KEFI Minerals Plc

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AIM: KEFI 3 June 2013

Annual Results for the 12 months ended 31 December 2012

KEFI Minerals, the AIM-quoted gold and copper exploration company, is pleased to announce its audited results for the year ended 31 December 2012.

Highlights

- The Gold and Minerals JV (G&M) was granted by the Kingdom of Saudi Arabia's Deputy Ministry for Mineral Resources two Exploration Licences (ELs) in January 2012 and a further EL in July 2012. The G&M JV now has four ELs and 17 EL applications (ELAs) at various stages of permitting.
- Exploration work at the Selib North project defined new gold-bearing dykes at the Camel Hill prospect with best trench results of 17m at 3.4g/t Au. Diamond drilling commenced in July 2012.
- Exploration at the Jibal Qutman prospect returned encouraging intersections, including 7m at 6.13g/t Au and 3.8m at 5.46g/t Au.
- The Company completed two placements during the period, raising a total of £2.8m.

Post Period Highlights

- The results of the ongoing Phase 2 RC drilling at Jibal Qutman currently totals a JORC compliant Inferred Resource of 10.3Mt at an average grade of 0.94g/t Au for 313,000oz Au, which can potentially be economically mined in a shallow open cut 60-70m deep. The mineralisation remains open along strike in the 3 zones drill tested so far.
- The Phase 2 RC drilling, targeted to extend the Jibal Qutman resource, returned encouraging intersections, including: 13m at 4.08g/t Au, 32m at 1.14g/t Au, 8m at 2.71g/t Au, 9m at 1.98g/t Au and 27m at 0.86g/t Au.
- Trench channel sampling results at Jibal Qutman returned impressive intersections, including 95m at 1.69g/t Au, 44m at 1.56g/t Au and 5m at 3.33g/t Au.
- Positive results obtained from an initial internal scoping study for an open cut heap leach operation at Jibal Qutman.
- New "shear zone hosted" gold mineralisation discovered in the Western Zone at Jibal Qutman.
- The Company aims to complete a pre-feasibility study at Jibal Qutman and lodge an application for its first Mining Licence for G&M in Q4 2013 / Q1 2014.
- G&M has undertaken to purchase its own multi-purpose drill rig - enabling increased drilling capacity, lower overall drilling costs and increased flexibility.

Mr Jeffrey Rayner, KEFI Mineral's Managing Director, said:

"2012 was an exciting and very busy year for KEFI Minerals. We are very pleased with the progress of our exploration programme and the prospect of our first mining operation at Jibal Qutman."

"The next two ELAs are in a very advanced stage of permitting and they are both highly prospective for economic gold/copper mineralisation. Progress is being made on all other ELAs and they will provide a steady stream of exploration projects containing ancient gold and copper occurrences to be evaluated using modern exploration methods."

Enquiries:

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References in this announcement to exploration results and resources have been approved for release by Mr Jeffrey Rayner (BSc.Hons). Mr Rayner is a geologist and has more than 25 years relevant experience in the field of activity concerned. He is a member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has consented to the inclusion of the material in the form and context in which it appears.

Chairman's Report

Dear fellow shareholder,

KEFI Minerals remains focused on developing significant mineral deposits in the Kingdom of Saudi Arabia. On that front, the Company has continued its exploration programme – with the quick drilling results we reported during the period highlighting the benefits of operating in this underexplored and prospective region. Additionally, we continue to wait for more Exploration Licences (ELs) to be granted so that we can expand our activities.

We remain well placed to develop our operations thanks to our Joint Venture with Abdul Rahman Saad Al-Rashid and Sons LLC (ARTAR), a leading local industrial group owned by Sheikh Al-Rashid and his family.

As a 40% partner in the Gold and Minerals (G&M) Joint Venture we have established a strong foothold from which to build on the momentum achieved to date.

During the period we were granted three licences. The Hikyrin and Hikyrin South licences, granted at the beginning of the year, are located in the Central Arabian Gold Region (CAGR) where Ma'aden published a gold resource estimate of over 8Moz. Additionally, the Jibal Qutman licence, which covers an area of 99.9km2 and hosts part of the prospective Nabitah-Tathlith Fault Zone, was granted in July.

Our low cost drilling programme and well-managed operations, led by our Managing Director Jeff Rayner, are key to the continued success of our Company. We have a team which integrates international and local specialists.

Drilling results to date highlight the quality of our portfolio of licences. Results from Selib North confirmed the management's view that that the gold is hosted in a series of steeply-dipping pyritic dykes. We have identified three target zones for further testing.

Meanwhile, rock chip channel sampling results from the on-going trenching programme at Jibal Qutman confirmed there is high grade gold and silver contained in quartz veins with interceptions including 7m at 6.13g/t Au and 3.8m at 5.46g/t Au, surrounded by low grade material of 0.5 to 1.5g/t

Au in zones up with widths of up to 50m. Continued drilling undertaken this year has further increased the estimated size of the mineralised system.

We are focused on further developing a long term minerals business with our partner ARTAR. We also greatly appreciate the strong support of our shareholders in what can only be described as a volatile and challenging capital market for mineral exploration and development.

I look forward to seeing some of you at the Annual General Meeting on 26 June 2013 in London.

Harry Anagnostaras-Adams
Chairman of Directors

Managing Director's Report

Dear fellow shareholder,

KEFI Minerals continues to consolidate its exploration progress within the Kingdom of Saudi Arabia as a 40% equity holder and operator of the G&M Joint Venture.

During 2012 and in the post reporting period, we have made rapid progress at the Jibal Qutman project in the south-central part of the Arabian Shield. The second phase of reverse circulation (RC) drilling, which is in progress, continues to discover more gold bearing structures. The three mineralised zones currently being drilled remain open along the strike.

Results from Phase 1 diamond drilling completed in 2012 on a 50m x 25m grid and Phase 2 RC drilling in 2013 which is being carried out on a 50m x 40m grid, has allowed us to estimate our maiden Inferred Resource. At the end of Phase 2 and once the limits of the mineralisation have been outlined, the drill spacing will be infilled to 25m x 20m where required, to upgrade to an Indicated and Measured Resource.

As at May 2013, the JORC compliant Inferred Resource is 10.3Mt at an average grade of 0.94g/t Au for a total of 313,000 oz. Au which can potentially be economically mined in a shallow open cut to a maximum 60-70m below surface, due to low energy and labour costs in Saudi Arabia and good infrastructure close to the project area.

