

AIM: KEFI

29 September 2011

**KEFI Minerals Plc**  
**(“KEFI Minerals” or the “Company”)**

**INTERIM RESULTS FOR THE HALF-YEAR ENDED 30 JUNE 2011**

KEFI Minerals, the AIM-quoted gold and copper exploration company with projects in Turkey and in the Kingdom of Saudi Arabia, is pleased to announce its unaudited interim results for the half-year ended 30 June 2011.

**Highlights of the Half-Year Period**

- In June 2011, granted a mineral exploration licence in Saudi Arabia and began the field program.
- Received approval from the Saudi authorities for two further licences in Saudi Arabia.
- Exploration licence applications in Saudi Arabia pending on a further seventeen licences.
- Derinin Tepe (also known as Kizilcukur), Muratdag and Yatik West projects in western Turkey were sold.
- Entered into an agreement giving it a period of exclusivity to examine the Tiouit Gold-Copper Mine in Morocco (the “Tiouit Mine”) and the associated tailings retreatment project.
- A non-JORC compliant report, dated February 2011, estimates the three tailings dams contain a total of 285,000m<sup>3</sup> (or approximately 460,000 tonnes) at 3 to 4g/t gold and 20 to 30g/t silver. Significant exploration potential remains in the licence areas along with remnant ore in the now closed, underground mine.
- In February 2011, raised £1,300,000 via a placing at 5p per share.

**Mr Jeffrey Rayner, KEFI Mineral’s Managing Director, said:**

“KEFI Minerals continues to explore for copper and gold deposits in Saudi Arabia.

Field exploration recently began at our Selib North Project which is the first Exploration Licence granted in Saudi Arabia.

We are also evaluating the Tiouit Gold-Copper Mine in Morocco, which represents an excellent opportunity for KEFI Minerals to potentially quickly become a gold producer.

During 2011, KEFI Minerals has sold several projects in Turkey which enabled the Company to move onto other prospects with a greater chance of exploration success. Our policy has always been to rapidly assess and, where appropriate, turn over projects in our exploration portfolio.

KEFI Minerals is a small, dynamic company that has a demonstrated ability to move quickly and become an early entrant in countries that are becoming attractive for mining investment and are suitably prospective.”

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

## **Managing Director's Report**

Morocco, Turkey and Saudi Arabia are under-explored countries with excellent potential for discovery of major gold and copper mines. We will continue to progress effective exploration programmes that aim to fast-track gold discovery and eventual development of new mines.

### **Exploration - Turkey**

During June 2011, KEFI Minerals completed the sale of the Company's Derinin Tepe (also known as Kizilcukur), Muratdag and Yatik West projects in western Turkey.

Details of the sale terms are as follows:

- A nominal cash payment by Ariana to KEFI Minerals' Turkish subsidiary.
- The issue to KEFI Minerals of such number of ordinary shares in Ariana that are equal to a value of £50,000 based on a 30% premium to the average Volume Weighted Average Price ("VWAP") of the acquirer's ordinary shares calculated for the 30 days of trading prior to the date of completion of a definitive agreement; which KEFI Minerals agrees not to trade for a period of 12 months from the date of issue.
- 2% Net Smelter Royalty on all future mineral production from the licences.

In August 2011, KEFI Minerals sold the Artvin Project in north eastern Turkey. The Artvin Project comprises 15 exploration licences (totalling 254km<sup>2</sup>) located in the Eastern Pontide Belt in north eastern Turkey. Kackar Madencilik San. Tic. Ltd, the Company's subsidiary holding these licences, was sold for consideration comprising:

- Initial cash payment of US\$100,000; and
- 1% Net Smelter Royalty on all future mineral production from the licences.

### **Exploration – Saudi Arabia**

In June 2011, KEFI Minerals was granted its first mineral exploration licence in Saudi Arabia through the Gold & Minerals ("G&M") Joint Venture. The licence has been granted by the Kingdom of Saudi Arabia's Deputy Ministry for Mineral Resources ("DMMR"). This inaugural licence – for the Selib North Project ("Project"), covers favourable fault structures and quartz-carbonate veined alteration zones and contains evidence of ancient hard rock and alluvial workings for gold.

In addition, the Company has received approval from the DMMR for two further licences and these have been sent for final approval from the Supreme Committee of Concessions in Riyadh. KEFI Minerals has a 40% interest in the G&M Joint Venture and is the operating partner. To date the Company has lodged a total of 21 Exploration Licence Applications ("ELAs") in Saudi Arabia that cover an area of approximately 1,419km<sup>2</sup>.

## **Exploration – Morocco**

KEFI Minerals has been granted a period of exclusivity to carry out due diligence investigations to assess a joint venture to develop the projects at the Tiouit Mine and tailings retreatment project in Morocco.

