Excellence in Discovery

KEFI MINERALS

KEFI Minerals Plc

Annual Report 2009

Slag dumps from ancient copper mining within G&M Joint Venture application area, Saudi Arabia

Contents

Competent Person

References in this report to exploration results and potential have been approved for release by Mr Malcolm Stallman (B.App.Sc). Mr Stallman 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.

***Cover photo** - Yanikli Village, Yanikli Project, Turkey*

Chairman's Report

Dear Fellow Shareholder,

During 2009, KEFI Minerals successfully progressed exploration of its prospects in Turkey and launched a major new initiative in the Kingdom of Saudi Arabia.

The global financial crisis severely restricted the availability of funding for exploration companies during 2009. Your Board took prompt action to reduce the Company's financial risk at the same time as enabling the team to work towards achieving our exploration goals.

As well as further reducing expenditure on an already low cost base, KEFI Minerals entered into two new joint ventures during 2009 that provided funding to progress exploration appropriately. These joint ventures reflect the recognition of KEFI Minerals within the industry for its technical abilities and the quality of its projects.

Exploration Strategy

Since admission to AIM in December 2006, KEFI Minerals has quickly developed the following core competencies:

> Strong technical skills that enable cost-effective and rapid exploration for major mineral deposits; and

> Flexibility to become an early entrant in countries that are becoming attractive for mining investment and are suitably prospective.

These competencies were developed by the Company's activities in Turkey and are now being applied in Saudi Arabia.

KEFI Minerals' exploration strategy remains the same and 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.

EMED Mining Public Limited, of which I am Managing Director, provides commercial, technical and administrative support and personnel on a cost-recovery basis. This alliance enables KEFI Minerals' staff to minimise overheads and focus on exploration.

The Artvin Joint Venture was formed in October 2008 with a wholly-owned subsidiary of Centerra Gold Inc. ("Centerra Gold"), a Canadian-based gold mining and exploration company. This alliance was expanded in 2009 by forming the Bakir Tepe Joint Venture with Centerra Gold. KEFI Minerals is the manager of both of these joint ventures while Centerra Gold earns into the joint ventures by funding exploration.

In 2009, KEFI Minerals expanded its activities significantly by forming the Gold and Minerals ("G&M") Joint Venture to explore the mineral potential of the Kingdom of Saudi Arabia. Our strong local partner is Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), a leading Saudi construction and investment group.

The primary target of this new alliance with ARTAR 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 ARTAR holding the remaining 60% and providing local support services.

These partnerships have allowed the Company to expand its exploration activities in both countries whilst reducing its financial exposure. This approach also allows the Company to retain the flexibility to be able to rapidly assess other opportunities in the region.

Funding

KEFI Minerals completed two private placements in 2009 and raised £1,035,000. In January 2010, an additional two private placements were completed raising a further £665,000.

Exploration expenditure at our Artvin and Bakir Tepe Projects are being funded entirely by Centerra, while ARTAR is funding 60% of expenditure for the G&M Joint Venture in Saudi Arabia.

EMED Mining remains a supportive shareholder and retains a 25% interest in KEFI Minerals. EMED Mining is owned primarily by a range of mining industry investment specialists, primarily from Australia, South Africa, United States and the United Kingdom.

Summary

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.

Turkey and Saudi Arabia are both under-explored countries with excellent potential for discovery of major gold and copper mines. The disciplined, focused exploration approach of our small team provides technical excellence that is leveraged via its carefully structured strategic alliances.

Continuing strength in gold and copper prices, combined with the prospects identified by the Company, provides an exciting opportunity to create exceptional value for shareholders – subject to the Company continuing its tight focus and risk management.

Harry Anagnostaras-Adams

Chairman

Managing Director's Report

The key accomplishments of the KEFI Minerals team over the past year include:

- Formation of a Joint Venture on the Bakir Tepe Project with Centerra Gold;
- Completion of drilling programmes at our Artvin and Bakir Tepe Projects;
- Evaluation of numerous joint venture and acquisition opportunities in Turkey;
- Formation of the Gold and Minerals ("G&M") Joint Venture in Saudi Arabia; and
- Submission of applications for 21 Exploration Licences (~2,100km^2) in Saudi Arabia

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. Accordingly, all drill sites have been rehabilitated as soon as practicable after the completion of drilling.

Exploration Approach

KEFI Minerals has been recognised within the industry for its technical abilities and the quality of its projects. This has lead to the formation of two joint ventures in Turkey with Centerra Gold and a joint venture in Saudi Arabia with the ARTAR group. These partnerships have allowed the Company to:

- expand its exploration activities in both countries whilst reducing its financial exposure during the recent upheavals in the global economy; and
- retain the flexibility to be able to rapidly assess other opportunities in the region.

In **Turkey**, KEFI Minerals owns an extensive proprietary exploration database, which contains information regarding approximately 100 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.

KEFI Minerals also encourages local prospectors and miners to contact us with proposals and we aim to respond to them promptly and fairly. Our extensive database and experienced exploration team enables us to rapidly filter and evaluate exploration properties that are offered to us as well as to assess tenements that have been relinquished by other explorers.

In **Saudi Arabia**, the G&M Joint Venture partners have created a substantial GIS database comprising information on regional and prospect geology, geophysics, geochemistry, topography, remote sensing, alteration studies, structural interpretation, mineral occurrences, and previous exploration. This database, which forms the basis for our generative studies, when combined with field reconnaissance of the prospective areas identified, has enabled G&M to rapidly assess large areas of the Arabian Shield for the potential to host major mineral deposits.

Exploration Portfolio

The Company's current projects and licence applications are located in:

> Turkey, a country in which a number of world-class gold and base metals deposits have been discovered during the past two decades; and

> Saudi Arabia, a country with a long history of mining that dates back over 5,000 years and set for a resurgence under modernised mining laws that encourage investment.

Recent gold discoveries in Turkey include Eldorado Gold's Kisladag Mine (>10 million ounces), Anatolia Minerals' Copler Mine ((>6 million ounces) and Koza Altin's Ovacik Mine (>1 million ounces). Major gold deposits in the Arabian Shield of Saudi Arabia include Saudi Arabian Mining Company's ("Ma'aden") Mahd adh Dhahab Mine (>6 million ounces) and Al Amar Mine (>1 million ounces), and Ma'aden's recent greenfields discoveries, which total more than eight million ounces.

In **Turkey**, KEFI Minerals has licences covering 454km^2 in area and the three most advanced projects are:

> Artvin in northeast Turkey (a joint venture with Centerra Gold), which is prospective for both volcanic-hosted massive sulphide and porphyry copper style deposits;

> Bakir Tepe in southwestern Turkey (a joint venture with Centerra Gold), which is prospective for Cyprus-style volcanic-hosted massive sulphide ("VHMS") copper-gold deposits;

> Derinin Tepe in western Turkey, which is prospective for low-sulphidation, vein-style, epithermal gold-silver mineralisation.

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

In addition to progressing exploration on its current exploration portfolio during the year, our geologists continued to evaluate many opportunities during 2009. 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.

The results of the drilling programmes at the Artvin and Bakir Tepe Projects are being evaluated prior to planning, in conjunction with Centerra, the next phase of work to be carried out at these joint-venture projects.

All exploration-related activities in the **Kingdom of Saudi Arabia** are undertaken by KEFI Minerals personnel on behalf of the G&M Joint Venture.

The G&M Joint Venture has received approval from the Deputy Ministry for Mineral Resources ("DMMR") to conduct country-wide field reconnaissance through the issue of a Reconnaissance Licence.

During 2009, KEFI Minerals' geologists spent significant time researching and evaluating numerous prospects in the Saudi Arabian desert.

