EXCELLENCE IN DISCOVERY

ANNUAL REPORT 2007

KEFI Minerals plc.
www.kefi-minerals.com

KEFI MINERALS

Drilling at KEFI Minerals Derinin Tepe Project
in July 2007.

CONTENTS

CHAIRMAN'S STATEMENT

Drilling at KEFI Minerals Derinin Tepe Project in July 2007.

I am pleased to present the inaugural annual report of KEFI Minerals Plc. Our aim is to add value to our projects and create wealth for our stakeholders through the cost-effective acquisition or discovery and subsequent development of mineral resources.

KEFI Minerals will concentrate initially on exploring the prolific minerals endowment of Turkey, which is widely recognised as being stable and foreign investment-friendly, and as having a long mining history, prospective geology, excellent infrastructure, and favourable mining, tax and investment laws.

Turkey is considered to be very prospective for gold and base metals but is not, in our opinion, as intensively explored as many other countries. The Tethyan-Eurasian Metallogenic Belt extends for 1,500km across Turkey. This provides, in our opinion, a great opportunity to make very valuable mineral discoveries in a well established mining country with a supportive government.

Turkey has a long history of mining and is host to world-class gold and base metal deposits that are being exploited commercially. Turkey recently revised its mining law to encourage mineral exploration and mining. Within the last decade or so, numerous foreign mining companies, including Rio Tinto, Teck Cominco, Newmont and Eldorado Gold, have become active in Turkey. Exploration licences are granted for a maximum of five years and can potentially be converted to operating licences for up to sixty years. Three major mines have been permitted in the last few years and there are more in the pipeline.

The Directors and the Group's senior management have extensive experience in exploration, development, financing and operation of natural resources projects in Australasia and many other countries.

Your Company's approach is to combine international expertise with local expertise in Turkey. This combines fresh exploration insights and methods with talented Turkish prospectors.

Exploration Strategy

Your Company aims to grow rapidly through either grassroots discovery or by acquiring a project with a defined resource or mine. We welcome proposals from owners of exploration properties in Turkey who are interested in either selling or potentially partnering with KEFI Minerals.

KEFI Minerals' exploration strategy is based on the following concepts:

- Combining strong international and local knowledge in exploration models and techniques;
- Selecting areas within prospective stratigraphic and structural settings with a high potential for base metal or gold mineralisation;
- Exploring projects as a package rather than individual isolated prospects;
- Rapidly identifying, prioritising and assessing targets;
- Creating new contacts and further developing knowledge using an established local team; and
- Utilising technical and commercial support from EMED Mining as required.

The object of this strategy is to add value for shareholders by:

- Advancing our projects to resource stage through drilling;
- Targeting resources of >1 million ounces of gold or equivalent through exploration; and
- Identifying and fostering high-quality joint venture opportunities, with both international and local partners, for early cash flow.

KEFI Minerals owns an extensive exploration database which contains information regarding approximately 100 further prospective sites in Turkey. Unlike most countries, Turkey does not have an open-file reporting system whereby exploration data from previous work on an area can be made available to the current titleholder. KEFI Minerals' database thus provides a competitive advantage in identifying prospective areas for project generation in Turkey.

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

Major Shareholders

KEFI Minerals Plc was formed on 24 October 2006 and shortly thereafter acquired the exploration assets of EMED Mining Public Limited in Turkey and Bulgaria. EMED Mining retains a 32% interest in KEFI Minerals and provides technical and administrative systems and personnel on a cost-recovery basis, thus enabling KEFI Minerals to reduce overheads and spend more on exploration.

The major shareholders in your company are EMED Mining (32%) and Starvest Plc (17%) with the KEFI Minerals' Directors and management owning 9%. Starvest is a UK-based company that provides early-stage finance to new businesses.

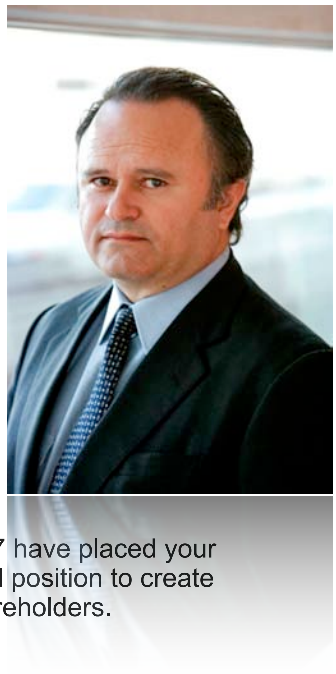
EMED Mining is owned by a range of institutions and individuals, primarily from Australia, South Africa and the United Kingdom. Major shareholders include the major copper-gold mining company Oxiana Limited and the world's fourth largest gold producing company Gold Fields Limited.

Outlook

KEFI Minerals is in a strong position in a prospective part of the world, and believes it has experienced management, a sound exploration strategy and supportive shareholders.

The capital base will be expanded in due course as warranted by the results of exploration and prevailing financial market conditions.

Our strategy includes building a shareholder base in Turkey as we believe that Turkish people would like to share in the success of KEFI Minerals.



On behalf of all shareholders, I wish to thank the members of our Board, management and staff for all of their dedicated efforts. As mineral exploration requires a great deal of time away from home, I would also like to thank their families for their support and commitment.

Their efforts during 2007 have placed your Company in a very good position to create significant value for shareholders.

Harry Anagnostaras-Adams

Chairman

Since the Company's admission to trading on AIM in December 2006, there has been a great deal of activity. Our exploration portfolio has been expanded to seven projects in Turkey, comprised of 26 Exploration Licences. Our first drilling program intercepted gold-silver mineralisation in epithermal quartz veins worked extensively by ancient miners at the Derinin Tepe Project. Reconnaissance mapping led to our first grassroots discovery at the Artvin Project, Yanikli Prospect, which contains gold and base metals.

The KEFI Minerals' team is targeting large epithermal gold or porphyry gold-copper systems analogous to several >1 million ounce deposits recently discovered and developed in the central and western regions of Turkey.

We have established what we believe is a strong exploration group led by Exploration Manager Malcolm Stallman and General Manager Omer Celenk with a young and highly motivated team of Turkish nationals. We are very proud to have secured such a high quality team and their contribution to our successful development has been invaluable. The Company is operated and administered in Turkey, with all management and staff based either in Turkey or in Europe.

KEFI Minerals also hires local personnel from communities near its projects to help with exploration field work. This practice also assists the Company in building relationships with the local community.

Our proprietary database and experienced exploration team enables us to filter and evaluate exploration properties that are offered to us as well as tenements relinquished by other explorers. KEFI Minerals also encourages Turkish prospectors and miners to contact us with enquiries and proposals, and aims to respond to them promptly and fairly.

Our geologists evaluated over 100 exploration properties during 2007, visited 30 of these properties in the field, then selected the five best opportunities to pursue further as a high priority. In addition to grassroots exploration properties, we have also evaluated joint ventures and acquisitions of properties with known mineral resources.

Turkey is a very large and rugged country. Our approach ensures that our exploration team spends as much time as practical on the ground in areas that are prospective for large and highly profitable mines.

Location of Exploration Projects in Turkey

Exploration Portfolio

KEFI Minerals currently has seven exploration projects – Artvin, Derinin Tepe, Gumushane, Karalar, Muratdag, Yatik and Meyvali.

The Company's two most advanced projects are Artvin in northeast Turkey and Derinin Tepe in western Turkey.

Artvin is very prospective for both volcanic-hosted massive sulphide and porphyry copper style deposits. Mining has been carried out at Artvin for over one hundred years with evidence of numerous base metals workings in the area. KEFI Minerals has identified a number of coherent zones of polymetallic vein-style and disseminated mineralisation over a large area.

