KEFI MINERALS

Excellence in Discovery

Exploring for Gold and Copper in Saudi Arabia

Annual Report & Accounts 2012

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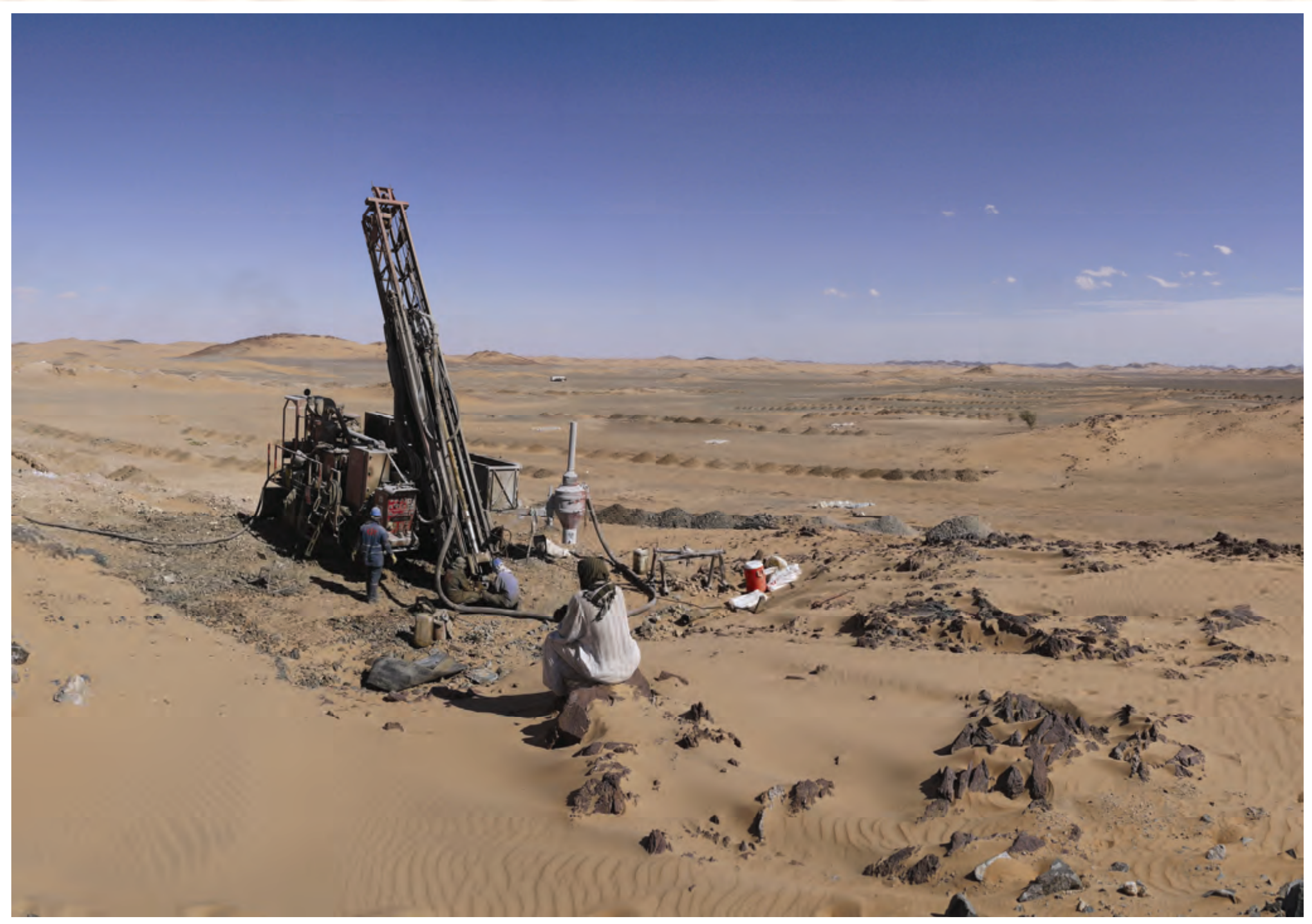
Competent Person Statement

References in this report to exploration results and mineral resources have been approved for release by Mr Jeffrey Rayner (BSc Hons). Mr Rayner is a full-time employee of the company, is a geologist and has more than 25 years' relevant experience in the field of activity concerned. He is a Member of the Australasian Institute of Mining and Metallurgy (AusIMM) and has consented to the inclusion of the material in the form and context in which it appears.



RC Drilling with trenches in the background. Photograph taken from the West Zone at Jibal Qutman, looking towards the south

Chairman's Report

Dear fellow shareholder,

KEFI Minerals remains focused on developing significant mineral deposits in the Kingdom of Saudi Arabia. On that front, the Company has continued its exploration programme – with the quick drilling results we reported during the period highlighting the benefits of operating in this underexplored and prospective region. Additionally, we continue to wait for more Exploration Licences (ELs) to be granted so that we can expand our activities.

We remain well placed to develop our operations thanks to our Joint Venture with Abdul Rahman Saad Al-Rashid and Sons LLC (ARTAR), a leading local industrial group owned by Sheikh Al-Rashid and his family.

As a 40% partner in the Gold and Minerals (G&M) Joint Venture we have established a strong foothold from which to build on the momentum achieved to date.

During the period we were granted three licences. The Hikyrin and Hikyrin South licences, granted at the beginning of the year, are located in the Central Arabian Gold Region (CAGR) where Ma'aden published a gold resource estimate of over 8Moz. Additionally, the Jibal Qutman licence, which covers an area of 99.9km^2 and hosts part of the prospective Nabitah-Tathlith Fault Zone, was granted in July.

Our low cost drilling programme and well-managed operations, led by our Managing Director Jeff Rayner, are key to the continued success of our Company. We have a team which integrates international and local specialists.

Drilling results to date highlight the quality of our portfolio of licences. Results from Selib North confirmed the management's view that that the gold is hosted in a series of steeply-dipping pyritic dykes. We have identified three target zones for further testing.

Meanwhile, rock chip channel sampling results from the on-going trenching programme at Jibal Qutman confirmed there is high grade gold and silver contained in quartz veins with interceptions including 7m at 6.13g/t Au and 3.8m at 5.46g/t Au, surrounded by low grade material of 0.5 to 1.5g/t Au in zones up with widths of up to 50m. Continued drilling undertaken this year has further increased the estimated size of the mineralised system.

We are focused on further developing a long term minerals business with our partner ARTAR. We also greatly appreciate the strong support of our shareholders in what can only be described as a volatile and challenging capital market for mineral exploration and development.

I look forward to seeing some of you at the Annual General Meeting on 26 June 2013 in London.

Harry Anagnostaras-Adams

Chairman of Directors

Managing Director's Report

Dear fellow shareholder,

KEFI Minerals continues to consolidate its exploration progress within the Kingdom of Saudi Arabia as a 40% equity holder and operator of the G&M Joint Venture.

During 2012 and in the post reporting period, we have made rapid progress at the Jibal Qutman project in the south-central part of the Arabian Shield. The second phase of reverse circulation (RC) drilling, which is in progress, continues to discover more gold bearing structures. The three mineralised zones currently being drilled remain open along the strike.

Results from Phase 1 diamond drilling completed in 2012 on a 50m x 25m grid and Phase 2 RC drilling in 2013 which is being carried out on a 50m x 40m grid, has allowed us to estimate our maiden Inferred Resource. At the end of Phase 2 and once the limits of the mineralisation have been outlined, the drill spacing will be infilled to 25m x 20m where required, to upgrade to an Indicated and Measured Resource.

As at May 2013, the JORC compliant Inferred Resource is 10.3Mt at an average grade of 0.94g/t Au for a total of 313,000 oz. Au which can potentially be economically mined in a shallow open cut to a maximum 60-70m below surface, due to low energy and labour costs in Saudi Arabia and good infrastructure close to the project area.

The increase in resources compared to the 90,000oz Au (comprising 2.28Mt at 1.25g/t Au) non-JORC estimate of January 2013, are primarily from the West Zone, which still remains open to the north and south. Due to limited drill rig availability, little or no RC drilling was performed on the South and Main Zones, this is now planned for H2, 2013. In addition numerous gold-bearing structures have been discovered elsewhere in the 99km^2 Jibal Qutman EL and these will be systematically drill tested in the future. Metallurgical test-work is underway in Perth, Australia to define the extraction method, either Heap Leach or Carbon-in Leach process.

The Company aims to complete a pre-feasibility study and lodge an application for its first Mining Licence for G&M by the end of Q4 2013/Q1 2014.

This represents very rapid progress and demonstrates the efficient, cost effective exploration and development strategy of the Company, especially considering work only commenced in July 2012, upon the grant of the Jibal Qutman EL.

Continuing with the strategy for cost and time effective exploration, G&M has undertaken to purchase its own multi-purpose drill rig, which can drill diamond core (HQ size) to 900m depth and RC to 250m depth. There is a short supply of drilling rigs and drilling contractors in Saudi Arabia, and this purchase will enable G&M to increase drilling capacity, lower overall drilling costs and increase flexibility.

Funding

KEFI Minerals completed two placements in February and July 2012 which raised a total of £2.8M. These funds have been sufficient to complete Stages 1 and 2 drilling at Selib North, IP geophysics at Selib North, and Stage 1 drilling at Jibal Qutman in 2012.

In addition, the Company has sufficient funds to purchase the multi-purpose drill rig, complete the scheduled 15,000m Phase 2 RC programme, and to commence a PFS in H2 at Jibal Qutman in 2013.

The G&M JV is funded 60% by ARTAR and 40% by KEFI Minerals.

Outlook

2012 was an exciting and busy year for KEFI Minerals. We are very pleased with the progress of our exploration programme and the prospect of our first mining operation at Jibal Qutman.

To date, through the Joint Venture we have been granted four ELs with 17 exploration licence applications (ELAs) at various stages of permitting, including two at an advanced stage; surface sample results returned to date from these ELAs suggests that they are both highly prospective for gold/copper mineralisation.

Progress is being made on all other ELAs and they are expected to provide a steady stream of exploration projects containing ancient gold and copper occurrences to be evaluated using modern exploration methods.

We are fully committed to consolidate G&M's presence in the Kingdom of Saudi Arabia and are pleased by our exploration results thus far, as we embark on the stages leading to the potential development of the Jibal Qutman gold deposit. They demonstrate the benefit of the patient and dedicated efforts by our Joint Venture partner and our enthusiastic and skilled geological team, led by Exploration Manager Fabio Granitzio.

Jeffrey Rayner

Managing Director

Projects - Saudi Arabia

At present, the G&M Joint Venture has four ELs granted and a further 17 ELs in application. It first applied for exploration title in 2009 and the first tenement, Selib North Licence, was granted in 2011, followed by Hikyrin and Hikyrin South Licences in January 2012 and Jibal Qutman in July 2012.

	Exploration Licence Application	Initial DMMR Review	Modify ELA as Required	Technical Report Submitted	DMMR Imara Committee Meeting	Arrange Date of Imara Meeting	Imara Committee Meeting	Emir Approval/ Disapproval	Province Approval/ Disapproval	DMMR Finalisation	Riyadh Approval
EL 1											
EL 2											
EL 3											
EL 4											
ELA 1										pending	
ELA 2											
ELA 3											
ELA 4											
ELA 5								pending			
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ELA 9											
ELA 10											
ELA 11											
ELA 12											
ELA 13											
ELA 14											
ELA 15											
ELA 16											
ELA 17											

Table 1 Summary of all G&M Licences and Applications, showing the stages reached in the licence permitting process

Jibal Qutman

Geology and licence background

The Jibal Qutman Exploration Licence is located in the central southern region of the Arabian Shield and covers an area of 99.9km^2. The Licence was granted in July 2012 and field work carried out to date includes surface mapping and trenching across quartz veins which contain ancient workings for gold and drilling. The Licence area is an important part of the prospective Nabitah – Tathlith Fault Zone, a 300km-long structure with over 40 gold occurrences and ancient gold mines.

The United States Geological Survey (USGS) explored a limited area and drilled three holes in 1983, with best results of 5m @ 5.2g/t Au and 90g/t Ag (with highlights of 0.5m @ 13.0g/t Au and 180g/t Ag, 0.4m @ 12.5g/t Au and 173g/t Ag) and 1.6m @ 6.8g/t Au and 66g/t Ag. Numerous veins were intersected but not sampled. In addition, core loss up to 80% was recorded in quartz vein intervals.

Exploration Activities

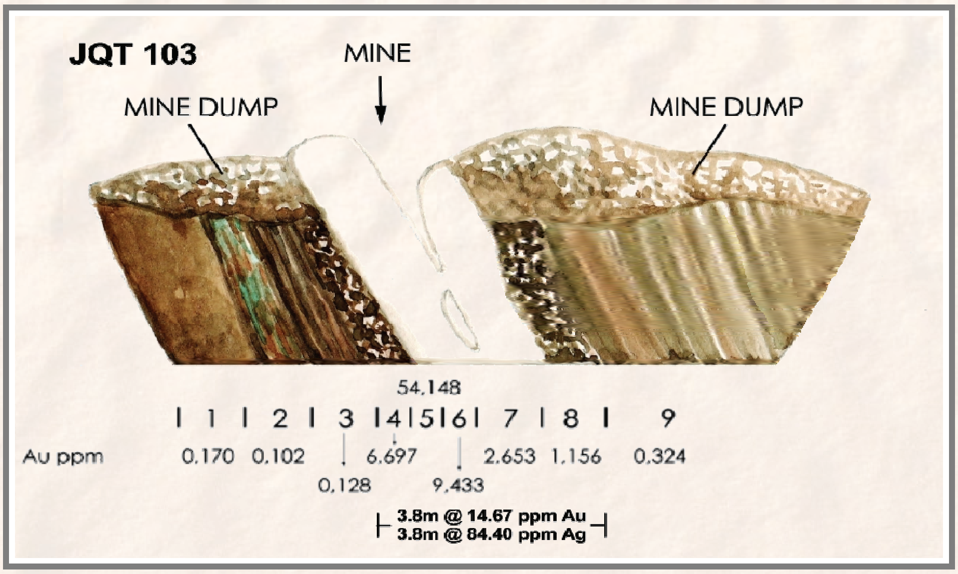
At Jibal Qutman, exploration work has progressed rapidly from surface mapping and trenching to commencement of the first stage of diamond drilling and the second phase of RC drilling.

The initial target at Jibal Qutman was a >400m long narrow vein, the Main Vein, which was the only documented historic working in the Licence area and the location of the 3 diamond drill holes drilled by the USGS. G&M surface rock chip grab sampling returned up to 6-14g/t Au grade and the target was initially a narrow high grade quartz vein to be potentially exploited primarily by underground mining methods.