Once field reconnaissance has confirmed the potential of a target area, then the G&M Joint Venture lodges an Exploration Licence Application ("ELA") with the DMMR. To date, 21 ELAs have been lodged and each ELA covers approximately 100km^2.

The ELAs are prospective for VHMS copper-gold deposits, shear related quartz–gold veins and porphyry copper-gold deposits.

Ancient workings for gold, G&M Joint Venture application area, Saudi Arabia

Many of the ELAs contain historic workings for gold and/or copper and some have been subjected to preliminary drilling by the United States Geological Survey ("USGS") and the Bureau de Recherches Géologiques et Minières ("BRGM"). Encouraging gold mineralisation has been intercepted in a number of drill holes and trenches completed during this previous work on our ELAs. When the relevant licences are granted, KEFI Minerals will then publicly release the details of these historical results and our field reconnaissance.

Exploration activities will commence on these licences as soon as the statutory permitting process has been finalised.

Ruins of mining village next to ancient workings for copper, Saudi Arabia

Generative studies continue to be carried out in order to identify further areas of interest within Saudi Arabia. The Arabian Shield is vast and many prospective areas are open for pegging. Reconnaissance fieldwork will be progressively undertaken to assess these opportunities and further applications for Exploration Licences will be made where warranted.

Outlook for 2010

Our accomplishments in 2009 have set the stage for what will be a very active year for the Company in 2010. We will continue to focus our exploration effort on Turkey and Saudi Arabia and aim to progress one or more of our projects towards production.

The primary objectives for 2010 are:

- to rapidly assess the Company's current projects in Turkey and to advance them as warranted by results;
- to expedite the granting of our Saudi Arabian ELAs and to commence exploration activities as soon as practicable after their grant; and
- to review acquisition opportunities in Turkey and Saudi Arabia, with an emphasis on advanced gold projects with the potential to move quickly to the definition of a mineable resource.

KEFI Minerals is well positioned for an exciting 2010 with a high-quality asset base, a strong Board of Directors and a small but effective exploration team.

We will continue to progress effective exploration programmes that aim to fast-track gold discovery and eventual development of new mines.

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

Over the past year, KEFI Minerals has made significant progress towards its goals. Exploration activities during the year included:

> Second-phase diamond drilling at the Artvin Project that returned maximum results of 1.95m at 0.64g/t gold and 25.2g/t silver, and 67m at 0.25% zinc;

> Joint venture of the Bakir Tepe Project with Centerra Gold;

> Commencement of first-phase diamond drilling at the Bakir Tepe Project;

> Desktop assessment of potential joint venture or acquisition opportunities in Turkey and field inspection and sampling of many of these opportunities;

> Formalisation of the G&M Joint Venture in Saudi Arabia with partner ARTAR in February 2010;

> Continued development of a comprehensive GIS-based exploration database in Saudi Arabia;

> Generative studies to define targets and follow-up field reconnaissance resulting in the application for a total of 21 Exploration Licences in Saudi Arabia;

> Continued the Company's commitment to Health, Safety, Environment and Community in line with the policy of striving to achieve the highest standards in safety and environmental management.

All exploration-related activities in Turkey are undertaken by the Company's wholly-owned Turkish subsidiary, Dogu Akdeniz Mineralleri San ve Tic.Ltd.Sti. and are managed from a head office located in Izmir, western Turkey.

Turkey - Artvin Project, Northeast Pontides (Centerra Gold JV)

The Artvin Project comprises 15 Exploration Licences (totalling 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 prospective for VHMS deposits, porphyry copper-gold deposits, as well as epithermal gold-silver mineralisation.

Centerra Gold is currently funding exploration in order to earn up to 70% of the Artvin Project Joint Venture upon expenditure of US$6 million over five years. KEFI Minerals is the manager of the joint venture.

Exploration by KEFI Minerals' personnel during 2009 involved second-phase diamond drilling at the Yanikli Prospect, as well as geological mapping and geochemical sampling at the Uzumlu Prospect.

Yanikli Prospect

At the Yanikli Prospect, surface geochemical sampling and geological mapping during previous field seasons had outlined an extensive altered zone, comprising strongly propylitic-altered and phyllic-altered mafic to felsic volcanic rocks, hosting vein-style and disseminated gold, silver and base metals mineralisation.

Soil, rock chip and channel chip sampling delineated a series of gold, silver and base-metals anomalies over a 1.75km x 1.50km area with maximum soil values of 2.4g/t gold and maximum rock chip values of 5.1g/t gold being returned. The style of alteration and mineralisation suggests that the property has potential for both VHMS copper-zinc deposits and porphyry-style copper-gold deposits.

The highest tenor geochemically anomalous zones, along with selected geological targets, were tested in late 2008 by diamond drilling. The best intercepts recorded from the 2008 drilling programme were 2m at 20.9g/t gold, 14m at 1.0g/t gold, 64m at 0.35% zinc and 44m at 0.57% zinc.

The objectives of the 2009 drilling programme were to further test the extensive alteration system, with coincident gold, silver and base metals geochemical anomalism, and a large (1,250m x 800m) induced polarisation ("IP") chargeability anomaly that had been defined during the 2008 field season.

The 2009 drilling programme comprised four diamond drillholes for 1,125m of diamond drilling. Three holes, AYDD006-008, were targeted at the strong IP chargeability anomaly, which is partly coincident with gold, silver and base metals geochemical anomalies. The fourth hole, AYDD009, was targeted at a surficial zone of quartz veining that had returned up to 0.8g/t gold and 9.8g/t silver in rock chip samples, which is coincident with an IP resistivity high.

All holes intersected wide intervals of strongly propylitic-altered to phyllic-altered andesitic volcanic rocks with widespread disseminated and vein-style pyrite +/- lesser sphalerite-galena-chalcopyrite mineralisation.

The maximum individual assays for the programme of 1.95m at 0.64g/t gold and 25.2ppm silver from 137m, 1.3m at 2.26% copper from 301.8m and 1.6m at 1.61% zinc from 213m were returned from hole AYDD007. The widest zone of anomalous zinc mineralisation was 67m at 0.25% zinc from 88m, including 2m at 1.12% zinc from 124m, was returned from hole AYDD008. The chargeability anomaly is explained by the high levels of alteration-related pyrite in the host andesitic to dacitic volcanic rocks.

Petrological analysis of drill core from hole AYDD006 identified dioritic intrusive rocks. This, along with the rock types and alteration assemblages encountered, suggests that the Yanikli Prospect forms part of the distal portions of a porphyry-style copper-gold system. Examples of this type of system occur at Berta and at Ardala, 15km southwest and 25km southwest, respectively, of the Yanikli Prospect.

Diamond drilling at the Yanikli Prospect, Artvin Project, Turkey

Uzumlu Prospect

At the Uzumlu Prospect, exploration by KEFI Minerals' personnel in previous field seasons, returned anomalous copper values (>100ppm copper) in stream sediment samples from a 25km^2 area in which were found old workings, clay-pyrite alteration with base metal sulphide veining, and stratigraphically-controlled silicification.

Follow-up rock chip sampling returned up to 0.5g/t gold, 104g/t silver, and 1.43% copper from the old Uzumlu Copper Mine. Approximately 1.25km to the north-northwest of the mine, stratigraphically-controlled silicification ("Silica Ledge") was found to be anomalous in silver, barium, molybdenum, lead, and antimony. The Silica Ledge was interpreted to represent high-sulphidation style alteration and mineralisation, possibly overlying a porphyry-style system at depth.

Silicified mineralised stratigraphy ("Silica Ledge"), Uzumlu Prospect, Artvin Project, Turkey

During 2009, detailed geological mapping, rock chip sampling, and grid-controlled soil sampling were completed in the vicinity of the Uzumlu Copper Mine and the Silica Ledge. No significant gold assays were returned and only sparse, generally very weakly anomalous, silver and base metals assays results were returned.