The increase in resources compared to the 90,000oz Au (comprising 2.28Mt at 1.25g/t Au) non-JORC estimate of January 2013, are primarily from the West Zone, which still remains open to the north and south. Due to limited drill rig availability, little or no RC drilling was performed on the South and Main Zones, this is now planned for H2, 2013. In addition numerous gold-bearing structures have been discovered elsewhere in the 99km2 Jibal Qutman EL and these will be systematically drill tested in the future. Metallurgical test-work is underway in Perth, Australia to define the extraction method, either Heap Leach or Carbon-in Leach process.

The Company aims to complete a pre-feasibility study and lodge an application for its first Mining Licence for G&M by the end of Q4 2013/Q1 2014.

This represents very rapid progress and demonstrates the efficient, cost effective exploration and development strategy of the Company, especially considering work only commenced in July 2012, upon the grant of the Jibal Qutman EL.

Continuing with the strategy for cost and time effective exploration, G&M has undertaken to purchase its own multi-purpose drill rig, which can drill diamond core (HQ size) to 900m depth and RC to 250m depth. There is a short supply of drilling rigs and drilling contractors in Saudi Arabia, and this purchase will enable G&M to increase drilling capacity, lower overall drilling costs and increase flexibility.

Funding

KEFI Minerals completed two placements in February and July 2012 which raised a total of £2.8M. These funds have been sufficient to complete Stages 1 and 2 drilling at Selib North, IP geophysics at Selib North, and Stage 1 drilling at Jibal Qutman in 2012.

In addition, the Company has sufficient funds to purchase the multi-purpose drill rig, complete the scheduled 15,000m Phase 2 RC programme, and to commence a PFS in H2 at Jibal Qutman in 2013. The G&M JV is funded 60% by ARTAR and 40% by KEFI Minerals.

Outlook

2012 was an exciting and busy year for KEFI Minerals. We are very pleased with the progress of our exploration programme and the prospect of our first mining operation at Jibal Qutman.

To date, through the Joint Venture we have been granted four ELs with 17 exploration licence applications (ELAs) at various stages of permitting, including two at an advanced stage; surface sample results returned to date from these ELAs suggests that they are both highly prospective for gold/copper mineralisation.

Progress is being made on all other ELAs and they are expected to provide a steady stream of exploration projects containing ancient gold and copper occurrences to be evaluated using modern exploration methods.

We are fully committed to consolidate G&M's presence in the Kingdom of Saudi Arabia and are pleased by our exploration results thus far, as we embark on the stages leading to the potential development of the Jibal Qutman gold deposit. They demonstrate the benefit of the patient and dedicated efforts by our Joint Venture partner and our enthusiastic and skilled geological team, led by Exploration Manager Fabio Granitzio.

Jeffrey Rayner
Managing Director

Consolidated income statement

Year ended 31 December

	Notes	2012	2011
Revenue		**-**	-
Exploration costs		**(93)**	(426)
Gross loss		**(93)**	(426)
Administrative expenses		**(716)**	(901)
Share-based payments	17	**(265)**	(157)
Share of loss from jointly controlled entity	18.2	**(612)**	(154)
Change in value of available-for-sale financial assets	13	**(33)**	(7)
Other income	5	**-**	67
Operating loss	6	**(1,719)**	(1,578)
Foreign exchange loss		**(9)**	(13)
Loss before tax		**(1,728)**	(1,591)
Tax	8	**-**	(1)
Loss for the year		**(1,728)**	(1,592)
Other comprehensive income:			
Exchange differences on translating foreign operations		**21**	37
Total comprehensive loss for the year		**(1,707)**	(1,555)
Basic and fully diluted loss per share (pence)	9	**(0.39)**	(0.44)

The Company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own statement of comprehensive income. Loss after taxation amounting to GBP1.5 million (2011: GBP2.0 million) has been included in the financial statements of the parent company.

Statements of financial position

31 December

	Notes	**The Group 2012**	**The Company 2012**	The Group 2011	The Company 2011
ASSETS					
Non-current assets					
Property, plant and equipment	10	**1**	**-**	2	-
Intangible assets	11	**-**	**-**	-	-
Fixed asset investments	12.1	**-**	**1**	-	1
Investments in joint ventures	12.2	**67**	**181**	181	181
		68	**182**	183	182
Current assets					
Financial assets at fair value through profit or loss	13	**10**	**10**	43	43
Trade and other receivables	14	**302**	**249**	86	3
Cash and cash equivalents	15	**1,924**	**1,910**	640	611
		2,236	**2,169**	769	657
Total assets		**2,304**	**2,351**	952	839
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	**4,712**	**4,712**	3,650	3,650
Share premium	16	**4,439**	**4,439**	2,719	2,719
Share options reserve	17	**541**	**541**	385	385
Foreign exchange reserve		**(149)**	**-**	(170)	-
Accumulated losses		**(7,502)**	**(7,563)**	(5,883)	(6,142)
Total equity		**2,041**	**2,129**	701	612
Current liabilities					
Trade and other payables	19	**263**	**222**	251	227
		263	**222**	251	227
Total liabilities		**263**	**222**	251	227
Total equity and liabilities		**2,304**	**2,351**	952	839

On 31 May 2013, the Board of Directors of KEFI Minerals Plc authorised these consolidated financial statements for issue.

Consolidated statement of changes in equity
Year ended 31 December 2012

	Share capital	Share premium	Share options reserve	Foreign exchange reserve	Accumulated losses	Total
At 1 January 2011	3,311	1,697	396	(207)	(4,459)	738
Comprehensive loss for the year	-	-	-	-	(1,592)	(1,592)
Other comprehensive income	-	-	-	37	-	37
Recognition of share based payments	-	-	157	-	-	157
Exercise of options/warrants	-	-	(73)	-	73	-
Forfeit of options/warrants	-	-	(95)	-	95	-
Issue of share capital	339	1,113	-	-	-	1,452
Share issue costs	-	(91)	-	-	-	(91)
At 31 December 2011	**3,650**	**2,719**	**385**	**(170)**	**(5,883)**	**701**
Comprehensive loss for the year	**-**	**-**	**-**	**-**	**(1,728)**	**(1,728)**
Other comprehensive income	**-**	**-**	**-**	**21**	**-**	**21**
Recognition of share based payments	**-**	**-**	**265**	**-**	**-**	**265**
Exercise of options	**-**	**-**	**(35)**	**-**	**35**	**-**
Forfeit of options	**-**	**-**	**(74)**	**-**	**74**	**-**
Issue of share capital	**1,062**	**1,829**	**-**	**-**	**-**	**2,891**
Share issue costs	**-**	**(109)**	**-**	**-**	**-**	**(109)**
At 31 December 2012	**4,712**	**4,439**	**541**	**(149)**	**(7,502)**	**2,041**

