 REFERENCES

FIGURES

Figure 1: Location map of the Artvin and Gümüşhane Projects

Figure 2: Location map of the Lehovo Project

Figure 3: Location map of the project areas, regional metallogenic belts and significant ore deposits

Figure 4: NE Pontides geology and ore deposit map

Figure 5: Artvin Project local geology

Figure 6: Intensely silicified volcanics outcropping in the Üzümlü area

Figure 7: Example of argillic alteration and ferruginisation at Üzümlü

Figure 8: Example of quartz pyrite veining from Üzümlü workings

Figure 9: Gümüşhane Project local geology

Figure 10: Example of silicification and quartz veining near Oylumdere

Figure 11: Metallogenic map of Bulgaria

Figure 12: Lehovo Project local geology

Figure 13: Kazanite area local geology

Figure 14: Massive quartz sulphide veining at Kazanite area (road cutting)

Figure 15: Quartz sulphide veining at Kazanite area (individual vein)

Figure 16: Touchi Dol mine workings

Figure 17: Quartz sulphide veining at Touchi Dol mine dump

Figure 18: Location map of significant ore deposits in Turkey

Figure 19a: (Left) Aster data bands 4, 6 and 8 in red, green and blue respectively

Figure 19b: (Right) Aster data mica/clay associations

Figure 20: Representative drill cross section in Lehovo area (C9)

TABLES

Table 1: Summary Exploration Budget for KEFI

APPENDICES

APPENDIX A [Qualifications of Competent Person](#)

APPENDIX B [KEFI's Exploration Assets](#)

1 INTRODUCTION AND TERMS OF REFERENCE

1.1 Purpose

KEFI Minerals Plc (“KEFI” or “the Company”) commissioned AMC Consultants (UK) Ltd (“AMC”) to prepare a Competent Person’s Report (“CPR”) on the Company’s exploration assets in Turkey and Bulgaria. AMC understands that this report will form part of the Admission Document produced as part of the process required to support KEFI’s admission to the AIM Market (“AIM”) of the London Stock Exchange, and in completing an associated fundraising through a proposed Initial Public Offering (“IPO”) by KEFI on the London Stock Exchange in 2006.

This report also includes a summary of KEFI’s planned work programmes, and in the context of the proposed work programs, AMC’s opinion on the adequacy of budgeted expenditure for the 21 month period following Admission.

1.2 Capability and Independence

This Report has been prepared by AMC, the signatory to this letter. AMC is an independent consulting group offering a broad range of mining engineering, geotechnical, geological and corporate consulting services to the international exploration, mining and financial services industries. AMC has provided independent technical audits and expert assessment reports for mining companies, insurance companies, banks and investors, including the preparation of independent technical reports acceptable to United Kingdom, Canadian and Australian listing authorities.

AMC’s clients include the world’s leading mining and exploration companies, corporate advisors, financial institutions and insurance companies. In 22 years AMC has completed more than 3500 projects in 72 countries providing a unique resource of global data and experience. AMC employs more than 80 mining professionals and completes more than 300 projects in the industry every year, in more than 70 countries.

The author of this report is Ms Sonia T Konopa. Details of the author’s qualifications and experience are presented in Appendix 1 of this report.

Neither AMC nor any individual member of its team engaged in the preparation of this CPR has been involved in the preparation, authorisation or issuance of any other part of the Offering Circular.

AMC will be paid a fee for the preparation of this Report. Payment of the fee is not conditional on the contents of the report or the success of KEFI’s contemplated IPO.

1.3 Interests

Neither AMC, nor any of its Directors, staff and sub-consultants who have had any involvement in the compilation of this Report have or have had any material interest in KEFI, the company’s assets, including those that have been reviewed, or the outcome of the IPO. No previous commercial relationship has existed between KEFI and AMC.

1.4 Scope of Work

AMC was required to prepare a CPR for KEFI's exploration assets in compliance with the VALMIN Code¹. The work involved an assessment of the following aspects of the assets:

- Tenure and access rights
- Locality, access and infrastructure
- Regional and local geology
- History of exploration and mining in the area
- Database content
- Proposed exploration program and budget

1.5 Exclusions

AMC did not carry out any valuation of the assets.

AMC did not review corporate aspects of the company, nor legal aspects (licences etc), nor other liabilities of the company, but relied on the client to supply this information insofar as it was required to complete the CPR.

AMC did not assess taxation implications in Turkey or Bulgaria and deferred to the client or the clients financial adviser in this respect.

Matters relating to the above exclusions were progressed by others under the client's guidance and the results provided to AMC for compilation into the CPR as relevant.

1.6 Information Sources

Technical data and information was provided to AMC by KEFI in the form of hard copy geological reports and maps; digital copy geological reports; digital maps; digital photographs; digital compilation presentation files; and verbal explanations and discussions. Additional research on general information pertaining to Turkey and Bulgaria and, where possible, published geological information on the project areas, was obtained by AMC from internet searches. Details of reference material utilised in the compilation of this report are included in Section 7. In addition AMC carried out a site visit to the project areas.

1.7 Site Visit

A site visit to the KEFI exploration projects in Turkey and Bulgaria was undertaken by the Competent Person ("CP"), Ms S T Konopa, during the period 18 October to 24 October, 2006. The purpose of the visit was to review the regional and local geological

¹ The Valmin Code 2005 Edition

setting of the project areas, to review all available exploration data for the areas, and to meet and hold discussions with relevant project personnel in each project area.

In addition, 7 days were spent in the EMED Mining ("EMED") Cyprus office, before and after the site visit, where project briefings were presented and discussions held with KEFI project personnel and management, and full access to all KEFI exploration data was made available for the CP to review.

During the office visit the following activities were carried out:

- An overview project briefing and explanation of the KEFI organisational structure and business plan was presented to AMC by Mr Harry Anagnostaras-Adams, KEFI Non-Executive Chairman, and EMED Managing Director.
- A full project briefing of the KEFI projects was presented to AMC by Mr Ron Cunneen, EMED Exploration Director.
- A detailed project briefing of the Turkey exploration interests was presented to AMC by Mr Jim Cran, Geo Data Pty Ltd Managing Director.
- A detailed project briefing of the Bulgaria exploration interests was presented to AMC by Mr Jeffrey Rayner, KEFI Managing Director.
- Discussions were held between AMC with Mr Demetrios Constantinides EMED Manager of Regional Development, with regard to KEFI exploration licence acquisition, status and regulatory requirements, as well as more generally mining law and mineral holdings tenure and its application in Turkey and Bulgaria.

During the Turkey site visit the CP was accompanied by Mr Jim Cran, Geo Data Pty Ltd Managing Director, and Dr Ömer Çelenk, KEFI Advisor -Turkey. The following activities were carried out:

- Visits were made to relevant regional geological sites and areas of past and current mining activities including the Gümüşhane and Cerattepe mineral deposits.
- A site visit and traverse was made through the Artvin Project area including examination of relevant geological stratigraphy in road and river exposures, and examination of exposures of mineralised zones at the Üzümlü Yayla area.
- A site visit and traverse was made through the Gümüşhane Project area including examination of relevant geological stratigraphy in road and river exposures, and examination of exposures of geological interest and potential prospectivity.
- Discussions were held between AMC and Mr Cran and Dr Çelenk on the exploration and mining history of the region, potential for prospectivity of the region, and issues pertaining to exploration and mining activities in Turkey regarding mineral holdings tenure, dealing with landowners and government bodies, and environmental considerations.

During the Bulgaria site visit the CP was accompanied by Mr Jeffrey Rayner, KEFI Managing Director, and Dr Venelin Jeleve Jeleve, KEFI Advisor - Bulgaria. The following activities were carried out:

- A site visit and traverse was made through the Lehovo Project area including examination of relevant geological stratigraphy in road and river exposures, and examination of exposures of geological interest and potential prospectivity.

- A site visit was made to the Kazanite prospect area within the Lehovo Ore Field, including examination of exposures of prospective mineralised zones and structures.
- A site visit was made to the Touchi Dol prospect area and mine workings, including examination of exposures of prospective mineralised zones and structures.
- Discussions were held between AMC and Mr Rayner and Dr Jelev on the exploration and mining history of the region, potential for prospectivity of the region, and issues pertaining to exploration and mining activities in Bulgaria regarding mineral holdings tenure, dealing with landowners and government bodies, and environmental considerations.

1.8 Glossary of Terms

Defined and technical terms used in this report are set out in the Admission Document.

2 DESCRIPTION AND LOCATION OF THE KEFI ASSETS

2.1 KEFI Minerals Plc Operating Structure

KEFI Minerals Plc was formed in September 2006 as a UK holding company for EMED Mining's exploration interests in Turkey and Bulgaria. KEFI is 71% owned by EMED, 5% owned by management and 24% by Starvest Plc, a natural resources investment fund based in London.

EMED listed on AIM in May 2005 following a placing of its shares. The Company has its headquarters in Cyprus and has established project teams in three current areas of interest; Cyprus, Slovakia and Georgia. EMED's strategy is to rapidly evaluate exploration opportunities in prospective areas.

2.2 Turkey

2.2.1 Overview

Turkey has a population of approximately 70 million people and a democratically elected government. It is a member of NATO and is a candidate for EU integration. According to information from the U.S. Department of State (Bureau of European and Eurasian Affairs)² and the U.S. Central Intelligence Agency World Factbook³, the Turkish economy has been undergoing sustainable growth since 2002 with significant decreases in interest rates and inflation. During this period foreign trade has grown as there has been significant structural reforms including new permitting of exploration licensing regulations. At the time of writing there are 15 foreign mining companies active in Turkey.

2.2.2 Location, access and physiography

2.2.2.1 Artvin

The Artvin Project location is centred on 41°20' latitude and 42°07' longitude, and falls within the Şavşat and Ardanuc sub-provinces of the Artvin province of north east Turkey. The project is located approximately 30 kilometres to the north east of the city of Artvin, 20 kilometres to the north west of the town of Şavşat, and approximately 20 kilometres from the Georgia border. Figure 1 shows the location of the project areas.

The cities of Trabzon and Erzurum, located approximately 200 kilometres to the west and south west respectively, are the nearest major airport facilities. Road access from both Trabzon and Erzurum to Artvin is via well maintained sealed highways and major sealed roads. Access within the project area is limited due to the steep, mountainous terrain, however the majority of the area can be accessed via maintained unsealed roads. Access is limited during the winter months due to snow and rain creating poor road conditions, and potential landslips.

² <http://www.state.gov>

³ <https://www.cia.gov/cia/publications/factbook>

The project area is located within the Lesser Caucasus mountain range. The topography is steep and rugged, rising up to an elevation in excess of 3,000 metres.



Figure 1: Location map of the Artvin and Gümüşhane Projects

The vegetation ranges from moderately dense forest at the lower elevations, to open Alpine grassland above 2,000 metres elevation. The higher elevations receive snow during the winter months. Average annual rainfall for the area is 645 millimetres. AMC were advised by the client that a field season of seven months within a twelve month period, from April to October, could be reasonably expected for exploration activities to be carried out.

2.2.2.2 Gümüşhane

The Gümüşhane Project location is centred on 40°20' latitude and 39°47' longitude, and falls within the Gümüşhane and Bayburt provinces east Turkey. The project is located approximately 30 kilometres to the south east of the city of Gümüşhane. Other towns within close proximity include Bayburt, Köse and Kelkit. Figure 1 shows the location of the project areas.

The city of Trabzon, located approximately 75 kilometres to the north, is the nearest major airport facility. Road access from Trabzon to Gümüşhane is via a well maintained sealed highway. Access within the project area is excellent, with numerous well maintained sealed and unsealed roads providing easy access to the majority of the area.

The project area is located between the Black Sea Mountains and the Anatolian Plateau. The topography varies, but generally consists of rolling hills and open plains, with some moderate to steep areas of elevation up to 2,300 metres. The vegetation is sparse with mainly open grasslands. Some of the higher elevations receive snow during the winter months. Average annual rainfall for the area is 435 millimetres. AMC were advised by the client that a field season of seven months within a twelve month period, from April to October, could be reasonably expected for exploration activities to be carried out, however it is likely that some activities, such as drilling, could be carried out over the entire twelve month period.

2.2.3 Infrastructure

Power, water and communication facilities are well provided for in most areas of Turkey including the project areas. Power and phone lines are installed and maintained to all villages in the rural areas. Mobile phone coverage is excellent throughout Turkey, with only the occasional remote area being outside receiver range.

A significant hydro-electric project comprising of eighteen major dam installations is currently being undertaken throughout the country, with a number of these in the Artvin district. As a consequence, there are coincident major road and bridge civil engineering projects being carried out throughout the region.

Significant civil engineering projects, including road building, dam construction and tunnelling, are currently occurring as large scale development progresses within many parts of Turkey. As a result there is a good supply of civil engineering technical expertise available within the country.

2.2.4 Exploration and Mining Environment

Turkey has a significant historical mining background with both large and small scale deposits of various commodities being successfully identified and developed, predominantly by local mining entities. Active exploration and development by foreign mining companies in recent times has been limited due to a perception of difficulties related to development issues such as permitting delays, and a lack of trust in the mining industry as a result of the legacy of previous operators. Historical data is proprietary and is not available through a public collative data system. Data can be commercially acquired in some cases.

Recent changes to the Turkish Mining Law and a progressive development attitude of the Turkish Government have generated a current positive environment for exploration and mining activities.

Exploration licence application is transparent and non-corruptible. Periodically the General Directorate of Mining Affairs announces the availability of previously held land parcels for tender. A tender process can be initiated by an interested party on ground that is currently available, or not held by another party. Interested parties have at least one month to lodge an application. The tender application is submitted and appraised in closed confidence. The award of the tender is based on the highest offer. The tenure is secure and is issued for a period of three years, and application can be made for an additional two years to continue exploration activities following on from that. If exploration is successful and the holder wishes to progress to a development stage,

then application is made for a concession to mine. The Mine Concession can be granted for a period between 10 to 60 years. The Council of Ministers has the right to increase the license period beyond sixty years.

2.2.5 Project Description

The Artvin Project incorporates fifteen individual exploration licences covering a total area of approximately 253.97 square kilometres. The majority of the exploration licences are contiguous however there are three areas of exclusion in the north, south west and a small block in the far east of the project area. These areas are currently held by other interests. The majority of the project falls within state forestry land, with some coverage of farming land and rural villages.

The Gümüşhane Project incorporates four individual exploration licences covering a total area of approximately 68.4 square kilometres. All four exploration licences are contiguous. The project falls within state forestry land, farming land and rural villages.

Details of the exploration licences are included in Appendix 2 and project locations are shown in Figure 1. AMC's understanding of exploration licence acquisition, renewal and maintenance is based on information provided to AMC by the client.

Exploration is permitted on all land, subject to the following conditions and restrictions for drilling and trenching activities. In the case of state forestry land, an application for access stating the location and size of the area affected is submitted to the forestry department, an appropriate fee is paid, and a permit is issued to undertake exploration within the stated area. The company is responsible for rehabilitation of areas disturbed by exploration activities. This is a legal requirement for access.

In the case of farming land, an agreement with the landowner is required to enter the land and the company takes responsibility for rehabilitation of areas disturbed by exploration activities and compensation for any damage resulting from exploration activities. This is a legal requirement for access to undertake drilling or trenching activities. If the landowner does not agree to access, the dispute is referred to the district court where the case is reviewed. Work restrictions can occur in areas with environmental and/or public interest protection. If a mining title is applied for, the landowner is entitled to compensation but has no right to veto the operation.

2.3 Bulgaria

2.3.1 Overview

Bulgaria has a population of approximately 7.5 million people and has a democratically elected government. It is a member of NATO and is a candidate for EU integration in 2007. Since the collapse of the Soviet Union, Bulgaria's economy has gradually changed to one which is largely market-based. Low inflation and steady progress on structural reforms has led to an improved business environment with an average 4% growth since 2000 and an increase in significant amounts of foreign direct investment,

according to information from the U.S. Department of State (Bureau of European and Eurasian Affairs)⁴ and the U.S. Central Intelligence Agency World Factbook⁵ websites.

