KEFI Minerals Plc

Annual Report 2008

Drilling at KEFI Minerals' Artvin Project in December 2008.

CONTENT

Competent Person

References in this report to exploration results and potential have been approved for release by Mr Jeffrey Rayner (BSc. Hons). Mr Rayner is a geologist and has more than 20 years' relevant experience in the field of activity concerned. He is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has consented to the inclusion of the material in the form and context in which it appears.

CHAIRMAN'S REPORT

Dear Fellow Shareholder,

Despite the global financial crisis, KEFI Minerals has continued to make steady progress towards its key objective of discovering and developing economic mineral deposits.

The global financial crisis has caused severe challenges for KEFI Minerals, following the downturn in equity markets for exploration companies and the consequent effect on our funding capability.

Our small team of dedicated professionals is targeting large epithermal gold or porphyry gold-copper systems analogous to several >1 million ounce gold deposits recently discovered and developed in Turkey. This is being done in a manner that is cost effective and minimises risk for our Company, whilst maximising the odds of making a significant discovery.

The Company's progress on exploring its projects in Turkey and assessing numerous opportunities during the year has been accomplished during a period of extreme contraction in the global financial markets. In response to these challenges, your Board has taken action to further reduce costs on an already low cost base.

Exploration Strategy

In 2008 KEFI Minerals concentrated on exploring the prolific minerals endowment of Turkey. Turkey 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.

We examined many proposals from owners of exploration properties in Turkey who are interested in partnering with our Company. This process also led us to consider many opportunities in the region surrounding Turkey and to the launch of a major new initiative in Saudi Arabia.

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 gold mineralisation in particular;
- Exploring projects as a package rather than individual isolated prospects;
- Rapidly identifying, prioritising and assessing targets; and
- Creating effective working relationships and further developing knowledge using an established local team.

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 in particular, or equivalent through exploration; and
- Identifying and fostering high-quality joint venture opportunities, with both international and local partners, in order to source capital and manage financing costs.

Strategic Alliances

KEFI Minerals leverages its technical expertise and available funding by entering into strategic alliances. Its first such alliance was with EMED Mining Public Limited of which I am Managing Director and which provides commercial, technical and administrative support and personnel on a cost-recovery basis, thus enabling the KEFI Minerals' staff to minimise overheads and focus on exploration.

In 2008, the Company expanded on its approach of forming strategic alliances with appropriate partners. The Artvin Joint Venture was formed in October 2008 with a subsidiary of Centerra Gold Inc. ("Centerra"), a Canadian-based gold mining and exploration company. Centerra has the right to earn up to 70% interest in the property by spending US$6 million over five years.

In 2009, this approach is set to continue. The mineral potential in the Kingdom of Saudi Arabia is of interest to the Company and a new joint venture was announced in May 2009 with Abdul Rahman Saad Al-Rashid & Sons Company Ltd. ("ARTAR"), a leading Saudi construction and investment group.

The primary target of the new joint venture (known as "GEMCO") is the discovery and development of a >1 million ounce gold deposits in the under explored Precambrian Arabian Shield of Saudi Arabia. KEFI Minerals is the operating partner with a 40% interest with Abdul Rahman Saad Al-Rashid & Sons Company Ltd. holding the remaining 60% and providing local support services.

The GEMCO partners have over the past year have developed the initial database, conducted initial field reconnaissance and lodged applications for approximately 1,000 km^2 of exploration licences.

Funding

KEFI Minerals completed a private placement raising £585,000 in March 2009. Exploration expenditure at our Artvin Project is planned to be funded entirely by Centerra.

EMED Mining remains supportive and participated in this placing to retain its 32% interest in KEFI Minerals. EMED Mining is owned by a range of mining industry specialists, primarily from Australia, South Africa, United States and the United Kingdom.

Outlook

KEFI Minerals' 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.

In 2009, the Company will continue the progress in areas where its technical excellence is leveraged via its carefully structured strategic alliances. The strength in the gold market (with the current gold price in the vicinity of US$900 per ounce), combined with the opportunities identified by the Company, provides us with an exciting opportunity to create exceptional value for shareholders – subject to the Company continuing its tight focus and risk-management.

I remain optimistic that the depth and quality of your Company's projects, its opportunities and the experience of your Board and executive team will enable your Company to weather the current challenges and become a stronger organisation that warrants your support.

I would like to thank our shareholders, management and the families behind them for their patience and support. It is hard enough to build an organisation at the best of times. To do so during the current global financial crisis calls for special commitment and performance from special people. And we are fortunate to have such a team.

Harry Anagnostaras-Adams

Chairman

MANAGING DIRECTOR'S REPORT

During 2008, our team focused on exploration of our projects in Turkey coupled with discrete preparations for the formation of a new joint venture in Saudi Arabia.

Key accomplishments during 2008 include:

> Forming a Joint Venture on the Artvin Project with Centerra Gold.

> Drilling at our Artvin and Derinin Tepe Projects both intercepting encouraging mineralisation;

> Improving our exploration portfolio in Turkey with the addition of two new project areas and relinquishing two other project areas;

> Evaluating numerous joint venture and acquisition opportunities in Turkey and the surrounding region but successfully focusing on forming the GEMCO joint venture in the Kingdom of Saudi Arabia, which was announced in May 2009.

Health and Safety

No lost time injuries were sustained by employees or contractors during the course of the Company's exploration activities during the year.

KEFI Minerals promotes awareness of positive health and safety practices with all employees and actively encourages continuous improvements in this area.

Environment

All of the Company's exploration activities are undertaken with the aim of minimising any environmental impact.

A key aspect of the Company's Exploration Environmental Policy is to rehabilitate all project areas disturbed by our exploration activities. For example, drill sites have been acccordingly rehabilitated as soon as practicable after the completion of drilling.

Exploration Portfolio

In **Turkey**, KEFI Minerals' four most advanced projects are:

> Artvin in northeast Turkey which is very prospective for both volcanic-hosted massive sulphide and porphyry copper style deposits;

> Derinin Tepe in western Turkey which is a low-sulphidation, epithermal gold-silver deposit that was mined by the Romans using a primitive method of cut-and-fill mining;

> Bakir Tepe in southwestern Turkey which is prospective for Cyprus-style volcanic-hosted massive sulphide copper-gold-zinc deposits; and

> Yatik in western Turkey which is prospective for low-sulphidation, epithermal gold-silver mineralisation.

The Company's Gumushane, Muratdag and Hasancelebi Projects in Turkey are at an earlier stage of evaluation.

The Meyvali and Karalar tenements were relinquished during the year following geochemical surveys that downgraded their prospectivity.

MANAGING DIRECTOR'S REPORT

During the year, KEFI Minerals acquired seven new Exploration Licences (78 km^2) at Bakir Tepe and a single Exploration Licence (20 km^2) at Hasancelebi through successfully bidding in Government licence auctions and through applying for vacant ground. The Company now has granted title covering 454km^2 in area.

KEFI Minerals makes considerable efforts towards upgrading its exploration portfolio. Our geologists evaluated numerous opportunities during 2008. The most prospective of these exploration properties and mines were visited and sampled by our team. However, the majority of these projects did not meet our exploration requirements or we were unable to meet the expectations of the vendors.

In the **Kingdom of Saudi Arabia**, the GEMCO partners have lodged 10 applications for exploration licences that cover 100 km^2 each. These areas all contain historic workings for gold and some have historic copper workings.

Subject to regulatory permitting, exploration in Saudi Arabia is planned to comprise initial prospecting of some targets that have already been identified.

Major gold deposits in the Precambrian Arabian-Nubian Shields include Centamin's Sukari deposit (>13 million ounces) and Ma'adens' Mahd adh Dhahab mine (>6 million ounces) and Ma'adens' recently discovered deposits which total more than 8 million ounces.

Exploration Approach

KEFI Minerals encourages prospectors and miners to contact us with proposals and aims to respond to them promptly and fairly.

