KEFI Minerals

EMERGING GOLD MINER

"KEFI Minerals is an emerging gold miner in the Arabian-Nubian Shield that made tremendous progress during 2013"

CONTENTS

Chairman's Report

KEFI Minerals made tremendous progress throughout 2013 and has been transformed from an exploration company to an emerging gold miner. Strategically, the Company's focus is clearly placed on opportunities in the Arabian-Nubian Shield ("ANS").

The Company was already making significant progress in the Kingdom of Saudi Arabia and then a transformational opportunity was seized through the December 2013 acquisition of the Tulu Kapi project in Ethiopia. KEFI Minerals finished the year with Mineral Resources totalling 1.7 million attributable ounces of gold in Ethiopia and Saudi Arabia. KEFI Minerals acquired 75% of the advanced Tulu Kapi project in Ethiopia at a very attractive price for a project at the Definitive Feasibility Study ("DFS") stage and Ore Reserves of 1.0 million ounces. This exciting project is being progressed towards potentially committing to development by the end of 2014 and construction starting in 2015.

In Saudi Arabia, the 40%-owned Jibal Qutman Project was rapidly advanced to the stage of completing a Pre-Feasibility Study ("PFS"). An initial resource was estimated for Jibal Qutman in May 2013 and this has now increased to a Mineral Resource totalling 0.5 million ounces.

These assets provide KEFI Minerals with a healthy platform that envisages gold production commencing in 2016, progressing to a production-rate of ~80,000 ounces per year in 2017 and surrounded by exciting potential for growth through exploration.

Strategy

Our aim has always been to deliver shareholder value by developing into profitable mines the gold and base metal deposits that the Company discovers or acquires in a cost-effective manner.

Since being formed in 2006, KEFI Minerals has evaluated scores of acquisition opportunities and exploration targets in various countries around the Mediterranean, Middle East and Africa.

The highly prospective Arabian-Nubian Shield is one of the largest under-explored mineral provinces in the world. The ANS has been the Company's primary focus since 2008 when it commenced exploration activities in the Kingdom of Saudi Arabia.

KEFI Minerals is now firmly focused on establishing a profitable mining house with emphasis on gold and copper in the underexplored ANS using modern technology and an experienced team which is being expanded with our growth.

The transformation of KEFI Minerals during 2013 is the result of persistent effort since the Company was formed in December 2006. Our team has been steadily implementing our strategy by rapidly evaluating exploration properties and potential acquisitions. The process of "kissing frogs to find a prince" can be tiresome and frustrating, but I believe we can now see the merit of the team's tenacity and discipline.

Transformative Acquisition - Tulu Kapi

Our prudent approach is demonstrated by the cost-effective acquisition of the Tulu Kapi project. Sentiment towards the gold sector was very poor at that time following the gold price decline from approximately $1,700 to $1,200 per ounce over the course of 2013.

The GBP 4.5 million cost of acquiring 75% of this advanced project equates to only $10 per reserve ounce and includes the information collected from historical expenditure of more than $50 million. We have taken a conservative approach to our financial reporting of the acquisition until we have gathered all the necessary information to determine the true fair value of this acquisition, which we will do by the end of 2014 upon completion of the revised DFS. The Tulu Kapi deposit and nearby area has multi-million ounce potential. The Mineral Resource has been increased from 1.9 to 2.05 million ounces of contained gold at a higher grade of 2.64g/t gold with 90% now in the Indicated category.

Our discussions with the Ethiopian government have been very positive and we welcome its constructive and careful pro-development attitude that encourages us to bring Tulu Kapi into production as rapidly as we prudently can whilst ensuring compliance with all relevant quality standards.

We are taking a different approach to developing Tulu Kapi than the previous owner. The planned size of the processing plant has been reduced to a targeted 1.2 million tonnes per annum ("Mtpa") which would bring the following advantages:

- To reduce capital expenditure by 50%;
- To increase mined head grade of gold-bearing ore; and
- To increase finance-ability by reducing investment risk and increasing project returns.

We are aiming for initial open-pit mine coming on stream in 2016 which will provide robust cash flows by producing gold at a targeted All-in Costs (including operating, capital and closure) of circa $700 per ounce. Optimisation studies are in progress which include consideration of the most profitable level of production output and the trade-off between minimising operating costs versus minimising capital expenditure. This work will be incorporated into a revised DFS that is planned to be published by the end of 2014. There is very good potential to develop an open-pit mine with a minimum 10-year life that is followed by an underground mine. There is also potential for expanding the open pit under higher gold price scenarios and for discovering satellite deposits.

Our team already has hands-on expertise from exploration through mining to finance. We are very aware of the tasks and challenges ahead to achieve our objectives and will progressively add people with the appropriate skills to complement the Company's experienced board and management. We have already added highly-qualified Ethiopian and Saudi personnel to our multi-cultural team which integrates local expertise with international experience.

Outlook

KEFI Minerals is now positioned as the operator of two gold development projects as well as the cost-effective explorer of its portfolio in the highly prospective Arabian-Nubian Shield.

Our lower risk, higher return approach to developing Tulu Kapi is very appropriate in the "new reality" for the gold sector.

It is disappointing that, after all our work since the admission to the London Stock Exchange (AIM) in December 2006, the Company's shares have at this point in time merely tracked the major global gold share indices. Nevertheless, the Board is confident of our strategy and asset base and that we have the appropriate mix of technical and financial expertise to prudently progress our projects into profitable gold mines with the aim of maximising and returning value to shareholders via share price appreciation and dividends.

We deeply appreciate the strong support of our shareholders, communities and other key stakeholders in supporting KEFI as an early entrant in emerging mining districts and in the context of 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 23 June 2014 in London.

Harry Anagnostaras-Adams

Chairman

Managing Director's Report

The key milestones achieved by KEFI Minerals during 2013 include:

- May 2013 – Maiden Resource for Jibal Qutman of 313,000 ounces;
- November 2013 – Jibal Qutman Resource increased to 480,000 ounces; and
- December 2013 - Acquisition of Tulu Kapi.

Several further milestones have been achieved to date during 2014:

- March 2014 – Jibal Qutman Resource increased to 495,000 ounces and upgraded to 88% being in the Indicated category;
- March 2014 – Tulu Kapi Resource increased to 2.05 million ounces and upgraded to 90% being in the Indicated category; and
- May 2014 – Tulu Kapi production plan updated and expanded.

The Company's focus is to continue this rapid progress by:

1. Moving the Tulu Kapi Project into development during 2015 and into production during 2016;
2. Obtaining a Mining Licence for Jibal Qutman and then a DFS;
3. Cost effectively exploring our portfolio in Ethiopia and Saudi Arabia; and
4. Evaluating further opportunities in the ANS.

Our ability to achieve these objectives flows from having an experienced team which is based in the region and, to the maximum extent possible, based on-site at our projects.

Key Objectives for Ethiopia - Tulu Kapi

Since acquiring Tulu Kapi five months ago, we have been reviewing and interpreting the extensive data already collected as well as trenching and drilling to collect further data.

It has become clear that Tulu Kapi is a multi-million ounce system with JORC-compliant resources increasing to 24.1 million tonnes at 2.64g/t gold, containing 2.05 ounces million ounces (with 90% in the Indicated category). There are also three parallel structures with high-grade gold in surface and drill sampling within 15km trucking distance of the proposed site of the ore processing facility.

Our objectives and work programme for the remainder of 2014 at Tulu Kapi are:

- Complete trenching and RC drilling program to confirm and extend current resource;
- Update resource and reserve estimates;
- Complete a refined DFS;
- Reach in-principle agreement with selected principal project financiers; and
- Re-activate the Mining Licence application suspended by the former project owner.

This work programme is aimed at achieving the target of gold production ramping up during 2016-17.

Key Objectives for Saudi Arabia - Jibal Qutman

Since the Jibal Qutman Exploration Licence was granted in July 2012, KEFI Minerals rapidly advanced this project from grassroots exploration to completion of a PFS, which is required in order to submit a Mining Licence application. However, it is important to note that mineralisation remains open in three of the five adjacent potential open pits included in the mineral resource and drilling is continuing to expand the resources.

Drilling to date has already identified a JORC-compliant resource of 16.7 million tonnes at 0.92g/t gold, containing 495,000 ounces (with 88% in the Indicated category).

In March 2014, the PFS was completed for review with our partner and by the Saudi authorities. Financial modelling has indicated a profitable carbon-in-leach (“CIL”) operation with All-in Costs (including operating, capital and closure) less than $1,000 per ounce.

Jibal Qutman’s work programme for 2014 is summarised below:

- Further drilling aimed at further increasing resources and improving project economics;
- Update the resource estimate and announce initial reserve estimate;
- Submit the Mining Licence application; and
- Initiate a DFS upon approval of the Mining Licence.

This work programme prudently progresses the permitting and evaluation of Jibal Qutman.

Outlook for Project Pipeline

Within our recently enlarged exploration portfolio, we are prioritising drilling targets within the context of the updated business plan, focusing in particular on adding resources for our two development projects.

In Saudi Arabia, drilling results during 2013 allowed assessment of our four granted Exploration Licences (“ELs”), with two being upgraded and two being relinquished in May 2014. We currently await certain ELs to be granted so that we can progress to drilling certain very prospective targets already identified from surface sampling and reconnaissance by KEFI Minerals, as well as historical mine workings in some areas.

In Ethiopia, we are evaluating the potential of ELs near Tulu Kapi and have already commenced trenching and RC drilling on high priority targets.

The recent spurt of rapid progress demonstrates the benefit of the patient and dedicated efforts of our enthusiastic and skilled geological team, led by Exploration Manager Fabio Granitzio.

KEFI Minerals is now operator of two advanced gold development projects, with 1.7 million attributable ounces of JORC-compliant Mineral Resources plus significant resource growth potential.

By 2017, the aggregate estimated annual production from these two projects could exceed 80,000 attributable ounces of gold, generating cash flows for optimisation from shareholders’ long-term viewpoint as between recoupment of development costs, further exploration and expansion and dividends.

I am excited by the opportunity before us and look forward to updating shareholders and our communities on our progress towards these goals.

Jeffrey Rayner

Managing Director

Trenching at Jibal Qutman prospect in Saudi Arabia

Sustainability

KEFI Minerals and its subsidiaries, as responsible and progressive enterprises, honour Corporate Social Responsibility. This requires that organisations consider the interests of society by taking appropriate responsibility for the impact of their activities on employees, communities living around the projects and other stakeholders (including future generations). This course of action is beyond any statutory obligation to comply with legislation and regulations. In other words, it is the moral commitment of businesses to contribute to sustainable economic development by working with employees, their families, the local community and society at large to improve the lives and well-being of all concerned.

KEFI Minerals undertakes substantive voluntary steps and aims to demonstrate to our neighbours in host communities, governments and the wider public that our commitment to pursuing appropriate health, safety and the environment practices. As a company operating away from our home country, we should make sure we earn trust and stay welcome.

With a view to earning and preserving its social licence to operate, KEFI Minerals has the following community relations policy and practices.