2.3.2 Location, Access and Physiography

The Lehovo Project is located approximately 150 kilometres south of Sofia, the Bulgarian capital, and approximately 20 kilometres to the south east of the city of Sandanski. Other villages within close proximity include Lehovo, Petrovo, Belyovo and Goleshovo. The southern most boundary of the project lies adjacent to the Greece border. Figure 2 shows the location of the project area.

The city of Sofia is the nearest major airport facility. Road access from Sofia to Lehovo is via a well maintained sealed highway and major sealed roads. Access within the project is excellent with numerous well maintained sealed and unsealed roads providing easy access to the majority of the area. Access may be limited during the winter months due to snow and rain creating poor road conditions.

The topography ranges from rolling hills to relatively steep, mountainous terrain up to approximately 1,200 metres elevation. The vegetation ranges from open grassland to moderately dense forest cover. The area receives some snow during the winter months. AMC were advised by the client that a field season of seven months within a twelve month period, from April to October, could be reasonably expected for exploration activities to be carried out.

2.3.3 Infrastructure

Power, water and communication facilities are reasonably provided for in most areas of Bulgaria including the project areas. Power is primarily from hydro-carbon sources and there are a number of nuclear power plants. Mobile phone coverage ranges from poor to average in the rural areas, to excellent in major cities.

2.3.4 Exploration and Mining Environment

Bulgaria has a long tradition of mining for base metals and precious metals, and has a number of current operating mines. At the time of writing five foreign mining companies are currently active in the country. Exploration and development by foreign mining companies in recent times has been limited due to a perception of difficulties related to development issues, such as permitting delays, and a certain level of sovereign risk.

Exploration licence application is relatively simple but initiation of the process potentially leads to a competitive market situation. A party may tender an application of interest for a land parcel for an exploration licence, if the land is available. Once the tender of interest is registered, the Ministry of Environment and Water then announces the offer, and the land goes to public tender so that any other interested parties can submit an

⁴ <http://www.state.gov>

⁵ <https://www.cia.gov/cia/publications/factbook>

2.3.5 Project Description

The Lehovó Project incorporates a single exploration licence holding covering a total area of approximately 71.4 square kilometres. The project falls within state forestry land, farming land and rural villages.

Details of the exploration licences are included in Appendix 2 and the project location is shown in Figure 2. AMC's understanding of exploration licence acquisition, renewal and maintenance is based on information provided to AMC by the client.

Exploration is permitted on all land, subject to the following conditions and restrictions. In the case of State Forestry land, an application for acquiring right of use is made to the National Forestry Directorate stating the location and size of the area affected. An order for the establishment of the right to use for conducting exploration activities in the specified area specifying the term of such right and the due fee is issued based on the statement of the National Forestry Directorate. The company is responsible for rehabilitation of areas disturbed by exploration activities.

In the case of farming land, an agreement with the landowner is sought to enter the land and the company takes responsibility for rehabilitation of areas disturbed by exploration activities and compensation for any damage resulting from exploration activities. This is a legal requirement to carry out exploration activities. Work restrictions can occur in areas with environmental and/or public interest protection. If a mining title is applied for, the landowner is entitled to compensation but has no right to veto the operation.

2.4 'Plethery' Data Base

KEFI have commercially acquired an extensive exploration database which contains individual target assessments of 100 prospect areas in Turkey. The data was compiled by John Nethery, Ian Plimer, Gavin Thomas, and Omer Akıncı over the duration of three field campaigns during the period 1989 to 1991. The database has been colloquially named the 'Plethery' database.

The strategy behind the project was that the geological terrain was analogous to the volcanic island arc setting of the Pacific rim that has recognised world class gold deposits. Previous historical exploration and investigation of these analogous belts in Turkey had not recognised the potential for development of epithermal style gold deposits.

The database comprises 14 hard copy reports, 38 hard copy maps, and a large volume of other data in digital format. The data is catalogued and KEFI have commenced compiling it into a relational database format for ease of access.

AMC reviewed the database and is of the opinion that it will provide KEFI with numerous opportunities in Turkey to identify prospective areas for project generation.

3 REGIONAL AND LOCAL GEOLOGICAL SETTING

3.1 Turkey

3.1.1 Regional Geological Setting

The Artvin and Gümüşhane Projects are situated within the Eastern Pontides volcanic province of north eastern Turkey which forms part of the Alpine–Himalayan–Indonesian mountain range. The development of the Alpine belt and the volcanics in the area are the result of major orogenic events which took place during the Late Cretaceous, the Eocene to Oligocene and the Neogene periods. These same events also led to the accumulation of large deposits of gold and base metals through the province. The Eastern Pontides are part of the Mesozoic to Tertiary age Tethyan metallogenic province with numerous historically mined deposits and new emerging producers. The styles of mineralisation identified and mined include porphyry copper, gold deposits, epithermal gold deposits, and Kuroko style Volcanic Massive Sulphide (“VMS”) deposits.

Figure 3 illustrates the location of the project areas, summarizes the distribution of the mineralizing events and shows some of the known significant gold and base metal deposits within the area. Figure 4 illustrates the geology of the Eastern Pontide metallogenic province.

Within the Eastern Pontides the project areas are situated to the north of the East Anatolian accretionary complex. The area covers part of the southern margin of the Middle Eocene magmatic arc, which overlaps onto Mesozoic volcanics and sedimentary terrain. Palaeozoic granodiorite and metamorphic rocks form the local basement lithologies. Events during the Jurassic to Eocene period in the region relate to the cyclic opening and closure of the Neotethys ocean. The projects are located on the northern side of this ocean, on a south facing continental margin. During the Early Jurassic the granite-metamorphic basement was strongly affected by rifting. Grabens were filled with layered sequences of mafic to intermediate volcanics, volcaniclastics, and continental to shallow marine sediments. The initial rift phase was followed by a wider deposition of platform carbonates and clastics which continued through to the mid-Cretaceous.

During the initial stage of closure of the Neotethys there was uplift, deformation and development of a marine magmatic arc further to the north and north east. Subsidence took place in the Late Cretaceous and is represented by an upward deepening clastic-carbonate sequence. At the end of the Cretaceous compression was followed by the development of a marine to continental magmatic arc during the Early and Middle Eocene. Uplift of the region in the Middle to Late Eocene, during the later phases of arc activity, was accompanied by extensional block faulting and local tilting. There is evidence of reverse movement along north east trending faults during the Oligocene period in the south east of the project area, similar to structures in the Artvin area.



Figure 3: Location map of the project areas, regional metallogenic belts and significant ore deposits

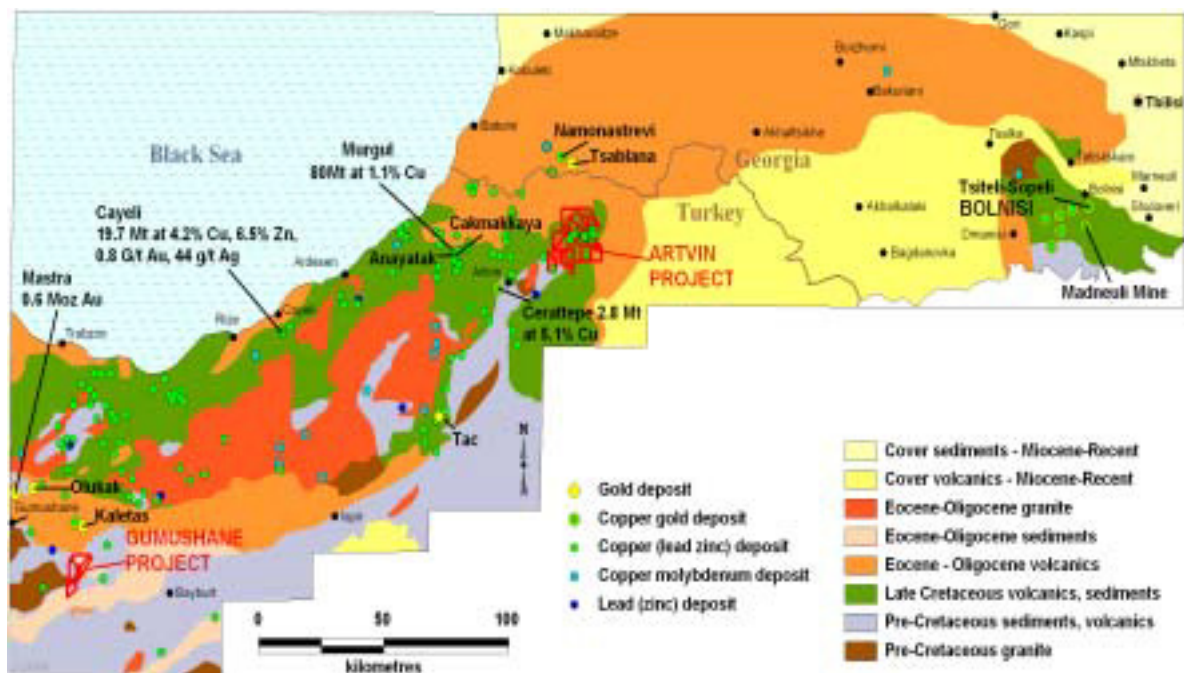


Figure 4: NE Pontides geology and ore deposit map

3.1.2 Local Geological Setting

3.1.2.1 Artvin Area

Artvin lies within the Late Cretaceous felsic volcanic suite that hosts significant VMS, porphyry copper, gold and epithermal gold deposits throughout the region. A number of significant VMS base metal-gold mines and deposits occur within a range of 50 to 100 kilometres along the strike towards the Artvin Project. These VMS deposits are preferentially hosted within the felsic volcanic units, which have been recently demonstrated by KEFI geologists to extend into the Artvin Projects. Examples of the VMS deposits hosted in the felsic volcanics in the vicinity of Artvin include the large Cayeli Mine (operated by Inmet Mining and Etibank) with reserves of 19.7 million tonnes at 4.2% Cu, 6.5% Zn, 0.8g/t Au and 44g/t Ag; the Murgul deposit with reserves of 80 million tonnes at 1.1% Cu; and the Cerateppe Mine (Inmet Mining) with reserves of 2.8 million tonnes at 5.1% Cu.

Numerous vein and breccia style base metal occurrences are found within and adjacent to the project area, within the volcanics. Many have been mined historically on a small scale. The project area also covers part of a granite pluton of Cretaceous to Eocene age. The Güzelyayla and Gümüşhane porphyry copper deposits occur in plutons of a similar age. Figure 5 illustrates the geology of the Artvin Project area.

Reconnaissance work by KEFI personnel, Adamia, Çelenk, and Cran, identified large zones of argillic and silicic alteration as shown in yellow on Figure 5. Some of these areas were examined by the CP during the site visit. The scale of alteration observed is not readily accounted for by the small vein occurrences alone. The presence of this style of alteration, in conjunction with known base metal occurrences in the area, supports the possibility of the existence of porphyry and epithermal deposits in the area.

A significantly large zone of intense alteration including silicification, argillic and ferruginous alteration was observed in the Üzümlü area, within exploration licence number 3107385. The alteration is illustrated in Figures 6 and 7. The zone trends out of the licence area to the north east into a neighbouring exclusion zone, held by another party, where large scale argillic alteration and silicification is observed in the Yusufclar area.

Quartz veins have been exploited in workings at the Üzümlü Yayla area. The veins contain chalcopyrite and pyrite and would appear to be of mesothermal origin. Examples of this veining are shown in Figure 8. They were reputedly historically mined for base metals however no accurate records are available.

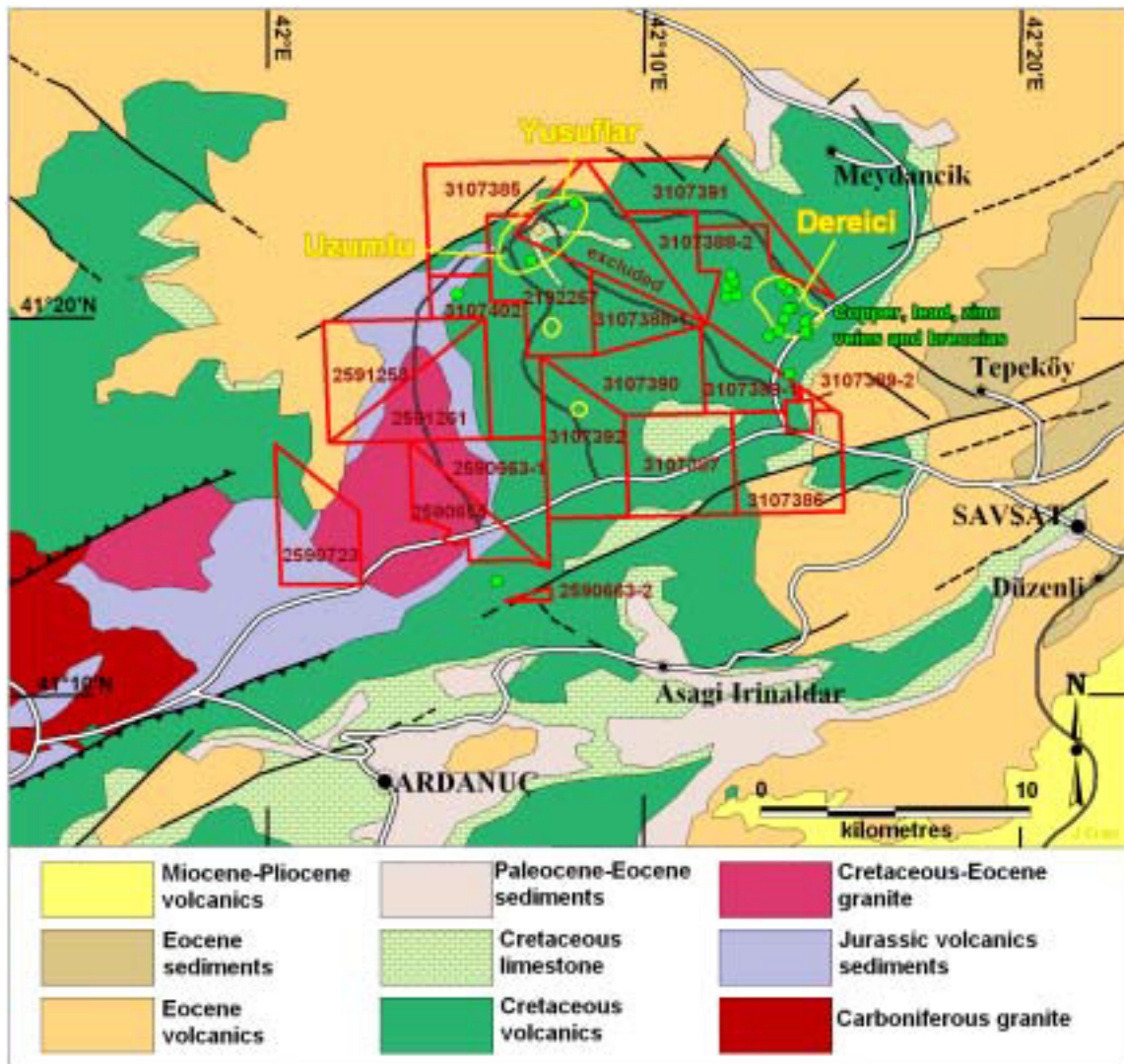


Figure 5: Artvin Project local geology



Figure 6: Intensely silicified volcanics outcropping in the Üzümlü area



Figure 7: Example of argillic alteration and ferruginisation at Üzümlü



Figure 8: Example of quartz pyrite veining from Üzümlü workings

3.1.2.2 Gümüşhane Area

Gümüşhane lies within a Jurassic volcanic-sedimentary sequence. Published geology indicates that Carboniferous granite is overlain unconformably by Jurassic sediments and volcanics, which are overlain by Upper Jurassic to Lower Cretaceous limestone and other sediments. Eocene volcanics and sediments are the youngest rocks within the projects. Figure 9 illustrates the geology of the Gümüşhane Project area.