The period of exclusivity was acquired by KEFI Minerals for \$250,000 from the Moroccan company, Roche Invest SARL (“Roche”), and permits both parties to evaluate and determine if they wish to proceed to form a joint venture in order to develop either or both projects. The Agreement sets the framework for a strategic alliance between the two companies to evaluate additional mining opportunities in Morocco and the African region.

Gold mineralisation was first discovered at Tiouit in 1946. Mining operations were carried out intermittently from 1950 to 1994. Approximately 1 million tonnes of ore have been mined historically at Tiouit with an average recovered grade of 7.9g/t gold, 67g/t silver and 0.45% copper. Approximately 720,000 tonnes of tailings were generated by previous mining operations and stored in a number of discrete “dry stacked” tailings dams at surface.

A non-JORC compliant Technical Report on Tiouit was completed in February 2011 by “Solumines” of Canada. Solumines estimated from a total station topographic survey, with one reading per metre, that three of the tailings dams contain a total of 285,000m<sup>3</sup> (or, at a bulk density of 1.6, approximately 460,000 tonnes). Sampling by Solumines from 0 to 1m depths and from four drill holes confirmed previous sampling results of 3 to 4g/t gold and 20 to 30g/t silver in these three tailings dams. Metallurgical testwork performed by three independent laboratories show up to 86% gold recovery from the tailings by regrinding and cyanide-in-leach or cyanide-in-pulp processing. This work was carried out by “CRM”- Centre de Recherches Minérales, Canada in 1989; “Met-Chem”, Canada in 1998; “URSTM”- Université du Quebec en Abitibi-Temiscamingue in 2008.

The remainder of the tailings are buried beneath shallow waste cover or under the dilapidated processing plant infrastructure. A significant portion of the buried tailings may also be accessed for retreatment.

Significant potential remains in the exploration mine corridor and around the remnant ore in the now abandoned underground mine. Narrow-vein mining techniques employed in the past resulted in excessive dilution of mined grades. The veins range from 0.5m to 6m in thickness, with the average mined thickness about 1.5m to 2.0m.

## **Outlook**

The Kingdom of Saudi Arabia, Turkey and Morocco are becoming recognised as under-explored countries that are very prospective for discoveries of large gold and copper deposits.

KEFI Minerals will continue its current exploration projects in a very cost-effective manner while evaluating further opportunities in the region.

The strength in the gold market (with the current gold price in the vicinity of US\$1,600 per ounce), combined with the opportunities identified by the Company, provides KEFI Minerals with an exciting opportunity to create exceptional value for shareholders – subject to the Company continuing its tight focus and risk-management.

## KEFI MINERALS PLC

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

	Notes	Six months ended 30 June 2011 GBP'000	Six months ended 30 June 2010 GBP'000
<b>Revenue</b>		-	-
Exploration costs		(118)	(103)
<b>Gross loss</b>		(118)	(103)
Administration expenses		(367)	(270)
Share-based benefits		(82)	(17)
Share of loss from jointly controlled entities		(74)	(145)
Impairment of other receivables		(28)	-
Other income		-	155
<b>Operating loss</b>	4	(669)	(380)
Foreign Exchange loss		18	(92)
<b>Loss before tax</b>		(651)	(472)
Taxation		-	(16)
<b>LOSS FOR THE PERIOD</b>		(651)	(488)
<b>Other comprehensive (loss) / income:</b>			
Exchange differences on translating foreign operations		(39)	119
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		(690)	(369)
<b>Earnings per share information</b>			
Basic and fully diluted loss per share (pence)	6	(0.18)	(0.18)

The Group has not any income or expense that is not included in the condensed interim consolidated statement of comprehensive income.

The notes on pages 9 to 26 are an integral part of these condensed interim consolidated financial statements.

## KEFI MINERALS PLC

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011 (UNAUDITED)

	Notes	30 June 2011 GBP'000	31 Dec 2010 GBP'000	30 June 2010 GBP'000
<b>ASSETS</b>				
<b>Non current assets</b>				
Property, plant and equipment	9	15	27	34
Fixed asset investments		181	181	2
		<u>196</u>	<u>208</u>	<u>36</u>
<b>Current assets</b>				
Trade and other receivables	10	169	206	147
Cash and cash equivalents	11	1,372	539	638
		<u>1,541</u>	<u>745</u>	<u>785</u>
<b>Total assets</b>		<u><u>1,737</u></u>	<u><u>953</u></u>	<u><u>821</u></u>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	12	3,648	3,311	2,797
Share premium		2,712	1,697	1,611
Share options reserve		336	396	399
Foreign exchange reserve		(246)	(207)	(132)
Accumulated loss		(4,968)	(4,459)	(4,261)
		<u>1,482</u>	<u>738</u>	<u>414</u>
<b>Non-current liabilities</b>				
Share of loss in jointly controlled entity		89	95	172
		<u>89</u>	<u>95</u>	<u>172</u>
<b>Current liabilities</b>				
Trade and other payables	13	166	120	235
		<u>166</u>	<u>120</u>	<u>235</u>
<b>Total liabilities</b>		<u><u>255</u></u>	<u><u>215</u></u>	<u><u>407</u></u>
<b>Total equity and liabilities</b>		<u><u>1,737</u></u>	<u><u>953</u></u>	<u><u>821</u></u>