KEFI Minerals supports a progressive relationship with local communities, based on recognition of the need for communities to be informed and consulted. Therefore, the Group focuses on effective communication and consultation with Federal, Regional and local authorities and other local institutions. It appreciates that non-government organisations (“NGOs”) and other society groups play an important role and must be consulted. Yet, it is necessary that all parties involved act in good faith and do not assume that they have authority over all aspects in which they simply have an interest in being consulted.

KEFI Mineral’s policy is to respond transparently to stakeholders’ concerns in a responsible manner at all stages from exploration to development and after mine closure. Our firm commitment is the full compliance with international, national and provincial regulations and also to consult relevant communities, scientific bodies and NGO’s. We take every reasonable effort to be the highest-quality neighbour within our communities but do not expect to satisfy every individual party’s wish-list on every topic on every occasion. We are confident that this policy of compliance and consultation will enable our stakeholders to realise the benefits from and to take advantage of the exploration and mining activities undertaken by us.

We seek to maximise positive impacts and minimise negative impacts, with a view to reaching consensus with local communities through a consultative and frank process at an early stage of our projects. But ultimately if the demands of other stakeholders are unreasonable to KEFI Minerals, our overriding responsibility to shareholders may require that we walk away from one project or another. However, we are confident that, with sincere and determined work by all parties all matters of concern which arise can be dealt with properly to maximise benefits sought by communities in employment, services and long-term development as appropriate in the circumstances.

It is important that every member of the team take all reasonable measures at every opportunity to be a good ambassador for KEFI Minerals. We seek to achieve development that provides enormous benefits today, without compromising the ability of future generations to meet their own needs both economically and environmentally.

Ethiopia

The Tulu Kapi gold project in western Ethiopia is being rapidly progressed towards development. A DFS is being refined, focusing on construction of a 1.2Mtpa processing plant with targeted optimised annual gold production of circa 80,000 ounces at All-in Costs (including Operating, Capital and Closure) of ≈ $700 per ounce. The DFS is planned to be completed in late 2014 with construction targeted to commence in 2015.

Tulu Kapi has a Probable Reserve of 1.0 million ounces and JORC-compliant Mineral Resources totalling 2.05 million ounces of gold.

Background

The Tulu Kapi gold deposit was discovered and mined on a small scale by an Italian consortium in the 1930's. Nyota Minerals Limited acquired the licences in 2009 and then undertook extensive exploration and drilling which culminated in an initial DFS in in December 2012 based on a 2Mtpa processing plant and capital expenditure totalling $290 million.

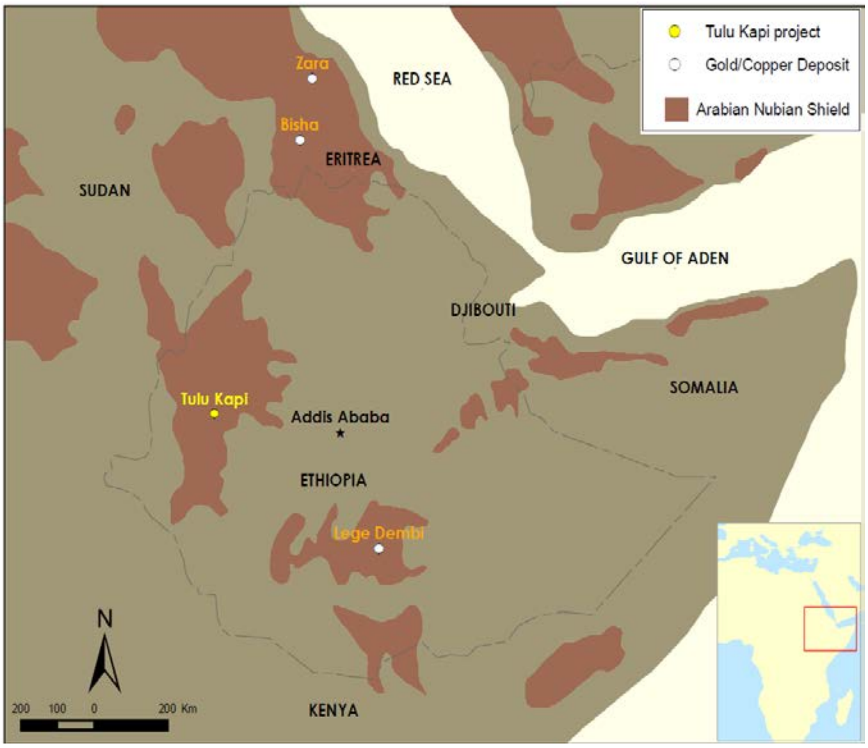
In December 2013, KEFI Minerals acquired 75% of Tulu Kapi for GBP4.5 million. This acquisition cost equates to only $10 per reserve ounce and provides the information collected from historical expenditure of more than $50 million. KEFI Minerals is revising the DFS to target a halving of capital expenditure for a 1.2Mtpa processing plant and introduce selective mining to increase the planned grade of gold ore mined.

Nyota Minerals Limited retains a participating 25% shareholding in KEFI Minerals (Ethiopia) Ltd, which owns Tulu Kapi Project. On grant of a Mining Licence, the Ethiopian government will be entitled to a 5% free carry interest in Tulu Kapi.

The Exploration Licences held by KEFI Minerals (Ethiopia) Limited cover an area of approximately 200km^2 over and near the Tulu Kapi deposit.

The Tulu Kapi Exploration Licence is due for renewal on the 26 May 2014. The Company has already submitted the proposed work program which is completely consistent with what was agreed with the Mining Ministry on acquisition.

The altitude of the project area is between 1,600m and 1,765m above sea level. The climate is temperate with annual rainfall averaging about 150cm.



Location of Tulu Kapi in Ethiopia

Tulu Kapi is located approximately 360km due west of Ethiopia's capital, Addis Ababa. A main road to Addis Ababa is within 12km of Tulu Kapi and is being sealed with asphalt during 2014. Power lines on the main electricity grid are within 40km of the project.

Tulu Kapi - Geology

The Tulu Kapi region has typical Precambrian type geology which is characterised by prominent hills of intrusive rocks and deeply incised valleys containing metasediments and metavolcanic rocks.

Gold at the Tulu Kapi deposit is hosted in quartz-albite alteration zones as stacked sub-horizontal lenses in a syenite pluton into which a swarm of dolerite dykes and sills have been intruded. Gold mineralisation extends over a 1,500m by 400m zone and is open at depth (+400m).

The mineralisation is characterised by a simple mineralogy comprising gold, silver, pyrite and minor sphalerite and galena. Metallurgical recoveries of gold average circa 93% for oxide and sulphide ore in the planned open pit.

In March 2014, KEFI Minerals released an increased resource estimate totalling 24.1 million tonnes at 2.64g/t gold, containing 2.05 million ounces[1].

	Tonnes (millions)	Gold (g/t)	Contained Gold (million ounces)
Indicated	21.2	2.73	1.86
Inferred	2.9	2.03	0.19
Total	**24.1**	**2.64**	**2.05**

Approximately 90% of the total resource is in the Indicated category and is based on extensive data from over 120,000m of diamond and RC drilling.

A Probable Reserve was estimated in 2012 by Nyota Minerals and totals 16.9 million tonnes at 1.82g/t gold, containing 1.0 million ounces in an open pit approximately 220m deep. This is being updated as part of refining the DFS.

Reverse circulation drill rig at Tulu Kapi

[1] For further information, see KEFI Minerals announcements dated 12 March 2014.

Tulu Kapi - Definitive Feasibility Study

A DFS was completed in December 2012 by Nyota Minerals that evaluated construction of a 2.0Mtpa processing plant and estimated capital expenditure of $290 million.

KEFI Minerals is pursuing an alternative approach for Tulu Kapi aimed at reducing the anticipated aggregate capital and operating expenditure, which should provide less start-up risk and a higher overall return.

Preliminary estimates by KEFI Minerals at the time of the acquisition indicated the following key parameters for Tulu Kapi:

- Open-pit mine with stripping ratio <8:1 (waste:ore);
- CIL plant processing rate = 1.2Mtpa;
- Head grade = 2.4g/t gold;
- Gold recoveries = 93%;
- Annual gold production = 80,000 to 85,000 ounces;
- Initial open-pit mine life = 10 years;
- All-in Costs (including Operating, Capital and Closure) of ≈ $700 per ounce;
- Capital expenditure ≈$143 million; and
- The prospect of healthy profits and free cash flows.

Optimisation studies are in progress which indicate higher production and lower waste mining, with a longer mine life and the variability of some of the foregoing key parameters within 15% of initial estimates, with some better and some worse. During 2014, this development scenario is being finalised in a revised DFS along with a limited programme of RC drilling, surface sampling and metallurgical test work. Our commitment to continual improvement will persist beyond the DFS revision.

The revised DFS is planned to be completed by December 2014 and construction is targeted to commence in 2015.

Trenching at Tulu Kapi

Tulu Kapi mineralised core

Saudi Arabia

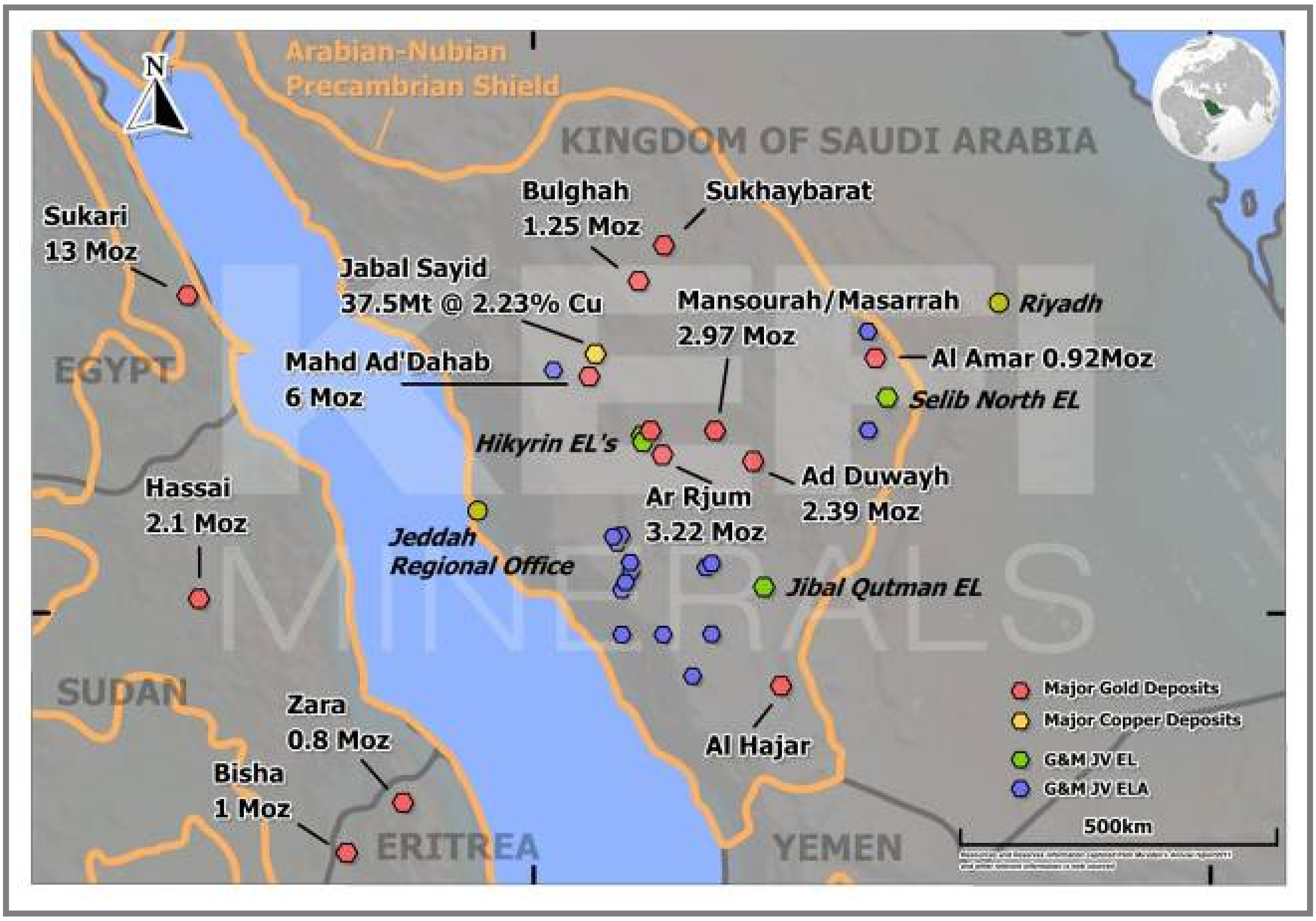
The Kingdom of Saudi Arabia is a country with a long history of gold and copper mining that dates back over 3,000 years.