KEFI applied for the project area based on recommendations by local geological consultants advising the presence of anomalous gold in existing stream geochemical data. Reconnaissance work by KEFI personnel, Adamia, Çelenk, and Cran, located altered rhyolitic volcanics in close proximity to the granite. The area of argillic alteration, ferruginisation and silicification is located adjacent to the village of Oylumdere and its location is shown in Figure 9. Quartz veining of apparent mesothermal origin occurs locally within the observed alteration zone. The area was examined by the CP and Figure 10 shows the zone of alteration and veining.

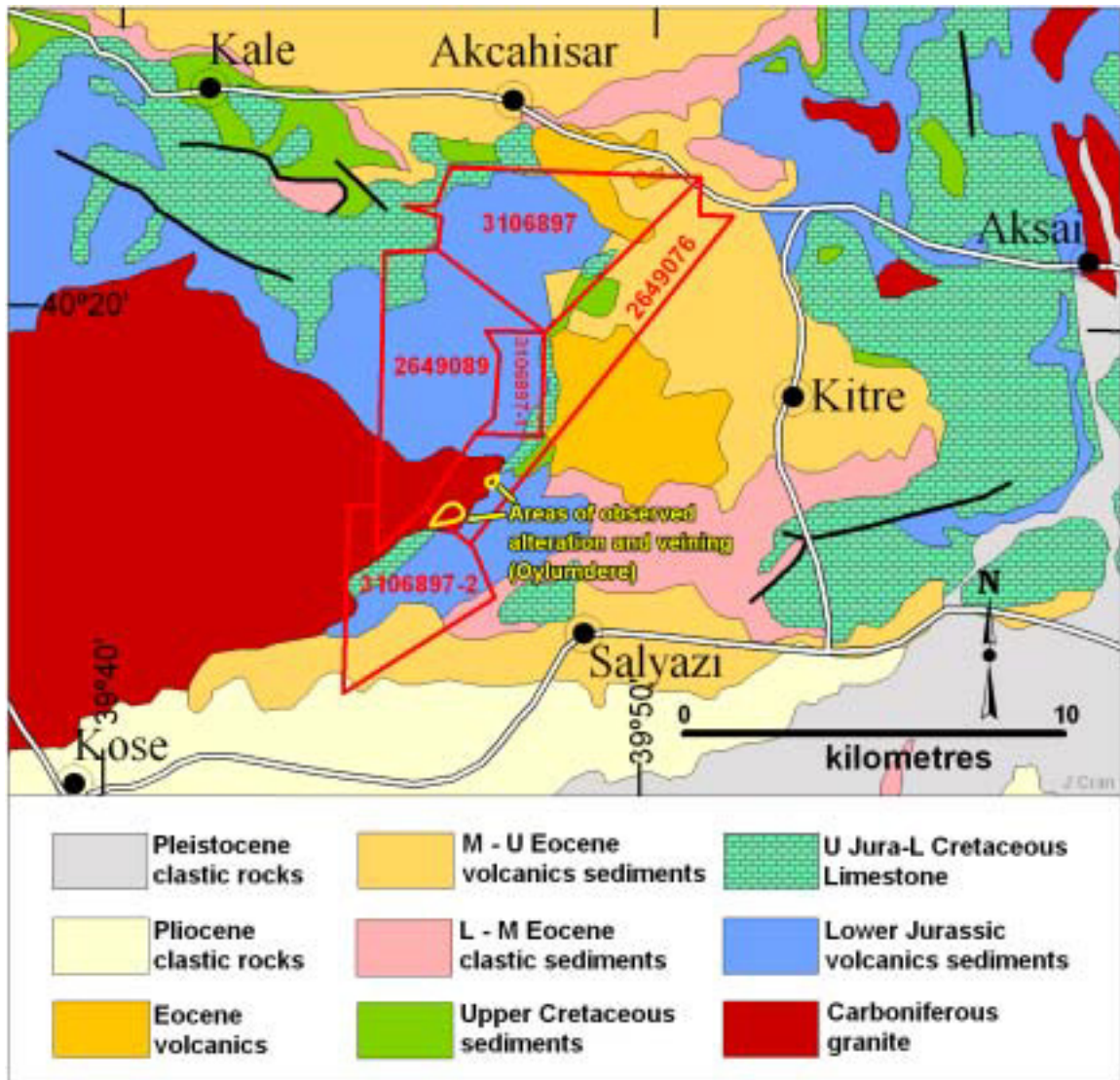


Figure 9: Gümüşhane Project local geology



Figure 10: Example of silicification and quartz veining near Oylumdere

3.2 Bulgaria

3.2.1 Regional Geological Setting

Lehovo is located within the Pirin metallogenic region. It is bounded by the Mesta graben to the east, the Strumski graben to the west, the Predela fault to the north west, and the Greek border to the south. Figure 11 shows the metallogenic setting of Bulgaria.

The project area is located within the Pirin horst and Struma graben structural features. The Pirin horst is composed of Precambrian high grade metamorphics comprising marbles, gneisses, amphibolites, schists and small bodies of serpentinites. The metamorphics are intruded by plutons of various ages. The most significant, the Late Cretaceous plutons, include the larger Teshovo pluton (60km²) and two small intrusive bodies, the Lehovo (2.9km²) and Goleshovo plutons (9km²).

The Struma graben is composed of Neogene lacustrine and alluvial sediments, comprising conglomerates, breccias, sandstones, and clays. It is separated from the Pirin horst by the north south trending Petrovo fault, which forms part of the Struma fault zone. The metamorphics of the Pirin horst form the Belyovo synform which is offset by several north-north-west trending faults. Detachment faults are developed along the basement of the marble formation.

3.2.2 Local Geological Setting

The Lehovo Project falls within the Lehovo ore field which is a ten kilometre square area located between the villages of Petrovo, Yanovo and Lehovo. The area was extensively explored from 1957 to 1993 by the former State government mining department (Branch of the Committee for Geology). Figure 12 shows the local geological setting.

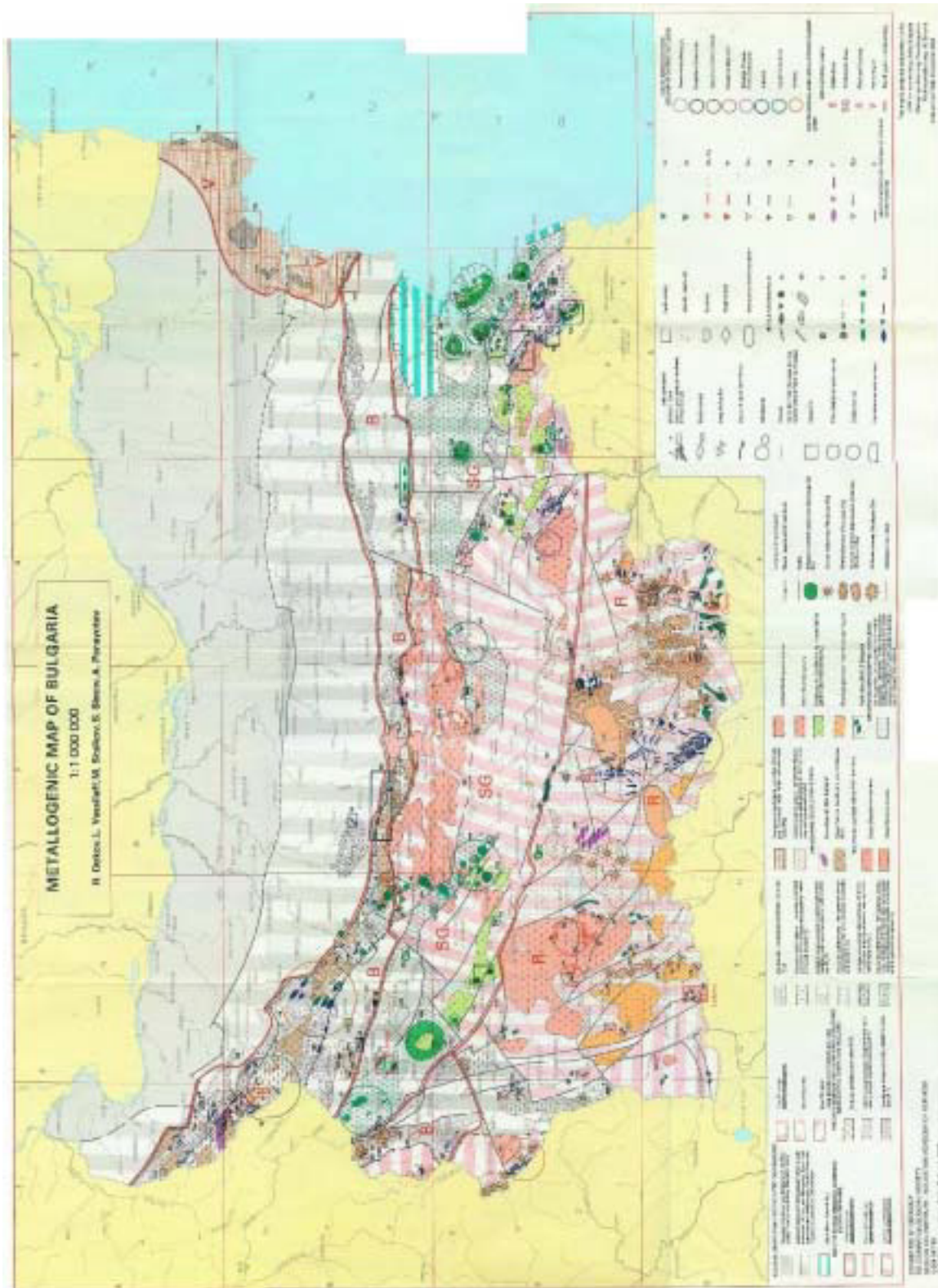


Figure 11: Metallogenic map of Bulgaria

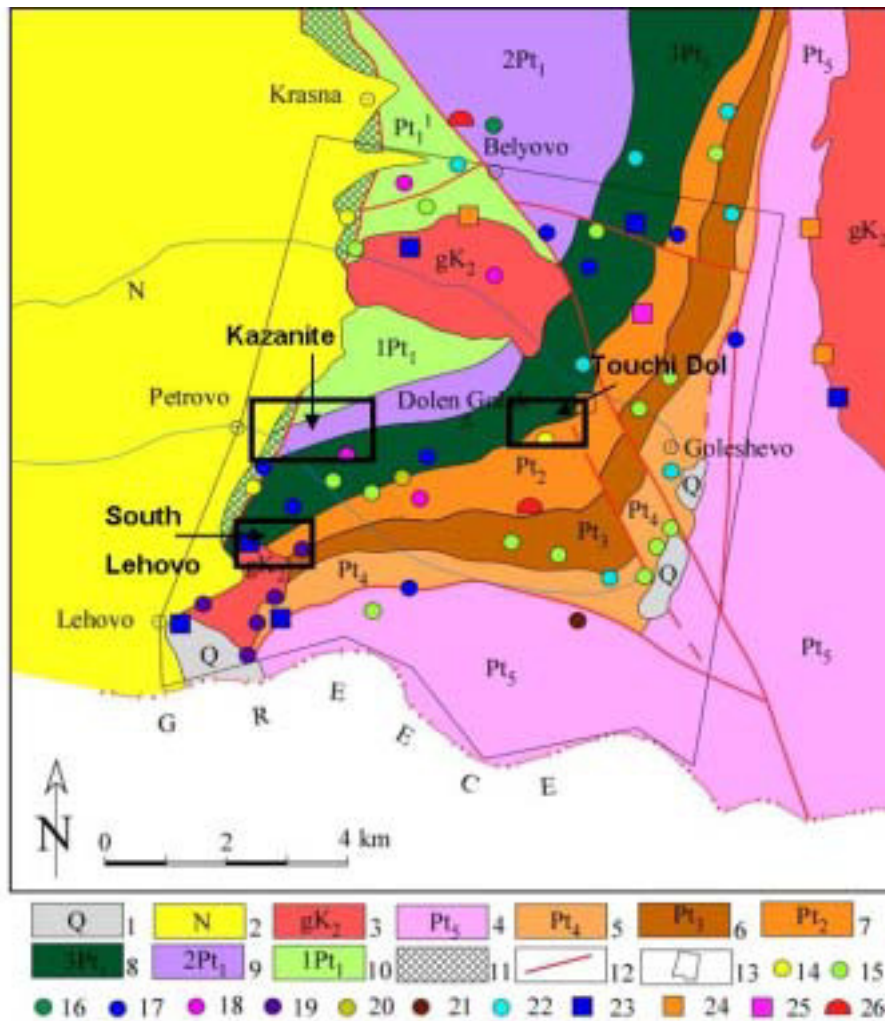


Fig. . Geological-metallogenic map of Lehovo region (after Mankov et al., 1987 and Kojouharov et al., 1991)

1 - Quaternary marble breccia; 2 - Neogene lacustrine and alluvial sediments of Sandanski graben; 3 - Late Cretaceous granites; (4-10) - Proterozoic high-grade metamorphites: 4 - marble formation; 5 - upper variagated formation (two-mica schists and gneisso-schists); 6 - leptinite formation; 7 - gneiss formation; (8-10) - lower variagated formation: 8 - amphibolites, 9 - gneisses, amphibolites and marbles; 10 - amphibolites, gneisses and marbles; 11 - fault zone; 12 - fault; 13 - boundaries of Lehovo tenement; (14-22) - hydrothermal mineralizations: 14 - goldbearing; 15 - pyrite; 16 - pyrrhotite-chalcopyrite; 17 - quartz-galena-sphalerite (\pm barium); 18 - quartz-chalcopyrite; 19 - quartz-molybdenite; 20 - quartz-bulangerite-sphalerite; 21 - quartz-sphalerite (with high Bi); 22 - hydrothermal zone without visible mineralization;(23-25) - skarn mineralizations: 23 - andradite-grossular-scheelite; 24 - andradite-grossular-magnetite; 25 - andradite-molybdenite-scheelite; 26 - residual limonite mineralization (gossan).