Our proprietary database and experienced exploration team enables us to rapidly filter and evaluate exploration properties that are offered to us as well as assessing tenements relinquished by other explorers.

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.

We will continue to evaluate advanced opportunities and to 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.

Our approach includes working with strategic partners whose assets and skills complement the strong exploration skills of our team, as exemplified by our recent GEMCO joint venture in Saudi Arabia.

Over the past year, the GEMCO partners have created a substantial database of historic workings, geology, geophysics, remote sensing, prospect geology, alteration studies, and structural interpretation. This database, combined with limited initial field reconnaissance, enabled the extensive ancient workings to be rapidly assessed for the potential to host major mineral deposits.

This has allowed for rapid identification and quality assessment of extensive ancient workings and selective targeting for potentially major mineral deposits, with 10 ELA's (1,000 km^2) submitted.

MANAGING DIRECTOR'S REPORT

Outlook for 2009

Looking to 2009, the year will be a very active one for the Company and we will continue our exploration focus whilst aiming to progress one or more of our projects towards production.

The primary objectives for 2009 are:

> to rapidly assess the Company's current projects in Turkey and to advance them as warranted by results;

> to conduct initial exploration of the large (1,000 km^2) Saudi Arabian exploration licence applications; and

> to identify the most prospective areas in Turkey and Saudi Arabia for potential acquisition and evaluation.

Our team continues to strive towards these objectives with an appropriate focus on the trade-off between costs and the potential returns generated if our efforts are successful.

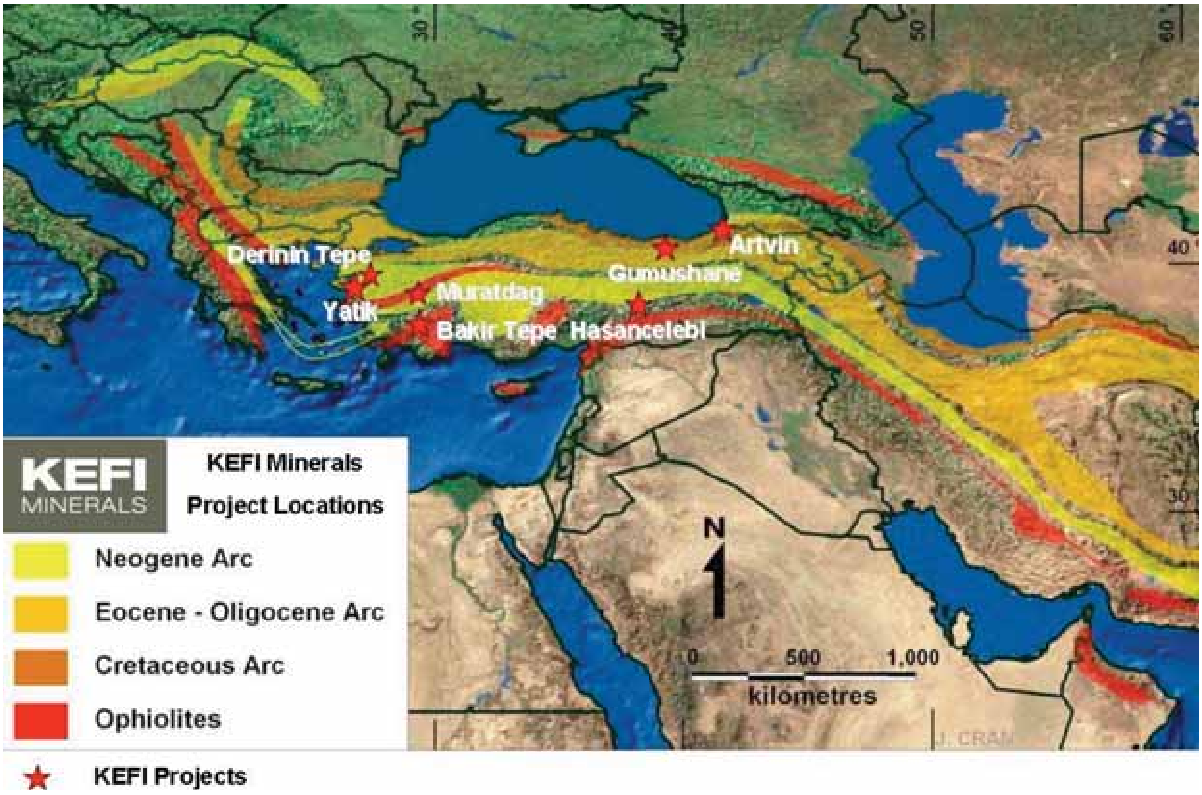
Jeffrey Rayner

Managing Director

REVIEW OF EXPLORATION ACTIVITIES

During 2008, KEFI Minerals' exploration activities included the following:

- Second-phase diamond drilling at the Derinin Tepe Project returned results up to 16.0g/t gold over 2.85m.
- Joint venture of the Artvin Project with Centerra Gold (KB) Inc., a wholly-owned subsidiary of Centerra Gold Inc.
- Initial diamond drilling at the Yanikli Prospect, within the Artvin Project, which returned results up to 20.9g/t gold over 2.0m.
- Eight additional Exploration Licences were applied for and granted, thus strengthening the Company's tenement position within Turkey.
- Stream sediment, soil and rock chip sampling of priority targets throughout the tenement package.
- Geophysical surveys at the Artvin and Bakir Tepe Projects.
- Desktop assessment of potential joint venture opportunities and field inspection and sampling of many of these opportunities.
- Study of KEFI Minerals' proprietary exploration database leading to the identification of targets for further assessment.
- Continued landowner and community liaison throughout the year.



Location of KEFI Minerals' projects in Turkey.

Artvin Project (Centerra Gold has right to earn 70%) – Northeast Pontides

The Artvin Project comprises 15 Exploration Licences (totaling 254km^2) located in the Eastern Pontide Belt in northeastern Turkey. The Eastern Pontide Belt is a major metallogenic province near the eastern Black Sea coastal region and is considered

REVIEW OF EXPLORATION ACTIVITIES

prospective for volcanic-hosted massive sulphide ("VHMS") deposits, porphyry copper-gold deposits, as well as epithermal gold-silver mineralisation.

Exploration by KEFI Minerals' personnel during 2007 returned encouraging geochemical assays from the Uzumlu Prospect and discovered a new gold occurrence at the Yanikli Prospect.

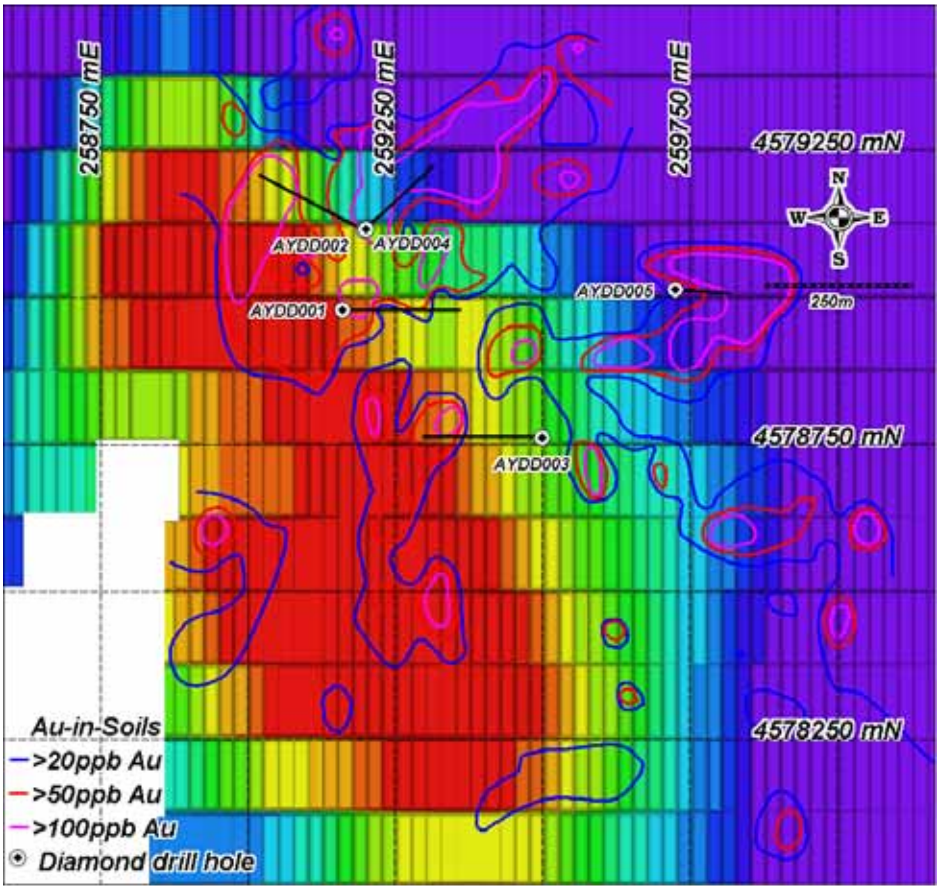
Following a period of negotiations with a number of interested parties, KEFI Minerals agreed in October 2008 to enter into a joint venture with Centerra Gold (KB) Inc ("Centerra"), a wholly-owned subsidiary of Centerra Gold Inc. Centerra has the right to earn up to 70% equity in the Artvin Project by spending US$6 million over five years.