Regional

A combined photogeology/ASTER litho-structural interpretation of the Artvin Project area was completed by an Ankara-based consultant. This study identified a number of prominent alteration-related targets. Field inspection of the highest priority targets identified from the study revealed no significant zones of alteration and/or veining within the project area. Most of the ASTER responses are due to weak clay +/- pyrite alteration and/or weathering of the country rocks.

KEFI Minerals and Centerra Gold are now evaluating the results of the exploration activities completed to date with a view to planning the next phase of work on the Artvin Project.

Turkey - Bakir Tepe Project, Western Anatolia (Centerra Gold JV)

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

Following the success of the co-operation between KEFI Minerals and Centerra Gold at the Artvin Project, a joint venture agreement in respect of the Bakir Tepe Project was finalised with Centerra Gold in late 2009. Centerra Gold has the right to earn a 51% interest in the project upon contributing US$750,000 to the joint venture over two years with a minimum expenditure of US$350,000 in the first year. KEFI Minerals is the manager of the joint venture.

Bakir Tepe is located within the Lycian Ophiolite Complex, which forms part of the western Taurides Ophiolite Belt in southwestern Turkey. The Lycian Ophiolite Complex is known for its chrome and manganese deposits. KEFI Minerals is the first company to apply modern exploration methods to the search for Cyprus-style copper-gold VHMS deposits in this part of Turkey.

A number of well-known VHMS deposits are located in the eastern part of the Taurides Ophiolite Belt in eastern Turkey, including:

> Siirt-Madenkoy deposit, which has a resource of 14 million tonnes at 3% copper and 1g/t gold and is currently being mined at a rate of 1 million tonnes of ore per year; and

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

Reconnaissance exploration activities carried out during the 2007 and 2008 field seasons led to the identification of high-grade copper-gold mineralisation in the Lycian Ophiolite Complex, 50km east of Denizli in southwest Turkey. Subsequent detailed exploration, involving geological mapping, rock chip sampling, pole-dipole IP surveying and petrographic studies, highlighted the previously unrecognised potential of the area to host Cyprus-style copper-gold VHMS mineralisation.

A diamond drilling programme commenced at the Bakir Tepe Project in late December 2009. The programme comprised five holes designed to test IP chargeability highs +/- IP resistivity lows, which are interpreted to represent sulphide mineralisation down dip of the surface geochemical anomalism, beneath barren cover rocks.

Diamond drilling at the Bakir Tepe Project, Turkey

Turkey - Project Generation

During 2009, KEFI Minerals continued to pursue a regional project generation and acquisition programme in Turkey that is targeting >1 million ounce gold or gold-copper equivalent deposits. The Company's personnel allocated a significant amount of their working time towards the identification of prospective ground through conceptual studies and also towards the evaluation of properties that became available for joint venture and/or acquisition.

The principal deposit types being explored for are low-sulphidation epithermal gold-silver, porphyry-style copper-gold, and Cyprus-type copper-gold, 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 around 89 million ounces of gold and 34 million tonnes of copper metal.

None of the opportunities reviewed this year met our exploration and development criteria, however this work will be ongoing in an effort to secure the highest quality tenure and projects, and to maximise our chances of exploration success. It remains a priority to enhance the Company's exploration portfolio with both new projects and with additions to existing projects.

Saudi Arabia - G&M Joint Venture (KEFI Minerals – 40%)

Saudi Arabia's highly prospective Precambrian Arabian Shield of clearly has very good potential to yield further significant gold discoveries.

KEFI Minerals undertakes all of its activities in the Kingdom of Saudi Arabia through the G&M Joint Venture (formerly named the GEMCO Joint Venture) with ARTAR, which was formalised in early 2010.

The G&M Joint Venture has lodged a total of 21 ELAs (covering ~2,100km^2) to date. Previous exploration, largely reconnaissance in nature, has revealed promising indications of economic precious and base metals mineralisation in our exploration licence application areas.

Gold-mineralised quartz veins, G&M Joint Venture application area, Saudi Arabia

The general tempo of exploration activity in Saudi Arabia has increased over the past year, driven by the recognition that the new Saudi Mining Investment Code, which came into effect in January 2005, ensures an attractive investment environment for the development of a viable exploration and mining industry.

Exploration Licences (up to $100km^2$) are issued for five years and renewable for a further five years, with Mining Licences (up to $50km^2$) issued for up to 50 years.

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 1980s to mid-1990s. Over 5,000 historic mines and occurrences were discovered. Limited work was carried out on each prospect and up to 1994, only 51 of these prospects were drill tested.

Ancient alluvial workings for gold, G&M Joint Venture application area, Saudi Arabia

Exploration companies from the UK, Australia, Canada and Oman, plus local Saudi companies, have recently applied for exploration licences for precious and base metals. Some of the key aspects of the new Mining Investment Code, which are attracting investment in the exploration and mining industry in Saudi Arabia, are:

- 20% corporate tax rate;
- no mineral royalties;
- all commodities are available to all groups, including 100% foreign owned companies;
- security of tenure through all stages of exploration and development;
- no restrictions on foreign exchange
- no restrictions on repatriation of capital and profits;
- accelerated depreciation; and
- exemption from import duties on capital items imported for mining projects.

One of the main reasons for the modernisation for the Mining Investment Code was attract foreign investment and mining technology to develop a viable mining industry so as to create job opportunities for the large number of young, unemployed, Saudi nationals. The G&M

Joint Venture is committed to providing employment opportunities for Saudi geoscientists and for the inhabitants of the communities in which we work.

KEFI Minerals is providing technical advice and assistance, including personnel to manage and supervise all exploration and technical studies. ARTAR is providing administrative advice and assistance to ensure the G&M Joint Venture remains in compliance with all governmental and other procedures.

The rapid progress that the G&M Joint Venture 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 ARTAR.

Ancient grinding stones, G&M Joint Venture application area, Saudi Arabia

Glossary

Arabian Shield	The Arabian Shield is a large area of Precambrian rocks on the eastern flank of the Red Sea, which measures approximately 1,500km north-south and 800km east-west
ASTER	Advanced Spaceborne Thermal Emission and Reflection Radiometer
ARTAR	Abdul Rahman Saad Al-Rashid & Sons Company Limited
BRGM	Bureau de Recherches Géologiques et Minières – the Geological Survey of France
Centerra Gold	A wholly-owned subsidiary of Centerra Gold Inc. of Canada
DMMR	Deputy Ministry for Mineral Resources – Kingdom of Saudi Arabia
ELA	Exploration Licence Application
g/t	Grams per tonne
G&M Joint Venture	Gold and Minerals Joint Venture, owned 60% by ARTAR and 40% by KEFI Minerals
IP	Induced polarisation - a ground-based geophysical survey technique measuring the intensity of an induced electric current, used to identify disseminated sulphide deposits
Mafic	Pertaining to, or composed dominantly of, the dark coloured ferromagnesian rock forming silicates
Massive sulphide	Rock comprised of more than 40% sulphide minerals
Ophiolite	Mafic and ultramafic rocks formed initially at sites of sea-floor spreading which have been thrust onto continents by plate-tectonic forces
Porphyry deposits	Large tonnage, low-grade mineral deposits associated with rocks which typically form in felsic igneous rocks and contain copper and gold or molybdenum
Precambrian	Era of geological time before the Cambrian, from approximately 4,600 to 590 million years ago
VHMS deposits	Volcanic-hosted massive sulphides; refers to massive sulphide deposits formed in a volcanic environment with varying base metals (copper, lead and zinc) often with significant additional gold and silver

KEFI MINERALS PLC

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2009

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

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BOARD OF DIRECTORS, OFFICERS AND ADVISERS

Board of Directors:	Aristidis Eleftherios Anagnostaras-Adams *Non Executive Director – 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 150 Aldersgate Street London EC1A 4AB
Registered Office:	27/28 Eastcastle Street London W1W 8DH
Bankers:	Allied Irish Bank (GB) Mayfair Branch 10 Berkeley 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 Adviser:	W. H. Ireland Limited 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 2009.