Surface Mapping and Trenching

An extensive mapping and trenching programme began in July 2012. Trenching exposed shallow (1-3m deep) ancient shafts now filled with desert sands that were excavated along the softer margins of quartz vein and country rock. In the Main Vein, (or Main Zone), the quartz is massive and ranges from 1-6m widths with parallel stringer veins in the footwall or hanging wall, forming a lower grade (0.5-2g/t Au) halo 1-6m wide. The massive quartz vein strikes north-south and dips consistently at about 40° to the east.

The best trench results included 3.2 m at 27.7 g/t Au and 262 g/t Ag, 4.0 m at 14.9 g/t Au and 84 g/t Ag and 5.0 m at 10.9 g/t Au and 56 g/t Ag, supporting the high grade, narrow vein gold target. The high silver grades are confined to only a small portion of the Main vein.



Jibal Qutman, Main Zone Trench Sketch map showing gold grade

Two new areas of extensive quartz veining, containing small scale ancient mining were discovered approximately 1.5km to the south; the South Zone, and 300m west; the West Zone, from the Main Zone.

Quartz veins in the West and South Zones are thinner, usually 0.2m to 1m widths, but they occur as multiple (or stacked) vein sets over an overall zone ranging 10-40m true widths.

The quartz vein array in the South Zone is characterised by up to 3 main north-south trending quartz veins which dip 40° east, linked by a series of flatter veins (dipping 10° east), which are hosted in hanging wall felsic volcanic rocks. Carbonaceous shales occur as footwall rocks and are a minor host to the main body of mineralisation.

Best trench results included 33m at 1.39g/t Au, 17m at 1.23 g/t Au and 23.5m at 0.97g/t Au (latter two intercepts in the same trench)

Quartz veins in the West Zone occur as sets of flat lying veins, dipping 10-15° to the south-east. Sampling of these shallow dipping veins can either give large apparent widths of gold-bearing intervals (i.e. not true widths) when in the core of a vein set, or very minor intercepts if the trench is located just above or below a vein set. Best sample results include 95m at 1.69g/t Au and 44m at 1.56g/t Au.

To date (including the post reporting period), a total of 117 trenches have been excavated in five areas at Jibal Qutman, with 35 trenches at 25m spacings in the Main Zone, 35 trenches at 50m spacings in the South Zone and 21 trenches at 50m and 25m spacings in the West Zone.

Trench N°	Interval (m)	**Au g/t**	**Zone**
	(to April 2013)		
JQT 58	15.0	**4.67**	Main Structure
JQT 88	5.0	**3.33**	West Zone
JQT 87	20.6	**1.89**	West Zone
JQT 89	95.0	**1.69**	West Zone
JQT 90	44.0	**1.56**	West Zone
JQT 111	3.0	**7.44**	Main Structure
JQT 119	11.0	**3.08**	South Zone
JQT 120	23.5	**0.97**	South Zone
and	17.0	**1.23**	
JQT 125	2.0	**7.22**	West Zone
JQT 127	14.5	**1.75**	West Zone

Table 2: Selection of best results from trenching at Jibal Qutman

Drilling

An initial phase of 50 diamond drill holes, for a total of 4,569m drilled, was completed by December 2012. Drilling was designed to test the shallow open cut potential of the gold mineralisation, testing the mineralisation between surface and to a maximum of 100m below surface. Drilling was performed on an initial 100m x 50m and 50m x 25m grids; over a 600m strike length on the Main Zone, and 200m strike lengths on the West and South Zones.

The assay results from Phase 1 diamond drilling in the Main Zone were overall lower grade (usually 1-6g/t Au) compared to the surface sampling, indicating a strong supergene enrichment in the top 10 to 25m from the surface. Drill assay results from the South and West Zones show only slight differences in grade to trench sample results, however there is a strong lateral dispersion of gold at the surface.

Diamond drilling at the West Zone intercepted a new style of mineralization at 20m-40m vertical depths below the surface. The gold is hosted in a shear zone characterised by a network of micro-fractures, minor quartz veinlets, disseminated pyrite and sericite-carbonate alteration. The shear zone dips 10-20° east and ranges from 10m-50m true width. The grades are low, generally in the range 0.5 to 1.5g/t Au. The shear zone is poorly exposed at surface and is only found by drilling.

Phase 2 RC drilling commenced in mid-January 2013, while trenching recommenced in February 2013, with the aim to expand the newly defined gold mineralisation along the strike and in the case of the West Zone across the strike as well.

RC drilling is on-going and being carried out on 50m x 40m grid on the South and West zones: two RC rigs were operating on single shift up to the end of April, one rig has since been decommissioned for major repairs. Mineralisation at the West Zone has been extended by trenching and drilling to over 300m to the North and 300m to the South of the previous work completed in Phase 1. Exploration work is on-going and the mineralisation remains open both to the north and south. The best results from the first 18 RC drill holes are included in Table 3.

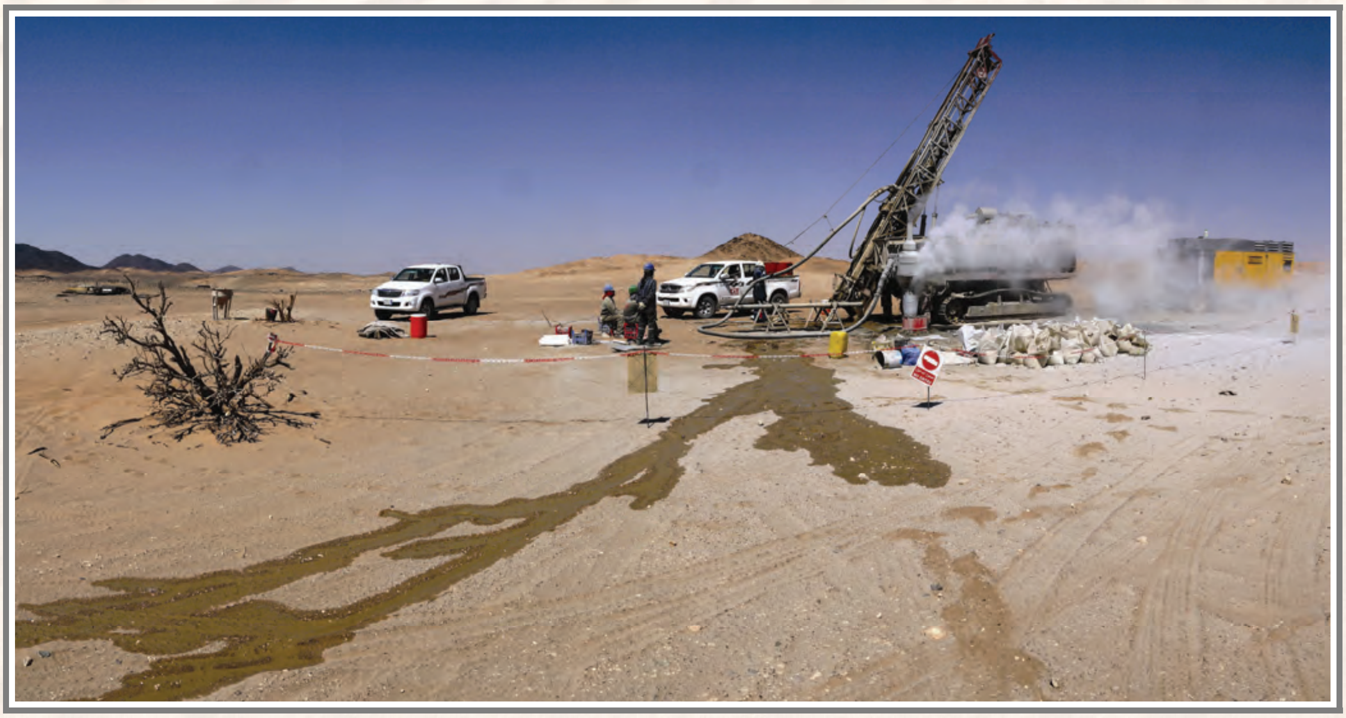
In the South Zone, trenching and RC drilling has extended the quartz vein mineralisation to over 400m to the South. Mineralisation is masked by shallow sand cover (1-2m) going northwards: here further RC drilling is planned.

Further RC drilling and trenching to extend the Main Zone is also planned for H2, 2013.

Senior geologist E. Ölçer inspecting a Quartz outcrop at Jibal Qutman. In the background RC drilling in progress

Hole N°	From (m)	To (m)	Interval (m)	Au g/t	Zone
		DIAMOND DRILLING			
JQD 7	42.4	49.4	**7.0**	**5.85**	Main Structure
JQD 18	34.4	47.4	**13.0**	**1.29**	Main Structure
JQD 24	33.9	41.9	**8.0**	**6.13**	Main Structure
JQD 30	36.0	48.7	**12.7**	**3.78**	West Zone
JQD 41	17.0	28.0	**11.0**	**3.43**	South Zone
JQD 43	8.5	23.0	**14.5**	**5.45**	South Zone
JQD 45	62.0	75.0	**13.0**	**2.35**	South Zone
		RC DRILLING (to April 2013)			
JQRC 10	39.0	66.0	**27.0**	**0.86**	West Zone
JQRC 12	48.0	57.0	**9.0**	**1.98**	West Zone
JQRC 14	65.0	77.0	**12.0**	**1.06**	West Zone
JQRC 16	48.0	56.0	**8.0**	**2.71**	West Zone
JQRC 17	11.0	43.0	**32.0**	**1.14**	South Zone
JQRC 18	1.0	14.0	**13.0**	**4.08**	West Zone

Table 3: Selection of best results from RC and Diamond drilling at Jibal Qutman



RC drilling at Jibal Qutman South Zone

Drill core inspection at Jibal Qutman core-yard.

From right to left: J. Rayner (Managing Director), F. Granitzio (Exploration Manager), P. Fuchs (Senior Geologist), O. Purpura (Exploration Geologist), T. Mikus (Exploration Geologist), F. Bakos (Senior Geologist).

Resources

Within the area drilled up to the end 2012 and also within a conceptual shallow open cut pit shell to 40-60m below surface, a preliminary first pass, non JORC estimate of a combined mineralised zone of approximately 2.28Mt was calculated at an average grade of 1.25g/t Au for a total of 90,000oz Au, using a 0.2g/t Au cut-off.

As announced on 23 January 2013, there is very good potential to significantly increase the above drilled resource, to a target resource in excess of 200,000oz Au and the recent results from the continuing RC drilling and trench sampling allow an updated JORC compliant Inferred Resource (as of May 2013) of 10.3Mt of ore at an average grade of 0.94 g/t Au (approximately 313,000oz Au) to be calculated from a data set comprised of 50 diamond drill holes (4,569m), 42 RC drill holes (3,669m) and 116 trenches (7,302m). Drill holes on 50m x 25m and 50m x 40m drill spacings and trenches spaced 25m or 50m apart, using a 0.2g/t Au cut-off and a top-cut of 20g/t Au (see Table 4).

Preliminary metallurgical test work shows 50-90% gold recovery in the oxide and sulphide mineralisation and more indicative test work is currently being carried out in an external laboratory in Perth, Australia. Carbonaceous shale containing "preg-robbing" graphite, resulting in very low gold recoveries, is located on parts of the footwall contact of the mineralisation in the West and South Zones. Less than 5% of the resource in the West Zone and <10% of the South Zone Resource is in contact with this graphitic unit. Further metallurgical test-work to maximise gold recovery in graphitic units is planned. However, should it be an issue, this contact zone can be controlled by selective mining techniques.

Quality assurance and control (QA/QC) has been applied during all forms of sampling with submission of geochemical standards and cross checks of sample pulps from the primary laboratory with a second accredited laboratory.

Zones	Tonnes	Au g/t	Interval (m)
West Zone	7,267,882	0,89	**207,988**
South Zone	1,966,454	0,81	**51,216**
Main Zone	1,070,000	1,55	**53,328**
Total	10,304,336	0,94	**312,532**

Table 4: of Inferred Resources at Jibal Qutman

Selib North

Geology and licence background

The Selib North Exploration Licence was formally granted by the DMMR in June 2011. It is located immediately south of the ancient Fawarah gold mine and immediately north of the ancient Selib gold mine. The Al Amar gold mine, currently operated by Ma'aden, is located 65km to the north. Published remaining mineral resources for the Al Amar gold mine comprise 2.0Mt at 11.2g/t Au, containing 722,000oz Au.

The licence covers a 75km^2 area comprising extensive ancient shallow eluvial and hard rock gold workings extending over a 3km strike length of Proterozoic volcanic and metasedimentary host rocks. Mineralisation and associated alteration in the Selib North area is hosted by mylonitic and listwaenite shear zones and in quartz veins. BRGM (Bureau de Recherché Géologiques et Minières) reports refer to this mineralisation style as similar to Ma'aden's Ad Duwayh deposit, which is estimated by Ma'aden to contain over 2.39Moz Au.

The Selib North licence area is aligned along a north-south trending, major crustal fault zone of Precambrian age, the Al Amar-Idsas Fault Zone. It comprises numerous small scale hard rock, alluvial and eluvial gold workings, which were recorded but not mapped or sampled by the BRGM.

Gold mineralisation in the various prospects in the Selib North EL is hosted in ophiolitic rocks that are cut by the Al Amar – Idsas Fault Zone. The host rocks are mainly serpentinite and listwaenite, metabasalt and diorite. They are cut by north-south striking quartz and carbonate veins. The veins, now the sites of ancient trenches, are distributed over a band 1.8km long and 0.3km wide at the ancient Selib mines, located immediately south of the Selib North Licence area, and 2.0km long and 0.2km wide at Fawarah. Historic mining was mainly conducted by panning of crushed quartz and host rock. In places, there are occurrences of visible gold.

The Selib prospect (to the south of Selib North) was initially explored by BRGM in 1982 and extensive alluvial and eluvial pits mark the base of the ridge at Selib. Results from soil geochemistry defined a 1.8km long by 350m wide north-south zone at the 0.05g/t Au contour with a maxima of 2.7g/t Au. BRGM carried out the geochemical soil surveys in three small areas over the 1.8km strike length, and tested it with 16 percussion drill holes for a total of 1,784m. The best intercept obtained in the drill programme was 8.4g/t Au over 1.5m. The soil anomaly is open to the north and continues into G&M Joint Venture's Selib North EL.

The gold anomalies in soil and rock at the Fawarah mine are open to the south and continue into the Selib North EL. Gold is hosted in quartz lodes in altered gabbro, diorite, serpentinite and carbonate rocks. Mineralised zones of >0.2g/t Au attain widths of up to 20m with maximum values of 8.3g/t Au and 2.3g/t Ag. A total of four percussion drill holes were drilled for 420m at Fawarah, with a best result of 3m at 6.78g/t Au.

No exploration, including soil sampling or drilling was carried out by the BRGM on the Selib North prospect.

Exploration Activities

During 2012, field work at Selib North continued, which included mapping and trenching activity in July, August and October. In July 2012, diamond drilling was initiated and then recommenced combined with RC drilling in January 2013.

