
KRYSO RESOURCES Plc

Company Registration Number 05190505

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2007**

KRYSO RESOURCES PLC

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Company Information

Directors	Dr Trevor George Davenport Andrew Frederic Malim Ferdinand Dippenaar Vassilios Carellas Craig William Brown Abuali Ismatov	<i>(Non-Executive Chairman)</i> <i>(Non-Executive Director)</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, Cooper House 2 Michael Road London SW6 2AD	
Registered Office	Unit 3H, Cooper House 2 Michael Road London SW6 2AD	
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	Littlejohn Chartered Accountants and Registered Auditors 1 Westferry Circus Canary Wharf London E14 4HD	
Solicitors	Speechly Bircham LLP 6 New Street Square London EC4A 3LX	

KRYSO RESOURCES PLC

Chairman's Statement

I am pleased to report that since my last statement on 25 September 2007 Kryso Resources plc completed an internal Pre-Feasibility Study ('PFS') for the Pakrut Gold project ('Pakrut') in February this year based on the updated interim JORC compliant resource statement produced by GeoLogix Mineral Resource Consultants (Pty) Ltd ('GeoLogix'), the Company's geological consultants. In addition a TEM survey was completed at the Hukas nickel-copper project ('Hukas') in September 2007 by LOGANTEK, a geophysical services company primarily active in Asia; several interesting anomalies were outlined.

The projects, which are both located in Tajikistan, continue to reward the Company's investment in them, while Tajikistan, we believe, remains one of the most attractive operating environments in Central Asia.

At Pakrut, the highlight has been the completion of an internal PFS based on an interim resource estimate produced by GeoLogix in November 2007, which indicates that sufficient gold resources exist at the metal price forecast to make a significant return on the investment required for the project to go ahead.

The GeoLogix resource has been classified according to the JORC Code (2004), and the grade and tonnage of the resource, estimated at a 0.5g cut-off, are tabulated below.

Pakrut November 2007 GeoLogix Resource Summary

Cut-Off (Au g/t)	Tonnes (Metric)	Au (g/t)	Metal (Oz)
Measured			
0.5	9,361,011	2.49	749,669
Indicated			
0.5	2,771,667	1.62	144,033
Inferred			
0.5	2,914,053	1.74	162,885
Total			
0.5	15,046,730	2.18	1,056,587

As the mineral resource at Pakrut is still open in three directions and drilling is continuing to produce very encouraging intersections – particularly in the deeper sections of Ore Zone 1, Kryso confidently expects that this resource will increase further by year-end.

The PFS has addressed the various technical, environmental, infrastructure, administrative and financial aspects of Pakrut and concludes that the project is economically viable. Consequently Kryso is now committed to completing a definitive Bankable Feasibility Study before the end of the year.

At Hukas in the Gishun Licence Area, a TEM geophysical survey carried out by LOGANTEK was completed in September 2007. Consisting of 22 kilometres of fixed-loop surveying, the

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Chairman's Statement (continued)

survey identified three significant conductivity anomalies. These conductors conform to the dip and the northeasterly strike of gabbro-norites, which are known to host the nickel copper sulphide mineralization in the area. An extensive 900 metres long anomaly was identified approximately 400 metres to the north of a small isolated mineralised lens from which sampling by the Soviets returned excellent average grades of 2.86% nickel, 1.26% copper, 0.084% cobalt and 2.3g/t platinum group metals. The depth below the surface at which the conductor occurs varies from between 60 metres to 100 metres and dips to the east. Its width is up to 50 metres, but may be smaller depending on the conductivity of the anomaly, and has a depth extension of over 200 metres. The anomaly is still open to the north as the terrain precluded surveying at the time. Two more anomalies were identified close to the Mandara stream, located a few kilometres to the north within the Company's licensed exploration area.

In June 2008, the Company commenced a 1,500 metres programme of diamond core drilling on targets identified by the geophysical survey. Depending on the results of this drilling, a further ground-based electromagnetic geophysical survey will be carried out on the rest of the Company's Gishun exploration area.



Trevor Davenport
Non-Executive Chairman

26 June 2008

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Report of the Directors

The Directors present their report and the audited Financial Statements of the Group for the year ended 31 December 2007.

Principal Activity

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.

Business Review

Introduction

Kryso Resources is an emerging mineral exploration Company that is principally focused on exploring for gold and other precious and base metal deposits previously discovered in Central Asia during the Soviet Union era and then, where appropriate, bringing them into production.

Kryso Resources, which has its head office in London, is a public company that was admitted to AIM in December 2004 in order to continue funding the development of the Pakrut Gold Deposit, further explore the Pakrut Licence Area and to obtain and acquire other gold and base metal deposits in Tajikistan and elsewhere in Central Asia. The Group's Executive Directors and senior management are normally based in Dushanbe.

The Company's Executive Directors have a proven track record of operating in Tajikistan and they believe that Kryso Resources is the first foreign company to obtain a 100% interest in a mining and exploration project in the country.

Strategy

Kryso's strategy is to maximise shareholder value through the development of the Group's exploration properties, through proving up additional resources, completing feasibility studies on the properties and, where and when appropriate, putting the projects into production.