Yanikli Prospect

An induced polarisation ("IP") survey was completed at the Yanikli Prospect in August 2008.

Two-dimensional (2D) and three-dimensional (3D) chargeability and resistivity inversion models were created from this data.

This modelling indicated a large volume of sulphide-bearing rock and was utilised to target drill holes within a zone of mapped alteration and strong gold/base-metals anomalies.



Drillhole locations on contours of gold-in-soil values over 1500m RL chargeability response, Yanikli Prospect, Artvin Project

An initial diamond drilling programme at the Yanikli was completed in December 2008. Five holes (AYDD001-005) were completed for an aggregate of 1618m of drilling. The drilling was carried out by Pozitif Sondaj, an Ankara-based contractor.

The Company's geologists observed significant widths of quartz-sericite-pyrite alteration with widespread disseminated and vein-style pyrite-sphalerite and some galena within the core in

REVIEW OF EXPLORATION ACTIVITIES

all five holes. Detailed lithological logging of the drill core was undertaken and intervals with alteration +/- mineralisation +/- veining were selected for sampling.

A maximum gold intercept of 2m at 20.9g/t gold and 47.4g/t silver was recorded in hole AYDD4. Other significant gold intercepts include 14m at 1.0g/t gold from 42m (including 1m at 9.9g/t gold from 44m) and 33m at 0.3g/t Au from 62m in AYDD1. Wide intervals of anomalous zinc mineralisation, including 64m at 0.35% zinc and 44m at 0.57% zinc, were recorded in holes AYDD1 to AYDD4.

The Artvin Project area is located in mountainous terrain and is inaccessible during the winter months due to snow cover.

Planned exploration during the 2009 field season includes more diamond drilling at the Yanikli Prospect as well as geochemical surveys and an IP geophysical survey to assist in drill-target definition at the Uzumlu Prospect.

Hole AYDD002, Yanikli Prospect, Artvin Project

Pyrite-rich quartz-sphalerite-galena mineralisation. Hole AYDD001, Yanikli Prospect, Artvin Project

Derinin Tepe Project (100%) – Western Anatolia

KEFI Minerals is the first company to utilise modern exploration methods to explore at Derinin Tepe.

The Derinin Tepe Project 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. Derinin Tepe is 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).

The low-sulphidation, epithermal vein-style mineralisation at Derinin Tepe occurs within a series of northwest-trending quartz-vein structures. The main Western Vein attains a true width of 8m and is greater than 1km in strike length. Numerous ancient mine workings, possibly of Roman vintage, attain a maximum length of ~200m along the Western Vein and extend to a depth of 50m in places.

During 2007, an initial diamond drilling program was completed and was targeted the quartz veins at about 50m depth. Gold-silver mineralisation was intersected in six of the nine holes drilled. Drillhole KDTD04 returned the best intercept of the programme with 3.6m at 3.3g/t gold and 90g/t silver from 38m downhole and 1.0m at 3.3 g/t gold and 327g/t silver.

During 2008, a second-phase diamond drilling programme was designed to intersect the Western Vein below the ancient workings at vertical depths of 100m to 130m below surface. The drilling programme, which comprised eight holes totalling 1,180m was completed in May 2008. All drillholes, except KDTD11, intercepted low-sulphidation quartz veins, quartz-vein stockwork zones and quartz breccia zones.

Drilling at Derinin Tepe Project in March 2008.

The best intercepts of the 2008 programme were:

> Drillhole KTDT13 - 16.05g/t gold over 2.85m from 110m downhole and 29.0g/t silver over 8.1m from 106.60m downhole;

> Drillhole KDTD15 - 1.36g/t gold and 42.2g/t silver over 1.35m from 54.65m downhole and 1.01g/t gold and 28.2g/t silver over 0.70m from 60.25m downhole;

> Drillhole KDTD10 - 46.8g/t silver over 3.50m from 71.60m downhole; and

> Drillhole KDTD16 - 25.3g/t silver over 6.90m from 116.0m downhole.

The Company's geologists are integrating and assessing all available geological, geochemical, and drilling data prior to undertaking further exploration at the prospect. The exploration work conducted to date suggests that the veins are exposed at a low level within the epithermal system, as evidenced by high silver:gold ratios, elevated values of base metals and crystalline quartz textures.

Good potential remains for multiple small high-grade gold-silver shoots to be discovered at Derinin Tepe. Further close spaced drilling is required in order to identify and define these shoots. In addition, a number of vein zones remain untested by drilling.

Bakir Tepe Project (100%) – Western Anatolia

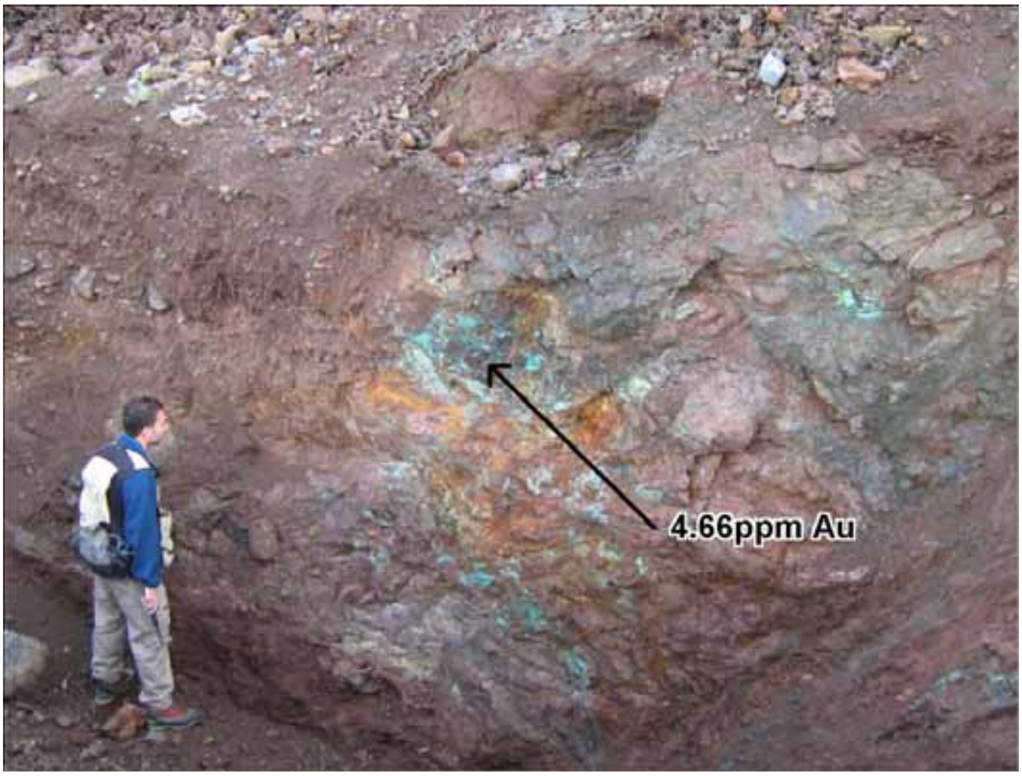
The Bakir Tepe Project comprises seven Exploration Licences (totaling 78km^2) in the Denizli and Burdur Provinces of western Turkey.

