
KRYSO RESOURCES Plc

Company Registration Number 05190505

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2005**

KRYSO RESOURCES PLC

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KRYSO RESOURCES PLC

Company Information

| | | |
|-----------------------------|--|--|
| Directors | Dr. Trevor George Davenport Andrew Frederic Malim Vassilios Carellas Craig William Brown Abuali Ismatov | <i>(Non-executive Chairman)</i> <i>(Non-executive Director)</i> <i>(Managing Director)</i> <i>(Finance Director)</i> <i>(Executive Director)</i> |
| Company Secretary | Craig William Brown | |
| Business Address | Unit 3H 2 Michael Road London SW6 2AD | |
| Registered Office | 2 Stone Buildings Lincoln's Inn London WC2A 3TH | |
| Nominated Adviser | Ruegg & Co Limited 39 Cheval Place London SW7 1EW | |
| Bankers | National Westminster Bank Plc Knightsbridge Commercial Business Centre 180 Brompton Road London SW3 1HL | |
| Independent Auditors | CLB Littlejohn Frazer Chartered Accountants and Registered Auditors 1 Park Place Canary Wharf London E14 4HJ | |
| Solicitors | Edwin Coe 2 Stone Buildings Lincoln's Inn London WC2A 3TH | |

KRYSO RESOURCES PLC

Chairman's Statement

As Chairman I am pleased to report to shareholders that during the last twelve months Kryso Resources plc (Kryso) has made significant progress at its Pakrut Gold Deposit in Tajikistan. During this period I have spent four months on site both in Dushanbe and at Pakrut; my most recent visit being from April to June this year.

Since June 2005 a winterised camp has been constructed. The camp includes a fully equipped workshop, and accommodation and canteen facilities for up to 80 personnel. In conjunction with the establishment of the camp, work began on cleaning and rehabilitating the Soviet adit as well as further underground development for establishing stations for Kryso's drilling programme. The operation continued, mostly uninterrupted, throughout the winter. By the end of May 2006, over 800m of the original adit had been refurbished and over 370m of new underground development had been excavated.

Diamond drilling began in September 2005 with three surface holes drilled by the first of two Onram drill rigs; by the end of the year underground drilling with two rigs had commenced. The three holes drilled from surface were targeted to intersect mineralization on the edge of the two main ore zones, while the first series of underground holes were drilled to target the mineralization between these ore zones. Both the initial surface and underground drilling locations were selected to avoid any delay whilst waiting for underground development. As underground development continues, new drill stations will be established so that drilling can concentrate on the main known ore zones. The Company currently has its two Onram drill rigs underground and its Longyear 38 has now been converted to drill underground. By the end of May 2006, 3000m of drilling had been completed (23 diamond drill holes). The Company intends to complete a further 4000m of drilling by the end of this year.

The Company's drilling programme has assisted Kryso's Chief Geologist to review all the previous Soviet work and develop a revised geological and structural interpretation of the deposit. Rather than a single ore zone, the orebody is now interpreted as being made up of a series of sub-parallel, pinching and swelling, mineralised zones. The drilling to date appears to confirm this revised theory.

In addition to the drilling, Kryso has begun an extensive surface-trenching programme and is also planning to channel sample mineralization exposed in the underground workings.

As there is difficulty in visually determining the ore zones in the drill core, the Company has set up its own sample preparation and atomic absorption spectroscopy (AAS) laboratory in Dushanbe, the capital city. Here the entire core from each hole is prepared and assayed. From these AAS results, the prepared core samples from the identified mineralised zones are currently being made ready for shipping to an internationally accredited laboratory where they will be fire assayed. These fire assay results will then be used to generate a preliminary JORC standard resource model. To date, the AAS laboratory in Dushanbe has analysed over 2000 core samples for gold and silver.

Snowden Mining Industry Consultants, the Company's contracted independent consultants, have paid several visits to Tajikistan - a resource geologist has made three trips while a mining engineer and an environmental consultant have made one. The consultants are continually monitoring the project with recommendations.

KRYSO RESOURCES PLC

Chairman's Statement (continued)

The Pakrut operation has already been visited by several high-ranking officials from the Tajik Government who have expressed their satisfaction with the progress being made. Relations with the Tajik Government are very good and, as a result, the Company soon expects to receive the exploration licence for one of the two nickel prospects for which it has applied.



Trevor Davenport
Non-Executive Chairman

14 June 2006

KRYSO RESOURCES PLC

Report of the Directors

The directors present their report and the audited Financial Statements of the group for the year ended 31 December 2005.

Principal Activities and Review of the Business

The principal activity of the company during the year was that of a holding company. The principal activity of the group is that of mineral exploitation.

A review of the Group's activities and performance for the year ended 31 December 2005 and its prospects for 2006 is contained in the Chairman's statement.

Results and Dividends

The results for the year and the group's financial position at the end of the year are shown in the attached Financial Statements.

The directors have not recommended the payment of a dividend.

Future Developments

A review of the business and future prospects is set out in the Chairman's statement on page 2.