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**KEFI MINERALS PLC**

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30 JUNE 2011  
(UNAUDITED)**

	Share capital GBP'000	Share premium GBP'000	Share options reserve GBP'000	Foreign exchange reserve GBP'000	Accumulated losses GBP'000	Total GBP'000
<b>At 1 January 2010</b>	2,382	1,413	382	(251)	(3,773)	153
Total comprehensive income for the period	-	-	-	119	(488)	(369)
Issue of share capital	415	249	-	-	-	664
Share issue costs	-	(51)	-	-	-	(51)
Recognition of share-based payments	-	-	17	-	-	17
<b>At 30 June 2010</b>	<b>2,797</b>	<b>1,611</b>	<b>399</b>	<b>(132)</b>	<b>(4,261)</b>	<b>414</b>
Total comprehensive income for the period	-	-	-	(75)	(214)	(289)
Issue of share capital	514	126	-	-	-	640
Share issue costs	-	(40)	-	-	-	(40)
Recognition of share-based payments	-	-	13	-	-	13
Cancellation/forfeit of options/warrants	-	-	(16)	-	16	-
<b>At 31 December 2010</b>	<b>3,311</b>	<b>1,697</b>	<b>396</b>	<b>(207)</b>	<b>(4,459)</b>	<b>738</b>
Total comprehensive income for the period	-	-	-	(39)	(651)	(690)
Issue of share capital	337	1,106	-	-	-	1,443
Share issue costs	-	(91)	-	-	-	(91)
Recognition of share-based payments	-	-	82	-	-	82
Cancellation/forfeit of options/warrants	-	-	(142)	-	142	-
<b>At 30 June 2011</b>	<b>3,648</b>	<b>2,712</b>	<b>336</b>	<b>(246)</b>	<b>(4,968)</b>	<b>1,482</b>

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## KEFI MINERALS PLC

### CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2011 (UNAUDITED)

	Notes	Six months to 30 June 2011 GBP'000	Six months to 30 June 2010 GBP'000
<b>Cash flows from operating activities</b>			
Loss before tax		(651)	(472)
Adjustments for:			
Share-based benefits		82	17
Share of loss in jointly controlled entities		74	145
Depreciation	9	5	8
Impairment of receivables		28	-
Exchange difference on translation of subsidiaries		(32)	103
<b>Operating loss before working capital changes</b>		<b>(494)</b>	<b>(199)</b>
<b>Changes in working capital:</b>			
Trade and other receivables		(65)	(228)
Trade and other payables		46	108
<b>Net cash used in operating activities</b>		<b>(513)</b>	<b>(319)</b>
<b>Cash flows from investing activities:</b>			
Share of (loss)/profit in jointly controlled entities		(6)	22
<b>Net cash (used in) / from investing activities</b>		<b>(6)</b>	<b>22</b>
<b>Cash flows from financing activities:</b>			
Proceeds from issue of share capital		1,443	664
Share issue and listing costs		(91)	(51)
<b>Net cash from financing activities</b>		<b>1,352</b>	<b>613</b>
<b>Net increase in cash and cash equivalents</b>		<b>833</b>	<b>316</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>539</b>	<b>322</b>
<b>Cash and cash equivalents at end of period</b>	11	<b>1,372</b>	<b>638</b>

The notes on pages 9 to 26 are an integral part of these condensed interim consolidated financial statements.

## **KEFI MINERALS PLC**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

#### **1. Incorporation and principal activities**

##### **Country of incorporation**

The Company was incorporated in United Kingdom as a public limited company on 24 October 2006. Its registered office is at 27/28 Eastcastle Street, London W1W 8DH.

##### **Principal activities**

The principal activities of the Group for the period are:

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

#### **2. Summary of significant accounting policies**

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

##### **Basis of preparation**

The condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards (IFRS) including International Accounting Standard 34 “Interim Financial Reporting” and using the historical cost convention.

These condensed interim consolidated financial statements (“the statements”) are unaudited and include the financial statements of the Company and its subsidiary undertakings. They have been prepared using accounting bases and policies consistent with those used in the preparation of the financial statements of the Company and the Group for the year ended 31 December 2010. These statements do not include all of the disclosures required for annual financial statements, and accordingly, should be read in conjunction with the financial statements and other information set out in the Company’s 31 December 2010 Annual Report.