The Group's long-term objective is to provide growth through exploration and to acquire advanced stage projects within the Commonwealth of Independent States (CIS), part of the Former Soviet Union.

Kryso believes it has high quality senior and local management who have the right technical skills and in-country experience to develop current and future projects into profitable mining projects.

Operating Review

Since listing on AIM in December 2004 the Company has:

- Outlined an initial JORC resource of over 1,000,000 ounces at the Pakrut gold project ('Pakrut').
- Commenced a bankable feasibility study on an open pit and underground mining operation at Pakrut.
- Acquired the exploration licence for the Hukas nickel-copper project ('Hukas') and completed a surface trenching programme as well as TEM geophysical survey over part of the property.
- Formed a strategic alliance with Great Basin Gold ('Great Basin'), formerly part of the Hunter Dickinson group of companies, and cemented this through a non-brokered private placement of Kryso shares worth £1,000,000 to Great Basin. This was the first financing carried out by Kryso since its listing, when £2,600,000 was raised.

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Report of the Directors (continued)

- Completed close to 12,000 metres of diamond core drilling at the Pakrut Gold project.
- Completed over 2,500 metres of surface trenching at Pakrut and Hukas.
- Developed over 600 metres of underground adit at Pakrut. Re-established access to over 4 kilometres of Soviet-developed underground adit at Pakrut.
- Re-established approximately 25 kilometres of access and site roads up to and around Pakrut.
- Acquired 3 diamond drill rigs, one reverse circulation drill rig with compressor, 4 bulldozers, numerous support vehicles, underground mining equipment and various workshop machinery and tools.
- Built an 85-person camp at Pakrut, including workshops, fuel depot, storage facilities etc.
- Established its own sample preparation and analytical laboratory in Tajikistan's capital city Dushanbe.
- Prepared and assayed close to 21,000 samples, of which almost 4,500 have been sent to South Africa to be fire assayed by SGS Lakefield.
- Completed initial metallurgical testwork on Pakrut material in co-operation with SGS Lakefield.
- Commenced with a comprehensive metallurgical testwork program at SGS Lakefield's laboratory in South Africa.
- Completed an environmental baseline study for Pakrut to World Bank Environmental Guidelines.
- Completed an internal pre-feasibility study on the Pakrut gold deposit that demonstrates a robust project.

Pakrut Gold Deposit and Licence Area

In April 2004, LLC Pakrut, a wholly owned subsidiary of the Company, was granted a licence and geological lease to explore and exploit the Pakrut Licence Area which comprises the Pakrut gold deposit and the surrounding 6,300 hectare exploration area located in the metalliferous southern Tien-Shan Fold Belt. This belt is reputed to have the second largest known gold resource after the Witwatersrand in South Africa.

The Company is currently conducting a bankable feasibility study on the Pakrut gold deposit to put the deposit into production and also intends to explore identified mineralization in the Pakrut Licence Area.

The Hukas Ni-Cu-Co-PGM Project

In June 2006 the Company was awarded an exploration licence for the Hukas Nickel-Copper deposit. During 2007 the Company carried out a TEM geophysical survey that identified a shallow conductor, 900 metres in length, still open to the north and commencing 400 metres to the north of the lens of mineralisation that crops out in the property. In addition, another two conductors were identified in an area called Manadara. A drilling programme has been planned for 2008 to test these conductors.

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Report of the Directors (continued)

Financial Review

The results for the year ended 31 December 2007 and the year ended 31 December 2006 were as follows:

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
	<hr/>	<hr/>
Turnover	–	–
Exploration costs capitalised as intangible assets	2,605	1,754
Administrative expenses	993	589
Total costs	3,598	2,343
% Administrative expenses	27.6%	25.1%
Operating loss	941	432
Less: interest received	71	95
Loss on ordinary activities before taxation	870	336
Loss per share (cents)	<hr/> 1.25	<hr/> 0.59

The main financial Key Performance Indicator ('KPI') for the Company is administration costs, as a percentage of total costs. This KPI allows the Company to monitor costs. The KPI was lower in 2006 and increased in 2007 due to additional corporate costs and expenditure on public and investor relations.

Corporate Responsibility

The Company will endeavour to build a sustainable and profitable business to maximise the return to our shareholders and in doing so will not knowingly overlook our Corporate Responsibilities.

Certain of the Directors also serve as directors of other companies involved in natural resource exploration and development and consequently there exists the possibility for such Directors to be in a position of conflict. Any decision made by such Directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such Directors will declare, and refrain from voting on, any matter in which such Directors may have a conflict of interest.

People

The Company recognises that the success of its ventures is based on the well-being and health of its employees. All employees have to pass through an induction process where they are briefed on the Company's health and safety policies. The safety of the Company's employees is of the utmost importance and is therefore taken seriously in all areas in which the Company's employees operate.

The Company is also committed to the development of its employees and encourages them to attend courses and programmes to further develop their own skills. The Company also aims to provide a favourable working environment which will continue to draw, retain and motivate its employees so that they can reach their true potential and share in the Company's success.