The activity was mostly focused over the south-eastern area of the licence, where a new NW-SE trending Pyrite-Au mineralised dyke system was discovered. Trenching and sampling were performed over three areas, Camel Hill, Area 350 and Selib Ridge. The aim of the trenching was to identify extension of the mineralised pyrite rich dykes at Camel Hill and understand potential of the other zones. Trench sampling returned encouraging results, including SNT003, 6m @ 0.97g/t Au; SNT007, 27m @ 2.8g/t Au, including 16m @ 3.59g/t Au and SNT020, 4m @ 1.57g/t Au.

The first phase of the diamond drilling campaign at the Camel Hill prospect commenced in July 2012. Eight holes were drilled for a total of 920metres, targeting pyrite-rich, gold bearing dykes at Camel Hill.

Drill results confirmed that the gold mineralisation is hosted in a series of steeply-dipping pyritic dykes. In addition, numerous dykes, that were not evident at surface, were intersected by the drilling. An interpretative model considering the possibility that the dikes converge to a larger parent stock at depth was given.

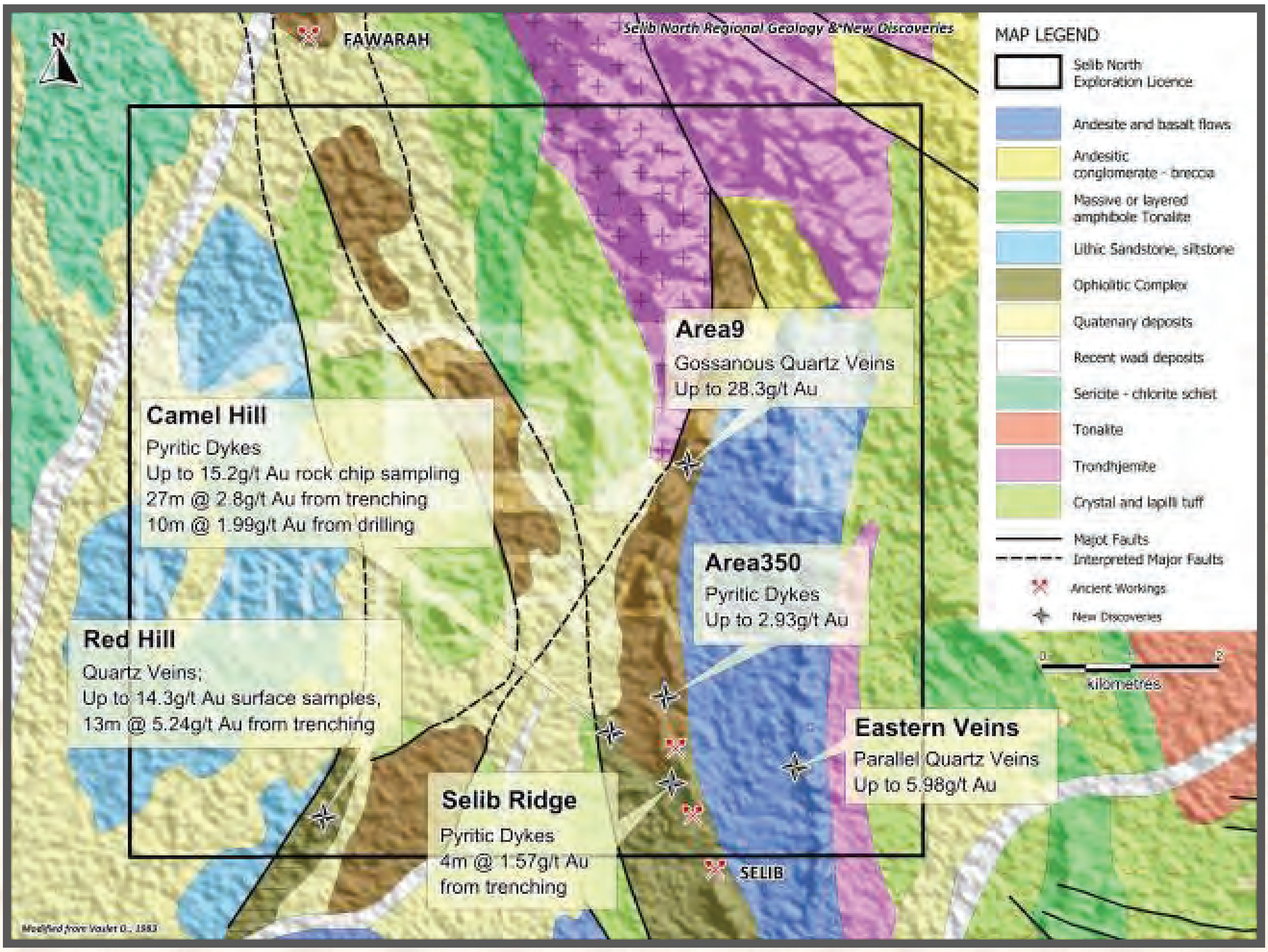
The best intervals included: 5m @ 2.17g/t Au from SND002; 7m @ 1.26g/t Au and 14m @ 2.47g/t Au from SND003; 2m @ 19.49g/t Au and 4m @ 1.25g/t Au from SND006; 7m @ 0.53g/t Au from SND007; 10m @ 1.99g/t Au from SND008. To support the model of a deeper mineralised stock, an electrical geophysical survey involving IP (Induced Polarisation and Resistivity) and SP (Self Potential) surveys were completed around the Camel Hill prospect and surrounding area. A total of 11 sections spaced 100m apart, for a total of 12.7km line over a 1.2km^2 were surveyed.

Interpretation of IP and SP data was carried out in conjunction with other data sets, including multi-element geochemistry of rock chip samples, Landsat ETM+, ASTER, Cluster Analysis of the IP data and direct measurements of the IP and resistivity parameters of mineralised and unmineralised drill core.

The resulting model of the physical properties has been successful and has allowed the modelling of the three-dimensional geometry and distribution of several lithological and alteration types.

A further two new target zones were identified from processing and interpretation of the geophysical data. The three target zones are: i) beneath the previous shallow drilling at Camel Hill; ii) coincident with major north-south trending faults in the centre of the survey area; and iii) in a high chargeability zone in the southeast of the survey area.

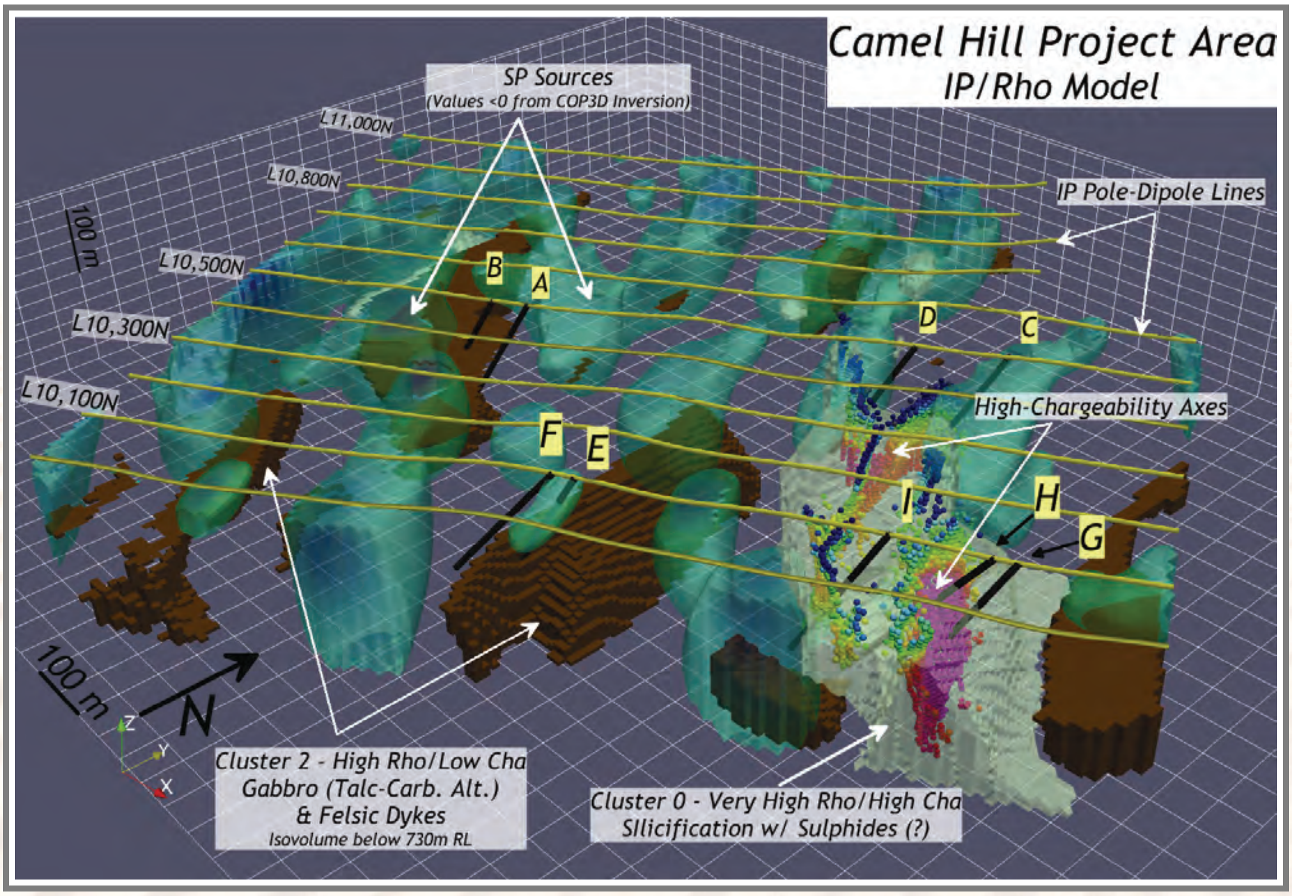
A follow-up RC/diamond drill programme was completed in February 2013. Drilling targeted both the IP anomalies and zones along strike intersected by previous drilling. Drilling results showed that the IP anomalies in the east were mostly attributed to graphitic shales and pyrite mineralisation, not associated with the gold mineralising event.



Geological and prospect location map of the Selib North Licence

Reverse Circulation and Diamond Drilling at Selib North

A total of ten diamond holes, totalling 1,876m and ten RC holes, totalling 1,255m were drilled in the second phase of drilling at Selib North, best results being: 8m at 1.40g/t Au from SND018, and 5m at 2.50g/t Au, from SNRC006. There has not been enough drilling to calculate a resource.



3-D Interpretation of IP Geophysical Survey Data

Hikyrin and Hikyrin South

In January 2012, the DMMR granted further two exploration licences; Hikyrin and Hikyrin South. The claims are located within the well-mineralised Central Arabian Gold Region, which is host to Ma'aden's Ar Rjum deposit (3.22Moz Au), located 30km to the south of the Hikyrin tenements and Ash Shakhtaliyah deposit (G&M estimate of 1.0Moz Au), 10km to the east of the Hikyrin tenements.

The two Hikyrin licences are contiguous covering a combined total area of 151km2, hosting favourable shear zones, fault structures, quartz-veined alteration zones and containing ancient hard rock gold workings.

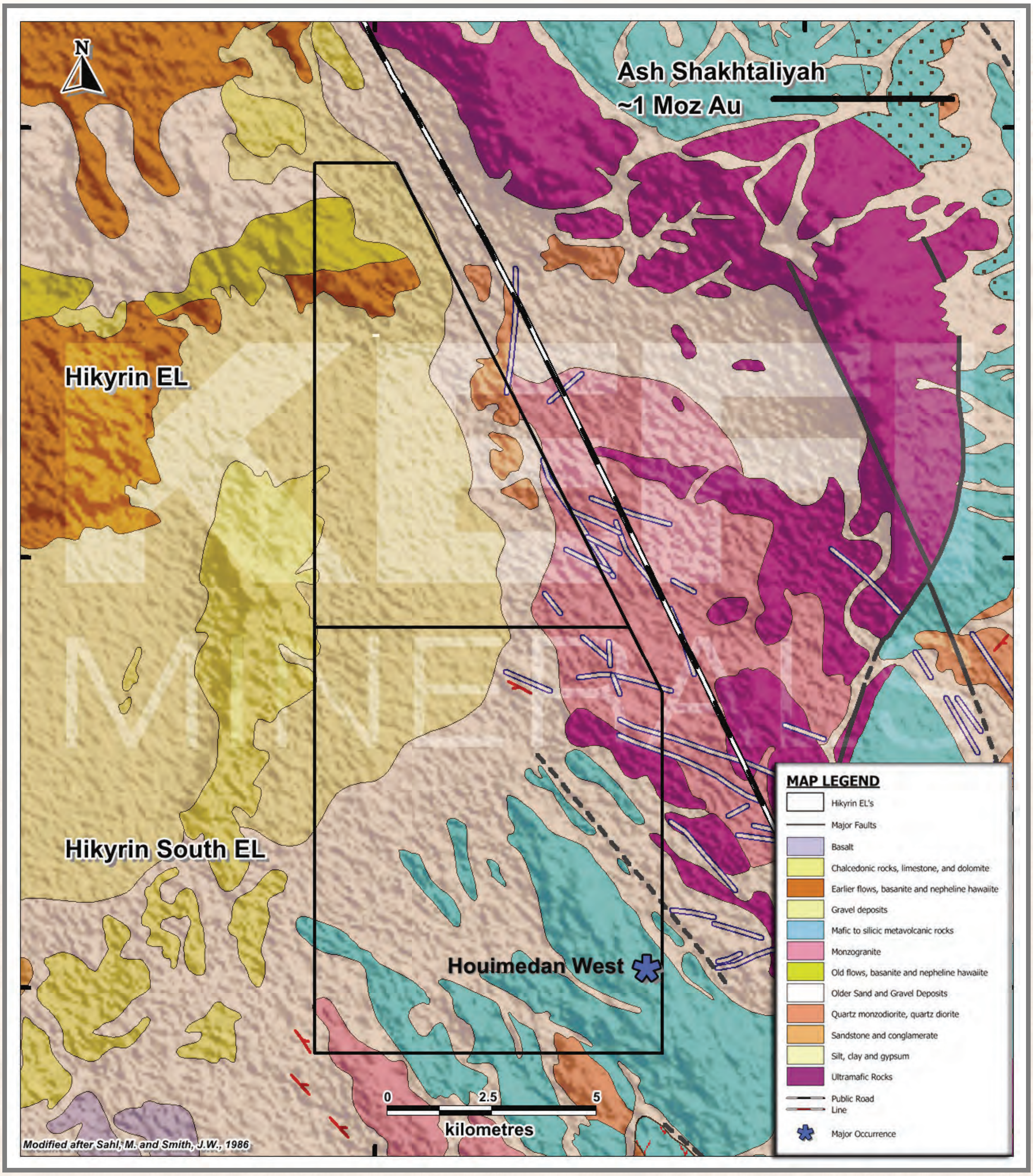
In the southeast quadrant of the Hikyrin South tenement, ancient mining exploited gold-bearing quartz veins at the Houimedan West deposit, evident in surface diggings over approximately 700m of strike length.