##### **Use and revision of accounting estimates**

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**2. Summary of significant accounting policies-(continued)**

**Use and revision of accounting estimates-(continued)**

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

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

During the current period the Group adopted all the new and revised IFRSs and International Accounting Standards (IAS), which are relevant to its operations and are effective for accounting periods commencing on 1 January 2011.

The adoption of these Standards did not have a material effect on the consolidated financial statements.

At the date of authorisation of these financial statements some Standards were in issue but not yet effective. The Board of Directors expects that the adoption of these Standards in future periods will not have a material effect on the consolidated financial statements of the Group.

**Accounting policies**

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial position of the Group.

**Consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2011 and the results of all the controlled entities for the period then ended. The Company and its controlled entities together are referred to in this financial report as the Group.

Control is achieved where the Company has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of all the Group companies are prepared using uniform accounting policies.

*Transactions eliminated on consolidation*

Intercompany transactions, balances and unrealised gains on transactions between consolidated entities are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

**Business combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets held for sale and discontinued operations, which are recognised and measured at fair value less costs to sell.

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 2. Summary of significant accounting policies-(continued)

##### **Business combinations (continued)**

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

##### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill on acquisition of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "investments in associates".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an undertaking include the carrying amount of goodwill relating to the undertaking sold. Goodwill is allocated to cash generating units for the purpose of impairment testing.

Any excess of the interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost is recognised immediately in the profit and loss.

##### **Property, plant and equipment**

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

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

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

##### **Interest in joint ventures**

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The results and assets and liabilities of joint ventures are included in these financial statements for the period from 1st January 2011 (or subsequent dates of incorporation) to 30 June 2011, using the equity method of accounting.

##### **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.

## **KEFI MINERALS PLC**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

#### **2. Summary of significant accounting policies-(continued)**

##### **Share-based compensation benefits**

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

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

##### **Revenue recognition**

Revenue consists of the amounts receivable from exploration tenements, technical data, precious and base metals sold. The Group had no sales/revenue during the period under review.

##### **Interest income**

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

##### **Exploration costs**

The Group adopted the provisions of IFRS6 "Exploration for and Evaluation of Mineral Resources". The Group's stage of operations as at the period end and as at the date of approval of these financial statements have not yet met the criteria for capitalisation of exploration costs.

##### **Foreign currency translation**

###### **(i) Measurement currency**

The financial statements are prepared in British Pounds (measurement currency) which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company.

###### **(ii) Transactions and balances**

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

##### **Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or subsequently enacted, by the balance sheet date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

## **KEFI MINERALS PLC**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

#### **2. Summary of significant accounting policies-(continued)**

##### **Tax (continued)**

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### **Share capital**

Ordinary shares are classified as equity.

##### **Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand and balances with banks.

##### **Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

#### **3. Financial risk management**

##### **Financial risk factors**

The Company's activities expose it to currency risk arising from the financial instruments it holds. The risk management policies employed by the Company to manage the risk are discussed below:

##### **Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk in relation to its bank deposits. The Group's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

##### **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.

##### **Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, Bulgarian Lev and New Turkish Lira.

The Group's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

##### **Fair values**

The fair values of the Groups financial assets and liabilities approximate their carrying amounts at the balance sheet date.

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 4. Operating loss

The following items have been included in arriving at operating loss:

	<b>Six months to 30 June 2011 GBP'000</b>	Six months to 30 June 2010 GBP'000
Recognition of share-based benefits	<b>82</b>	17
Ongoing listing costs	<b>58</b>	48

#### 5. Tax

Due to tax losses sustained in the period, no tax liability arises on the Group. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following years.

The Company is resident in Cyprus for tax purposes.

##### Cyprus

The corporation tax rate is 10%. Under certain conditions interest may be subject to defence contribution at the rate of 10%. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

##### 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.

##### Turkey

Dogu Akdeniz Mineralleri Ltd, 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%. Due to tax losses sustained in the period, no tax liability arises on the Dogu Akdeniz Mineralleri Ltd. Under current legislation, tax losses may be carried forward and be set off against taxable income of the following five years. Exploration costs are capitalised for tax purposes and will be amortised once production starts.

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 6. Loss per share

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

	<b>Six months` to 30 June 2011 GBP'000</b>	Six months to 30 June 2010 GBP'000
Net loss attributable to equity shareholders	<u>(651)</u>	<u>(488)</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000s)	<u>358,688</u>	<u>276,266</u>
Basic and fully diluted loss per share (pence)	<u>(0.18)</u>	<u>(0.18)</u>

The diluted loss per share has been kept the same as the basic loss per share as the conversion of the share option decreases the basic loss per share, thus being anti-dilutive.