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	**Description and purpose**
Share capital	amount subscribed for share capital at nominal value
Share premium	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve	reserve for share options granted but not exercised or lapsed
Accumulated losses	cumulative net gains and losses recognised in the statement of comprehensive income, excluding foreign exchange gains within other comprehensive income
Foreign exchange reserve	cumulative foreign exchange net gains and losses recognised on consolidation

Company statement of changes in equity

Year ended 31 December 2012

	Share capital	Share premium	Share options reserve	Accumulated losses	Total
At 1 January 2011	3,311	1,697	396	(4,344)	1,060
Comprehensive loss for the year	-	-	-	(1,966)	(1,966)
Recognition of share based payments	-	-	157	-	157
Exercise of options/warrants	-	-	(73)	73	-
Forfeit of options/warrants	-	-	(95)	95	-
Issue of share capital	339	1,113	-	-	1,452
Share issue costs	-	(91)	-	-	(91)
At 31 December 2011	**3,650**	**2,719**	**385**	**(6,142)**	**612**
Comprehensive loss for the year	**-**	**-**	**-**	**(1,530)**	**(1,530)**
Recognition of share based payments	**-**	**-**	**265**	**-**	**265**
Exercise of options	**-**	**-**	**(35)**	**35**	**-**
Forfeit of options	**-**	**-**	**(74)**	**74**	**-**
Issue of share capital	**1,062**	**1,829**	**-**	**-**	**2,891**
Share issue costs	**-**	**(109)**	**-**	**-**	**(109)**
At 31 December 2012	**4,712**	**4,439**	**541**	**(7,563)**	**2,129**

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	**Description and purpose**
Share capital	amount subscribed for share capital at nominal value
Share premium	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve	reserve for share options granted but not exercised or lapsed
Accumulated losses	cumulative net gains and losses recognised in the statement of comprehensive income

Consolidated statement of cash flows
Year ended 31 December 2012

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,728)**	(1,591)
Adjustments for:			
Depreciation of property, plant and equipment	10	**1**	3
Loss on disposal of property, plant and equipment		**-**	14
Profit on disposal of subsidiary		**-**	(12)
Gain on exchange of shares		**-**	(50)
Net loss on financial assets at fair value through profit or loss	13	**33**	7
Share based payments	17	**199**	101
Issue of warrants	17	**66**	56
Share of loss from jointly controlled entity	18	**612**	154
Write off of loans received		**-**	(67)
Exchange differences on borrowings		**(15)**	44
Exchange difference		**9**	13
		(823)	(1,328)
Changes in working capital:			
Trade and other receivables		**(216)**	120
Trade and other payables		**12**	16
Net cash used in operating activities		**(1,027)**	(1,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of subsidiary	12.1	**-**	61
Share of cash from jointly controlled entity		**-**	(95)
Advances to joint venture		**(471)**	(160)
Proceeds from sale of property, plant and equipment		**-**	11
Net cash used in investing activities		**(471)**	(183)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	16	**2,891**	1,452
Issue costs	16	**(109)**	(91)
Loan from related party		**-**	115
Net cash from financing activities		**2,782**	1,476
Net increase in cash and cash equivalents		**1,284**	101
Cash and cash equivalents:			
At beginning of the year	15	**640**	539
At end of the year	15	**1,924**	640

Company statement of cash flows

Year ended 31 December 2012

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,530)**	(1,966)
Adjustments for:			
Impairment of intercompany balances		**78**	206
Gain on exchange of shares	13	**-**	(50)
Net loss on financial assets at fair value through profit or loss	13	**33**	7
Share based payments	17	**199**	101
Issue of warrants	17	**66**	56
Impairment of amount receivable from Saudi Arabia joint venture		**461**	154
Joint-venture balances write-off		**-**	445
Centerra advances write-back		**-**	(251)
Exchange differences on borrowings		**37**	52
Exchange difference		**(13)**	(6)
		(669)	(1,252)
Changes in working capital:			
Trade and other receivables		**(246)**	-
Trade and other payables		**(5)**	18
Net cash used in operating activities		**(920)**	(1,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to joint venture		**(461)**	(160)
Loan to subsidiary		**(78)**	(1)
Net cash used in investing activities		**(539)**	(161)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	16	**2,891**	1,452
Issue costs	16	**(109)**	(91)
Loan from related party		**-**	115
Repayment of loan from related party		**(24)**	-
Net cash from financing activities		**2,758**	1,476
Net increase in cash and cash equivalents		**1,299**	81
Cash and cash equivalents:			
At beginning of the year	15	**611**	530
At end of the year	15	**1,910**	611

Notes to the consolidated financial statements
Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation
KEFI Minerals Plc (the "Company") was incorporated in United Kingdom as a public limited company on 24 October 2006. Its registered office is at 27/28, Eastcastle Street, London W1W 8DH.

Principal activities
The principal activities of the Group for the year were:

- To explore for mineral deposits of precious and base metals and other minerals that appear capable of commercial exploitation, including topographical, geological, geochemical and geophysical studies and exploratory drilling.
- To evaluate mineral deposits determining the technical feasibility and commercial viability of development, including the determination of the volume and grade of the deposit, examination of extraction methods, infrastructure requirements and market and finance studies.
- To develop mineral deposits and market the metals produced.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period presented in these financial statements unless otherwise stated.

Basis of preparation and consolidation
The Company and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They comprise the accounts of KEFI Minerals Plc and all its subsidiaries made up to 31 December 2012. The Company and the consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

Going concern
The Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the Company and Group have 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 Company's and Group's exploration activities. The financial information does not include any adjustments that would arise from a failure to complete either option.

Functional and presentational currency
Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") which is British Pounds (GBP). The financial statements are presented in British Pounds (GBP).

Foreign currency translation

(1) Foreign currency translation
Foreign currency transactions are translated into the functional 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 recognized in profit or loss in the statement of comprehensive income.

(2) Foreign operations
On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recognized in the foreign currency translation reserve and as a component of other comprehensive income, and recognized in profit or loss on disposal of the foreign operation.

Revenue recognition
The Group had no sales/revenue during the period under review.

Property plant and equipment

Property plant and equipment are stated at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition less depreciation.