Social

The Company continues to have a strong relationship with the local communities in the areas in which it operates, respecting their laws and customs. The Company employs local people in all levels within the organisation; this ensures a transparent and fair transfer of benefits and support to their communities where appropriate. The Company engages the local communities in all aspects of the projects it is actively involved in, from exploration through to feasibility and production, ensuring that concerns are addressed and that support is maintained throughout the entire process.

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Report of the Directors (continued)

Environment

The Company has a strict environmental code with which all its employees are well-versed during the induction process; this not only satisfies the local environmental code, but also the international code. The Company has contracted the services of a local environmental consultant who monitors its operations to ensure that any lapses are immediately brought to the attention of the management.

Risk Factors

There are several principal risk factors outlined below that may affect the Company's businesses and which may not all be within the Company's control. Other factors not listed below may also adversely affect the Company, but the management may take action to mitigate some of these risks; these are identified where appropriate.

Exploration and Development Risk

The exploration for and the development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored ultimately develop into producing mines. Major expenses may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration programmes planned and being carried out by the Company will result in profitable commercial mining operations.

There is no certainty that the exploration expenditures made by the Company as described in this document will result in discoveries of commercial quantities of ore. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company will compete with other companies, many of which have greater financial resources, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

The commercial viability of a deposit is dependent on a number of factors. These include deposit attributes such as size, grade and proximity to infrastructure; current and future prices which can be cyclical; government regulations including those relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors, either alone or in combination, cannot be entirely predicted, and their impact may result in the Company not receiving adequate return on invested capital.

The risks inherent in developing the Company's projects is mitigated to some extent by the fact that in accordance with the strategic alliance with Great Basin Gold, two technical personnel from Great Basin Gold are to advise the Company with respect to the development of its projects.

Economic Risk

The profitability of the Company's future operations may be significantly affected by changes in the market prices for the materials it may produce and is affected by numerous factors beyond the Company's control. The level of interest rates, the rate of inflation, world supply, and the stability of exchange rates can all cause fluctuations in the price. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and also political developments. Metal prices have fluctuated in recent years, and future significant price declines could cause future commercial production to be uneconomic and have a material adverse effect on the Company's financial condition.

Certain Company payments, in order to earn or maintain property interests, are to be made in local currency in the jurisdiction where the applicable property is located. As a result, fluctuations in the

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Report of the Directors (continued)

British Pound against the Tajik Somoni could have a material adverse effect on the Company's financial results which are denominated and reported in US dollars.

The Company currently does not carry insurance to protect against certain risks. As a result, the Company may become subject to liability to include environmental pollution, political risk and other hazards against which the Company cannot insure or which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Company's financial condition.

Political Risk

The political situation in Tajikistan introduces a certain degree of risk with respect to the Company's activities. The Government of Tajikistan exercises control over such matters as exploration and mining licensing, permitting, exporting and taxation, which may adversely impact the Company's ability to carry out exploration, development and mining activities.

No assurance can be given that the Company will be able to maintain or obtain effective security or insurance for any of its assets or personnel at its operations in Tajikistan where civil war and guerrilla activities have disrupted exploration and mining activities in the past; this may affect the Company's operations or plans in the future. A moderate degree of security is also required to mitigate the risk of loss by theft, either by the Company's employees or by third parties.

No assurance can be given that such factors will not have a material adverse effect on the Company's ability to undertake exploration, development and mining activities in respect to present and future properties in Tajikistan.

Performance of Key Personnel and Employees

The Company is dependent on a relatively small number of employees, the loss of any of whom could have an adverse effect on the Group.

There has been a steady emigration of skilled personnel from Tajikistan in recent years that could adversely affect the Company's ability to retain its employees.

Additional Funding Requirements

The further development and exploration of the various properties in which the Company holds interests, is dependent upon the Company's ability to obtain financing through any or all of the joint venturing of projects, debt financing, equity financing or other means. There is no assurance that the Company will be successful in obtaining the required financing.

A review of the Group's activities for the year ended 31 December 2007 and its prospects for 2008 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 do not recommend the payment of a dividend.

Future Developments

A review of the business and future prospects is set out in the Chairman's Statement on pages 3 and 4.

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Report of the Directors (continued)

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</i> <i>1 January</i> <i>2007</i>	<i>At</i> <i>31 December</i> <i>2007</i>
Trevor George Davenport	100,000	150,000
Vassilios Carellas	7,100,000	7,100,000
Craig William Brown	*7,100,000	*7,100,000
Abuali Ismatov	7,100,000	7,100,000
Andrew Frederic Malim	–	–
Ferdinand Dippenaar	–	–

*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, Trevor George Davenport, Vassilios Carellas, Craig William Brown and Abuali Ismatov were each 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);
- (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).

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

On 3 October 2007 Ferdinand Dippenaar was granted 400,000 options under a share option scheme to vest after 12 months exercisable at 13p.

On 5 October 2007 Trevor George Davenport exercised 50,000 options at an exercise 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>2007</i>	<i>At</i> <i>1 January</i> <i>2007</i>
Trevor George Davenport	250,000	300,000
Vassilios Carellas	300,000	300,000
Craig William Brown	300,000	300,000
Abuali Ismatov	300,000	300,000
Andrew Frederic Malim	400,000	400,000
Ferdinand Dippenaar	400,000	–

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Report of the Directors (continued)

Substantial shareholdings

As at 18 June 2008, the Directors were aware of the following shareholdings in excess of 3% of the Company's issued share capital.