Directors and their Interests

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

| | <i>At 1 January 2005</i> | <i>At 31 December 2005</i> |
|--|----------------------------------|------------------------------------|
| Trevor George Davenport | – | 100,000 |
| Simon Alleton Cawkwell (resigned 7 September 2005) | *700,000 | *1,930,000 |
| Vassilios Carellas | 7,000,000 | 7,100,000 |
| Craig William Brown | **7,000,000 | **7,100,000 |
| Abuali Ismatov | 7,000,000 | 7,100,000 |
| Andrew Frederic Malim (appointed 15 November 2005) | – | – |

*Of the shares in which Simon Cawkwell is interested 200,000 are beneficially owned by his daughter, Sophia Lucy Cawkwell. A further 1,130,000 shares are held by DSL Client Nominees Limited, a company in which Simon Cawkwell is interested.

**7,000,000 of these shares are held by Westrock Resources Limited, a Bahamian company in which Craig Brown is interested.

On 24 November 2004 each of the Directors was granted 400,000 options under a share option scheme to vest as follows:

- (a) after 12 months, 100,000 exercisable at the Placing Price (10p) and 100,000 exercisable at the Placing Price plus 50 per cent (15p) and
- (b) after 24 months, 50,000 exercisable at the Placing Price (10p) and 50,000 exercisable at the Placing Price plus 50 per cent (15p) and
- (c) after 36 months, 50,000 exercisable at the Placing Price (10p) and 50,000 exercisable at the Placing Price plus 50 per cent (15p).

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Report of the Directors (continued)

On 15 November 2005 Andrew Malim was granted 400,000 options under a share option scheme to vest after 12 months exercisable at 13.5p.

On 15 December 2005 Trevor Davenport, Simon Cawkwell, Vassilios Carellas, Craig Brown and Abuali Ismatov exercised their right to 100,000 options each at the price of 10p per share.

The Directors' holding of options at the year end was as follows:

| | <i>At</i> <i>31 December</i> <i>2004</i> | <i>At</i> <i>31 December</i> <i>2005</i> |
|-------------------------|--|--|
| Trevor George Davenport | 400,000 | 300,000 |
| Simon Alleton Cawkwell | 400,000 | *300,000 |
| Vassilios Carellas | 400,000 | 300,000 |
| Craig William Brown | 400,000 | 300,000 |
| Abuali Ismatov | 400,000 | 300,000 |
| Andrew Frederic Malim | – | 400,000 |

* In accordance with the Scheme's rules, these options lapsed six months after the date of Simon Cawkwell's resignation. Therefore they lapsed on 7 March 2006 and, at the date of this report, Simon Cawkwell holds no options in the shares of the Company.

Substantial shareholdings

As at 7 June 2006, the directors were aware of the following shareholdings in excess of 3% of the Company's issued share capital.

| | <i>Number of</i> <i>ordinary</i> <i>shares</i> | <i>Percent</i> <i>of issued</i> <i>ordinary</i> <i>share capital</i> |
|--|--|---|
| Credit Suisse Client Nominees (UK) Limited | 8,750,000 | 15.48 |
| Vassilios Carellas | 7,100,000 | 12.56 |
| Abuali Ismatov | 7,100,000 | 12.56 |
| Westrock Resources Limited | 7,000,000 | 12.38 |
| Pershing Keen Nominees Limited | 5,197,400 | 9.19 |
| Chase Nominees Limited | 3,250,000 | 5.75 |
| BNY GIL Client Account (Nominees) Limited | 2,119,740 | 3.75 |
| Indosuez WI Carr Securities (UK) Limited | 2,000,000 | 3.54 |
| DSL Client Nominees Limited | 1,730,000 | 3.06 |

Directors

The Board comprises:

Trevor Davenport, B.Sc, M.Sc., Ph.D., C. Eng., (aged 65), Non-executive Director

Dr Davenport has worked in the mining industry for over 30 years where he has been involved in mineral exploration and mining geology in over 17 countries both for mining companies and in consultation work. From 1994 to 1997 he was Chief Geologist and Exploration Manager for Nelson Gold Limited (subsequently renamed Nelson Resources Limited) in Tajikistan. In 1996 he was made a Director of Zeravshan Gold Company. His experience varies from six years as Chief Exploration Geochemist for Bamangwato Concessions Ltd. in Botswana in the search for nickel/copper deposits,

KRYSO RESOURCES PLC

Report of the Directors (continued)

working as a senior exploration geologist with the United Nations Development Programme in Burma exploring the base metals, to numerous involvements with gold mining companies over the last 20 years.

Vassilios Carellas, B.S.c. (Hons) MAusIMM (aged 32), Managing Director

Vassilios Carellas majored in geology and economic geology at the University of Durban-Westville South Africa, graduating in 1995. He has spent nine years working in the mining and exploration industry in Central Asia. Vassilios worked for Nelson Resources Limited, a company listed on the Toronto Stock Exchange, in various geological positions including Chief Geologist. In 2002 he joined Gulf International Minerals Inc., a company listed on the Toronto Stock Exchange, as Chief Geologist and subsequently General Manager and director for their subsidiary which operated their mines in Tajikistan. He left in 2004 to focus on Kryso.

Craig Brown C.A. (aged 35), Finance Director

Craig Brown qualified as a Chartered Accountant in New Zealand in 1993. He has spent ten years working in the mining industry in Central Asia. Prior to working in Central Asia, Craig was a Chartered Accountant working in private practice in New Zealand. Craig worked for Nelson Resources Limited, from 1995 to 2001 in various positions ranging from Chief Accountant to Director of the Joint Venture Company that operated the Zeravshan gold mine. From 2001 to 2003 he was Chief Financial Officer for Gulf International Minerals Inc. and from 2003 and 2004 he worked part-time as a consultant to that company. He has been a director of several mining joint ventures in Central Asia. Craig is based in Dushanbe.