Bakir Tepe is located within the Lycian Ophiolite Complex, which forms part of the Taurides Ophiolite Complex in southern Turkey. A number of well-known VHMS deposits are located in eastern Turkey, including:

> Siirt-Madenkoy deposit (14 million tonnes at 3% copper, 1g/t gold) which is currently being mined; and

> Ergani-Maden deposits, which were mined in ancient times and from 1939 to 1968, producing approximately 6.1 million tonnes of ore containing 6.5% copper.

The Bakir Tepe tenements cover Mesozoic limestone and ophiolite. The local geology at Bakir Tepe is comprised of mafic volcanics overlain by pillow basalts and sediments. Characteristic hydrothermal alteration products include limonitic “umber” zones, manganese-rich horizons and jasperoidal chert. This alteration sequence is typical of the peripheral alteration “apron” zones that form around the core of a VHMS deposit.



Copper and gold mineralisation at Bakir Tepe Project.

An IP geophysical survey was conducted over the main mineralised zone within the Bakjir Tepe licences during July 2008. The survey defined two moderately strong chargeability anomalies, one of which the survey suggests has a strike length of over 900m, in what is interpreted to be a very favourable setting for Cyprus–type VHMS copper-gold style of mineralisation.

REVIEW OF EXPLORATION ACTIVITIES

The IP responses are interpreted as being indicative of the occurrence of potentially economically significant levels of sulphide mineralisation.

An initial diamond drilling is planned to to test the IP anomalies during the second quarter of 2009. Further drilling programmes will be planned based on the success of the initial phase of diamond drilling.

Yatik Project (100%) – Western Anatolia

The Yatik Project comprises a single Exploration Licence of ten hectares in Balikesir Province, western Turkey. The prospect area is comprised of Miocene andesitic volcanics which have been erupted on a basement of upper Paleozoic to Mesozoic age metasediments. The Early Miocene age Kozak granodiorite has uplifted the area and resulting erosion has exposed the basement rocks around the intrusive, as well as a substantial portion of the volcanic section.

Low sulphidation epithermal vein-style quartz vein breccia, Yatik Project

Looking southeast along the vein outcrop, Yatik Project

The Yatik low-sulphidation epithermal vein has a strike length of approximately 350m within the Company's tenement, with an average width of 14m, a maximum width of 50m.

Rock-chip samples collected by the Company's personnel have returned up to 6.0g/t gold and 55g/t silver with anomalous arsenic and antimony. These results and the visible quartz vein textures, suggest that the vein zone is exposed at a high level in the low-sulphidation epithermal system and that the "boiling zone", the most favourable zone for high grade gold mineralisation is at depths >200m below surface.

The project was previously drilled by the exploration arm of the Turkish Government's mining company and by a Canadian explorer. Both previous explorers drilled relatively shallow holes (50m- 100m vertical depth), which returned anomalous gold, silver and indicator element values, but did not adequately test the depth extensions of the vein system. Best drill results included 7m at 5.73g/t gold and 31m at 1.28g/t gold.

KEFI plans to complete an initial phase of diamond drilling to test the vein system at depth is planned for the second half of 2009. Further drilling programmes will be planned based on the success of the initial phase of diamond drilling.

Other Projects

Exploration was also conducted at Gumushane, Muratdag and Hasancelebi Projects during 2008. Further exploration is planned to defined drill targets at several prospects within these projects during the coming year.

REVIEW OF EXPLORATION ACTIVITIES

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.

The Company continued with an active and successful project generation programme throughout 2008, which resulted in the recognition and acquisition of the Bakir Tepe and Hasancelebi projects. It remains a priority to develop the Company's exploration portfolio with both new projects and with additions to existing projects.

The Company also assessed numerous projects and acquisitions with the aim of identifying opportunities which may provide a rapid entry to production. However, most of the opportunities that were submitted to us have been grassroots exploration properties that did not meet our exploration criteria.

GEMCO JV Saudi Arabia (40%)

The Precambrian shield of the Kingdom of Saudi Arabia forms part of the Arabian-Nubian Shield which formed over 800 million to 550 million years ago and is part of the great collision zone called the East African Orogen.

Precious and industrial metals, including gold, silver, copper, zinc, tin, and lead, have been mined in Saudi Arabia for at least 5,000 years. The most productive mine in Saudi Arabia and still in operation today, is the Mahd adh Dhahab ("Cradle of Gold") mine. It has been periodically mined over thousands of years and is reputed to be the original source of King Solomon's gold.

The Saudi Arabian Directorate General of Mineral Resources (DMMR) commenced gold exploration in the 1970s, following a rise in value of the metal. The United States Geological Survey (USGS) and French equivalent (BRGM) were commissioned to document and evaluate the mineral occurrences over a 25 year period from the 1980's to mid-1990's. Over 5,000 historic mines and occurrences were discovered. Limited work was carried out on each and up to 1994, only 51 of these were drill tested.

The Saudi Government has recently opened up the mining sector for foreign investment to reduce the dependence of the economy on oil production by introducing new mining laws and investment regulations in 2005.

There were just a handful of gold exploration companies active in Saudi in 2007-8, however a steady increase of interest has been noted in 2008-9 as both the Gulf Countries and foreign explorers have been buoyed by the recent hike in the gold price and changes in investment policies.

REVIEW OF EXPLORATION ACTIVITIES

The Saudi Arabian Mining Company (Ma'aden) operates five gold mines, including underground and open–pit mining operations and processing plants utilizing conventional CIL and heap-leach extraction processes. Ma'aden's gold mining unit produces around 300,000 ounces of gold a year. Mining costs are low, the average cost per ounce in 2006 was $200. This is largely due to cheap energy and labour costs.

In the past 7-8 years Ma'aden has proved up over 8 million ounces of gold to JORC classification and is planning to develop at least two more gold mines.

Coupled with one of the most significant discoveries in recent times, in the once contiguous Nubian Shield, is Centamin's Sukari gold deposit, with resources now over 13 million ounces of gold.

The under-explored Arabian-Nubian Shield clearly has very good potential to yield further significant gold discoveries.

KEFI Minerals and Abdul Rahman Saad Al-Rashid & Sons Company Ltd. have been in discussions for over a year. In this time we have been quietly accumulating a comprehensive database on the metallogenic, geological, geophysical, remote sensing data available and melding all of the above into a useable modern and dynamic exploration tool.

This has enabled the GEMCO JV to rapidly delineate and assess available ground, which has led to the initial application of 10 Exploration Licences ("ELA's") totaling 1,000km^2 in area and many more applications are currently being generated.

The initial ELA's all contain historic workings, some have returned over 55g/t gold from grab samples of vein and dump materials. Visible gold has been noted on at least two prospects. Channel sampling and drilling by the BRGM have returned very encouraging intercepts on certain ELA areas.

REVIEW OF EXPLORATION ACTIVITIES

KEFI Minerals is providing technical advice and assistance, including personnel to manage and supervise all exploration and technical studies. Abdul Rahman Saad Al-Rashid & Sons Company Ltd. is providing administrative advice and assistance to ensure GEMCO remains in compliance with all governmental and other procedures.

The current progress that GEMCO has been able to achieve to date is due to the diligence and dexterity of KEFI Minerals' geologists and to the strategic support provided by Abdul Rahman Saad Al-Rashid & Sons Company Ltd.