Exploration Activities

Systematic evaluation by G&M JV of the Hikyrin South Licence began in February 2012 with a 1km x 500m spaced grid soil sampling programme over the entire licence area. These efforts outlined gold-in-soil anomalies, which warranted infill soil sampling to 100 x 200m which was completed in October 2012 and confirmed the presence of gold anomalies in the central part of the claim. Systematic rock chip sampling in the same region have returned rock chip sampling results of up to 83.2g/t Au in quartz veins.

Detailed geological mapping and sampling in the vicinity of the Houimedan West ancient workings was carried out. Samples taken from the waste dumps of ancient mining have returned up to 22.57g/t Au, and averaging 5.9g/t Au, from 24 samples spread over a 700m strike length.

These results support the high gold grades of the quartz veins in the dumps, which were sampled by BRGM in the 1980s, when the reported assays returned up to 78.6g/t Au. The individual quartz veins are narrow, generally 0.2m to 0.6m wide, and occur in a sheared and hematite-altered zone of up 4m wide.



Geological and Prospect location map, Hikyrin and Hikyrin South licences

A trenching programme was performed across the workings, with a total of 27 trenches (for a total of 820m) completed over a NW-SE strike extent of about 830m. Results confirmed the presence of gold mineralisation in narrow quartz veins and best results include: 1.2m @2.98g/t Au and 0.7m @10.24g/t Au.

In October 2012, G&M commissioned an ASTER remote sensing survey over the Licence area. This involves the interpretation and processing of thermal emission and reflection spectra. The subsequent processing of imagery defined a NW-SE structural corridor, which includes the Houimedan West structure and the soil anomaly located at the centre of Hikyrin South. The same structure continues further to the NW inside the Hikyrin licence, hidden by the sediments of the salt pan (salt lake), which covers almost 70% of the Hikyrin licence area.

Following the definition of drill targets through soil sampling and ASTER analysis, a Rotary Air Blast (RAB) drilling programme was designed:

- Hikyrin: 1000 x 500m spaced grid pattern drilling (short holes) in the salt pan area, targeting geochemical anomalies and structures covered by a thick salt cover (bedrock probing);
- Hikyrin South: 200 x 400 m spaced grid pattern drilling central anomalous area of the licence.

Drilling commenced in April 2013 and is currently underway with results expected in late May-Mid June.

Other Exploration Licence Applications

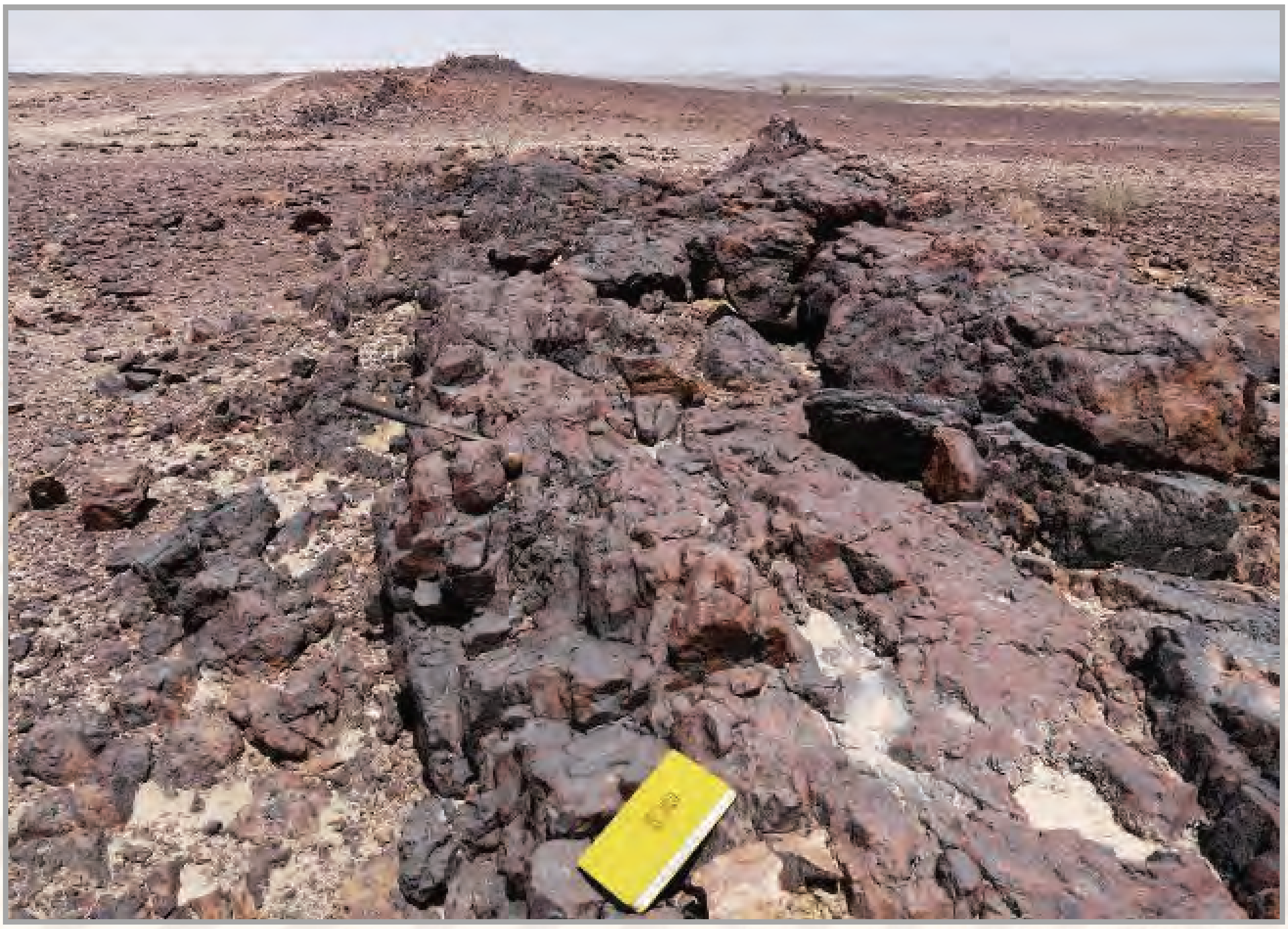
A total of 17 licence applications are being processed by the DMMR. As reported in previous Annual Reports, the granting of an EL is a long and involved process, involving over a dozen Government departments and Committees. A representative of each must attend a field investigation on an appointed day, this is called an "Imara Committee" meeting. There are many other steps in the EL procedure and the result of this overall detail, is a lengthy time (3-4yrs) to be in receipt of a granted licence. The upside of the process is that once granted the title holder can perform all exploration works, including the feasibility stage.

Of the 17 ELAs, G&M has a number of geological targets, including

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

ii) Volcanic massive sulphides which are marked at surface by gold bearing gossans. In 3 ELAs the gossans can be mapped over 2km to 4km in strike length and up to 40m in width. Rock chip sampling reports grades over 1 g/t Au, with a maximum of 27 g/t Au.

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



Gold bearing gossans out-cropping in the Wadi Bidah Mineral Belt, south-western Saudi Arabia. G&M has 7 exploration licence applications in the belt which overlay a cumulative strike length of 9km of gold-bearing gossans. Gossans develop as a product of weathering over sulphide-bearing VHMS deposits. G&M expects some EL's to be granted in 2013

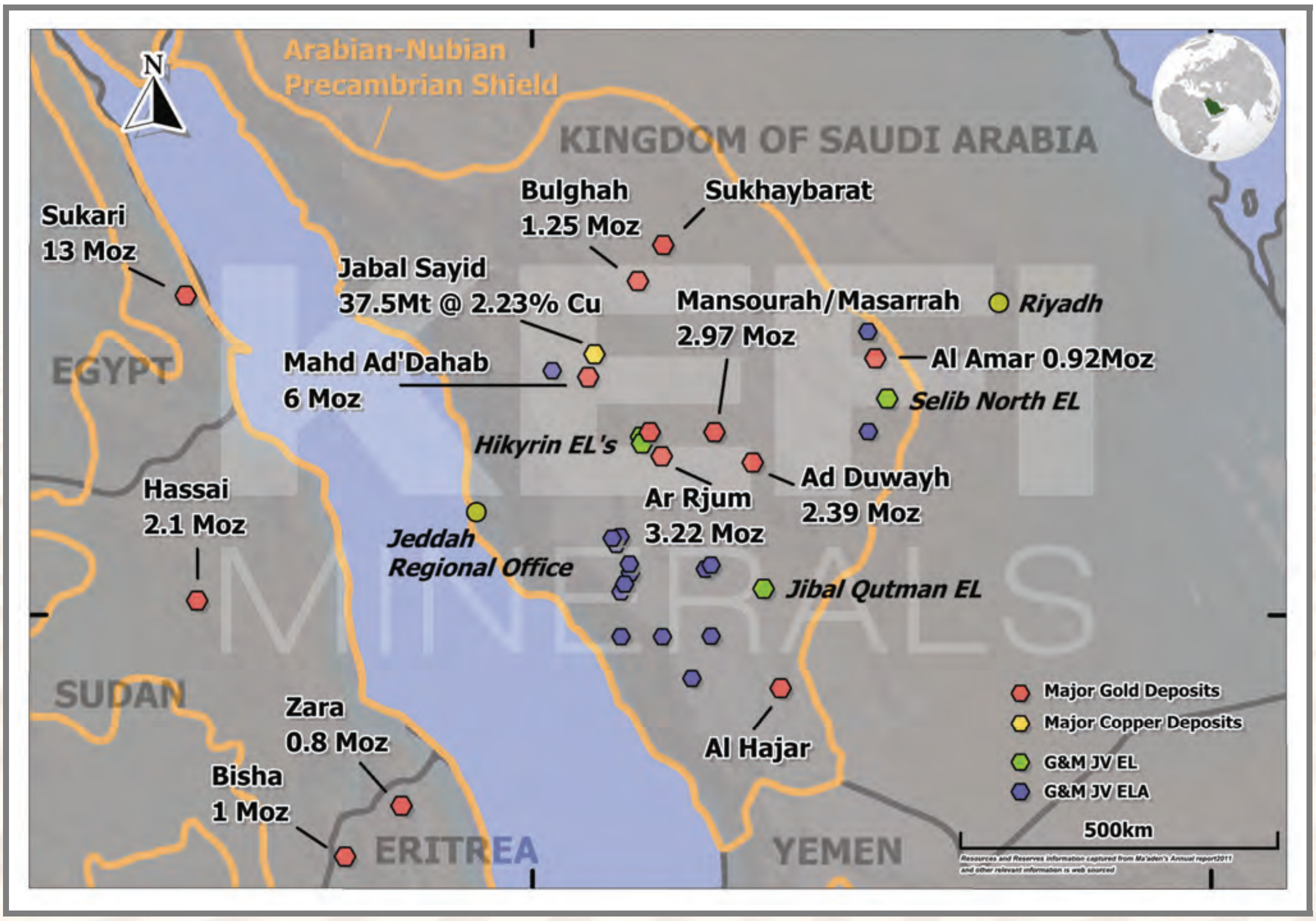
Exploration Overview, Kingdom of Saudi Arabia

The Kingdom of Saudi Arabia is a country with a long history of gold and copper mining that dates back over 5,000 years. Major eras of historic gold mining, in what is now the Kingdom of Saudi Arabia, occurred between about 3,000 and 1000 BC and during the Islamic Abbasid period between 750 and 1258 AD.

More recently, from 1936 and 1954, the Saudi Arabian Mining Syndicate conducted exploration and operated the Mahd adh Dhahab (the "Cradle of Gold") gold mine.

The Saudi Arabian Directorate General of Mineral Resources initiated significant gold exploration from 1970-1990s. The US Geological Survey ('USGS') and the French equivalent, BRGM, were commissioned to evaluate the mineral potential of the Arabian-Nubian Shield. They documented the 1,000 historic gold mines within the 5,000 historic metal occurrences in the Arabian-Nubian Shield. By 1994, only 51 of these gold occurrences had been drill tested and many had been tested poorly.

Gold is hosted in mesothermal quartz veins, epithermal quartz vein systems and in intrusive-related gold systems. Base metals are primarily hosted in volcanogenic massive sulphide (VMS) and sedimentary exhalative (SEDEX) style deposits.



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

Ma'aden, the 50% Government owned mining company, is operating four open cut and underground mines and five processing plants for gold in the Kingdom of Saudi Arabia. They utilise cyanide leach and heap leach technology. Ma'aden has discovered and reported 8 Moz Au in JORC-compliant Resources in 2008 and reported a "global resource" of >12Moz Au in 2011.

Major gold and base metal deposits in the Arabian-Nubian Shield include Centamin's Sukari Mine, Egypt (>13Moz Au), Ma'aden's, Mahd adh Dhahab Mine (past production and current resources >6Moz Au), Barrick Gold's Jabal Sayid deposit, Saudi Arabia (37.5Mt at 2.23% Cu containing 837,000t Cu), Nevsun Resources' Bisha Mine, Eritrea (28.3Mt at 1.6% Cu, 1.78g/t Au, 3.15% Zn and 38.9g/t Ag), Ma'aden's Ad Duwayah (>2.39Moz Au) and Ar Rjum (3.22Moz Au) deposits and Chalice Gold's Koka deposit, Eritrea (840,000oz Au).

Exploration activity in the Kingdom of Saudi Arabia has increased over the past several years, driven by the potential of the under explored Precambrian terrain. 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. Several new mines are currently being developed in Saudi Arabia.

Barrick Gold is developing the Jabal Sayid copper mine with plant and underground development complete in 2012, Arabian American is currently operating the Al Masane Zn-Cu-Au mine from underground mining, Alara Resources entered into a joint venture to develop the Khnaiguiyah Zn-Cu mine, and London Mining is in a joint venture to produce a bankable feasibility study to develop the $1.9bn Wadi Sawawin iron ore project.

Field inspection in one of the ELA areas.

From left to right: G. Kellecioglu (District Geologist), J. Rayner (Managing Director), F. Bakos (Senior Geologist), I. Plimer (Director), R. Cunneen (EMED Mining Head of Geology)

Strategic Partnership

The G&M Joint Venture ('G&M') between KEFI Minerals and Abdul Rahman Saad Al-Rashid and Sons LLC ('ARTAR') was formally established in 2010 to explore and develop gold and associated base metal deposits in the highly prospective Precambrian Arabian-Nubian Shield.

ARTAR is a privately owned multi-billion dollar Saudi company which also operates in Europe, USA and Asia. The scope of business activities involves the construction of mining infrastructure, shopping mall complexes, residential estates, high rise buildings, agriculture, investment and health care.

KEFI Minerals holds a 40% interest in G&M and acts as an operator. The Company provides technical advice and assistance, including personnel to manage and supervise all exploration and technical studies. ARTAR, which holds the remaining 60%, provides local personnel, administrative advice, and assistance in permitting Exploration Licences and also ensures that the joint venture remains in compliance with all governmental and other procedures.