Abuali Ismatov, (aged 46), Executive Director

Abuali is a prominent businessman in the Republic of Tajikistan. Abuali graduated in 1981 from the Tajik Agricultural Institute with a diploma in Hydro Engineering and in 2001, completed his Masters in Finance and Economics from the Tajik State National University. Since 1992, Abuali has been a founder and shareholder of several multi-national companies established in Tajikistan with foreign investment.

Andrew Malim, (aged 63), Executive Director

Andrew has over thirty years experience in mining exploration and finance, and brings great value to the company given his experience as a board member to numerous public and private mining companies as well as his speaking engagements and articles on mining. He was a founding member of the award winning James Capel & Co. mining team in 1969, where he acted as a precious metals analyst and institutional salesman. In 1980, he founded the Lion Mining Group and over a 20 year period played an active role in mining fund management and the finance of numerous precious and base metal projects in North and South America, Asia and Africa.

Charitable and Political Donations

The Company made no charitable or political donations during the year.

Corporate Governance

The Company's shares are traded on the AIM Market of the London Stock Exchange and the Company is not therefore required to report on compliance with the Combined Code appended to the listing rules of the Financial Services Authority. However, the Board of Directors supports the principles of good governance and the further guidance included in the Turnbull report. It is the Board's policy to comply as far as is reasonable for a business the size of Kryso Resources Plc.

Internal Control

The Directors acknowledge their responsibilities for the Group's system of internal control. The Board considers major business and financial risks. All strategic decisions are decided by the Board and the making of individual investment and loan decisions is designated to members of the Board. Accepting

KRYSO RESOURCES PLC

Report of the Directors (continued)

that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the group are appropriate to the business.

Audit Committee

The Audit Committee of the Company comprises the non-executive Directors of the Company and meets at least twice each year. The audit committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the auditors and reviews reports from the auditors relating to accounts and internal control systems. The Audit Committee meets once a year with the auditors, without executive board members present.

Remuneration Committee

The Remuneration Committee comprises the non-executive Directors of the company. It is responsible for reviewing the performance of the executive directors, setting their remuneration, considering the grant of the options under any share option scheme and in particular the price per share and the application of performance standards which may apply to any such grant.

Going Concern

After making enquiries, the Directors have formed a judgement at the time of approving the accounts that there is a reasonable expectation that the Company and Group have adequate resources to continue its operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

Supplier Payment Policy

The group seeks to maintain good relations with all of its trading partners. In particular, it is the group's policy to abide by the terms of payment agreed with each of its suppliers. As at 31 December 2005 the number of creditors days in respect of trade creditors was 15 days.

Auditors

During the year, the London office of our auditors CLB merged with Littlejohn Frazer who subsequently changed their name to CLB Littlejohn Frazer. A resolution to reappoint CLB Littlejohn Frazer will be proposed at the next Annual General Meeting.

Signed by order of the directors



Craig William Brown
Company Secretary

Approved by the directors on 14 June 2006

KRYSO RESOURCES PLC

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the year and of the Group's profit or loss for the year then ended.

In preparing those Financial Statements, the Directors are required to select suitable accounting policies, as described on pages 14 to 15 and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The Directors must state whether applicable accounting standards have been followed, subject to any material departures. The directors must also prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. The Directors are also responsible for safeguarding the assets of the group 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 and other information included in the annual reports may differ from legislation in other jurisdictions.

KRYSO RESOURCES PLC

Report of the Auditors

Independent Auditors' report to the shareholders of Kryso Resources Plc

We have audited the group and parent company Financial Statements (the "Financial Statements") of Kryso Resources plc for the year ended 31 December 2005 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheet, the Group Cash Flow Statement and associated notes, the accounting policies and the related notes 1 to 21. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the Group's and Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Group's and Company's shareholders those matters we are required to state to them in an auditors' 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 Group and Company and the Group's and Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the annual report and consider whether it is consistent with the audited Financial Statements. This other information comprises the Chairman's Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

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Report of the Auditors (continued)

Opinion

In our opinion the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent Company's affairs as at 31 December 2005 and of the group's loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.



CLB Littlejohn Frazer
*Chartered Accountants
& Registered Auditors*

1 Park Place
Canary Wharf
London E14 4HJ

16 June 2006

KRYSO RESOURCES PLC

Consolidated Profit and Loss Account – Year ended 31 December 2005

| | <i>Note</i> | <i>2005</i> <i>US\$000</i> | <i>2004</i> <i>US\$000</i> |
|---|-------------|-------------------------------|-------------------------------|
| Turnover | 1 | – | – |
| Cost of sales | | – | – |
| | | <hr/> | <hr/> |
| Gross profit | | | – |
| Administrative expenses | | (1,031) | (186) |
| Development expenditure | | – | (11) |
| Exceptional (loss)/gain on foreign exchange | 2 | (305) | 201 |
| | | <hr/> | <hr/> |
| Operating (Loss)/Profit | 3 | (1,336) | 4 |
| Interest receivable | | 218 | 16 |
| | | <hr/> | <hr/> |
| (Loss)/Profit on Ordinary Activities before Taxation | | (1,118) | 20 |
| Tax on (loss)/profit on ordinary activities | 6 | – | – |
| | | <hr/> | <hr/> |
| (Loss)/Profit on Ordinary Activities after Taxation | | (1,118) | 20 |
| | | <hr/> | <hr/> |
| Basic (Loss)/Profit per Share | 8 | (0.0199) | 0.0013 |
| | | <hr/> | <hr/> |
| Diluted (Loss)/Profit per Share | 8 | (0.0199) | 0.0013 |
| | | <hr/> | <hr/> |

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

The company has no recognised gains or losses other than the results for the year, as set out above and therefore no separate statement of total recognised gains or losses has been presented.