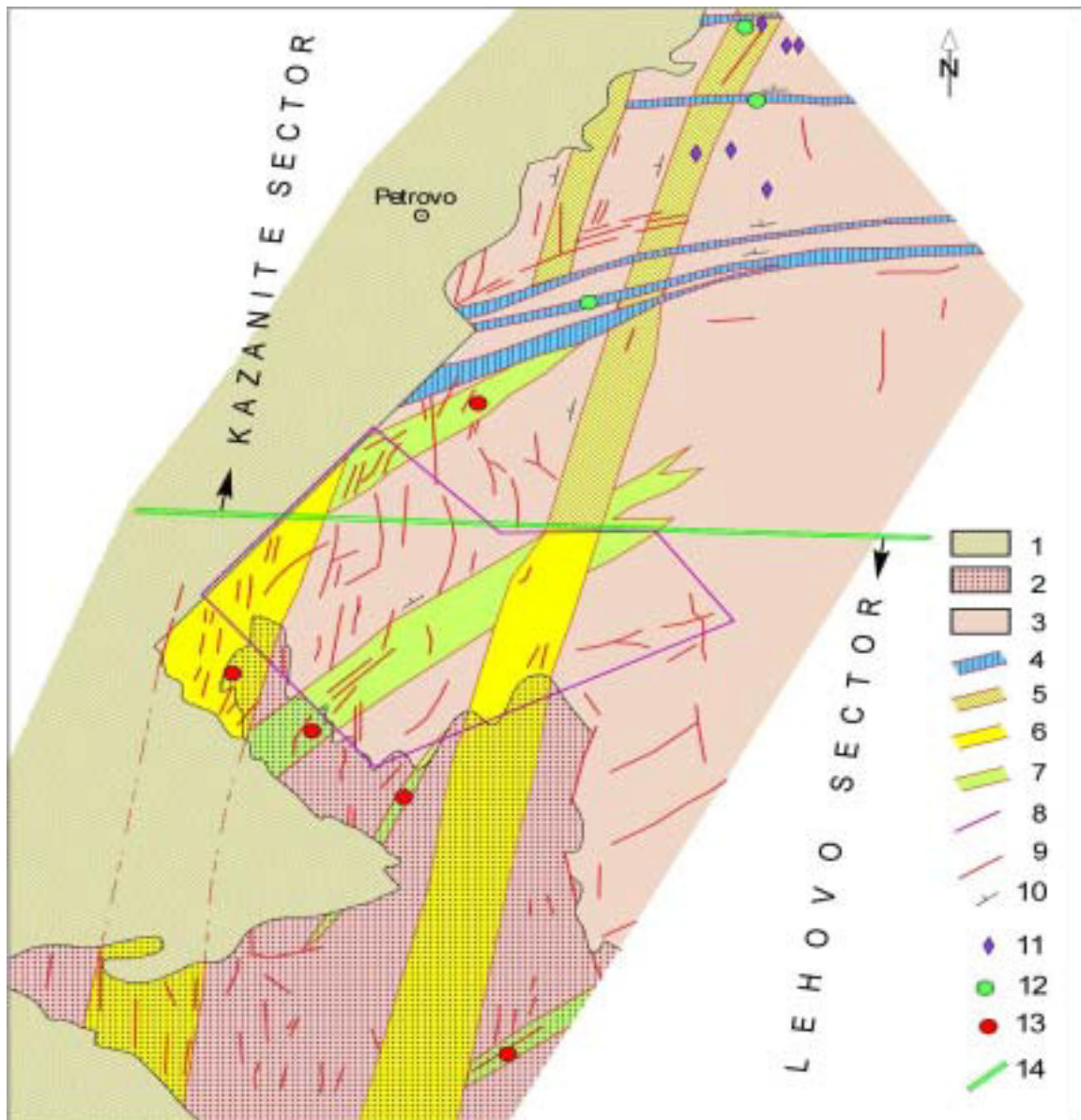
Figure 12: Lehovo Project local geology

Three styles of mineralisation were identified from this work. In the Kazanite area stratiform lenses of gold-silver-lead-zinc mineralisation and stockwork quartz-pyrite-arsenopyrite veining with associated gold mineralisation are observed. The stratiform lenses are related to faulting and occur parallel to foliation within sericite-chlorite gneisses and dolomitic limestone, while the stockwork style is hosted by altered granites. The third style is a hydrothermal vein style of quartz-feldspar-molybdenite, which appears to be localised in the St Dimitar area. In addition there is skarn type molybdenite-scheelite mineralisation hosted within the dolomite marbles associated within the Lehovo granite.

KEFI has identified three areas of geological interest for further investigation within the project area, Kazanite, Touchi Dol, and South Lehovo, as shown in Figure 12. Reconnaissance work by KEFI personnel, Rayner and Jeleu, has identified a structural corridor with a strike length of approximately eight kilometres with the potential for gold and base metal mineralisation. Quartz-pyrite-arsenopyrite veins ranging in thickness from millimetres up to several centimetres occur as a stacked sequence within host meta-volcanics and sediments and appear analogous to the recently discovered Monte Ollasteddu gold deposit in the Sarrabus-Gerrei district of Sardinia in Italy. Monte Ollasteddu is a new style of high grade gold mineralisation recognised in Sardinia. The vein style observed at Kazanite is similar in description to the veining and lithological host unit of the Monte Ollasteddu deposit, which is at a resource delineation stage. No current resource figures were available for Monte Ollasteddu at the time of writing.

Figure 13 illustrates the local geology in the Kazanite and South Lehovo areas respectively. Lithology and veining was examined by the CP in a number of locations along the corridor within the Kazanite and South Lehovo areas. The veining forms stacked lenses of discrete zones that are repeated within an exposed vertical sequence of 40 metres. Figures 14 and 15 are examples of the vein style in situ. There is some associated argillitic and ferruginous alteration. The veining and alteration observed, in addition to the presence of known mineralisation in the district supports the possibility of the existence of structurally controlled gold deposits in the area.

Touchi Dol is located approximately eight kilometres east of the Kazanite area and is thought to be a continuation of the Kazanite zone. Ore was mined from this zone in the 1940's however accurate records of quantity and grade are not available. The area of old workings in the Touchi Dol area were examined by the CP. Figure 16 shows the Touchi Dol dump area. Quartz-arsenopyrite-pyrite veining was observed in mine dump samples and is shown in Figure 17. The veining appears to occur within stratiform lenses parallel to foliation and hosted within the Precambrian marbles and gneisses.



1 – Neogene-Quaternary sediments; 2 – hornblende-biotite granite (Lehovo granite); 3 – Precambrian high-grade metamorphites; 4 – interpreted on the surface along the metamorphic foliation stratiform gold-silver-lead-zinc zone (quartz- freibergite-galena-sphalerite type) intersected in depth by boreholes; 5 – meridional ore zones of quartz-sericite \pm Pb, Zn, Au and Ag (northern flanks of the meridional gold-bearing zones); 6 - meridional gold-bearing zones of quartz-pyrite-arsenopyrite type; 7 – north-eastern gold-bearing zones of quartz-pyrrhotite-chalcopyrite type; 8 – area with skarn tungsten-molybdenite mineralization; 9 – faults (ore and barren); 10 - dip and strike of ore zone; 11 – clasts of anglesite-galena aggregates in the slope drift; 12 – gold-silver-galena-sphalerite stratiform occurrence; 13 – gold-quartz-pyrite-arsenopyrite and gold-quartz-pyrrhotite-chalcopyrite occurrence; 14 – boundary between the sectors of Kazanite and Lehovo.

Figure 13: Kazanite area local geology



Figure 14: Massive quartz sulphide veining at Kazanite area (road cutting)



Figure 15: Quartz sulphide veining at Kazanite area (individual vein)



Figure 16: Touchi Dol mine workings



Figure 17: Quartz sulphide veining at Touchi Dol mine dump

4 EXPLORATION AND MINING HISTORY

4.1 Turkey

4.1.1 Overview

On a regional scale significant porphyry copper deposits hosted within the Late Cretaceous metallogenic belt include Moldova Nuova in Romania; Majdanpek and Bor in Serbia; Chelopech and Medet in Bulgaria; and the large porphyry copper, gold and epithermal gold deposits of the Bolnisi ore district of Georgia.

The Eastern Pontides are part of the Mesozoic to Tertiary age Tethyan metallogenic province with numerous historically mined deposits and new emerging producers. The styles of mineralisation identified and mined include porphyry copper, gold deposits, epithermal gold deposits, and Kuroko style VMS base metal and gold deposits.

Numerous Kuroko VMS style base metal and gold deposits are hosted in Cretaceous felsic volcanics and sediments in the Eastern Pontides. Among these are the Murgul ore field including Cakmakkaya, Anayatak, and Damar, with reported resources of 71.8 million tonnes grading at 1.7% Cu; Madenköy-Çayeli with resources of 15.6 million tonnes grading at 4.7% Cu, 7.3% Zn, 1.0g/t Au and 21 g/t Ag; and Lahanos with resources of 2.3 million tonnes grading at 3.6% Cu and 2.3% Zn.

The Cretaceous volcanics also host epithermal gold deposits such as the Mastra deposit (600,000oz Au), currently being underground mined by Koza Gold, and the Tac deposit, currently being actively explored by Tech Cominco. Other recent mining developments include the Ovacik and Kisladag Gold Mines. In 2001 the 800,000oz Au resource Ovacik Gold Mine (Koza Gold) was commissioned, and in 2006 the 7 Moz resource Kisladag Gold Mine (Eldorado) was opened. These deposits are being mined using open cut mining methods and gold recovery is carried out using conventional cyanide in leach and cyanide heap leach technologies. Other developments in Turkey in 2006 include progress of the permitting process for Eldorado's high grade Efemcukuru gold (+1Moz gold resource) deposit, and a feasibility study is currently been undertaken on the 5 Moz Au resource at the Copley Gold deposit (Anatolia Gold). Frontier Development are currently drilling at two deposits with reported +1 Moz Au resources in north western Turkey. Figure 18 shows the location of these deposits .

Significant porphyry copper/molybdenum style deposits that occur within the Palaeocene – Oligocene granites include the Gümüşhane mine with a resource of 80 million tonnes grading at 0.5% Cu and the Guzelyayla deposit with a resource of 186 million tonnes grading at 0.3% Cu.

Epithermal gold deposits occur in Eocene – Oligocene volcanics at Olucak and Kaletas near Gümüşhane, and Namonastrevi and Tsablana in southern Georgia. Copper deposits are known in the Pre-Cretaceous volcanics and granites in the Gümüşhane district.

4.1.2 Exploration work by KEFI

4.1.2.1 Overview

KEFI undertook research of the Eastern Pontides district to identify areas of potential prospectivity based on favourable lithology, known economic mineralisation in the district, geologically anomalous identifying features such as large scale alteration, and identification with analogous terrain of known deposits in other geographical regions. KEFI also obtained advice from Turkish exploration consultants who had access to a proprietary geochemical database that identified geochemically anomalous areas of interest. The projects were selected on the basis of identifying prospective areas for mineralisation based on all of these factors.

As an initial phase, KEFI have carried out a preliminary regional reconnaissance assessment of the projects to identify specific areas to target and prioritise for more focussed work. The reconnaissance work has included, literature research, broad scale ground traversing, site visits to deposits in the area, and ground investigation of areas with anomalous geochemistry, significant alteration, and historical recordings of mineralisation.

4.1.2.2 Aster Data Studies

KEFI acquired Aster satellite data over two regional areas that incorporate the Artvin and Gümüşhane Projects and commissioned two independent interpretation studies of the data by geological imagery consultants. Aster data is similar to Landsat data but is higher resolution and contains narrow spectral bands specifically designed for the mapping of mineral species.

The first study, carried out by HME Partnership of London⁶ (2006), conducted spectral enhancement of the data in order to map mineral distribution. KEFI did not supply HME with any background information regarding location of exploration licences, identified anomalous areas, or identified areas of interest from their own reconnaissance studies. In this way the interpretation of the data was without bias or influence. The HME study identified four areas of interest in Artvin and four areas of interest in Gümüşhane that warranted further investigation. Aster data is difficult to interpret in areas with dense vegetation, and cloud cover. Artvin is affected by both these factors and consequently the interpretation is not as distinctive as Gümüşhane where the areas of interest show up more clearly.

⁶ Preliminary spectral enhancement report for the Gumushane and Artvin regions, Eastern Turkey

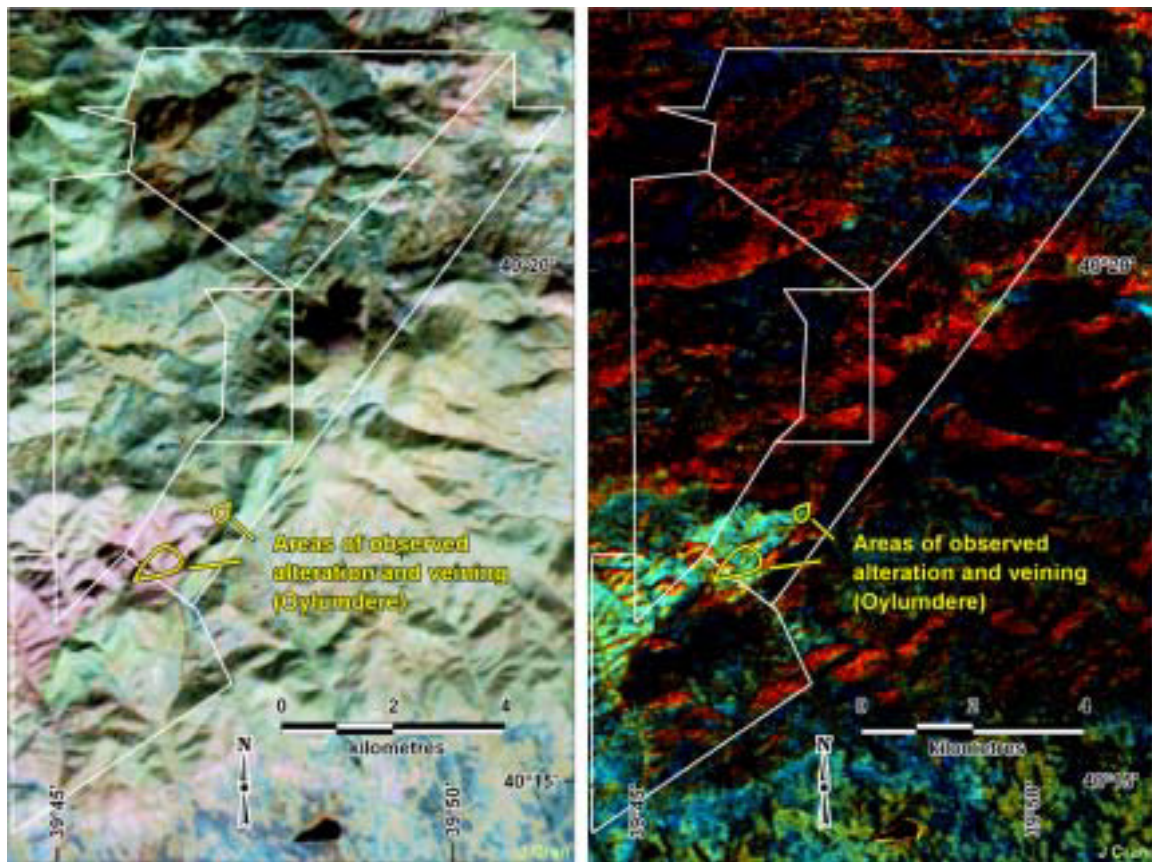


Figure 19a: (Left) Aster data bands 4, 6 and 8 in red, green and blue respectively
Figure 19b: (Right) Aster data mica/clay associations

Short wave infrared bands which are represented as red, green and blue respectively are shown in Figure 19a within the Gümüşhane Project. Hydrated minerals are usually generated by hydrothermal alteration which may have associated mineralisation and these show up as pink tones. Therefore the pink tones observed in Figure 19a are likely to represent areas of hydrothermal alteration. The hydrothermal alteration and quartz veining observed during reconnaissance at Oylumdere, occurs within a coincident pink zone identified in the Aster data with dimensions of approximately four and a half kilometres long by up to one and a half kilometres wide. This supports the theory that a large hydrothermal system has occurred in the south west portion of the Gümüşhane Project which may have mineralisation associated with it. Other smaller zones within the project require further follow up work.

Processed Aster data which maps the distribution of hydroxyl ion bonds to aluminium or other cations in phyllosilicates for the Gümüşhane Project are shown in Figure 19b. Areas of blue, green, yellow and white indicate the possibility of argillic or phyllic alteration. Specific hydrothermal alteration types such as argillic or phyllic are commonly associated with particular styles of mineralisation. Areas of blue, green and yellow can be observed and appear coincident with the pink coloured areas in Figure 19a. The presence of these colour zones adds support to the theory that a hydrothermal system has occurred in the south west portion of the Gümüşhane Projects, which may have mineralisation associated with it. These colour bands also show areas of soil development.

The second study was carried out by Michael Baker⁷ (2006), Geological Consultant, London, using Landsat and Aster data and was aimed at producing a more detailed assessment of the project areas. The purpose of this study was to produce detailed geological interpretations of the areas, combine these with the results of an Aster spectral analysis and with mineral occurrence data, and to identify potential targets for follow-up exploration.