Derinin Tepe is an epithermal gold deposit that was mined by the Romans using a primitive method of cut and fill mining.

After further evaluation during the first half of 2007, the decision was made to relinquish KEFI Minerals' Lehovo Project in Bulgaria as the Company has more prospective projects to explore in Turkey.

Monitoring of the exploration licence status of geologically prospective areas in Bulgaria will continue to be carried out on an ongoing basis so that KEFI Minerals can acquire attractive exploration opportunities as they become available.

Finance

KEFI Minerals commenced trading on AIM (Code "KEFI") on 18 December 2006 following the successful placing of 46,666,667 shares at 3p to raise £1.4 million. During 2007, two placements of ordinary shares raised a further £542,000 at prices higher than 3p per share.

The exploration team is cognisant of ensuring that shareholders funds are spent effectively. To mitigate against excessive financial risk on an aggregate basis, any of KEFI Minerals' projects can be terminated by the Company at its discretion and without penalty.

The Company's accounting policy is conservative. All expenditure is written off until the Board decides to commence development of a project, from which point development costs would be capitalised.

Outlook for 2008

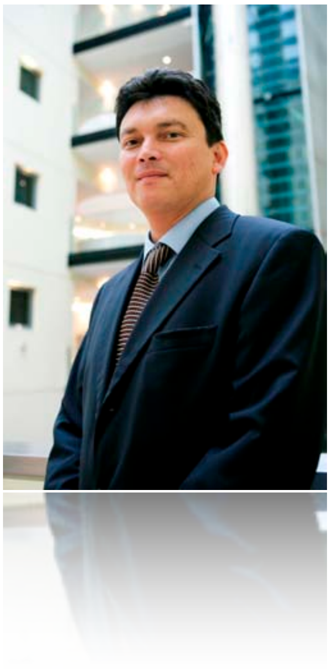
The primary objective for 2008 is to rapidly assess the Company's current projects, to advance them as warranted by results and to identify the most prospective areas in Turkey for further evaluation.

We will continue to evaluate further opportunities and monitor the exploration licence status of geologically prospective areas on an ongoing basis so that KEFI Minerals can acquire further exploration opportunities as soon as they become available.

I would like to thank our employees for their hard work and commitment and our shareholders for the ongoing support. KEFI Minerals' first year has been one of substantial achievement and we now have built a strong foundation on which to continue growing and adding value. We look forward to further growing our portfolio and updating shareholders of our progress in due course.

Jeffrey Rayner

Managing Director



" KEFI MINERALS' FIRST YEAR HAS BEEN ONE OF SUBSTANTIAL ACHIEVEMENT AND WE NOW HAVE BUILT A STRONG FOUNDATION ON WHICH TO CONTINUE GROWING AND ADDING VALUE."

Historical records and such legends as those of Croesus and Midas indicate that mining for metals has been undertaken in Turkey for over 7,000 years. Copper, gold, iron, lead, mercury, silver, tin, and other metals have been mined during this time by Phoenicians, Greeks, Hittites, Romans, Ottomans, Russians and modern-day Turkish people. Despite this long history of mining and the country's significant mineral endowment, today's exploration methodologies have only been applied in the last two decades.

Turkey lies at the eastern end of the Alpine orogenic belt, part of the Alpine-Himalayan orogenic system that extends from Europe to Asia, which has been active from the Jurassic–Cretaceous to the present. The complex tectonic activity, and the processes of subduction, collision, post-collision and rifting, that occurred during this orogeny gave rise to many different types of mineral deposits. Most mineral deposits in Turkey are found in rocks of Late Mesozoic to Tertiary age.

Since the Company's admission to trading on AIM in December 2006, KEFI Minerals has undertaken the following activities:

- **Application for, and granting of, seven additional Exploration Licences, thus strengthening its tenement position within Turkey.**
- **Field inspection, mapping, and sampling of each tenement.**
- **Stream sediment, soil and rock chip sampling of priority targets throughout the tenement package.**
- **Diamond drilling at the Derinin Tepe Project.**
- **Identification of the Yanikli and Uzumlu prospects within the Artvin Project.**
- **Desktop assessment of over 100 potential joint venture opportunities and field inspection and sampling of over 30 of these opportunities.**
- **Study of KEFI Minerals' proprietary exploration database leading to the identification of targets for further assessment.**

The Company's major exploration focus during its first year of exploration activities has been its two highest priority project areas, Derinin Tepe, where the target is low sulphidation epithermal-style gold-silver mineralisation, and Artvin, which the Company considers has potential for porphyry-style copper-gold mineralisation.

Exploration activities are well advanced on these properties with the initial drilling campaign being completed at Derinin Tepe during July 2007. Field reconnaissance and geochemical sampling at Artvin led to the discovery of the Yanikli Prospect in September 2007. On the Company's other properties, first pass exploration has commenced and we expect to advance a number of these to drill target status during the coming year.

Additionally, in line with the Company's principal objective of the discovery of economically mineable mineral deposits and its major focus being the exploration for gold and base metals deposits, KEFI Minerals has significantly expanded its exploration portfolio in Turkey during the year. KEFI Minerals has acquired seven new Exploration Licences through successfully bidding in Government licence auctions and now has granted title covering 373km^2 in area.

Derinin Tepe Project (100%) – Western Anatolia

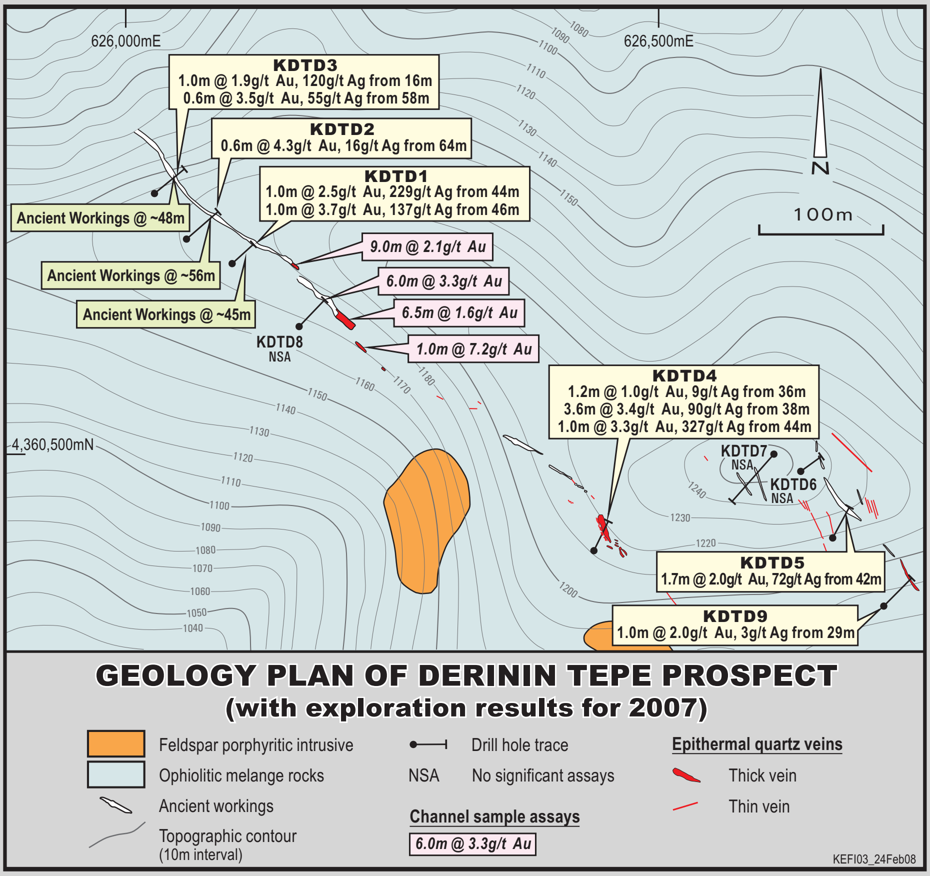
The Derinin Tepe Project is currently the most advanced project in the KEFI Minerals portfolio. Through systematic exploration, comprising rock chip sampling, mapping, trenching and diamond drilling over the past year, the potential for the discovery of economic gold-silver mineralisation has been significantly upgraded.

