KEFI Minerals Plc

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20 May 2015

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

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

KEFI Minerals (AIM: KEFI), the gold exploration and development company with projects in the Kingdom of Saudi Arabia and the Democratic Republic of Ethiopia, is pleased to announce its final results for the year ended 31 December 2014.

2014 HIGHLIGHTS

- Tulu Kapi gold project, Ethiopia:
  - Assumed 100% ownership of Tulu Kapi asset through acquisition of remaining 25% of KEFI Minerals (Ethiopia) Limited ("KME") for £1.5m in cash and shares – representing <$5/oz of gold resources (JORC certified)
  - Overhauled development and production plan to focus on selective mining, and increased the life-of-mine production
  - Undertook extensive site exploration resulting in independently verified updated JORC compliant Mineral Resource and Ore Reserve reporting
  - Gained independent consultant verifications of all documentation to enable reactivation of Mining Licence Application ("MLA") – which had been suspended in mid-2013 by the previous owner of the asset
  - Progressed project financing, including receiving headline indicative terms from several financial institutions
- Gold & Minerals Ltd Joint Venture ("G&M"), Saudi Arabia:
  - Jibal Qutman:
    - Completed initial Preliminary Feasibility Study ("PFS") and draft MLA for review with G&M and the authorities
    - Drilling and trenching continued, resulting in increase in reported Resource, expansion of Mineralised Zone and identification of potential heap leach mine with lower capex
  - Hawiah:
    - Hawiah Exploration Licence ("Hawiah EL") granted to KEFI's partner, Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), on behalf of G&M – the Company's second major licence in Saudi Arabia
    - Exploration work commenced with initial focus on a large Volcanic Hosted Massive Sulphide ("VHMS") target

POST-PERIOD HIGHLIGHTS

- Tulu Kapi, Ethiopia:
  - Received Mining Licence, which is valid for a period of 20 years and fully permits the development and operation of the Tulu Kapi gold project
  - Updated resource reporting: Indicated Resource of 18.8 Mt at 2.67 g/t Au for 1.62 Moz Au (JORC 2012) and Probable Ore Reserves of 15.4 Mt at 2.12 g/t Au for 1.05 Moz Au (estimated using JORC Code guidelines)
  - Mine Plan and associated costs independently verified – representing accomplishment of key milestones towards finalisation of updated Definitive Feasibility Study ("DFS") to the standards required by mining project financiers

- Jibal Qutman, Saudi Arabia:
    - Increased JORC Mineral Resource to 28.4 Mt at 0.80 g/t Au for 733,045 oz Au
    - Received favourable metallurgical heap leach test work results
    - Produced positive Preliminary Economic Assessment

Harry Anagnostaras-Adams, Executive Chairman of KEFI Minerals, said:

"We are extremely pleased with the progress that KEFI made in 2014. When we first invested in Tulu Kapi in December 2013, we were hopeful that this project would enable us to become a gold producer in a short space of time. Thanks to the hard work of our management team and all concerned, this potential has become a reality as we remain on track to transition to gold producer in 2017.

"We are also pleased with the significant progress and new discoveries that we've made in Saudi Arabia, with our Jibal Qutman and Hawiah projects expected to follow Tulu Kapi in short succession. We look forward to reporting on the momentum and milestones that we achieve in the remainder of 2015."

Enquiries:

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Further information on KEFI Minerals is available at www.kefi-minerals.com

KEFI Minerals plc

KEFI is the operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with an attributable 1.93Moz (95% of Tulu Kapi's 1.72Moz and 40% of Jibal Qutman's 0.73Moz) Au Mineral Resources (JORC 2012) plus significant resource growth potential. KEFI is targeting production at these projects to generate cash flows for further exploration and expansion as warranted, recoupment of development costs and, when appropriate, dividends to shareholders.

Expected milestones for the remainder of 2015 at Tulu Kapi include:

- Independently updated Definitive Feasibility Study for senior-secured finance purposes
- Formalisation of senior-secured financier syndicate, agreement of final terms for project finance
- Full development funding and commencement of construction

In addition, during 2015 KEFI anticipates initiating a preliminary feasibility study on the planned heap leach mine at Jibal Qutman and submitting a Mining Licence Application for Jibal Qutman in Saudi Arabia through its joint venture company, Gold & Minerals Ltd.

KEFI in Ethiopia

KEFI has 95% ownership of the Tulu Kapi Mining Licence in western Ethiopia and is at an advanced stage in refining the development plan for the project, aimed at reducing the previously planned capital and operating expenditure. Detailed research has yielded encouraging results and has been summarised in recent Company announcements.

At the end of 2013, the Ethiopian Government improved the fiscal regime applying to the gold sector, and Tulu Kapi in particular. This included lowering the income tax rate for mining (to 25% from 35%); settling of repayment schedule for inherited VAT liability (over three years rather than up-front); the removal of VAT on future exploration drilling expenditure; lowering royalty on gold mining (to 7% from 8%); accelerating the depreciation of historical and future capital expenditure (over four years); and clarifying the workings of the Government's 5% free-carried interest so that it does not impede conventional project financing terms.

KEFI in the Kingdom of Saudi Arabia

In 2009, KEFI formed G&M in Saudi Arabia with local Saudi partner Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), to explore for gold and associated metals in the Arabian Shield. KEFI has a 40% interest in G&M and is the operating partner. To date, G&M has conducted preliminary regional reconnaissance and has had five exploration licences ("EL") granted, including Jibal Qutman and the recently granted Hawiah exploration licence that contains over 5km^2 of outcropping gossans developed on VMS altered and mineralised rocks.

ARTAR, on behalf of G&M, holds 24 exploration licence applications that cover an area of approximately 1,484km^2. ELs are renewable for up to three years and bestow the exclusive right to explore and to obtain a 30-year exploitation (mining) lease within the area.

The Kingdom of Saudi Arabia has instituted policies to encourage minerals exploration and development, and KEFI Minerals supports this priority by serving as the technical partner within G&M. ARTAR also serves this government policy as the major partner in G&M, which is one of the early movers in the modern resurgence of the Kingdom's minerals sector.

OPERATIONAL REVIEW

Democratic Republic of Ethiopia
Tulu Kapi gold project, Western Ethiopia

During the year, KEFI made tremendous progress with its Tulu Kapi gold project, including the overhaul of the development and production plan and the receipt of the requisite independent verifications to enable the granting of the Mining Licence in April 2015.

In 2014, KEFI also gained 100% ownership of Tulu Kapi through the acquisition, from Nyota Minerals Limited (the previous owner of the asset), of the remaining 25% of the issued share capital of KME, which holds the Tulu Kapi licence. The acquisition was for a consideration of £1.5 million comprised of £0.75 million in cash and the issue of 50 million new ordinary shares in KEFI. The acquisition provided KEFI with full control over project development and funding flexibility, which enabled the Company to implement the actions required to make Tulu Kapi an economically viable project.

KEFI has continued to significantly advance the project in 2015. The DFS is nearing completion and a substantial reduction in the previously estimated capital and operating expenditure has been achieved. A reduction in the processing rate to 1.2 Mtpa has significantly reduced the anticipated capital expenditure, increased the head grade of gold-bearing ore and improved estimated project returns.