Depreciation is calculated using the straight-line method to write off the cost of each asset to their residual values over their estimated useful life. The annual depreciation rates used are as follows:

Furniture, fixtures and office equipment	10%
Motor Vehicles	20%

Acquisitions and goodwill

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the business combination are written off to the statement of comprehensive income. The acquirees identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. Where the Group acquires a subsidiary for less than the fair value of its assets and liabilities, this results in negative goodwill which is recognized in profit and loss.

Purchased goodwill is capitalized and classified as an asset on the statement of financial position. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized.

Goodwill is reviewed for impairment on an annual basis. When the directors consider the initial value of the acquisition to be negligible, the goodwill is written off to the statement of comprehensive income immediately. Trading results of acquired subsidiary undertakings are included from the date of acquisition.

Goodwill is deemed to be impaired when the present value of the future cash flows expected to be derived is lower than the carrying value. Any impairment is charged to the statement of comprehensive income immediately.

Interest in joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has joint control are referred to as jointly controlled entities. The results and assets and liabilities of joint ventures are included in these financial statements for the period using the equity method of accounting.

Finance costs

Interest expense and other borrowing costs are charged to the statement of comprehensive income as incurred.

Tax

The tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognized for all taxable differences and deferred tax assets are recognized to the extent that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Investments

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognized as an expense in the period in which the impairment is identified, in the Company accounts. These investments are consolidated in the Group accounts.

Exploration costs
The Group has adopted the provisions of IFRS 6 “Exploration for and Evaluation of Mineral Resources”.

Exploration, evaluation and development expenditure, including acquisition costs of licences, in respect of each identifiable area of interest is expensed to the statement of comprehensive income as incurred. Once mining activities commence, development expenditure will be capitalised as incurred and amortised over the estimated useful life of the area according to the rate of depletion of the economically recoverable reserves or over the estimated useful life of the mine, if shorter. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated capitalised costs in relation to an abandoned area of interest will be written off in full against profit in the year in which the decision to abandon the area is made.

Share-based compensation benefits
IFRS 2 “Share-based Payment” requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each statement of financial position date. The total amount expensed is recognized over the vesting period, which is the period over which performance conditions are to be satisfied.

The fair value is measured using the Black Scholes pricing model. The inputs used in the model are based on management’s best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Financial instruments

Financial assets
Loans and receivables are recognized when the Group becomes party to the contractual provisions of the financial instrument. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are initially measured at fair value, which generally equates to acquisition cost. Subsequent to initial recognition, when a financial asset is designated as such on initial recognition, it is classified as held at fair value through profit or loss. Assets other than held for trading are designated at fair value through profit and loss when the Group manages the holdings and makes purchase and sale decisions based on fair value assessments and documented risk management and investment strategies. Attributable transaction costs and changes in fair value are recognised in profit or loss.

Financial liabilities - equity
Financial liabilities are recognized when the Group becomes party to the loan. Financial liabilities represent trade payables and are initially measured at fair value and subsequently at amortized cost.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire.

Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand with an original maturity date of less than three months.

3. Financial risk management

Financial risk factors

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

Market risk - 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's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2012	2011
Variable rate instruments		
Financial assets	**1,934**	683

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Equity 2012	**Profit or Loss 2012**	Equity 2011	Profit or Loss 2011
Variable rate instruments				
Financial assets	**19**	**19**	7	7

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, Turkish Lira, US Dollar and Saudi Arabian Riyal. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities 2012	**Assets 2012**	Liabilities 2011	Assets 2011
Euro	**15**	**3**	17	3
New Turkish Lira	**1**	**65**	26	127
US Dollar	**-**	**249**	-	-
Saudi Arabian Riyal	**25**	**-**	-	39

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2012 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the British Pound against the relevant currency, there would be an equal and opposite impact on the loss and equity.

	Equity 2012	**Profit or Loss 2012**	Equity 2011	Profit or Loss 2011
Euro	**1**	**1**	1	1
Turkish Lira	**(6)**	**(6)**	(10)	(10)
US Dollar	**25**	**25**	-	-
Saudi Arabian Riyal	**(3)**	**(3)**	4	4

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.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Carrying amounts	**Contractual cash flows**	**3 months or less**	**3 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
31 December 2012							
Trade and other payables	**263**	**263**	**263**	**-**	**-**	**-**	**-**
31 December 2011							
Trade and other payables	251	251	251	-	-	-	-

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. This is done through the close monitoring of cash flows.

The capital structure of the Group consists of cash and cash equivalents of GBP1,924,000 (2011: GBP640,000) and equity attributable to equity holders of the parent, comprising issued capital of GBP4,712,000 (2011: GBP3,650,000), reserves of GBP4,831,000 (2011: GBP2,934,000) and accumulated losses of GBP7,502,000 (2011:GBP5,883,000). The Group does not use derivative financial instruments and has no long term debt facilities.

Fair value estimation

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

	Carrying Amounts		**Fair Values**	
	2012	2011	**2012**	2011
Financial assets				
Cash and cash equivalents (Note 15)	**1,924**	640	**1,924**	640
Financial assets designated at fair value through profit and loss (Note 13)	**10**	43	**10**	43
Trade and other receivables (Note 14)	**302**	86	**302**	86
Financial liabilities				
Trade payables (Note 19)	**263**	251	**263**	251

Financial assets designated at fair value through profit and loss are classified as Level 1 within the fair value hierarchy, based on prices quoted (unadjusted) in active markets for identical assets or liabilities.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group used a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the statement of financial position date.

The nominal value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

Use and revision of accounting estimates and judgements

The preparation of the financial report requires the making of estimations and assumptions that affect the recognized amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There were no significant accounting estimates being made.

Significant judgements include:

Going concern

The going concern presumption 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 and Group's exploration activities.

Share based payments

In calculating the fair value at the grant date, the Black Scholes model requires us to estimate the inputs to this model, in particular in respect of volatility. This assessment is based on historical share price movements assuming these will continue into the future.

Impairment review of asset carrying values

Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Where the recoverable amounts of Group cash generating units are assessed by analyses of discounted cash flows, the resulting valuations are particularly sensitive to changes in estimates of long term commodity prices, exchange rates, operating costs, the grouping of assets within cash-generating units and discount rates.

4. Operating segments

The Group has only one distinct operating segment, being that of mineral exploration. The Group's exploration activities are located in the Kingdom of Saudi Arabia (through the jointly controlled entity) and its administration and management is based in Cyprus.