2009 Work Programme

KEFI Minerals' work programme for 2009 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 Artvin Project, KEFI Minerals will manage exploration on behalf of the joint venture with Centerra. Further diamond drilling is planned at the Yanikli Prospect with the aim of defining potentially economic zones of continuous mineralisation that have the potential to result in the delineation of a Mineral Resource. At the Uzumlu Prospect, geochemical surveys and IP geophysical surveys will be conducted in order to assist in the definition of targets for first-phase diamond drill testing.

At the Derinin Tepe Project, compilation and assessment of all available geological, geochemical, and drilling data will be undertaken prior to planning further exploration at the prospect.

At the Bakir Tepe Project, first-phase diamond drill testing of the IP geophysical anomalies will be carried out.

At the Yatik Project, detailed structural mapping will be undertaken to aid in defining epithermal vein-style targets for diamond drill testing during the second half of 2009.

In addition to undertaking generative studies, the Company will also continue to assess opportunities with the aim of acquiring advanced projects in Turkey and the region. Mapping, rock-chip sampling, soil sampling and geophysical surveys will be carried out so as to advance at least two other prospects to the drill testing stage.

GEMCO plans to spend a total of US$1 million in the first year of exploration. KEFI Minerals' share is 40% thereof.

GEMCO's strategy will be to continue to build a high-quality portfolio of Exploration Licences with the potential to host >1 million ounce gold deposits. We will continue to map out the most cost effective exploration programmes to fast-track gold discovery and eventual development of new mines.

KEFI MINERALS PLC

REPORT AND FINANCIAL STATEMENTS

Year ended 31 December 2008

REPORT AND FINANCIAL STATEMENTS
Year ended 31 December 2008

CONTENTS PAGE

BOARD OF DIRECTORS, OFFICERS AND ADVISERS

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
Auditors:	Moore Stephens LLP St. Paul's House Warwick Lane London EC4M 7BP
Registered Office:	27/28 Eastcastle Street London W1W 8DH
Bankers:	Allied Irish Bank (GB) Mayfair Branch 10 Barkley Square London W1J 6AA
Solicitors to the Company	Field Fisher Waterhouse 35 Vine Street London EC3N 2AA
Share Register	Share Registrars Limited Registered Office: 27/28 Eastcastle Street, London W1W 8DH Registered in England & Wales No 4715037
Nominated Advisor	W. H. Ireland 11 St. James's Square Manchester M2 6WH United Kingdom

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 year ended 31 December 2008.

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. EMED Mining retains a 31.55% shareholding and first right of refusal to any project joint venture.

The primary objective for 2009 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.

Review of Operations

KEFI Minerals has the following projects in Turkey:

- Artvin and Gumushane in northeastern Turkey;
- Derinin Tepe, Muratdag and Yatik in western Turkey;
- Bakir Tepe in southwestern Turkey; and
- Hasancelebi in central Turkey.

All of these projects are 100% owned by KEFI Minerals.

KEFI Minerals also owns an extensive exploration database which contains information about approximately 100 further prospective sites in Turkey. This database provides the Company with a competitive advantage to identify prospective areas for project generation in Turkey.

The **Artvin Project** comprises fifteen exploration licenses covering an area of 254 square kilometers on predominantly state forestry land. KEFI Minerals is the first company to utilise modern exploration methods to systematically explore the Artvin Project area.

TSX-listed Centerra Gold is earning an interest in the **Artvin Project** under the terms of a Joint Venture Agreement announced in October 2008. The funding provided by Centerra enables KEFI Minerals to accelerate exploration at Artvin and a drilling programme was completed in late November 2008.

KEFI Minerals has the Derinin Tepe and Muratdag Projects in the western Anatolia region of Turkey.

Surface exploration undertaken by KEFI Minerals at the **Derinin Tepe Project** during 2007 identified gold-silver mineralisation in low-sulphidation epithermal quartz veins with cumulative strike lengths of over 2km and widths of up to 8m at surface.

The **Bakir Tepe Project** in southwestern Turkey was acquired in mid-2008 and is considered prospective for Cyprus–type volcanogenic massive sulphide (VMS) style of mineralisation.

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.

Further details are contained in the Chairman's Report and the Managing Director's Report.

REPORT OF THE BOARD OF DIRECTORS

Results

As at 31 December 2008, KEFI Minerals had a net working capital of £13,000 and the company's market capitalisation was £1.94 million. At year end the Company had negative equity of £217 000 but on the 9 March, 2009 a share placement was completed that raised additional capital of £584,340.

During the year 2008, Kefi Minerals has incurred exploration expenditure of £677,000 from operations and net operating expenditure of £563,000.

All exploration expenditure is written off when incurred pending Directors' decision to commence project development. This policy is a major factor in Kefi Minerals recording a net loss for the year of £ 1.137 million:

	2008 £ 000's
- Exploration Expenditure	**(677)**
- Net Operating Expenditure	**(563)**
- Share-based benefits	**(89)**
- Foreign Exchange Profit	**185**
- Finance Income	**7**
- (Loss) for the period	**(1,137)**

The Group's results for the year are set out on page 28.

Board of Directors

The members of the Board of Directors of the Company as at 31 December 2008 all of whom served throughout the year and at the date of this report are shown on page 19. 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 Chairman

Harry Anagnostaras-Adams (BComm, MBA) is currently managing director of AIM-listed EMED Mining Public Limited. He was formerly managing director of ASX and AIM-listed Gympie Gold Limited, deputy chairman of Australian Gold Council, executive director of investment company Pilatus Capital Limited and general manager of investment company Clayton Robard Limited. Harry 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 Sardina 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 a director of KEFI Minerals in November 2006.

REPORT OF THE BOARD OF DIRECTORS

Board of Directors (continued)

Ian Plimer, Non-Executive Deputy Chairman

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

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 financial director of EMED Mining. Mr Leach is contracted to KEFI Minerals pursuant to the terms of the Services Agreement.

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:

Name	Number of Existing Ordinary Shares	% of Issued Share Capital
Harry Anagnostaras-Adams	1,966,667	1.05%
Ian Plimer	250,000	0.13%
Jeff Rayner	1,533,000	0.82%
John Leach	1,000,000	0.53%

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	Grant Date	Exercise Price	Expiration Date
Harry Anagnostaras-Adams	4,000,000	12 Dec. 2006	3p	12 Dec. 2012
Ian Plimer	2,000,000	12 Dec. 2006	3p	12 Dec. 2012
Jeff Rayner	5,000,000	12 Dec. 2006	3p	12 Dec. 2012
John Leach	1,000,000	12 Dec. 2006	3p	12 Dec. 2012

REPORT OF THE BOARD OF DIRECTORS

Corporate governance
The Directors are aware of the Combined Code 2006 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. 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 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 on a regular basis 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

Subsequent Events

On 9 March 2009 the Company raised additional funds by the issue of 58.4 million shares at 1p to raise £584,340.

The potential for gold and other mineral exploration in Saudi Arabia is of interest to the Company. A joint venture agreement was signed on 28 May 2009 with Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR") to explore in Saudi Arabia and a joint venture company, Gemco Limited ("Gemco"), has been established for this purpose. KEFI is the operating partner with a 40 per cent shareholding and ARTAR holds the remaining 60 per cent.
(The "Gemco Joint Venture")

No other events have arisen since the end of the financial year that have significantly affected the operations of the Group.

Future Developments

In 2008, the Company extended its strategy of forming strategic alliances in the key regions in which it operates. This strategy began with an alliance with EMED Mining Public Limited ('EMED') which continues to provide management, technical and financial support to the Company. This was followed with the formation in Turkey of the Artvin Joint Venture with partner Centerra Gold Inc. of Canada. This arrangement not only accelerated the work at Artvin but, at the same time, conserved the Company's resources.

The recent establishment of the strategic alliance in Saudi Arabia is an important step towards any future success in the region. The Gemco Joint Venture will be targeting the discovery and development of a 1 million ounce or more gold deposit in the under-explored Precambrian Shield in Saudi Arabia.