In February 2015, better delineation of individual ore lodes provided the basis for increasing Tulu Kapi's Indicated Resource by 45% to 18.8 Mt at 2.67 g/t gold, containing 1.62 Moz. This was followed, in April 2015, with an updated Probable Ore Reserve estimate that included a high-grade portion of 12.0 Mt at 2.52 g/t gold, containing 0.98 Moz. This estimate reflects KEFI's envisaged semi-selective mining strategy that will utilise an elevated cut-off grade of 0.90 g/t gold to provide the ore for processing over the first ten years of the project production schedule in the DFS.

KEFI has been focused on achieving robust and financeable project economics in the context of current gold prices and capital markets. Key preliminary outcomes include:

- Anticipated capital expenditure required for Tulu Kapi reduced by more than 50% (compared with initial estimates) to $120 million
- Total gold production increased to approximately 960,000 oz over 13 years
- All-in Costs (including operating, capital and closure) have been reduced to $906/oz including the initial investment and $783/oz excluding the initial investment, much lower than industry averages
- After-tax NPV of $112 million assuming an 8% discount rate and gold price of $1,250/ounce

In April 2015, the Tulu Kapi Mining Agreement ("MA") between the Ethiopian Government and KEFI was formalised. Under the MA, the Company was granted a Mining Licence valid for a period of 20 years, along with all major permits for the development and operation of the Tulu Kapi mine.

In order to begin development of this high-value and low-capex asset, KEFI has been systematically progressing negotiations with project financiers. The targeted funding mix is for up to approximately $100 million senior-secured finance and the remainder from financing arrangements with project contractors and/or equity from investment institutions at the project or parent level. Contractors and financiers have been short-listed.

KEFI is working towards finalising, in Q3 2015, the full funding required for project development. This would enable construction to commence in late 2015, plant commissioning in late 2016 and gold production in 2017 as previously outlined.

Kingdom of Saudi Arabia
Jibal Qutman project, Saudi Arabia

At Jibal Qutman in Saudi Arabia, exploration and evaluation of several gold deposits progressed well over the course of 2014, with Mineral Resources totalling more than 730,000 oz of gold being identified (May 2015).

KEFI completed a PFS in 2014, which demonstrated a profitable carbon-in-leach ("CIL") operation, and subsequent drilling identified additional oxide gold mineralisation that is amenable to heap leach ("HL") processing. KEFI is continuing to explore Jibal Qutman with the aim of increasing oxide gold Mineral Resources from the current 287,000 oz. Preliminary pit shells at a price of $1,250/oz Au have been designed on the oxide resource indicating a potential open cut mineable resource of 6.6 Mt at 0.95 g/t Au for 201,600 oz Au.

The development of an open-pit, heap-leach gold operation is now being evaluated for a low-capex start-up that can be expanded in modular stages as further mineralisation is delineated. An internal preliminary assessment using 69% gold recovery and local costs suggests an operating cash cost of $597/oz on a 1.5 Mtpa heap leach mine.

Hawiah project, Saudi Arabia

In December 2014, the Company received confirmation that the 95km^2 Hawiah EL had been granted to ARTAR, KEFI's partner, on behalf of the KEFI-operated G&M joint venture company. Exploration work commenced with initial focus on a large VHMS target. VHMS deposits are closely associated with submarine volcanic rocks and are major sources of Gold, Copper, Zinc, Lead and Silver. Testing will begin on a 4km-long gold mineralised gossan (surface-exposed iron-rich oxidized portion of the VHMS mineralisation).

Post-period end, KEFI reported the results of a self-potential geophysical survey that was carried out over the southern half of the 6km-long gold mineralised system exposed at the surface (outcropping gossan structure), which identified an intense anomaly that suggests the possibility of a large metal-bearing body at depth.

OUTLOOK

The Company's focus is on completing the DFS for Tulu Kapi during Q2 2015, and, at the same time, securing the planned project financing to enable construction to commence in late 2015. As such, the milestones for Tulu Kapi for the remainder of 2015 are expected to include the following:

- Independently updated Definitive Feasibility Study for banking purposes
- Formalisation of bank syndicate, agreement of final terms for project finance
- Full development funding and commencement of construction

At Jibal Qutman, the results of recent exploration indicate the economic merit of development and, therefore, the Company intends to commence an updated Preliminary Feasibility Study on the heap leach mine in Q3 2015, which it expects to complete in mid-2016. This will coincide with the commencement of the processes for submitting a Mining Licence Application.

As a result, KEFI is on schedule for commencing development in 2015, commissioning in 2016 and production in 2017 at Tulu Kapi. This is expected to be complemented by progress at Jibal Qutman in Saudi Arabia, in particular, as well as at KEFI's other exploration targets. Consequently, the Board remains confident of delivering value to shareholders.

Consolidated statement of comprehensive income

Year ended 31 December

(All amounts in GBP thousands unless otherwise stated)

	Notes	2014	2013
Revenue		**-**	-
Exploration costs		**(100)**	(148)
Gross loss		**(100)**	(148)
Administrative expenses		**(2,089)**	(779)
Share-based payments	17	**(335)**	(286)
Share of loss from jointly controlled entity	19	**(982)**	(1,228)
Change in value of available-for-sale financial assets	14	**6**	2
Operating loss	6	**(3,500)**	(2,439)
Interest income		**-**	4
Foreign exchange loss		**(50)**	(158)
Finance costs	8	**(413)**	-
Loss before tax		**(3,963)**	(2,593)
Tax	9	**-**	-
Loss for the year		**(3,963)**	(2,593)
Loss attributable to:			
-Owners of the parent		**(3,848)**	(2,593)
-Non-controlling interest		**(115)**	-
Loss for the period		**(3,963)**	(2,593)
Other comprehensive income:			
Exchange differences on translating foreign operations		**70**	(7)
Total comprehensive loss for the year		**(3,893)**	(2,600)
Total Comprehensive Income attributable to:			
-Owners of the parent		**(3.778)**	(2,600)
-Non-controlling interest		**(115)**	-
		(3,893)	(2,600)
Basic and fully diluted loss per share (pence)	10	**(0.40)**	(0.53)

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 GBP3.2 million (2013: GBP2.5 million) has been included in the financial statements of the parent company.

The notes are an integral part of these consolidated financial statements.

Statements of financial position

31 December

(All amounts in GBP thousands unless otherwise stated)

	Notes	The Group 2014	The Company 2014	The Group 2013	The Company 2013
ASSETS					
Non-current assets					
Property, plant and equipment	11	**160**	**2**	252	-
Intangible assets	12	**9,139**	**976**	6,900	-
Fixed asset investments	13.1	**-**	**4,598**	-	3,097
Investments in jointly controlled entities	13.2	**-**	**181**	-	181
		9,299	**5,757**	7,152	3,278
Current assets					
Available for sale financial assets	14	**86**	**8**	80	12
Trade and other receivables	15	**335**	**3,076**	655	594
Cash and cash equivalents	16	**640**	**607**	3,279	3,231
		1,061	**3,691**	4,014	3,837
Total assets		**10,360**	**9,448**	11,166	7,115
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	**12,352**	**12,352**	8,535	8,535
Share premium	17	**8,433**	**8,433**	7,660	7,660
Share options reserve	18	**848**	**848**	794	794
Foreign exchange reserve		**(86)**	**-**	(156)	-
Accumulated losses		**(14,389)**	**(13,117)**	(10,062)	(10,006)
		7,158	**8,516**	6,771	6,983
Non-controlling interest	13.1	**-**	**-**	1,032	-
Total equity		**7,158**	**8,516**	7,803	6,983
Current liabilities					
Trade and other payables	20	**3,202**	**932**	3,363	132
		3,202	**932**	3,363	132
Total liabilities		**3,202**	**932**	3,363	132
Total equity and liabilities		**10,360**	**9,448**	11,166	7,115

The notes are an integral part of these consolidated financial statements.