	<i>Number of ordinary shares</i>	<i>Percent of issued ordinary share capital</i>
Great Basin Gold Limited	11,908,429	15.03%
Vassilios Carellas	7,100,000	8.96%
Abuali Ismatov	7,100,000	8.96%
Westrock Resources Limited	7,000,000	8.83%
European Clearing	4,896,857	6.18%
Indosuez W I Carr Securities UK Limited	2,525,000	3.19%
Simon Cawkwell	2,430,000	3.07%

Share Capital

During the year a total of 12,739,024 new ordinary shares of £0.01 each were issued, details of which are set out in note 17 to the Financial Statements.

Directors

The Board comprises:

Trevor Davenport, B.Sc., M.Sc., Ph.D., C. Eng. (aged 67), 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, 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.Sc. (Hons) MAusIMM (aged 34), 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 37), 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

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Report of the Directors (continued)

that company. He has been a director of several mining joint ventures in Central Asia. Craig is based in Dushanbe.

Abuali Ismatov, (aged 48), 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 65), Non-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.

Ferdinand Dippenaar (aged 47), Non-Executive Director

A resident of South Africa, Ferdinand Dippenaar has 25 years of mining industry experience, particularly in the gold sector, and has occupied a variety of senior roles. He is currently President, Chief Executive Officer (CEO) and Director of TSX-listed Great Basin Gold ('Great Basin'), Kryso's strategic partner and holder of approximately 15% of the Company. Ferdinand Dippenaar was appointed as Non-Executive Director on 18 April 2007.

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.

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 made by the Board and the making of individual investment and loan decisions is designated to members of the Board. Accepting 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 Financial Statements and internal control systems. The Audit Committee meets once a year with the auditors, without executive board members present.

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Report of the Directors (continued)

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 Financial Statements 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 Financial Statements.

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 2007 the number of creditors days in respect of trade creditors was 35 days.

Relevant Audit Information

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought reasonably have taken as a Director to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Since the previous Annual General Meeting our auditors, CLB Littlejohn Frazer, have changed their name to Littlejohn. A resolution to reappoint Littlejohn 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 26 June 2008

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Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Under that law the Directors have prepared the Group and Parent Company Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

United Kingdom company law requires that the Directors prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year, and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Financial Statements comply with IFRS's as adopted by the European Union, subject to any material departures disclosed and explained in the Financial Statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and to enable them to ensure that the Financial Statements comply with the Companies Act 1985 and Article 4 of the IAS Regulations. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the Financial Statements since they were initially presented on their website. Legislation in the United Kingdom governing the preparation and dissemination of the Financial Statements and other information included in annual reports may differ from legislation in other jurisdictions.

The Company is compliant with AIM Rule 26 regarding the Company's website.

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Report of the Auditors

Independent Auditor's 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 2007 which comprise the Consolidated Income Statement, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statement of Changes in Equity, the Accounting Policies and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

This report is made solely to the 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 Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether, in our opinion, the information given in the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report. In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises only the Directors' Report and the Chairman's Statement. 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 judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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Report of the Auditors (continued)

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.

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with IFRS's as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of the Group's loss for the year then ended;
- the Company Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2007;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Financial Statements.



Littlejohn
*Chartered Accountants
and Registered Auditors*

1 Westferry Circus
Canary Wharf
London E14 4HD

26 June 2008

KRYSO RESOURCES PLC

Consolidated Income Statement – Year ended 31 December 2007

	<i>Note</i>	<i>2007</i> <i>US\$000</i>	<i>2006</i> <i>US\$000</i>
Turnover			
Cost of sales	1	–	–
		<hr/>	<hr/>
Gross Profit		–	–
Administrative expenses		(993)	(589)
Gain on foreign exchange	2	52	157
		<hr/>	<hr/>
Operating Loss	3	(941)	(432)
Interest receivable		71	96
		<hr/>	<hr/>
Loss on Ordinary Activities before Taxation		(870)	(336)
Tax on loss on ordinary activities	6	–	–
		<hr/>	<hr/>
Loss on Ordinary Activities after Taxation attributable to equity holders of the Company		<u>(870)</u>	<u>(336)</u>
Basic and Diluted Loss per Share attributable to equity holders of the Company	8	<u>\$(0.0125)</u>	<u>\$(0.0059)</u>

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 Group has no recognised gains or losses other than the results for the years as set out above.