It will be necessary for the Company to raise additional funds in 2009 (in addition to those raised in March 2009) and appropriate strategies, within the context of the continuing challenges of today's global financial markets, are being considered.

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.

Statement

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

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware;and
- The director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By Order of the Board

Cargil Management Services Limited
22 Melton Street
London
NW1 2WB
Secretary
8 June 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with the Companies Act 1985. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors have chosen to prepare financial statements for the Company in accordance with IFRS as adopted by the European Union..

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and Group, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of the Directors' Report.

International Accounting Standard 1 requires that the financial statements present fairly for each financial period the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards.

A fair presentation also requires the Directors to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions and any other events and conditions on the entity's financial position and financial performance; and
- Prepare the accounts on a going concern basis unless it is inappropriate to presume that the Group will continue in business.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors; the work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 year ended 31 December 2008 which are set out pages 28 to 50. 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 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 2008 and of its loss for the year 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 2008;

- 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.

As explained in Note 1 to the group financial statements, the group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion, the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 December 2008 and of its loss for the year then ended.

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 34.

St Paul's House
Warwick Lane
LONDON EC4M 7BP
10 June 2009

MOORE STEPHENS LLP
Registered Auditors
Chartered Accountants

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	31.12.08 GBP'000	24.10.06-31.12.07 GBP'000
Revenue		-	-
Exploration costs		(677)	(797)
Gross loss		(677)	(797)
Administrative expenses		(563)	(488)
- share-based benefits		(89)	(167)
Impairment charge – goodwill		-	(364)
Operating loss	4	(1,329)	(1,816)
Foreign exchange profit		185	93
Finance income	7	12	39
Finance costs	8	(5)	(3)
Loss before tax		(1,137)	(1,687)
Tax	9	-	-
Net loss for the year		(1,137)	(1,687)
Loss per share (GBP)	10	0.01	0.02

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 £718,919 (2007: £738,391) has been included in the financial statements of the parent company.

BALANCE SHEETS

31 December 2008

	Notes	The Group 2008 GBP'000	The Company 2008 GBP'000	The Group 2007 GBP'000	The Company 2007 GBP'000
ASSETS					
Non-current assets					
Property Plant and Equipment	11	36	-	47	-
Goodwill	12	-	-	-	-
Fixed asset investments	13	-	2	-	2
Trade and other receivables	14	-	1,651	-	1,136
		36	1,653	47	1,138
Current assets					
Trade and other receivables	14	109	-	43	-
Cash and cash equivalents	15	293	288	502	472
		402	288	545	472
Total assets		438	1,941	592	1,610
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	16	1,296	1,296	1,088	1,088
Share premium	16	1,347	1,347	991	991
Share options reserve	17	256	256	167	167
Exchange difference reserve		(292)	-	(86)	-
Accumulated losses		(2,824)	(1,457)	(1,687)	(738)
Total equity		(217)	1,442	473	1,508
Non-current liabilities					
Advances received	18	266	266	-	-
		266	266	-	-
Current liabilities					
Trade and other payables	19	389	233	119	102
		389	233	119	102
Total liabilities		655	499	119	102
Total equity and liabilities		438	1,941	592	1,610

On 8 June 2009, the Board of Directors of KEFI Minerals plc authorized these financial statements for issue.

....

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	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
Exchange difference on translation of subsidiaries	-	-	-	-	(86)	(86)
Net income recognized directly in equity	-	-	-	-	(86)	(86)
Net loss for the period	-	-	-	(1,687)	-	(1,687)
Total recognized income and expense for the year	-	-	-	(1,687)	(86)	(1,773)
Recognition of share based payments	-	-	167	-	-	167
Issue of share capital	1,088	1,396	-	-	-	2,484
Share issue costs	-	(405)	-	-	-	(405)
At 31 December 2007	1,088	991	167	(1,687)	(86)	473
Exchange difference on translation of subsidiaries	-	-	-	-	(206)	(206)
Net income recognized directly in equity	-	-	-	-	(206)	(206)
Net loss for the year	-	-	-	(1,137)	-	(1,137)
Total recognized income and expense for the year	-	-	-	(1,137)	(206)	(1,343)
Recognition of share based payments	-	-	89	-	-	89
Issue of share capital	208	416	-	-	-	624
Share issue costs		(60)	-	-	-	(60)
At 31 December 2008	1,296	1,347	256	(2,824)	(292)	(217)

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital GBP'000	Share premium GBP'000	Share options reserve GBP'000	Accumulated losses GBP'000	Total GBP'000
Net loss for the period	-	-	-	(738)	(738)
Total recognized income and expense for the year	-	-	-	(738)	(738)
Recognition of share based payments	-	-	167	-	167
Issue of share capital	1,088	1,396	-	-	2,484
Share issue costs	-	(405)	-	-	(405)
At 31 December 2007	1,088	991	167	(738)	1,508
Net loss for the year	-	-	-	(719)	(719)
Total recognized income and expense for the year	-	-	-	(719)	(719)
Recognition of share based payments	-	-	89	-	89
Issue of share capital	208	416	-	-	624
Share issue costs		(60)	-	-	(60)
At 31 December 2008	1,296	1,347	256	(1,457)	1,442

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	31.12.08 GBP'000	24.10.06 to 31.12.07 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,137)**	(1,687)
Adjustments for:			
Depreciation of property, plant and equipment	11	**23**	13
Share-based benefits	17	**89**	167
Impairment charge – goodwill		**-**	364
Interest income	7	**(12)**	(39)
Exchange difference on translation of subsidiaries		**(218)**	(86)
		(1,255)	(1,268)
Changes in working capital:			
Trade and other receivables		**(66)**	(76)
Trade and other payables		**270**	119
		204	43
Net cash used in operating activities		**(1,051)**	(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	20	**-**	(334)
Advances from Centerra Gold (KB) Inc.	18	**266**	-
Interest received	7	**12**	39
Net cash generated/(used) in investing activities		**278**	(352)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**624**	2,484
Listing and issue costs		**(60)**	(405)
Net cash from financing activities		**564**	2,079
Net (decrease)/increase in cash and cash equivalents		**(209)**	502
Cash and cash equivalents:			
At beginning of the period	15	**502**	-
At end of the period	15	**293**	502

COMPANY CASH FLOW STATEMENT

Year ended 31 December 2008

	Notes	31.12.08 GBP'000	24.10.06 to 31.12.07 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(712)**	(738)
Adjustments for:			
Share-based benefits	17	**89**	167
Interest income	7	**(12)**	(39)
		(635)	(610)
Changes in working capital:			
Trade and other receivables		**(515)**	(1,136)
Trade and other payables		**124**	102
		(391)	(1,034)
Net cash used in operating activities		**(1,026)**	(1,644)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries	20	**-**	(2)
Advances from Centerra Gold (KB) Inc.	18	**266**	-
Interest received	7	**12**	39
Net cash from investing activities		**278**	37
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**624**	2,484
Listing and issue costs		**(60)**	(405)
Net cash from financing activities		**564**	2,079
Net (decrease)/increase in cash and cash equivalents		**(184)**	472
Cash and cash equivalents:			
At beginning of the period	15	**472**	-
At end of the period	15	**288**	472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2008

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 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 31st December 2008. The company and the consolidated financial statements have been prepared under the historical cost convention.

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.

2. Accounting policies (continued)

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 the income statement.

(2) Foreign operations
On consolidation, the assets and liabilities of the consolidated entity's foreign operations are translated at exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are 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.

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
Year ended 31 December 2008

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.

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 total amount expensed is recognised 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.

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.

3. Financial risk management (continued)

Interest rate risk (continued)
At the reporting date the interest rate profile of interest-bearing financial instruments was:

	2008	**2007**
Variable rate instruments	GBP'000	GBP'000
Financial assets	**293**	502

Sensitivity analysis
An increase of 100 basis points in interest rates at 31 December 2008 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 2008	**Profit or Loss 2008**	**Equity 2007**	**Profit or Loss 2007**
Variable rate instruments	GBP'000	GBP'000	GBP'000	GBP'000
Financial assets	**4**	**4**	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.