On 19 May 2015, the Board of Directors of KEFI Minerals Plc authorised these financial statements for issue.

Harry Anagnostaras-Adams
Executive Director

Company number: 05976748

Consolidated statement of changes in equity

Year ended 31 December 2014

(All amounts in GBP thousands unless otherwise stated)

	Share capital	Share premium	Share options reserve	Foreign exchange reserve	Accumulated losses	Non-controlling interest	Total
	Attributable to the owners of the Company						
At 1 January 2013	4,712	4,439	541	(149)	(7,502)	-	2,041
Loss for the year	-	-	-	-	(2,593)	-	(2,593)
Other comprehensive income	-	-	-	(7)	-	-	(7)
Total Comprehensive Income	-	-	-	(7)	(2,593)	-	(2,600)
Recognition of share based payments	-	-	286	-	-	-	286
Exercise of options/warrants	-	-	(4)	-	4	-	-
Forfeit of options/warrants	-	-	(29)	-	29	-	-
Issue of share capital	3,823	3,739	-	-	-	-	7,562
Share issue costs	-	(518)	-	-	-	-	(518)
Acquisition of subsidiary with non-controlling interest	-	-	-	-	-	1,032	1,032
At 31 December 2013	**8,535**	**7,660**	**794**	**(156)**	**(10,062)**	**1,032**	**7,803**
Loss for the year	**-**	**-**	**-**	**-**	**(3,848)**	**(115)**	**(3,963)**
Other comprehensive income	**-**	**-**	**-**	**70**	**-**	**-**	**70**
Total Comprehensive Income	**-**	**-**	**-**	**70**	**(3,848)**	**(115)**	**(3,893)**
Recognition of share based payments	**-**	**-**	**335**	**-**	**-**	**-**	**335**
Cancellation of options	**-**	**-**	**(281)**	**-**	**281**	**-**	**-**
Issue of share capital	**3,817**	**958**	**-**	**-**	**-**	**-**	**4,775**
Share issue costs	**-**	**(185)**	**-**	**-**	**(177)**	**-**	**(362)**
Transactions with owners of the Company	**12,352**	**8,433**	**848**	**(86)**	**(13,806)**	**917**	**8,658**
Acquisition of non-controlling interest	**-**	**-**	**-**	**-**	**(583)**	**(917)**	**(1,500)**
At 31 December 2014	**12,352**	**8,433**	**848**	**(86)**	**(14,389)**	**-**	**7,158**

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
Foreign exchange reserve	cumulative foreign exchange net gains and losses recognized on consolidation
Accumulated losses	cumulative net gains and losses recognized in the statement of comprehensive income, excluding foreign exchange gains within other comprehensive income
Non-controlling interest (NCI)	the portion of equity ownership in a subsidiary not attributable to the parent company

The notes are an integral part of these consolidated financial statements.

Company statement of changes in equity

Year ended 31 December 2014

(All amounts in GBP thousands unless otherwise stated)

	Share capital	Share premium	Share options reserve	Accumulated losses	Total
At 1 January 2013	4,712	4,439	541	(7,563)	2,129
Comprehensive loss for the year		-	-	(2,476)	(2,476)
Recognition of share based payments	-	-	286	-	286
Exercise of options	-	-	(4)	4	-
Forfeit of options	-	-	(29)	29	-
Issue of share capital	3,823	3,739	-	-	7,562
Share issue costs	-	(518)	-	-	(518)
At 31 December 2013	**8,535**	**7,660**	**794**	**(10,006)**	**6,983**
Comprehensive loss for the year	**-**	**-**	**-**	**(3,215)**	**(3,215)**
Recognition of share based payments	**-**	**-**	**335**	**-**	**335**
Cancellation of options	**-**	**-**	**(281)**	**281**	**-**
Issue of share capital	**3,817**	**958**	**-**	**-**	**4,775**
Share issue costs	**-**	**(185)**	**-**	**(177)**	**(362)**
At 31 December 2014	**12,352**	**8,433**	**848**	**(13,117)**	**8,516**

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 recognized in the statement of comprehensive income

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Year ended 31 December 2014

(All amounts in GBP thousands unless otherwise stated)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(3,963)**	(2,593)
Adjustments for:			
Depreciation of property, plant and equipment	11	**118**	-
Net gain on available for sale financial assets	14	**(6)**	(2)
Share based payments	18	**269**	195
Issue of warrants	17	**66**	91
Share of loss from jointly controlled entity	19	**982**	1,228
Exchange differences on borrowings		**-**	18
Exchange difference		**2**	158
		(2,532)	(905)
Changes in working capital:			
Trade and other receivables		**320**	(352)
Trade and other payables		**(207)**	(163)
Net cash used in operating activities		**(2,419)**	(1,420)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired.	13.1	**-**	(1,083)
Acquisition of non-controlling interest	13.1	**(750)**	-
Repayments from jointly controlled entity		**-**	176
Deferred exploration costs		**(1,263)**	-
Project evaluation costs		**(976)**	-
Acquisition of property plant and equipment		**(26)**	-
Advances to jointly controlled entity		**(868)**	(1053)
Net cash used in investing activities		**(3,883)**	(1,960)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**4,025**	5,253
Issue costs	17	**(362)**	(518)
Net cash from financing activities		**3,663**	4,735
Net (decrease)/increase in cash and cash equivalents		**(2,639)**	1,355
Cash and cash equivalents:			
At beginning of the year	16	**3,279**	1,924
At end of the year	16	**640**	3,279

The notes are an integral part of these consolidated financial statements.

Non-cash transactions

On 30 December 2013, the Company issued 107,081,158 shares of GBP0.01 at a price of GBP0.0185 per share as part of the consideration to acquire 75% of the share capital of KEFI Minerals (Ethiopia) Limited (note13.1).

On 5 September 2014, the Company issued 50,000,000 shares at GPB0.01 at a price of GBP0.015 per share as part of the consideration to acquire the 25% minority in its subsidiary KEFI Minerals (Ethiopia) Limited (note13.1).

Company statement of cash flows

Year ended 31 December 2014

(All amounts in GBP thousands unless otherwise stated)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(3,215)**	(2,476)
Adjustments for:			
Net loss/(gain) available for sale financial assets	14	**4**	(2)
Share based payments	18	**269**	195
Issue of warrants	17	**66**	91
Impairment of loan to subsidiary		**45**	70
Impairment of amount receivable from jointly controlled entity		**1,020**	927
Exchange differences on borrowings		**-**	43
Exchange difference		**(152)**	-
		(1,963)	(1,152)
Changes in working capital:			
Trade and other receivables		**510**	(142)
Trade and other payables		**614**	(90)
Net cash used in operating activities		**(839)**	(1,384)
CASH FLOW FROM INVESTING ACTIVITIES			
Repayment from jointly controlled entity		**-**	176
Acquisition of property plant and equipment		**(2)**	-
Project evaluation costs		**(976)**	-
Advances to jointly controlled entity		**(868)**	(1,053)
Acquisition of subsidiary, net of cash acquired		**-**	(1,083)
Acquisition of minority interest		**(750)**	-
Loan to subsidiary		**(2,852)**	(70)
Net cash used in investing activities		**(5,448)**	(2,030)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**4,025**	5,253
Issue costs	17	**(362)**	(518)
Net cash from financing activities		**3,663**	4,735
Net (decrease)/increase in cash and cash equivalents		**(2,624)**	1,321
Cash and cash equivalents:			
At beginning of the year	16	**3,231**	1,910
At end of the year	16	**607**	3,231

The notes are an integral part of these consolidated financial statements.