Incorporation and Principal activity

KEFI Minerals plc was formed on 24 October 2006 and shortly thereafter acquired the exploration assets of EMED Mining 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 28.27% shareholding and first right of refusal to any project joint venture.

During 2009, KEFI Minerals continued its exploration efforts in Turkey and initiated a new joint venture in the Kingdom of Saudi Arabia ("G&M").

Review of Operations

During the year under review, KEFI Minerals expanded its activities by forming the Gold and Minerals ("G&M") Joint Venture to explore the mineral potential of the **Kingdom of Saudi Arabia**. Our strong local partner is Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"), a leading Saudi construction and investment group.

The G&M Joint Venture has received approval from the Saudi Arabian Deputy Ministry for Mineral Resources ("DMMR") to conduct country-wide field reconnaissance through the issue of a Reconnaissance Licence. During 2009, KEFI Minerals' geologists spent significant time researching and evaluating numerous prospects in the Saudi Arabian desert. Exploration activities will commence on these licences as soon as the statutory permitting process has been finalised.

In **Turkey**, KEFI Minerals has licences covering 454km^2 in area and the four most advanced projects are:

- Artvin in northeast Turkey (a joint venture with Centerra Gold), which is prospective for both volcanic-hosted massive sulphide and porphyry copper style deposits;
- Bakir Tepe in southwestern Turkey (a joint venture with Centerra Gold), which is prospective for Cyprus-style volcanic-hosted massive sulphide ("VHMS") copper-gold deposits;
- Yatik in western Turkey, which is prospective for low-sulphidation, vein-style, epithermal gold-silver mineralisation. This was sold subsequent to the year end (Note 25);
- Derinin Tepe in western Turkey, which is prospective for low-sulphidation, vein-style, epithermal gold-silver mineralisation; and

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

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.

REPORT OF THE BOARD OF DIRECTORS

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. On 24 December 2009 KEFI Minerals announced that it has finalised a joint venture agreement with TSX-listed Centerra Gold Inc. ("Centerra") in respect of the 100%-owned Bakir Tepe Project.

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

Results

As at 31 December 2009, KEFI Minerals had a net working capital of £0.26 million and the Company's market capitalisation was £5.05 million. During 2009, KEFI Minerals incurred exploration expenditure of £0.20 million from operations and net operating expenditure of £0.68 million.

As well as further reducing expenditure on an already low cost base, KEFI Minerals entered into two new joint ventures during 2009 that provided funding to progress exploration appropriately (Note 19). These joint ventures reflect the recognition of KEFI Minerals within the industry for its technical abilities and the quality of its projects.

The global financial crisis severely restricted the availability of funding for exploration companies during 2009. Nevertheless, the Company made several successful placements during the year raising £1.19 million as follows:

Issued	£ 000's
10 March 2009 at GBP0.01	585
12 June 2009 at GBP0.0125	450
18 June 2009 at GBP0.0142	10
15 July 2009 at GBP0.0125	140

All exploration expenditure is written off when incurred pending the Directors' decision to commence project development. This policy is a major factor in KEFI Minerals recording a net loss for the year of £0.96 million:

		2009 £ 000's	2008 £ 000's
-	Exploration costs	**(203)**	(677)
-	Administrative expenses	**(677)**	(563)
-	Share-based benefits	**(94)**	(89)
-	Share of loss from jointly controlled entities	**(329)**	-
-	Other income	**389**	-
-	Foreign exchange (loss)/gain	**(46)**	185
-	Finance (cost)/income	**(4)**	7
-	Loss for the year	**(964)**	(1,137)

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

REPORT OF THE BOARD OF DIRECTORS

Business Review

Our Board of Directors monitors a range of financial and operational performance indicators on a regular basis, to measure performance over time. The Board also monitors a set of health, safety and environmental indicators. These performance indicators are discussed in the Managing Director's report on page 5.

Board of Directors

The members of the Board of Directors of the Company as at 31 December 2009 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.

Aristidis Anagnostaras-Adams
Non-Executive Chairman

Mr Anagnostaras-Adams (BComm, MBA) has been Non-Executive Chairman since the Company listed in 2006 and is Chairman of the Group's Remuneration Committee and Physical Risks Committee. Mr Anagnostaras-Adams holds a Bachelor of Commerce (Finance and Systems) from the University of New South Wales, Australia and a Master of Business Administration from the Australian Graduate School of Management

Mr Anagnostaras-Adams serves on the Board of AIM-listed, EMED Mining as Managing Director. Mr Anagnostaras-Adams has previously served as the 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. He was an inaugural senior investment manager in Australia for Citicorp Capital Investors Limited, manager of Australian mergers and acquisitions for Citi National Merchant Bank and a chartered accountant with PricewaterhouseCoopers.

Jeff Rayner
Managing Director

Mr 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. Mr Rayner was appointed Managing Director of KEFI Minerals in November 2006.

Mr Rayner is a geologist (BSc Hons) with 20 years' experience in gold exploration and mining in Australia, Europe and Asia. Mr Rayner started his career in Australia with BHP Gold and later Newcrest Mining Limited. He was involved in the early exploration discovery of the Cracow and Gosowong epithermal deposits and the Cadia Hill deposit, presently operating mines. In 1998 he joined Gold Mines of Sardinia plc as exploration manager, responsible for exploration and mining in Sardinia and project generation in Europe. As part of his time at Gold Mines of Sardina plc he lead the exploration discovery of the Monte Ollasteddu gold deposit in Sardinia.

REPORT OF THE BOARD OF DIRECTORS

Board of Directors (continued)

Ian Plimer
Non-Executive Deputy Chairman

Professor Plimer was appointed Non-Executive Deputy Chairman in December 2006 and is Chairman of the Company's Audit Committee. Professor 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, published six 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)

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

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

Directors' Interests

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

Director	Number of Existing Ordinary Shares	% of Issued Share Capital
A Anagnostaras-Adams	1,966,667	0.83%
I Plimer	250,000	0.10%
J Rayner	1,533,000	0.64%
J Leach	1,000,000	0.42%

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

Grant Date	Expiration Date	Exercise Price	A Anagnostaras-Adams	I Plimer	J Rayner	J Leach
12 Dec. 2006	11 Dec. 2012	3p	4,000,000	2,000,000	5,000,000	1,000,000
12 June 2009	11 June 2014	2.4p	2,000,000	2,000,000	3,000,000	1,000,000

REPORT OF THE BOARD OF DIRECTORS

Directors' Emoluments

The aggregate remuneration paid to the directors of KEFI Minerals for the year ended 31 December 2009 is set out below:

31 December 2009	Short Term Benefits	Share Based Payments	Total
	Salary & Fees GBP'000	Incentive Options GBP'000	GBP'000
Executive			
J Rayner	141	26	167
J Leach (part time)	-	9	9
Non-Executive			
A Anagnostaras-Adams	-	18	18
I Plimer	15	18	33
	156	71	227

31 December 2008	Short Term Benefits	Share Based Payments	Total
	Salary & Fees GBP'000	Incentive Options GBP'000	GBP'000
Executive			
J Rayner	148	24	172
Non-Executive			
A Anagnostaras-Adams		19	19
I Plimer	15	9	24
J Leach		5	5
	163	57	220

Shareholders holding more than 3% of share capital

The Shareholders holding more than 3% of the share capital of the Company as at 31 December 2009 were:

Name	Number of existing Shares '000	% of issued share capital
EMED Mining Plc	67,332	28.27%
Pershing Nominees Limited	21,599	9.07%
Starvest Plc	19,167	8.05%
T D Waterhouse Nominees (Europe) Limited	7,346	3.08%

REPORT OF THE BOARD OF DIRECTORS

Creditor's Payment Terms

We do not have a specific policy towards our suppliers and do not follow any code or standard practice. However, we settle terms of payment with suppliers when agreeing overall terms of business, and seek to abide by the terms of the contracts to which we are bound. The trade creditors of the Group at the 31 December were 38 days (2008: 113 days) and of the Company were 54 days (2008: 135 days).