Derinin Tepe comprises a single Exploration Licence of 1,231 hectares in Balikesir Province, western Turkey. The project is located in a region of multiple low-sulphidation epithermal gold-silver mineralisation occurrences. It lies 125km northeast of Ovacik Gold Mine (~1 million ounce gold deposit), 120km southeast of Kucukdere Gold Mine (~250,000 ounce gold deposit) and 20km northeast of the Kiziltepe Prospect (~100,000 ounce gold deposit). KEFI Minerals is the first company to utilise modern exploration methods to explore at Derinin Tepe.

The mineralisation at Derinin Tepe occurs within a Cretaceous ophiolitic sequence and is hosted within a series of northwest-trending micro to coarse crystalline quartz-vein structures with colloform-crustiform, cockscomb, comb and carbonate replacement textures, locally containing manganese oxide, limonite, pyrite and malachite. The main vein (Western Vein) attains a true width of 8m and is >1km in strike length. Numerous ancient mine workings, possibly of Roman vintage, attain a maximum size of ~200m along the vein and up to 5m width, have been excavated on the veins.

Rock-chip sampling of the western quartz vein by KEFI Minerals personnel returned up to 152g/t gold and 1,320g/t silver. Channel sampling of the western quartz vein returned 6m at 3.3g/t gold, 2m at 9.6g/t gold and 1m at 7.2g/t gold.

Trenching across the vein zones revealed large back-filled stopes from historical mining. An initial diamond drilling program, targeting 50m vertically below the surface expressions of the veins, was completed in July 2007 with gold-silver mineralisation being intersected in six of the nine holes drilled.



Derinin Tepe diamond drill core showing detail of epithermal quartz veining.

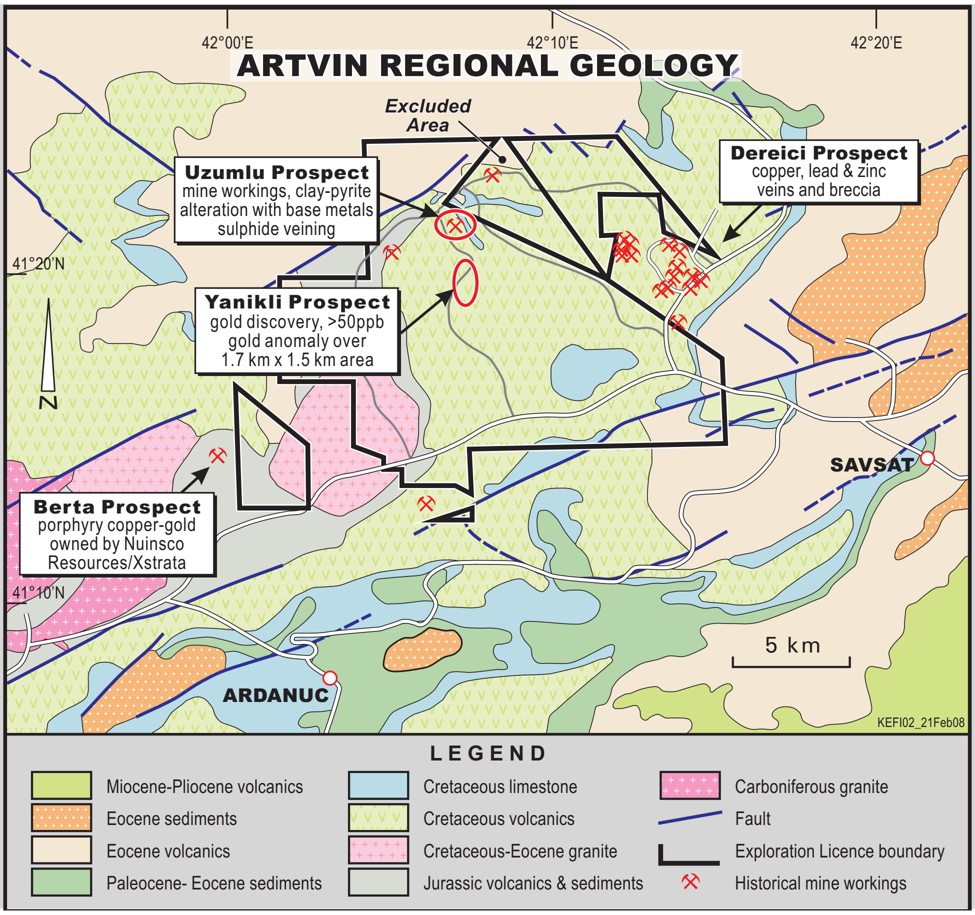
The first three drillholes (KDTD01-03) all intersected significant widths of 3 to 4m of mineralised backfill associated with ancient workings at the expected position of the epithermal quartz veins at depth. It is interpreted that the ancient miners backfilled the stopes to create greater stability for deeper underground mining. Some of the backfill is comprised of lower grade waste material as was intersected in KDTD01 where a backfilled zone contains 3.1m at 2.1g/t gold and 118g/t silver.

The remaining drillholes all intersected epithermal quartz veins and associated quartz-vein stockwork zones. Drillhole KDTD04 returned the best intercept of the program with 3.6m at 3.3g/t gold and 90g/t silver from 38m downhole and 1m at 3.3 g/t gold and 327g/t silver. Other intercepts included 1.7m at 2.0g/t gold and 72g/t silver in KDTD05.

Given that the ancient mining techniques required high gold grades in quartz veins for economic extraction, the significant lateral and vertical extent of the ancient workings attests to the potential of the epithermal quartz veins at Derinin Tepe to host shoots of high-grade gold mineralisation.

A diamond drilling program is planned for 2008 that will test at greater depths for steep, north-plunging high-grade ore shoots below the old workings.

Drilling at Derinin Tepe with outcropping epithermal quartz vein in foreground.



Artvin Project (100%) – Northeast Pontides

The Artvin Project comprises 15 Exploration Licences, which total 25,396 hectares, in the Artvin Province, northeast Turkey. Exploration by KEFI Minerals personnel, comprising stream sediment sampling, rock chip sampling, soil sampling and mapping, over the past year returned encouraging geochemical assays from the Uzumlu Prospect and discovered a new gold occurrence at the Yanikli Prospect.

The project is located in a region with an extensive mining history. Early mining activities for lead-zinc were carried out in the area by Turkish and Russian miners in the late 19th and early 20th centuries. In the 1990s, the area was explored for copper by Placer Dome and BHP. However, their exploration work was largely reconnaissance in nature. Rio Tinto also explored for copper and gold within the current project area in the 1990s. Currently, a Canadian junior company is exploring the large Berta porphyry copper-gold prospect, which is located adjacent to the southwest corner of the Artvin Project area.

First pass exploration by KEFI Minerals in 2007 identified stream sediment copper anomalies (>100ppm copper) that focussed exploration to a 25km2 area, the Uzumlu Prospect, with old workings, clay-pyrite alteration with base metals sulphide veining, and stratigraphically controlled silicification. Rock chip assays up to 0.5g/t gold, 104g/t silver and 1.4% copper have been returned from the old Uzumlu Copper Mine.