#### 7. Business and geographical segments

##### Business segments

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

##### Geographical segments

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

	<b>Six months ended 30 June 2011</b>				
	<b>Cyprus</b>	<b>Turkey</b>	<b>Bulgaria</b>	<b>Saudi Arabia</b>	<b>Total</b>
	<b>GBP'000</b>	<b>GBP'000</b>	<b>GBP'000</b>	<b>GBP'000</b>	<b>GBP'000</b>
Operating loss	(446)	(121)	-	-	(567)
Foreign Exchange loss	(3)	7	14	-	18
	<u>(449)</u>	<u>(114)</u>	<u>14</u>	<u>-</u>	<u>(549)</u>
Share of loss from jointly controlled entities					(74)
Impairment of other receivables					(28)
Loss before tax					<u>(651)</u>
Taxation					-
Net loss for the period					<u>(651)</u>
Total assets	<u>1,526</u>	<u>184</u>	<u>6</u>	<u>21</u>	<u>1,737</u>
Total liabilities	<u>138</u>	<u>99</u>	<u>18</u>	<u>-</u>	<u>255</u>
Depreciation of fixed assets	<u>-</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>

**KEFI MINERALS PLC**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2010**

**7. Business and geographical segments (continued)**

	Six months ended 30 June 2010				Total GBP'000
	Cyprus GBP'000	Turkey GBP'000	Bulgaria GBP'000	Saudi Arabia GBP'000	
Operating loss	(167)	(63)	(3)	-	(233)
Foreign Exchange loss	(14)	(63)	(15)	-	(92)
Financial costs	(1)	(1)	-	-	(2)
	<u>(182)</u>	<u>(127)</u>	<u>(18)</u>		<u>(327)</u>
Share of loss from jointly controlled entities					<u>(145)</u>
Loss before tax					<u>(472)</u>
Taxation					<u>(16)</u>
Net loss for the period					<u><u>(488)</u></u>
Total assets	<u>681</u>	<u>113</u>	<u>6</u>	<u>21</u>	<u>821</u>
Total liabilities	<u>124</u>	<u>265</u>	<u>18</u>	<u>-</u>	<u>407</u>
Depreciation of fixed assets	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>8</u>

**8. Controlled entities**

The Group has the following controlled entities which have been consolidated in these financial statements.

<u>Company name</u>	<u>Date of Acquisition Incorporation</u>	<u>Country of incorporation</u>	<u>Effective portion of shares held</u>
<b>Subsidiary companies</b>			
Mediterranean Minerals (Bulgaria) EOOD	08/11/2006	Bulgaria	100% - Direct
Dogu Akdeniz Mineralleri Ltd	08/11/2006	Turkey	100% - Indirect
Kackar Madencilik Sanayi ve Ticaret Limited Sirkedi	15/07/2010	Turkey	100% - Indirect
<b>Jointly controlled company</b>			
Gold and Minerals Co, Limited	04/08/2010	Saudi Arabia	40% - Direct

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 9. Property, plant and equipment

	Motor vehicles GBP'000	Furniture, fixtures and office equipment GBP'000	Total GBP'000
<b>Cost</b>			
<b>1 January 2010</b>	59	28	87
Additions	-	1	1
Exchange difference on translation of subsidiaries	13	(8)	5
<b>At 31 December 2010</b>	<u>72</u>	<u>21</u>	<u>93</u>
Exchange difference on translation of subsidiaries	(12)	1	(11)
<b>At 30 June 2011</b>	<u>60</u>	<u>22</u>	<u>82</u>
<b>Accumulated Depreciation</b>			
<b>At 1 January 2010</b>	36	9	45
Charge for the period	14	3	17
Exchange difference on translation of subsidiaries	6	(2)	4
<b>At 31 December 2010</b>	<u>56</u>	<u>10</u>	<u>66</u>
Charge for the period	4	1	5
Exchange difference on translation of subsidiaries	(6)	2	(4)
<b>At 30 June 2011</b>	<u>54</u>	<u>13</u>	<u>67</u>
<b>Net Book Value at 30 June 2011</b>	<u>6</u>	<u>9</u>	<u>15</u>
Net Book Value at 31 December 2010	<u>16</u>	<u>11</u>	<u>27</u>

<b>10. Trade and other receivables</b>	<b>30 June 2011 GBP'000</b>	31 Dec 2010 GBP'000	30 June 2010 GBP'000
Trade received	3	3	-
Amount receivable from Saudi Arabia Joint Venture	30	32	96
Other receivables	99	136	34
Deposits and other prepayments	37	35	17
	<u>169</u>	<u>206</u>	<u>147</u>