	Cyprus	**Turkey**	**Bulgaria**	**Total**
2012				
Operating (loss)/profit	**(1,013)**	**(95)**	**1**	**(1,107)**
Foreign exchange profit/(loss)	**12**	**(18)**	**(3)**	**(9)**
	(1,001)	**(113)**	**(2)**	**(1,116)**
Share of loss from jointly controlled entity				**(612)**
Loss before tax				**(1,728)**
Tax				**-**
Loss for the year				**(1,728)**
Total assets	**2,235**	**66**	**3**	**2,304**
Total liabilities	**248**	**1**	**14**	**263**
Depreciation of property, plant and equipment	**-**	**1**	**-**	**1**

	Cyprus	Turkey	Bulgaria	Total
2011				
Operating loss	(1,330)	(91)	(3)	(1,424)
Foreign exchange profit/(loss)	6	(22)	3	(13)
	(1,324)	(113)	-	(1,437)
Share of loss from jointly controlled entity				(154)
Loss before tax				(1,591)
Tax				(1)
Loss for the year				(1,592)
Total assets	790	157	5	952
Total liabilities	209	25	17	251
Depreciation of property, plant and equipment	-	3	-	3

5. Other Income

	2012	2011
Expenses recharged to jointly controlled entities (Note 18.3)	**-**	67
	-	67

6. Expenses by nature

		2012	2011
Exploration costs		**93**	426
Staff costs (Note 7)		**59**	133
Depreciation of property, plant and equipment (Note 10)		**1**	3
Warrants issue costs (Note 17)		**66**	56
Share based benefits to employees (Note 17)		**67**	101
Share of losses from jointly controlled entity (Note 18.2)		**612**	154
Change in value of available-for-sale financial assets (Note 13)		**33**	7
Directors' fees and other benefits (Note 20.1)		**358**	196
Consultants' costs		**192**	83
Travelling expenses		**43**	65
Auditors' remuneration	- audit current year	**48**	25
	- audit previous year	**15**	-
	- other	**17**	15
Other expenses		**115**	381
		1,719	1,645
Other income (Note 5)		**-**	(67)
Operating loss		**1,719**	1,578

The Group's stage of operations as at the year-end and as at the date of approval of these financial statements have not yet met the criteria for capitalization of exploration costs.

7. Staff costs

	2012	2011
Salaries	**53**	118
Social insurance costs and other funds	**6**	15
	59	133
Average number of employees	**2**	4

8. Tax

	2012	2011
Loss before tax	**(1,728)**	(1,591)
Tax calculated at the applicable tax rates	**(245)**	(194)
Tax effect of expenses not deductible for tax purposes	**208**	102
Tax effect of tax loss for the year	**82**	93
Tax effect of allowances and income not subject to tax	**(45)**	(28)
Tax effect on exploration expenses taxed separately	**-**	27
Defence tax	**-**	1
Charge for the year	**-**	1

The Company is resident in Cyprus for tax purposes.

A deferred tax asset of GBP680,056 (2011: GBP598,232) has not been accounted for due to the uncertainty against future recoverability.

Cyprus

The corporation tax rate is 10%. Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011). Due to tax losses sustained in the year, 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 five succeeding years. As at 31 December 2012, the balance of tax losses which is available for offset against future taxable profits amounts to GBP3,135,571 (2011: GBP3,036,815).

Bulgaria

Mediterranean Minerals (Bulgaria) EOOD, the 100% subsidiary of the Company, is resident in Bulgaria for tax purposes. The corporation tax rate is 10%. Due to tax losses sustained in the period, no tax liability arises on the Mediterranean Minerals (Bulgaria) EOOD. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years. As at 31 December 2012, the balance of tax losses which is available for offset against future taxable profits amounts to GBP189,250 (2011: GBP186,996).

Turkey

Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket (Doğu Akdeniz Mineralleri), the 100% subsidiary of Mediterranean Minerals (Bulgaria) EOOD, and ultimately 100% subsidiary of the Company, is resident in Turkey for tax purposes. The corporation tax rate is 20%. Under local tax legislation, exploration costs are can only be set off against income from mining operations. As at 31 December 2012, the balance of exploration costs that is available for offset against future income from mining operations amount to GBP1,939,824 (2011: GBP1,845,087).

9. Loss per share

The calculation of the basic and fully diluted loss per share attributable to the ordinary equity holders of the parent is based on the following data:

	2012	2011
Net loss attributable to equity shareholders	**(1,728)**	(1,592)
Average number of ordinary shares for the purposes of basic loss per share (000's)	**443,124**	361,851
Loss per share:		
Basic and fully diluted loss per share (pence)	**(0.39)**	(0.44)

The effect of share options and warrants on losses per share is anti-dilutive.

10. Property, plant and equipment

	Motor vehicles	**Furniture, fixtures and office equipment**	**Total**
The Group			
Cost			
At 1 January 2011	72	21	93
Disposals	(24)	-	(24)
Exchange difference on translation of subsidiaries	(17)	(8)	(25)
At 31 December 2011 / 1 January 2012	**31**	**13**	**44**
Disposals	**-**	**(2)**	**(2)**
At 31 December 2012	**31**	**11**	**42**
Accumulated Depreciation			
At 1 January 2011	56	10	66
Charge for the year	2	1	3
Disposals	(24)	-	(24)
Exchange difference on translation of subsidiaries	(3)	-	(3)
At 31 December 2011 / 1 January 2012	**31**	**11**	**42**
Charge for the year	**-**	**1**	**1**
Disposals	**-**	**(2)**	**(2)**
At 31 December 2012	**31**	**10**	**41**
Net Book Value at 31 December 2012	**-**	**1**	**1**
Net Book Value at 31 December 2011	-	2	2

The above property, plant and equipment are located in Turkey and Saudi Arabia. The Company has no property, plant and equipment.

11. Intangible assets

The Group and Company	Goodwill
Cost	
At 1 January 2011, 31 December 2011 and 31 December 2012	364
Impairment	
At 1 January 2011, 31 December 2011 and 31 December 2012	(364)
Net Book Value	
At 1 January 2011, 31 December 2011 and 31 December 2012	-

The goodwill arose on the acquisition of Mediterranean Minerals (Bulgaria) EOOD in 2006 and was impaired in the year of acquisition of the company.

12. Investments

12.1 Fixed asset investments

The Company	2012	2011
Cost		
At 1 January	**1**	721
Disposals	**-**	(720)
At 31 December	**1**	1
Provision for impairment		
At 1 January	**-**	720
Reversal of impairment	**-**	(720)
At 31 December	**-**	-
Net Book Value	**1**	1

Subsidiary companies	Date of acquisition/ incorporation	Country of incorporation	Effective proportion of shares held
Mediterranean Minerals (Bulgaria) EOOD	08/11/2006	Bulgaria	100%-Direct
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket	08/11/2006	Turkey	100%-Indirect

On 8 November 2006, the Company entered into an agreement to acquire from EMED Mining 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.