Yanikli Prospect

Reconnaissance mapping in September 2007, in an area 4km to the south of Uzumlu, resulted in a new gold discovery, called the Yanikli Prospect.

Initial sampling of road-cut exposures returned 44m at 0.5g/t gold (including 1m at 8.2g/t gold), 45m at 1,202ppm lead and 36m at 1,840ppm zinc.

Prospect-scale rock chip sampling and soil sampling has outlined a series of gold-in-soil anomalies at >50ppb gold within a 1.7km x 1.5km area. Highly anomalous gold and base metal results have been received with maximum soil values of 2.4g/t gold, 13.4g/t silver, 4,010ppm lead and 2,230ppm zinc, and maximum rock chip values of 8.2g/t gold, 42.3g/t silver, 6,600ppm lead and 4,790ppm zinc, have been returned.

Uzumlu Copper Mine, Uzumlu Prospect, Artvin Project.

Strong clay-pyrite alteration, Uzumlu Prospect, Artvin Project.

The Yanikli Prospect is located within a prominent northeast-trending structural corridor that also contains the large Berta copper-gold porphyry system, approximately 15km to the southwest. The vein-style and disseminated gold-base metals mineralisation at Yanikli is hosted in altered felsic and mafic volcanic tuffs. Vein-style and disseminated galena and sphalerite generally occurs peripheral to the pyrite envelope of typical porphyry copper deposits. The highly anomalous lead and zinc ± copper ± gold mineralisation encountered at Yanikli within structurally-controlled silica-clay alteration zones is indicative of the distal portions of a porphyry system.

The Artvin Project area is located in mountainous terrain and is inaccessible during winter months due to snow cover. It is expected that exploration will recommence in March-April 2008.

Exploration in 2008 will consist of an IP geophysical survey to assist in target definition for follow-up RC percussion drilling.

Muratdag Project (100%) – Western Anatolia

The Muratdag Project comprises two Exploration Licences, which total 1,466 hectares, in the Usak Province, western Turkey. The tenements cover Mesozoic limestone and ophiolite which have been intruded by Tertiary granite and overlain by Tertiary sediments.

Numerous old mercury mines and occurrences are found within the region. A soil geochemistry survey undertaken by KEFI Minerals has defined a triangular shaped soil anomaly up to 350m by 250m at >20ppb gold within this tenement. The source of the strong multi-element (gold, silver, arsenic, bismuth, mercury, molybdenum, antimony and base metals) anomalism is still enigmatic as much of the anomalism apparently overlies weakly recrystallised limestone with no significant alteration or veining. However, the geochemical associations suggest the potential for skarn-style gold-base metals mineralisation and/or epithermal-Carlin style gold-silver mineralisation at depth.

The tenements are strategically located, being adjacent to ground held by major and junior companies who are undertaking active exploration programmes for gold, base metals and nickel.

Gold-rich quartz-galena-sphalerite vein,
Yanikli Prospect, Artvin Project.

Channel sampling of discovery outcrop,
Yanikli Prospect, Artvin Project.

Meyvali Project (100%) – Western Anatolia

The Meyvali Project comprises a single Exploration Licence of 700 hectares in Balikesir Province, western Turkey. The licence covers Palaeozoic schists. Reconnaissance prospecting identified gold anomalous gossanous shear zones within schists and foliated porphyritic intrusives just outside the western boundary of the tenement. However, detailed stream sediment sampling and follow-up rock chip sampling returned disappointing results from within the tenement.

The area was found to contain minor quartz veins and some weak gold and copper geochemistry, however, the potential for gold and gold-copper mineralised systems of sufficient size and grade to be of interest to KEFI Minerals has been downgraded. Therefore, the Meyvali Project will be divested or relinquished. This relinquishment is consistent with KEFI Mineral's objective to generate a pipeline of high quality projects by rapidly assessing them, and where applicable, surrendering those that do not meet the Company's exploration criteria.

Project Generation

KEFI Minerals is pursuing an on-going regional project generation and acquisition programme that is targeting >1 million ounce gold or gold-copper equivalent deposits. The principal deposit types being explored for are low-sulphidation epithermal gold-silver, porphyry-style copper-gold, and Cyprus-type copper, associated with Tertiary and Cretaceous arcs within the Tethyan-Eurasian Metallogenic Belt that extends from the Balkans in the west to Iran and Pakistan in the east. The Tethyan-Eurasian Metallogenic Belt hosts a number of significant gold and base metals deposits and has a current mineral endowment of 89 million ounces of gold and 34 million tonnes of copper metal.

KEFI Minerals owns an extensive exploration database that contains individual target assessments of 100 prospects in Turkey. It comprises 14 hard copy reports, 38 hard copy maps and a large volume of other data in digital format. KEFI Minerals' extensive, and expanding, exploration database provides the Company with a competitive advantage to identify prospective areas for project generation in Turkey.

During the year, KEFI Minerals' personnel have assessed many strategic opportunities, mostly exploration properties available for joint venture. Whilst all projects submitted to us have been reviewed, our main focus has been on those opportunities which may provide an early entry to production. Turkey is currently perceived as being a country with high exploration potential, and along with the mining and exploration industries in general, is experiencing a period of sustained strong competitive demand for resources.

2008 **WORK** PROGRAMME

KEFI Minerals' budget for 2008 is planned to enable the Company to continue the evaluation and testing of the potential of the areas currently within the exploration portfolio and to generate new targets for evaluation.

At the Derinin Tepe Project, exploration activities will consist of second and third phase diamond drill testing of deeper targets potentially leading to resource-definition drilling of high-grade epithermal ore shoots.

At the Artvin Project, which has attracted interest from a number of potential farm-in partners, the Company will undertake IP geophysical surveying in order to assist in the definition of porphyry-style copper-gold target for follow-up RC percussion drilling.

In addition to undertaking generative studies and greenfields exploration, the Company is also assessing opportunities with the aim of acquiring advanced projects in Turkey. Mapping, channel chip sampling, soil sampling and geophysical surveys will be carried out so as to advance at least 1-2 other projects to the drill testing stage. KEFI Minerals will also actively participate in the Government tender process so as to acquire further high quality tenure.

REPORT AND FINANCIAL STATEMENTS

Period from 24 October 2006 to 31 December 2007

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REPORT OF THE BOARD OF DIRECTORS

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 period from 24 October 2006 to 31 December 2007.

Incorporation and Principal activity

KEFI Minerals plc was formed on 24 October 2006 and shortly thereafter acquired the exploration assets of EMED Mining Public Limited in Turkey and Bulgaria. KEFI Minerals was admitted to AIM in December 2006 with a market capitalisation of £2.7 million at the placing price of 3p. EMED Mining retains a 32% shareholding and first right of refusal to any project joint venture.

The primary objective for 2008 is to progress the Company's current projects, advance them as warranted and to identify the most prospective areas for further evaluation and work.

Review of Operations

The exploration portfolio has been expanded to seven projects in Turkey, now comprising 26 Exploration Licences. The Company's two most advanced prospects are Artvin in northeast Turkey and Derinin Tepe in western Turkey.

Artvin is prospective for both volcanic-hosted massive sulphide and porphyry copper style deposits. Mining has been carried out at Artvin for over one hundred years with evidence of numerous base metals workings in the area. KEFI Minerals has identified a number of coherent zones of polymetallic vein-style and disseminated capitalization over a large area.

Derinin Tepe is an epithermal gold deposit that was mined by the Romans using a primitive method of cut and fill mining.

After further evaluation during the first half of 2007, the decision was made to relinquish KEFI Minerals' Lehovo Project in Bulgaria as the Company has more prospective projects to explore in Turkey. Monitoring of the exploration licence status of geologically prospective areas in Bulgaria will continue to be carried out on an ongoing basis so that KEFI Minerals can acquire attractive exploration opportunities as they become available.