The G&M Joint Venture looks forward to introducing the latest international exploration techniques to parts of the Kingdom and is dedicated to developing long term minerals operations which is expected to be facilitated by ARTAR's status as a major industrial conglomerate.

Saudi DMMR Inspector with KEFI Exploration Manager F. Granitzio and Senior Geologist E. Ölçer at Jibal Qutman

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
Carbonaceous	A rock containing native carbon. The component derived from organic carbon can cause preg-robbing of gold from cyanide in solution
Cluster Analysis	Cluster analysis or clustering is the task of grouping a set of geophysical data in such a way that data in the same group (called cluster) is more similar (in some sense or another) to each other than to those in other groups (clusters). It is a common technique for statistical data analysis used in many fields, including geology/geophysics, pattern recognition, image analysis, information retrieval, and many other
DMMR	Deputy Ministry for Mineral Resources – Kingdom of Saudi Arabia
ELA	Exploration Licence Application
Epithermal	Hydrothermal mineral deposit formed within about 1 km of the Earth's surface and in the temperature range of 50 to 200 degrees Celsius, occurring mainly as veins
Footwall	The top of the rock stratum underlying a vein or bed of ore. An area on the lower, or underside of a geological boundary or contact, usually a fault
Felsic	Refers to those volcanic rocks which are enriched in the lighter elements such as silicon, oxygen, aluminium, sodium, and potassium: the elements that form feldspar and quartz
g/t	Grams per tonne
Gossan	An iron-bearing weathered product overlying a sulphide deposit
IP	Induced polarisation - a ground-based geophysical survey technique measuring the intensity of an induced electric current, used to identify disseminated sulphide deposits
JORC	Joint Ore Reserves Committee - Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2012 Edition
Landsat ETM+	The Enhanced Thematic Mapper Plus (ETM+) instrument is a fixed eight-band, multispectral scanning radiometer capable of providing

	high-resolution imaging information of the Earth's surface. It detects spectrally-filtered radiation in panchromatic bands from the sun-lit Earth in a 183 km wide swath when orbiting at an altitude of 705 km. The ETM+ is the main instrument on board Landsat 7
Mafic	Pertaining to, or composed dominantly of, the dark coloured ferromagnesian (containing iron and magnesium as major components) rock forming silicates
Massive sulphide	Rock comprised of more than 40% sulphide minerals
Mesothermal	Hydrothermal mineral deposit formed at considerable depth and in the temperature range of 200 to 300 degrees Celsius
Ophiolite	Mafic and ultramafic rocks (rocks containing >90% mafic minerals) 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 542million years ago
USGS	United States Geological Survey
RAB drilling	Rotary Air Blast drilling. A percussion drilling method used when quick inexpensive holes are needed, to obtain a sample of decent quality. Is normally used for shallow applications such as gravel searches or bedrock probing
RC drilling	Reverse Circulation drilling. Percussion drilling method. Reverse circulation is achieved by blowing air down the rods, the differential pressure creating air lift of the water and cuttings up the "inner tube", which is inside each rod. The drill cuttings travel around the inside of the cyclone until they fall through an opening at the bottom and are collected in a sample bag
Sericite-carbonate	Wallrock alteration showing secondary Serictite (muscovite) and carbonate mineral assemblages
Supergene	In ore deposit geology, supergene processes or enrichment occur relatively near the surface. Supergene processes include the predominance of meteoric water circulation with concomitant oxidation and chemical weathering. The descending meteoric waters oxidize the primary (hypogene) sulfide ore minerals and redistribute the metallic ore elements
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

Directors' Report and Consolidated Financial Statements
Year ended 31 December 2012

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Board of directors and other officers
For the year ended 31 December 2012

Board of Directors:	Harry Anagnostaras-Adams	Non-Executive Chairman
	Ian Rutherford Plimer	Non-Executive Deputy Chairman
	Jeffrey Guy Rayner	Managing Director
	John Edward Leach	Finance Director

Company Secretary: Cargil Management Services Limited
22, Melton Street
London
NW1 2WB
United Kingdom

Auditors: Moore Stephens LLP
150, Aldersgate Street
London
EC1A 4AB
United Kingdom

Registered Office: 27/28, Eastcastle Street
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W1W 8DH
United Kingdom

Bankers: Allied Irish Bank (GB)
Mayfair Branch
10, Berkeley Square
London
W1J 6AA
United Kingdom

Solicitors: Field Fisher Waterhouse LLP
35, Vine Street
London
EC3N 2AA
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Share Registrar: Share Registrars Limited
Suite E, 1st Floor
9 Lion & Lamb Yard, Farnham
Surry GU9 7LL
United Kingdom
Registered in England & Wales No 4715037

Nominated Advisor and Broker: Fox Davies Capital Limited
1 Tudor Street
London
EC4Y 0AH
United Kingdom

Report of the board of directors

For the year ended 31 December 2012

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 2012.

Incorporation and Principal Activity

KEFI Minerals Plc was incorporated on 24 October 2006 and shortly thereafter acquired the exploration assets of EMED Mining Public Limited ("EMED") in Turkey and Bulgaria. KEFI Minerals was admitted to AIM in December 2006 with a market capitalisation of GBP2.7 million at the placing price.

The principal activities of the Group for the year were:

- To explore for mineral deposits of precious and base metals and other minerals that appear capable of commercial exploitation, including topographical, geological, geochemical and geophysical studies and exploratory drilling.
- To evaluate mineral deposits determining the technical feasibility and commercial viability of development, including the determination of the volume and grade of the deposit, examination of extraction methods, infrastructure requirements and market and finance studies.
- To develop mineral deposits and market the metals produced.

Review of Operations

In Saudi Arabia, Gold and Minerals Co. Limited ("G&M") has been granted 4 Exploration Licences ("ELs") by the DMMR. The first, "Selib North", was granted in June 2011, "Hikyrin" and "Hikyrin South", were granted in January 2012. In July 2012 Jibal Qutman EL was granted. A further 17 Exploration Licence Applications ("ELAs") are currently lodged with the DMMR and in various stages of permitting. It is expected that further Licence grants will be received during 2013.

The licence application areas are prospective for gold in shear zones and quartz veins, and gold and base metals in VMS styles of mineralisation.

The ELAs were initially applied for by the joint venture partner, "ARTAR". Incorporation of G&M is now complete and granted licences will be transferred into the JV company in due course.

Field work performed to date on the 4 granted ELs has resulted in the discovery of new mineralised zones at Selib North and Jibal Qutman and confirmation of high grade gold mineralisation in the ancient mine workings in Hikyrin South;

- Processing of ASTER imagery covering the Selib North Licence generated over 10 areas of prospective alteration zones and resulted in the discovery of three new areas of gold mineralisation with no evidence of ancient mining.
- A new Pyrite-Au mineralised dyke system was discovered. Trenching and sampling were performed over three areas, Camel Hill, Area 350 and Selib Ridge. Trench sampling returned encouraging results, including SNT003, 6m @ 0.97g/t Au; SNT007, 27m @ 2.8g/t Au, including 16m @ 3.59g/t Au and SNT020, 4m @ 1.57g/t Au.
- The first phase of a diamond drilling campaign at the Camel Hill prospect commenced in July 2012. Eight holes were drilled for a total of 920metres, targeting pyrite rich, gold bearing dykes at Camel Hill.
- The best intervals included: 5m @ 2.17g/t Au from SND002; 7m @ 1.26g/t Au and 14m @ 2.47g/t Au from SND003; 2m @ 19.49g/t Au and 4m @ 1.25g/t Au from SND006; 7m @ 0.53g/t Au from SND007; 10m @ 1.99g/t Au from SND008.
- Soil sampling program over the entire Hikyrin South licence area outlined gold-in-soil anomalies warranting drill testing in the central part of the claim.
- Samples taken from the waste dumps of ancient mining at the Houimedan West prospect, in Hikyrin South have returned up to 16.3 g/t Au and at an average of 5.9 g/t from 24 samples spread over a 700m strike length.
- At Jibal Qutman G&M commenced exploration in July 2012 and to date has excavated 117 trenches (for a total length of over 7000m) and drilled 50 diamond holes and 35 RC holes (for a total length of 6900m). The results to date show very good potential for +200.000 oz Au open cut operation.
- The gold mineralisation at Jibal Qutman is hosted in a series of quartz veins in three zones: the Main Structure, the West Zone and the South Zone, which are spread over a 3km x 0.5km corridor. The main vein dips at 45° to the east, where also parallel veins form stringer zones are present around the main vein. In addition to the vein style mineralisation, drilling has intersected new, wide zones of low grade gold associated with shearing and fine fracturing. These zones dip shallowly to the East and range from 10m to 50m in width.

All prospects were drilled in 2012 and in the post reporting period. Drilling is continuing in Jibal Qutman, Hikyrin and Hikyrin South.

(All amounts in GBP thousands unless otherwise stated)

Review of Operations (continued)

Funding

The Company successfully completed two significant equity placings in 2012 to enable it to fund its current exploration programme. KEFI Minerals completed placements that raised GBP1.85 million in February 2012 at 3p per share and GBP0.97 million in July 2012 at 2.3p per share. The Company has sufficient funds to purchase a multi-purpose drill rig, complete the scheduled 15,000m Phase 2 RC programme, and to commence a scoping study in H2 at Jibal Qutman in 2013.

EMED remains the Company's largest shareholder with 15.0% of the Company's issued share capital.

Key Performance Indicators for the Group are not considered relevant for the year ended 31 December 2012 because the Group is still in the exploration phase of its activities. However, careful monitoring has been carried out in respect of cash management. This includes the periodic review of the Group's results through management accounts, appraisal of technical reports, monitoring of the marketplace and the Company's physical presence in the Kingdom of Saudi Arabia, including attendance at regular board meetings of the Joint Venture.

Results

As at 31 December 2012, the Group had a net working capital of GBP1,973,000 (2011: GBP518,000) and the Company's market capitalisation was GBP15.6 million (2011: GBP14.2 million). At year end the Group had equity of GBP2,041,000 (2011: GBP 701,000). During the year 2012, the Group has incurred exploration expenditure of GBP93,000 (2011: GBP426,000) from operations and an operating loss of GBP1,719,000 (2011: GBP1,578,000).

The Company made several successful placements during the year raising GBP2.9 million as follows:

Issued	
17 February 2012 at GBP0.03	1,850
06 July 2012 at GBP0.023	966
1 November 2012 at GBP0.03	75
	2,891

All exploration expenditure is written off when incurred in accordance with IFRS6, pending the Directors' decision to commence project development. This policy is a major factor in the Group recording a net loss for the year of GBP1,728,000 (2011: GBP1,592,000):

	2012	2011
Exploration expenditure	**(93)**	(426)
Administrative expenses	**(716)**	(901)
Warrants issued costs	**(66)**	(56)
Share based payments	**(199)**	(101)
Share of loss from jointly controlled entity	**(612)**	(154)
Change in value of available-for-sale financial assets	**(33)**	(7)
Other income	**-**	67
Foreign exchange loss	**(9)**	(13)
Tax	**-**	(1)
Loss for the year	**(1,728)**	(1,592)

The Group's results for the year are set out on page 36.

Board of Directors

The members of the Board of Directors of the Company as at 31 December 2012 all of whom served throughout the year and at the date of this report are shown on page 26. 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.

Report of the board of directors (continued)
For the year ended 31 December 2012

Board of Directors (continued)

Harry Anagnostaras-Adams
Non-Executive Director – Chairman

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

Mr Anagnostaras-Adams serves on the Board of AIM and TSX - listed, EMED Mining Public Limited as Managing Director. Mr Anagnostaras-Adams has previously served as the Managing Director of ASX and AIM-listed, Gympie Gold Limited, Executive Director of investment company Pilatus Capital Ltd., General Manager of resources investment group Clayton Robard Limited Group, Senior Investment Manager of Citicorp Capital Investors Australia Ltd. and serves (or has served) as a non-executive Director of many other public and private companies across a range of industries. He qualified as a Chartered Accountant while working with PricewaterhouseCoopers and has a Master of Business Administration from the Australian Graduate School of Management where he was awarded the John Story Memorial Prize as outstanding graduate.

Ian Rutherford Plimer
Non-Executive Director – Deputy Chairman

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

Jeffrey Guy Rayner
Managing Director

Mr Rayner joined EMED Mining Public Limited in 2006 and managed its Eastern European projects, resulting in the early drill discovery of the Biely Vrch gold deposit in Central Slovakia. Mr Rayner was appointed Managing Director of KEFI Minerals in November 2006.

Mr Rayner is a geologist (BSc Hons) with over 25 years' experience in gold exploration and mining in Australia, Europe and Asia. Mr Rayner started his career in Australia with BHP Gold and later Newcrest Mining Limited. He was involved in the early exploration discovery of the Cracow and Gosowong epithermal deposits and the Cadia Hill deposit, presently operating mines. In 1998 he joined Gold Mines of Sardinia plc as exploration manager, responsible for exploration and mining in Sardinia and project generation in Europe. As part of his time at Gold Mines of Sardina Plc he led the exploration discovery of the Monte Ollasteddu gold deposit in Sardinia.

John Edward Leach
Finance Director (part-time)

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

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

(All amounts in GBP thousands unless otherwise stated)

Report of the board of directors (continued)
For the year ended 31 December 2012

Directors' Interests

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

Director	Number of existing ordinary shares	% of issued share capital
H Anagnostaras-Adams	1,966,667	0.42%
I Plimer	1,250,000	0.27%
J Rayner	1,533,333	0.33%
J Leach	1,000,000	0.21%

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

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

Directors' emoluments

In compliance with the disclosure requirements of the listing requirements of AIM, the aggregate remuneration paid to the directors of KEFI Minerals for the year ended 31 December 2012 is set out below:

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

31 December 2011	Salary and fees	Other compensation	Share based payments incentive options	2011 Total
Executive				
J. Rayner	138	43	-	181
Non-Executive				
H. Anagnostaras-Adams	-	-	-	-
I. Plimer	15	-	-	15
J. Leach	-	-	-	-
	153	43	-	196

Corporate governance

The Directors are aware of the UK Corporate Governance Code applicable to listed companies. The Directors note that as an AIM company there is no requirement to adopt the 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.