We remain well placed to develop our projects with the assistance of our partner Abdul Rahman Saad Al Rashid and Sons Limited (“ARTAR”), a leading local industrial group owned by Sheikh Al Rashid and his family.

As a 40% shareholder and manager of Gold and Minerals Ltd (“G&M”), KEFI Minerals has established a strong foothold from which to build on the momentum achieved to date.

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

We are fully committed to consolidate G&M’s presence in 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.



Location of G&M Licences and Licence application areas in Saudi Arabia, including the main gold deposits in the Arabian Nubian Shield.

Exploration Licences

G&M has had four ELs granted (two of which have just been relinquished) and a further 26 ELs in application. It first applied for exploration title in 2009 and the first tenement, Selib North Licence, was granted in 2011, followed by Hikyrin and Hikyrin South Licences in January 2012 (relinquished May 2014) and Jibal Qutman in July 2012.

	Exploration Licence Application	Initial DMMR Review	Modify ELA as Required	Technical Report Submitted	DMMR Imara Committee Meeting	Arrange Date of Imara Meeting	Imara Committe Meeting	Emir Approval/ Disapproval	Province Approval/ Disapproval	DMMR Finalisation	Riyadh Approval
EL 1											
EL 2											
ELA 1											pending
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ELA 3											
ELA 4											
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Summary of all G&M Exploration Licences and Applications, showing the stages reached in the licence permitting process

Progress is being made on all other ELAs and they are expected to provide a long term stream of exploration projects containing ancient gold and copper occurrences to be evaluated using modern exploration methods. Surface sample results returned to date from these ELAs suggests that they are highly prospective for gold and, or copper mineralisation.

The granting of ELs in Saudi Arabia involves extensive community and regulatory consultation with a view to making for a smoother process during the potential development phase. G&M is one of the few private sector minerals parties to have been granted exploration licences in the past three years when there has been an unprecedented flurry of applications lodged with the authorities. Some of our applications are at advanced stages and we are also discussing with the authorities the appropriateness of prioritising applications in the vicinity of Jibal Qutman. The regional program warrants long-term dedication.

Jibal Qutman EL

KEFI Minerals completed a Pre-Feasibility Study ("PFS") on the Jibal Qutman Project in March 2014 in order to formally submit a Mining Licence application after the initial review of the PFS within G&M and with the DMMR. This represents very rapid progress and demonstrates the efficient, cost effective exploration and development strategy of the Company, especially considering field work only commenced in July 2012 upon the grant of the Jibal Qutman EL.

The Jibal Qutman EL is located in the central southern region of the Arabian-Nubian Shield and covers an area of 99.9km^2. The EL covers an important part of the prospective Nabitah-Tathlith Fault Zone, a 300km-long structure with over 40 gold occurrences and ancient gold mines.

Drilling undertaken since July 2012 has identified five areas of mineralization – Main Zone, West Zone, South Zone, 3K Hill Zone and 4K Hill Zone. Planned exploration will test the possibility that these zones may link up.

In March 2014, the following JORC-compliant Mineral Resource[2] was estimated:

	Tonnes (millions)	Gold (g/t)	Contained Gold ('000 ounces)
Indicated	**14.4**	**0.94**	**435**
Inferred	**2.3**	**0.81**	**60**
Total	**16.7**	**0.92**	**495**

The recently-completed PFS has focused on minimum initial gold production of circa 32,000 ounces per annum from mining and processing 1Mtpa for 9 years grading 1.1g/t gold, based on:

- Mineral Resource estimated in March 2014;
- Metallurgical testing;
- Process design and preliminary engineering suitable for cost estimation to within +/- 25% accuracy;
- Detailing of labour requirements and consumables in order to confirm the estimated operating costs; and
- Preliminary reviews by independent specialist consultants.

Much of this Mineral Resource can potentially be 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.

PFS financial modelling demonstrates a profitable carbon-in-leach ("CIL") operation with All-in Costs (including operating costs, capital expenditure and closure costs) under $1,000 per ounce. This would improve if ongoing drilling continues to expand mineral resources and, in due course, establishes the requisite ore reserves. In essence, the PFS has focused merely on starting a minimal-scale operation to serve as the foundation for expansion at Jibal Qutman and regionally.

Further drilling is in progress at Jibal Qutman, which has recently returned further positive results in four zones: Main Zone, 3K Hill, 4K Hill and the SSE extension of the South Zone.

Reverse circulation drilling at Jibal Qutman East Zone Prospect

[2] For further information, see KEFI Minerals announcement dated 6 March 2014.

Selib North EL

The Selib North EL is located immediately south of the ancient Fawarah gold mine and immediately north of the ancient Selib gold mine. The Al Amar gold mine, currently operated by Ma'aden, is located 65km to the north.

The licence covers a 75km^2 area comprising extensive ancient shallow eluvial and hard-rock gold workings extending over a 3km strike length of Proterozoic volcanic and metasedimentary host rocks.

The Selib North licence area is aligned along a north-south trending, major crustal fault zone of Precambrian age, the Al Amar-Idsas Fault Zone.

A comprehensive desktop review of the current exploration database at Selib North was undertaken during 2013. Recent high-resolution satellite imagery was acquired and structural interpretation of this imagery has led to new conceptual targets being generated. Following geological review and interpretative work, a further field reconnaissance campaign was commenced in late 2013 to follow up several under-explored areas.

Field activity included a litho-geochemical orientation survey conducted across the prospect named Area 9, and a 100 by 100m grid soil sampling program was performed over the Red Hill prospect. Planned field work at Selib North during 2014 includes rotary air blast ("RAB") drilling to test anomalism at Area 9 and bedrock profiling to confirm the soil sampling program at Red Hill.

Field work planning at Jibal Qutman. From right: F. Granitzio (Exploration Manager), T. Mikus (Exploration Geologist) and J. Blight (Senior Geologist)

Hikyrin and Hikyrin South ELs

The Hikyrin and Hikyrin South ELs are located within the well-mineralised Central Arabian Gold Region, which is host to Ma'aden's Ar Rjum deposit (3.2 million ounces gold), located 30km to the south of the Hikyrin tenements and the Ash Shakhtaliyah deposit (G&M estimate of ~1.0 million ounces gold), located 10km to the east of the Hikyrin tenements.

The two Hikyrin licences are contiguous covering a combined total area of 151km^2, hosting favourable shear zones, fault structures, quartz-veined alteration zones and containing ancient hard-rock gold workings.

In the southeast quadrant of the Hikyrin South tenement, ancient mining exploited gold-bearing quartz veins at the Houimedan West deposit, evident in surface diggings over approximately 700m of strike length.

Exploration carried out at Hikyrin and Hikyrin South ELs during 2013 and early 2014 included the completion of a RAB drilling programme and more trenching. The RAB drilling programme performed during May/June 2013 confirmed the presence of weak, structurally controlled, gold anomalies in the central sector of the Hikyrin South licence. A trenching programme to follow-up these anomalies was completed in October 2013, targeting quartz veins hosted in the basement granite rocks. A total of 12 trenches where dug for a total length of 2416m. Results confirmed the presence of anomalous gold, but the best results were 19m at 0.71g/t gold (including 6m at 1.9g/t gold) in trench HST47. These two EL's were relinquished in May 2014.

Other Exploration Licence Applications

A total of 26 ELAs are being processed by the DMMR. As reported in previous Annual Reports, the granting of an EL is a long and involved process, involving over a dozen government departments and committees. A representative of each must attend a joint field investigation on an appointed day, this is called an "Imara Committee" meeting. There are many other steps in the EL procedure and this often results in a lengthy assessment time (3-4 years) before the EL is granted. The benefit of the process is, that once granted, the title holder can perform all exploration works, including the feasibility stage. This process also brings the advantage that it engages the community from the outset.

Within the 26 ELAs, G&M has a number of geological targets, including:

i) Structurally controlled, high-grade gold in sheeted quartz-carbonate veins. One such ELA contains historic workings and previous shallow RC drilling performed by BRGM. Best results returned from the limited drilling include; 6m at 13.1g/t gold, 3m at 23.5g/t gold and 21m at 3.8g/t gold;

ii) Volcanic massive sulphide deposits which are often marked at surface by gold-bearing gossans. In three ELAs the gossans can be mapped over 2km to 4km in strike length and up to 40m in width. Rock chip sampling reports grades over 1g/t gold, with a maximum of 27g/t gold; and

iii) Gold and +/- base metal quartz veins associated with dykes and intrusions. Numerous alluvial and hard-rock workings are evident, with grab samples of veins often containing visible gold.