Political and Charitable Donations

No political or charitable donations were made during the 2009 financial year.

Corporate Governance

The Directors are aware of the Combined Code 2008 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 quarterly 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 twice each year. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on and for meeting with the Group's auditors and reviewing their reports on the accounts and the Group's internal controls.

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

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

REPORT OF THE BOARD OF DIRECTORS

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 deputy Chairman 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.

Subsequent Events

In January 2010 the company raised additional funds by the issue of 41.6 million shares at 1.6p raising £665,000.

In April 2010, KEFI Minerals announced the sale of the Yatik Gold Project in Western Anatolia to Turkish gold miner, Koza Altin Işletmeleri A.Ş. ("Koza"). The project was sold for a net cash consideration of US$150,000 and a 2.5% Net Smelter Return royalty on specified minerals such as gold, silver and base metals potentially produced from the property.

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

Future Developments

We will continue to focus our exploration effort on Turkey and Saudi Arabia and aim to progress one or more of our projects towards production.

The primary objectives for 2010 are:

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

> to expedite the granting of our Saudi Arabian ELA's and to commence exploration activities as soon as practicable after their grant; and

> to review acquisition opportunities in Turkey and Saudi Arabia, with an emphasis on advanced gold projects with the potential to move quickly to the definition of a mineable resource.

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
26 April 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KEFI MINERALS PLC

We have audited the financial statements of KEFI Minerals Plc for the year ended year ended 31 December 2009 which are set out on pages 30 to 55. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going Concern

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

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Peter Stewart, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

27 April 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	Notes	2009 GBP'000	2008 GBP'000
Revenue		-	-
Exploration costs		(203)	(677)
Gross loss		(203)	(677)
Administrative expenses		(677)	(563)
Share-based benefits		(94)	(89)
Share of loss from jointly controlled entities	19	(329)	-
Other income	4	389	-
Operating loss	5	(914)	(1,329)
Foreign exchange (loss)/gain		(46)	185
Finance income	7	-	12
Finance costs	8	(4)	(5)
Loss before tax		(964)	(1,137)
Tax	10	-	-
LOSS FOR THE YEAR		(964)	(1,137)
Other comprehensive income:			
Exchange differences on translating foreign operations		41	(206)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(923)	(1,343)
Loss per share (GBP)	11	0.01	0.01

The company has taken advantage of the exemption conferred by section 408 of Companies Act 2006 from presenting its own statement of comprehensive income. Loss after taxation amounting to £2.3 million (2008: £0.72 million) has been included in the financial statements of the parent company.

STATEMENTS OF FINANCIAL POSITION

31 December 2009

	Notes	The Group 2009 GBP'000	The Company 2009 GBP'000	The Group 2008 GBP'000	The Company 2008 GBP'000
ASSETS					
Non-current assets					
Property Plant and Equipment	12	42	-	36	-
Goodwill	13	-	-	-	-
Fixed asset investments	14	2	2	-	2
Trade and other receivables	15	-	-	-	1,651
		44	2	36	1,653
Current assets					
Trade and other receivables	15	64	205	109	-
Cash and cash equivalents	16	322	319	293	288
		386	524	402	288
Total assets		430	526	438	1,941
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent					
Share capital	17	2,382	2,382	1,296	1,296
Share premium	17	1,413	1,413	1,347	1,347
Share based payments reserve	18	382	382	256	256
Exchange difference reserve		(251)	-	(292)	-
Profit and Loss Account		(3,773)	(3,743)	(2,824)	(1,457)
Total equity		153	434	(217)	1,442
Non-current liabilities					
Share of loss in jointly controlled entity	19	150	-	-	-
Advances Received	19	-	-	266	266
		150	-	266	266
Current liabilities					
Trade and other payables	20	127	92	389	233
		127	92	389	233
Total liabilities		277	92	655	499
Total equity and liabilities		430	526	438	1,941

On 26 April 2010, the Board of Directors of KEFI Minerals plc authorized these financial statements for issue.

....
Director

Company number: 5976748

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Share capital GBP'000	Share premium GBP'000	Share options reserve GBP'000	Profit and Loss Account GBP'000	Exchange Difference reserve GBP'000	Total GBP'000
At 1 January 2008	1,088	991	167	(1,687)	(86)	473
Changes in Equity for 2008						
Total comprehensive loss for the year	-	-	-	(1,137)	(206)	(1,343)
Recognition of share based payments	-	-	89	-	-	89
Issue of share capital (Note 17)	208	416	-	-	-	624
Share issue costs	-	(60)	-	-	-	(60)
At 31 December 2008	1,296	1,347	256	(2,824)	(292)	(217)
Changes in Equity for 2009						
Total comprehensive loss for the year	-	-	-	(964)	41	(923)
Recognition of share based payments	-	-	141	-	-	141
Exercise of warrants	-	-	(15)	15	-	-
Issue of share capital (Note 17)	1,086	121	-	-	-	1,207
Share issue costs	-	(55)	-	-	-	(55)
At 31 December 2009	2,382	1,413	382	(3,773)	(251)	153

The following describes the nature and purpose of each reserve within owners' equity.

Reserve	**Description and purpose**
Share capital	amount subscribed for share capital at nominal value.
Share premium	amount subscribed for share capital in excess of nominal value, net of allowable expenses.
Share option reserve	reserve for shares and warrants granted but not exercised.
Profit and Loss Account	cumulative net gains and losses recognized in the statement of comprehensive income.
Exchange difference reserve	cumulative net gains and losses recognized on foreign currency transactions.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2009

	Share capital GBP'000	Share premium GBP'000	Share options reserve GBP'000	Accumulated losses GBP'000	Total GBP'000
At 1 January 2008	1,088	991	167	(738)	1,508
Changes in Equity for 2008					
Total comprehensive loss for the year	-	-	-	(719)	(719)
Recognition of share based payments	-	-	89	-	89
Issue of share capital (Note 17)	208	416	-	-	624
Share issue costs	-	(60)	-	-	(60)
At 31 December 2008	1,296	1,347	256	(1,457)	1,442
Changes in Equity for 2009					
Total comprehensive loss for the year	-	-	-	(2,301)	(2,301)
Recognition of share based payments	-	-	141	-	141
Exercise of warrants	-	-	(15)	15	-
Issue of share capital (Note 17)	1,086	121	-	-	1,207
Share issue costs	-	(55)	-	-	(55)
At 31 December 2009	2,382	1,413	382	(3,743)	434

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2009

	Notes	2009 GBP'000	2008 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(964)**	(1,137)
Adjustments for:			
Depreciation of property, plant and equipment	12	**17**	23
Share-based benefits	18	**94**	89
Issue of warrants	18	**47**	-
Interest income	7	**-**	(12)
Exchange difference on translation of subsidiaries		**39**	(218)
		(767)	(1,255)
Changes in working capital:			
Trade and other receivables		**45**	(66)
Trade and other payables		**(262)**	270
		(217)	204
Net cash used in operating activities		**(984)**	(1,051)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment	12	**(21)**	-
Acquisition of jointly controlled entity	14	**(2)**	-
Advances from Centerra Gold (KB) Inc.	19	**(266)**	266
Share of results from jointly controlled entity	19	**150**	-
Interest income	7	**-**	12
Net cash (used in)/from investing activities		**(139)**	278
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**1,207**	624
Listing and issue costs	17	**(55)**	(60)
Net cash from financing activities		**1,152**	564
Net increase/(decrease) in cash and cash equivalents		**29**	(209)
Cash and cash equivalents:			
At beginning of the period	16	**293**	502
At end of the period	16	**322**	293