For further information on the group's operations, please see the Chairman's Statement on page 1 and the Managing Director's Report on page 3.

Results

As at 31 December 2007, KEFI Minerals had net working capital of £426,000 and the company's market capitalisation was £3.95 million.

During the period 2007, KEFI Minerals has incurred exploration expenditure of £797,000 from continuing operations and net operating expenditure of £268,000.

KEFI Minerals has taken a conservative approach in its accounting policy towards exploration expenditure – all such expenditure is written off on acquisition or when incurred pending Directors' decision to commence project development. A full impairment has been made in respect of goodwill.

This policy is a major factor in KEFI Minerals recording a net loss for the year of £ 1.7 million

	2007 GBP'000
- Exploration Expenditure	**797**
- Net Operating Expenditure	**268**
- Shareholder communications and ongoing listing costs	**91**
- Goodwill impairment	**364**
- Share-based benefits	**167**
- Loss for the period	**1,687**

The Group's results for the period are set out on page 19.

REPORT OF THE BOARD OF DIRECTORS

Board of Directors

The members of the Board of Directors of the Company as at 31 December 2007 and at the date of this report are shown on page 41. In accordance with the Company's Articles of Association, one third of the board of directors must resign each year.

The Board comprises four Directors.

Aristidis ("Harry") Anagnostaras-Adams, *Non-Executive Chairman*

Harry Anagnostaras-Adams (BCom. MBA) is currently managing director of AIM-listed EMED Mining Public Limited. He was formerly managing director of ASX and AIM-listed Gympie Gold Limited, deputy chairman of Australian Gold Council, executive director of investment company Pilatus Capital Limited and general manager of investment company Clayton Robard Limited. Mr. Anagnostaras-Adams was an inaugural senior investment manager in Australia for Citicorp Capital Investors Limited and was manager of Australian mergers and acquisitions for Citi National Merchant Bank, and a chartered accountant with PricewaterhouseCoopers.

Jeff Rayner, *Managing Director*

Jeff Rayner is a geologist (BSc Hons) with 20 years experience in gold exploration and mining in Australia, Europe and Asia. He started his career in Australia with BHP Gold and later Newcrest Mining Limited. He was involved in the early exploration discovery of the Cracow and Gosowong epithermal deposits and the Cadia Hill deposit, presently operating mines. In 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 Sardinia plc he lead the exploration discovery of the Monte Ollasteddu gold deposit in Sardinia. Jeff Rayner joined EMED Mining in 2006 and managed its Eastern European projects, resulting in the early drill discovery of the Biely Vrch gold deposit in Central Slovakia, until he became the Managing Director of KEFI Minerals in November 2006.

Ian Plimer, *Non-Executive Deputy Chairman*

Ian Plimer (BSc Hons, PhD) is the inaugural Professor of Mining Geology at the University of Adelaide. He was previously Professor and Head of Geology at the University of Melbourne (1991-2005) and Professor and Head of Geology at the University of Newcastle (1985-1991). He has been senior research geologist (North Broken Hill Ltd.) and on the staff at Macquarie University, the University of New South Wales (Broken Hill Division) and the University of New England. He has published more than 120 scientific papers on ore deposits, has published 6 books and is a regular broadcaster. Professor Plimer and John Nethery predicted the location of, and found a number of, epithermal gold deposits in Greece and Turkey, and they both spent some 15 years in epithermal gold exploration in the eastern Mediterranean.

John Leach, *Finance Director (part-time)*

John Leach, a Canadian and Australian citizen based in Nicosia, Cyprus holds a Bachelor of Arts (Economics) and a Masters in Business Administration. He is a member of the Institute of Chartered Accountants (Australia), the Canadian Institute of Chartered Accountants and is a Fellow of the Australian Institute of Directors. He has over 25 years experience in senior executive positions in the mining industry internationally. John Leach is also the finance director of EMED Mining. Mr. Leach is contracted to KEFI Minerals pursuant to the terms of the Services Agreement.

REPORT OF THE BOARD OF DIRECTORS

Board of Directors (continued)

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 31 December 2007 and the date of approval of the consolidated financial statements are as follows:

Name	31 December 2007 Number of existing ordinary shares '000	31 December 2007 % of issued share capital	13 March 2008 Number of existing ordinary shares '000	13 March 2008 % of issued share capital
Harry Anagnostaras-Adams	1,967	1.80%	1,967	1.80%
Ian Plimer	250	0.23%	250	0.23%
Jeff Rayner	1,533	1.41%	1,533	1.41%
John Leach	1,000	0.92%	1,000	0.92%

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

Name	Number of ordinary shares under option '000	Grant Date	Exercise Price	Expiration Date
Harry Anagnostaras-Adams	4,000	12 Dec. 2006	3p	12 Dec. 2012
Ian Plimer	2,000	12 Dec. 2006	3p	12 Dec. 2012
Jeff Rayner	5,000	12 Dec. 2006	3p	12 Dec. 2012
John Leach	1,000	12 Dec. 2006	3p	12 Dec. 2012

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 2007 were:

Name	31 December 2007 Number of existing ordinary shares '000	31 December 2007 % of issued share capital
EMED Mining Public Ltd	34,333	32%
Pershing Keen Nominees Limited	20,750	19%
Starvest Plc	18,333	17%

REPORT OF THE BOARD OF DIRECTORS

Corporate governance

The Directors are aware of the 2006 FRC Combined Code applicable to listed companies. The Directors note that as an AIM company there is no requirement to adopt the Combined Code. The Directors intend to comply with its main provisions as far as is practicable having regard to the size of the Group. The board remains accountable to the Company's shareholders for good corporate governance.

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 policy and strategy. 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. A number of 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. They bring a wide breadth of experience and knowledge to the Board table and all are independent of any business, with the exception of EMED Mining Public Limited, or other relationship which could interfere with the exercise of their independent judgment. The Board regularly reviews key business risks including the financial risks facing the Group in the operation of its business.

The Company has adopted a model code for Directors' dealings which is 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.

Board Committees

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

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

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

Board performance

In future the Board intends to conduct a formal process to evaluate its effectiveness and that of the Board Committees and individual Directors. Each Director's performance will be appraised by the Chairman reflecting input from the other Directors: the senior non-executive director will appraise the Chairman's performance on the same basis. This evaluation process will take place annually and aims to cover board dynamics, board capability, board process, board structure, corporate governance, strategic clarity and alignment and the performance of individual Directors.

REPORT OF THE BOARD OF DIRECTORS

Future Developments
The strategic objectives for 2008 are to continue to target resources of more than 1 million ounces of gold or equivalent and advance projects to the resource stage through drilling. The Company continues to seek out joint venture opportunities with local and international partners to expedite the process and will expand the capital base to match the exploration portfolio as results and opportunities warrant.

Subsequent Events
No events have arisen since the end of the financial period that have significantly affected the operations of the Group.

Financial Risks
For details of the financial risks faced by the Group, please refer to Note 3 on page 27.

Statement of Directors' Responsibilities
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- 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 proper accounting records which 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 1985. 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.

Auditors
The auditors, Moore Stephens LLP, were appointed during the period. 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 directors at the time when this report is approved confirms that:
(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and
(b) 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 ,
Secretary, London, UK,
13 March 2008

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEFI MINERALS PLC

We have audited the group and parent company financial statements (the "financial statements") of Kefi Minerals plc for the period from 24 October 2006 to 31 December 2007 which are set out pages 19 to 38. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Managing Director's report that is cross referred from the Review of Operations section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Managing Director's Report and the Review of Exploration Activities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEFI MINERALS PLC (continued)

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – Going Concern

Without qualifying our opinion we draw attention to the fact that the financial statements have been prepared on a going concern basis. This basis may not be appropriate because its validity depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource or alternatively the availability of funding to extend the Group's exploration activities. The financial information does not include any adjustment that would arise from a failure to complete either option. Details of the circumstances relating to this fundamental uncertainty are described in the accounting policies in Note 2 on page 25. Our opinion is not qualified in this respect.