Glossary and Abbreviations

Arabian-Nubian Shield or ANS	The Arabian-Nubian Shield is a large area of Precambrian rocks in various countries surrounding the Red Sea
ARTAR	Abdul Rahman Saad Al Rashid & Sons Company Limited
BRGM	Bureau de Recherches Géologiques et Minières – the Geological Survey of France
CIL	Carbon in Leach
DFS	Definitive Feasibility Study
DMMR	Deputy Ministry for Mineral Resources – Kingdom of Saudi Arabia
ELA	Exploration Licence Application
Epithermal	Hydrothermal mineral deposit formed within about 1 km of the Earth's surface and in the temperature range of 50 to 200 degrees Celsius, occurring mainly as veins
g/t	Grams per tonne
Gossan	An iron-bearing weathered product overlying a sulphide deposit
IP	Induced polarisation - a ground-based geophysical survey technique measuring the intensity of an induced electric current, used to identify disseminated sulphide deposits
JORC	Joint Ore Reserves Committee
JORC Code 2012	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves
Massive sulphide	Rock comprised of more than 40% sulphide minerals
Mtpa	Million tonne per annum
PFS	Pre-Feasibility Study
Precambrian	Era of geological time before the Cambrian, from approximately 4,600 to 542million years ago
RAB drilling	Rotary Air Blast drilling. A percussion drilling method used when quick inexpensive holes are needed, to obtain a sample of decent quality. Is normally used for shallow applications such as gravel searches or bedrock probing
RC drilling	Reverse Circulation drilling. Percussion drilling method. Reverse circulation is achieved by blowing air down the rods, the differential pressure creating air lift of the water and cuttings up the "inner tube", which is inside each rod. The drill cuttings travel around the inside of the cyclone until they fall through an opening at the bottom and are collected in a sample bag
VHMS deposits	Volcanic-hosted massive sulphides; refers to massive sulphide deposits formed in a volcanic environment with varying base metals (copper, lead and zinc) often with significant additional gold and silver

Competent Person Statement

KEFI Minerals reports in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code 2012").

References in this report to exploration results, mineral resources and ore reserves have been approved for release by Mr Jeffrey Rayner (BSc Hons). Mr Rayner is a full-time employee of KEFI Minerals, 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.

Directors, Secretary and Advisers

Directors
Harry Anagnostaras-Adams, **Non-Executive Chairman**
Ian Plimer, **Non-Executive Deputy Chairman**
Jeff Rayner, **Managing Director**
John Leach, **Finance Director**

Company Secretary
Cargil Management Services Limited
27/28 Eastcastle Street
London W1W 8DH
United Kingdom

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Whitefriars House
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United Kingdom
http://www.fox-davies.com

Joint Broker
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London EC2M 1JJ
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Legal Advisors
Field Fisher Waterhouse
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Auditors
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150 Aldersgate Street
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Registrar
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Suite E,1st Floor
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Strategic Report, Directors' Report and Consolidated Financial Statements

Year ended 31 December 2013

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Strategic Report

KEFI Minerals PLC Company number: 5976748

The directors present their Group Strategic Report for the year ended 31 December 2013.

Incorporation and principal activity

KEFI Minerals Plc was incorporated on 24 October 2006 and shortly thereafter acquired the exploration assets of EMED Mining Public Limited ("EMED") in Turkey and Bulgaria. KEFI Minerals was admitted to AIM in December 2006 with a market capitalisation of GBP 2.7 million at the placing price.

The principal activities of the Company are:

- To explore for mineral deposits of precious and base metals and other minerals that show potential for commercial exploitation;
- To evaluate mineral deposits determining the viability of commercial development; and
- To develop those mineral deposits and market the metals produced.

Review of operations

KEFI Minerals is currently progressing feasibility studies on two gold projects:

- 75%-owned Tulu Kapi project in Ethiopia with a Probable Reserve of 1.0 million ounces and Mineral Resources totalling 2.05 million ounces; and
- 40%-owned Jibal Qutman project in Saudi Arabia with Mineral Resources totalling 0.5 million ounces.

As the operator, KEFI Minerals is well positioned to develop these projects prudently while continuing to add value through further exploration.

In December 2013, KEFI Minerals acquired 75% of Nyota Minerals (Ethiopia) limited, now renamed KEFI Minerals (Ethiopia) Limited and intends to refine the development plan for the Tulu Kapi project, aimed at reducing risks and improving returns by increasing the selectivity of the mining and reducing the previously planned All-in Costs (capital expenditure, operating expenditure and closure costs).

In Ethiopia, there are 5 licences adjacent to Tulu Kapi, some with encouraging historical results and fieldwork commenced in March 2014. Some of the inherited licences are due for final renewal and discussions are being held with the authorities to facilitate the process.

KEFI Minerals is now positioned as an operator of two advanced gold development projects within the highly prospective Arabian-Nubian Shield, with an attributable 1.73 million ounces of JORC-compliant mineral resource plus significant resource growth potential.

In 2009, KEFI Minerals formed Gold and Minerals Ltd ("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 Minerals is advancing its Jibal Qutman project and has completed a Pre-Feasibility Study with a view of applying for its first Mining Licence.

In Saudi Arabia, G&M has had four Exploration Licences granted (two of which have just been relinquished) and a further 26 Exploration Licences have been applied for on behalf of G&M by local lead-partner ARTAR. The granting of Exploration Licences in Saudi Arabia involves extensive community and regulatory consultation with a view to making for a smoother process during the potential development phase. G&M is one of the few private sector minerals parties to have been granted Exploration Licences in the past three years. Some of our applications are at advanced stages and we are also discussing with the authorities the appropriateness of prioritising applications in the vicinity of Jibal Qutman.

(All amounts in GBP thousands unless otherwise stated)

Strategic Report (continued)
For the year ended 31 December 2013

Review of operations (continued)

As a result of KEFI Minerals' recently enlarged portfolio, the Company is reviewing its exploration priorities in consultation with the respective regulatory authorities to best serve the two development projects and the policy priorities of the jurisdictions we operate in. Shareholders will be advised of these priorities in due course.

Funding

The Company successfully completed a number of equity placings in 2013.The most significant of these was in December 2013 when the Company placed shares that had a market value of GBP 6.5 million. Of that total, the Company raised GBP 4.5 million (before expenses) through the placing of 225,000,000 new Ordinary Shares at 2p per share. In addition, the Company issued 107,081,158 new Ordinary shares at an agreed price of 3p per share that had a market value of GBP 2 million to acquire 75% of the issued share capital of Nyota Minerals (Ethiopia) Limited, the owner of the exploration licence for the Tulu Kapi deposit and proximal exploration licences in Western Ethiopia.

The GBP 4.5 million raised (before expenses) was allocated to:

- Satisfy the cash element of the acquisition consideration;
- Complete additional work at Tulu Kapi and refine the Definitive Feasibility Study (DFS) prior to development in 2015;
- Complete the Pre Feasibility Study for Jibal Qutman in Saudi Arabia in 2014;
- Ensure there are sufficient funds available to meet KEFI Minerals' share of the KEFI Minerals Ethiopia Limited VAT obligations to the Ethiopian government in 2014; and
- Contribute toward KEFI Minerals' ongoing corporate costs including the arrangement of project finance facilities for the planned gold mine developments.

Key performance indicators

Key Performance Indicators for the Group for the year ended 31 December 2013 are those relevant to the exploration, acquisition, project evaluation and early-stage finance phases of its activities. Careful monitoring and control has been carried out in respect of cash management. This includes the periodic review of the Group's results through management accounts, appraisal of technical reports, monitoring of the marketplace and the Group's physical presence in the Kingdom of Saudi Arabia and the Democratic Republic of Ethiopia, including attendance at regular board meetings of subsidiary companies.

Results

As at 31 December 2013, the Group had a net working capital of GBP651,000 (2012: GBP1,973,000) and the Company's market capitalisation was GBP15.8 million (2012: GBP15.6million). At year end the Group had equity of GBP6,771,000 (2012: GBP 2,041,000). During the year 2013, the Group has incurred exploration expenditure of GBP148,000 (2012: GBP93,000) from operations and an operating loss of GBP2,439,000 (2012: GBP1,719,000).

The Company made several successful placements during the year raising GBP 7 million as follows:

Issued

10 July 2013 at GBP 0.021	571
6 August 2013 at GBP 0.0125	10
16 October 2013 at GBP 0.0225	500
30 December 2013 at GBP 0.03 (Fair value of GBP 0.0185)	1,981
30 December 2013 at GBP 0.02	4,500
Less Costs	(518)
	7,044

All exploration expenditure is written off when incurred in accordance with IFRS6, pending the Directors' decision to commence project development. This policy is a major factor in the Group recording a net loss for the year of GBP2,593,000 (2012: GBP1,728,000):

(All amounts in GBP thousands unless otherwise stated)

Strategic Report (continued)

For the year ended 31 December 2013

Results (continued)

	2013	2012
Acquisition costs	**(260)**	-
Exploration expenditure	**(148)**	(93)
Administrative expenses	**(519)**	(716)
Warrants issued costs	**(91)**	(66)
Share based payments	**(195)**	(199)
Share of loss from jointly controlled entity	**(1,228)**	(612)
Change in value of available-for-sale financial assets	**2**	(33)
Foreign exchange loss	**(158)**	(9)
Interest income	**4**	-
Loss for the year	**(2,593)**	(1,728)

The Group's results for the year are set out on page 30.

Organisation overview

The Corporate Head Office of the Group is located in Nicosia, Cyprus, and provides corporate and support services to the overseas operations. An administration office is maintained in Izmir, Turkey. East African operations are managed out of Addis Ababa, Ethiopia. The Saudi Arabia Exploration is managed through the office on Riyadh. Field and base facilities are also maintained as required.

Strategic approach

The Board's strategic intent is to maximize shareholder value through the development of a focused portfolio of operations and projects at various stages, while at the same time managing the significant risks faced by companies in the exploration and development stage.

Our risk management approach places a clear focus on discovering and exploiting mineral wealth through multiple ventures within a focused framework, thus increasing the odds of success. We continuously monitor and review our investment strategies and are quick to relinquish licences which we believe will be uneconomic. We introduce partners in certain circumstances to minimise risk and broaden the human and financial resources available.

The Group has to date financed its activities through periodic capital raisings and contributions by partners.

Business model

The following business model sets out how the Group will deliver on its strategic aims:

- Define additional reserves and resources in Saudi Arabia and Ethiopia;
- Develop production;
- Maintain good community relationships; and
- Employ good environmental governance practices.

Principal risks and uncertainties

The Group's operations are exposed to a variety of risks, many of which are outside of the Group's control. The Group has put in place controls to minimise these risks where possible.

Exploration industry risks:

Mineral exploration is speculative in nature, involves many risks and is typically unsuccessful in any one target. Following any discovery, it can take a number of years from the initial phases of drilling and identification of mineralization until production is possible, during which time the economic feasibility of production may change.

Substantial expenditures are required to establish mineral reserves through drilling, to determine metallurgical processes to extract minerals from rock and other natural resources and to construct mining and processing facilities.

Strategic Report (continued)
For the year ended 31 December 2013

Principal risks and uncertainties (continued)

As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

Government activity, which could include non-renewal of licences, may result in any income receivable by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in the countries in which the Group operates could adversely affect the value of its interests.