Report of the board of directors (continued)

For the year ended 31 December 2012

Shareholders holding more than 3% of share capital

The Shareholders holding more than 3% of the share capital of the Company as at 31 December 2012 were:

Name	Number of existing shares 000's	% of issued share capital
EMED Mining Public Limited	70,666	15.0%
TD Direct Investing Nominees (Europe) Limited	49,980	10.6%
Lynchwood Nominees Limited	42,291	9.0%
Hargreaves Lansdown (Nominees) Limited	38,758	8.2%
Barclayshare Nominees Limited	33,698	7.1%
LR Nominees Limited	33,193	7.0%
HSDL Nominees Limited	22,276	4.7%
HSBC Client Holdings Nominee (UK) Limited	21,859	4.6%
Investor Nominees Limited	19,379	4.1%
Alibank London Nominees Limited	19,167	4.1%
Fitel Nominees Limited	18,645	4.0%

Creditors' payment terms

The Group does not have a specific policy towards our suppliers and does not follow any code or standard practice. However, terms of payment with suppliers are settled when agreeing overall terms of business, and seek to abide by the terms of the contracts to which it is bound. The trade creditor days of the Group as at 31 December 2012 were 57 (2011: 61 days) and for the Company were 49 (2011: 82 days).

Political and charitable donations

No political or charitable donations were made during 2012 (2011: Nil).

The Board of Directors

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

Principal risks

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

Subsequent events

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

Report of the board of directors (continued)
For the year ended 31 December 2012

Future developments

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

Auditors

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

Directors' confirmation

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

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

By Order of the Board

Cargil Management Services Limited
22, Melton Street
London, NW1 2WB
United Kingdom
Secretary

31 May 2013

Statement of directors' responsibilities

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

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

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

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

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

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

Independent auditor's report

To the shareholders of KEFI MINERALS PLC

We have audited the financial statements of KEFI Minerals Plc for the year ended 31 December 2012 which are set out on pages 36 to 58. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 33, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

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

Independent auditor's report (continued)

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.

Michael Simms*, Senior Statutory Auditor*

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

31 May 2013

(All amounts in GBP thousands unless otherwise stated)

Consolidated income statement

Year ended 31 December

	Notes	2012	2011
Revenue		**-**	-
Exploration costs		**(93)**	(426)
Gross loss		**(93)**	(426)
Administrative expenses		**(716)**	(901)
Share-based payments	17	**(265)**	(157)
Share of loss from jointly controlled entity	18.2	**(612)**	(154)
Change in value of available-for-sale financial assets	13	**(33)**	(7)
Other income	5	**-**	67
Operating loss	6	**(1,719)**	(1,578)
Foreign exchange loss		**(9)**	(13)
Loss before tax		**(1,728)**	(1,591)
Tax	8	**-**	(1)
Loss for the year		**(1,728)**	(1,592)
Other comprehensive income:			
Exchange differences on translating foreign operations		**21**	37
Total comprehensive loss for the year		**(1,707)**	(1,555)
Basic and fully diluted loss per share (pence)	9	**(0.39)**	(0.44)

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 GBP1.5 million (2011: GBP2.0 million) has been included in the financial statements of the parent company.

The notes on pages 42 to 58 are an integral part of these consolidated financial statements.

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Statements of financial position

31 December

	Notes	The Group 2012	The Company 2012	The Group 2011	The Company 2011
ASSETS					
Non-current assets					
Property, plant and equipment	10	**1**	**-**	2	-
Intangible assets	11	**-**	**-**	-	-
Fixed asset investments	12.1	**-**	**1**	-	1
Investments in joint ventures	12.2	**67**	**181**	181	181
		68	**182**	183	182
Current assets					
Financial assets at fair value through profit or loss	13	**10**	**10**	43	43
Trade and other receivables	14	**302**	**249**	86	3
Cash and cash equivalents	15	**1,924**	**1,910**	640	611
		2,236	**2,169**	769	657
Total assets		**2,304**	**2,351**	952	839
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	**4,712**	**4,712**	3,650	3,650
Share premium	16	**4,439**	**4,439**	2,719	2,719
Share options reserve	17	**541**	**541**	385	385
Foreign exchange reserve		**(149)**	**-**	(170)	-
Accumulated losses		**(7,502)**	**(7,563)**	(5,883)	(6,142)
Total equity		**2,041**	**2,129**	701	612
Current liabilities					
Trade and other payables	19	**263**	**222**	251	227
		263	**222**	251	227
Total liabilities		**263**	**222**	251	227
Total equity and liabilities		**2,304**	**2,351**	952	839

The notes on pages 42 to 58 are an integral part of these consolidated financial statements.

On 31 May 2013, the Board of Directors of KEFI Minerals Plc authorised these consolidated financial statements for issue.

Jeffrey Guy Rayner
Managing Director

Company number: 5976748

(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of changes in equity
Year ended 31 December 2012

	Share capital	Share premium	Share options reserve	Foreign exchange reserve	Accumulated losses	Total
At 1 January 2011	3,311	1,697	396	(207)	(4,459)	738
Comprehensive loss for the year	-	-	-	-	(1,592)	(1,592)
Other comprehensive income	-	-	-	37	-	37
Recognition of share based payments	-	-	157	-	-	157
Exercise of options/warrants	-	-	(73)	-	73	-
Forfeit of options/warrants	-	-	(95)	-	95	-
Issue of share capital	339	1,113	-	-	-	1,452
Share issue costs	-	(91)	-	-	-	(91)
At 31 December 2011	**3,650**	**2,719**	**385**	**(170)**	**(5,883)**	**701**
Comprehensive loss for the year	**-**	**-**	**-**	**-**	**(1,728)**	**(1,728)**
Other comprehensive income	**-**	**-**	**-**	**21**	**-**	**21**
Recognition of share based payments	**-**	**-**	**265**	**-**	**-**	**265**
Exercise of options	**-**	**-**	**(35)**	**-**	**35**	**-**
Forfeit of options	**-**	**-**	**(74)**	**-**	**74**	**-**
Issue of share capital	**1,062**	**1,829**	**-**	**-**	**-**	**2,891**
Share issue costs	**-**	**(109)**	**-**	**-**	**-**	**(109)**
At 31 December 2012	**4,712**	**4,439**	**541**	**(149)**	**(7,502)**	**2,041**

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	**Description and purpose**
Share capital	amount subscribed for share capital at nominal value
Share premium	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve	reserve for share options granted but not exercised or lapsed
Accumulated losses	cumulative net gains and losses recognised in the statement of comprehensive income, excluding foreign exchange gains within other comprehensive income
Foreign exchange reserve	cumulative foreign exchange net gains and losses recognised on consolidation

The notes on pages 42 to 58 are an integral part of these consolidated financial statements.

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Company statement of changes in equity

Year ended 31 December 2012

	Share capital	Share premium	Share options reserve	Accumulated losses	Total
At 1 January 2011	3,311	1,697	396	(4,344)	1,060
Comprehensive loss for the year	-	-	-	(1,966)	(1,966)
Recognition of share based payments	-	-	157	-	157
Exercise of options/warrants	-	-	(73)	73	-
Forfeit of options/warrants	-	-	(95)	95	-
Issue of share capital	339	1,113	-	-	1,452
Share issue costs	-	(91)	-	-	(91)
At 31 December 2011	**3,650**	**2,719**	**385**	**(6,142)**	**612**
Comprehensive loss for the year	**-**	**-**	**-**	**(1,530)**	**(1,530)**
Recognition of share based payments	**-**	**-**	**265**	**-**	**265**
Exercise of options	**-**	**-**	**(35)**	**35**	**-**
Forfeit of options	**-**	**-**	**(74)**	**74**	**-**
Issue of share capital	**1,062**	**1,829**	**-**	**-**	**2,891**
Share issue costs	**-**	**(109)**	**-**	**-**	**(109)**
At 31 December 2012	**4,712**	**4,439**	**541**	**(7,563)**	**2,129**

The following describes the nature and purpose of each reserve within owner's equity:

Reserve	**Description and purpose**
Share capital	amount subscribed for share capital at nominal value
Share premium	amount subscribed for share capital in excess of nominal value, net of issue costs
Share options reserve	reserve for share options granted but not exercised or lapsed
Accumulated losses	cumulative net gains and losses recognised in the statement of comprehensive income

The notes on pages 42 to 58 are an integral part of these consolidated financial statements.

(All amounts in GBP thousands unless otherwise stated)

Consolidated statement of cash flows
Year ended 31 December 2012

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,728)**	(1,591)
Adjustments for:			
Depreciation of property, plant and equipment	10	**1**	3
Loss on disposal of property, plant and equipment		**-**	14
Profit on disposal of subsidiary		**-**	(12)
Gain on exchange of shares		**-**	(50)
Net loss on financial assets at fair value through profit or loss	13	**33**	7
Share based payments	17	**199**	101
Issue of warrants	17	**66**	56
Share of loss from jointly controlled entity	18	**612**	154
Write off of loans received		**-**	(67)
Exchange differences on borrowings		**(15)**	44
Exchange difference		**9**	13
		(823)	(1,328)
Changes in working capital:			
Trade and other receivables		**(216)**	120
Trade and other payables		**12**	16
Net cash used in operating activities		**(1,027)**	(1,192)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of subsidiary	12.1	**-**	61
Share of cash from jointly controlled entity		**-**	(95)
Advances to joint venture		**(471)**	(160)
Proceeds from sale of property, plant and equipment		**-**	11
Net cash used in investing activities		**(471)**	(183)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	16	**2,891**	1,452
Issue costs	16	**(109)**	(91)
Loan from related party		**-**	115
Net cash from financing activities		**2,782**	1,476
Net increase in cash and cash equivalents		**1,284**	101
Cash and cash equivalents:			
At beginning of the year	15	**640**	539
At end of the year	15	**1,924**	640

The notes on pages 42 to 58 are an integral part of these consolidated financial statements.

KEFI MINERALS PLC

(All amounts in GBP thousands unless otherwise stated)

Company statement of cash flows

Year ended 31 December 2012

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(1,530)**	(1,966)
Adjustments for:			
Impairment of intercompany balances		**78**	206
Gain on exchange of shares	13	**-**	(50)
Net loss on financial assets at fair value through profit or loss	13	**33**	7
Share based payments	17	**199**	101
Issue of warrants	17	**66**	56
Impairment of amount receivable from Saudi Arabia joint venture		**461**	154
Joint-venture balances write-off		**-**	445
Centerra advances write-back		**-**	(251)
Exchange differences on borrowings		**37**	52
Exchange difference		**(13)**	(6)
		(669)	(1,252)
Changes in working capital:			
Trade and other receivables		**(246)**	-
Trade and other payables		**(5)**	18
Net cash used in operating activities		**(920)**	(1,234)
CASH FLOWS FROM INVESTING ACTIVITIES			
Advances to joint venture		**(461)**	(160)
Loan to subsidiary		**(78)**	(1)
Net cash used in investing activities		**(539)**	(161)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital	16	**2,891**	1,452
Issue costs	16	**(109)**	(91)
Loan from related party		**-**	115
Repayment of loan from related party		**(24)**	-
Net cash from financing activities		**2,758**	1,476
Net increase in cash and cash equivalents		**1,299**	81
Cash and cash equivalents:			
At beginning of the year	15	**611**	530
At end of the year	15	**1,910**	611

The notes on pages 42 to 58 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
Year ended 31 December 2012

1. Incorporation and principal activities

Country of incorporation
KEFI Minerals Plc (the "Company") was incorporated in United Kingdom as a public limited company on 24 October 2006. Its registered office is at 27/28, Eastcastle Street, London W1W 8DH.

Principal activities
The principal activities of the Group for the year were:

- To explore for mineral deposits of precious and base metals and other minerals that appear capable of commercial exploitation, including topographical, geological, geochemical and geophysical studies and exploratory drilling.
- To evaluate mineral deposits determining the technical feasibility and commercial viability of development, including the determination of the volume and grade of the deposit, examination of extraction methods, infrastructure requirements and market and finance studies.
- To develop mineral deposits and market the metals produced.

2. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the period presented in these financial statements unless otherwise stated.

Basis of preparation and consolidation
The Company and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. They comprise the accounts of KEFI Minerals Plc and all its subsidiaries made up to 31 December 2012. The Company and the consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

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

The financial information has been prepared on the going concern basis, the validity of which depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource or alternatively the availability of funding to extend the Company's and Group's exploration activities. The financial information does not include any adjustments that would arise from a failure to complete either option.

Functional and presentational currency
Items included in the Group's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency") which is British Pounds (GBP). The financial statements are presented in British Pounds (GBP).

Foreign currency translation

(1) Foreign currency translation
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss in the statement of comprehensive income.

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

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

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

2. Accounting policies (continued)

Property plant and equipment

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

Depreciation is calculated using the straight-line method to write off the cost of each asset to their residual values over their estimated useful life. The annual depreciation rates used are as follows:

Furniture, fixtures and office equipment	10%
Motor Vehicles	20%

Acquisitions and goodwill

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Any costs directly attributable to the business combination are written off to the statement of comprehensive income. The acquirees identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell. Where the Group acquires a subsidiary for less than the fair value of its assets and liabilities, this results in negative goodwill which is recognized in profit and loss.

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

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

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

Interest in joint ventures

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has joint control are referred to as jointly controlled entities. The results and assets and liabilities of joint ventures are included in these financial statements for the period using the equity method of accounting.

Finance costs

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

Tax

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

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

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

Investments

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

2. Accounting policies (continued)

Exploration costs

The Group has adopted the provisions of IFRS 6 "Exploration for and Evaluation of Mineral Resources".

Exploration, evaluation and development expenditure, including acquisition costs of licences, in respect of each identifiable area of interest is expensed to the statement of comprehensive income as incurred. Once mining activities commence, development expenditure will be capitalised as incurred and amortised over the estimated useful life of the area according to the rate of depletion of the economically recoverable reserves or over the estimated useful life of the mine, if shorter. A regular review will be undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated capitalised costs in relation to an abandoned area of interest will be written off in full against profit in the year in which the decision to abandon the area is made.

Share-based compensation benefits

IFRS 2 "Share-based Payment" requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each statement of financial position date. The total amount expensed is recognized over the vesting period, which is the period over which performance conditions are to be satisfied.

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

Financial instruments

Financial assets

Loans and receivables are recognized when the Group becomes party to the contractual provisions of the financial instrument. Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially measured at fair value, which generally equates to acquisition cost. Subsequent to initial recognition, when a financial asset is designated as such on initial recognition, it is classified as held at fair value through profit or loss. Assets other than held for trading are designated at fair value through profit and loss when the Group manages the holdings and makes purchase and sale decisions based on fair value assessments and documented risk management and investment strategies. Attributable transaction costs and changes in fair value are recognised in profit or loss.

Financial liabilities - equity

Financial liabilities are recognized when the Group becomes party to the loan. Financial liabilities represent trade payables and are initially measured at fair value and subsequently at amortized cost.

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

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

Cash and cash equivalents

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

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

3. Financial risk management

Financial risk factors

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

Market risk - Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates as the Group has no significant interest-bearing assets. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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

	2012	2011
Variable rate instruments		
Financial assets	**1,934**	683

Sensitivity analysis

An increase of 100 basis points in interest rates at 31 December 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. For a decrease of 100 basis points there would be an equal and opposite impact on the profit and other equity.