COMPANY CASH FLOW STATEMENT

Year ended 31 December 2009

	Notes	2009 GBP'000	2008 GBP'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(2,301)**	(712)
Adjustments for:			
Impairment of intercompany balances	15	**1,646**	-
Share-based benefits	18	**94**	89
Issue of warrants	18	**47**	
Interest income	7	**-**	(12)
		(514)	(635)
Changes in working capital:			
Trade and other receivables		**(200)**	(515)
Trade and other payables		**(141)**	124
		(341)	(391)
Net cash used in operating activities		**(855)**	(1,026)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances from Centerra Gold (KB) Inc.	19	**(266)**	266
Interest income	7	**-**	12
Net cash (used in) / from investing activities		**(266)**	278
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	17	**1,207**	624
Listing and issue costs	17	**(55)**	(60)
Net cash from financing activities		**1,152**	564
Net increase / (decrease) in cash and cash equivalents		**31**	(184)
Cash and cash equivalents:			
At beginning of the period	16	**288**	472
At end of the period	16	**319**	288

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
Year ended 31 December 2009

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; and
- 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 2009. The company and the consolidated financial statements have been prepared under the historical cost convention.

The Group has adopted IAS 1 (revised) 'Presentation of financial statements' as of 1 January 2009. The revised standard prohibits the presentation of items of income and expenditure within the statement of changes in equity.

Going concern
The Directors have formed a judgment at the time of approving the financial statements that there is a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future.

The financial statements have 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 statements do 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 presentational 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 recognized 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 recognized in the foreign currency translation reserve, through other comprehensive income and recognized in profit or loss on disposal of the foreign operation.

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

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

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

Depreciation is calculated 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 recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

2. Accounting policies (continued)

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

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

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

Interest in joint ventures
Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The results and assets and liabilities of joint ventures are included in these financial statements for the period from 1st January 2009 (or subsequent dates of incorporation) to 31 December 2009, using the equity method of accounting.

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

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

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

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

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

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 has not yet met the criteria for capitalization of exploration costs.

2. Accounting policies (continued)

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

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

Critical accounting estimates and judgements
The preparation of the financial report requires the making of estimations and assumptions that affect the recognized amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Financial instruments
Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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

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

3. Financial risk management

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

3. Financial risk management (continued)

Market risk- interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. 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.

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

	2009	**2008**
Variable rate instruments	GBP'000	GBP'000
Financial assets	**322**	293

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2009 would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Equity 2009	**Profit or Loss 2009**	**Equity 2008**	**Profit or Loss 2008**
Variable rate instruments	GBP'000	GBP'000	GBP'000	GBP'000
Financial assets	**3**	**3**	3	3

Market risk - currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. The Group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, Bulgarian Lev and Turkish Lira. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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

	Liabilities 2009	**Assets 2009**	**Liabilities 2008**	**Assets 2008**
	GBP'000	GBP'000	GBP'000	GBP'000
Euro	**1**	**2**	12	1
New Turkish Lira	**34**	**60**	156	103

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2009 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 2009	**Profit or Loss 2009**	**Equity 2008**	**Profit or Loss 2008**
	GBP'000	GBP'000	GBP'000	GBP'000
Euro	**-**	**-**	1	1
New Turkish Lira	**(3)**	**(3)**	5	5

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3. Financial risk management (continued)

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 2008	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
Trade and other payables	389	389	389	-	-	-	-
Advances received from Centerra Gold (KB) Inc. (Note 19)	266	-	-	-	-	-	-
	655	389	389				
31 December 2009							
Trade and other payables	127	127	127	-	-	-	-
Share of loss in jointly controlled entity (Note 19)	150	-	-	-	-	-	-
	277	127	127	-	-	-	-

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 of GBP322,000 (2008: GBP293,000) and equity attributable to equity holders of the parent, comprising issued capital GBP2,382,000 (2008:GBP 1,296,000), reserves GBP1,544,000 (2008: GBP1,311,000) and accumulated losses of GBP3,773,000 (2008: GBP2,824,000).

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

	Carrying Amounts		Fair Values	
	2009	2008	**2009**	2008
	EUR 000	EUR 000	**EUR000**	EUR000
Financial assets				
Cash and cash equivalents	**322**	293	**322**	293
Financial liabilities				
Amortised cost				
Trade Payables	**127**	389	**127**	389

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

3. Financial risk management (continued)

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

4. Other Income

	2009	2008
	GBP'000	GBP'000
Expenses recharged to jointly controlled entities (Note 19)	**389**	-
	389	-

5. Expenses by nature

	2009	2008
	GBP'000	GBP'000
Exploration costs	**203**	677
Depreciation of property, plant and equipment (Note 12)	**17**	23
Share of losses from jointly controlled entities	**329**	-
Issue costs of warrants	**47**	-
Share-option based employee benefits	**94**	89
Staff costs including directors in their executive capacity	**371**	322
Auditors' remuneration - audit	**37**	27
- interim review	**8**	5
- subsidiary audit fees	**3**	3
Other expenses	**194**	183
	1,303	1,329
Other income (Note 4)	**(389)**	-
	914	1,329

6. Staff costs

	2009	2008
	GBP'000	GBP'000
Salaries	**176**	137
Social insurance costs and other funds	**39**	22
	215	159
Average number of employees	7	6

7. Finance income

	2009	2008
	GBP'000	GBP'000
Interest income	**-**	12
	-	12

8. Finance costs

	2009	2008
	GBP'000	GBP'000
Sundry finance costs	**4**	5
	4	5

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Year ended 31 December 2009

9. 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, Bulgaria and Saudi Arabia and its administration and management is based in Cyprus.

	Cyprus	Turkey	Bulgaria	Saudi Arabia	Consolidation	Total
	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000	GBP'000
2009						
Operating loss	(2,308)	78	(1)	-	1,646	(585)
Financial costs	(3)	(1)	-	-	-	(4)
Foreign Exchange (loss) / profit	13	(49)	(10)	-	-	(46)
	(2,298)	28	(11)	-	1,646	(635)
Share of loss from jointly controlled entities (Note 19)						(329)
Net loss for the period						(964)
Total assets	527	82	6	21	(206)	430
Total liabilities	92	1,522	163	-	(1,500)	277
Depreciation of fixed assets	-	15	-	2	-	17

	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	499	1,650	165	(1,659)	655
Depreciation of fixed assets	-	23	-	-	23

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10. Tax	**2009**	2008
	GBP'000	GBP'000
Loss before tax	**(964)**	(1,137)
Tax calculated at the applicable tax rates	**(129)**	(159)
Tax effect of expenses not deductible for tax purposes	**97**	23
Tax effect of tax loss for the year	**40**	64
Tax effect of allowances and income not subject to tax	**(77)**	(39)
Tax effect on exploration expenses taxed separately	**69**	111
Charge for the year	**-**	-

The company is resident in Cyprus for tax purposes.

A deferred tax asset of GBP465,350 (2008: GBP430,735) 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 in 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 2009, the balance of tax losses which is available for offset against future taxable profits amounts to GBP1,704,395 (2008: GBP1,302,758).

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 in 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 2009, the balance of tax losses which is available for offset against future taxable profits amounts to GBP166,743 (2008: GBP165,490).