Political risks:

All of the Group's operations are located in foreign jurisdictions. As a result, the Group is subject to political, economic and other uncertainties, including but not limited to changes in policies or the personnel administering them, terrorism, nationalisation, appropriation of property without fair compensation, cancellation or modification of contract rights, foreign exchange restrictions, currency fluctuations, export quotas, royalty and tax increases and other risks arising out of foreign governmental sovereignty over the areas in which these operations are conducted, as well as risks of loss due to civil strife, acts of war, guerrilla activities and insurrection.

Financial risks:

The Group's risks and use of financial instruments are described in Note 3 to the consolidated financial statements. Other risks are described in the Chairman's and Managing Director's Reports.

Events after the reporting date

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 (note 18).

On 27 March 2014, 22,000,000 options were issued to the Directors and a further 4,975,000 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. On 4 April 2014 a further 500,000 options were issued to a consultant at a price of 2.3p per share.

Future developments

The Group will continue to focus efforts in Saudi Arabia and Ethiopia with the objective of identifying mineral prospects for further exploration and development.

By Order of the Board

Cargil Management Services Limited
27/28 Eastcastle Street
United Kingdom
Secretary

9 May 2014

Report of the board of directors
For the year ended 31 December 2013

The Board of Directors presents its report for KEFI Minerals Plc ("KEFI Minerals") and its subsidiaries (the "Group") together with the financial statements of the Group for the year ended 31 December 2013.

General information

The following information is set out in the Group Strategic Report and includes: Incorporation and Principal Activity, Review of Operations, Key Performance Indicators, Results, Future developments, Events after the End of the Reporting Period and Principal risks and uncertainties.

Board of directors

The members of the Board of Directors of the Company as at 31 December 2013 all of whom served throughout the year and at the date of this report are shown on page 17. In accordance with the Company's Articles of Association, one third of the board of directors must resign each year. The remaining directors, presently members of the Board, will continue in office.

The Board comprises four Directors.

Harry Anagnostaras-Adams

Non-Executive Director – Chairman

Mr Anagnostaras-Adams (B.Comm, MBA) has been Non-Executive Chairman since the Company listed in 2006 and is Chairman of the Group's Remuneration Committee and Physical Risks Committee. Mr Anagnostaras-Adams holds a Bachelor of Commerce (Finance and Systems) from the University of New South Wales, Australia and a Master of Business Administration from the Australian Graduate School of Management. He qualified as a Chartered Accountant while working with PricewaterhouseCoopers and has a Master of Business Administration from the Australian Graduate School of Management where he was awarded the John Story Memorial Prize as outstanding graduate.

Mr Anagnostaras-Adams founded AIM and TSX - listed, EMED Mining Public Limited. Mr Anagnostaras-Adams has previously served as the Managing Director of EMED Mining, ASX and AIM-listed, Devex Limited (later Gympie Gold Limited), Executive Director of investment company Pilatus Capital Ltd., General Manager of resources investment group Clayton Robard Limited Group, Senior Investment Manager of Citicorp Capital Investors Australia Ltd. and serves (or has served) as a non-executive Director of many other public and private companies across a range of industries. He has overseen many successful start-ups.

Ian Rutherford Plimer

Non-Executive Director – Deputy Chairman

Professor Ian Plimer BSc (Hons), PhD, FTSE, FGS, FAIMM was appointed Non-Executive Deputy Chairman in December 2006 and is Chairman of the Group's Audit Committee. He is Emeritus Professor at The University of Melbourne where he was Professor and Head (1991-2005). He was Professor of Geology (University of Newcastle 1985-1991) and Professor of Mining Geology (University of Adelaide 2005-2012). He has been awarded the prestigious Leopold von Buch Medal for Science, the Centenary Medal and the Eureka Prize (twice). Professor Plimer has published more than 130 scientific papers and is author of multiple best-selling books for the general public. Professor Plimer's main geological interests are in mineral resources. He serves on the boards of Silver City Minerals (ASX:SCI) and Niuminco Group Ltd (ASX:NIU), unlisted Hancock Prospecting Pty Ltd companies (Roy Hill Holdings, Hope Downs, Queensland Coal Investments) and represent Hancock Prospecting on the Lakes Oil NL board (ASX:LKO) and Sun Resources NL boards (ASX:SUR).

(All amounts in GBP thousands unless otherwise stated)

Report of the board of directors (continued)
For the year ended 31 December 2013

Jeffrey Guy Rayner
Managing Director

Mr Rayner joined EMED Mining Public Limited in 2006 and managed its Eastern European projects, resulting in the early drill discovery of the Biely Vrch gold deposit in Central Slovakia. Mr Rayner was appointed Managing Director of KEFI Minerals in November 2006. Mr Rayner is a geologist (BSc Hons) with over 25 years' experience in gold exploration and mining in Australia, Europe and Asia. Mr Rayner started his career in Australia with BHP Gold and later Newcrest Mining Limited. He was involved in the early exploration discovery of the Cracow and Gosowong epithermal deposits and the Cadia Hill deposit, presently operating mines. In 1998 he joined Gold Mines of Sardinia plc as exploration manager, responsible for exploration and mining in Sardinia and project generation in Europe. As part of his time at Gold Mines of Sardina Plc he led the exploration discovery of the Monte Ollasteddu gold deposit in Sardinia.

John Edward Leach
Finance Director (part-time)

Mr Leach was appointed Finance Director in December 2006 on a contract basis in accordance with the terms of the Services Agreement dated 7 November 2006.

Mr Leach is a Canadian and Australian citizen based in Nicosia, Cyprus. Mr Leach holds a Bachelor of Arts (Economics) and a Masters of Business Administration. Mr Leach is a member of the Institute of Chartered Accountants (Australia), the Institute of Chartered Accountants in Ontario, the Canadian Institute of Chartered Accountants (Australia) and a Fellow of the Australian Institute of Directors. He has over 25 years' experience in senior financial and executive director positions within the mining industry internationally. Mr Leach serves on the Board of AIM and TSX listed EMED Mining Public Limited (since 2007), and is a former member of the boards of Resource Mining Corporation Limited (2006 to 2007) and Gympie Gold Limited (1995 to 2003).

Directors' interests

The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of persons connected with them in the existing Ordinary shares as at the date of this document are as follows:

Director	Number of existing Ordinary shares	% of issued share capital
H Anagnostaras-Adams	11,966,667	1.40%
I Plimer	1,250,000	0.14%
J Rayner	3,783,333	0.44%
J Leach	1,000,000	0.12%

The Directors to whom options over Ordinary shares have been granted and the number of ordinary shares subject to such options are as follows:

Grant Date	Expiration Date	Exercise Price	H. Anagnostaras-Adams	I. Plimer	J. Rayner	J. Leach
18 Dec. 2006	17 Dec. 2014	4.0p	4,500,000	2,417,000	5,833,000	1,250,000
12 Jun. 2009	11 Jun. 2014	2.4p	2,000,000	2,000,000	3,000,000	1,000,000
13 Sep. 2012	12 Sep. 2018	4.0p	3,000,000	2,500,000	5,000,000	1,500,000
			9,500,000	6,917,000	13,833,000	3,750,000

Report of the board of directors (continued)

For the year ended 31 December 2013

Directors' emoluments

In compliance with the disclosure requirements of the listing requirements of AIM, the aggregate remuneration paid to the directors of KEFI Minerals for the year ended 31 December 2013 is set out below:

31 December 2013	Salary and fees	Other compensation	Share based payments incentive options	2013 Total
Executive				
J. Rayner	**170**	**34**	**51**	**255**
Non-Executive				
H. Anagnostaras-Adams	**48**	**-**	**31**	**79**
I. Plimer	**25**	**-**	**26**	**51**
J. Leach	**-**	**-**	**15**	**15**
	243	**34**	**123**	**400**

31 December 2012	Salary and fees	Other compensation	Share based payments incentive options	2012 Total
Executive				
J. Rayner	164	37	55	256
Non-Executive				
H. Anagnostaras-Adams	-	-	33	33
I. Plimer	25	-	27	52
J. Leach	-	-	17	17
	189	37	132	358

Corporate governance

The Directors are aware of the UK Corporate Governance Code applicable to listed companies. The Directors note that as an AIM company there is no requirement to adopt the UK Corporate Governance Code. The Board remains accountable to the Company's shareholders for good corporate governance.

Shareholders holding more than 3% of share capital

The Shareholders holding more than 3% of the share capital of the Company as at 31 December 2013 were:

Name	Number of existing shares 000's	% of issued share capital
Nyota Minerals (Bermuda) Limited	107,081	12.54%
The Bank of New York (Nominees)* Limited - Odey Asset Management LLP** (10.7%)	106,884	12.52%
Emed Mining Public Limited	73,047	8.56%
Hargreaves Lansdown (Nominees) Limited	53,616	6.28%
Vidacos Nominees Limited* - Standard Life Investments Ltd ** (5.9%)	53,109	6.20%
TD Direct Investing Nominees (Europe) Limited	51,928	6.08%
Barclayshare Nominees Limited	47,579	5.57%
Lynchwood Nominees Limited	42,215	4.95%
Pershing Nominees Limited	34,352	4.02%
HSDL Nominees Limited	33,255	3.90%

* Beneficial holding
** Registered holding

Report of the board of directors (continued)
For the year ended 31 December 2013

Political and charitable donations

No political or charitable donations were made during 2013 (2012: Nil).

The Board of Directors

The Company supports the concept of an effective Board leading and controlling the Company. The Board is responsible for approving Company policies and strategies. It meets at least every three months and is supplied with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for new Directors and other Directors as necessary. The Group's key strategic and operational decisions are reserved exclusively for the decision of the Board.

The Board consists of one full time Executive Director who holds a key operational position in the Company (the Managing Director), one part-time Executive Director and two Non-Executive Directors. These Directors, all of whom are independent of management and any business or other relationship which could interfere with the exercise of their independent judgment, bring a breadth of experience and knowledge to the Company. The Board regularly reviews key business risks, including the financial risks facing the Group in the operations of its business.

The Company has adopted a model code for Directors' dealings which are appropriate for an AIM listed company. The Directors intend to comply with Rules 21 and 31 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

Auditors

The auditors, Moore Stephens LLP, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Directors' confirmation

Each of the persons who are a director at the date of approval of this annual report confirms that:

- there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that ought to have been taken as a Director, including making appropriate enquiries of fellow Directors and of the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

By Order of the Board

Cargil Management Services Limited
27/28 Eastcastle Street
United Kingdom
Secretary

9 May 2014

Statement of directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors prepare the consolidated financial statements in accordance with IFRS as adopted by the European Union and applicable law. The financial statements must, in accordance with IFRS as adopted by the European Union, present fairly the financial position and performance of the Company; such references in the UK Companies Act 2006 to such financial statements giving a true and fair view are references to their achieving a fair presentation. Under company law Directors must not approve the financial statements unless they are satisfied that they give a true and fair view. The Directors are also required to prepare the financial statements in accordance with the rules of the London Stock Exchange for companies trading on the Alternative Investment Market.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether the consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent auditor's report

To the shareholders of KEFI MINERALS PLC

We have audited the financial statements of KEFI Minerals Plc for the year ended 31 December 2013 which are set out on pages 30 to 58. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and identify any information that is apparently materially incorrect based on,or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 2 to the financial statements concerning the Company and Group's ability to continue as a going concern. The going concern presumption may not be appropriate because its validity depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource or alternatively the availability of funding to extend the Group's exploration activities. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company and Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company and Group were unable to continue as a going concern.