Mediterranean Minerals (Bulgaria) EOOD owns 100% of the share capital of Doğu Akdeniz Mineralleri ("Dogu"), a private limited liability company incorporated in Turkey, engaging in activities for exploration and developing of natural resources.

In July 2011, KEFI Minerals completed the sale the Company's Artvin Project in north-eastern Turkey to a Turkish mining company. The Artvin Project comprised 15 Exploration Licences (totalling 254km2) located in the Eastern Pontide Belt in north-eastern Turkey. Kackar Madencilik San. Tic. Ltd, KEFI Mineral's subsidiary holding these licences, was sold in return for a cash payment of US$100,000 (GBP61,957) and a 1% Net Smelter Royalty on all future mineral production from the Artvin licences.

12.2 Investment in joint ventures

	2012	2011
The Group		
At 1 January	**181**	181
Retranslation of investment	**(16)**	-
	115	181
Less share of loss of joint venture	**(98)**	-
At 31 December	**67**	**181**
The Company		
At 1 January/31 December	**181**	181

	Date of		Effective

Joint venture	acquisition/ incorporation	Country of incorporation	proportion of shares held
Gold and Minerals Co. Limited (G&M)	04/08/2010	Saudi Arabia	40%-Direct

13. Financial assets at fair value through profit or loss

	2012	2011
The Group and the Company		
On 1 January	**43**	-
Additions	**-**	50
Change in value of available-for-sale financial assets	**(33)**	(7)
On 31 December	**10**	43

The Company successfully divested four Licences in July 2011 to AIM listed Ariana Resources (AIM:AAU) for a nominal cash payment of 10,000 Turkish Lira, 910,747 new ordinary shares in Ariana as consideration for the acquisition of relevant mineral exploration data and drill core samples and a Net Smelter Royalty ("NSR") of 2%. The NSR is payable by Ariana's wholly owned Turkish subsidiary Galata Madencilik San. ve Tic. Ltd. ("Galata") to KEFI Mineral's Turkish Subsidiary, Dogu, on commercial production of any mineral from the licences. No value has been attributed in these financial statements for the NSRs.

14. Trade and other receivables

	2012	2011
The Group		
Trade receivables	**1**	3
Amount receivable from Saudi Arabia Joint Venture (Note 20.3)	**249**	-
Amount receivable from Joint Venture partner (Note 20.3)	**-**	39
VAT	**46**	31
Deposits and prepayments	**6**	13
	302	86

	2012	2011
The Company		
Trade receivables	**-**	3
Amount receivable from Saudi Arabia Joint Venture (Note 20.3)	**249**	-
	249	3

Amounts owed by group companies total GBP78,000 (2011: GBP206,000). Balances have been fully provided for due to the uncertainty over the timing of future recoverability.

15. Cash and cash equivalents

	2012	2011
The Group		
Cash at bank and in hand	**1,924**	640
The Company		
Cash at bank and in hand	**1,910**	611

16. Share capital

	Number of shares '000	Share Capital	Share premium	Total
Issued and fully paid				
At 1 January 2011	331,317	3,311	1,697	5,008
Issued 4 January 2011 at GBP0.0125	1,670	16	4	20
Issued 28 January 2011 at GBP0.0314	1,150	12	25	37
Issued 21 February 2011 at GBP0.05	26,000	260	1,040	1,300
Issued 5 March 2011 at GBP0.0288	1,296	13	24	37
Issued 5 March 2011 at GBP0.0125	1,800	18	5	23
Issued 5 March 2011 at GBP0.016	684	7	4	11
Issued 6 April 2011 at GBP0.016	563	6	3	9
Issued 20 June 2011 at GBP0.0122	500	5	1	6
Issued 7 November 2011 at GBP0.0472	200	2	7	9
Share issue costs	-	-	(91)	(91)
At 31 December 2011	**365,180**	**3,650**	**2,719**	**6,369**
Issued 17 February 2012 at GBP0.03	**61,666**	**617**	**1,233**	**1,850**
Issued 6 July 2012 at GBP0.023	**42,000**	**420**	**546**	**966**
Issued 1 November 2012 at GBP0.03	**2,500**	**25**	**50**	**75**
Share issue costs	**-**	**-**	**(109)**	**(109)**
At 31 December 2012	**471,346**	**4,712**	**4,439**	**9,151**

Issued capital

2012

On 17 February 2012, 61,666,667 shares of GBP 0.01 were issued at a price of GBP 0.03. Upon the issue, an amount of GBP 1,233,333 was credited to the Company's share premium reserve.

On 6 July 2012, 42,000,000 shares of GBP 0.01 were issued at a price of GBP 0.023. Upon the issue, an amount of GBP 546,000 was credited to the Company's share premium reserve.

On 1 November 2012, 2,500,000 shares of GBP 0.01 were issued at a price of GBP 0.03. Upon the issue, an amount of GBP 50,000 was credited to the Company's share premium reserve.

2011

On 4 January 2011, 1,670,000 shares of GBP 0.01 were issued at a price of GBP 0.0125. Upon the issue, an amount of GBP 4,000 was credited to the Company's share premium reserve.

On 28 January 2011, 1,150,000 shares of GBP 0.01 were issued at a price of GBP 0.0314. Upon the issue, an amount of GBP 25,000 was credited to the Company's share premium reserve.

On 21 February 2011, 26,000,000 shares of GBP 0.01 were issued at a price of GBP 0.05. Upon the issue, an amount of GBP 1,040,000 was credited to the Company's share premium reserve.

On 5 March 2011, 1,296,456 shares of GBP 0.01 were issued at a price of GBP 0.0288. Upon the issue, an amount of GBP 24,000 was credited to the company's share premium reserve. On the same day, 1,800,000 shares of GBP 0.01 were issued at a price of GBP 0.0125. Upon the issue, an amount of GBP 5,000 was credited to the Company's share premium reserve. Similarly on the same day, 684,375 shares of GBP 0.01 were issued at a price of GBP 0.016. Upon the issue, an amount of GBP 4,000 was credited to the Company's share premium reserve.

On 6 April 2011, 562,500 shares of GBP 0.01 were issued at a price of GBP 0.016. Upon the issue, an amount of GBP 3,000 was credited to the Company's share premium reserve.