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 2009, the balance of exploration costs that is available for offset against future income from mining operations amounts to GBP1,391,180 (2008: GBP1,419,549).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. 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:

	2009	2008
	GBP'000	GBP'000
Net loss attributable to equity shareholders	**(964)**	(1,137)
	'000	'000
Average number of ordinary shares for the purposes of basic earnings per share	**205,533**	122,708
Earnings per share:	GBP	GBP
Basic and fully diluted losses per share	**0.01**	0.01

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

12. Property Plant and Equipment

The Group	Motor vehicles GBP'000	Furniture, fixtures and office equipment GBP'000	Total GBP'000
Cost			
At 1 January 2008	40	17	57
Exchange difference on translation of subsidiaries	5	2	7
At 31 December 2008	45	19	64
Additions	13	8	21
Exchange difference on translation of subsidiaries	1	1	2
At 31 December 2009	59	28	87
Accumulated Depreciation			
At 1 January 2008	8	2	10
Charge for the year	18	5	23
Exchange difference on translation of subsidiaries	(4)	(1)	(5)
At 31 December 2008	22	6	28
Charge for the year	14	3	17
At 31 December 2009	36	9	45
Net Book Value at 31 December 2009	23	19	42
Net Book Value at 31 December 2008	23	13	36

The above fixed assets are located in Turkey and Saudi Arabia.

The Company

The Company has no fixed assets.

13. Intangible assets - goodwill

	Total GBP'000
Cost	
At 1 January 2008, 31 December 2008 and 31 December 2009	364
Impairment	
At 1 January 2008, 31 December 2008 and 31 December 2009	(364)
Net Book Value	
At 1 January 2008, 31 December 2008 and 31 December 2009	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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14. Fixed asset investments

The Group	**2009 GBP'000**	**2008 GBP'000**
Cost and Net Book Value		
At 1 January	**-**	**-**
Additions	**2**	**-**
At 31 December	**2**	**-**

The Company	**2009** GBP'000	**2008** GBP'000
Cost and Net Book Value		
At 1 January	**2**	2
Additions	**-**	-
At 31 December	**2**	2

Subsidiary companies	**Date of acquisition/ incorporation**	**Country of incorporation**	**Effective proportion of shares held**
Mediterranean Minerals (Bulgaria) EOOD	08/11/2006	Bulgaria	100%-Direct
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket	08/11/2006	Turkey	100%-Indirect
Jointly controlled company			
Kackar Madencilik Sanayi ve Ticaret Limited Şirketi	15/01/2009	Turkey	30%-Indirect

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 2008	(1,032)
Net loss for the year	(638)
Net liabilities at 31 December 2008	(1,670)
Profit for the year	73
Net liabilities at 31 December 2009	(1,597)

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.

15. Trade and other receivables

The Group	2009 GBP'000	2008 GBP'000
Amount receivable from Saudi Arabia Joint Venture (Note 19.2)	**6**	-
Other receivables	**43**	99
Deposits and prepayments	**15**	10
	64	109

The Company	2009 GBP'000	2008 GBP'000
Amount receivable from Saudi Arabia Joint Venture (Note 19.2)	**205**	-
Owed by group companies	**1,646**	1,651
Impairment of intercompany balances	**(1,646)**	-
	205	1,651

The fair value of trade and other receivables due within one year approximate to their carrying amounts as prescribed above.

16. Cash and cash equivalents

	2009 GBP'000	2008 GBP'000
The Group		
Cash at bank and in hand	**322**	293
The Company		
Cash at bank and in hand	**319**	288

17. Share capital

	Number of shares '000	Share Capital GBP'000	Share premium GBP'000	Total GBP'000
Authorized				
Ordinary shares of GBP0.01 each	400,000	4,000	-	4,000
Issued and fully paid				
At 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
Issued 10 March 2009 at GBP0.01	58,434	585	-	585
Issued 12 June 2009 at GBP0.0125	36,000	360	90	450
Issued 18 June 2009 at GBP0.0142	703	7	3	10
Issued 15 July 2009 at GBP0.0125	11,200	112	28	140
Warrants exercised 15 December 2009	2,184	22	-	22
Share issue costs	-	-	(55)	(55)
At 31 December 2009	238,167	2,382	1,413	3,795

Authorized capital

On 9 March 2009 the Company passed the following ordinary resolution:

That the authorized share capital of the Company be increased from GBP3,000,000 divided into 300,000,000 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 GBP4,000,000 divided into 400,000,000 shares of GBP0.01 each.

17. Share capital (continued)
Issued capital

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.

On 10 March 2009 58,434,004 shares of GBP 0.01 were issued at a price of GBP 0.01.

On 12 June 2009 36,000,000 shares of GBP 0.01 were issued at a price of GBP 0.0125. Upon the issue an amount of GBP 90,000 was credited to the company's share premium reserve.

On 18 June 2009 702,839 shares of GBP 0.01 were issued at a price of GBP 0.0142. Upon the issue an amount of GBP 2,972 was credited to the company's share premium reserve.

On 15 July 2009 11,200,000 shares of GBP 0.01 were issued at a price of GBP 0.0125. Upon the issue an amount of GBP 28,000 was credited to the company's share premium reserve.

Warrants

On 8 October 2007 the Company issued 300,000 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.04 per share.

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.

On 9 March 2009 the Company issued 2,184,340 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.01 per share that were exercised on 15 December 2009.

On 9 March 2009 the Company issued 1,296,456 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.0288 per share.

On 19 June 2009, the Company issued 1,800,000 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.0125 per share.

Details of warrants outstanding as at 31 December 2009:

Grant date	Expiry date	Exercise price GBP	Number of warrants 000's
08 October 2007	07 October 2010	0.0400	300
9 March 2009	8 March 2014	0.0100	1,296
19 June 2009	18 June 2014	0.0125	1,800
			3,396

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

	Number of warrants 000's
Outstanding warrants at 31 December 2008	300
- granted	5,280
- exercised	(2,184)
Outstanding warrants at 31 December 2009	3,396

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Year ended 31 December 2009

17. Share capital (continued)

Warrants (continued)

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

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

	19 Jun 09	9 Mar 09	9 Mar 09	8 Oct 07
Closing share price at issue date	2.45p	1.7p	1.7p	3.00p
Weighted average exercise price	1.25p	2.88p	1.0p	4.00p
Expected volatility	238.5%	210.2%	210.2%	85.58%
Expected life	5 yrs	5 yrs	5 yrs	3 yrs
Risk free rate	5%	3.5%	3.5%	4.75%
Expected dividend yield	Nil	Nil	Nil	Nil
Discount factor	Nil	55%	Nil	30%
Estimated fair value	2.44p	0.75p	1.68p	1.06p

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

18. Share option plan

Details of share options outstanding as at 31 December 2009:

Grant date	Expiry date	Exercise price GBP	Number of shares 000's
18 December 2006	18 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
24 June 2008	23 June 2014	0.0325	250
12 June 2009	11 June 2014	0.0240	9,000
Total			27,200

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.

	Number of shares 000's
Outstanding options at 31 December 2008	18,200
- granted	9,000
Outstanding options at 31 December 2009	27,200

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18. Share option plan (continued)

On 12 June 2009, 9,000,000 options were issued which expire five years after the grant date, and are exercisable at any time within that period.