	Equity 2012	**Profit or Loss 2012**	Equity 2011	Profit or Loss 2011
Variable rate instruments				
Financial assets	**19**	**19**	7	7

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, Turkish Lira, US Dollar and Saudi Arabian Riyal. The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

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

	Liabilities 2012	**Assets 2012**	Liabilities 2011	Assets 2011
Euro	**15**	**3**	17	3
New Turkish Lira	**1**	**65**	26	127
US Dollar	**-**	**249**	-	-
Saudi Arabian Riyal	**25**	**-**	-	39

Sensitivity analysis

A 10% strengthening of the British Pound against the following currencies at 31 December 2012 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 2012	**Profit or Loss 2012**	Equity 2011	Profit or Loss 2011
Euro	**1**	**1**	1	1
Turkish Lira	**(6)**	**(6)**	(10)	(10)
US Dollar	**25**	**25**	-	-
Saudi Arabian Riyal	**(3)**	**(3)**	4	4

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

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 2012							
Trade and other payables	**263**	**263**	**263**	**-**	**-**	**-**	**-**
31 December 2011							
Trade and other payables	251	251	251	-	-	-	-

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. This is done through the close monitoring of cash flows.

The capital structure of the Group consists of cash and cash equivalents of GBP1,924,000 (2011: GBP640,000) and equity attributable to equity holders of the parent, comprising issued capital of GBP4,712,000 (2011: GBP3,650,000), reserves of GBP4,831,000 (2011: GBP2,934,000) and accumulated losses of GBP7,502,000 (2011:GBP5,883,000). The Group does not use derivative financial instruments and has no long term debt facilities.

Fair value estimation

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

	Carrying Amounts		Fair Values	
	2012	2011	**2012**	2011
Financial assets				
Cash and cash equivalents (Note 15)	**1,924**	640	**1,924**	640
Financial assets designated at fair value through profit and loss (Note 13)	**10**	43	**10**	43
Trade and other receivables (Note 14)	**302**	86	**302**	86
Financial liabilities				
Trade payables (Note 19)	**263**	251	**263**	251

Financial assets designated at fair value through profit and loss are classified as Level 1 within the fair value hierarchy, based on prices quoted (unadjusted) in active markets for identical assets or liabilities.

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

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

Use and revision of accounting estimates and judgements

The preparation of the financial report requires the making of estimations and assumptions that affect the recognized amounts of assets, liabilities, revenues and expenses and the disclosure of contingent liabilities. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. There were no significant accounting estimates being made.

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

3. Financial risk management (continued)

Use and revision of accounting estimates and judgements (continued)
Significant judgements include:

Going concern
The going concern presumption depends principally on the discovery of economically viable mineral deposits and the availability of subsequent funding to extract the resource or alternatively the availability of funding to extend the Company's and Group's exploration activities.

Share based payments
In calculating the fair value at the grant date, the Black Scholes model requires us to estimate the inputs to this model, in particular in respect of volatility. This assessment is based on historical share price movements assuming these will continue into the future.

Impairment review of asset carrying values
Events or changes in circumstances can give rise to significant impairment charges or reversals of impairment in a particular year. Where the recoverable amounts of Group cash generating units are assessed by analyses of discounted cash flows, the resulting valuations are particularly sensitive to changes in estimates of long term commodity prices, exchange rates, operating costs, the grouping of assets within cash-generating units and discount rates.

4. Operating segments

The Group has only one distinct operating segment, being that of mineral exploration. The Group's exploration activities are located in the Kingdom of Saudi Arabia (through the jointly controlled entity) and its administration and management is based in Cyprus.

	Cyprus	**Turkey**	**Bulgaria**	**Total**
2012				
Operating (loss)/profit	**(1,013)**	**(95)**	**1**	**(1,107)**
Foreign exchange profit/(loss)	**12**	**(18)**	**(3)**	**(9)**
	(1,001)	**(113)**	**(2)**	**(1,116)**
Share of loss from jointly controlled entity				**(612)**
Loss before tax				**(1,728)**
Tax				**-**
Loss for the year				**(1,728)**
Total assets	**2,235**	**66**	**3**	**2,304**
Total liabilities	**248**	**1**	**14**	**263**
Depreciation of property, plant and equipment	**-**	**1**	**-**	**1**

	Cyprus	Turkey	Bulgaria	Total
2011				
Operating loss	(1,330)	(91)	(3)	(1,424)
Foreign exchange profit/(loss)	6	(22)	3	(13)
	(1,324)	(113)	-	(1,437)
Share of loss from jointly controlled entity				(154)
Loss before tax				(1,591)
Tax				(1)
Loss for the year				(1,592)
Total assets	790	157	5	952
Total liabilities	209	25	17	251
Depreciation of property, plant and equipment	-	3	-	3

5. Other Income

	2012	2011
Expenses recharged to jointly controlled entities (Note 18.3)	-	67
	-	67

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

6. Expenses by nature

		2012	2011
Exploration costs		**93**	426
Staff costs (Note 7)		**59**	133
Depreciation of property, plant and equipment (Note 10)		**1**	3
Warrants issue costs (Note 17)		**66**	56
Share based benefits to employees (Note 17)		**67**	101
Share of losses from jointly controlled entity (Note 18.2)		**612**	154
Change in value of available-for-sale financial assets (Note 13)		**33**	7
Directors' fees and other benefits (Note 20.1)		**358**	196
Consultants' costs		**192**	83
Travelling expenses		**43**	65
Auditors' remuneration	- audit current year	**48**	25
	- audit previous year	**15**	-
	- other	**17**	15
Other expenses		**115**	381
		1,719	1,645
Other income (Note 5)		**-**	(67)
Operating loss		**1,719**	1,578

The Group's stage of operations as at the year-end and as at the date of approval of these financial statements have not yet met the criteria for capitalization of exploration costs.

7. Staff costs

	2012	2011
Salaries	**53**	118
Social insurance costs and other funds	**6**	15
	59	133
Average number of employees	**2**	4

8. Tax

	2012	2011
Loss before tax	**(1,728)**	(1,591)
Tax calculated at the applicable tax rates	**(245)**	(194)
Tax effect of expenses not deductible for tax purposes	**208**	102
Tax effect of tax loss for the year	**82**	93
Tax effect of allowances and income not subject to tax	**(45)**	(28)
Tax effect on exploration expenses taxed separately	**-**	27
Defence tax	**-**	1
Charge for the year	**-**	1

The Company is resident in Cyprus for tax purposes.

A deferred tax asset of GBP680,056 (2011: GBP598,232) has not been accounted for due to the uncertainty against future recoverability.

Cyprus

The corporation tax rate is 10%. Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 30 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter (up to 31 August 2011 the rate was 15% and was increased to 17% for the period thereafter to 31 December 2011). Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years. As at 31 December 2012, the balance of tax losses which is available for offset against future taxable profits amounts to GBP3,135,571 (2011: GBP3,036,815).

8. Tax (continued)

Bulgaria

Mediterranean Minerals (Bulgaria) EOOD, the 100% subsidiary of the Company, is resident in Bulgaria for tax purposes. The corporation tax rate is 10%. Due to tax losses sustained in the period, no tax liability arises on the Mediterranean Minerals (Bulgaria) EOOD. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years. As at 31 December 2012, the balance of tax losses which is available for offset against future taxable profits amounts to GBP189,250 (2011: GBP186,996).

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 2012, the balance of exploration costs that is available for offset against future income from mining operations amount to GBP1,939,824 (2011: GBP1,845,087).

9. Loss per share

The calculation of the basic and fully diluted loss per share attributable to the ordinary equity holders of the parent is based on the following data:

	2012	2011
Net loss attributable to equity shareholders	**(1,728)**	(1,592)
Average number of ordinary shares for the purposes of basic loss per share (000's)	**443,124**	361,851
Loss per share:		
Basic and fully diluted loss per share (pence)	**(0.39)**	(0.44)

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

10. Property, plant and equipment

	Motor vehicles	**Furniture, fixtures and office equipment**	**Total**
The Group			
Cost			
At 1 January 2011	72	21	93
Disposals	(24)	-	(24)
Exchange difference on translation of subsidiaries	(17)	(8)	(25)
At 31 December 2011 / 1 January 2012	**31**	**13**	**44**
Disposals	**-**	**(2)**	**(2)**
At 31 December 2012	**31**	**11**	**42**
Accumulated Depreciation			
At 1 January 2011	56	10	66
Charge for the year	2	1	3
Disposals	(24)	-	(24)
Exchange difference on translation of subsidiaries	(3)	-	(3)
At 31 December 2011 / 1 January 2012	**31**	**11**	**42**
Charge for the year	**-**	**1**	**1**
Disposals	**-**	**(2)**	**(2)**
At 31 December 2012	**31**	**10**	**41**
Net Book Value at 31 December 2012	**-**	**1**	**1**
Net Book Value at 31 December 2011	-	2	2

The above property, plant and equipment are located in Turkey and Saudi Arabia. The Company has no property, plant and equipment.

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

11. Intangible assets

The Group and Company	Goodwill
Cost	
At 1 January 2011, 31 December 2011 and 31 December 2012	364
Impairment	
At 1 January 2011, 31 December 2011 and 31 December 2012	(364)
Net Book Value	
At 1 January 2011, 31 December 2011 and 31 December 2012	-

The goodwill arose on the acquisition of Mediterranean Minerals (Bulgaria) EOOD in 2006 and was impaired in the year of acquisition of the company.

12. Investments

12.1 Fixed asset investments

The Company	2012	2011
Cost		
At 1 January	**1**	721
Disposals	**-**	(720)
At 31 December	**1**	1
Provision for impairment		
At 1 January	**-**	720
Reversal of impairment	**-**	(720)
At 31 December	**-**	-
Net Book Value	**1**	1

Subsidiary companies	Date of acquisition/ incorporation	Country of incorporation	Effective proportion of shares held
Mediterranean Minerals (Bulgaria) EOOD	08/11/2006	Bulgaria	100%-Direct
Doğu Akdeniz Mineralleri Sanayi ve Ticaret Limited Şirket	08/11/2006	Turkey	100%-Indirect

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

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

In July 2011, KEFI Minerals completed the sale the Company's Artvin Project in north-eastern Turkey to a Turkish mining company. The Artvin Project comprised 15 Exploration Licences (totalling 254km2) located in the Eastern Pontide Belt in north-eastern Turkey. Kackar Madencilik San. Tic. Ltd, KEFI Mineral's subsidiary holding these licences, was sold in return for a cash payment of US$100,000 (GBP61,957) and a 1% Net Smelter Royalty on all future mineral production from the Artvin licences.

12.2 Investment in joint ventures

	2012	2011
The Group		
At 1 January	**181**	181
Retranslation of investment	**(16)**	-
	115	181
Less share of loss of joint venture	**(98)**	-
At 31 December	**67**	**181**
The Company		
At 1 January/31 December	**181**	181

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)

Year ended 31 December 2012

12. Investments (continued)

12.2 Investment in joint ventures (continued)

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

13. Financial assets at fair value through profit or loss

	2012	2011
The Group and the Company		
On 1 January	**43**	-
Additions	**-**	50
Change in value of available-for-sale financial assets	**(33)**	(7)
On 31 December	**10**	43

The Company successfully divested four Licences in July 2011 to AIM listed Ariana Resources (AIM:AAU) for a nominal cash payment of 10,000 Turkish Lira, 910,747 new ordinary shares in Ariana as consideration for the acquisition of relevant mineral exploration data and drill core samples and a Net Smelter Royalty ("NSR") of 2%. The NSR is payable by Ariana's wholly owned Turkish subsidiary Galata Madencilik San. ve Tic. Ltd. ("Galata") to KEFI Mineral's Turkish Subsidiary, Dogu, on commercial production of any mineral from the licences. No value has been attributed in these financial statements for the NSRs.

14. Trade and other receivables

	2012	2011
The Group		
Trade receivables	**1**	3
Amount receivable from Saudi Arabia Joint Venture (Note 20.3)	**249**	-
Amount receivable from Joint Venture partner (Note 20.3)	**-**	39
VAT	**46**	31
Deposits and prepayments	**6**	13
	302	86

	2012	2011
The Company		
Trade receivables	**-**	3
Amount receivable from Saudi Arabia Joint Venture (Note 20.3)	**249**	-
	249	3

Amounts owed by group companies total GBP78,000 (2011: GBP206,000). Balances have been fully provided for due to the uncertainty over the timing of future recoverability.

15. Cash and cash equivalents

	2012	2011
The Group		
Cash at bank and in hand	**1,924**	640
The Company		
Cash at bank and in hand	**1,910**	611

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

16. Share capital

	Number of shares '000	Share Capital	Share premium	Total
Issued and fully paid				
At 1 January 2011	331,317	3,311	1,697	5,008
Issued 4 January 2011 at GBP0.0125	1,670	16	4	20
Issued 28 January 2011 at GBP0.0314	1,150	12	25	37
Issued 21 February 2011 at GBP0.05	26,000	260	1,040	1,300
Issued 5 March 2011 at GBP0.0288	1,296	13	24	37
Issued 5 March 2011 at GBP0.0125	1,800	18	5	23
Issued 5 March 2011 at GBP0.016	684	7	4	11
Issued 6 April 2011 at GBP0.016	563	6	3	9
Issued 20 June 2011 at GBP0.0122	500	5	1	6
Issued 7 November 2011 at GBP0.0472	200	2	7	9
Share issue costs	-	-	(91)	(91)
At 31 December 2011	**365,180**	**3,650**	**2,719**	**6,369**
Issued 17 February 2012 at GBP0.03	**61,666**	**617**	**1,233**	**1,850**
Issued 6 July 2012 at GBP0.023	**42,000**	**420**	**546**	**966**
Issued 1 November 2012 at GBP0.03	**2,500**	**25**	**50**	**75**
Share issue costs	**-**	**-**	**(109)**	**(109)**
At 31 December 2012	**471,346**	**4,712**	**4,439**	**9,151**

Issued capital

2012

On 17 February 2012, 61,666,667 shares of GBP 0.01 were issued at a price of GBP 0.03. Upon the issue, an amount of GBP 1,233,333 was credited to the Company's share premium reserve.

On 6 July 2012, 42,000,000 shares of GBP 0.01 were issued at a price of GBP 0.023. Upon the issue, an amount of GBP 546,000 was credited to the Company's share premium reserve.

On 1 November 2012, 2,500,000 shares of GBP 0.01 were issued at a price of GBP 0.03. Upon the issue, an amount of GBP 50,000 was credited to the Company's share premium reserve.

2011

On 4 January 2011, 1,670,000 shares of GBP 0.01 were issued at a price of GBP 0.0125. Upon the issue, an amount of GBP 4,000 was credited to the Company's share premium reserve.

On 28 January 2011, 1,150,000 shares of GBP 0.01 were issued at a price of GBP 0.0314. Upon the issue, an amount of GBP 25,000 was credited to the Company's share premium reserve.

On 21 February 2011, 26,000,000 shares of GBP 0.01 were issued at a price of GBP 0.05. Upon the issue, an amount of GBP 1,040,000 was credited to the Company's share premium reserve.