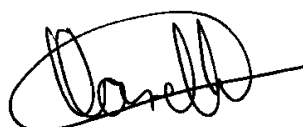
The accounting policies and notes on pages 17 to 27 form part of these financial statements.

KRYSO RESOURCES PLC

Consolidated Balance Sheet – As at 31 December 2005

| | <i>Note</i> | <i>2005</i> <i>US\$000</i> | <i>2004</i> <i>US\$000</i> |
|---|-------------|-------------------------------|-------------------------------|
| Fixed Assets | | | |
| Intangible assets | 9 | 5,181 | 4,666 |
| Tangible assets | 10 | 970 | 75 |
| | | <u>6,151</u> | <u>4,741</u> |
| Current Assets | | | |
| Stocks | 12 | 215 | 18 |
| Debtors | 13 | 122 | 227 |
| Cash at bank | | 2,465 | 4,938 |
| | | <u>2,802</u> | <u>5,183</u> |
| Creditors: amounts falling due within one year | 14 | <u>(151)</u> | <u>(123)</u> |
| Net Current Assets | | <u>2,651</u> | <u>5,060</u> |
| Net Assets | | <u>8,802</u> | <u>9,801</u> |
| Capital and Reserves | | | |
| Called-up share capital | 18 | 1,035 | 1,027 |
| Share premium account | 19 | 8,865 | 8,754 |
| Profit and loss account | 19 | (1,098) | 20 |
| Shareholders' Funds | 20 | <u>8,802</u> | <u>9,801</u> |

These Financial Statements were approved by the directors on the 14 June 2006 and are signed on their behalf by:



Vassilios Carellas
Managing Director



Craig Brown
Finance Director

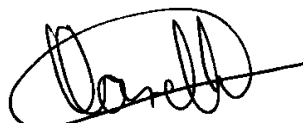
The accounting policies and notes on pages 17 to 27 form part of these financial statements.

KRYSO RESOURCES PLC

Balance Sheet – As at 31 December 2005

| | <i>Note</i> | <i>2005</i> <i>US\$000</i> | <i>2004</i> <i>US\$000</i> |
|---|-------------|-------------------------------|-------------------------------|
| Fixed Assets | | | |
| Investments | 11 | 8,564 | 5,440 |
| Current Assets | | | |
| Debtors | 13 | 14 | 10 |
| Cash at bank | | 1,339 | 4,645 |
| | | <u>1,353</u> | <u>4,655</u> |
| Creditors: Amounts falling due within one year | 14 | (20) | (151) |
| | | <u>1,333</u> | <u>4,504</u> |
| Net current assets | | | |
| | | <u>9,897</u> | <u>9,944</u> |
| Net assets | | | |
| | | <u>9,897</u> | <u>9,944</u> |
| Capital and Reserves | | | |
| Called-up share capital | 18 | 1,035 | 1,027 |
| Share premium account | 19 | 8,865 | 8,754 |
| Profit and loss account | 19 | (3) | 163 |
| | | <u>9,897</u> | <u>9,944</u> |
| Shareholders' funds | 20 | <u>9,897</u> | <u>9,944</u> |

These Financial Statements were approved by the Directors on the 14 June 2006 and are signed on their behalf by:



Vassilios Carellas
Managing Director



Craig Brown
Finance Director

The accounting policies and notes on pages 17 to 27 form part of these financial statements.

KRYSO RESOURCES PLC

Consolidated Cash Flow Statement – Year ended 31 December 2005

| | 2005 | 2004 |
|---|---------|---------|
| | US\$000 | US\$000 |
| Net Cash (Outflow)/Inflow from Operating Activities | (679) | 7 |
| Returns on Investments and Servicing of Finance | | |
| Interest received | 218 | 16 |
| Net Cash Inflow from Returns on Investments and Servicing of Finance | 218 | 16 |
| Taxation | – | – |
| Capital Expenditure and Financial Investment | | |
| Payments to acquire intangible fixed assets | (1,019) | – |
| Payments to acquire tangible fixed assets | (1,112) | (61) |
| Net Cash Outflow for Capital Expenditure and Financial Investment | (2,131) | (45) |
| Acquisition | | |
| Cash acquired with subsidiaries | – | 634 |
| Cash (Outflow)/Inflow before Financing | (2,592) | 596 |
| Financing | | |
| Issue of equity share capital (net of issue costs) | 119 | 4,341 |
| Net Cash Inflow from Financing | 119 | 4,341 |
| (Decrease)/Increase in Cash | (2,473) | 4,937 |

The accounting policies and notes on pages 17 to 27 form part of these financial statements.