St Paul's House
Warwick Lane
LONDON EC4M 7BP
25 March 2008

MOORE STEPHENS LLP
Registered Auditors
Chartered Accountants

CONSOLIDATED INCOME STATEMENT

Period from 24 October 2006 to 31 December 2007

	Notes	24 Oct 2006- 31 Dec 2007 GBP'000
Revenue		-
Exploration costs		(797)
Gross loss		(797)
Administrative expenses		(488)
- share-based benefits		(167)
Impairment charge – goodwill		(364)
Operating loss	4	(1,816)
Finance income	7	132
Finance costs	8	(3)
Loss before tax		(1,687)
Tax	9	-
Net loss for the period		(1,687)
Loss per share (pence)	10	0.02

BALANCE SHEETS

31 December 2007

	Notes	The Group 2007 GBP'000	The Company 2007 GBP'000
ASSETS			
Non-current assets			
Property Plant and Equipment	11	47	-
Goodwill	12	-	-
Fixed asset investments	13	-	2
		47	2
Current assets			
Trade and other receivables	14	43	1,136
Cash and cash equivalents	15	502	472
		545	1,608
Total assets		592	1,610
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	1,088	1,088
Share premium	16	991	991
Share options reserve	17	167	167
Exchange difference reserve		(86)	-
Accumulated losses		(1,687)	(738)
Total equity		473	1,508
Current liabilities			
Trade and other payables	18	119	102
		119	102
Total equity and liabilities		592	1,610

On 13 March 2008, the Board of Directors of KEFI Minerals plc authorized these financial statements for issue.

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Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period from 24 October 2006 to 31 December 2007

	Share capital GBP'000	Share premium GBP'000	Share options reserve GBP'000	Accumulated losses GBP'000	Exchange Difference reserve GBP'000	Total GBP'000
Net loss for the period	-	-	-	(1,687)	-	(1,687)
Issue of share capital	1,088	1,396	-	-	-	2,484
Share issue costs	-	(405)	-	-	-	(405)
Recognition of share based payments	-	-	167	-	-	167
Exchange difference on translation of subsidiaries	-	-	-	-	(86)	(86)
	1,088	991	167	(1,687)	(86)	473

The company has taken advantage of the exemption conferred by section 230 of Companies Act 1985 from presenting its own income statement. Loss after taxation amounting to £738,391 has been included in the financial statements of the parent company.

CONSOLIDATED CASH FLOW STATEMENT

Period from 24 October 2006 to 31 December 2007

	Notes	24 Oct 2006 – 31 Dec 2007 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(1,687)
Adjustments for:		
Depreciation of property, plant and equipment	11	13
Share-based benefits	17	167
Impairment charge – goodwill		364
Interest income	7	(39)
Exchange difference on translation of subsidiaries		(86)
Operating loss before working capital changes		(1,268)
Changes in working capital:		
Trade and other receivables		(76)
Trade and other payables		119
Cash flows used in operations		43
Net cash used in operating activities		(1,225)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchase of property, plant and equipment	11	(64)
Proceeds from disposal of property, plant and equipment	11	7
Acquisition of subsidiaries	19	(334)
Interest received		39
Net cash used in investing activities		(352)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital		2,484
Listing and issue costs		(405)
Net cash from financing activities		2,079
Net increase in cash and cash equivalents		502
Cash and cash equivalents:		
At beginning of the period	15	-
At end of the period	15	502

COMPANY CASH FLOW STATEMENT

Period from 24 October 2006 to 31 December 2007

	Notes	24 Oct 2006 – 31 Dec 2007 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax		(738)
Adjustments for:		
Share-based benefits	17	167
Interest income	7	(39)
Operating loss before working capital changes		(610)
Changes in working capital:		
Trade and other receivables		(1,136)
Trade and other payables		102
Cash flows used in operations		(1,034)
Net cash used in operating activities		(1,644)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	19	(2)
Interest received		39
Net cash from investing activities		37
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital		2,484
Listing and issue costs		(405)
Net cash from financing activities		2,079
Net increase in cash and cash equivalents		472
Cash and cash equivalents:		
At beginning of the period	15	-
At end of the period	15	472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

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 period are:
- 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, operate 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 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 31st December 2007.

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 has adequate resources to continue in operational existence for the foreseeable future.

The financial information has been prepared on the going concern basis, the validity of which depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource or alternatively the availability of funding to extend the Company'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"). The financial statements are presented in British Pounds (GBP), which is the Group's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

2. Accounting policies (continued)

Foreign currency translation

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

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

Revenue recognition

Revenue consists of the amounts receivable from exploration tenements, technical data, precious and base metals sold.

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

Revenues earned by the Group are recognised on the following bases:

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

Tangible fixed assets

Tangible fixed assets 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 on 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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period from 24 October 2006 to 31 December 2007

2. Accounting policies (continued)

Acquisitions and goodwill (continued)
Purchased goodwill is capitalized and classified as an asset on the balance sheet. Goodwill arising on acquisition is recognised 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 recognised.

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 Income Statement 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 Income Statement immediately.

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

Tax
The tax payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement 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 balance sheet 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 recognised as an expense in the period in which the impairment is identified.

Exploration costs
The Group has adopted the provisions of IFRS 6 “Exploration for and Evaluation of Mineral Resources”. The Group’s stage of operations as at the period end and as at the date of approval of these financial statements have not yet met the criteria for capitalisation of exploration costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

2. Accounting policies (continued)

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 balance sheet date.

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.
For 2007, the impact of share-based payments is a net charge to income of £166,894. At 31 December 2007, the equity reserve recognized for share based payments amounted to £166,894.

Use and revision of accounting estimates
The preparation of the financial report requires the making of estimations and assumptions that affect the recognised 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Financial instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

<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.
<u>Borrowings</u>
Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

3. Financial risk management

Financial risk factors
The Group is exposed to interest rate risk, liquidity risk, currency 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:

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. The Group is exposed to interest rate risk in relation to its non-current borrowings. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period from 24 October 2006 to 31 December 2007

3. Financial risk management (continued)

Interest rate risk (continued)

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

	2007
Variable rate instruments	GBP'000
Financial assets	502

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2007 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Equity 2007	Profit or Loss 2007
Variable rate instruments	GBP'000	GBP'000
Financial assets	8	8

Liquidity risk

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

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

31 December 2007	Carrying amounts GBP'000	Contractual cash flows GBP'000	3 months or less GBP'000	3 – 12 months GBP'000	1 – 2 years GBP'000	2 – 5 years GBP'000	More than 5 years GBP'000
Trade and other payables	53	53	53	-	-	-	-
	53	53	53	-	-	-	-

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 recognised assets and liabilities are denominated in a currency that is not the Group's measurement currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, Bulgarian Lev and Turkish Lira. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

3. Financial risk management (continued)

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

	Liabilities 2007 GBP'000	Assets 2007 GBP'000
Euro	-	3
United States Dollar	-	5
New Turkish Lira	-	11

<u>Sensitivity analysis</u>
A 10% strengthening of the British Pound against the following currencies at 31 December 2007 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 profit and other equity.

	Equity 2007 GBP'000	Profit or Loss 2007 GBP'000
Euro	-	-
United States Dollar	-	-
New Turkish Lira	(1)	1

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.