Independent auditor's report

To the shareholders of KEFI MINERALS PLC (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Michael Simms*, Senior Statutory Auditor*

For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

9 May 2014

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of comprehensive income

Year ended 31 December

	Notes	2013	2012
Revenue		**-**	-
Exploration costs		**(148)**	(93)
Gross loss		**(148)**	(93)
Administrative expenses		**(779)**	(716)
Share-based payments	16	**(286)**	(265)
Share of loss from jointly controlled entity	17	**(1,228)**	(612)
Change in value of available-for-sale financial assets	12	**2**	(33)
Operating loss	5	**(2,439)**	(1,719)
Interest income		**4**	-
Foreign exchange loss		**(158)**	(9)
Loss before tax		**(2,593)**	(1,728)
Tax	7	**-**	-
Loss for the year		**(2,593)**	(1,728)
Other comprehensive income:			
Exchange differences on translating foreign operations		**(7)**	21
Total comprehensive loss for the year		**(2,600)**	(1,707)
Basic and fully diluted loss per share (pence)	8	**(0.53)**	(0.39)

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 GBP2.5 million (2012: GBP1.5 million) has been included in the financial statements of the parent company.

The notes on pages 36 to 58 are an integral part of these consolidated financial statements.

(All amounts in GBP thousands unless otherwise stated)

Statements of financial position

31 December

	Notes	The Group 2013	The Company 2013	The Group 2012	The Company 2012
ASSETS					
Non-current assets					
Property, plant and equipment	9	**252**	**-**	1	-
Intangible assets	10	**6,900**	**-**	-	-
Fixed asset investments	11.1	**-**	**3,097**	-	1
Investments in joint ventures	11.2	**-**	**181**	67	181
		7,152	**3,278**	68	182
Current assets					
Financial assets at fair value through profit or loss	12	**80**	**12**	10	10
Trade and other receivables	13	**655**	**594**	302	249
Cash and cash equivalents	14	**3,279**	**3,231**	1,924	1,910
		4,014	**3,837**	2,236	2,169
Total assets		**11,166**	**7,115**	2,304	2,351
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	**8,535**	**8,535**	4,712	4,712
Share premium	15	**7,660**	**7,660**	4,439	4,439
Share options reserve	16	**794**	**794**	541	541
Foreign exchange reserve		**(156)**	**-**	(149)	-
Accumulated losses		**(10,062)**	**(10,006)**	(7,502)	(7,563)
		6,771	**6,983**	2,041	2,129
Non-controlling interest	11.1	**1,032**	**-**	-	-
Total equity		**7,803**	**6,983**	2,041	2,129
Current liabilities					
Trade and other payables	18	**3,363**	**132**	263	222
		3,363	**132**	263	222
Total liabilities		**3,363**	**132**	263	222
Total equity and liabilities		**11,166**	**7,115**	2,304	2,351

The notes on pages 36 to 58 are an integral part of these consolidated financial statements.

On 9 May 2014, the Board of Directors of KEFI Minerals Plc authorised these financial statements for issue.

Jeffrey Guy Rayner
Managing Director

Company number: 5976748

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of changes in equity

Year ended 31 December 2013

	Attributable to the owners of the Company						
	Share capital	Share premium	Share options reserve	Foreign exchange reserve	Accumulated losses	Non-controlling interest	Total
At 1 January 2012	3,650	2,719	385	(170)	(5,883)	-	701
Loss for the year	-	-	-	-	(1,728)	-	(1,728)
Other comprehensive income	-	-	-	21	-	-	21
Total Comprehensive Income	-	-	-	21	(1,728)		(1,707)
Recognition of share based payments	-	-	265	-	-	-	265
Exercise of options/warrants	-	-	(35)	-	35	-	-
Forfeit of options/warrants	-	-	(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**
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	**-**	**-**	**(4)**	**-**	**4**	**-**	**-**
Forfeit of options	**-**	**-**	**(29)**	**-**	**29**	**-**	**-**
Issue of share capital	**3,823**	**3,739**	**-**	**-**	**-**	**-**	**7,562**
Share issue costs	**-**	**(518)**	**-**	**-**	**-**	**-**	**(518)**
Transactions with owners of the Company	**8,535**	**7,660**	**794**	**(156)**	**(10,062)**	**-**	**6,771**
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**

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 recognised on consolidation
Accumulated losses	cumulative net gains and losses recognised 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 on pages 36 to 58 are an integral part of these consolidated financial statements.

(All amounts in GBP thousands unless otherwise stated)

Company statement of changes in equity

Year ended 31 December 2013

	Share capital	Share premium	Share options reserve	Accumulated losses	Total
At 1 January 2012	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**
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**

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

The notes on pages 36 to 58 are an integral part of these consolidated financial statements.

KEFI MINERALS PLC
(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of cash flows
Year ended 31 December 2013

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(2,593)**	(1,728)
Adjustments for:			
Depreciation of property, plant and equipment	9	**-**	1
Net (gain)/ loss on financial assets at fair value through profit or loss	12	**(2)**	33
Share based payments	16	**195**	199
Issue of warrants	15	**91**	66
Share of loss from jointly controlled entity	17	**1,228**	612
Exchange differences on borrowings		**18**	(15)
Exchange difference		**158**	9
		(905)	(823)
Changes in working capital:			
Trade and other receivables		**(352)**	(216)
Trade and other payables		**(163)**	12
Net cash used in operating activities		**(1,420)**	(1,027)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired.	11.1	**(1,083)**	-
Repayments from joint venture		**176**	-
Advances to joint venture		**(1,053)**	(471)
Net cash used in investing activities		**(1,960)**	(471)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	15	**5,253**	2,891
Issue costs	15	**(518)**	(109)
Net cash from financing activities		**4,735**	2,782
Net increase in cash and cash equivalents		**1,355**	1,284
Cash and cash equivalents:			
At beginning of the year	14	**1,924**	640
At end of the year	14	**3,279**	1,924

The notes on pages 36 to 58 are an integral part of these consolidated financial statements.

<u>Non-cash transactions</u>

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 Nyota Minerals (Ethiopia) Limited (note 11.1).

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Company statement of cash flows

Year ended 31 December 2013

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(2,476)**	(1,530)
Adjustments for:			
Impairment of intercompany balances		**-**	78
Net (gain)/loss on financial assets at fair value through profit or loss	12	**(2)**	33
Share based payments	16	**195**	199
Issue of warrants	15	**91**	66
Impairment of loan to subsidiary		**70**	-
Impairment of amount receivable from Saudi Arabia joint venture		**927**	461
Exchange differences on borrowings		**43**	37
Exchange difference		**-**	(13)
		(1,152)	(669)
Changes in working capital:			
Trade and other receivables		**(142)**	(246)
Trade and other payables		**(90)**	(5)
Net cash used in operating activities		**(1,384)**	(920)
CASH FLOW FROM INVESTING ACTIVITIES			
Repayment from joint venture		**176**	
Advances to joint venture		**(1,053)**	(461)
Acquisition of subsidiary, net of cash acquired		**(1,083)**	-
Loan to subsidiary		**(70)**	(78)
Net cash used in investing activities		**(2,030)**	(539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	15	**5,253**	2,891
Issue costs	15	**(518)**	(109)
Repayment of loan from related party		**-**	(24)
Net cash from financing activities		**4,735**	2,758
Net increase in cash and cash equivalents		**1,321**	1,299
Cash and cash equivalents:			
At beginning of the year	14	**1,910**	611
At end of the year	14	**3,231**	1,910

The notes on pages 36 to 58 are an integral part of these consolidated financial statements.

<u>Non-cash transactions</u>

See Consolidated Cash Flow Statement

Notes to the consolidated financial statements
Year ended 31 December 2013

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 2013. The Company and the consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

The Company's subsidiary KEFI Minerals (Ethiopia) Limited has a statutory reporting period ending on 30 June. Financial information has been included in these consolidated financial statements from the date of acquisition 31 December 2013.

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 recognised 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 recognised in the foreign currency translation reserve and as a component of other comprehensive income, and recognised 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	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. 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.

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 license 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, for 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 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 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 derecognises 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:

	2013	2012
Variable rate instruments		
Financial assets	**3,291**	1,934

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2013 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 2013	**Profit or Loss 2013**	Equity 2012	Profit or Loss 2012
Variable rate instruments				
Financial assets	**35**	**35**	19	19

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 2013	**Assets 2013**	Liabilities 2012	Assets 2012
Euro	**17**	**3**	15	3
Turkish Lira	**2**	**59**	1	65
US Dollar	**-**	**75**	-	249
Saudi Arabian Riyal	**58**	**-**	25	-
Ethiopia ETB	**3,212**	**190**	-	-

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2013 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 2013	Profit or Loss 2013	Equity 2012	Profit or Loss 2012
Euro	**1**	**1**	1	1
Turkish Lira	**(6)**	**(6)**	(6)	(6)
US Dollar	**(8)**	**(8)**	25	25
Saudi Arabian Riyal	**6**	**6**	(3)	(3)
Ethiopia ETB	**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 and agreement was made with the tax authorities to pay the VAT over a period of three years (principal and interest). Refer to note 23.

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 GBP3,279,000 (2012: GBP1,924,000) and equity attributable to equity holders of the parent, comprising issued capital of GBP8,535,000 (2012: GBP4,712,000), reserves of GBP8,298,000, (2012: GBP4,831,000) and accumulated losses of GBP10,062,000 (2012: GBP7,502,000). 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	
	2013	2012	**2013**	2012
Financial assets				
Cash and cash equivalents (Note 14)	**3,279**	1,924	**3,279**	1,924
Financial assets designated at fair value through profit and loss (Note 12)	**80**	10	**80**	10
Trade and other receivables (Note 13)	**655**	302	**655**	302
Financial liabilities				
Trade payables (Note 18)	**3,363**	263	**3,363**	263

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.

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.

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:

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.

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.

(All amounts in GBP thousands unless otherwise stated)

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), Ethiopia (75% acquisition of Kefi Minerals Ethiopia Limited) and its administration and management is based in Cyprus.