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Consolidated Cash Flow Statement (continued)

| | 2005 US\$000 | 2004 US\$000 |
|---|-----------------|-----------------|
| Reconciliation of Operating (Loss)/Profit to Net Cash (Outflow)/Inflow from Operating Activities | | |
| Operating (loss)/profit | (1,336) | 4 |
| Amortisation | 504 | 77 |
| Depreciation | 217 | 10 |
| Increase in stocks | (197) | (13) |
| Increase/(Decrease) in debtors | 105 | (115) |
| Increase in creditors | 28 | 44 |
| Net Cash (Outflow)/Inflow from Operating Activities | <u>(679)</u> | <u>7</u> |

Analysis of Changes in Net Funds

| | <i>At 1 January 2005 US\$000</i> | <i>Cash flows US\$000</i> | <i>At 31 December 2005 US\$000</i> |
|--------------|--|-------------------------------|--|
| Cash at bank | <u>4,938</u> | <u>(2,473)</u> | <u>2,465</u> |

Reconciliation of Net Cash Flow to Movement in Net Funds

| | 2005 US\$000 | 2004 US\$000 |
|--------------------------|-----------------|-----------------|
| Change in net funds | (2,473) | 4,938 |
| Net Funds at 1 January | <u>4,938</u> | – |
| Net Funds at 31 December | <u>2,465</u> | <u>4,938</u> |

The accounting policies and notes on pages 17 to 27 form part of these financial statements.

KRYSO RESOURCES PLC

Accounting Policies

Basis of Accounting

The Financial Statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The functional currency of the company and group is US dollars and accordingly the amounts in the financial statements are denominated in that currency. The balance sheet rates of exchange for the US dollar to UK Sterling were \$1.72079 to £1.

Basis of Consolidation

The consolidated Financial Statements incorporate the Financial Statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over ten years from the year of acquisition. The results of companies acquired or disposed of are included in the group profit and loss account after or up to the date that control passes respectively. As a consolidated group profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Goodwill – 10% straight line

Research and Exploration Expenditure

Research and exploration expenditure is written off in the year in which it is incurred. When a decision is taken that a mining property becomes viable for commercial production, all further pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Capitalised research and exploration expenditure is amortised upon commencement of production using a suitable method based on the volumes of proved and probable reserves of ore and are written off if the property is abandoned.

Fixed Assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided to write off the cost of an asset, less its estimated residual value, over the expected useful economic life of that asset as follows:

| | |
|--------------------------------|-------------------|
| Plant and Machinery | 33% straight line |
| Motor Vehicles | 33% straight line |
| Office Furniture and Equipment | 33% straight line |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

KRYSO RESOURCES PLC

Financial Statements – Period ended 31st December 2004

Foreign Currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with through the profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Going concern

United Kingdom company law requires the Company's Directors to consider whether it is appropriate to prepare the Financial Statements on the basis that the Group is a going concern. In considering this matter the Directors have reviewed the Group's budget for 2006 and its plan for 2007. This included consideration of the cash flow implications of the budget and plan. The Directors see no reason why the Group and the Company should not continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the Group's Financial Statements.

KRYSO RESOURCES PLC

Notes to the Financial Statements

1. Turnover

The group did not trade in the year.

2. Exceptional Item

The exceptional item in both years arises as a result of translating the group's bank balances at the year end.

3. Operating (Loss)/Profit

Operating (loss)/profit is stated after charging:

| | <i>2005</i> | <i>2004</i> |
|-------------------------|----------------|----------------|
| | <i>US\$000</i> | <i>US\$000</i> |
| Amortisation | 504 | 77 |
| Depreciation | 217 | 10 |
| Auditors' remuneration | | |
| – as auditors | 13 | 19 |
| – non-audit services | 2 | 31 |
| Operating lease rentals | 10 | 6 |
| | <u>546</u> | <u>133</u> |

The audit fee to the parent company was US\$15,000 (2004: US\$10,000).

4. Particulars of Employees

The average number of staff employed by the group during the financial year amounted to:

| | <i>2005</i> | <i>2004</i> |
|-------------------------------|-------------|-------------|
| | <i>No.</i> | <i>No.</i> |
| Administrative and management | 22 | 8 |
| Mining | 63 | 20 |
| | <u>85</u> | <u>28</u> |

The aggregate payroll costs of the above were:

| | <i>2005</i> | <i>2004</i> |
|-----------------------|----------------|----------------|
| | <i>US\$000</i> | <i>US\$000</i> |
| Wages and salaries | 543 | 54 |
| Social security costs | 46 | 2 |
| | <u>589</u> | <u>56</u> |

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

5. Directors' Emoluments

The directors' aggregate emoluments in respect of qualifying services were:

| | <i>2005</i> | <i>2004</i> |
|--|----------------|----------------|
| | <i>US\$000</i> | <i>US\$000</i> |
| Emoluments receivable – from the company | 40 | – |
| – from group companies | 335 | 46 |
| | <u>375</u> | <u>46</u> |

During the year no Director (2004 – no Director) participated in a money purchase pension scheme.

During the year, five Directors (2004 – no Directors) exercised share options. The aggregate amount of gains made by Directors on the exercise of share options was \$Nil (2004 – \$Nil).