The capital structure of the Group consists of cash and cash equivalents (note 15) and equity attributable to equity holders of the parent, comprising issued capital (note 16), reserves (notes 16 and 17) and accumulated losses.

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

4. Operating loss

	2007 GBP'000
Operating loss is stated after charging the following items:	
Depreciation of property, plant and equipment (Note 11)	13
Share-based employee benefits (including directors)	167
Directors' remuneration	158
Auditors' remuneration - audit	24
- interim review	3
- listing fees	26
- subsidiary audit fees	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period from 24 October 2006 to 31 December 2007

5. Staff costs

	2007
	GBP'000
Salaries	74
Social insurance costs and other funds	12
	86

6. Business and geographical segments

Business segments

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

Geographical segments

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

	Cyprus	Turkey	Bulgaria	Consolidation	Total
	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
2007					
Operating loss	(775)	(676)	(1)	(364)	(1,816)
Financial income	39	83	10	-	132
Financial costs	(2)	(1)	-	-	(3)
Net loss for the period	(738)	(594)	9	(364)	1,687
Total assets	1,610	118	6	(1,142)	592
Total liabilities	102	996	160	(1,139)	119
Depreciation of fixed assets	-	13	-	-	13

7. Finance income

	2007
	GBP'000
Interest income	39
Net foreign exchange transaction gains	93
	132

8. Finance costs

Sundry finance costs	3

9. Tax

	GBP'000
Loss before tax	(1,687)
Tax calculated at the applicable tax rates	(225)
Tax effect of expenses not deductible for tax purposes	59
Tax effect of tax loss for the year	66
Tax effect of allowances and income not subject to tax	(3)
Tax effect of tax losses brought forward	(7)
Tax effect on exploration expenses taxed separately	110
Charge for the year	0

The Directors believe that the company is resident in Cyprus for tax purposes.

A deferred tax asset of GBP255,737 has not been accounted for due to the uncertainty over the timing of future recoverability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

9. Tax (continued)

Cyprus
The corporation tax rate is 10%. Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax, thus having an effective tax rate burden of approximately 15%. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

Due to tax losses sustained in the period, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following years. As at 31 December 2007, the balance of tax losses which is available for offset against future taxable profits amounts to GBP661,799.

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 2007, the balance of tax losses which is available for offset against future taxable profits amounts to GBP164,694.

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 can only be set off against income from mining operations. As at 31 December 2007, the balance of exploration costs that will be taxed separately against future income from mining operations amount to GBP865,440.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

10. Loss per share
The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2007 GBP'000
Net loss attributable to equity shareholders	1,687
	'000
Average number of ordinary shares for the purposes of basic earnings per share	102,392
Earnings per share:	GBP
Basic and fully diluted losses per share (pence)	0.02

The effect of share options on earnings per share is anti-dilutive; no separate disclosure is required.

11. Property Plant and Equipment

2007 The Group	Motor vehicles GBP'000	Furniture, fixtures and office equipment GBP'000	Total GBP'000
Cost			
Additions	47	17	64
Disposals	(7)	-	(7)
At 31 December 2007	40	17	57
Accumulated Depreciation			
Charge for the period	11	2	13
On disposal	(3)	-	(3)
At 31 December 2007	8	2	10
Net Book Value at 31 December 2007	32	15	47

The above fixed assets are located in Turkey.

The Company has no fixed assets.

12. Intangible assets - goodwill

2007 Cost	Goodwill GBP'000	Total GBP'000
Additions	364	364
At 31 December 2007	364	364
Provision for impairment		
Provision for the period	(364)	(364)
At 31 December 2007	(364)	(364)
Closing Net Book Value at 31 December 2007	-	-

The impairment provision has been made based on the directors' assessment of the current state of the group's development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period from 24 October 2006 to 31 December 2007

13. Investment in subsidiaries

The Company	**2007** **GBP'000**
Cost and Net Book Value	
Additions (note 19)	2
At 31 December 2007	2

Subsidiary companies	**Date of acquisition/ incorporation**	**Country of incorporation**	**Effective proportion of shares held**
Mediterranean Minerals (Bulgaria) EOOD	8/11/2006	Bulgaria	100%-Direct
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket	8/11/2006	Turkey	100%-Indirect

On 8 November 2006, the Company entered into an agreement to acquire from EMED Mining Public Limited (formerly Eastern Mediterranean Resources Public Limited) the whole of the issued share capital of Mediterranean Minerals (Bulgaria) EOOD, a company incorporated in Bulgaria, in consideration for the issue of 29,999,998 ordinary shares in the Company.

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

Significant aggregate amounts in respect of subsidiaries:

	GBP'000
Net liabilities 1 January 2006	(153)
Net loss for the year	(305)
Net liabilities at 31 December 2006	(458)
Loss for the year	(574)
Net liabilities at 31 December 2007	(1,032)

Pre-acquisition reserves, mainly, exploration costs incurred by the subsidiaries prior to acquisition amounted to GBP364,000.

The movement in the net assets of subsidiaries is based on their audited financial statements which have been prepared on the basis of International Financial Reporting Standards (IFRSs) as adopted by the European Union and the IFRSs as issued by IASB.

14. Trade and other receivables

The Group	**2007** **GBP'000**
Other receivables	39
Deposits and prepayments	4
	43

The Company	
Owed by group companies	1,136

Amounts owed by group companies will not be repaid until the resources of those companies permit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period from 24 October 2006 to 31 December 2007

15. Cash and cash equivalents

	2007 GBP'000
The Group	
Cash at bank and in hand	502
The Company	
Cash at bank and in hand	472

16. Share capital

	Number of shares '000	Share Capital GBP'000	Share premium GBP'000	Total GBP'000
Authorised				
Ordinary shares of GBP0.01 each	200,000	2,000	-	2,000
Issued and fully paid				
Seed round	42,000	420	36	456
IPO round	46,667	467	933	1,400
Issued				
19 February 2007 at GBP0.03	11,667	117	233	350
12 March 2007 at GBP0.03	250	2	5	7
4 June 2007 at GBP0.035	1,000	10	25	35
4 June 2007 at GBP0.035	1,250	12	32	44
3 October 2007 at GBP0.032	6,000	60	132	192
Share issue costs	-	-	(405)	(405)
At 31 December 2007	108,834	1,088	991	2,079

Authorised capital

Under its Memorandum the Company fixed its share capital at 200,000,000 ordinary shares of nominal value of GBP 0.01 each.

Issued capital

During the Seed Round the Company issued 42,000,000 shares.

On admission of the Company to AIM in December 2006, 46,666,667 shares were issued at the price of GBP 0.03. Upon the issue an amount of GBP 933,333 was credited to the Company's share premium reserve.

On 19 February 2007 11,666,667 shares of GBP 0.01 were issued at a price of GBP 0.03. Upon the issue an amount of GBP 233,333 was credited to the company's share premium reserve.

On 12 March 2007 250,000 shares of GBP 0.01 were issued to Mr. Omer Celenk at the price of GBP 0.03. Upon the issue an amount of GBP5,000 was credited to the Company's share premium reserve.

On 4 June 2007 1,000,000 shares of GBP 0.01 were issued to Malcolm Stallman at the price of GBP 0.035. Upon the issue an amount of GBP25,000 was credited to the Company's share premium reserve.

On 4 June 2007 1,250,000 shares of GBP 0.01 were issued for Muratdag Licence in Turkey at the price of GBP 0.035. Upon the issue an amount of GBP31,250 was credited to the Company's share premium reserve.