The option agreements contain provisions adjusting the exercise price in certain circumstances including the allotment of fully paid Ordinary Shares by way of a capitalization 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:

	12 Jun. 09	24 Jun. 08	4 Jun. 07	18 Apr. 07	12 Mar. 07	18 Dec. 06
Closing share price at issue date	2.00p	3.25p	3.62p	3.88p	3.30p	3.88p
Weighted average exercise price	2.40p	3.25p	3.50p	3.50p	3.50p	3.00p
Expected volatility	238.5%	147.6%	68.06%	68.06%	68.06%	50%
Expected life	5 yrs	6 yrs	6 yrs	6yrs	6yrs	6yrs
Risk free rate	5.00%	5.00%	6.08%	5.95%	5.73%	5.97%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil
Discount factor	55%	30%	30%	30%	30%	30%
Estimated fair value	0.89p	2.13p	1.71p	1.85p	1.50p	1.427p

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

For 2009, the impact of share-based payments is a net charge to income of £141,000, comprising GBP94,000 in respect of share options and GBP47,000 in respect of warrants. At 31 December 2009, the equity reserve recognized for share based payments amounted to £382,000.

19. Joint Venture Agreements

19.1. Joint Venture with Centerra Gold (KB) Inc.

On 22 October 2008, the company entered into a Joint Venture Agreement (“Joint Venture Agreement”) in respect of its 100%-owned Artvin Project with Centerra Gold (KB) Inc (“Centerra”), 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 (The ‘Project Area”).

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Year ended 31 December 2009

19.1. Joint Venture with Centerra Gold (KB) Inc. (continued)

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"), which was incorporated in Turkey on 15 January 2009 and Centerra has the exclusive right to acquire up to a 70% shareholding in this subsidiary in two stages. 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 includes a one-kilometre area of interest which extends from the outer boundary of the Project Area.

KEFI Minerals is the manager of the Artvin 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 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 advances made by Centerra Gold (KB) Inc. until the 31 December 2009 amounted to £0.6 million (2008: £0.3 million). During 2009 the advances of £0.3 million received by KEFI from Centerra Gold (KB) Inc. were transferred to Kackar.

Kackar is treated as a jointly controlled entity using the equity accounting method. For 2009 a share of loss amounting to £149,682 has been recognized.

Significant aggregate amounts in respect of Kackar:

	2009 **GBP'000**
Current Assets	164
Current Liabilities	(656)
Net Assets at 31 December 2009	(492)

	GBP'000
Share of income	-
Share of expenses	(150)
Share of loss 2009	(150)

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Year ended 31 December 2009

19.2. Joint Venture with Gold & Minerals

In May 2009, KEFI Minerals announced the formation of a new minerals exploration joint venture, Gold & Minerals ("G&M") Joint Venture, with leading Saudi construction and investment group Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"). KEFI Minerals is the operating partner with a 40% shareholding of the G&M Joint Venture with ARTAR holding the other 60%.

KEFI Minerals will provide the G&M Joint Venture with technical advice and assistance, including personnel to manage and supervise all exploration and technical studies. ARTAR will provide administrative advice and assistance to ensure that the G&M Joint Venture remains in compliance with all governmental and other procedures.

The cumulative expenditure incurred by the company KEFI Minerals during 2009 amounted to £205,622 however, this expenditure has not been transferred to Gold And Minerals Co. Limited because the company was only incorporated in 2010. The G&M Joint Venture is treated as a joint venture and has been equity accounted. A loss of £178,867 has been recognized in 2009. As at 31 December 2009 the G&M Joint Venture owed KEFI Minerals an amount of £5,662.

20. Trade and other payables

	2009	2008
The Group	GBP'000	GBP'000
Trade payables	**78**	203
Accruals	**11**	44
Amount due to jointly controlled entity	**22**	-
Payable to related companies (Note 21.2)	**16**	142
	127	389

The Company

	2009	2008
	GBP'000	GBP'000
Trade payables	**76**	61
Accruals	**-**	30
Payable to related companies (Note 21.2)	**16**	142
	92	233

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

21. Related party transactions

The following transactions were carried out with related parties:

21.1 Compensation of key management personnel

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

	2009	**2008**
	GBP'000	GBP'000
Directors' fees	**156**	163
Option-based benefits to directors	**71**	57
Other key management personnel fees	**73**	93
Option-based benefits to other key management personnel	**10**	11
	310	324

The Company has an ongoing service agreement with EMED Mining Plc 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 2009.

21.2 Payable to related parties

Name	Nature of transactions	**2009** GBP'000	**2008** GBP'000
EMED Mining Plc	Finance	**16**	142

21.3 Transactions with related parties

Name	Nature of transactions		
EMED Mining Plc	Provision of management services and other professional services	**100**	57

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)

Under the joint venture agreement with Centerra Gold (KB) Inc (see Note 19) 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 2009 such unexpended balances stood at nil.

23. Relationship deed

A Relationship Deed exists between EMED and the Company dated 7 November 2006, by which EMED agrees not to operate in Bulgaria and Turkey, and the Company agrees not to operate in Albania, Armenia, Azerbaijan, Cyprus, Greece, Hungary, Iran, Oman, Romania, Saudi Arabia, Serbia or Slovakia the "EMED Area".

The Relationship Deed provides that EMED has the right to appoint one non-executive director of the Company. It also provides EMED with a right of first refusal in respect of funding any proposed mining or exploration project of the Company. The Relationship Deed provides that the Company shall refer any opportunity to conduct mining or exploration activity in the EMED Area to EMED, and EMED shall refer any such opportunity in Bulgaria or Turkey to the Company.

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

24. Capital commitments

The Group has no capital or other commitments as at 31 December 2009.

25. Subsequent events

On 8 January 2010, the company completed an issue of 32,187,500 new shares at a price of 1.6p to raise an additional £515,000.

On 22 January 2010, the company completed an issue of 9,375,000 new shares at a price of 1.6p to raise an additional £150,000.

In April 2010, KEFI Minerals announced the sale of the Yatik Gold Project in Western Anatolia to Turkish gold miner, Koza Altin Işletmeleri A.Ş. ("Koza"). The project was sold for a net cash consideration of US$150,000 and a 2.5% Net Smelter Return royalty on specified minerals such as gold, silver and base metals potentially produced from the property.

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

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	
• IFRS 1 “First time adoption of International Financial Reporting Standards” (Revised)	1 July 2009
• IFRS 3 “Business combinations” (Revised)	1 July 2009
• International Accounting Standard (IAS) 27 “Consolidated and separate financial statements” (Amended)	1 July 2009
• International Financial Reporting Interpretation Committee (IFRIC) 17 “Distribution of non-cash assets to owners”	1 July 2009
• Amendments to IAS 39 “Eligible Hedged items”	1 July 2009
• Improvements to IFRSs 2008 – Amendments to IFRS 5 “Non-current assets held for sale and discontinued operations”	1 July 2009
• Amendments to IAS 32 “Classification of rights issues”	1 February 2010
(ii) Not adopted by the European Union	
• Improvements to IFRSs - 2009	1 July 2009/1 January 2010
• Amendments to IFRS 2 “Group cash-settled share-based payment transactions”	1 January 2010
• Amendments to IFRS 1 “Additional exemptions for first-time adopters”	1 January 2010
• IFRIC 19 “Extinguishing financial liabilities with equity instruments”	1 July 2010
• Amendments to IFRIC 14 “Prepayments of a minimum funding requirement”	1 January 2011
• IAS 24 “Related party disclosures” (Revised)	1 January 2011
• IFRS 9 “Financial instruments”	1 January 2013

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.

CORPORATE DIRECTORY

Directors	Aristidis (Harry) Anagnostaras-Adams (Non-Executive Director Chairman) Jeffrey Guy Rayner (Managing Director) John Edward Leach (Finance Director) Ian Rutherford Plimer (Non-Executive Director)
Exploration Offices	Cemal Gursel Caddesi Yali Apt. No.304 Kat:4 D.9 35501 Karsiyaka Izmir Turkey 112 Khawlah Bint Al Azwar Street Al Shate'e District /3 N35W20 Sector Villa No:4 Jeddah Saudi Arabia
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 150 Aldersgate Street London EC1A 4AB 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