The highest paid director received emoluments as follows:

| | <i>2005</i> | <i>2004</i> |
|-----------------------|----------------|----------------|
| | <i>US\$000</i> | <i>US\$000</i> |
| Emoluments receivable | <u>110</u> | <u>44</u> |

The highest paid director exercised 100,000 share options during the year.

6. Taxation on Ordinary Activities

(a) Analysis of Charge in the Year

Current tax:

| | <i>2005</i> | <i>2004</i> |
|---|----------------|----------------|
| | <i>US\$000</i> | <i>US\$000</i> |
| UK Corporation tax based on the results for the year at 30% | – | – |
| Overseas tax credits | – | – |
| Total current tax | <u>–</u> | <u>–</u> |

Kryso Resources Limited is registered as an exempted company for British Virgin Islands income tax purposes and the subsidiary undertakings have recorded no assessable profit for Tajikistan profits tax purposes and accordingly, no provision for British Virgin Islands income tax or Tajikistan profits tax has been made.

No provision for deferred taxation has been made on the grounds that it is immaterial.

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

6. Taxation on Ordinary Activities – (continued)

(b) Factors Affecting Current Tax Charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK.

| | <i>2005</i> | <i>2004</i> |
|--|----------------|----------------|
| | <i>US\$000</i> | <i>US\$000</i> |
| (Loss)/profit on ordinary activities before taxation | (1,118) | 20 |
| Profit on ordinary activities by rate of tax at 30% | (335) | 6 |
| Disallowed expenditure | (119) | (2) |
| Non taxable items | (368) | (44) |
| Overseas losses | 152 | 40 |
| Total current tax – (note 6(a)) | – | – |

Deferred tax assets have not been recognised in the financial statements as the directors are uncertain as to when they will be utilised.

7. Profit Attributable to Members of the Parent Company

The (loss)/profit dealt with in the accounts of the parent company was US\$(165,548) (2004 US\$163,000).

8. (Loss)/Profit per Share

| | <i>2005</i> | <i>2004</i> |
|--|-------------|-------------|
| | <i>US\$</i> | <i>US\$</i> |
| Basic (loss)/profit per ordinary share | (0.0199) | 0.0013 |
| Diluted (loss)/profit per ordinary share | (0.0199) | 0.0013 |

The basic (loss)/profit per share is calculated by dividing the (loss)/profit on ordinary activities after tax of US\$(1,118,000) (2004: profit US\$20,000) by the weighted average number shares in issue and carrying the right to receive dividend. For the year ended 31 December 2005 this was 56,020,833 (2004: 15,405,262) shares.

The diluted (loss)/profit per share is calculated by dividing the (loss)/profit on ordinary activities after tax of US\$(1,118,000) (2004: profit US\$20,000) by the weighted average number of potential shares in issue and carrying the right to receive dividend. For the year ended 31 December 2005 this was 56,120,833 (2004: 15,405,262) shares.

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

9. Intangible Fixed Assets Group

| | <i>Exploration Costs US\$000</i> | <i>Goodwill US\$000</i> | <i>Total US\$000</i> |
|-----------------------|--|-----------------------------|--------------------------|
| Cost | | | |
| At 1 January 2005 | – | 4,743 | 4,743 |
| Acquired in year | 1,019 | – | 1,019 |
| At 31 December 2005 | <u>1,019</u> | <u>4,743</u> | <u>5,762</u> |
| Amortisation | | | |
| At 1 January 2005 | – | 77 | 77 |
| Charge for the year | – | 504 | 504 |
| At 31 December 2005 | <u>–</u> | <u>581</u> | <u>581</u> |
| Net book value | | | |
| At 31 December 2005 | <u>1,019</u> | <u>4,162</u> | <u>5,181</u> |
| At 31 December 2004 | <u>–</u> | <u>4,666</u> | <u>4,666</u> |

10. Tangible Fixed Assets Group

| | <i>Office furniture and equipment US\$000</i> | <i>Motor vehicles US\$000</i> | <i>Plant and machinery US\$000</i> | <i>Total US\$000</i> |
|-----------------------|---|---------------------------------------|--|--------------------------|
| Cost | | | | |
| At 1 January 2005 | – | – | 85 | – |
| Acquired in year | 82 | 158 | 872 | 1,112 |
| At 31 December 2005 | <u>82</u> | <u>158</u> | <u>957</u> | <u>1,197</u> |
| Depreciation | | | | |
| At 1 January 2005 | – | – | 10 | 10 |
| Charge for the year | 31 | 22 | 164 | 217 |
| At 31 December 2005 | <u>31</u> | <u>22</u> | <u>174</u> | <u>227</u> |
| Net book value | | | | |
| At 31 December 2005 | <u>51</u> | <u>136</u> | <u>783</u> | <u>970</u> |
| At 31 December 2004 | <u>–</u> | <u>–</u> | <u>75</u> | <u>75</u> |

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

11. Investments Company

| | <i>Shares in Group Undertakings US\$000</i> | <i>Loans to Group Undertakings US\$000</i> | <i>Total US\$000</i> |
|----------------------|---|--|--------------------------|
| Cost | | | |
| At 1 January 2005 | 5,440 | – | 5,440 |
| New loan in the year | – | 3,124 | 3,124 |
| At 31 December 2005 | 5,440 | 3,124 | 8,564 |