Non-cash transactions

See Consolidated Cash Flow Statement

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 2014. 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 for the Company 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 in which case they are recorded at the actual rate. 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.

2. Accounting policies (continued)

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	25%
Motor vehicles	25%
Plant and equipment	25%

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. 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 jointly controlled entities

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 jointly controlled entities 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. Tax is payable in the relevant jurisdiction at the rates described in note 8.

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. The amount of deferred tax is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates that have been enacted or substantively enacted at the reporting date.

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.

2. Accounting policies (continued)

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, until the point at which development of a mineral deposit is considered economically viable.

Once the Board decides on the development of a project, development expenditure will be capitalized as incurred and amortized 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.

The directors consider that the stage of development of its Licence areas in Saudi Arabia has not yet met its criteria for capitalization. Capitalized development costs for the Group's project in Ethiopia have been recognized on acquisition, and will continue to be capitalised since this date, in accordance with IFRS 6.

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 capitalized 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. Capitalized development expenditure will be amortized from the date at which production commences on a unit of production basis over the lifetime of the ore reserves for the area to which the costs relate.

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, including consideration of the effects of non-transferability, exercise restrictions and behavioural considerations.

Financial instruments

<u>Financial assets at amortized cost</u>

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 amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

<u>Financial assets at fair value through profit or loss</u>

Financial assets at fair value through profit or loss include available for sale financial assets. 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 recognized in profit or loss.

<u>Financial liabilities - equity</u>

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 derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

<u>Cash and cash equivalents</u>

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.

(All amounts in GBP thousands unless otherwise stated)

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:

	2014	2013
Variable rate instruments		
Financial assets	**640**	3,291

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2014 would have increased 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 no impact on profit and other equity.

	Equity 2014	**Profit or Loss 2014**	Equity 2013	Profit or Loss 2013
Variable rate instruments				
Financial assets	**6**	**6**	35	35

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 functional currency of the entity.

The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, Turkish Lira, US Dollar, Ethiopia ETB 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 2014	**Assets 2014**	Liabilities 2013	Assets 2013
Euro	**16**	**4**	17	3
Turkish Lira	**1**	**49**	2	59
US Dollar	**-**	**106**	-	75
Saudi Arabian Riyal	**156**	**134**	58	-
Ethiopia ETB	**2,023**	**204**	3,212	190

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2014 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.

(All amounts in GBP thousands unless otherwise stated)

3. Financial risk management (continued)

	Equity 2014	Profit or Loss 2014	Equity 2013	Profit or Loss 2013
Euro	**1**	**1**	1	1
Turkish Lira	**(5)**	**(5)**	(6)	(6)
US Dollar	**(11)**	**(11)**	(8)	(8)
Saudi Arabian Riyal	**2**	**2**	6	6
Ethiopia ETB	**182**	**182**	302	302

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 Group's contractual cash flows for its financial liabilities are all due within 3 months or less. In January 2014 agreement was made with the Ethiopian tax authorities to pay the VAT over a period of three years (principal and interest).

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 GBP640,000 (2013: GBP3,279,000) and equity attributable to equity holders of the parent, comprising issued capital of GBP12,352,000 (2013: GBP8,535,000), reserves of GBP9,195,000, (2013: GBP8,298,000) and accumulated losses of GBP14,389,000 (2013: GBP10,062,000). 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	
	2014	2013	**2014**	2013
Financial assets				
Cash and cash equivalents (Note 16)	**640**	3,279	**640**	3,279
Available for sale financial assets (Note 14)	**86**	80	**86**	80
Trade and other receivables (Note 15)	**335**	655	**335**	655
Financial liabilities				
Trade payables (Note 20)	**3,202**	3,363	**3,202**	3,363

Available for sale financial assets are classified as Level 1 within the fair value hierarchy, except for Ethiopian Government bonds, which are classified as Level 2. Level 1 items are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 items are derived from inputs other than quoted prices included within Level 1 that are observable for the assets either directly or indirectly.

Other financial assets and liabilities are short term and their carrying value is considered to approximate to their fair value.

3. Financial risk management (continued)

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.

4. 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.

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.

Significant estimates include:

Fair value of acquisitions

The 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. Fair value estimates are required. In calculating the fair value estimates of net identifiable net assets on acquisition significant judgements and estimates are required.

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.

(All amounts in GBP thousands unless otherwise stated)

5. 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), Ethiopia and its administration and management is based in Cyprus.

	Cyprus	Turkey	Bulgaria	Ethiopia	Total
2014					
Operating loss	**(2,347)**	**(51)**	**(4)**	**(116)**	**(2,518)**
Foreign exchange profit/(loss)	**152**	**(11)**	**(30)**	**(161)**	**(50)**
Interest	**-**	**-**	**-**	**(413)**	**(413)**
	(2,195)	**(62)**	**(34)**	**(690)**	**(2,981)**
Share of loss from jointly controlled entity					**(982)**
Loss before tax					**(3,963)**
Tax					**-**
Loss for the year					**(3,963)**
Total assets	**1,784**	**48**	**4**	**8,524**	**10,360**
Total liabilities	**933**	**1**	**16**	**2,252**	**3,202**
Depreciation of property, plant and equipment	**-**	**-**	**-**	**118**	**118**

	Cyprus	Turkey	Bulgaria	Ethiopia	Total
2013					
Operating loss	(1,147)	(60)	(4)	-	(1,211)
Foreign exchange profit/(loss)	(171)	10	3	-	(158)
Interest	4	-	-	-	
	(1,314)	(50)	(1)	-	(1,365)
Share of loss from jointly controlled entity					(1,228)
Loss before tax					(2,593)
Tax					-
Loss for the year					(2,593)
Total assets	3,761	61	4	7,340	11,166
Total liabilities	132	4	15	3,212	3,363
Depreciation of property, plant and equipment	-	-	-	-	-

(All amounts in GBP thousands unless otherwise stated)

6. Expenses by nature

		2014	2013
Acquisition costs		**102**	260
Exploration costs		**100**	148
Staff costs (Note 7)		**367**	24
Depreciation of property, plant and equipment (Note 11)		**118**	-
Warrants issue costs (Note 17)		**66**	91
Share based benefits to employees (Note 17)		**69**	72
Share of losses from jointly controlled entity (Note 5)		**982**	1,228
Change in value of available-for-sale financial assets (Note 14)		**(6)**	(2)
Directors' fees and other benefits (Note 21.1)		**915**	400
Consultants' costs		**584**	36
Auditors' remuneration	- audit current year	**56**	46
	- audit previous year	**-**	-
	- other	**-**	-
Other expenses		**147**	136
Operating loss		**3,500**	2,439

The Group's stages of operations in Saudi Arabia 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. Direct development costs have been capitalized for the operations in Ethiopia.