	Carrying amounts	**Contractual cash flows**	**3 months or less**	**3 – 12 months**	**1 – 2 years**	**2 – 5 years**	**More than 5 years**
31 December 2007	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
Trade and other payables	53	53	53	-	-	-	-
	53	53	53	-	-	-	-
31 December 2008							
Trade and other payables	389	389	389	-	-	-	-
Advances received from Centerra Gold (KB) Inc (Note 18)	266	-	-	-	-	-	-
	655	389	389	-	-	-	-

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 functional 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
Year ended 31 December 2008

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 2008	**Assets 2008**	**Liabilities 2007**	**Assets 2007**
	GBP'000	GBP'000	GBP'000	GBP'000
Euro	**12**	1	-	3
United States Dollar	**-**	-	-	5
New Turkish Lira	**156**	103	-	11

Sensitivity analysis
A 10% strengthening of the British Pound against the following currencies at 31 December 2008 would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the British Pound against the relevant currency, there would be an equal and opposite impact on the loss and equity.

	Equity 2008	**Profit or Loss 2008**	**Equity 2007**	**Profit or Loss 2007**
	GBP'000	GBP'000	GBP'000	GBP'000
Euro	**1**	**1**	-	-
United States Dollar	**-**	**-**	-	-
New Turkish Lira	**5**	**5**	(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

	2008	**2007**
	GBP'000	GBP'000
Operating loss is stated after charging the following items:		
Depreciation of property, plant and equipment (Note 11)	**23**	13
Share-based employee benefits	**89**	167
Staff costs including directors in their executive capacity	**490**	540
Auditors' remuneration - audit	**27**	24
- interim review	**5**	3
- listing fees	**-**	26
- subsidiary audit fees	**3**	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

5. Staff costs

	2008	2007
	GBP'000	GBP'000
Salaries	**137**	74
Social insurance costs and other funds	**22**	12
	159	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
2008					
Operating loss	(710)	(618)	(1)	-	(1,329)
Financial income	12	-	-	-	12
Financial costs	(4)	(1)	-	-	(5)
Foreign Exchange profit/(loss)	(16)	162	39	-	185
Net loss for the period	(718)	(457)	38	-	(1,137)
Total assets	1,941	148	7	(1,658)	438
Total liabilities	492	1,650	165	(1,659)	648
Depreciation of fixed assets	-	23	-	-	23

	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	-	-	-	39
Financial costs	(2)	(1)	-	-	(3)
Foreign Exchange profit/(loss)	-	83	10	-	93
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

	2008	2007
	GBP'000	GBP'000
Interest income	**12**	39
	12	39

8. Finance costs

Sundry finance costs	**5**	3
	5	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

9. Tax	GBP'000	GBP'000
Loss before tax	(1,137)	(1,687)
Tax calculated at the applicable tax rates	(159)	(225)
Tax effect of expenses not deductible for tax purposes	23	59
Tax effect of tax loss for the year	64	66
Tax effect of allowances and income not subject to tax	(39)	(3)
Tax effect of tax losses brought forward	-	(7)
Tax effect on exploration expenses taxed separately	111	110
Charge for the year	0	0

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

A deferred tax asset of GBP430,735 (2007: GBP255,737) has not been accounted for due to the uncertainty over the timing of future recoverability.

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 2008, the balance of tax losses which is available for offset against future taxable profits amounts to GBP1,302,758 (2007: 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 2008, the balance of tax losses which is available for offset against future taxable profits amounts to GBP165,490 (2007: 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 are can only be set off against income from mining operations. As at 31 December 2008, the balance of exploration costs that is available for offset against future income from mining operations amount to GBP1,419,549 (2007: GBP865,440).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

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:

	2008	2007
	GBP'000	GBP'000
Net loss attributable to equity shareholders	**1,137**	1,687
	'000	'000
Average number of ordinary shares for the purposes of basic earnings per share	**122,708**	102,392
Earnings per share:	GBP	GBP
Basic and fully diluted losses per share	**0.01**	0.02

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

11. Property Plant and Equipment

The Group	**Motor vehicles**	**Furniture, fixtures and office equipment**	**Total**
	GBP'000	GBP'000	GBP'000
Cost			
Additions	47	17	64
Disposals	(7)	-	(7)
At 31 December 2007 / 1 January 2008	40	17	57
Exchange difference on translation of subsidiaries	5	2	7
At 31 December 2008	45	19	64
Accumulated Depreciation			
Charge for the period	11	2	13
On disposal	(3)	-	(3)
At 31 December 2007 / 1 January 2008	8	2	10
Charge for the period	18	5	23
Exchange difference on translation of subsidiaries	(4)	(1)	(5)
At 31 December 2008	22	6	28
Net Book Value at 31 December 2008	23	13	36
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

	Total
Cost	GBP'000
Additions	364
Provision for impairment	(364)
At 31 December 2007 / 1 January 2008	-
Additions	-
Provision for impairment	-
At 31 December 2008	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

13. Investment in subsidiaries

The Company	2008 GBP'000	2007 GBP'000
Cost and Net Book Value		
At 1 January	2	-
Additions (note 20)	-	2
At 31 December	2	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 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 2007	(458)
Net loss for the year	(574)
Net liabilities at 31 December 2007	(1,032)
Loss for the year	(638)
Net liabilities at 31 December 2008	(1,670)

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

	2008 GBP'000	2007 GBP'000
The Group		
Other receivables	**99**	39
Deposits and prepayments	**10**	4
	109	43
The Company		
Owed by group companies	**1,651**	1,136

15. Cash and cash equivalents

	2008 GBP'000	2007 GBP'000
The Group		
Cash at bank and in hand	**293**	502
The Company		
Cash at bank and in hand	**288**	472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

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	300,000	3,000	-	3,000
Issued and fully paid				
Foundation shares	42,000	420	36	456
Initial Public Offering	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 / 1 January 2008	108,834	1,088	991	2,079
Issued 8 May 2008 at GBP0.03	20,812	208	416	624
Share issue costs	-	-	(60)	(60)
At 31 December 2008	129,646	1,296	1,347	2,643

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.

On 23 April 2008 the Company passed the following special resolution:
That the authorized share capital of the Company be increased from GBP2,000,000 divided into 200,000,000 shares of GBP 0.01 each, by GBP1,000,000 by the creation of 100,000,000 new ordinary shares of GBP0.01 each, resulting in GBP3,000,000 divided into 300,000,000 shares of GBP0.01 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.

On 8 May 2008 20,812,242 shares of GBP 0.01 were issued at a price of GBP 0.03. Upon the issue an amount of GBP 416,245 was credited to the company's share premium reserve.

Warrants
In conjunction with the issue of shares on 8 May 2008 the Company issued 10,406,121 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.05 per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

17. Share option plan

Details of share options outstanding as at 31 December 2008:

Grant date	Expiry date	Exercise price GBP	Number of shares 000's
12 December 2006	12 December 2012	0.0300	16,000
12 March 2007	11 March 2013	0.0350	250
18 April 2007	17 April 2013	0.0350	1,200
04 June 2007	03 June 2013	0.0350	500
08 October 2007	07 October 2010	0.0400	300
24 June 2008	23 June 2014	0.0325	250
Total			18,500

The options, except for those noted below which expire after three years, 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's
Outstanding options at 1 January 2008	18,250
- granted	250
- cancelled/forfeited	-
- exercised	-
Outstanding options at 31 December 2008	18,500

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:

	24 Jun. 08	8 Oct. 07	4 Jun. 07	18 Apr.07	12 Mar. 07	18 Dec. 06
Closing share price at issue date	3.25p	3.00p	3.62p	3.88p	3.30p	3.88p
Weighted average exercise price	3.25p	4.00p	3.50p	3.50p	3.50p	3.00p
Expected volatility	147.60%	85.58%	68.06%	68.06%	68.06%	50%
Expected life	6 yrs	3 yrs	6 yrs	6yrs	6yrs	6yrs
Risk free rate	5.00%	4.75%	6.08%	5.95%	5.73%	5.97%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Discount factor	30%	30%	30%	30%	30%	30%
Estimated fair value	2.13p	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.