Image interpretation by Baker suggests that three prospective target styles have potential for mineralisation in the study area and should be targeted for follow up work: (i) dykes and alteration zones along Late Tertiary extensional faults; (ii) intrusions and vein/fracture zones in the Eocene arc, and (iii) vein and intrusion-related targets in the Late Cretaceous volcanics.

4.2 Bulgaria

4.2.1 Overview

Bulgaria has a long tradition of mining for base metals and precious metals, and has a number of current operating mines. At the time of writing five foreign mining companies are currently active in the country. Dundee Precious Metals are carrying out underground mining at the Chelopech Mine (2.5Moz Au equivalent reported reserves) and are waiting on approvals to mine the Ada Tepe gold deposit (751,000 Moz Au equivalent reported reserves) at Krumovgrad in south east Bulgaria. The Panagyurishte District in central Bulgaria contains large porphyry copper mines at Assarel and Elatzite. Other foreign companies currently exploring for gold include Mediterranean Minerals, Balkans Gold and Hereward Ventures.

Data is collated in the public domain via annual reporting from licence holders during the period of exploration licence holding. The data is confidential during the period of tenure and for a moratorium period after the licences have been relinquished. The data is then accessible to other interested parties after this period has elapsed.

The Lehovo ore field region within the south west part of the project area was extensively explored from 1957 to 1993 by the former state government mining department (Committee for Geology and Preservation of the Earth). Exploration activities included geological mapping, geophysical surveying, geochemical sampling,

⁷ Aster/Landsat Interpretation of Gumushane and Artvin Areas, Turkey, Georgia

trenching and drilling. Work was targeted at delineating stratiform base metal and molybdenum mineralisation. In 1995-1996 selected zones of old drill core were reviewed and re-assayed for gold mineralisation by Professor Slavcho Mankov, a Bulgarian exploration consultant. Gold was found associated with quartz veining with results including 0.7 metres at 17g/t returned. The drill core is still available and can be accessed for examination and logging.

Geological mapping was carried out at regional and detailed scales. Geochemical soil and limited stream sediment sampling was carried out within the Kazanite and Lehovo, and Touchi Dol areas. A total of 98 trenches for 8,545 metres, and 56 drill holes for 15,565 metres were drilled in the Kazanite and Lehovo areas. Figure 20 is a representative drill section through the Lehovo area.

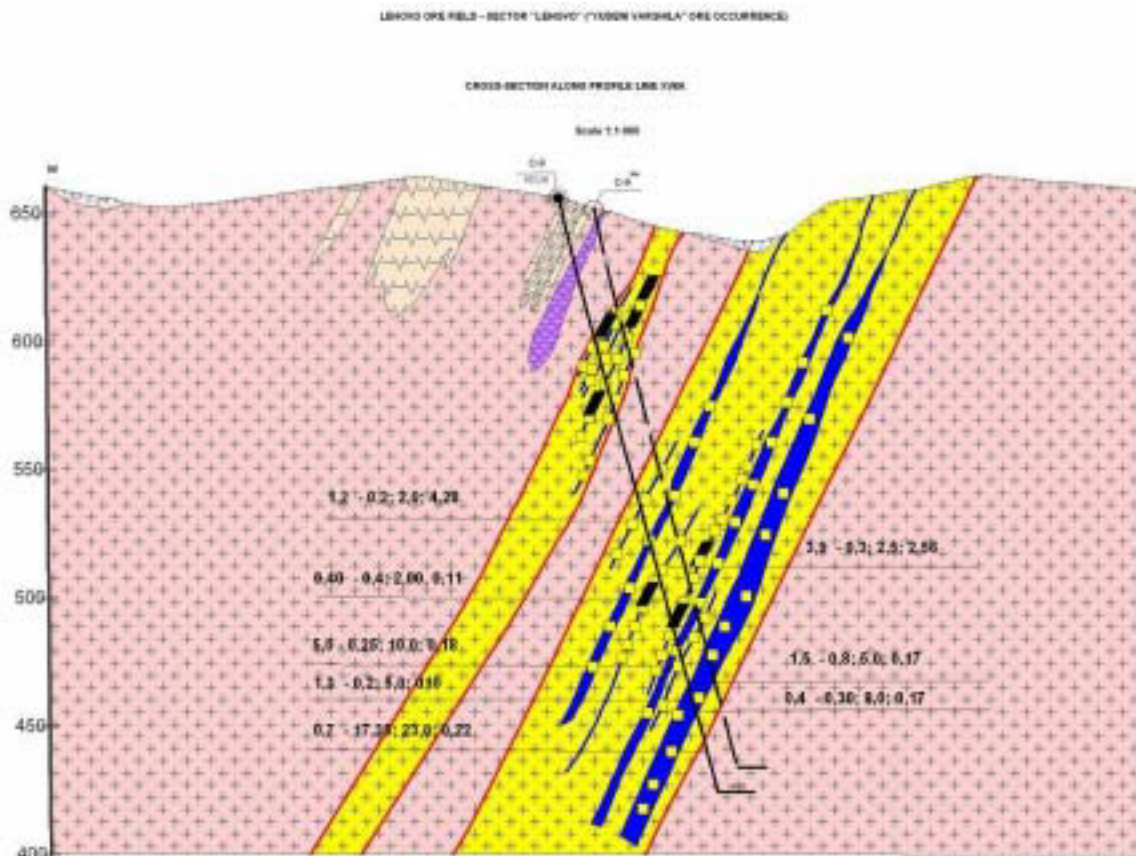


Figure20: Representative drill cross section in Lehovo area (C9)

4.2.2 Exploration work by KEFI

KEFI undertook research of the Lehevo district to identify areas of potential prospectivity based on favourable lithology, known economic mineralisation in the district, geologically anomalous identifying features such as large scale alteration, and identification with analogous terrain of known deposits in other geographical regions. KEFI also obtained advice from Professor Slavcho Mankov, a Bulgarian exploration consultant, who collated available exploration data for the area for assessment. The project area was selected on the basis of identifying prospective areas for mineralisation based on all of these factors.

As an initial phase, KEFI have carried out a preliminary regional reconnaissance assessment of the project to identify specific areas to target and prioritise for more focussed work. The reconnaissance work has included, literature research, broad scale ground traversing, and ground investigation of areas with anomalous geochemistry, significant alteration, and historical recordings of mineralisation.

During this initial phase, KEFI geologists have identified new zones of multiple quartz-sulphide veins in outcrops within an eight kilometre structural zone between Kazanite and Touchi Dol. This includes a series of stacked quartz-sulphide veins exposed over a 40 metre vertical section, located one kilometre east of the town of Petrovo, that had not been recognised by previous historical exploration work.

5 KEFI EXPLORATION STRATEGY, PROGRAM AND BUDGET

5.1 Exploration Strategy

KEFI's exploration strategy for operating in Turkey and Bulgaria is based on the following concepts :

- the projects are within prospective stratigraphic and structural settings
- acquisition of the initial exploration licences are inexpensive to acquire and explore
- explore the projects as a package rather than individual isolated prospects
- rapidly identify, prioritise and assess targets
- rapidly progress targets for further work or turn them over
- utilise existing contacts and knowledge developed by EMED
- create new contacts and further develop knowledge using an established local team
- utilise technical, commercial and political support from EMED as required.

5.2 Exploration Program and Budget

KEFI have a budget set out for the period to 30 June 2008 for £1.5 million along with a cash flow sensitivity case based on expenditure of £1 million. The direct exploration costs are summarised in the Table 1. Capital-raising, AIM-listing and corporate costs make up the remainder of the expenditure projections.

Cost Area	Turkey- Artvin	Turkey- Gümüşhane	Bulgaria- Lehovo	Project Generatio n
Corporate	55,283	33,170	22,113	194,595
Expl Capital	3,000		14,000	
Admin			4,800	
Travel/Accom	24,300	8,900	18,400	
Geology	115,754	76,903	24,500	
Geochemistry	27,590	21,380	18,790	
Geophysics	7,500	1,500	1,500	
Drilling	22,500	22,500	22,500	
Exploration Licences	5,200	2,400	2,400	
Total Costs	£261,127	£166,752	£129,003	£194,595
Grand Total	£751,477			

Table 1: Summary Exploration Budget for KEFI

AMC has reviewed the exploration budget proposals and considers that they are appropriate and justified.

5.2.1 Turkey Exploration Program

Exploration proposed for the Artvin and Gümüşhane Projects during the period ended June 2008 includes :

- Geological mapping and geochemical rock chip sampling in target areas to identify key geological indicators, develop a detailed understanding of the geological model, and locate areas of potential mineralisation for further investigation.
- Geochemical stream and soil sampling as part of the assessment of key areas, as above, and to delineate targets for follow up work.
- Verification and validation of historical geochemical data to identify target areas for follow up work in the Gümüşhane Project.
- Geophysical surveys on key areas if warranted.
- Drill testing of priority targets to progress further or relinquish.

Monitoring of the exploration licence status of areas that are geologically prospective will be carried out on an ongoing basis so that KEFI can take up exploration opportunities for areas as soon as they become available.

5.2.2 Bulgaria Exploration Program

Exploration proposed for the Lehovo Project during the period ended June 2008 will focus on the Kazanite, Touchi Dol and South Lehovo areas and includes :

- Geological mapping and geochemical rock chip sampling in target areas to identify key geological indicators, develop a detailed understanding of the geological model, and locate areas of potential mineralisation for further investigation.
- Geochemical stream and soil sampling as part of the assessment of key areas, as above, and to delineate targets for follow up work.
- Verification and validation of historical geochemical data to identify target areas for follow up work.
- Examination and review of historical drill core from the Kasenite and Lehovo areas.
- Geophysical surveys on key areas if warranted.
- Trenching and sampling along regular grids to develop drill target definition.
- Drill testing of priority targets to progress further or relinquish, with the aim being to identify high grade, narrow vein and near surface bulk tonnage open cut resources.

Monitoring of the exploration licence status of areas that are geologically prospective will be carried out on an ongoing basis so that KEFI can take up exploration opportunities for areas as soon as they become available.

6 ECONOMIC POTENTIAL AND AMC CONCLUSIONS

6.1 Turkey

KEFI has acquired exploration assets in a country that is rapidly emerging as a location where the potential for finding and developing an economic deposit is favourable. Turkey currently has a positive exploration and mining environment. AMC is of the opinion that although generally the country has a low sovereign risk, there are issues that should be monitored including internal tensions with the Kurdish people and external tensions with Greece. Fifteen foreign mining companies are currently active in Turkey.

The Eastern Pontides belt in the Tethyan metallogenic province has a high level of geological prospectivity for finding three major styles of mineralisation including porphyry copper/ gold deposits, Kuroko VMS style base metal deposits, and epithermal gold deposits.

The Artvin Project is located within the geologically favourable Cretaceous volcanics that are known to host a number of significant VMS base metal and smaller vein style base metal and gold deposits. Areas of extensive hydrothermal alteration have been recognised in the project area, and there is evidence of historical workings indicating potential for economic mineralisation. The project area appears prospective for large scale bulk tonnage style deposits. There is also potential for epithermal gold style mineralisation, however the area has not been historically explored for gold.

The Gümüşhane Project is located within a geologically favourable Jurassic volcanic-sedimentary sequence. KEFI has evidence of gold stream geochemical anomalies and zones of extensive hydrothermal alteration have been recognised in the project area, as well as coincident areas of interest identified in the Aster data interpretation. The area is conducive for potential bulk tonnage replacement and epithermal style mineralisation. Very little previous exploration has taken place in this area and it should be regarded as grass roots type exploration.

6.2 Bulgaria

KEFI has acquired exploration assets in a country that has a long history of mining for base metals and precious metals, and has a number of current operating mines. The country has a certain level of sovereign risk however recent progress on structural reforms has led to an improved business environment since 2000 and an increase in foreign investment. Five foreign mining companies are currently active in Bulgaria.

The project area has had substantial historical exploration work carried out and is recognised as a favourable geological and structural environment for potential economic mineralisation. Three styles of mineralisation are identified in the area, including stratiform lenses of base metal and gold mineralisation, stockwork veining with associated gold mineralisation, and skarn like molybdenite-scheelite mineralisation.

KEFI has identified a structural corridor with a strike length of approximately eight kilometres with the potential for gold and base metal mineralisation. Within this corridor KEFI geologists have identified new zones of stacked lenses of quartz veining with sulphides hosted in meta-volcanics and sediments which appear analogous to the

recently discovered Monte Ollasteddu gold deposit in the Sarrabus-Gerrei district of Sardinia in Italy.

The Lehovó Project is located in a geologically and structurally favourable environment that has the potential for economic mineralisation based on the results of previous exploration activities and the presence of historical workings. Areas of hydrothermal alteration and sulphide bearing quartz veining have also been identified in the project area, AMC considers the project area appears prospective for large scale bulk tonnage epithermal gold vein style deposits. The area has not been historically explored for gold.

6.3 Conclusions

KEFI has acquired exploration assets in an extensively mineralised province for which historical exploration and mining, in both Turkey and Bulgaria, demonstrates that there is good potential for identifying and developing economically viable deposits. The company has also acquired an extensive exploration database which will provide them with the opportunity and a competitive advantage to identify prospective areas for project generation in Turkey.

In AMC's opinion assessment of the project areas is at an early stage. KEFI should be able to quickly and cost effectively assess the projects and identify and prioritise target areas for follow up work, or relinquish the areas and progress to acquire other prospective areas.

7 REFERENCES

Adamia, S, 2006. Geology of the Eastern Pontides, Turkey, Bayburt Area, Parts 1, 2, and 3. Company Reports prepared by Adamia, Georgia for EMED.

Baker, M, 2006. Aster/Landsat Interpretation of Gumushane and Artvin Areas, Turkey, Georgia. Company Report prepared by Baker, UK for EMED.

Celenk, O, 2006. Internal memorandums produced for EMED and KEFI.

Cran, J, 2006. KEFI Projects, Turkey- Black Sea Region, Summary of Geology and Tenure. Internal Company Report prepared by Cran for KEFI.

Csongradi, J 1994. Evaluation of the Savsat Prospect North-East Turkey. Placer Outokumpu Exploration Ltd Company Report.

Jelev, J V, 2006 . Internal memorandums and word documents produced for EMED and KEFI.

Mason, P J, 2006. Preliminary spectral enhancement report for the Gumushane and Artvin regions, Eastern Turkey. Company Report prepared by HME Partnership, UK for EMED.

Nethery, J E, Barr, M, and Georges, C, 1989. Progress Report – July 1989 Reconnaissance Exploration for Epithermal Gold in Western Turkey. Nedex Pty Ltd, Australia Company Report.

Nethery, J E, Plimer, I R, Akinci, O, and Kose, C, 1989. Turkish Gold Exploration 1989 Programme. Plethery Database Report.

Nethery, J E, Plimer, I R, Akinci, O, Trounce, C W, and Karaca O, 1991. Turkish Gold Exploration 1990 Programme Volumes 1 and 2. Plethery Database Reports.

Nethery, J E, Plimer, I R, Karaca, O, Barr, M and Akinci O, 1992. Turkish Gold Exploration 1991 Programme. Plethery Database Report.

Soylu, M, 2003. Base and precious metal deposits of Turkey in relation to the Tethyan Eurasian Metallogenic Belt (TEMB). From *Mineral Exploration & Sustainable Development*, Eliopoulos, et al (eds), 2003 Millpress.

VALMIN Committee, 2005. Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports, The VALMIN Code 2005 Edition.

<https://www.cia.gov/cia/publications/factbook>

<http://www.dundeeeprecious.com>

<http://www.eldoradogold.com>

<http://www.emed-resources.com>

<http://www.frontteergroup.com>

<http://www.state.gov>

IMPORTANT INFORMATION ABOUT THIS REPORT

Confidentiality

This document and its contents are confidential and may not be disclosed, copied, quoted or published unless AMC Consultants (UK) Ltd ("AMC") has given its prior written consent.