Subsidiary Undertaking

| <i>Name of company</i> | <i>Holding</i> | <i>Country of incorporation</i> | <i>Proportion of voting rights held</i> | <i>Nature of business</i> |
|---|--------------------|-------------------------------------|---|---------------------------|
| <u>Directly Held</u> | | | | |
| Kryso Resources Limited | Ordinary Shares | British Virgin Islands | 100% | Holding Company |
| <u>Indirectly Held</u> | | | | |
| Limited Liability Company Pakrut | Ordinary Shares | Tajikstan | 100% | Mineral Exploitation |
| Limited Liability Company Kuhi Zarin | Ordinary Shares | Tajikstan | 100% | Mineral Exploitation |
| International Mining Supplies and Services Limited | Ordinary Shares | UK | 100% | Service Company |
| Limited Liability Company Gumas | Ordinary Shares | Tajikstan | *67% | Mineral Exploitation |
| Limited Liability Company Oil and Gas | Ordinary Shares | Tajikstan | 100% | Mineral Exploitation |

*In accordance with Tajik law, the external shareholder has to pay for the share capital within 12 months of the shares being issued. If no payment is made, these shares are cancelled. No payment was received within 12 months of these shares being issued so as at 14 April 2006, Limited Liability Company Gummas was 100% owned by the Company. No minority interests are therefore disclosed.

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

12. Stocks

| | Group 2005 <i>US\$000</i> | Company 2005 <i>US\$000</i> | Group 2004 <i>US\$000</i> | Company 2004 <i>US\$000</i> |
|-------------|--|--|--|--|
| Consumables | 215 | – | 18 | – |

13. Debtors

| | Group 2005 <i>US\$000</i> | Company 2005 <i>US\$000</i> | Group 2004 <i>US\$000</i> | Company 2004 <i>US\$000</i> |
|---------------|--|--|--|--|
| Other debtors | 74 | 7 | 227 | 10 |
| Prepayments | 48 | 7 | – | – |
| | <u>122</u> | <u>14</u> | <u>227</u> | <u>10</u> |

14. Creditors: amounts falling due within one year

| | Group 2005 <i>US\$000</i> | Company 2005 <i>US\$000</i> | Group 2004 <i>US\$000</i> | Company 2004 <i>US\$000</i> |
|-----------------------------------|--|--|--|--|
| Amount due to related undertaking | – | 17 | – | 129 |
| Other creditors | 130 | 3 | 101 | – |
| Accruals and deferred income | 21 | – | 22 | 22 |
| | <u>151</u> | <u>20</u> | <u>123</u> | <u>151</u> |

15. Treasury Policy and Financial Instruments

The group operates informal treasury policies which include ongoing assessments of interest rate management and borrowing policy. The board approves all decision on treasury policy.

Facilities are arranged, based on criteria determined by the board, as required to finance the long term requirements of the group. The group has financed its activities by the raising of funds through the placing of shares.

At 31 December 2005 there were no net monetary assets denominated in currencies other than the functional currencies of the operations.

There are no material differences between the book value and fair value of the financial assets at the year end.

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

16. Commitments under Operating Leases

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as set out below.

| | Group 2005 | Company 2005 | Group 2004 | Company 2004 |
|--------------------------------|-------------------------------------|------------------------|-------------------------------------|------------------------|
| | <i>Land and</i> <i>Buildings</i> | <i>Other</i> | <i>Land and</i> <i>Buildings</i> | <i>Other</i> |
| | <i>US\$000</i> | <i>US\$000</i> | <i>US\$000</i> | <i>US\$000</i> |
| Operating leases which expire: | | | | |
| Within 1 year | - | - | 10,062 | - |

17. Related Party Transactions

The company is exempt from the requirement to disclose related party transactions with other group companies under the provisions of Financial Reporting Standard No. 8. All group transactions are eliminated on consolidation.

During the year, Simon Cawkwell, a director was paid US\$Nil (2004 – US\$42,212) in respect of commission for obtaining investors.

Mr Cawkwell's wife was paid US\$Nil (2004 – US\$4,750) for providing management services to the group.

At the year end, \$64,177 (2004 - \$Nil) was due to Craig Brown, a Director of the Company, as reimbursement for expenses incurred during the year. At the year end, \$30,667 (2004 – \$Nil) was due to Abuali Ismatov, a Director of the Company, as reimbursement for expenses incurred during the year.

18. Share Capital

Group and Company Authorised Share Capital

| | 2005 <i>US\$000</i> | 2004 <i>US\$000</i> |
|--|------------------------|------------------------|
| 100,000,000 (2004 – 100,000,000) Ordinary shares of £0.01 each | 2,000 | 2,000 |

Allotted, Called up and Fully Paid

| | 2005 <i>US\$000</i> | 2004 <i>US\$000</i> |
|---|------------------------|------------------------|
| At 1 January | 1,027 | - |
| 500,000 (56,000,000) ordinary £0.01 shares allotted during the period | 8 | 1,027 |
| At 31 December, 56,500,000 (56,000,000) Ordinary shares of £0.01 each | 1,035 | 1,027 |

During the year, 500,000 ordinary shares of £0.01 were allotted for a consideration of \$85,440.