#### 11. Cash and cash equivalents

Cash included in the cash flow statement comprise the following balance sheet amounts:

	<b>30 June 2011 GBP'000</b>	31 Dec 2010 GBP'000	30 June 2010 GBP'000
Cash at bank and in hand	<u>1,372</u>	<u>539</u>	<u>638</u>

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

12. Share capital	Number of shares '000	Share capital GBP'000	Share premium GBP'000	Total GBP'000
<b>Issued and fully paid</b>				
At 1 January 2010	238,167	2,382	1,413	3,795
Issued 13 January 2010 at GBP0.016	32,188	322	193	515
Issued 22 January 2010 at GBP0.016	9,375	93	56	149
Issued 16 July 2010 at GBP0.0125	400	4	1	5
Issued 28 July 2010 at GBP0.0125	1,187	10	-	10
Issued 19 October 2010 at GBP0.0125	50,000	500	125	625
Share issue costs	-	-	(91)	(91)
<b>At 31 December 2010/1 January 2011</b>	<b>331,317</b>	<b>3,311</b>	<b>1,697</b>	<b>5,008</b>
Issued 4 January 2011 at GBP0.013	1,670	17	4	21
Issued 28 January 2011 at GBP0.031	1,150	11	25	36
Issued 21 February 2011 at GBP0.05	26,000	260	1,040	1,300
Issued 5 March 2011 at GBP0.029	1,296	13	24	37
Issued 5 March 2011 at GBP0.013	1,800	18	5	23
Issued 5 March 2011 at GBP0.016	403	4	2	6
Issued 5 March 2011 at GBP0.016	281	3	2	5
Issued 6 April 2011 at GBP0.016	563	6	3	9
Issued 20 June 2011 at GBP0.012	500	5	1	6
Share issue costs	-	-	(91)	(91)
<b>At 30 June 2011</b>	<b>364,980</b>	<b>3,648</b>	<b>2,712</b>	<b>6,360</b>

On 13 January 2010 32,187,500 shares of GBP 0.01 were issued at a price of GBP 0.016. Upon the issue an amount of GBP 193,125 was credited to the Company's share premium reserve.

On 22 January 2010 9,375,000 shares of GBP 0.01 were issued at a price of GBP 0.016. Upon the issue an amount of GBP 56,250 was credited to the Company's share premium reserve.

On 16 July 2010 400,000 shares of GBP 0.01 were issued at a price of GBP 0.0125. Upon the issue an amount of GBP 1,000 was credited to the Company's share premium reserve.

On 28 July 2010 1,187,099 shares of GBP 0.01 were issued at a price of GBP 0.01.

On 19 October 2010 50,000,000 shares of GBP 0.01 were issued at a price of GBP 0.0125. Upon the issue an amount of GBP 125,000 was credited to the Company's share premium reserve.

On 4 January 2011 1,670,000 shares of GBP 0.01 were issued at a price of GBP 0.013. Upon the issue an amount of GBP 4,175 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 0.031. Upon the issue an amount of GBP 24,600 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.

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 12. Share capital (continued)

On 5 March 2011 1,296,456 shares of GBP 0.01 were issued at a price of GBP 0.029. Upon the issue an amount of GBP 24,373 was credited to the Company's share premium reserve.

On 5 March 2011 1,800,000 shares of GBP 0.01 were issued at a price of GBP 0.013. Upon the issue an amount of GBP 4,500 was credited to the Company's share premium reserve.

On 5 March 2011 403,125 shares of GBP 0.01 were issued at a price of GBP 0.016. Upon the issue an amount of GBP 2,419 was credited to the Company's share premium reserve.

On 5 March 2011 281,250 shares of GBP 0.01 were issued at a price of GBP 0.016. Upon the issue an amount of GBP 1,688 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 3,375 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 0.012. Upon the issue an amount of GBP 1,100 was credited to the Company's share premium reserve.

#### Warrants

On 20 October 2010, the Company issued 2,500,000 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.0125 per share.

On 22 February 2011, the Company issued 780,000 warrants to subscribe for new ordinary shares of GBP 0.01 each at GBP 0.05 per share.