7. Staff costs

	2014	2013
Salaries	**337**	21
Social insurance costs and other funds	**30**	3
	367	24
Average number of full time equivalent employees	**44**	1

Directors' remuneration is disclosed in note 21.1

8. Finance costs

	2014	2013
Interest paid to Ethiopian Revenue and Customs Authority ("ERCA") – Note 20	**413**	-
	413	-

9. Tax

Loss before tax	**(3,963)**	(2,593)
Tax calculated at the applicable tax rates	**(633)**	(387)
Tax effect of non-deductible expenses	**404**	446
Tax effect of tax losses	**325**	50
Tax effect of items not subject to tax	**(122)**	-
Tax effect of capital allowances	**17**	-
Tax effect of other timing differences	**9**	(109)
Charge for the year	**-**	-

The Company is resident in Cyprus for tax purposes.

A deferred tax asset of GBP1,056,460 (2013: GBP730,709) has not been accounted for due to the uncertainty against future recoverability.

9. Tax (continued)

Cyprus

The corporation tax rate is 12.5%. Under certain conditions interest income may be subject to defence contribution at the rate of 15%. 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 year 2013 and 17% for 2014 and thereafter. 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 2014, the balance of tax losses which is available for offset against future taxable profits amounts to GBP7,203,371 (2013: GBP6,220,480).

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 2014, the balance of tax losses which is available for offset against future taxable profits amounts to GBP171,146 (2013: GBP166,250).

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. Tax losses may be carried forward and be set off against taxable income of the five succeeding years As at 31 December 2014, the balance of exploration costs that is available for offset against future income from mining operations amount to GBP908,198 (2013: GBP871,424).

Ethiopia

KEFI Minerals Ethiopia Limited is subject to other direct and indirect taxes in Ethiopia through its foreign operations. The mining industry in Ethiopia is relatively undeveloped. As a result, tax regulations relating to mining enterprises are evolving. There are transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

During 2013, the House of People's Representatives passed an amendment to the Mining Income Tax Proclamation, subsequent to the end of the Financial Year, reducing income tax from 35% to 25% and had received an initial draft of proposed amendments to the Mining Proclamation, which includes a reduction in royalty on gold production from 8% to 7%.

10. 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:

	2014	2013
Net loss attributable to equity shareholders	**(3,848)**	(2,593)
Average number of ordinary shares for the purposes of basic loss per share (000's)	**952,420**	493,356
Loss per share:		
Basic and fully diluted loss per share (pence)	**(0.40)**	(0.53)

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

(All amounts in GBP thousands unless otherwise stated)

11. Property, plant and equipment

	Motor Vehicles	Plant and equipment	Furniture, fixtures and office equipment	Total
The Group				
Cost				
At 1 January 2013	31	-	11	42
Acquisitions	29	180	42	251
At 31 December 2013 / 1 January 2014	60	180	53	293
Additions	-	18	8	26
At 31 December 2014	60	198	61	319
Accumulated Depreciation				
At 1 January 2013	31	-	10	41
Charge for the year	-	-	-	-
At 31 December 2013 / 1 January 2014	31	-	10	41
Charge for the year	8	73	37	118
At 31 December 2014	39	73	47	159
Net Book Value at 31 December 2014	21	125	14	160
Net Book Value at 31 December 2013	29	180	43	252

The above property, plant and equipment is located in Turkey and Ethiopia.

The Company has no significant property, plant and equipment.

(All amounts in GBP thousands unless otherwise stated)

12. Intangible assets

	Project evaluation costs	Deferred exploration costs	Total
The Group			
Cost			
At 1 January 2013	-	-	-
Additions on acquisition	-	6,900	6,900
At 31 December 2013 / 1 January 2014	**-**	**6,900**	**6,900**
Additions	**976**	**1,263**	**2,239**
At 31 December 2014	**976**	**8,163**	**9,139**
Accumulated Amortisation and Impairment			
At 1 January 2013	-	-	-
Charge for the year	-	-	-
At 31 December 2013 / 1 January 2014	**-**	**-**	**-**
Charge for the year	**-**	-	-
At 31 December 2014	**-**	**-**	**-**
Net Book Value at 31 December 2014	**976**	**8,163**	**9,139**
Net Book Value at 31 December 2013	-	6,900	6,900

Management performed an impairment review for deferred exploration costs, which relate to the Tulu Kapi licence area, at 31 December 2014.The Net Present Value of the Tulu Kapi asset exceeded the net book value at 31 December 2014 significantly.

The impairment review compared the recoverable amount of assets to the carrying value. The recoverable amount of an asset is assessed by reference to the higher of value in use ("VIU"), being the net present value ("NPV") of future cash flows expected to be generated by the assets, and fair value less costs to dispose ("FVLCD"). The FVLCD is based on an estimate of the amount that the Company may obtain in a sale transaction on an arm's length basis.

KEFI Minerals Ethiopia also holds three other mining exploration licences in Ethiopia. The three other licences are Yubdo exploration licence, the Billa Gulisso exploration licence and the Ankore exploration licence.

- The Yubdo exploration licence 7th year extension exploration licence period expired on June 28th 2014. The Ministry of Mines has verbally stated that they are happy to extend the licence period for an additional 2-3 years.

- The Billa Gulisso exploration licence ground is in its 7th year extension exploration licence period, that expires in December 2015. The Company has not received an official extension letter for the 7th Year Extension from the Ministry .The Company has submitted the 7th year extension work program and 6th year work activities annual report to the Ministry of Mines.

- Ankore exploration licence: KEFI submitted a new exploration program in 2014 and a year end report in November 2014 recommending the area to be part of Tulu-Kapi mine infrastructure area.

Project evaluation costs relating to work performed in assessing the economic feasibility of the Tulu Kapi project have been capitalized by the Company.

(All amounts in GBP thousands unless otherwise stated)

13. Investments

13.1 Fixed asset investments

The Company	2014	2013
Cost		
At 1 January	**3,097**	1
Acquisitions	**1,501**	3,096
At 31 December	**4,598**	3,097
Provision for impairment		
At 1 January	**-**	-
Reversal of impairment	**-**	-
At 31 December	**-**	-
Net Book Value	**4,598**	3,097

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
KEFI Minerals Ethiopia Limited	30/12/2013	United Kingdom	100%-Direct
KEFI Minerals Marketing and Sales Cyprus Limited	30/12/2014	Cyprus	100%-Direct

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.

The Company acquired 75% of KME of 30 December 2013. The Company required the remaining 25% of KME on 5 September 2014 for a purchase price of £1.5 million, of which £750 thousand was cash, with the remainder in new ordinary shares.

On 30 December 2014, the company entered into an agreement to acquire the whole of the issued share capital of KEFI Minerals Marketing and Sales Cyprus, a company incorporated in Cyprus. The company was dormant for the year end 31 December 2014. KEFI Minerals Marketing and Sales Cyprus had no assets or liabilities at the date of acquisition. No additional disclosure is considered necessary, as the entity is not significant to the financial statements. KEFI Minerals Marketing and Sales Cyprus will provide sales and marketing services for the Group once production commences. It is planned that this company will act as agent and off-taker for the onward sale of gold and other products in international markets.

(All amounts in GBP thousands unless otherwise stated)

Acquired 25% of KEFI Minerals Ethiopia Limited (KME)

In September 2014 the Company acquired the remaining 25% interest in KEFI Minerals Ethiopia Limited for GBP750,000 cash and 50,000,000 new Ordinary shares at 1.5p per share that had a market value of GBP 0.75 million increasing KEFI's ownership from 75% to 100%.