AMC accepts no liability for any loss or damage arising as a result of any person other than the named client acting in reliance on any information, opinion or advice contained in this document.

This document may not be relied upon by any person other than the client, its officers and employees.

Information

AMC accepts no liability and gives no warranty as to the accuracy or completeness of information provided to it by or on behalf of the client or its representatives and takes no account of matters that existed when the document was transmitted to the client but which were not known to AMC until subsequently.

Currency

This document supersedes any prior documents (whether interim or otherwise) dealing with any matter that is the subject of this document.

Recommendations

AMC accepts no liability for any matters arising if any recommendations contained in this document are not carried out, or are partially carried out, without further advice being obtained from AMC.

Outstanding Fees

No person (including the client) is entitled to use or rely on this document and its contents at any time if any fees (or reimbursement of expenses) due to AMC by its client are outstanding. In those circumstances, AMC may require the return of all copies of this document

AMC Consultants (UK) Ltd



Peter Reynolds

Regional Manager

AMC Consultants (UK) Ltd



Sonia Konopa

Senior Geologist

AMC Consultants (UK) Ltd

APPENDIX A

Qualifications of Competent Person

Sonia Konopa, Senior Geologist (AMC Consultants (UK) Ltd)

MSc (Economic & Mining Geology), James Cook University North Queensland (2001); BAppSc (Hons), University of Technology Sydney (1987); Member of Australasian Institute of Mining and Metallurgy.

EXPERTISE

Sonia's primary areas of expertise are resource project management, technical data collection and database management, 3D geological modelling, geostatistical analysis, resource estimation work, and resource project evaluation and auditing.

EXPERIENCE

Sonia is a geologist with 20 years experience in exploration and resource evaluation geology. She commenced her career as an exploration geologist with Renison Goldfields Exploration in August 1986 after completing a BSc (Hons) in Applied Geology at UTS in Sydney. Here she gained a broad range of experience in all aspects of exploration and project work for precious and base metal commodities around the Bathurst – Orange districts and also the Peak Hill and Cobar areas in the Lachlan Fold Belt.

During the next 2 years, Sonia continued to gain valuable exploration experience in the Drummond Basin and Greenvale areas of North Queensland working for Pioneer Minerals.

Sonia joined Placer Pacific Limited in 1989 and over the next 5 years made significant contributions to the resource delineation and feasibility work programs resulting in the development of the Osborne Cu/Au Mine. During this period she was also involved in implementing and managing exploration work programs at Maud Creek and the Batchelor –Rum Jungle areas in the Northern Territory.

In 1994 an opportunity arose to join the Evaluation Team of the Placer Project Development Group. During the next 4 years Sonia worked as part of a multi-disciplinary team that carried out due diligence studies and acted as a technical support group to mine operations. During this time Sonia honed her skills at project evaluation and resource estimation. Sonia joined the Porgera Gold Mine, PNG in 1998 as Senior Resource Geologist where she was responsible for maintaining a current resource inventory (open pit and underground) as well as training mine personnel in computer modelling techniques and resource estimation methodology. While working at Porgera, Sonia commenced postgraduate studies at James Cook University North Queensland, and in 2001 she completed a MSc in Mining and Economic Geology.

After leaving Porgera in 2002, Sonia spent the next 2 years working as an independent Geological Consultant specialising in project and resource evaluation work. In 2004 Sonia took up a position as Resource Geologist with Ivanhoe Cloncurry Mines at Selwyn in North Queensland.

Prior to joining AMC Sonia was at the Savage River Mine in Tasmania in the role of Senior Project Geologist. Key aspects of this role were the implementation and management of a major geotechnical and resource delineation drilling component of a mine expansion feasibility study.

APPENDIX B

KEFI's Exploration Assets

Table 1: Artvin Project Exploration Licences

Licence Number	Access Number	Holder	Interest %	Status	Licence expiry date	Licence Area Km ²
AR.2006565 2	2590655	DAM ¹	100 %	Exploration	16/6/2009	16.11
AR.2006565 3	2590663	DAM ¹	100 %	Exploration	16/6/2009	11.50
AR.2006565 4	2591253	DAM ¹	100 %	Exploration	16/6/2009	18.00
AR.2006565 5	2591261	DAM ¹	100 %	Exploration	16/6/2009	18.00
AR.2006565 6	2192257	DAM ¹	100 %	Exploration	16/6/2009	17.98
AR.2006565 7	2590723	DAM ¹	100 %	Exploration	16/6/2009	15.72
AR.2006569 0	3107388	DAM ¹	100 %	Exploration	20/6/2009	17.21
AR.2006569 1	3107386	DAM ¹	100 %	Exploration	20/6/2009	18.98
AR.2006569 2	3107385	DAM ¹	100 %	Exploration	20/6/2009	19.35
AR.2006569 4	3107402	DAM ¹	100 %	Exploration	20/6/2009	16.66
AR.2006569 9	3107389	DAM ¹	100 %	Exploration	20/6/2009	10.56
AR.2006570 0	3107390	DAM ¹	100 %	Exploration	20/6/2009	16.17
AR.2006570 1	3107391	DAM ¹	100 %	Exploration	20/6/2009	18.23
AR.2006570 2	3107392	DAM ¹	100 %	Exploration	20/6/2009	19.50
AR.2006575 1	3107387	DAM ¹	100 %	Exploration	19/6/2009	20.00

¹ Turkey Dogu Akdeniz Mineralleri

Table 2: Gümüşhane Project Exploration Licences

Licence Number	Access Number	Holder	Interest %	Status	Licence expiry date	Licence Area Km ²
AR.20056439	2649076	DAM ¹	100 %	Exploration	26/9/2008	16.28
AR.20056440	2649061	DAM ¹	100 %	Exploration	26/9/2008	18.04
AR.20056441	2649089	DAM ¹	100 %	Exploration	26/9/2008	18.57
AR.20065468	3106897	DAM ¹	100 %	Exploration	13/6/2009	15.47

¹ Turkey Dogu Akdeniz Mineralleri

Table 3: Lehovo Project Exploration Licences

Licence Number	Holder	Interest %	Status	Licence expiry date	Licence Area Km ²
488	MMB ²	100 %	Exploration	26/9/2008	71.40

² Mediterranean Minerals (Bulgaria) EOOD

PART V

ADDITIONAL INFORMATION

1. INCORPORATION AND STATUS OF THE COMPANY

- 1.1 The Company was incorporated in England and Wales on 24 October 2006 as a public limited company under the Act, with company number 5976748 and with the name “KEFI Minerals plc”. On 15 November 2006 the Company obtained a certificate pursuant to section 117 of the Act entitling it to do business and borrow.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The liability of the members of the Company is limited.
- 1.4 The Company’s registered office is 27-28 Eastcastle Street, London W1W 8DH and its principal place of business is Akarpalas Apt No. 22, Inonu Caddesi, Kat 1-2-3 34437 Gumussuyu/Taksim, Istanbul, Turkey, telephone number +90 212 251 6622.

2. SUBSIDIARIES

On Admission the Company will be the holding company of the Group and will own, directly or indirectly, the following wholly-owned subsidiaries:

<i>Subsidiary Name</i>	<i>Date of Incorporation</i>	<i>Registered Number</i>
Mediterranean Minerals (Bulgaria) EOOD	11 March 2005	131386266
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirketi	11 July 2005	558676-506258

3. SHARE CAPITAL OF THE COMPANY

- 3.1 The Company was incorporated with an authorised share capital of £2,000,000 divided into 200,000,000 Ordinary Shares of £0.01 each, of which 2 Ordinary Shares were fully subscribed for at par and issued at incorporation.
- 3.2 On 7 November 2006, the Company allotted an aggregate of 12,000,000 new Ordinary Shares for cash.
- 3.3 On 7 November 2006 the Company allotted an aggregate of 29,999,998 new Ordinary Shares to EMED in consideration for the acquisition of the entire issued share capital of MMB.
- 3.4 The authorised and issued fully paid up share capital of the Company as at the date of this document and as it is expected to be immediately following Admission is as follows:

	<i>Authorised share capital</i>		<i>Issued share capital</i>	
	<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
As at the date of this Document	2,000,000	200,000,000	420,000	42,000,000
Following Admission	2,000,000	200,000,000	886,666	88,666,667

- 3.5 By written resolutions of the members of the Company passed on 7 November 2006 resolutions in the following terms were passed:
 - (a) generally and unconditionally to authorise the Directors, for a period of five years (unless the period is previously renewed, varied or revoked by the Company in general meeting) to allot relevant securities in accordance with section 80 of the Act up to an aggregate nominal amount of £1,999,999.98 provided that following Admission the authority conferred by the resolution shall be limited to the allotment of relevant securities up to an aggregate nominal amount of 50 per cent. of the issued ordinary share capital of the Company immediately following Admission; and
 - (b) to empower the Directors, until the conclusion of the Company’s annual general meeting to be held in 2007, pursuant to section 95 of the Act, to allot equity securities in connection with an issue of securities in favour of the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of Ordinary Shares and otherwise for cash up to an aggregate nominal amount of £1,999,999.98 pursuant to the authority referred to in the above sub-paragraph 3.5 (a) provided that following Admission the power granted by the resolution shall

be limited to the allotment of equity securities up to an aggregate nominal amount of 25 per cent. of the ordinary share capital of the Company in issue following Admission.

- 3.6 The provisions of Section 89 of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are paid up in cash) apply to the authorised but unissued share capital of the Company except to the extent disapplied by the resolution referred to in sub-paragraph 3.5 (b) above.
- 3.7 The Placing Shares 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 after Admission on the Ordinary Share capital.
- 3.8 Save as disclosed in this document:
- (a) no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option and there is no current intention to issue any of the authorised and unissued Ordinary Shares; and
 - (b) no share or loan capital of the Company or of the Group has been issued for cash or other consideration within the period since incorporation of the Company and the date of this document and no such issue is proposed.
- 3.9 The Ordinary Shares have been created under the Act.
- 3.10 The Articles permit the Company to issue shares in uncertificated form. The Ordinary Shares are in registered form and may be held in certificated form or in uncertificated form through CREST.
- 3.11 The International Security Identification Number for the Ordinary Shares is GB00B1HYNB75.

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

- 4.1 The Memorandum of Association of the Company provides that its principal object is to carry on business as a general commercial company. Its objects are set out in full in clause 4 of the Memorandum of Association.
- 4.2 The Articles include provisions to the following effect:

(a) ***Meetings of Members***

Subject to the requirement to convene and hold annual general meetings in accordance with the requirements of the Act, the Board may call general meetings whenever and at such times and places as it shall determine and, on the requisition of members pursuant to the provisions of the Companies Acts, shall forthwith proceed to convene an extraordinary general meeting in accordance with the requirements of the Companies Acts.

An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a director shall be called by at least 21 clear days' notice. All other extraordinary general meetings shall be called by at least 14 clear days' notice. Subject to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to each of the directors and the auditors for the time being of the Company. The notice shall specify the time and place of the meeting and, in the case of special business, the general nature of such business. The accidental omission to give notice of a meeting, or to send a form of proxy with a notice where required by the Articles, to any person entitled to receive the same, or the non-receipt of a notice of meeting or form of proxy by any person, shall not invalidate the proceedings of that meeting.

The directors may from time to time make such arrangements for the purpose of controlling the level of attendance as they shall in their absolute discretion consider appropriate.

The appointment of a proxy shall be executed by or on behalf of the appointer. Delivery of a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned. A member may appoint more than one proxy to attend on the same occasion.

A corporation or corporation sole which is a member of the Company may authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares.

(b) **Voting Rights**

At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote, shall have one vote and on a poll every member present in person or by proxy shall have one vote for every share held by him. On a poll votes may be given either personally or by proxy.

If at any time when the City Code does not apply to the Company, a person (together with any persons held to be acting in concert with him) acquires any interest in shares in the Company which would have obliged them to extend an offer (a “**mandatory offer**”) to the holders of all other shares in the Company had the City Code applied, the directors have the discretion to disenfranchise such a person until a compliant mandatory offer is made.

(c) **Alteration of Capital**

(i) The Company may from time to time by ordinary resolution:

- (a) increase its capital as the resolution shall prescribe;
- (b) consolidate and divide all or any of its shares into shares of larger amount;
- (c) sub-divide all or any of its shares into shares of smaller amount and attach varying rights to the shares resulting from such sub-division; and
- (d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

(ii) The Company may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account subject to the provisions of the Act.

(d) **Variation of Rights**

All or any of the special rights for the time being attached to any class of shares for the time being issued may be varied or abrogated with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of such holders (but not otherwise). At every such separate general meeting the necessary quorum shall be not less than two persons holding or representing by proxy not less than one third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, one holder who is present in person or by proxy, whatever the amount of his holding, shall be deemed to constitute a meeting.

(e) **Purchase of Own Shares**

Subject to the provisions of the Act and to the sanction by an extraordinary resolution passed at a separate class meeting of the holders of any convertible shares, the Company may purchase any of its own shares of any class (including redeemable shares) at any price.

(f) **Transfer of Shares**

Any member may transfer all or any of his shares. Save where any rules or regulations made under the Act permit otherwise, the instrument of transfer of a share shall be in any usual form or in any other form which the Board may approve and shall be executed by or on behalf of the transferor and (in the case of a share which is not fully paid) by the transferee. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid or on which the Company has a lien.

(g) **Dividends and Other Distributions**

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears that they are justified by the financial position of the Company.

All dividends shall be apportioned and paid *pro rata* to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company.

The Board may, if authorised by an ordinary resolution of the Company, offer members the right to elect to receive shares credited as fully paid in whole or in part, instead of cash, in respect of the dividend specified by the ordinary resolution.

The Company may cease to send any cheque or dividend warrant through the post if such instruments have been returned undelivered or remain uncashed by a member on at least two consecutive occasions. The Company shall recommence sending cheques or dividend warrants if the member claims the dividend or cashes a dividend warrant or cheque.

In a winding up, the liquidator may, with the sanction of an extraordinary resolution and subject to the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and/or vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator determines.

(h) **Restrictions on Shares**

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under Section 212 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice the Board (of the Company) may serve on such member or on any such person a notice (“**a direction notice**”) in respect of the shares in relation to which the default occurred (“**default shares**”) directing that a member shall not be entitled to vote at any general meeting or class meeting of the Company. Where default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may in addition direct that any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a *bona fide* unconnected third party, or by the acceptance of a take-over offer or through a sale through a recognised investment exchange as defined in the Financial Services Act 1986. The prescribed period referred to above means 14 days from the date of service of the notice under Section 212 where the default shares represent at least 0.25 per cent. of the class of shares concerned and 28 days in all other cases.

(i) **Directors**

- (i) At every annual general meeting of the Company as near as possible (but greater than) one third of the Directors for the time being shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.
- (ii) Save as provided in paragraph (iii) below, a Director shall not vote at a meeting of the Board or any committee of the Board on any resolution of the Directors concerning a matter in which he has an interest which together with any interest of any person connected with him is to his knowledge a material interest. The Company may by ordinary resolution suspend or relax such provisions to any extent or ratify any transaction not duly authorised by reason of a contravention of such provisions.
- (iii) The prohibition in paragraph (ii) above shall not apply to a Director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him for the benefit of the Company or any of its subsidiaries; (ii) the giving of any guarantee, security or indemnity to a third party in respect of an obligation of the Company or any of its subsidiaries for which he has assumed responsibility in whole or part and whether alone or jointly with others under a guarantee or indemnity or by giving of security; (iii) the subscription for or underwriting or sub-underwriting of any shares, debentures or other securities of the Company or any of its subsidiaries by him; (iv) any proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent or more of either any class of the equity share capital or the voting rights in such company); (v) any resolution relating to an arrangement for the benefit of employees of the Company or any of its subsidiaries and which does not provide in respect of any Director as such any privilege or benefit not accorded to the employees to

whom the arrangement relates; and (vi) any proposal concerning the purchase and/or maintenance of any insurance policy against liability for negligence, default, breach of duty or breach of trust in relation to the Company under which he may benefit.