For 2008, the impact of share-based payments is a net charge to income of £89,000. At 31 December 2008, the equity reserve recognized for share based payments amounted to £256,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

18. Advances Received

On 22 October 2008, the company entered into a Joint Venture Agreement ("Joint Venture Agreement") in respect of its 100%-owned Artvin Project ("the Project") with Centerra Gold (KB) Inc("Centerra"), a wholly-owned subsidiary of Centerra Gold Inc., a Canadian-based gold mining and exploration company which is listed on the Toronto Stock Exchange.

The Artvin Project is located in the Artvin Province of north eastern Turkey and comprises 15 tenements, which cover approximately 254km^2 within the eastern portion of the Eastern Pontide Belt. The Eastern Pontide Belt is a major metallogenic province in the eastern Black Sea coastal region and is prospective for volcanic-hosted massive sulphide (VHMS) deposits, porphyry copper-gold deposits and epithermal gold-silver mineralisation.

Under the terms of the Joint Venture Agreement, the licences relating to the Project area are to be transferred to the new KEFI group subsidiary Kackar Madencilik Sanayi ve Ticaret Limited Sirketi ("Kackar"), incorporated in Turkey on 15 January 2009 and Centerra has the exclusive right to acquire up to a 70% shareholding in this subsidiary. In order to acquire the initial 50% shareholding in Kackar Centerra must spend US$3.0 million over three years with a minimum expenditure of US$0.5 million in the first year. Centerra may then elect to acquire an additional 20% shareholding through the expenditure of a further US$3.0 million over the next two years. The joint venture is in respect of a one-kilometre area of interest which extends from the outer boundary of the Project area.

KEFI Minerals is the manager of the Project and Centerra has the right to become manager at any time. Once Centerra has earned its 50% or 70% shareholding in Kackar, KEFI and Centerra will fund their respective percentage interests of future expenditure subject to dilution for non-participation in such expenditure. If either party's interest is diluted to less than 10%, that party's interest will automatically be converted to a 3% net smelter return royalty, in which case the other party has the right to purchase half of the royalty (1.5%) for US$1.5 million.

The Joint Venture Agreement contains certain warranties given by KEFI and its group companies in respect of the Project and while KEFI is the Manager of the Project and majority shareholder in the Kackar any advances made by Centerra which are not expended on the Project are repayable in certain circumstances. The Joint Venture Agreement also contains a number of matters concerning the business of Kackar for which Centerra's consent must be obtained.

The cumulative expenditure from Centerra Gold (KB) Inc until 31 December 2008 amounted to £266,310.

19. Trade and other payables

	2008	**2007**
The Group	GBP'000	GBP'000
Trade payables	**203**	53
Accruals	**44**	9
Payable to related companies (Note 21)	**142**	57
	389	119
The Company		
Trade payables	**61**	45
Accruals	**30**	-
Payable to related companies (Note 21)	**142**	57
	233	102

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

20. 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:

	8.11.06	31.12.05
	GBP'000	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	

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

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

	2008	2007
	GBP'000	GBP'000
Directors' fees	**163**	158
Share-based benefits to directors	**57**	114
Other key management personnel fees	**93**	163
Share-based benefits to other key management personnel	**11**	19
	324	454

The Company has an ongoing service agreement with EMED Mining Public Ltd for provision of management and other professional services (Note 23).

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 2008.

21.2 Payable to related parties

Name	Nature of transactions	2008 GBP'000	2007 GBP'000
EMED Mining Public Ltd	Finance	**142**	57

21.3 Transactions with related parties

Name	Nature of transactions	2008 GBP'000	2007 GBP'000
EMED Mining Public Ltd	Provision of management services and other professional services	**57**	50

21.4 Purchases geological survey data

	2008 GBP'000	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.

22. Contingent liabilities

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

Under the agreement, the Company has undertaken to make a payment of approximately 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. To date, only one tranche of shares have been issued under this agreement in June 2007 for GBP43,750 (AUD105,000) (Note 16).

Under the joint venture agreement with Centerra Gold (KB) Inc (see note 18) there are certain warranties given by KEFI and its group companies whereby KEFI, while manager and majority shareholder in the project, must in certain circumstances repay any advances made by Centerra not expended on the Project. As at 31 December such unexpended balances stood at Nil.

23. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

23. Relationship deed (continued)

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 May 28, 2009 in that country with Abdul Rahman Saad Al-Rashid & Sons Company Limited. (see Note 25)

24. Capital commitments

The Group has no capital or other commitments as at 31 December 2008.

25. Subsequent events

On 9 March 2009, the company completed an issue of 58,434,004 new shares at a price of 1p to raise an additional £584 340. There were no other material subsequent events which have a bearing on the understanding of the financial statements.

A joint venture agreement was signed on 28 May 2009 with Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR") to explore in Saudi Arabia and a joint venture company, Gemco Limited ("Gemco") has been established for this purpose. KEFI Minerals is the operating partner with a 40 per cent shareholding and ARTAR holding the remaining 60 per cent. (The "Gemco Joint Venture")

26. Standards effective but not in force

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

Standard / Interpretation	**Effective for annual periods beginning on or after**
(i) Adopted by the European Union	
Improvements to IFRSs – 2008	1 January 2009
Amendments to IFRS 1 and International Accounting Standard (IAS) 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"	1 July 2009
Amendment to IFRS 2 "Share Based Payment: Vesting Conditions and Cancellations"	1 January 2009
IFRS 8 "Operating Segments"	1 January 2009
IAS 1 (Revised) "Presentation of Financial Statements"	1 January 2009
IAS 23 (Revised) "Borrowing Costs"	1 January 2009
Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations arising on Liquidation"	1 January 2009
International Financial Reporting Interpretation Committee (IFRIC) 13 "Customer Loyalty Programmes"	1 July 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2008

26. Standards effective but not in force (continued)

Standard / Interpretation	Effective for annual periods beginning on or after
(ii) Not adopted by the European Union	
IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards"	1 January 2009
IFRS 3 (Revised) "Business Combinations"	1 July 2009
IAS 27 (Revised) "Consolidated and Separate Financial Statements"	1 July 2009
Amendment to IAS 39 "Eligible Hedged Items"	1 July 2009
Amendment to IAS 39 "Reclassification of Financial Assets: Effective date and Transition"	1 July 2008
IFRIC 15 "Agreements for the Construction of Real Estate"	1 January 2009
IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"	1 October 2008
IFRIC 17 "Distributions of Non cash Assets to Owners"	1 July 2009
IFRIC 18 "Transfers of Assets from Customers"	1 July 2009

The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Group except from the application of IAS 1 (Revised) "Presentation of Financial Statements" which will have a material effect on the presentation of the financial statements.

CORPORATE DIRECTORY

Directors	Aristidis (Harry) Anagnostaras-Adams (Non-Executive Chairman) Jeffrey Guy Rayner (Managing Director) John Edward Leach (Finance Director) Ian Rutherford Plimer (Non-Executive Director)
Exploration Office	Cemal Gursel Caddesi Yali Apt. No.304 Kat:4 D.9 35501 Karsiyaka Izmir Turkey
Registered Office	27/28 Eastcastle Street London W1W 8DH United Kingdom
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
Nominated Adviser	WH Ireland Limited 11 St James's Square Manchester M2 6WH United Kingdom
Broker	Fox-Davies Capital Whitefriars House 6 Carmelite Street London EC4Y 0BS United Kingdom
Share Registrar	Share Registrars Limited Craven House West Street, Farnham Surrey GU9 7EN United Kingdom

KEFI Minerals is listed on AIM (Code: KEFI).

www.kefi-minerals.com