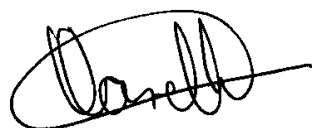
The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC

Consolidated Balance Sheet – As at 31 December 2007

	<i>Note</i>	<i>2007</i> <i>US\$000</i>	<i>2006</i> <i>US\$000</i>
Fixed Assets			
Intangible assets	9	10,122	7,517
Tangible assets	10	462	601
		<u>10,584</u>	<u>8,118</u>
Current Assets			
Inventories	12	621	224
Debtors	13	327	236
Cash and cash equivalents		1,586	2,493
		<u>2,534</u>	<u>2,953</u>
Creditors: amounts falling due within one year	14	<u>(281)</u>	<u>(119)</u>
Net Current Assets		<u>2,253</u>	<u>2,834</u>
Total Assets less Current Liabilities		<u>12,837</u>	<u>10,952</u>
Equity			
Called-up share capital	17	1,481	1,227
Share premium account		13,033	10,554
Retained earnings		(1,677)	(829)
Total Equity		<u>12,837</u>	<u>10,952</u>

These Financial Statements were approved and authorised for issue by the Directors on 26 June 2008 and are signed on their behalf by:



Vassilios Carellas
Managing Director



Craig Brown
Finance Director

The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC

Balance Sheet – As at 31 December 2007

	<i>Note</i>	<i>2007</i> <i>US\$000</i>	<i>2006</i> <i>US\$000</i>
Fixed Assets			
Investments	11	<u>13,069</u>	<u>9,718</u>
Current Assets			
Debtors	13	31	28
Cash and cash equivalents		<u>1,527</u>	<u>2,287</u>
		1,558	2,315
Creditors: amounts falling due within one year	14	<u>(224)</u>	<u>(131)</u>
Net Current Assets		<u>1,334</u>	<u>2,184</u>
Total Assets less Current Liabilities		<u><u>14,403</u></u>	<u><u>11,902</u></u>
Equity			
Called-up share capital	17	1,481	1,227
Share premium account		13,033	10,554
Retained earnings		<u>(111)</u>	<u>121</u>
Total Equity		<u><u>14,403</u></u>	<u><u>11,902</u></u>

These Financial Statements were approved and authorised for issue by the Directors on 26 June 2008 and are signed on their behalf by:



Vassilios Carellas
Managing Director



Craig Brown
Finance Director

The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC

Consolidated Statement of Changes in Equity –

Year ended 31 December 2007

	<i>Share capital US\$000</i>	<i>Share premium US\$000</i>	<i>Retained earnings US\$000</i>	<i>Total US\$000</i>
Balance at 1 January 2006	<u>1,035</u>	<u>8,865</u>	<u>(517)</u>	<u>9,383</u>
Recognised income and expenses	–	–	(336)	(336)
Share based payments	–	–	24	24
Issue of ordinary shares	192	1,689	–	1,881
Balance at 31 December 2006	<u>1,227</u>	<u>10,554</u>	<u>(829)</u>	<u>10,952</u>
Recognised income and expenses	–	–	(870)	(870)
Share based payments	–	–	22	22
Issue of ordinary shares	254	2,673	–	2,927
Costs of share issue	–	(194)	–	(194)
Balance at 31 December 2007	<u>1,481</u>	<u>13,033</u>	<u>(1,677)</u>	<u>12,837</u>

The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC
Company Statement of Changes in Equity –
Year ended 31 December 2007

	<i>Share capital US\$000</i>	<i>Share premium US\$000</i>	<i>Retained earnings US\$000</i>	<i>Total US\$000</i>
Balance at 1 January 2006	1,035	8,865	(3)	9,897
Recognised income and expenses	–	–	100	100
Share based payments	–	–	24	24
Issue of ordinary shares	192	1,689	–	1,881
Balance at 31 December 2006	1,227	10,554	121	11,902
Recognised income and expenses	–	–	(254)	(254)
Share based payments	–	–	22	22
Issue of ordinary shares	254	2,673	–	2,927
Costs of share issue	–	(194)	–	(194)
Balance at 31 December 2007	1,481	13,033	(111)	14,403

The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC

Consolidated Cash Flow Statement – Year ended 31 December 2007

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Net Cash Outflow from Operating Activities	(1,213)	(535)
Cash flows from Investing Activities		
Payments to acquire intangible fixed assets	(2,187)	(1,375)
Payments to acquire tangible fixed assets	(311)	(38)
Interest received	71	95
Net Cash Outflow from Investing Activities	<u>(2,427)</u>	<u>(1,318)</u>
Cash flows from Financing Activities		
Issue of equity share capital (net of issue costs)	<u>2,733</u>	<u>1,881</u>
Net Cash generated from Financing Activities	<u>2,733</u>	<u>1,881</u>
Net (Decrease)/Increase in Cash and cash equivalents	(907)	28
Cash and cash equivalents at beginning of the year	<u>2,493</u>	<u>2,465</u>
Cash and cash equivalents at end of the year	<u><u>1,586</u></u>	<u><u>2,493</u></u>

The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC

Notes to the Consolidated Cash Flow Statement – Year ended 31 December 2007

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities		
Operating loss	(941)	(432)
Depreciation	32	27
Share based payments	22	25
Increase in stocks	(397)	(9)
Increase in debtors	(91)	(114)
Increase/(Decrease) in creditors	162	(32)
Net Cash Outflow from Operating Activities	<u>(1,213)</u>	<u>(535)</u>