Details of warrants outstanding as at 30 June 2011:

Grant date	Expiry date	Exercise price GBP	Number of warrants 000's
20 October 2010	19 October 2013	0.0125	830
22 February 2011	21 February 2016	0.0500	780
			<u>1,610</u>

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 2011	6,843
- granted	780
- exercised / expired	(6,013)
Outstanding warrants at 30 June 2011	<u>1,610</u>

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 12. Share capital (continued)

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

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

	22 Feb 2011	20 Oct 2010
Closing share price at issue date	7.50p	2.04p
Weighted average exercise price	5.00p	1.25p
Expected volatility	162%	167.5%
Expected life	5yrs	3 yrs
Risk free rate	4.75%	2.25%
Expected dividend yield	Nil	Nil
Discount factor	0%	50%
Estimated fair value	7.12p	0.54p

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

#### 13. Trade and other payables

	30 June 2011 GBP'000	31 Dec 2010 GBP'000	30 June 2010 GBP'000
Trade payables	97	107	110
Accruals	6	7	8
Amount due to jointly controlled entity	-	-	82
Amounts due to EMED Mining Public Ltd	63	6	35
	<b>166</b>	<b>120</b>	<b>235</b>

#### 14. Share option plan

Details of share options outstanding as at 30 June 2011:

Grant date	Expiry date	Exercise price GBP	Number of shares '000
12 December 2006	12 December 2012	0.0300	14,750
12 March 2007	11 March 2013	0.0350	250
18 April 2007	17 April 2013	0.0350	1,000
24 June 2008	23 June 2014	0.0325	50
12 June 2009	11 June 2014	0.0240	8,750
01 July 2010	30 June 2014	0.0071	100
28 February 2011	27 February 2016	0.0710	550
			<b>25,450</b>

## KEFI MINERALS PLC

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 14. Share option plan (continued)

	Number of shares '000
Outstanding options at 1 January 2011	27,550
-granted	1,550
-cancelled	(2,000)
-exercised / expired	(1,650)
Outstanding options at 30 June 2011	<u>25,450</u>

The Company has a share option scheme for employees and other parties of 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 grant date, two thirds after one year from the grant date and the balance after two years from the grant date. The option agreement 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.

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

On 3 May 2010, 1 million options were issued which expire four years after the grant date, and are exercisable at any time within that period.

On 1 July 2010, 100,000 options were issued which expire four years after the grant date, and are exercisable at any time within that period.

On 28 February 2011, 1,550,000 options were issued which expire five years after the grant date, and are exercisable within one year from the issue date.

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:

	28 Feb 2011	1 July 2010	12 June 2009	24 Jun 2008	18 Apr 2007	12 Mar 2007	12 Dec 2006
Closing share price at issue date	6.40p	0.73p	2.00p	3.25p	3.88p	3.30p	3.88p
Weighted average exercise price	7.10p	0.713p	2.40p	3.25p	3.50p	3.50p	3.00p
Average expected volatility	162%	167.50%	238.50%	147.60%	68.06%	68.06%	50%
Expected life	5yrs	4yrs	5yrs	6yrs	6 yrs	6 yrs	6 yrs
Risk free rate	5%	2.25%	5.00%	5.00%	5.95%	5.73%	5.97%
Expected dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Discount factor	0%	50%	55%	30%	30%	30%	30%
Estimated fair value	5.98p	0.649p	0.89p	2.13p	1.85p	1.50p	1.427p

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

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 15. Intangible assets

	<b>30 June 2011 GBP'000</b>	31 Dec 2010 GBP'000	30 June 2010 GBP'000
<b><u>Goodwill</u></b>			
<b><u>Cost</u></b>			
Balance at 1 January	<u>364</u>	<u>364</u>	<u>364</u>
Balance at 30 June/31 December	<u>364</u>	<u>364</u>	<u>364</u>
<b><u>Provision for impairment</u></b>			
Balance at 1 January	<b>364</b>	364	364
Provision for the period/year	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 30 June/31 December	<u>364</u>	<u>364</u>	<u>364</u>
<b><u>Net Book Value</u></b>			
<b>Balance at 30 June/31 December</b>	<u>-</u>	<u>-</u>	<u>-</u>

#### 16. Joint Venture Agreements

##### 16. 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 (“the Project”) with Centerra Gold (KB) Inc (“Centerra”), a wholly-owned subsidiary of Centerra Gold Inc., a Canadian-based gold mining and exploration company which is listed on the Toronto Stock Exchange.

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

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

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**16. Joint Venture Agreements (continued)**

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

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

Since 15 July 2010, Centerra Gold Inc. advised the Company of its intention to withdraw from the Artvin Joint Venture. The cumulative advances made by Centerra Gold (KB) Inc. until the 15 July 2010 amounted to £0.7 million. Under the terms of the agreement no amounts are due to Centerra Gold (KB) Inc. following their withdrawal from the project.

Since 15 July 2010 Kackar was treated as a wholly owned subsidiary.

**16. 2 Joint Venture with Gold and Minerals**

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

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

The cumulative expenditure incurred by the company KEFI Minerals until 30 June 2011 amounted to £79,660 (2010: £438,732).

The G&M Joint Venture is treated as a joint venture and has been equity accounted. A loss of £73,824 (2010: £207,123) has been recognized. As at 30 June 2011 the G&M Joint Venture owed KEFI Minerals an amount of £29,587 (2010: £31,649).