The company recognized a decrease in non-controlling interest

Non-Controlling Interest recognized at 1 January 2014	1,032
Non-Controlling Interest share of loss to 5 September 2014	(115)
Non-Controlling Interest accumulated share of other comprehensive income	-
Non-Controlling Interest September 2014	917
Cash consideration paid	750
Fair Value of Shares Issued	750
Less amount debited to Non-Controlling Interest	(917)
Amount to be debited to Company's equity	583

13.2 Investment in jointly controlled entity

	2014	2013
The Group		
At 1 January	-	67
Retranslation of investment	-	-
	-	67
Less share of loss of jointly controlled entity	-	(67)
At 31 December	-	-
The Company		
At 1 January/31 December	**181**	181

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

(All amounts in GBP thousands unless otherwise stated)

14. Available for sale financial assets

	2014	2013
The Group		
On 1 January	**80**	10
Acquisition of subsidiary	**-**	68
Change in value of available-for-sale financial assets	**6**	2
On 31 December	**86**	80

The acquisition in 2013 relates to five-year Ethiopian government bonds with a fixed interest rate of 6% per annum.

	2014	2013
The Company		
On 1 January	**12**	10
Change in value of available-for-sale financial assets	**(4)**	2
On 31 December	**8**	12

The Company successfully divested four Licences in Turkey 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 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, due to uncertainty regarding when income from the NSRs will commence.

15. Trade and other receivables

	2014	2013
The Group		
Other receivables	**43**	6
Placing funds	**130**	328
Loan to Director (Note 21.2)	**20**	-
Loan Facility Nyota Minerals Limited Note 21.4)	**-**	174
Amount receivable from Saudi Arabia Jointly controlled entity (Note 21.4)	**32**	73
VAT	**96**	41
Deposits and prepayments	**14**	33
	335	655

The Company raised GBP1,000,000 on 16 December 2014 but an amount of GBP130,000 was paid after the 31 December 2014.

	2014	2013
The Company		
Deposits	**13**	19
Placing Funds	**130**	328
Loan to Director (Note 21.2)	**20**	-
Advance to KEFI Minerals Ethiopia Limited (Note 21.4)	**2,807**	174
Amount receivable from Saudi Arabia Jointly controlled Entity (Note 21.4)	**106**	73
	3,076	594

Amounts owed by group companies total GBP2,807,000 (2013: GBPNIL). Balances of GBP874,000 have been fully provided for all projects except for Ethiopia due to the uncertainty over the timing of future recoverability. The loans issued to the director and the advance issued to KEFI Minerals Ethiopia Limited are unsecured interest free and repayable on demand. At the reporting date, no receivables were past their due date.

16. Cash and cash equivalents

	2014	2013
The Group		
Cash at bank and in hand	**640**	3,279
The Company		
Cash at bank and in hand	**607**	3,231

17. Share capital

	Number of shares '000	Share Capital	Share premium	Total
Issued and fully paid				
At 1 January 2013	471,346	4,712	4,439	9,151
Issued 10 July 2013 at GBP 0.021	27,191	272	299	571
Issued 6 August 2013 at GBP 0.0125	830	8	2	10
Issued 16 October 2013 at GBP 0.0225	22,222	222	278	500
Issued 30 December 2013 at GBP 0.0185	107,081	1,071	910	1,981
Issued 30 December 2013 at GBP 0.02	225,000	2,250	2,250	4,500
Share issue costs	-	-	(518)	(518)
At 31 December 2013	**853,670**	**8,535**	**7,660**	**16,195**
Issued 16 June 2014 at GBP 0.015	**141,667**	**1,417**	**708**	**2,125**
Issued 5 September 14 at GBP 0.015	**50,000**	**500**	**250**	**750**
Issued 2 December 2014 at GBP 0.01	**80,000**	**800**	**-**	**800**
Issued 16 December 2014 at GBP 0.01	**110,000**	**1,100**	**-**	**1,100**
Share issue costs	**-**	**-**	**(185)**	**(185)**
At 31 December 2014	**1,235,337**	**12,352**	**8,433**	**20,785**

Share issue costs of GBP177,000 relating to the 190,000,000 shares issued at par value during 2014 have been charged to equity.

Issued capital

2014

On 16 June 2014, 141,666,668 shares of GBP0.01 were issued at a price of GBP0.015 per share. On issue of the shares, an amount of GBP708,333 was credited to the Company's share premium reserve.

On 5 September 2014, 50,000,000 shares of GBP0.01 were issued at a price of GBP0.015 per share. On issue of the shares, an amount of GBP250,000 was credited to the Company's share premium reserve.

On 2 December 2014, 80,000,000 shares of GBP0.01 were issued at a price of GBP0.010 per share.

On 16 December 2014, 110,000,000 shares of GBP0.01 were issued at a price of GBP0.010 per share.

2013

On 10 July 2013, 27,190,476 shares of GBP 0.01 were issued at a price of GBP 0.021 per share. Upon the issue, an amount of GBP299,095 was credited to the Company's share premium reserve.

On 6 August 2013, 830,000 shares of GBP 0.01 were issued at a price of GBP 0.0125 per share. Upon the issue, an amount of GBP2,075 was credited to the Company's share premium reserve.

On 16 October 2013, 22,222,222 shares of GBP 0.01 were issued at a price of GBP 0.0225 per share. Upon the issue, an amount of GBP277,778 was credited to the Company's share premium reserve.

On 30 December 2013, 107,081,158 shares of GBP 0.01 were issued at a price of GBP 0.0185 per share. Upon the issue, an amount of GBP910,190 was credited to the Company's share premium reserve.

On 30 December 2013, 225,000,000 shares of GBP 0.01 were issued at a price of GBP 0.02 per share. Upon the issue, an amount of GBP2,250,000 was credited to the Company's share premium reserve.

17. Share capital (continued)

Warrants

2014

On 16 June 2014, the Company issued 8,500,000 warrants to subscribe for new ordinary shares of GBP0.01 each at GBP0.015 per share.

On 2 December 2014, the Company issued 4,000,000 warrants to subscribe for new ordinary shares of GBP0.01 each at GBP0.01 per share

On 16 December 2014, the Company issued 5,500,000 warrants to subscribe for new ordinary shares of GBP0.01 each at GBP0.01 per share

2013

On 4 July 2013, the Company issued 1,309,523 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.021 per share.

On 16 October 2013, the Company issued 1,111,111 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.0225 per share.

On 27 December 2013, the Company issued 13,500,000 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.02 per share.

No warrants were cancelled/expired or exercised in the period from 1 January 2014 to 31 December 2014.

Details of warrants outstanding as at 31 December 2014:

Grant date	Expiry date	Exercise price	Number of warrants 000's
22 February 2011	21 February 2016	5.00p	780
20 February 2012	19 February 2017	3.00p	2,917
4 July 2013	3 July 2018	2.10p	1,310
16 October 2013	15 October 2018	2.25p	1,111
27 December 2013	26 December 2016	2.00p	13,500
16 June 2014	15 June 2016	1.50p	8,500
2 December 2014	1 December 2017	1.00p	4,000
16 December 2014	15 December 2017	1.00p	5,500
			37,618

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 2014	19,618
- granted	18,000
	37,618

(All amounts in GBP thousands unless otherwise stated)

17. Share capital (continued)

Warrants (continued)

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

The inputs into the model and the results for warrants granted during the year are as follows:

	16 Dec 14	**2 Dec 14**	**16 Jun 14**
Closing share price at issue date	1.08p	1.08p	1.58p
Exercise price	1.00p	1.00p	1.50p
Expected volatility	48%	48%	50.3%
Expected life	3yrs	3yrs	2yrs
Risk free rate	0.59%	0.59%	0.87%
Expected dividend yield	Nil	Nil	Nil
Discount factor	0%	0%	0%
Estimated fair value	0.32p	0.32p	0.43p

Expected volatility was estimated based on the historical underlying volatility in the price of the Company's shares.