On 3 October 2007 6,000,000 shares of GBP 0.01 were issued at a price of GBP 0.032. Upon the issue an amount of GBP 132,000 was credited to the company's share premium reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

17. Share option plan
Details of share options outstanding as at 31 December 2007:

Grant date	Expiry date	Exercise price GBP	Number of shares '000
18 December 2006	18 December 2012	0.030	16,000
12 March 2007	11 March 2013	0.035	250
18 April 2007	17 April 2013	0.035	1,200
04 June 2007	03 June 2013	0.035	500
08 October 2007	07 October 2010	0.040	300
Total			18,250

The options expire six years after grant date and are exercisable at the exercise price in whole or in part no more than one third after one year from the grant date, two thirds after two years from the grant date and the balance after three years from the grant date.

	Number of shares '000
- granted	18,250
- cancelled/forfeited	-
- exercised	-
	18,250

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 8 October 2007, 19,531 options were issued to W.H. Ireland Limited which expire three years after the grant date, and are exercisable at any time within that period.

On 8 October 2007, 280,469 options were issued to Loeb Aaron & Company Limited which expire three years after the grant date, and are exercisable at any time within that period.

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:

	8 Oct. 2007	4 June 2007	18 April 2007	12 March 2007	18 Dec. 2006
Closing share price at issue date	3.00p	3.62p	3.88p	3.30p	3.88p
Weighted average exercise price	4.00p	3.50p	3.50p	3.50p	3.00p
Expected volatility	85.58%	68.06%	68.06%	68.06%	50%
Expected life	3 yrs	6 yrs	6yrs	6yrs	6yrs
Risk free rate	4.75%	6.08%	5.95%	5.73%	5.97%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil
Discount factor	30%	30%	30%	30%	30%
Estimated fair value	1.06p	1.71p	1.85p	1.50p	1.427p

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

18. Trade and other payables

	2007 GBP'000
The Group	
Trade payables	53
Accruals	9
Payable to related companies (Note 20)	57
	119
The Company	
Trade payables	45
Payable to related companies (Note 20)	57
	102

19. Acquisition of subsidiaries
On 8 November 2006, the Company entered into an agreement to acquire from EMED Mining Public Limited (formerly Easter Mediterranean Resources Public Ltd) the whole of the issued share capital of Mediterranean Minerals (Bulgaria) EOOD, a company incorporated in Bulgaria, in consideration for the issue of 29,999,998 ordinary shares in the Company. This issue of shares was also partly in satisfaction of indebtedness due to EMED Mining Public Ltd.

The consolidated net assets of Bulgaria and Turkey at the date of acquisition and at 31 December 2005 were as follows:

	8 November 2006 GBP'000	31 December 2005 GBP'000
Cost of investment	2	
Less: Fair values of net liabilities acquired	362	
Goodwill	364	
The net liabilities acquired were as follows:		
Cash at bank and in hand	6	12
Payable to EMED Mining Public Ltd	(334)	(167)
Payable to KEFI Minerals plc	(34)	-
	(362)	155
Consideration – shares issued at premium	336	
Cash and cash equivalents acquired	(6)	
Net consideration in shares on acquisition	330	

20. Related party transactions
The following transactions were carried out with related parties:

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

	2007 GBP'000
Directors' fees	158
Share-based benefits to directors	114
Other key management personnel fees	163
Share-based benefits to other key management personnel	19
	454

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Period from 24 October 2006 to 31 December 2007

20.1 Related Party (continued)
The Company has an ongoing service agreement with EMED Mining Public Ltd for provision of management and other professional services (Note 22).

Share-based benefits
The directors and key management personnel have been granted ordinary share options that expire six years after grant date and are exercisable at the exercise price in whole or in part no more than one third after one year from the grant date, two thirds after two years from the grant date and the balance after three years from the grant date. No options have been exercised during the period from grant date to 31 December 2007.

20.2 Payable to related parties

Name	Nature of transactions	2007 GBP'000
EMED Mining Public Ltd	Finance	57

20.3 Transactions with related parties

Name	Nature of transactions	2007 GBP'000
EMED Mining Public Ltd	Provision of management services and other professional services	50

20.4 Purchases geological survey data

	2007 GBP'000
Data acquisition	13

In June 2007, the Company issued the first tranche of shares in settlement of its obligations under the terms of the agreement disclosed in Note 21. The amount disclosed above, represents the share of a director. The transaction was made on commercial terms and conditions.

21. Contingent liabilities

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

Under the terms of the original agreement, an additional contingent consideration of GBP216,000 was to be settled by the issuance of 1,728,984 ordinary shares in EMED at 12.5p each if EMED secured at least four tenements in Turkey or Greece identified from the database.

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

Under the agreement, the Company has undertaken to make a payment of approximately GBP46,000 (AUD105,000) for each tenement it is subsequently awarded in Turkey and which was identified from the database. The maximum number of such payments required under the agreement is four, resulting in a contingent liability of up to GBP184,000. These payments are to be settled by issuing shares in the Company. The first tranche of shares was issued under this agreement in June 2007 for GBP43,750, the equivalent of AUD105,000 (Note 16).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period from 24 October 2006 to 31 December 2007

22. Relationship deed

A Relationship Deed between EMED and the Company dated 7 November 2006, by which EMED agrees not to operate in Bulgaria and Turkey, and the Company agrees not to operate in Albania, Armenia, Azerbaijan, Cyprus, Greece, Hungary, Iran, Oman, Romania, Saudi Arabia, Serbia or Slovakia the "EMED Area". The Relationship Deed provides that EMED has the right to appoint one non-executive director of the Company. It also provides EMED with a right of first refusal in respect of funding any proposed mining or exploration project of the Company. The Relationship Deed provides that the Company shall refer any opportunity to conduct mining or exploration activity in the EMED Area to EMED, and EMED shall refer any such opportunity in Bulgaria or Turkey to the Company.

23. Capital commitments

The Group has no capital or other commitments as at 31 December 2007.

24. Subsequent events

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

25. Standards effective but not in force

The following standards and interpretations are in issue, but not in force at 31 December 2007:

New Standards and Interpretations

IFRS 8	Operating Segments
IFRIC 11	Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Revisions to existing standards

IAS 1	Presentation of Financial Statements
IAS 23	Borrowing costs

The directors do not expect the new standards and interpretations, or the revisions to existing standards, to have any impact on the primary statements. However:

IAS 1	The revisions to this standard will require additional disclosures both qualitative and quantitative, concerning the income statement and the restriction of the statement of changes in equity to capital items. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.
IAS 23	The revisions to this standard will require capitalisation of borrowing costs incurred on qualifying assets together with transitional provisions for companies who have previously written off such costs. The revisions to this standard are effective for accounting periods beginning on or after 1 January 2009.

NOTES

NOTES

CORPORATE DIRECTORY

Board of Directors	Aristidis Eleftherios Anagnostaras-Adams *Non Executive – Chairman* Ian Rutherford Plimer *Non executive Director – Deputy Chairman* Jeffrey Guy Rayner *Managing Director* John Edward Leach *Finance Director*
Company Secretary	Cargil Management Services Limited 22 Melton Street London NW1 2WB United Kingdom
Auditors	Moore Stephens LLP St. Paul's House Warwick Lane London EC4M 7BP United Kingdom
Registered Office	27/28 Eastcastle Street London W1W 8DH United Kingdom
Bankers	Allied Irish Bank (GB) Mayfair Branch 10 Barkley Square London W1J 6AA United Kingdom
Solicitors to the Company	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA United Kingdom
Nominated Adviser & Broker	WH Ireland Limited 11 St James's Square Manchester M2 6WH United Kingdom
Share Registrar	Share Registrars Limited Craven House West Street, Farnham Surrey GU9 7EN United Kingdom
Public Relations	Bishopsgate Communications Limited 2nd Floor Henry Thomas House 5-11 Worship Street London EC2A 2BH United Kingdom

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