- (iv) The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £250,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Subject thereto, each such Director shall be paid a fee (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. The Directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as Directors. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine. The Directors may pay pensions and other benefits to, *inter alios*, present and past employees and Directors and may set up and maintain schemes for the purpose.
- (v) The provisions of Section 293 of the Act relating to the mandatory retirement of Directors at age 70 do not apply to the Company.
- (vi) Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two. There is no maximum number of Directors. A Director shall not be required to hold any shares of the Company by way of qualification.

(j) **Borrowing Powers**

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to secure (so far as regards subsidiaries as by such exercise they can secure) that the aggregate principal amount (including any premium payable on final payment) for the time being outstanding of all monies borrowed by the Company and its subsidiaries and for the time being owing to third parties shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to four times the Adjusted Capital and Reserves (as defined in the Articles).

5. MANDATORY OFFERS, SQUEEZE-OUT AND SELL-OUT RULES RELATING TO ORDINARY SHARES

5.1 Mandatory offer

Although the Company is incorporated in the United Kingdom, the City Code does not apply to the Company on the basis that the Company's place of central management and control is not in the UK, the Channel Islands or the Isle of Man. As a result, no takeover regime currently applies to the Company.

There are provisions in the Articles which state that, if at any time when the City Code does not apply to the Company, a person (together with any persons considered to be acting in concert with him) acquires shares in the Company which would have obliged them to extend an offer (a "**mandatory offer**") to the holders of all shares in the Company had the City Code applied, the directors have the discretion to disenfranchise such person until a compliant mandatory offer is made.

5.2 Squeeze-out

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

5.3 Sell-out

The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

6. DIRECTORS' AND OTHER INTERESTS

- 6.1 The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the Act in the issued share capital of the Company which have been notified to the Company pursuant to Section 324 and 328 of the Act (or would be required to be disclosed in the Register of Directors' interests pursuant to Section 325 of the Act) as at the date of this document and as expected to be immediately following Admission are as follows:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares immediately following Admission</i>	<i>% of Enlarged Share Capital</i>
Jeffrey Rayner	420,000	1.0	1,533,333 ¹	1.73
Aristidis Anagnostaras-Adams	420,000	1.0	700,000 ²	0.79
Ian Plimer	250,000	0.6	416,667	0.47
John Leach	—	—	1,000,000 ³	1.13

1 833,333 of these shares are held by Jeffrey Rayner's wife.

2 held through Semarang Enterprises Limited, a company wholly and beneficially owned by Aristidis Anagnostaras-Adams.

3 held through Braeburn Holdings Limited, a company wholly and beneficially owned by John Leach.

- 6.2 In addition to the interests of the Directors set out in paragraph 6.1 above, the Directors are aware of the following interests (within the meaning of Part VI of the Act) in the Ordinary Shares which, immediately following Admission, would amount to 3 per cent. or more of the Enlarged Issued Share Capital:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares immediately following Admission</i>	<i>% of Enlarged Share Capital</i>
Starvest plc	10,000,000	23.8	18,333,333	20.67
EMED	30,000,000	71.4	34,333,333	38.72

- 6.3 So far as the Directors are aware, save as disclosed in paragraphs 6.1 and 6.2 above, there are no persons who, immediately following the Placing, will, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

7. OPTIONS

- 7.1 The Directors have been granted the following options over Ordinary Shares:

<i>Name</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise Price</i>
Jeffrey Rayner	5,000,000	3p
Aristidis Anagnostaras-Adams	4,000,000 ¹	3p
Ian Plimer	2,000,000	3p
John Leach	1,000,000	3p

1 held through Semarang Enterprises Limited, a company wholly and beneficially owned by Aristidis Anagnostaras-Adams.

The options were granted to the relevant Directors pursuant to individual option agreements dated 12 December 2006. The options expire on the sixth anniversary of Admission. Further details of the option agreements are given in paragraph 10.11 of Part V of this document.

8. DIRECTORS' SERVICE AGREEMENT AND LETTERS OF APPOINTMENT

- 8.1 Jeffrey Rayner has agreed to act as managing director of the Company pursuant to a service agreement dated 8 November 2006. Mr Rayner receives a salary of £80,000 per annum pursuant to the agreement. The agreement may be terminated by either party giving 12 months' written notice. The Company must pay for or reimburse Mr Rayner for accommodation expenses for his family, children's school fees in Cyprus, two return trips to Italy annually for his family along with travel and other out of pocket expenses approved by the Group. Mr Rayner's service agreement provides for no benefits upon termination of his employment.
- 8.2 Aristidis Anagnostaras-Adams has agreed to act as non-executive chairman of the Company pursuant to a letter of appointment dated 12 December 2006. Mr Adams will receive no fees pursuant to the letter of appointment. The agreement may be terminated by either party giving six months' written notice. Mr Adams' letter of appointment provides for no benefits upon termination of his employment. Mr Adams services are being recharged to the Company pursuant to the Services Agreement.
- 8.3 Ian Plimer has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 12 December 2006. Mr Plimer will receive an annual fee of £15,000. The appointment may be terminated by either party giving three months' written notice. Mr Plimer's letter of appointment provides for no benefits upon termination of his employment.
- 8.4 John Leach has agreed to act as a director of the Company pursuant to a letter of appointment dated 12 December 2006. Mr Leach will receive no fee pursuant to the letter of appointment. The appointment may be terminated by either party giving three months' written notice. Mr Leach's letter of appointment provides for no benefits upon termination of his employment. Mr Leach's services are being recharged to the Company pursuant to the Services Agreement.
- 8.5 Save as disclosed above, there are no service contracts in existence between any Director and the Company which cannot be determined by the relevant Company without payment of compensation (other than statutory compensation) within one year and none of the service contracts referred to in this paragraph have been amended in the last six months.

9. ADDITIONAL INFORMATION ON THE DIRECTORS

- 9.1 In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Directors</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
Jeffrey Rayner	N/A	Tanex Resources plc
Aristidis Anagnostaras-Adams	EMED Mining Public Limited Eastern Mediterranean Minerals (Cyprus) Limited Tredington Ventures Limited Winchcombe Ventures Limited Eastern Mediterranean Resources (Caucasus) Limited Georgian Mineral Development Company Limited Eastern Mediterranean Resources AE Eastern Mediterranean Resources (Slovakia) SRO Eastern Mediterranean Resources (Armenia) LLC Keffi Minerals plc	Gympie Gold Limited Devex Pty Limited Doral Lime Products Pty Limited Doral Magnetite Pty Limited Doral Resources NL Gympie Eldorado Gold Mines Pty Limited Gympie Gold Mining Pty Limited Hasma Petroleum Limited Southland Coal Pty Limited Southland Mining Limited Strata Petroleum Party Limited Ferkand Pty Limited Keffi Korporation Pty Limited
Ian Plimer	CBH Resources Ltd Inkex Pty Ltd Davincon Pty Ltd	Angus & Ross plc Queensland Gold and Minerals Pty Ltd

<i>Directors</i>	<i>Current Directorships</i>	<i>Past Directorships</i>
John Leach	Resource Mining Corporation Limited Braeburn Holdings Pty Limited Braeburn Consulting Pty Limited Braeburn Superannuation Pty Limited Gold Resources NL	Cove Engineering Limited Gympie Gold Limited

- 9.2 Harry Anagnostaras-Adams was the managing director of and John Leach was a director of, Gympie Gold Limited which entered into voluntary administration and receivership on 30 December 2003. A rapid and substantial deterioration in Gympie Gold Limited's financial position and prospects was caused by a devastating underground fire at the Southland Colliery, the Company's key source of cash flow. No person was physically hurt.
- 9.3 Jeffrey Guy Rayner was a director of Tanex Resources Plc which went into administration in 2003 due to an inability to pay its debt. Tanex Resources Plc and its creditors accepted an offer from Sons of Gwalia Limited for part payment of the debt and the sale of Tanex Resources Plc's shares. This was concluded in 2004. The creditors were paid and all directors resigned in favour of Sons of Gwalia Limited's management.
- 9.4 Save as disclosed above none of the Directors has:
- any unspent convictions in relation to indictable offences;
 - had any bankruptcy order made against him or entered into any voluntary arrangements;
 - been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
 - been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
 - been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.
- 9.5 Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.
- 9.6 No loans made or guarantees granted or provided by the Company to or for the benefit of any Director are outstanding.

10. MATERIAL CONTRACTS

- 10.1 A nominated adviser agreement dated 12 December 2006 between the Company and WH Ireland pursuant to which the Company has, with effect from Admission, appointed WH Ireland as its nominated adviser for the purposes of the AIM Rules. The Company agrees to pay with effect from Admission an annual advisory fee of £15,000. The appointment takes effect for a minimum initial period of 12 months, following which period either party may terminate the agreement on 3 months' written notice, such notice not to be given during the initial 12 month period. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, actions brought against WH Ireland.

- 10.2 A broker agreement dated 12 December 2006 between the Company and WH Ireland pursuant to which the Company has appointed WH Ireland to act as its broker. The Company agrees to pay with effect from Admission an annual retainer of £15,000. The appointment takes effect for a minimum initial period of 12 months, following which period either party may terminate the agreement on 3 months' written notice, such notice not to be given during the initial 12 month period. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, actions brought against WH Ireland.
- 10.3 The Lock-In Agreements addressed to the Company and WH Ireland dated 12 December 2006 from the Locked in Persons pursuant to which the Locked in Persons have agreed not to dispose of any Ordinary Shares for the period of 12 months following Admission, except pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order or in the event of the death of the shareholder. They have further agreed that for the subsequent 12 months they will effect a sale only through the brokers for the time being of the Company and will only do so following consultation with the broker in relation to any such disposal and further that any such disposal will be made in such a manner and as such broker may reasonably require with a view to maintaining an orderly market in the Ordinary Shares.
- 10.4 An orderly market undertaking addressed to the Company and WH Ireland dated 12 December 2006 from Starvest plc pursuant to which Starvest has agreed that for the 12 month period commencing on the date of Admission, except pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order, they will effect any sale of any Ordinary Shares held by it at Admission following consultation with the Company's broker and further provided that any such disposal shall be effected through the broker in such orderly manner as the broker shall reasonably require, with a view to maintaining an orderly market in the Ordinary Shares. Starvest plc have further agreed that for the subsequent 12 months it will effect a sale only through the brokers for the time being of the Company and will only do so following consultation with the broker in relation to any such disposal and further that any such disposal will be made in such a manner and as such broker may reasonably require with a view to maintaining an orderly market in the Ordinary Shares.
- 10.5 A Share Purchase Agreement dated 8 November 2006 between EMED and the Company pursuant to which the Company acquired the entire issued share capital of Mediterranean Minerals (Bulgaria) EOOD in consideration for the issue to EMED of 29,999,998 Ordinary Shares.
- 10.6 A deed of amendment dated 22 November 2006 between Ian Plimer, Omer Akynz, John Nethery and Gavin Thomas ("**PANT**"), EMED and the Company pursuant to which a sale agreement dated 28 June 2006 between PANT and EMED (the "**Sale Agreement**") for the sale of a database (the "**Data**") was varied such that the obligation to pay deferred consideration in the event that a tenement identified in the Data is acquired was assumed by the Company in relation to tenements in Turkey while the Ordinary Shares are admitted to AIM. The Sale Agreement as amended by the Deed of Amendment provides for payment by EMED of shares in itself to a value of A\$105,000 to PANT when a tenement in Greece identified in the Data is acquired, and a payment by the Company of, if the company's shares are not admitted to AIM by EMED of shares in itself to the same value to PANT when a tenement in Turkey identified in the Data is acquired, with a maximum aggregate number of payments to PANT of four.
- 10.7 A Relationship Deed between EMED and the Company dated 7 November 2006, by which EMED agrees not to operate in Bulgaria and Turkey, and the Company agrees not to operate in Albania, Armenia, Azerbaijan, Cyprus, Georgia, Greece, Hungary, Iran, Oman, Romania, Saudi Arabia, Serbia or Slovakia the "EMED Area". The Relationship Deed provides that EMED has the right to appoint one non-executive director of the Company. It also provides EMED with a right of first refusal in respect of funding any proposed mining or exploration project of the Company. The Relationship Deed provides that the Company shall refer any opportunity to conduct mining or exploration activity in the EMED Area to EMED, and EMED shall refer any such opportunity in Bulgaria or Turkey to the Company.
- 10.8 A Services Agreement between EMED and the Company dated 7 November 2006, by which EMED agrees to provide accounting services, certain employees, IT services, office space and a phone system, all to be invoiced and paid for at cost. The agreement is terminable as regards any service provided thereunder by one party giving the other 3 months' written notice.
- 10.9 The Placing Agreement dated 12 December 2006 between the Company, the Directors and WH Ireland pursuant to which, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on

18 December 2006 (or such later time or date as the Company and WH Ireland may agree being not later than 31 December 2006) WH Ireland has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The agreement contains representations and warranties from the Company and the Directors and an indemnity from the Company in favour of WH Ireland together with provisions which enable WH Ireland to terminate the agreement in certain circumstances prior to Admission including in the event of a material breach of any of the warranties and *force majeure*. Under the agreement the Company has agreed to pay WH Ireland a success fee of £75,000 and a commission of one per cent. on the aggregate value at the Placing Price of the Placing Shares plus a commission of five per cent. on the aggregate value at the Placing Price of such of the Placing Shares being allotted to subscribers procured by WH Ireland.

10.10 A warrant deed dated 12 December 2006 between the Company and WH Ireland pursuant to which the Company issued warrants to subscribe for up to 666,667 new Ordinary Shares at the Placing Price. The warrants expire on the third anniversary of Admission.

10.11 Option agreements dated 12 December 2006 between the Company and each of Venelin Jelev, James Cran, Omer Celenk, William Ingram, Robert Close, DCC Geo Consultants Limited, Blue Strong Kolchis Consultants Limited, Semarang Enterprises Limited, Ian Plimer, John Leach and Jeffrey Rayner pursuant to which the Company has, conditional on Admission, granted options to subscribe for, in aggregate 16,000,000 Ordinary Shares (the “**Option Shares**”) at the Placing Price. The options are exercisable in respect of a total of one third of the Option Shares on Admission, two thirds of the Option Shares after one year and all of the Option Shares after two years following Admission. The option period expires on the date six years following Admission.

The option agreements contain provisions adjusting the exercise price in certain circumstances including the allotment of fully paid Ordinary Shares by way of a capitalisation of the Company’s reserves, a sub-division or consolidation of the Ordinary Shares, a reduction of share capital and offers or invitations (whether by way of rights issue or otherwise) to the holders of Ordinary shares.

10.12 A deed of assignment dated 30 November 2006 between EMED and KEFI pursuant to which EMED assigns to KEFI its rights to the debt of £300,000 owed by MMB to EMED.

10.13 DAM holds 19 exploration licences over areas in the Artvin and Gümüşhane Provinces of Turkey. Further details of the individual licences are given in Tables 1 and 2 of Appendix B of the Competent Person’s Report in Part IV of this document.