	Cyprus	Turkey	Bulgaria	Ethiopia	Total
2013					
Operating loss	**(1,147)**	**(60)**	**(4)**	**-**	**(1,211)**
Foreign exchange profit/(loss)	**(171)**	**10**	**3**	**-**	**(158)**
Interest	**4**	**-**	**-**	**-**	**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	**-**	**-**	**-**	**-**	**-**

	Cyprus	Turkey	Bulgaria	Ethiopia	Total
2012					
Operating loss	(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

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Year ended 31 December 2013

5. Expenses by nature

		2013	2012
Acquisition costs		**260**	-
Exploration costs		**148**	93
Staff costs (Note 6)		**24**	59
Depreciation of property, plant and equipment (Note 9)		**-**	1
Warrants issue costs (Note 15)		**91**	66
Share based benefits to employees (Note 16)		**72**	67
Share of losses from jointly controlled entity (Note 4)		**1,228**	612
Change in value of available-for-sale financial assets (Note 12)		**(2)**	33
Directors' fees and other benefits (Note 19.1)		**400**	358
Consultants' costs		**36**	192
Travelling expenses		**136**	43
Auditors' remuneration	- audit current year	**46**	48
	- audit previous year	**-**	15
	- other	**-**	17
Other expenses		**-**	115
Operating loss		**2,439**	1,719

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. Costs have been capitalized for the operations in Ethiopia.

6. Staff costs

	2013	2012
Salaries	**21**	53
Social insurance costs and other funds	**3**	6
	24	59
Average number of full time equivalent employees	**1**	2

Following the acquisition of 75% of KEFI Minerals Ethiopia Limited on 30 December 2013, the Group now has 48 employees.

7. Tax

	2013	2012
Loss before tax	**(2,593)**	(1,728)
Tax calculated at the applicable tax rates	**(387)**	(245)
Tax effect of expenses not deductible for tax purposes	**446**	208
Tax effect of tax loss for the year	**50**	82
Tax effect of allowances and income not subject to tax	**(109)**	(45)
Charge for the year	**-**	-

The Company is resident in Cyprus for tax purposes.

A deferred tax asset of GBP730,709 (2012: GBP680,056) 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%. 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. 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 2013, the balance of tax losses which is available for offset against future taxable profits amounts to GBP6,220,480 (2012: GBP3,135,571).

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 2013, the balance of tax losses which is available for offset against future taxable profits amounts to GBP166,250 (2012: GBP189,250).

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 2013, the balance of exploration costs that is available for offset against future income from mining operations amount to GBP871,424 (2012: GBP1,939,824).

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 the year, 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%.

8. 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:

	2013	2012
Net loss attributable to equity shareholders	**(2,593)**	(1,728)
Average number of ordinary shares for the purposes of basic loss per share (000's)	**493,356**	443,124
Loss per share:		
Basic and fully diluted loss per share (pence)	**(0.53)**	(0.39)

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

(All amounts in GBP thousands unless otherwise stated)

9. Property, plant and equipment

	Motor Vehicles	Property	Furniture, fixtures and office equipment	Total
The Group				
Cost				
At 1 January 2012	31	-	13	44
Disposals	-	-	(2)	(2)
At 31 December 2012 / 1 January 2013	31	-	11	42
Additions				
Acquisitions (Note 11.1)	29	180	42	251
At 31 December 2013	60	180	53	293
Accumulated Depreciation				
At 1 January 2012	31	-	11	42
Charge for the year	-	-	1	1
Disposals	-	-	(2)	(2)
At 31 December 2012 / 1 January 2013	31	-	10	41
Charge for the year	-	-	-	-
At 31 December 2013	31	-	10	41
Net Book Value at 31 December 2013	29	180	43	252
Net Book Value at 31 December 2012	-	-	1	1

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

(All amounts in GBP thousands unless otherwise stated)

10. Intangible assets

	Goodwill	Deferred exploration costs
The Group		
Cost		
At 1 January 2012	364	-
Additions on acquisition	-	-
At 31 December 2012 / 1 January 2013	**364**	**-**
Additions on acquisition	**-**	6,900
At 31 December 2013	**364**	**6,900**
Accumulated Impairment		
At 1 January 2012	364	-
Charge for the year	-	-
At 31 December 2012 / 1 January 2013	**364**	**-**
Impairment Charge for the year	**-**	-
At 31 December 2013	**364**	**-**
Net Book Value at 31 December 2013	**-**	**6,900**
Net Book Value at 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.

The purchase of 75% of the issued share capital by the Company in KEFI Minerals Ethiopia Limited on 30 December 2013 (see note 11.1) indicated a valuation of approximately GBP6,900,479 for the Tuli Kapi project. Management considers this to be the most useful in assessing the fair value less costs to dispose ("FVLCD") of Tulu Kapi. Cost to purchase is based on management's best estimates of future selling costs at the time of calculating FVLCD.

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. The Company is currently performing a valuation of the deferred exploration costs. At the date of acquisition, the project had already undergone significant technical evaluation and deferred exploration costs of GBP29,000,000 had been expended. The use of VIU for the company's assets was not considered appropriate given the uncertainty concerning permitting with respect to the Tulu Kapi asset.

Nyota Minerals Limited announced a maiden Ore Reserve in respect of Tulu Kapi as part of the Feasibility Study ("FS") in December 2012. The company has already upgraded the indicated resource by 65% to 1.86 million ounces and by 31 December 2014 aims to have a definitive feasibility study signed off and its mining licence application resubmitted.

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

The Yubdo exploration license is subject to the 8th annual renewal process but requires approval from the Minister of Mines because of the final expiration in June 2013. The company has submitted a work program for the approval of the fourth renewal of the Billa Gulisso exploration license, however, we are still waiting for this renewal. There is no guarantee that these licences will be renewed, although a verbal confirmation has been obtained and there is no evidence to suggest the renewals will not be forthcoming.

(All amounts in GBP thousands unless otherwise stated)

11. Investments

11.1 Fixed asset investments

The Company	2013	2012
Cost		
At 1 January	**1**	1
Acquisitions	**3,096**	-
At 31 December	**3,097**	1
Provision for impairment		
At 1 January	**-**	-
Reversal of impairment	**-**	-
At 31 December	**-**	-
Net Book Value	**3,097**	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
KEFI Minerals Ethiopia Limited-30 June Statutory year End	30/12/2013	United Kingdom	75%-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.

In July 2011, KEFI Minerals completed the sale of 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.

Acquisition of 75% of KEFI Minerals Ethiopia Limited (KME) Previously known as Nyota Minerals Ethiopia Limited

On 30 December 2013, the Company obtained majority control of KEFI Minerals Ethiopia Limited (KME) acquiring 75% of KME share capital. The Company identified a gold opportunity in the Arabian-Nubian Shield ("ANS") of Western Ethiopia, the Tulu Kapi gold deposit, that was owned by Nyota Minerals Limited ("Nyota"). On 30 December 2013 the Company acquired 75% of the issued share capital of Nyota Minerals (Ethiopia) Limited, a wholly owned subsidiary of Nyota and the holder of the Tulu Kapi exploration licence and rounding ELs with Nyota retaining a participating 25% interest.

The Company has devised an alternative approach at Tulu Kapi, which it believes will reduce the anticipated capital and operating expenditure. Working in partnership with Nyota, KEFI Minerals already has a team on site focused initially on revising the mineral resources during Q1-2014. KEFI Minerals has also triggered refinement of the DFS (Definitive Feasibility Study) with a view to re-activating by the end of 2014 the suspended mining lease and appropriate development funding.

On 16 October 2013 Nyota Minerals (UK) Limited entered into a Loan Facility Agreement with KEFI. The facility was to be used for general working capital needs and costs related to the transaction and the maximum available facility was GBP360,000. At 31 December 2013 the total drawn-down facility of GBP285,000 was off-set against the share consideration component at an agreed price of GBP0.03 per share. As a result, the number of consideration shares received by Nyota was reduced by 9,585,509. The acquisition was initially due for settlement in cash of GBP1.3 million (circa $2.086 million) and by issuing 107,081,158 new Ordinary shares of the Company. The fair value of the equity shares issued was based on the market value of the Company's traded shares on the acquisition date.

(All amounts in GBP thousands unless otherwise stated)

In terms of the sale agreement KEFI Minerals unconditionally and irrevocably undertook to pay a loan amount of GBP174,213 which was outstanding between KEFI Minerals Ethiopia Limited to Towchester Investment Company Limited ("Towchester"). Nyota Minerals Bermuda Limited agreed to a reduction in the Consideration Payment of GBP174,213. Nyota Minerals Bermuda Limited confirmed that the payment of the GBP174,213 was in full and final settlement of all outstanding indebtedness owed by KEFI Minerals Ethiopian Limited to Towchester.

Recognized amounts of identifiable net assets:	
Property plant and equipment	251
Intangible assets (provisional amounts) *	6,900
Financial asset	68
Trade and other receivables	88
Cash and cash equivalents	32
VAT reverse tax liability	(3,027)
Trade and other payables	(184)
Total identifiable assets and liabilities	4,128
Non-Controlling Interest	(1,032)
	3,096
Consideration	
Cash	1,289
Fair Value of 107,081,158 shares (note 15)	1,981
Less Towchester Loan	(174)
Total consideration transferred	3,096

Acquisition costs of GBP260,095 were incurred and are included in the administrative expenses in the statement of comprehensive income.

The purchase price of GBP4.5 million to acquire 75% of the issued share capital of Nyota Minerals (Ethiopia) Limited was made up of a cash component of GBP1.3 million and of 107,081,158 new Ordinary shares at 3p per share that had a market value of GBP 2 million. In addition, the Towchester loan amount was deducted from the cash contribution.

*Intangible assets (provisional amounts). The current figure of GBP6,900,000 is based on information provided at the acquisition date that has been processed to date. The Company is gathering all the necessary information to determine the fair value of the Deferred Exploration Costs as at the 31 December 2013. For further financial details refer to the Tulu Kapi Definitive Feasibility Study on page 9.

11.2 Investment in joint ventures

	2013	2012
The Group		
At 1 January	**67**	181
Retranslation of investment	**-**	(16)
	67	165
Less share of loss of joint venture	**(67)**	(98)
At 31 December	**-**	67
The Company		
At 1 January/31 December	**181**	181

(All amounts in GBP thousands unless otherwise stated)

11.2 Investment in joint ventures (continued)

Joint venture	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

12. Financial assets at fair value through profit or loss

	2013	2012
The Group		
On 1 January	**10**	43
Acquisition of subsidiary	**68**	-
Change in value of available-for-sale financial assets	**2**	(33)
On 31 December	**80**	10

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

	2013	2012
The Company		
On 1 January	**10**	43
Change in value of available-for-sale financial assets	**2**	(33)
On 31 December	**12**	10

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.

13. Trade and other receivables

	2013	2012
The Group		
Trade receivables	**6**	1
Placing Funds	**328**	-
Loan Facility Nyota Minerals Limited (Note 11.1 and Note 19.3)	**174**	-
Amount receivable from Saudi Arabia Joint Venture (Note 19.3)	**73**	249
VAT	**41**	46
Deposits and prepayments	**33**	6
	655	302

The Company raised GBP 4.5 million on 30 December 2013 but an amount of GBP328,000 was not received as at 31 December 2013.

	2013	2012
The Company		
Deposits	**19**	-
Placing Funds	**328**	-
Loan Facility Nyota Minerals Limited (Note 11.1 and Note 19.3)	**174**	-
Amount receivable from Saudi Arabia Joint Venture (Note 19.3)	**73**	249
	594	249

Amounts owed by group companies total GBP Nil (2012: GBP78,000). Balances have been fully provided for due to the uncertainty over the timing of future recoverability.