The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC

Company Cash Flow Statement – Year ended 31 December 2007

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Net Cash Outflow from Operating Activities	(213)	(17)
Cash flows from Investing Activities		
Payments to increase investments	(3,351)	(955)
Interest received	71	39
Net Cash Outflow from Investing Activities	<u>(3,280)</u>	<u>(916)</u>
Cash flows from Financing Activities		
Issue of equity share capital (net of issue costs)	2,733	1,881
Net Cash generated from Financing Activities	<u>2,733</u>	<u>1,881</u>
Net (Decrease)/Increase in Cash and cash equivalents	(760)	948
Cash and cash equivalents at beginning of the year	<u>2,287</u>	<u>1,339</u>
Cash and cash equivalents at end of the year	<u><u>1,527</u></u>	<u><u>2,287</u></u>

The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC

Notes to the Company Cash Flow Statement – Year ended 31 December 2007

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities		
Operating loss	(325)	(139)
Share based payments	22	25
Increase in debtors	(3)	(14)
Increase in creditors	93	111
Net Cash Outflow from Operating Activities	<u>(213)</u>	<u>(17)</u>

The accounting policies and notes on pages 26 to 36 form part of these Financial Statements.

KRYSO RESOURCES PLC

Accounting Policies

Basis of Accounting

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention.

The preparation of Financial Statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

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 \$1.9973 to £1.

At the date of approval of these Group Financial Statements the following standards and interpretations were in issue but not yet effective:

- IFRS 8 – Operating segments
- IFRIC 11 / IFRS 2 – Group and treasury share transactions
- IFRIC 12 – Service concession arrangements
- IFRIC 13 – Customer loyalty programmes
- IFRIC 14 / IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Group Financial Statements, except for additional disclosures on segregated results, when the relevant standards come into effect for periods commencing on or after 1 January 2008.

First Time Adoption of International Financial Reporting Standards (IFRS)

The Company and Group have adopted IFRS for the first time in their respective Financial Statements. The date of transition was 1 January 2006 and all comparative information in these Financial Statements has been restated to reflect the Company's and Group's adoption of IFRS. The transition to IFRS reporting has resulted in a number of changes to the Financial Statements, the notes thereto and the accounting policies, compared with previous annual reports. These changes are set out in the notes to the Financial Statements. The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in these Financial Statements.

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. 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. All significant intercompany transactions and balances between group undertakings are eliminated on consolidation.

KRYSO RESOURCES PLC

Accounting Policies (continued)

Goodwill

Goodwill arising on consolidation, representing the fair value of the consideration over fair value of the identifiable assets acquired is capitalised and reviewed annually for impairment in value.

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. Expenditure included in the initial measurement of exploration and evaluation assets and which are classified as intangible assets relate to the acquisition of rights to undertake topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and other activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of any asset may exceed its recoverable amount. The assessment is carried out by allocating exploration and evaluation assets to cash generating units which are based on geographical areas.

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

Inventory

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

Foreign Currencies

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group Financial Statements are presented in US dollars, which is the Group's presentation currency.

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 income statement.

KRYSO RESOURCES PLC

Accounting Policies (continued)

Deferred Taxation

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax basis used in the computation of taxable profit or loss. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

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.

Share Based Payments

The Group operates a share option scheme to encourage participation by Directors and employees in the Group's performance. The fair value of the services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of any option granted, excluding non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimate of options that are expected to vest.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

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 2008 and its plan for 2009. 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. Revenue

The group did not trade in the year.

2. Gain on Foreign Exchange

The gain on foreign exchange in both years arises as a result of translating the Group's bank balances at the year end.

3. Operating Loss

Operating loss is stated after *charging*:

	2007 US\$000	2006 US\$000
Depreciation	450	431
less transfer to exploration costs	(418)	(404)
Auditors' remuneration		
– as auditors	22	22
– taxation services	2	2
Operating lease rentals	<u>26</u>	<u>20</u>

4. Particulars of Employees

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

	2007 No.	2006 No.
Administrative and management	23	27
Mining	141	143
	<u>164</u>	<u>170</u>

The aggregate payroll costs of the above were:

	2007 US\$000	2006 US\$000
Wages and salaries	1,047	740
Social security costs	105	92
Share based payments	22	24
	<u>1,174</u>	<u>856</u>

5. Directors' Emoluments

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

	2007 US\$000	2006 US\$000
Emoluments receivable – from the company	86	44
– from group companies	480	339
	<u>566</u>	<u>383</u>

During the year no Director (2006 – no Director) participated in a money purchase pension scheme. During the year, one Director (2006 – no Director) exercised share options.

The highest paid director received emoluments as follows:

	2007 US\$000	2006 US\$000
Emoluments receivable	<u>150</u>	<u>110</u>

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

6. Taxation on Ordinary Activities

(a) Analysis of Charge in the Year

Current tax:

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
UK Corporation tax based on the results for the year at 30%	–	–
Overseas tax credits	–	–
	<hr/>	<hr/>
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 on accelerated capital allowances has been made on the grounds that it is immaterial.

(b) Factors Affecting Current Tax Charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2006 – 30%).

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
Loss on ordinary activities before taxation	(870)	(336)
	<hr/>	<hr/>
Loss on ordinary activities by rate of tax at 30%	(261)	(101)
Disallowed expenditure	13	10
Losses carried forward/utilisation of losses	106	(25)
Overseas losses	142	116
	<hr/>	<hr/>
Total current tax – (note 6(a))	<u>–</u>	<u>–</u>

Deferred tax assets have not been recognised in the Financial Statements as the Directors are uncertain as to when they will be utilised.