On 20 June 2011, 500,000 shares of GBP 0.01 were issued at a price of GBP 0.0122. Upon the issue, an amount of GBP 1,000 was credited to the Company's share premium reserve.

On 7 November 2011, 200,000 shares of GBP 0.01 were issued at a price of GBP 0.0472. Upon the issue, an amount of GBP 7,000 was credited to the Company's share premium reserve.

Warrants
2012

On 20 February 2012, the Company issued 2,916,667 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.03 per share.

2011

On 22 February 2011, the Company issued 780,000 warrants to subscribe for new ordinary shares of GBP0.01 each at GBP 0.05 per share.

Details of warrants outstanding as at 31 December 2012:

Grant date	**Expiry date**	**Exercise price**	**Number of warrants 000's**
8 October 2010	19 October 2013	1.25p	830
22 February 2011	21 February 2016	5p	780
20 February 2012	19 February 2017	3p	2,917
			4,527

The Company has issued warrants to advisers to the Group. All warrants, except those noted below expire five years after grant date and are exercisable at the exercise price.

	Number of warrants 000's
Outstanding warrants at 1 January 2012	1,610
- granted	2,917
Outstanding warrants at 31 December 2012	4,527

The estimated fair values of the warrants were calculated using the Black Scholes option pricing model.

The inputs into the model and the results are as follows:

	20 Feb 12	**22 Feb 11**	**8 Oct 10**
Closing share price at issue date	3.19p	7.5p	2.04p
Exercise price	3p	5p	1.25p
Expected volatility	84.6%	162%	167.5%
Expected life	5yrs	5yrs	3yrs
Risk free rate	5%	4.75%	2.25%
Expected dividend yield	Nil	Nil	Nil
Discount factor	0%	0%	50%
Estimated fair value	2.26p	7.12p	0.54p

Expected volatility was estimated based on the likely range of volatility of the share price.

For 2012, the impact of issuing warrants is a net charge to income of GBP66,000 (2011:GBP56,000). At 31 December 2012, the equity reserve recognized for share based payments, including warrants, amounted to GBP541,000 (2011: GBP385,000).

17. Share options reserve

	2012	2011
Opening amount	**385**	396
Warrants issued costs (Note 6)	**66**	56
Share options issued to employees (Note 6)	**67**	101
Share options issued to directors (Note 6)	**132**	-
Exercise of options	**(35)**	(73)
Forfeit of options	**(74)**	(95)
Closing amount	**541**	385

Details of share options outstanding as at 31 December 2012:

Grant date	Expiry date	Exercise price	Number of shares 000's
18 December 2006	18 December 2014	4p	14,000
12 March 2007	11 March 2013	3.5p	250
24 June 2008	23 June 2014	3.25p	50
12 June 2009	11 June 2014	2.4p	8,385
28 February 2011	27 February 2016	0.71p	450
29 September 2011	28 September 2016	3.78p	1,000
13 September 2012	12 September 2018	4p	14,800
			38,935

	Weighted average ex. price	Number of shares 000's
Outstanding options at 31 December 2011		26,335
- granted		17,500
- exercised	4.3p	(2,500)
- cancelled/forfeited		(2,400)
Outstanding options at 31 December 2012		38,935

The Company has issued share options to directors, employees and advisers to the Group. All options, except those noted below, expire six years after grant date and are exercisable at the exercise price in whole or in part no more than one third from the grant date, two thirds after two years from the grant date and the balance after three years from the grant date.

On 18 December 2006, 12,000,000 options were issued which expired six years after the grant date, and were exercisable at any time within that period. On 18 December 2012, the expiry date of these options was extended to 18 December 2014, with the exercise price increased from 3p per Ordinary Share to 4p per Ordinary Share and at the same time and extra 2,000,000 options were issued at 4p per Ordinary Share, expiring on 18 December 2014.

On 12 June 2009, 9,000,000 options were issued which expire five years after the grant date, and are exercisable at any time within that period. On 28 February 2011, 550,000 options were issued which expire five years after the grant date, and are exercisable at any time within that period. On 29 September 2011, 2,000,000 options were issued which expire five years after the grant date, and are exercisable at the exercise price in whole or in part no more than one half after one year from the grant date and one half two years from the grant date.

On 13 September 2012, 15,500,000 options were issued which expire six years after the grant date, and are exercisable at the exercise price in whole or in part no more than one half after one year from the grant date and one half two years from the grant date.

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. The estimated fair values of the options were calculated using the Black Scholes option pricing model. The inputs into the model and the results are as follows:

	18 Dec. 2012	13 Sep. 2012	29 Sep. 2011	14 Jul. 2011	28 Feb. 2011	12 Jun. 2009	24 Jun. 2008	12 Mar. 2007
Closing share price at issue date	3.17p	3.63p	3.78p	5.15p	6.4p	2.00p	3.25p	3.30p
Exercise price	4.00p	4.00p	3.78p	5.15p	6.4p	2.40p	3.25p	3.50p
Expected volatility	53.8%	56.9%	105.51%	133.46%	162.0%	238.5%	147.6%	68.06%
Expected life	2 yrs	6 yrs	5 yrs	5 yrs	5 yrs	5 yrs	6 yrs	6 yrs
Risk free rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.73%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Discount factor	0%	0%	0%	0%	0%	55%	30%	30%
Estimated fair value	0.08p	2.05p	2.99p	4.54p	5.98p	0.89p	2.13p	1.50p

Expected volatility was estimated based on the likely range of volatility of the share price.

For 2012, the impact of share option-based payments is a net charge to income of GBP265,000 (2011: GBP157,000). At 31 December 2012, the equity reserve recognised for share option-based payments, including warrants, amounted to GBP541,000 (2011: GBP385,000).

18. Joint ventures

18.1 Joint Venture with Centerra Gold (KB) Inc.

On 22 October 2008, the Company entered into a Joint Venture Agreement ("Joint Venture Agreement") in respect of its 100%-owned Artvin Project with Centerra Gold (KB) Inc ("Centerra KB"), a wholly-owned subsidiary of Centerra Gold Inc. In August 2011, KEFI Mineral's subsidiary holding these licences, was sold in return for a cash payment of US$100,000 and a 1% Net Smelter Royalty on all future mineral production from the Artvin licences.

