

## **KRYSO RESOURCES Plc**

*Company Registration Number 0519050*

### **Interim Results for the 6 month period ended 30 June 2006**

**28 September 2006**

#### **Chairman's Statement**

I am pleased to report to shareholders that during the last six months Kryso Resources plc ('the Company') has been extremely active with the ongoing drill programme at the Pakrut Gold Deposit. Most recently, the Company through its 100% owned subsidiary in Tajikistan, LLC "Kuhi Zarrin", has been awarded the exploration licence for the Hukas Nickel – Copper prospect by the Tajikistan Government.

With the commissioning of the Company's third drill rig, underground drilling at the Pakrut Gold Deposit has steadily increased to over 1,000 metres in July 2006. To date, over 5,900 metres have been drilled, 542 linear metres of underground adit have been developed and 2,043 linear metres of trenches have been manually excavated.

The Company has drilled over 45 holes and has another 10 more holes to drill before it believes a preliminary resource model can be generated that will contain sufficient resources for both an open pit and an underground operation. Additional channel sampling of the adit wall will also be completed in the coming months and this information, along with the drill hole data, will be used to generate the JORC standard resource model by the beginning of 2007.

Samples from the first 25 diamond drill holes at the Pakrut Gold Deposit were sent to two independent laboratories in South Africa. The results received from these laboratories were recently announced and are extremely encouraging with very good grades and widths intersected.

Reconfirmation of the Soviet exploration results has commenced at the Hukas Nickel-Copper prospect, where 152.5 linear metres of trenches have been manually excavated during the month of August. The trench samples are now at the Company's sample preparation laboratory in Dushanbe.

The Company expects 2007 to be an active and exciting year with the anticipated completion of the feasibility study by Snowden Mining Industry Consultants on the Pakrut Gold Deposit and the commencement of diamond core-drilling at the Hukas Nickel – Copper prospect.

With reference to my first Chairman's statement I mentioned two of Tajikistan's neighbours, namely Uzbekistan and Kyrgyzstan, where conditions appear to have worsened for the few western companies operating in these countries. The Directors' view remains that Tajikistan is developing both commercially and democratically. The Company has received continuous support from the Tajik government and this has been confirmed by their grant to the Company of a second exploration licence.

The profit and loss account shows a decreased loss to \$354,000 for the six months ended 30 June 2006 compared to \$587,000 during the six months ended 30 June 2005. The decreased loss is mainly due to an exchange gain of \$61,000 during the period ended June 2006 compared to an exchange loss of \$221,000 during the six month period ended 30 June 2005.

During the six month period ended 30 June 2006, \$749,000 of site expenditure was capitalised. This site expenditure consisted of drilling, trenching, underground development, and laboratory costs. These pre-production costs are part of the ongoing feasibility study.

Dr. Trevor Davenport  
**Chairman**

|  |      | Six months to<br>30 June 2006<br>US\$'000 | Six months to<br>30 June 2005<br>US\$'000 | Audited<br>Year ended<br>31 December<br>2005<br>US\$'000 |
|--|------|---|---|--|
|  | Note |   |   |  |
| <b>Group Turnover</b>                              |      | -   | -   | -  |
| Cost of sales                                      |      | -   | -   | -  |
|  |      | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Gross Profit</b>                                |      | -   | -   | -  |
| Administrative expenses                            |      | (226)                                     | (233)                                     | (527)  |
| Development expenditure                            |      | (2)                                       | -   | -  |
| Exceptional gain/(loss) on foreign exchange        |      | 61  | (221)                                     | (305)  |
| Amortisation of goodwill                           |      | (250)                                     | (250)                                     | (504)  |
|  |      | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Operating Loss</b>                              |      | (417)                                     | (704)                                     | (1,336)  |
| Interest receivable                                |      | 63  | 117                                       | 218  |
|  |      | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Loss on Ordinary Activities before Taxation</b> | 2    | (354)                                     | (587)                                     | (1,118)  |
| Tax on (loss) on ordinary activities               |      | -   | -   | -  |
|  |      | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Loss on Ordinary Activities after Taxation</b>  |      | (354)                                     | (587)                                     | (1,118)  |
|  |      | <hr/> <hr/>                               | <hr/> <hr/>                               | <hr/> <hr/>  |
| <b>Loss Per Share</b>                              |      | (0.0063)                                  | (0.01)                                    | (0.0199)   |
|  |      | <hr/> <hr/>                               | <hr/> <hr/>                               | <hr/> <hr/>  |