7. Loss Attributable to Members of the Parent Company

The loss dealt with in the Financial Statements of the parent company was US\$254,480 (2006 – profit US\$99,955).

8. Loss per Share

	<i>2007</i>	<i>2006</i>
	<i>US\$</i>	<i>US\$</i>
Basic and diluted loss per ordinary share	<u>(0.0125)</u>	<u>(0.0059)</u>

The basic loss per share is calculated by dividing the loss on ordinary activities after tax of US\$870,000 (2006 – loss US\$336,000) by the weighted average number shares in issue and carrying the right to receive dividend. For the year ended 31 December 2007 this was 69,691,184 (2006 – 57,333,333) shares.

As the Group has incurred a loss for the year, no option or warrant is potentially dilutive, and hence the basic and diluted loss per share are the same.

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 2006	1,019	4,743	5,762
Acquired in year	1,755	–	1,755
At 1 January 2007	2,774	4,743	7,517
Acquired in year	2,605	–	2,605
At 31 December 2007	<u>5,379</u>	<u>4,743</u>	<u>10,122</u>
Net Book Value			
At 31 December 2007	<u>5,379</u>	<u>4,743</u>	<u>10,122</u>
At 31 December 2006	<u>2,774</u>	<u>4,743</u>	<u>7,517</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 2006	82	158	957	1,197
Acquired in year	7	6	25	38
At 1 January 2007	89	164	982	1,235
Acquired in year	34	29	248	311
At 31 December 2007	<u>123</u>	<u>193</u>	<u>1,230</u>	<u>1,546</u>
Depreciation				
At 1 January 2006	31	22	174	227
Charge for the year	27	55	325	407
At 1 January 2007	58	77	499	634
Charge for the year	33	53	364	450
At 31 December 2007	<u>91</u>	<u>130</u>	<u>863</u>	<u>1,084</u>
Net book value				
At 31 December 2007	<u>32</u>	<u>63</u>	<u>367</u>	<u>462</u>
At 31 December 2006	<u>31</u>	<u>87</u>	<u>483</u>	<u>601</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 2006	5,440	3,124	8,564
New loan in the year	–	1,154	1,154
At 1 January 2007	5,440	4,278	9,718
New loan in the year	–	3,351	3,351
At 31 December 2007	<u>5,440</u>	<u>7,629</u>	<u>13,069</u>

Subsidiary Undertakings

<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	Tajikistan	100%	Mineral Exploitation
Limited Liability Company Kuhi Zarin	Ordinary Shares	Tajikistan	100%	Mineral Exploitation
International Mining Supplies and Services Limited	Ordinary Shares	UK	100%	Service Company
Limited Liability Company Gumas	Ordinary Shares	Tajikistan	*100%	Mineral Exploitation
Limited Liability Company Asia Oil and Gas	Ordinary Shares	Tajikistan	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 Gumus was 100% owned by the Company. No minority interests are therefore disclosed.

12. Inventories

	Group 2007 US\$000	Company 2007 US\$000	Group 2006 US\$000	Company 2006 US\$000
Consumables	<u>621</u>	<u>–</u>	<u>224</u>	<u>–</u>

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

13. Debtors

	Group	Company	Group	Company
	<i>2007</i>	<i>2007</i>	<i>2006</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Other debtors	203	–	176	18
Prepayments and deposits	124	31	60	10
	<u>327</u>	<u>31</u>	<u>236</u>	<u>28</u>

14. Creditors: amounts falling due within one year

	Group	Company	Group	Company
	<i>2007</i>	<i>2007</i>	<i>2006</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Amount due to group undertaking	–	133	–	63
Other creditors	255	69	90	42
Accruals and deferred income	26	22	29	26
	<u>281</u>	<u>224</u>	<u>119</u>	<u>131</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 decisions 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 2007 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.

16. Related Party Transactions

At the year-end, nothing was due to Trevor Davenport, a Director of the Company who at the end of 2006 was due \$9,796 for directors fees. At the year-end, \$61,505 (2006 – \$17,422) was due to Craig Brown, a Director of the Company, as reimbursement for expenses incurred during the year. At the year-end, \$15,006 (2006 – \$3,482) was due to Vassilios Carellas, a Director of the Company, as reimbursement for expenses incurred during the year. At the year-end, \$6,224 was due to Abuali Ismatov, a Director of the Company, for expenses incurred during the year. As at 31 December 2006, Abuali Ismatov owed \$18,397 as an advance for expenses.

Kryso Resources plc charged Kryso Resources Limited a management fee of US\$180,000 during 2007 (2006 – \$180,000). International Mining Supplies & Services Limited charged Kryso Resources plc a management fee of \$71,943 during 2007 (2006 – \$65,743) for the supply of office services. International Mining Supplies & Services Limited provided goods and services to LLC 'Pakrut' for \$1,058,307 during 2007 (2006 – \$198,325).