On 5 March 2011, 1,296,456 shares of GBP 0.01 were issued at a price of GBP 0.0288. Upon the issue, an amount of GBP 24,000 was credited to the company's share premium reserve. On the same day, 1,800,000 shares of GBP 0.01 were issued at a price of GBP 0.0125. Upon the issue, an amount of GBP 5,000 was credited to the Company's share premium reserve. Similarly on the same day, 684,375 shares of GBP 0.01 were issued at a price of GBP 0.016. Upon the issue, an amount of GBP 4,000 was credited to the Company's share premium reserve.

On 6 April 2011, 562,500 shares of GBP 0.01 were issued at a price of GBP 0.016. Upon the issue, an amount of GBP 3,000 was credited to the Company's share premium reserve.

On 20 June 2011, 500,000 shares of GBP 0.01 were issued at a price of GBP 0.0122. Upon the issue, an amount of GBP 1,000 was credited to the Company's share premium reserve.

On 7 November 2011, 200,000 shares of GBP 0.01 were issued at a price of GBP 0.0472. Upon the issue, an amount of GBP 7,000 was credited to the Company's share premium reserve.

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

16. Share capital (continued)

Warrants
2012
On 20 February 2012, the Company issued 2,916,667 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.03 per share.

2011
On 22 February 2011, the Company issued 780,000 warrants to subscribe for new ordinary shares of GBP0.01 each at GBP 0.05 per share.

Details of warrants outstanding as at 31 December 2012:

Grant date	Expiry date	Exercise price	Number of warrants 000's
8 October 2010	19 October 2013	1.25p	830
22 February 2011	21 February 2016	5p	780
20 February 2012	19 February 2017	3p	2,917
			4,527

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

	Number of warrants 000's
Outstanding warrants at 1 January 2012	1,610
- granted	2,917
Outstanding warrants at 31 December 2012	4,527

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:

	20 Feb 12	22 Feb 11	8 Oct 10
Closing share price at issue date	3.19p	7.5p	2.04p
Exercise price	3p	5p	1.25p
Expected volatility	84.6%	162%	167.5%
Expected life	5yrs	5yrs	3yrs
Risk free rate	5%	4.75%	2.25%
Expected dividend yield	Nil	Nil	Nil
Discount factor	0%	0%	50%
Estimated fair value	2.26p	7.12p	0.54p

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

For 2012, the impact of issuing warrants is a net charge to income of GBP66,000 (2011:GBP56,000). At 31 December 2012, the equity reserve recognized for share based payments, including warrants, amounted to GBP541,000 (2011: GBP385,000).

17. Share options reserve

	2012	2011
Opening amount	**385**	396
Warrants issued costs (Note 6)	**66**	56
Share options issued to employees (Note 6)	**67**	101
Share options issued to directors (Note 6)	**132**	-
Exercise of options	**(35)**	(73)
Forfeit of options	**(74)**	(95)
Closing amount	**541**	385

17. Share options reserve (continued)

Details of share options outstanding as at 31 December 2012:

Grant date	Expiry date	Exercise price	Number of shares 000's
18 December 2006	18 December 2014	4p	14,000
12 March 2007	11 March 2013	3.5p	250
24 June 2008	23 June 2014	3.25p	50
12 June 2009	11 June 2014	2.4p	8,385
28 February 2011	27 February 2016	0.71p	450
29 September 2011	28 September 2016	3.78p	1,000
13 September 2012	12 September 2018	4p	14,800
			38,935

	Weighted average ex. price	Number of shares 000's
Outstanding options at 31 December 2011		26,335
- granted		17,500
- exercised	4.3p	(2,500)
- cancelled/forfeited		(2,400)
Outstanding options at 31 December 2012		38,935

The Company has issued share options to directors, employees and advisers to the Group. All options, except those noted below, expire six years after grant date and are exercisable at the exercise price in whole or in part no more than one third from the grant date, two thirds after two years from the grant date and the balance after three years from the grant date.

On 18 December 2006, 12,000,000 options were issued which expired six years after the grant date, and were exercisable at any time within that period. On 18 December 2012, the expiry date of these options was extended to 18 December 2014, with the exercise price increased from 3p per Ordinary Share to 4p per Ordinary Share and at the same time and extra 2,000,000 options were issued at 4p per Ordinary Share, expiring on 18 December 2014.

On 12 June 2009, 9,000,000 options were issued which expire five years after the grant date, and are exercisable at any time within that period. On 28 February 2011, 550,000 options were issued which expire five years after the grant date, and are exercisable at any time within that period. On 29 September 2011, 2,000,000 options were issued which expire five years after the grant date, and are exercisable at the exercise price in whole or in part no more than one half after one year from the grant date and one half two years from the grant date.

On 13 September 2012, 15,500,000 options were issued which expire six years after the grant date, and are exercisable at the exercise price in whole or in part no more than one half after one year from the grant date and one half two years from the grant date.

The option agreements contain provisions adjusting the exercise price in certain circumstances including the allotment of fully paid ordinary shares by way of a capitalisation of the Company's reserves, a sub division or consolidation of the ordinary shares, a reduction of share capital and offers or invitations (whether by way of rights issue or otherwise) to the holders of ordinary shares. The estimated fair values of the options were calculated using the Black Scholes option pricing model. The inputs into the model and the results are as follows:

	18 Dec. 2012	13 Sep. 2012	29 Sep. 2011	14 Jul. 2011	28 Feb. 2011	12 Jun. 2009	24 Jun. 2008	12 Mar. 2007
Closing share price at issue date	3.17p	3.63p	3.78p	5.15p	6.4p	2.00p	3.25p	3.30p
Exercise price	4.00p	4.00p	3.78p	5.15p	6.4p	2.40p	3.25p	3.50p
Expected volatility	53.8%	56.9%	105.51%	133.46%	162.0%	238.5%	147.6%	68.06%
Expected life	2 yrs	6 yrs	5 yrs	5 yrs	5 yrs	5 yrs	6 yrs	6 yrs
Risk free rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.73%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Discount factor	0%	0%	0%	0%	0%	55%	30%	30%
Estimated fair value	0.08p	2.05p	2.99p	4.54p	5.98p	0.89p	2.13p	1.50p

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

Notes to the consolidated financial statements (continued)

Year ended 31 December 2012

17. Share options reserve (continued)

For 2012, the impact of share option-based payments is a net charge to income of GBP265,000 (2011: GBP157,000). At 31 December 2012, the equity reserve recognised for share option-based payments, including warrants, amounted to GBP541,000 (2011: GBP385,000).

18. Joint ventures

18.1 Joint Venture with Centerra Gold (KB) Inc.

On 22 October 2008, the Company entered into a Joint Venture Agreement ("Joint Venture Agreement") in respect of its 100%-owned Artvin Project with Centerra Gold (KB) Inc ("Centerra KB"), a wholly-owned subsidiary of Centerra Gold Inc. In August 2011, KEFI Mineral's subsidiary holding these licences, was sold in return for a cash payment of US$100,000 and a 1% Net Smelter Royalty on all future mineral production from the Artvin licences.

18.2 Joint Venture with Gold and Minerals

Company name	Date of incorporation	Country of incorporation	Effective proportion of shares held at 31 December
Gold & Minerals Co. Limited	3 August 2010	Saudi Arabia	40%

Amounts relating to the Joint Venture	SAR'000 2012	SAR'000 2011	GBP'000 2012	GBP'000 2011
Non-current assets	**949**	-	**63**	-
Current assets	**4,043**	2,500	**266**	173
	4,992	2,500	**329**	173
Non-current liabilities	**19,146**	-	**1,261**	0
Current liabilities	**832**	44	**55**	3
	19,978	44	**1,316**	3
Net (liabilities)/assets	**(14,986)**	2,456	**(987)**	170
Share capital	**2,500**	2,500	**165**	173
Accumulated losses	**(17,486)**	(44)	**(1,152)**	(3)
	(14,986)	2,456	**(987)**	170
Exchange rates SAR to GBP				
Closing rate			**0.1647**	0.1725

In May 2009, KEFI Minerals announced the formation of a new minerals exploration joint venture, Gold & Minerals Co. Limited ("G&M"), a limited liability company in Saudi Arabia, with leading Saudi construction and investment group Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR"). KEFI Minerals is the operating partner with a 40% shareholding in G&M with ARTAR holding the other 60%. KEFI Minerals provides G&M with technical advice and assistance, including personnel to manage and supervise all exploration and technical studies. ARTAR provides administrative advice and assistance to ensure that G&M remains in compliance with all governmental and other procedures. G&M is treated as a joint venture and has been equity accounted and has reconciled its share in G&M's losses.

The above figures reported in 2012 represent cumulative exploration activity incurred by G&M since its incorporation in 2009. The accounting policy for exploration costs recorded in the G&M audited financial statements is to capitalise qualifying expenditure and review for impairment, if applicable. This is in contrast to the Company's accounting policy relating to exploration costs which is to expense costs through profit and loss (Note 2). Consequently, exploration costs of G&M at 31 December 2012 amounting to SAR17.4 million have been adjusted to bring the figures in line with the Company's accounting policies.

Up to 31 December 2011, the Group recorded its 40% share of all costs associated with exploration activities through profit or loss in the statement of comprehensive income and the Group recognised losses of GBP540,000. Consequently, a loss of GBP612,000 was recognised by the Group for the year ended 31 December 2012 representing the Group's share of losses in the year.

As at 31 December 2012 KEFI Minerals owed ARTAR an amount of GBP25,000 (2011: receivable GBP39,000) - Note 20.4.

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

18. Joint ventures (continued)

18.2 Joint Venture with Gold and Minerals (continued)
As at 31 December 2012, G&M owed KEFI Minerals an amount of GBP249,000 (2011: nil) – Note 20.3.

18.3 Joint Venture with listed Centerra Gold Inc.
KEFI Minerals previously had a joint venture with Centerra Gold Inc. ("Centerra") in the Bakir Tepe Project in Turkey. On 15 December 2010, Centerra withdrew from the joint venture which resulted in an income of GBP66,733 being recognised in the 2011 accounts.

19. Trade and other payables

The Group	2012	2011
Accruals and other payables	**141**	130
Payable to shareholders (Note 20.2)	**97**	121
Payable to Joint Venture partner (Note 20.4)	**25**	-
	263	251

The Company	2012	2011
Accruals and other payables	**125**	106
Payable to shareholders (Note 20.2)	**97**	121
	222	227

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

20. Related party transactions

The following transactions were carried out with related parties:

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

	2012	2011
Directors' fees *	**189**	153
Directors' other benefits	**37**	43
Share option-based benefits to directors (Note 17)	**132**	-
	358	196

	2012	2011
Other key management personnel fees	**-**	57

* The Managing Director's salary up to 30 September 2012 was paid by the Company. As from 1 October 2012, and after an agreement with G&M, part of the salary of the Managing Director is paid directly by G&M.

The Company has an on-going service agreement with EMED Mining Public Ltd for provision of management and other professional services (Note 20.5).

Share-based benefits
The Company has issued share options to directors and key management. All options, except those noted in Note 17, 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.

20.2 Payable to shareholders

Name	Nature of transactions	Relationship	2012	2011
EMED Mining Public Ltd	Finance	Shareholder	**97**	121

(All amounts in GBP thousands unless otherwise stated)

Notes to the consolidated financial statements (continued)
Year ended 31 December 2012

20. Related party transactions (continued)

20.3 Receivable from related parties

The Group

Name	Nature of transactions	Relationship	2012	2011
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Joint Venture Partner	**-**	39
Gold & Minerals Co. Limited	Finance	Joint Venture	**249**	-
			249	39

The Company

Name	Nature of transactions	Relationship	2012	2011
Gold & Minerals Co. Limited	Finance	Joint Venture	**249**	-
			249	-

20.4 Payable to related parties

The Group

Name	Nature of transactions	Relationship	2012	2011
Abdul Rahman Saad Al-Rashid & Sons Company Limited ("ARTAR")	Finance	Joint Venture Partner	**25**	-
			25	-

20.5 Transactions with shareholders

Name	Nature of transactions	Relationship	2012	2011
EMED Mining Public Ltd	Provision of management and other professional services	Shareholder	**117**	115

21. 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 GBP59,700 (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 GBP238,800. 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).

22. Relationship deed

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

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

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.

23. Capital commitments

The Group has no material capital or other commitments as at 31 December 2012.

24. Events after the reporting date

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

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

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) as adopted by EU that are relevant to its operations and are effective for accounting periods beginning on 1 January 2012. This adoption did not have a material effect on the accounting policies of the Company. At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some, but not all of these were adopted by the European Union. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.
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:

(i) Standards and Interpretations adopted by the EU

New standards
- IFRS 10 "Consolidated Financial Statements" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- IFRS 11 "Joint Arrangements" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- IFRS 13 "Fair Value Measurement" (effective for annual periods beginning on or after 1 January 2013).

Amendments
IFRS Interpretations Committee
- Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (effective for annual periods beginning on or after 1 January 2013).
- IFRS 7 (Amendment) Financial Instruments: Disclosures - "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2013).
- IFRS 9 "Financial Instruments" (issued 12 November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued 16 December 2011) (effective for annual periods beginning on or after 1 January 2015).
- Amendments to IAS 1, "Presentation of items of other Comprehensive Income" (effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 12 - "Deferred tax": Recovery of Underlying Assets: (effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 19 - "Employee Benefits" (amendments) (effective for annual periods beginning on or after 1 January 2013).
- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- IAS 28 (Revised): "Investments in Associates" (effective for annual periods beginning on or after 1 January 2014 for EU companies).
- Amendment to IAS32 "Offsetting Financial Assets and Financial Liabilities" (effective for annual periods beginning on or after 1 January 2014).

New IFRICs
- IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine" (effective for annual periods beginning on or after 1 January 2013).

(ii) Standards and Interpretations not adopted by the EU
New standards
- IFRS 9 "Financial Instruments" issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. (effective for annual periods beginning on or after 1 January 2015).

Amendments
- Improvements to IFRSs 2009-2011 issued in May 2012 (effective for annual periods beginning on or after 1 January 2013).
- Transition Guidance for IFRS 10, 11 & 12 (effective for annual periods beginning on or after 1 January 2013).
- Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27 (effective for annual periods beginning on or after 1 January 2014).

CORPORATE DIRECTORY

Directors	Aristidis (Harry) Anagnostaras-Adams - Non-Executive Chairman Ian Rutherford Plimer - Non-Executive Deputy Chairman Jeffrey Guy Rayner - Managing Director John Edward Leach - Finance Director
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 and Broker	Fox Davies Capital Limited 1 Tudor Street London EC4Y 0AH United Kingdom
Share Registrar	Share Registrars Limited Suite E, First floor 9, Lion & Lamb Yard Farnham Surrey GU9 7LL United Kingdom

KEFI Minerals is listed on AIM (Code: KEFI)

www.kefi-minerals.com