For 2014, the impact of issuing warrants is a net charge to income of GBP66,000 (2013: GBP91,000). At 31 December 2014, the equity reserve recognized for share based payments, including warrants, amounted to GBP848,000 (2013: GBP794,000).

	2014	2013
Opening amount	**794**	541
Warrants issued costs (Note 6)	**66**	91
Share options issued to employees (Note 6)	**69**	72
Share options issued to directors (Note 6)	**200**	123
Exercise of options	**-**	(4)
Cancelled options	**(281)**	(29)
Closing amount	**848**	794

18. Share options reserve

Details of share options outstanding as at 31 December 2014:

Grant date	Expiry date	Exercise price	Number of shares 000's
28-Feb-11	27-Feb-16	7.10p	200
29-Sep-11	28-Sep-16	3.78p	1,000
13-Sep-12	12-Sep-18	4.00p	14,350
27-Mar-13	26-Mar-19	3.43p	100
24-May-13	23-May-19	2.915p	1,000
03-Sep-13	02-Sep-18	2.94p	1,000
08-Oct-13	07-Oct-18	2.27p	350
08-Jan-14	07-Jan-20	1.88p	400
16-Jan-14	15-Jan-20	1.99p	100
01-Feb-14	31-Jan-20	1.89p	100
27-Mar-14	26-Mar-20	2.30p	27,400
04-Apr-14	03-Apr-20	1.83p	100
12-Sep-14	11-Sep-20	1.76p	2,250
			48,350

	Weighted average ex. Price	Number of shares 000's
Outstanding options at 31 December 2014		40,685
- granted	2.25p	30,350
- exercised	-	-
- cancelled/forfeited	3.39p	(22,685)
Outstanding options at 31 December 2014		48,350

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 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.

(All amounts in GBP thousands unless otherwise stated)

18. Share options reserve (continued)

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.

On 27 March 2013, 100,000 options were issued which expire six years after the grant date, and are exercisable at any time within that period. On 24 May 2013 1,000,000 options were issued which expire six years after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date. On 3 September 2013 1,000,000 options were issued and on 8 October 2013, 350,000 options were issued both which expire five after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date

During January 2014 and February 2014 600,000 options were issued which expire six years after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date.

On 27 March 2014, 22,000,000 options were issued to the Directors and a further 5,400,000 options have been granted to other non-board members of the senior management team. Of the options issued, previously granted options over 22,100,000 Ordinary shares which were due to expire during 2014 have all been cancelled and the new grants of options have been made, in accordance with the terms of the Scheme the options vest in equal annual instalments over a period of 2 years and expire after 6 years.

On 4 April 2014 100,000 options were issued which expire six years after the grant date and are exercisable in part no more than one half after one year from the grant date and one half two years from the grant date.

On 12 September 2014, 2,250,000 options were issued which expire six years after grant date and vest in equal annual instalments over a period of two years.

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:

Date	Closing share price at issue date	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividend yield	Discount factor	Estimated fair value
12.Sep.14	1.43p	1.76p	43.40%	6yrs	1.09%	Nil	0%	0.52p
04.Apr.14	1.83p	1.83p	59.60%	6yrs	2.17%	Nil	0%	0.94p
27.Mar.14	1.85p	2.30p	59.60%	6yrs	2.17%	Nil	0%	0.94p
01.Feb.14	1.90p	1.89p	59.60%	6yrs	2.17%	Nil	0%	0.94p
16.Jan.14	1.83p	1.99p	59.60%	6yrs	2.17%	Nil	0%	0.94p
08.Jan.14	1.85p	1.88p	59.60%	6yrs	2.17%	Nil	0%	0.94p
08.Oct.13	2.69p	2.27p	63.83%	5yrs	1.70%	Nil	50%	0.80p
03.Sep.13	2.76p	2.94p	63.63%	5yrs	1.70%	Nil	50%	0.75p
24.May.13	2.19p	2.92p	59.80%	6yrs	5.00%	Nil	0%	1.18p
27.Mar.13	3.43p	3.43p	52.36%	6yrs	5.00%	Nil	0%	1.90p
13.Sep.12	3.63p	4.00p	56.90%	6yrs	5.00%	Nil	0%	2.05p
29.Sep.11	3.78p	3.78p	105.51%	5yrs	5.00%	Nil	0%	2.99p
28.Feb.11	6.40p	7.10p	162.00%	5yrs	5.00%	Nil	0%	5.98p

Expected volatility was estimated based on the historical underlying volatility in the price of the Company’s shares.

18. Share options reserve (continued)

For 2014, the impact of share option-based payments is a net charge to income of GBP269,000 (2013: GBP195,000). At 31 December 2014, the equity reserve recognized for share option-based payments, including warrants, amounted to GBP848,000 (2013: GBP794,000).

19. Jointly controlled entities

19.1 Jointly controlled entity with Centerra Gold (KB) Inc.

On 22 October 2008, the Company entered into a Joint **controlled entity** ("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.

19.2 Joint controlled entity 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%

Amounts relating to the Jointly Controlled Entity	SAR'000 2014	SAR'000 2013	GBP'000 2014	GBP'000 2013
Non-current assets	**768**	1,011	53	63
Current assets	**1,885**	1,473	129	95
	2,653	2,484	182	158
Non-current liabilities	**45,095**	32,021	3,092	2,079
Current liabilities	**916**	1,218	63	71
	46,011	33,239	3,155	2,150
Net liabilities	**(43,358)**	(30,755)	(2,973)	(1,992)
Share capital	**2,500**	2,500	171	165
Accumulated losses	**(45,858)**	(33,275)	(3,144)	(2,157)
	(43,358)	(30,755)	(2,973)	(1,992)
Exchange rates SAR to GBP				
Closing rate			0.1714	0.1617

In May 2009, KEFI Minerals announced the formation of a new minerals exploration jointly controlled entity, 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 jointly controlled entity and has been equity accounted and has reconciled its share in G&M's losses.

The above figures reported in 2014 and 2013 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 Group's accounting policy relating to exploration costs which is to expense costs through profit and loss until the Board decides on the development of a project (Note 2). Consequently, exploration costs of G&M at 31 December 2014 amounting to SAR45.8 million (2013: SAR33.2 million) have been adjusted to bring the figures in line with the Group's accounting policies.

(All amounts in GBP thousands unless otherwise stated)

19. Jointly controlled entities (continued)

19.2 Jointly controlled entity with Centerra Gold (KB) Inc (continued)

A loss of GBP982,000 was recognized by the Group for the year ended 31 December 2014 (2013: GBP1,228,000) representing the Group's share of losses in the year.

As at 31 December 2014 KEFI Minerals owed ARTAR an amount of GBP186,000 (2013: receivable GBPNil) - Note 21.5.

As at 31 December 2014, G&M owed KEFI Minerals an amount of GBP32,000 (2013: GBP73,000) – Note 21.4.