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

17. Share Capital

Group and Company

Authorised Share Capital

	<i>2007</i>	<i>2006</i>
	<i>US\$000</i>	<i>US\$000</i>
100,000,000 (2006 – 100,000,000) Ordinary shares of £0.01 each	<u>2,000</u>	<u>2,000</u>
Allotted, Called up and Fully Paid		
At 1 January, 66,500,000 (2006 – 56,500,000) Ordinary shares of £0.01 each	1,227	1,035
12,739,024 Ordinary £0.01 shares allotted during the period	254	–
10,000,000 Ordinary £0.01 shares allotted during the period	<u>–</u>	<u>192</u>
At 31 December, 79,239,024 (2006 – 66,500,000) Ordinary shares of £0.01 each	<u>1,481</u>	<u>1,227</u>

During the year 12,739,024 ordinary shares of £0.01 were allotted fully paid for a consideration of \$2,927,419.

Share Option Scheme

Options can be granted to any employee of the Group. The option price is not to be less than the initial Placing Price or the price on the day of issue. The options cannot be exercised for a period of at least one year from the date of grant. In the event of any employee to whom options have been granted ceases 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.

Details of share options granted by the Company were as follows:

	<i>No. of share options</i>	<i>Weighted average price (pence)</i>	<i>No. of share options</i>	<i>Weighted average price (pence)</i>
Share Option Scheme				
Outstanding at beginning of year	2,675,000	12	2,675,000	12
Granted during the year	700,000	13	–	–
Exercised during the year	(50,000)	10	–	–
Outstanding at end of year	<u>3,325,000</u>	<u>12</u>	<u>2,675,000</u>	<u>12</u>
Exercisable at 31 December	<u>2,625,000</u>	<u>12</u>	<u>2,275,000</u>	<u>11</u>

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Notes to the Financial Statements (continued)

17. Share Capital (continued)

The Group is required to recognise an expense for all share based payments made after 7 November 2002 which had not yet fully vested at the relevant effective date of 1 January 2006 together with options granted after 1 January 2006. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. The assumptions used to value the options are set out below:

Option granted on	24 Nov 2004	24 Nov 2004	24 Nov 2004	24 Nov 2004	13 May 2005	15 Nov 2005	5 Oct 2007
Shares under option	200,000	200,000	200,000	200,000	375,000	400,000	700,000
Exercise price (£)	0.15	0.10	0.15	0.10	0.10	0.135	0.13
Exercise from (years)	2	2	3	3	1	1	1
Option life (years)	5	5	5	5	4	4	4
Risk free rate	4.41%	4.41%	4.41%	4.41%	4.41%	4.41%	4.41%
Expected volatility	33%	33%	33%	33%	33%	33%	33%
Expected dividend yield	0%	0%	0%	0%	0%	0%	0%
Forfeiture rate	33%	33%	33%	33%	33%	33%	33%
Price (£)	0.01	0.02	0.01	0.02	0.02	0.03	0.02
Bid price discount	5%	5%	5%	5%	5%	5%	5%
Fair value of options granted (£)	1,345	2,680	1,340	2,680	5,025	8,040	9,380

The expected volatility is based on historical volatility over the last two years.

The total fair value has been spread over the relevant vesting periods and has resulted in a charge to the profit and loss account for the year ended 31 December 2007 of US\$21,725 (2006 – US\$24,979).

Warrants

On 5 October 2007, 640,587 warrants were granted to FD Holdings Limited pursuant to the placing of 12,689,024 ordinary shares during the year by Fox-Davies Capital Limited. The exercise price for these warrants is 11.5p per ordinary share. The warrants are exercisable up to five years from the date of grant.

On 18 December 2006, 5,000,000 warrants were granted to Great Basin Gold Limited pursuant to their investment in 10,000,000 ordinary shares of 1p each. The exercise price for these warrants is 15p per ordinary share. The warrants are exercisable up to two years from the date of grant.

Any ordinary shares allotted pursuant to an exercise of warrants will rank *pari passu* in all respects with the ordinary shares in issue at the date of exercise of the warrants.

KRYSO RESOURCES PLC

Notes to the Financial Statements (continued)

18. Reconciliation of previous GAAP to IFRS

The corresponding amounts in the prior year for the year ended 31 December 2006 and the Financial Statements for the year ended 31 December 2007 have been adjusted for the effects of changes to accounting policies on transition to IFRS as follows:

- (a) Goodwill arising on the acquisition of Kryso Resources Limited by Kryso Resources plc was amortised over a ten year period in previous accounting periods. In accordance with International Financial Reporting Standards the write off of goodwill has been reinstated; which has resulted in the Group carrying the goodwill, which is included in intangible assets, at its original acquisition value.
- (b) The effect of reversing the amortisation of goodwill on the financial statements for the year ended 31 December 2006 is a decrease in operating loss from \$841,000 to \$336,000.
- (c) Equity under previous GAAP at the date of transition, 1 January 2006, was \$8,802,000 compared to equity under IFRS's at that date of \$9,383,000.
- (d) Equity under previous GAAP at the end of 31 December 2006 was \$9,866,000 compared to equity under IFRS's at that date of \$10,952,000.

19. Controlling Party

There is no controlling party.