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**16. Joint Venture Agreements (continued)**

**16. 3 Joint Venture with listed Centerra Gold Inc.**

In November 2009, KEFI Minerals announced that it had entered into a Letter of Intent (“LOI”) with TSX listed Centerra Gold Inc. (“Centerra”) for a joint venture in the 100%-owned Bakir Tepe Project in south western Turkey. Bakir Tepe is prospective for volcanic-hosted massive sulphide (“VHMS”) polymetallic deposits and a drilling programme is planned to commence soon.

Under the terms of the LOI, Centerra earns a 51% interest in the Bakir Tepe Project upon contributing US\$750,000 to the joint venture over 2 years with a minimum expenditure of US\$350,000 in the first year. There is a 45 day exclusivity period in which to execute a final agreement.

Once Centerra has earned its 51% interest, each party shall fund their respective percentage interests subject to dilution for non-participation in such expenditure. If either party’s interest is diluted to less than 10%, that party’s interest will automatically be converted to a 2.0% net smelter return royalty.

KEFI Minerals will be the manager of the Project and Centerra has the right to become manager if they so elect and have met certain milestones. The Bakir Tepe Licences cover a 78km<sup>2</sup> area and were granted to KEFI Minerals in June 2008.

The cumulative advances made by Centerra Gold (KB) Inc. until the 30 June 2011 amounted to £168,903.

**17. 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)

Under the joint venture agreement with Centerra Gold (KB) Inc (see Note 16) there are certain warranties given by KEFI and its group companies whereby KEFI, while manager and majority shareholder in the project, must in certain circumstances repay any advances made by Centerra not expended on the Project. As at 30 June 2011 such unexpended balances stood at nil.

**18. Capital commitments**

The Group has no capital or other commitments as at 30 June 2011.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2011**

**19. 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.

**20. Events after the reporting period**

In August 2011, KEFI Minerals sold the Company's Artvin Project in north eastern Turkey to a Turkish mining company. The Artvin Project comprises 15 Exploration Licences (totalling 254km<sup>2</sup>) located in the Eastern Pontide Belt in north eastern Turkey. Kackar Madencilik San. Tic. Ltd, the Company's subsidiary holding these licences, has been sold in return for KEFI Minerals receiving an initial cash payment of US\$100,000 and 1% Net Smelter Royalty on all future mineral production from the licences.

KEFI Minerals has acquired exclusivity for a period of five months to conduct a Definitive Feasibility Study to evaluate the retreatment of gold and silver contained in previous mine tailings and to initiate a Pre-Feasibility Study on re-starting the underground mining operations at the Tiouit Mine. The period of exclusivity was acquired by KEFI Minerals for \$250,000 from the Moroccan company, Roche Invest SARL, ("Roche")

Depending upon the outcome of the feasibility studies, KEFI Minerals will decide whether or not to proceed to enter into a joint venture with Roche in connection with the processing of the mine tailings and/or recommencing underground mining operations at the Tiouit Mine.

The expectation is that Tiouit would be the initial project between the parties as part of a broader strategic alliance in the African region and each party has undertaken to seek to work together on Moroccan opportunities on a collaborative basis.

## KEFI MINERALS PLC

### NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

#### 21. Related party transactions

The following transactions were carried out with related parties:

##### a) Purchases of services

The Company has an ongoing service agreement with EMED Mining Public Limited for provision of management and other professional services.

	<b>30 June 2011</b>	Twelve months ended
	<b>GBP 000</b>	31 Dec 2010
		GBP 000
Transactions with EMED Mining Public Limited	<u>57</u>	<u>115</u>

##### b) Compensation of key management personnel

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

	<b>30 June 2011</b>	Twelve months ended
	<b>GBP 000</b>	31 Dec 2010
		GBP 000
Directors' fees	102	175
Other key management personnel fees	54	143
Share-based benefits to other key management personnel	19	15
	<u>175</u>	<u>333</u>

##### Share-based benefits

No options have been issued or exercised during the period by directors from grant date to 30 June 2011.

##### c) Year end balances arising from purchases of services

##### Payable to related party:

	<b>30 June 2011</b>	Twelve months ended
	<b>GBP 000</b>	31 Dec 2010
		GBP 000
EMED Mining Public Limited	63	6
	<u>63</u>	<u>6</u>

## **KEFI MINERALS PLC**

### **NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2011**

#### **REVIEW REPORT TO KEFI MINERALS PLC**

We have reviewed the accompanying statement of financial position of KEFI Minerals Plc at June 30, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with International Accounting Standards.

Nicosia, Cyprus, 28 September 2011

**MOORE STEPHENS STYLIANOU & CO**  
**CERTIFIED PUBLIC ACCOUNTANTS – CY**