20. Trade and other payables

The Group	2014	2013
Accruals and other payables	**825**	165
Other loans	**229**	-
Payable to shareholders (Note 21.3)	**8**	-
Payable to jointly controlled entity (Note 21.5)	**186**	-
VAT Liability	**1,954**	3,027
Towchester	**-**	171
	3,202	3,363

In January 2014 an agreement was made with Ethiopian Revenue and Customs Authority ("ERCA") to repay the balance of the VAT liability plus interest accruing on the unpaid principal amount over a three-year payment plan in accordance with the relevant tax proclamation, 25% of the assessed outstanding amount is payable immediately and the balance under an agreed payment schedule. This initial payment, of ETB27,111,509 (approximately GBP848,590), equivalent to 25% of the assessed tax amount outstanding, was made in January 2014. The balance of the liability plus interest accruing on the unpaid principal amount will be paid subject to a three-year payment plan formally agreed with ERCA. During the year an amount of ETB49,111,509 (approximately GBP1,529,971), was paid. The total amount to be paid over the next two years is ETB65,342,271 (approximately GBP2,099,013).

Other loans are unsecured, interest free and repayable on demand.

The Company

	2014	2013
Accruals and other payables	**746**	132
Payable to jointly controlled entity (Note 21.4)	**186**	-
	932	132

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

21. Related party transactions

The following transactions were carried out with related parties:

21.1 Compensation of key management personnel

There are no key management personnel other than directors. The total remuneration of key management personnel was as follows:

	2014	2013
Directors' fees *	**444**	243
Directors' other benefits	**164**	34
Bonus	**107**	-
Share option-based benefits to directors (Note 17)	**200**	123
	915	400

* Part of the salary of the Managing Director is paid directly by the jointly-controlled entity G&M.

(All amounts in GBP thousands unless otherwise stated)

21. Related party transactions (continued)

Share-based benefits

The Company has issued share options to directors and key management. All options, except those noted in Note 18, 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.

21.2 Receivable from director

Name	Nature of transactions	Relationship	2014	2013
Ian Rutherford Plimer	Loan to Director	Non-Executive Director	**20**	-

No interest is payable by the director and the loan is repayable in the next 12 months.

21.3 Payable to shareholders

Name	Nature of transactions	Relationship	2014	2013
EMED Mining Public Ltd	Finance	Shareholder	**8**	-

21.4 Receivable from related parties

The Group

Name	Nature of transactions	Relationship	2014	2013
Gold & Minerals Co. Limited	Finance	Jointly controlled entity	**32**	73
Nyota Minerals Limited	Finance	Shareholder	**-**	174
			32	247

The Company

Name	Nature of transactions	Relationship	2014	2013
Gold & Minerals Co. Limited	Finance	Jointly controlled entity	**106**	73
Nyota Minerals Limited	Finance	Shareholder	**-**	174
Kefi Minerals Ethiopia Limited	Advance	Subsidiary	**2,807**	-
			2,913	247

21.5 Payable to related parties

The Group

Name	Nature of transactions	Relationship	2014	2013
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity	**186**	**-**
			186	**-**

The Company

Name	Nature of transactions	Relationship	2014	2013
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Jointly controlled entity	**186**	**-**
			186	**-**

Name	Nature of transactions	Relationship	2014	2013
EMED Mining Public Ltd	Provision of management and other professional services	**Shareholder**	**8**	104

(All amounts in GBP thousands unless otherwise stated)

22. 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 GBP56,500 (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 GBP226,000. 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).

23. Legal Allegation

Allegations were made against a subsidiary of the Company in 2014 by 39 persons in the Oromiya Regional State of Ethiopia, that exploration drilling between 1998 and 2006 had caused damage to land occupied (but not owned) by them, despite rehabilitation having been completed, reported and accepted by the regulatory authorities at that time. They allege damage of BIRR249,589,430 (approximately GBP8million). The allegations were dismissed in March 2014 but they have directed the allegations to another arm of the judiciary. Having sought legal advice on this matter, the Group is of the opinion that the allegations have no merit and that it is not appropriate to recognise any contingent liability. The Group's lawyers believe that the allegations are spurious and that the chances of the judiciary holding that there exists a bona fide damages case to be heard are remote.

24. Relationship deed

A Relationship Deed between EMED and the Company dated 7 November 2006, lapsed because EMED's shareholding dropped below the 30% of the voting rights in the issued shares of the Company.

EMED had 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 jointly controlled entity established on 28 May 2009 in that country with Abdul Rahman Saad Al-Rashid & Sons Company Limited.

25. Capital commitments

The Group has the following capital or other commitments as at 31 December 2014 (2013 0.8 Million),

(i) Exploration program commitments

	2014	2013
Exploration program commitments payable:		
Within one year	**727**	797
	727	797

26. Events after the reporting date

In March 2015, the Company raised £800,000 (before expenses) through its broker Brandon Hill Capital Ltd ("Brandon Hill"), principally from existing institutional shareholders, by the issue of 80 million ordinary shares in the Company at 1p per share. The purpose of the placing was to provide the Company with general working capital until proceeds from the Third Placing have been received

27. Events after the reporting date (continued)

On 18 March 2015 Mr Harry Anagnostaras-Adams, purchased 23,000,000 ordinary shares of 1p each at a price of 1p per share.

On 23 March 2015, 17,000,000 options were issued to the Directors and a further 10,000,000 options have been granted to other non-board members of the senior management team.

On 13 April 2015 the Company signed the Mining Agreement ("MA") with the Ministry of Mines of the Democratic Republic of Ethiopia for the Company's Tulu Kapi project in Ethiopia. The Ethiopian Government is entitled to 7% royalty on the gold mining revenue and 5% free carried interest in the project.

The Company raised GBP666,106 before expenses on 11 May 2015 through a placing of 66,610,600 ordinary shares of 1p each at a price of 1p per share.

As announced on 17 March 2015, the long stop date for the placing with Goldfields was extended to 8 May 2015 to allow Goldfields the time it considered it required for settlement of its £3 million subscription on the terms previously agreed and announced. The directors of Goldfields have re-affirmed their desire to make KEFI their maiden investment, but will now only be in a position to do so should Goldfields successfully close its subscription, which it expects to have completed by 2 June 2015. The Board of KEFI has decided not to extend the arrangement with Goldfields and has proceeded with alternative funding plans. The Company has fully utilised its delegated authority from shareholders to issue further ordinary shares. Hence, in order to reinstate the Company's flexibility regarding the funding of its working capital and other ongoing requirements, the Company will seek authority from shareholders to issue shares for cash on a non-pre-emptive basis at the Annual General Meeting.

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

During the current year the Group 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 2014. This adoption did not have a material effect on the accounting policies of the Group. 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 an impact on the financial statements of the Group other than the following:

(i) Standards and Interpretations not adopted by the EU

New standards

IFRS 9 "Financial Instruments (no stated effective date).IFRS9 makes substantial changes to the recognition and measurement of financial assets and financial liabilities and the derecognition of financial assets. There will only be three categories of financial assets at either fair value through profit and loss, fair value through comprehensive income or measured at amortized cost. On adoption of the standard the Group will have to re-determine the classification of its financial assets based on the business model for each financial asset. This is not considered likely to give rise to any significant adjustments.

Financial liabilities of the Group are expected to continue to be recognized at amortized cost.