18.2 Joint Venture with Gold and Minerals

Company name	Date of incorporation	Country of incorporation	Effective proportion of shares held at 31 December
Gold & Minerals Co. Limited	3 August 2010	Saudi Arabia	40%

	SAR'000		GBP'000	
Amounts relating to the Joint Venture	**2012**	2011	**2012**	2011
Non-current assets	**949**	-	**63**	-
Current assets	**4,043**	2,500	**266**	173
	4,992	2,500	**329**	173
Non-current liabilities	**19,146**	-	**1,261**	0
Current liabilities	**832**	44	**55**	3
	19,978	44	**1,316**	3
Net (liabilities)/assets	**(14,986)**	2,456	**(987)**	170
Share capital	**2,500**	2,500	**165**	173
Accumulated losses	**(17,486)**	(44)	**(1,152)**	(3)
	(14,986)	2,456	**(987)**	170
Exchange rates SAR to GBP				
Closing rate			**0.1647**	0.1725

In May 2009, KEFI Minerals announced the formation of a new minerals exploration joint venture, Gold & Minerals Co. Limited ("G&M"), a limited liability company in Saudi Arabia, with leading Saudi construction and investment group Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"). KEFI Minerals is the operating partner with a 40% shareholding in G&M with ARTAR holding the other 60%. KEFI Minerals provides G&M with technical advice and assistance, including personnel to manage and supervise all exploration and technical studies. ARTAR provides administrative advice and assistance to ensure that G&M remains in compliance with all governmental and other procedures. G&M is treated as a joint venture and has been equity accounted and has reconciled its share in G&M's losses.

The above figures reported in 2012 represent cumulative exploration activity incurred by G&M since its incorporation in 2009. The accounting policy for exploration costs recorded in the G&M audited financial statements is to capitalise qualifying expenditure and review for impairment, if applicable. This is in contrast to the Company's accounting policy relating to exploration costs which is to expense costs through profit and loss (Note 2). Consequently, exploration costs of G&M at 31 December 2012 amounting to SAR17.4 million have been adjusted to bring the figures in line with the Company's accounting policies.

Up to 31 December 2011, the Group recorded its 40% share of all costs associated with exploration activities through profit or loss in the statement of comprehensive income and the Group recognised losses of GBP540,000. Consequently, a loss of GBP612,000 was recognised by the Group for the year ended 31 December 2012 representing the Group's share of losses in the year.

As at 31 December 2012 KEFI Minerals owed ARTAR an amount of GBP25,000 (2011: receivable GBP39,000) - Note 20.4.

As at 31 December 2012, G&M owed KEFI Minerals an amount of GBP249,000 (2011: nil) – Note 20.3.

18.3 Joint Venture with listed Centerra Gold Inc.

KEFI Minerals previously had a joint venture with Centerra Gold Inc. ("Centerra") in the Bakir Tepe Project in Turkey. On 15 December 2010, Centerra withdrew from the joint venture which resulted in an income of GBP66,733 being recognised in the 2011 accounts.

19. Trade and other payables

The Group	**2012**	2011
Accruals and other payables	**141**	130
Payable to shareholders (Note 20.2)	**97**	121
Payable to Joint Venture partner (Note 20.4)	**25**	-
	263	251

The Company	**2012**	2011
Accruals and other payables	**125**	106
Payable to shareholders (Note 20.2)	**97**	121
	222	227

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

20. Related party transactions

The following transactions were carried out with related parties:

20.1 Compensation of key management personnel

The total remuneration of the Directors and other key management personnel was as follows:

	2012	2011
Directors' fees *	**189**	153
Directors' other benefits	**37**	43
Share option-based benefits to directors (Note 17)	**132**	-
	358	196

	2012	2011
Other key management personnel fees	**-**	57

* The Managing Director's salary up to 30 September 2012 was paid by the Company. As from 1 October 2012, and after an agreement with G&M, part of the salary of the Managing Director is paid directly by G&M.

The Company has an on-going service agreement with EMED Mining Public Ltd for provision of management and other professional services (Note 20.5).

Share-based benefits

The Company has issued share options to directors and key management. All options, except those noted in Note 17, expire six years after grant date and are exercisable at the exercise price in whole or in part no more than one third from the grant date, two thirds after two years from the grant date and the balance after three years from the grant date.

20.2 Payable to shareholders

Name	**Nature of transactions**	**Relationship**	**2012**	2011
EMED Mining Public Ltd	Finance	Shareholder	**97**	121

20.3 Receivable from related parties

The Group			2012	2011
Name	**Nature of transactions**	**Relationship**		
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Joint Venture Partner	**-**	39
Gold & Minerals Co. Limited	Finance	Joint Venture	**249**	-
			249	39

The Company			2012	2011
Name	**Nature of transactions**	**Relationship**		
Gold & Minerals Co. Limited	Finance	Joint Venture	**249**	-
			249	-

20.4 Payable to related parties

The Group			2012	2011
Name	**Nature of transactions**	**Relationship**		
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Joint Venture Partner	**25**	-
			25	-

20.5 Transactions with shareholders

			2012	2011
Name	**Nature of transactions**	**Relationship**		
EMED Mining Public Ltd	Provision of management and other professional services	Shareholder	**117**	115

21. Contingent liabilities

In 2006, EMED Mining Public Ltd acquired a proprietary geological database that covers extensive parts of Turkey and Greece and also EMED transferred to the Company that part of the geological database that relates to areas in Turkey.

Under the agreement, the Company has undertaken to make a payment of approximately GBP59,700 (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 GBP238,800. These payments are to be settled by issuing shares in the Company. To date, only one tranche of shares have been issued under this agreement in June 2007 for GBP43,750 (AUD105,000).

22. Relationship deed

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, 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.

EMED has since granted the Company the right to explore in Saudi Arabia in return for which it will receive, to the extent possible under legislation in Saudi Arabia, first right of refusal over participation in any projects developed (or not taken up) by the joint venture established on 28 May 2009 in that country with Abdul Rahman Saad Al-Rashid & Sons Company Limited.

23. Capital commitments

The Group has no material capital or other commitments as at 31 December 2012.

24. Events after the reporting date

There were no other material, after the period, events which have a bearing on the understanding of the financial statements.

25. Adoption of new and revised International Financial Reporting Standards (IFRSs)

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) as adopted by EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the Company. At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some, but not all of these were adopted by the European Union. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective:

(i) Standards and Interpretations adopted by the EU

New standards

- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).

Amendments

IFRS Interpretations Committee

- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 9 "Financial Instruments" (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015).
- Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).

New IFRICs

- IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

(ii) Standards and Interpretations not adopted by the EU

New standards

- IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. (effective for annual periods beginning on or after 1 January 2015).

Amendments

- Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013).
- Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).
- Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).