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

18. Share Capital – (continued)

Share Option Scheme

The Company has adopted an unapproved employee share option scheme (for the purposes of this paragraph referred to as the “Scheme”). Under the Scheme the Directors have the discretion to grant options to subscribe for Ordinary Shares up to a maximum of 5 per cent of the Company’s issued share capital with a maximum of one per cent to any one individual. Options can be granted to any employee of the Group. The option price is not to be less than the Placing Price. The options cannot be exercised for a period of one year from the date of grant. In event of any employee to whom options have been granted ceasing to be an employee of the Group he or she will have a set period in which to exercise those options (depending on the reasons for leaving) failing which the options will lapse.

The Company has granted 400,000 options to Ruegg and Co and 300,000 options to Hitchens, Harrison to acquire ordinary shares of 1p at 10p each at any time up to 2 December 2009.

During the year, the Company granted 200,000 options to acquire ordinary shares of 1p each at 10p each to a particular member of staff. The Company also granted 250,000 options to acquire ordinary shares of 1p each at 10p each to a further six employees. One of these employees subsequently resigned and so 25,000 of these options lapsed in December 2005.

19. Reserves

Group

| | <i>Share premium account US\$000</i> | <i>Profit and loss account US\$000</i> |
|--|--|--|
| At 1 January 2005 | 8,754 | 20 |
| Premium arising on shares issued | 79 | – |
| Adjustment to prior year share issue costs | 32 | – |
| Loss for the year | – | (1,118) |
| At 31 December 2005 | <u>8,865</u> | <u>(1,098)</u> |

Company

| | | |
|--|--------------|------------|
| At 1 January 2005 | 8,754 | 163 |
| Premium arising on shares issued | 79 | – |
| Adjustment to prior year share issue costs | 32 | – |
| Loss for the year | – | (166) |
| At 31 December 2005 | <u>8,865</u> | <u>(3)</u> |

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

20. Reconciliation of Movements in Shareholders' Funds

Group

Shareholders' Funds

| | <i>2005</i> | <i>2004</i> |
|--|----------------|----------------|
| | <i>US\$000</i> | <i>US\$000</i> |
| (Loss)/profit for the financial year | (1,118) | 20 |
| New equity share capital subscribed | 87 | 9,781 |
| Adjustment to prior year share issue costs | 32 | – |
| | <hr/> | <hr/> |
| Net (decrease)/increase to funds | (999) | 9,801 |
| Opening shareholders' funds | 9,801 | – |
| | <hr/> | <hr/> |
| Closing shareholders' funds | <u>8,802</u> | <u>9,801</u> |

Company

Shareholders' Funds

| | <i>2005</i> | <i>2004</i> |
|--|----------------|----------------|
| | <i>US\$000</i> | <i>US\$000</i> |
| (Loss)/profit for the financial year | (166) | 163 |
| New equity share capital subscribed | 87 | 9,781 |
| Adjustment to prior year share issue costs | 32 | – |
| | <hr/> | <hr/> |
| Net (reduction)/addition to funds | (47) | 9,944 |
| Opening shareholders' funds | 9,944 | – |
| | <hr/> | <hr/> |
| Closing shareholders' funds | <u>9,897</u> | <u>9,944</u> |

21. Controlling party

There is no controlling party.

KRYSO RESOURCES PLC

Notice of Annual General Meeting

KRYSO RESOURCES PLC **(the “Company”)**

NOTICE IS HEREBY given that the annual general meeting of the Company will be held at 2 Stone Buildings, Lincoln’s Inn, London WC2A 3TH on 12 July 2006 at 11am for the following purposes:

Ordinary Business

To consider and if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

- 1 To receive and adopt the Company’s annual accounts for the financial year ended 31 December 2005 together with the last directors’ report and auditors’ report on those accounts.
- 2 To reappoint Vassilios Carellas who retires by rotation.
- 3 To reappoint Andrew Malim who retires by rotation.
- 4 To reappoint CLB Littlejohn Frazer as auditors, to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company, at a remuneration to be determined by the directors.

Special Business

To consider and, if thought fit, pass the following resolutions, of which resolution 5 will be proposed as an ordinary resolution and resolution 6 will be proposed as a special resolution.

- 5 THAT the directors be and they are generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the “Act”) to exercise all the powers of the Company to allot relevant securities (within the meaning of that section) up to an aggregate nominal amount of £200,000 provided that this authority is for a period expiring at the Company’s next Annual General Meeting but the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. This authority is in substitution for all subsisting authorities, to the extent unused.

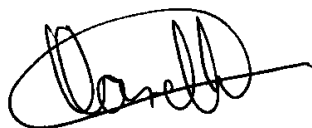
KRYSO RESOURCES PLC

Notice of Annual General Meeting (continued)

- 6 THAT subject to the passing of the previous resolution the directors be and they are empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) wholly for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
- (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
 - (b) otherwise than pursuant to sub-paragraph (a) above to an aggregate nominal amount of £100,000;

and shall expire on the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

By order of the Board



Vassilios Carellas
Managing Director

Dated 14 June 2006

Registered Office:
2 Stone Buildings
Lincoln's Inn
London
WC2A 3TH

NOTES:

- 1 A member to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy (or proxies) to attend and, on a poll, to vote in his place. A proxy need not be a member of the Company.
- 2 A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's registrars so as to be received not later than 48 hours before the time appointed for holding the annual general meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
- 3 The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM.
- 4 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 11am on 10 July 2006 or, if the meeting is adjourned, shareholders entered on the Company's register of members not later than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.