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

|   | Six months to<br>30 June 2006<br>US\$'000 | Six months to<br>30 June 2005<br>US\$'000 | Audited<br>Year ended<br>31 December<br>2005<br>US\$'000 |
|---|---|---|--|
| <b>Fixed Assets</b>                                   |   |   |  |
| Intangible assets                                     | 5,680                                     | 4,615                                     | 5,181  |
| Tangible assets                                       | 801                                       | 765                                       | 970  |
|   | <hr/>                                     | <hr/>                                     | <hr/>  |
|   | 6,481                                     | 5,380                                     | 6,151  |
|   | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Current Assets</b>                                 |   |   |  |
| Stocks  | 188                                       | 320                                       | 215  |
| Debtors   | 264                                       | 158                                       | 122  |
| Cash at bank  | 1,618                                     | 3,445                                     | 2,465  |
|   | <hr/>                                     | <hr/>                                     | <hr/>  |
|   | 2,070                                     | 3,923                                     | 2,802  |
| <b>Creditors:</b> amounts falling due within one year | (103)                                     | (89)                                      | (151)  |
|   | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Net Current Assets</b>                             | 1,967                                     | 3,834                                     | 2,651  |
|   | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Total Assets less Current Liabilities</b>          | 8,448                                     | 9,214                                     | 8,802  |
|   | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Capital and Reserves</b>                           |   |   |  |
| Called-up equity share capital                        | 1,035                                     | 1,027                                     | 1,035  |
| Share premium account                                 | 8,865                                     | 8,754                                     | 8,865  |
| Profit and loss account                               | (1,452)                                   | (567)                                     | (1,098)  |
|   | <hr/>                                     | <hr/>                                     | <hr/>  |
| <b>Shareholder funds</b>                              | 8,448                                     | 9,214                                     | 8,802  |
|   | <hr/>                                     | <hr/>                                     | <hr/>  |

|  | Six months to<br>30 June 2006<br>US\$'000 | Six months to<br>30 June 2005<br>US\$'000 | Audited<br>Year ended<br>31 December<br>2005<br>US\$'000 |
|--|---|---|--|
| <b>Net Cash Outflow from Operating Activities</b>  | (128)                                     | (710)                                     | (679)  |
| <b>Returns of Investments and Servicing of Finance</b>   |   |   |  |
| Interest received  | 63  | 117                                       | 218  |
| <b>Net Cash Inflow from Returns on Investments and servicing of finance</b>                    | 63  | 117                                       | 218  |
| <b>Capital Expenditure and Financial Investment</b>  |   |   |  |
| Payments to acquire intangible fixed assets  |   |   |  |
| Payments to acquire tangible fixed assets  | (33)                                      | (701)                                     | (1,019)  |
| <b>Development Expenditure Capitalised as Intangible Assets</b>                                | (749)                                     | (199)                                     | (1,112)  |
| <b>Net cash outflow from capital expenditure and financial Investment</b>                      | (782)                                     | (900)                                     | (2,131)  |
| <b>Cash acquired with Subsidiaries</b>   |   | -   | -  |
| <b>Cash Outflow before Financing</b>   | (847)                                     | (1,493)                                   | (2,592)  |
| <b>Financing</b>   |   |   |  |
| <b>Issue of Equity Share Capital (Net of Issue Costs)</b>                                      | -   | -   | 119  |
| <b>Net Cash Inflow from Financing</b>  | -   | -   | 119  |
| <b>Decrease in Cash</b>  | (847)                                     | (1,493)                                   | (2,473)  |
| <b>Reconciliation of Operating Loss to Net Cash (Outflow)/Inflow from Operating Activities</b> |   |   |  |
| Operating (loss)/profit  | (417)                                     | (704)                                     | (1,336)  |
| Amortisation   | 250                                       | 250                                       | 504  |
| Depreciation   | 202                                       | 11  | 217  |
| Decrease/(increase) in stocks  | 27  | (302)                                     | (197)  |
| (Increase)/decrease in debtors   | (142)                                     | 69  | 105  |
| (Decrease)/increase in creditors   | (48)                                      | (34)                                      | 28   |
| <b>Net Cash Outflow from Operating Activities</b>  | (128)                                     | (710)                                     | (679)  |

**1. Accounting Policies****Basis of Accounting**

The Financial Statements have been prepared under the historical cost convention and in accordance with UK generally accepted accounting principles.

The unaudited Financial Statements for the six months ended 30 June 2006 have been prepared in accordance with accounting principles applied by the Group in the prior accounting period. These Financial Statements are unaudited and do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. 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 US\$1.8163 to: £1.

The statutory financial statements for Kryso Resources plc for the year ended 31 December 2005 received an unqualified Auditors Report and have been filed with the Registrar of Companies.

**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.

**Amortisation of Goodwill**

Goodwill that arose on the acquisition of Kryso Resources Limited by Kryso Resources plc in 2004 has been amortised over a period of 10 years which is the period of the initial exploration and mining licence.

**Exploration and Development expenditure**

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 development expenditure is capitalised. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production.

Capitalised research and development 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.

**2. Operating (Loss)/Profit**

Operating (loss)/profit is stated after charging:

|                                      | <b>Six months to<br/>30 June 2006<br/>US\$'000</b> | <b>Six months to<br/>30 June 2005<br/>US\$'000</b> | <b>Year ended<br/>31 December<br/>2005<br/>US\$'000</b> |
|--------------------------------------|--|--|---|
| Amortisation of Goodwill             | 250  | 250  | 504   |
| Depreciation of owned fixed assets   | 202  | 11   | 217   |
| Auditors' remuneration - as auditors | 8  | -  | 13  |
| - non-audit services                 | -  | 6  | 31  |