14. Cash and cash equivalents

	2013	2012
The Group		
Cash at bank and in hand	**3,279**	1,924
The Company		
Cash at bank and in hand	**3,231**	1,910

15. Share capital

	Number of shares '000	**Share Capital**	**Share premium**	**Total**
Issued and fully paid				
At 1 January 2012	365,180	3,650	2,719	6,369
Issued 17 February 2012 at GBP 0.03	61,666	617	1,233	1,850
Issued 10 July 2012 at GBP 0.023	42,000	420	546	966
Issued 1 November 2012 at GBP 0.03	2,500	25	50	75
Share issue costs	-	-	(109)	(109)
At 31 December 2012	**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 capital

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.

2012

On 17 February 2012, 61,666,667 shares of GBP 0.01 were issued at a price of GBP 0.03 per share. Upon the issue, an amount of GBP1,233,333 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 per share. Upon the issue, an amount of GBP546,000 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 per share. Upon the issue, an amount of GBP50,000 was credited to the Company's share premium reserve.

15. Share capital (continued)

Warrants

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.

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.

Details of warrants outstanding as at 31 December 2013:

Grant date	Expiry date	Exercise price	Number of warrants 000's
22 February 2011	21 February 2016	5p	780
20 February 2012	19 February 2017	3p	2,917
4 July 2013	3 July 2018	2.1p	1,310
16 October 2013	15 October 2018	2.25p	1,111
27 December 2013	26 December 2016	2p	13,500
			19,618

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 2013	4,527
- granted	15,921
- exercised	(830)
Outstanding warrants at 31 December 2013	19,618

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:

	27 Dec 13	16 Oct 13	10 July 2013	20 Feb 12	22-Feb-11
Closing share price at issue date	1.89p	2.44p	2.63p	3.19p	7.5p
Exercise price	2p	2.25p	2.10p	3p	5p
Expected volatility	62.32%	65%	62.6%	84.6%	162%
Expected life	3yrs	5yrs	5yrs	5yrs	5yrs
Risk free rate	0.87%	5%	5%	5%	4.75%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Discount factor	50%	0%	0%	0%	0%
Estimated fair value	0.4p	1.48p	1.60p	2.26p	7.12p

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

For 2013, the impact of issuing warrants is a net charge to income of GBP91,000 (2012: GBP66,000). At 31 December 2013, the equity reserve recognized for share based payments, including warrants, amounted to GBP794,000 (2012: GBP541,000).

16. Share options reserve

	2013	2012
Opening amount	**541**	385
Warrants issued costs (Note 5)	**91**	66
Share options issued to employees (Note 5)	**72**	67
Share options issued to directors (Note 5)	**123**	132
Exercise of options	**(4)**	(35)
Forfeit of options	**(29)**	(74)
Closing amount	**794**	541

Details of share options outstanding as at 31 December 2013:

Grant date	Expiry date	Exercise price	Number of shares 000's
18-Dec-06	18-Dec-14	4p	14,000
24-Jun-08	23-Jun-14	3.25p	50
12-Jun-09	11-Jun-14	2.4p	8,285
28-Feb-11	27-Feb-16	7.1p	200
29-Sep-11	28-Sep-16	3.78p	1,000
13-Sep-12	12-Sep-18	4p	14,350
18-Feb-13	17-Feb-19	3.6p	250
27-Mar-13	26-Mar-19	3.43p	100
09-Apr-13	08-Apr-19	3.1p	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
			40,685

	Weighted average ex. price	Number of shares 000's
Outstanding options at 31 December 2012		38,935
- granted	2.98p	2,800
- exercised	-	-
- cancelled/forfeited	4.50p	(1,050)
Outstanding options at 31 December 2013		40,685

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

(All amounts in GBP thousands unless otherwise stated)

16. Share options reserve (continued)

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.

On 18 February 2013, 250,000 options were issued which expire six years after the grant date, and are exercisable at any time within that period. 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 9 April 2013, 100,000 options were issued which expire six years after the grant date, and are exercisable at any time. 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

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:

	Closing share price at issue date	Exercise price	Expected volatility	Expected life	Risk free rate	Expected dividend yield	Discount factor	Estimated fair value
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
09-Apr-13	3.10p	3.10p	52.36%	6yrs	5.00%	Nil	0%	1.17p
27-Mar-13	3.43p	3.43p	52.36%	6yrs	5.00%	Nil	0%	1.90p
18-Feb-13	3.60p	3.60p	52.36%	6yrs	5.00%	Nil	0%	2.00p
18 Dec. 2012	3.17p	4.00p	53.80%	2 yrs	5.00%	Nil	0%	0.08p
13 Sep. 2012	3.63p	4.00p	56.90%	6 yrs	5.00%	Nil	0%	2.05p
29 Sep. 2011	3.78p	3.78p	105.51%	5 yrs	5.00%	Nil	0%	2.99p
28 Feb. 2011	6.4p	6.4p	162.00%	5 yrs	5.00%	Nil	0%	5.98p
12 Jun. 2009	2.00p	2.40p	238.50%	5 yrs	5.00%	Nil	55%	0.89p
24 Jun. 2008	3.25p	3.25p	147.60%	6 yrs	5.00%	Nil	30%	2.13p

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

16. Share options reserve (continued)

For 2013, the impact of share option-based payments is a net charge to income of GBP286,000 (2012: GBP265,000). At 31 December 2013, the equity reserve recognized for share option-based payments, including warrants, amounted to GBP794,000 (2012: GBP541,000).

17. Joint ventures

17.1 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.

17.2 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	**2013**	2012	**2013**	2012
Non-current assets	**1,011**	949	**63**	63
Current assets	**1,473**	4,043	**95**	266
	2,484	4,992	**158**	329
Non-current liabilities	**32,021**	19,146	**2,079**	1,261
Current liabilities	**1,218**	832	**71**	55
	33,239	19,978	**2,150**	1,316
Net (liabilities)/assets	**(30,755)**	(14,986)	**(1,992)**	(987)
Share capital	**2,500**	2,500	**165**	165
Accumulated losses	**(33,275)**	(17,486)	**(2,157)**	(1,152)
	(30,755)	(14,986)	**(1,992)**	(987)
Exchange rates SAR to GBP				
Closing rate			**0.1617**	0.1647

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 2013 and 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 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 2013 amounting to SAR33.2 million (2012: SAR17.4 million) have been adjusted to bring the figures in line with the Group's accounting policies.

(All amounts in GBP thousands unless otherwise stated)

17. Joint ventures (continued)

17.2 Joint Venture with Gold and Minerals (continued)

A loss of GBP1,228,000 was recognized by the Group for the year ended 31 December 2013 (2012: GBP612,000) representing the Group's share of losses in the year.

As at 31 December 2013 KEFI Minerals owed ARTAR an amount of GBPNil (2012: receivable GBP25,000) - Note 19.4.

As at 31 December 2013, G&M owed KEFI Minerals an amount of GBP73,000 (2012: GBP249,000) – Note 19.3.

18. Trade and other payables

The Group	2013	2012
Accruals and other payables	**165**	141
Payable to shareholders (Note 19.2)	**-**	97
Payable to joint venture partner (Note 19.4)	**-**	25
VAT Liability (a)	**3,027**	-
Towchester	**171**	-
	3,363	263

(a) On 28 October 2013, the Ethiopian Revenue and Customs Authority ("ERCA") issued an assessment notice against KEFI Minerals (Ethiopia) Ltd in respect of unpaid VAT totalling GBP 3 million (ETB96,713,122 (comprising principal of ETB73,497,020 and interest of ETB23,216,102)). The balance requested reflects Reverse VAT charged on foreign services into Ethiopia; primarily in relation to the drilling contract entered into initially in 2010 in respect of the work to be undertaken at Tulu Kapi. Refer to note 23 for further details about the payment agreement that was reached with ERCA at the end of January 2014.

The Company

	2013	2012
Accruals and other payables	**132**	125
Payable to shareholders (Note 19.2)	**-**	97
	132	222

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

19. Related party transactions

The following transactions were carried out with related parties:

19.1 Compensation of key management personnel

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

	2013	2012
Directors' fees *	**243**	189
Directors' other benefits	**34**	37
Share option-based benefits to directors (Note 16)	**123**	132
	400	358

	2013	2012
Other key management personnel fees	**-**	-

(All amounts in GBP thousands unless otherwise stated)

19. Related party transactions (continued)

* 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 19.5).

Share-based benefits

The Company has issued share options to directors and key management. All options, except those noted in Note 16, 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.

19.2 Payable to shareholders

Name	Nature of transactions	Relationship	2013	2012
EMED Mining Public Ltd	Finance	Shareholder	-	97

19.3 Receivable from related parties

The Group

Name	Nature of transactions	Relationship	2013	2012
Gold & Minerals Co. Limited	Finance	Joint Venture	73	249
Nyota Minerals Limited	Finance	Shareholder	174	-
			247	249

The Company

Name	Nature of transactions	Relationship	2013	2012
Gold & Minerals Co. Limited	Finance	Joint Venture	73	249
Nyota Minerals Limited	Finance	Shareholder	174	-
			247	249

19.4 Payable to related parties

The Group

Name	Nature of transactions	Relationship	2013	2012
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Joint Venture Partner	-	25
			-	25

19.5 Transactions with shareholders

Name	Nature of transactions	Relationship	2013	2012
EMED Mining Public Ltd	Provision of management and other professional services	Shareholder	104	117

20. 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).

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Year ended 31 December 2013

21. 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.

22. Capital commitments

The Group has the following capital or other commitments as at 31 December 2013 (2012:nil),

(i) Exploration program commitments

	2013	2012
Exploration program commitments payable:		
Within one year	**797**	-
	797	-

23. Events after the reporting date

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. The total amount that will paid over the three years (principal and interest) is calculated by ERCA to be ETB128,461,525 (approximately GBP4,020,845).

On 27 March 2014, 22,000,000 options were issued to the Directors and a further 4,975,000 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.

On the 4 April 2014 a further 500,000 options were issued to a consultant at a price of 2.3p.

During May 2014 two exploration licenses granted were relinquished.

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

24. 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 2013. 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 an impact on the financial statements of the Company other than the following:

(i) Standards and Interpretations adopted by the EU

New standards

IFRS 12 “Disclosure of Interests in Other Entities” (effective for annual periods beginning on or after 1 January 2014 for EU companies). This includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

Amendments

Amendment to IAS 36 “Impairment of Assets” relating to disclosure of recoverable amount (effective for annual periods beginning on or after 1 January 2014 for EU companies). The amendment revises disclosure requirements related to the measurement of the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

(ii) Standards and Interpretations not adopted by the EU

New standards

IFRS 9 “Financial Instruments” issued in November 2009 and amended subsequently introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition (no stated effective date).

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 Company other than disclosure, with the exception of IFRS 9, the impact of which is being evaluated.

KEFI Minerals is listed on AIM (Code: KEFI)
www.kefi-minerals.com