In accordance with the applicable mining legislation of Turkey (The Mining Law No. 3213 of 1985 and the Regulation of the Implementation of the Mining Law dated 3 February 2005), each of the 19 exploration licences has the following terms and conditions:

- (a) the exploration licences are valid for a term of 3 years;
- (b) at the end of the second year, the holder is required to submit an exploration activity report to the General Directorate of Mining Affairs (MTA) which shall set out in detail the results of its exploration activities conducted in the exploration areas in order to apply for an operation licence or an extension of the current exploration licences;
- (c) at the end of the three-year term, the exploration licences may be extended up to 2 years by the MTA by the holder provided that (i) the exploration activities conducted have been insufficient to establish the extractable reserves on which mining activities have been conducted, the detailed work on the reserve assessment is pending and more time is needed to accurately assess the available reserves and to carry out tests;
- (d) where it is established that the holder does not undertake sufficient exploration activities pursuant to its exploration activity report, its exploration licences shall be cancelled at the end of the three-year term;
- (e) exploration activities do not require any permission other than the exploration licence;
- (f) the holder before initiating the exploration activities in any exploration area shall notify in written form the entities, ministries and public authorities which may be relevant to the exploration area, of the envisaged exploitation activities and, if required by law shall obtain the consent or approval of the above authorities;

- (g) any exploration activities which may require a change of the structure and characteristics of the exploration area shall require the written approval of the land owner and the relevant administrative authorities, depending on the characteristics of the exploration area concerned;
- (h) exploration licences are subject to a licence fee payable in annual instalments each January;
- (i) the licences are conditional on the deposits of a collateral in an amount equal to 0.3 per cent. of the annual licence fee per hectare of the surface of total exploration area;
- (j) the exploration licences may be transferred to third parties by means of a joint request to be addressed by the transferor and the transferee to the MTA;
- (k) if the holder causes any damage to the land during exploration activities, it must compensate the landowner for such amounts; and
- (l) the exploration licences may be terminated prior to the expiration of three years the case of the violation of the mining rules and regulations described above.

10.14 MMB holds one exploration licence over an area in the Lehovo province of Bulgaria. Further details of the licence are given in Table 3 of Appendix B of the Competent Person's Report in Part IV of this document.

In accordance with the applicable mining legislation of Bulgaria (the Law on Underground Resources promulgated in Issue 23 of the State Gazette of 12 March 1999), and in accordance with an agreement between the Minister of the Environment and Water (the "Minister") and MMB dated 31 January 2006, the licence has the following material terms and conditions:

- (a) the Company is entitled:
 - (i) to conduct on its own account all activities necessary for the discovery of deposits of metal underground resources in compliance with the applicable legislation;
 - (ii) to assess the deposits of metal underground resources, including the deposit for technological searches in compliance with the working programme;
 - (iii) to be granted a mining concession in compliance with the applicable statutory requirements;
 - (iv) in case a concession is granted directly on the basis of a discovery, the expenses incurred as a result of (A) searching and prospecting activities, (B) development of the deposit activities, financial losses as a result of (A) and (B) and other expenses explicitly agreed upon in the respective concession agreement, shall be booked as actual expenses and may be deducted for tax purposes from the income generated as a result of the extraction activities after payment of the concession fees within 5 years as of the year in which the extraction has started;
 - (v) to make a proposal to the Minister for amendments in the projects and the working programme in accordance with the geological results, containing detailed reasoning of the necessity to make the amendments. The approval or refusal of the Minister shall be sent to the Company within one month of the receipt of the proposal for amendments; and
 - (vi) to vacate at the end of each contractual year portions of the area at its own discretion and depending on the results of the searches and prospecting activities after having sent a proposal to the Minister.
- (b) the company *inter alia* shall have the following obligations:
 - (i) to submit copies of annual bank guarantees, within the terms and at the amounts specified therein;
 - (ii) to assure the free access of the supervisory authorities and authorised representatives of the Minister to the areas, as well as to provide them documents and information in relation to the fulfilment of the obligations of the company;
 - (iii) to report to the Minister on the results of the searching and prospecting activities, as well as of related activities by submitting a final geological report. The final geological report should be submitted 7 (seven) business days before expiration of the agreement;

- (iv) to suspend the performance of the activities within the respective area and to notify immediately the Minister and the Minister of Culture regarding any mineral, historical or archaeological discovery demonstrating features of a monument of culture;
 - (v) to inform immediately the Minister of any new circumstances which are capable of creating any threat to the national security, the country's defence, public order, environment and country's protected areas;
 - (vi) to carry out complete rehabilitation of the area in compliance with the prepared project before the expiry of the licence.
- (c) The rights and the obligations arising from the licence can be assigned entirely or partially to a third person, meeting the statutory requirements for granting of a licence and conditional upon the consent of the Minister. The procedure for obtaining the consent of the Minister to the assignment, is initiated by filing of an application to that effect supported by evidences regarding the satisfaction of the eligibility requirements. If the Minister consents to the assignment, the minister, the assignor and the assignee shall sign an amendment to the searching and prospecting agreement. If partial assignment is effected, the assignee and the assignor remain jointly liable for performance of the obligations under the permit.
- (d) The term of the licence is three years. The agreement relating to the licence provides for an option for an extension of the term for two additional periods of up to two years each, subject to the company's fulfilment of the minimum working programme, filing of an application for extension at least one month before the expiration of the Agreement term and payment of an official fee.

If a discovery is made during the last extension of the term, the licence term may be prolonged with additional period of up to one year in order for the company to be able to estimate the discovery.

No further extensions are permitted by law.

- (e) The licence is terminable:
- (i) upon expiry of its term;
 - (ii) winding-up of the legal entity, i.e. the company that is the holder of the permit, unless the Minister has given his consent for extension of the agreement with the company's successor;
 - (iii) where a decision for the declaration of the bankruptcy of the company has entered into effect;
 - (iv) by virtue of a court decision;
 - (v) by mutual consent of the parties;
 - (vi) if the fulfilment of the agreement relating to the licence is impossible due to reasons beyond the control of the parties, and in particular circumstances that endanger the national security and the defence of the country;
 - (vii) in the event of *force majeure* that leads to the impossibility of the fulfilment of the agreement relating to the licence for a period of more than 90 (ninety) days and as a result of which one of the parties to the agreement shall not be interested in the fulfilment of the agreement or the fulfilment shall be unprofitable, such party shall be entitled to terminate the agreement by delivery of a notice to the other party with immediate effect; and
 - (viii) in the case of fulfilment of the working programme before the term set and submitted and approved geological report by the Minister.
- (f) The licence is terminable by the Minister unilaterally as follows:
- (i) if the company conducts extraction activities for commercial purposes;
 - (ii) if the company has not fulfilled its obligations to (A) submit the general working project and the working project for the first year of the agreement for co-ordination with the Minister within one month term as of the execution date of the agreement (B) pay the official fee

within 30 days as of the execution date of the agreement; and (C) submit annual bank guarantees; and

(iii) in case of suspension of the licence term by the Minister and failure of the company to remedy the default within the period determined by the Minister, where such period shall be at least one month.

(g) The company shall be entitled unilaterally to terminate the agreement as follows:

(i) in the event of negative geological results as evident from the reports regarding the negative geological results from the geological searching; or

(ii) by delivery of a written prior notice of termination without specifying any particular reason.

10.15 A subscription agreement dated 12 December 2006 between the Company and Direct Portfolio Services Limited pursuant to which Direct Portfolio Services Limited agreed to subscribe for 1,666,667 new Ordinary Shares at the Placing Price on 5 April 2007.

11. EMPLOYEE INFORMATION

11.1 Save for Jeffrey Rayner, none of the companies in the Group has any employees.

11.2 None of the companies in the Group has had any temporary employees over the last financial year.

12. LITIGATION

Neither the Company nor either of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Company or any member of the Group of which the Company or any member of the Group is aware) which have, may have or have had during the 12 months preceding the date of this document a significant effect on the Company's financial position or profitability.

13. WORKING CAPITAL

The Directors are of the opinion, having made due and careful enquiry, that following Admission the Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Admission.

14. TAXATION

The following statements are intended as a general guide only to the position under current United Kingdom legislation and what is understood to be HM Revenue & Customs ("HMRC") practice as at the date of this document and relate only to certain limited aspects of the United Kingdom taxation position of Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account ("ISA")).

Attention is drawn to the fact that although the Company is incorporated in the UK, it is anticipated that it will be resident in Cyprus for tax purposes. However, tax residence is tested periodically, and so the Company may potentially be regarded as resident for tax purposes in the UK, either now or at some time in the future.

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in Ordinary Shares.

Taxation consequences will depend on particular circumstances. Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility in respect of taxation consequences connected with an investment in the Ordinary Shares.

Any shareholder who is in doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers.

Taxation of dividends

Under Cyprus legislation there is no withholding tax on dividends paid to non-residents of Cyprus.

A UK shareholder, or a holder of Ordinary Shares who is carrying on a trade, profession or vocation in the UK through a branch or agency in connection with which the Ordinary Shares are held will, depending upon the holder's particular circumstances, be subject to UK income tax or corporation tax as the case may be on the amount of any dividends paid by the Company. A dividend paid by the Company to a non-corporate Shareholder is liable to income tax on an arising basis if the Shareholder is UK domiciled, but only if remitted

to, or received in, the UK if the shareholder is non-UK domiciled. Shareholders must consult their tax advisers on their domicile, residence and ordinary residence status and on what amounts to “remitted or received in” the UK.

Non-corporate Shareholders whose income, including the dividends, is within the lower or basic rate bands will be liable to income tax at 10 per cent. Individual Shareholders who are liable to income tax at the higher rate of tax will be charged to tax at 32.5 per cent.

A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law.

Certain non-corporate Shareholders may also be subject to UK tax on the Group’s profits on an arising basis, whether or not these profits are distributed to Shareholders by the Company. To the extent that those profits are subsequently paid out as Company dividends, relief should be available to avoid double taxation.

Taxation of chargeable gains

Cyprus Capital Gains Tax is imposed at the rate of 20 per cent. on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which own such immovable property excluding shares listed in any recognised stock exchange.

A disposal, or deemed disposal, of Ordinary Shares by a Shareholder who is either resident or ordinarily resident for tax purposes in the UK will, depending on the Shareholder’s circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains in the UK. Individuals, personal representatives and trustees may be entitled to taper relief, which will serve to reduce the chargeable gain. UK resident companies are not entitled to taper relief, but may be due indexation allowance, which may also reduce any chargeable gain, but will not create nor enhance a capital loss.

UK domiciled non-corporate Shareholders who, together with connected persons, hold more than a 10 per cent. interest in the Company will be subject to the attribution of gains arising to the Company, if the Company, if UK tax resident, would be regarded as a UK close company.

Broadly, Shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation or, in the case of companies only, a permanent establishment, carried on in the UK through a branch or agency or for the purpose of such branch or agency. Such Shareholders may be subject to foreign taxation on any gain under local law.

A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete tax years and who disposes of the Ordinary Shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such a Shareholder’s year of return to the UK.

Stamp duty

No stamp duty or stamp duty reserve tax (“**SDRT**”) will generally be payable on the issue of the Ordinary Shares. Stamp duty and SDRT treatment will be as follows:

- in relation to the Placing Shares, no liability to stamp duty or SDRT will arise on their issue or on the issue of definitive share certificates by the Company (provided that the Placing Shares are not issued to, or to a nominee or agent for, a person whose business is or includes the provision of clearance services or issuing depository receipts);
- the transfer of Ordinary Shares outside the CREST system will generally be liable to stamp duty on the instrument of transfer at the rate of 0.5 per cent. of the amount or value of the consideration given (rounded up to the nearest multiple of £5). Stamp duty is normally the liability of the purchaser or transferee of the Ordinary Shares. An agreement to transfer Ordinary Shares will generally be subject to SDRT at 0.5 per cent. of the agreed consideration. If, however, within the period of six years of the date of the agreement or, in the case of a conditional agreement, the date on which it becomes unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be repaid or cancelled. SDRT is normally the liability of the purchaser or transferee of the Ordinary Shares;

- no stamp duty or SDRT will arise on a transfer of Ordinary Shares into CREST for conversion into uncertified form, unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set out above;
- a transfer of Ordinary Shares effected on a paperless basis within CREST will generally be subject to SDRT at the rate of 0.5 per cent. of the amount or value or the consideration. CREST is obliged to collect SDRT from the purchaser of the Ordinary Shares on relevant transactions settled within the system; and
- where Ordinary Shares are issued or transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty (in the case of a transfer only to such persons) or SDRT may be payable at a rate of 1.5 per cent. of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares or, in the case of an issue to such persons, the issue price of the Ordinary Shares.

UK inheritance tax

Cyprus inheritance tax law has been abolished with effect from 1 January 2000 by virtue of N74 (I) 2000.

The Ordinary Shares will be assets situated in the UK for UK inheritance tax purposes. A gift of such assets by, or the death of, an individual holder may (subject to certain exemptions and relief) give rise to a liability to UK inheritance tax. For inheritance tax purposes a transfer of assets at less than market value may be treated as a gift and particular rules may apply where the donor reserves or retains some benefit.

Unquoted Ordinary Shares in trading companies, such as the Company, potentially qualify for business property relief which gives exemption from Inheritance Tax. Therefore, where an investor makes a lifetime gift of shares or dies while still owner of the shares, no inheritance tax will be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the shares for two years before the date of transfer or death.

15. GENERAL

- 15.1 The total costs and expenses relating to the Placing payable by the Company are estimated to be £390,000.
- 15.2 The accountants' reports and letter in Part III of this document are included, in the form and context in which they are included, with the consent of Moore Stephens LLP which has authorised the contents of its reports for the purposes of the AIM Rules. Moore Stephens LLP has also given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which they appear.
- 15.3 Where information has been sourced from a third party, the information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading
- 15.4 WH Ireland has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 15.5 The Competent Person's Report in Part IV of this document is included, in the form and context in which it is included, with the consent of AMC Consultants (UK) Ltd, which has authorised the contents of its report for the purposes of the AIM Rules. AMC Consultants (UK) Ltd has also given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 15.6 The accounting reference date of the Company is 31 October.
- 15.7 There are no arrangements under which future dividends are waived or agreed to be waived.
- 15.8 It is expected that definitive share certificates will be despatched by hand or first class post by 10 January 2006. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 18 December 2006.
- 15.9 Save as disclosed in Part I, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

- 15.10 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Group since 30 June 2006, being the date to which the audited financial information contained in part III of this document was prepared.
- 15.11 The financial information contained in this document does not constitute statutory accounts within the meaning of Section 240 of the Act and no such accounts have been prepared for the Company since its incorporation.
- 15.12 No person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.
- 15.13 Save for payments of €38,263 to various governmental bodies in relation to the Turkish exploration licences, no payments have been made to any government or regulatory authority or similar body by the Company or on behalf of it with regard to the acquisition of, or maintenance of, its assets.
- 15.14 The arrangements for payment of the Placing Shares are set out in the placing letters referred to in the Placing Agreement.
- 15.15 The Company's major Shareholders do not have different voting rights to the Company's other Shareholders.
- 15.16 The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 15.17 Save as set out in this document, the Directors are unaware of any patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are or may be material to the Company's business or profitability.
- 15.18 Save as disclosed in this document and to the extent known by the Company, at Admission the Company will not be owned or controlled by any specific party or group of parties.
- 15.19 Save as set out in this document the Company had no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress there are no principal future investments on which the Board has made a firm commitment.
- 15.20 Save as disclosed in this document there are no provisions in the Company's Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 15.21 Save as disclosed in this document, so far as the Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.
- 15.22 There are no mandatory takeover bids outstanding in respect of the Company and none has been made either in the last financial year or the current financial year of the Company.
- 15.23 No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.
- 15.24 The Placing Shares represent 52.63 per cent. of the Enlarged Share Capital and their issue will result in a corresponding level of dilution.
- 15.25 As at the date of this document an amount of approximately £25,000 is owed by the Group to EMED, the Company's largest shareholder.

16. AVAILABILITY OF DOCUMENT

Copies of this document will be available to the public free of charge from the date of this document until the date which is one month after Admission, from the offices of WH Ireland at 11 St James's Square, Manchester M2 6WH during normal business hours (weekends and public holidays excepted).

12 December 2006

