

**Kryso Resources Plc**

**Company Registration Number 05190505**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2006**

Kryso Resources Plc ('Kryso' or the 'Company') is pleased to announce its final results for the year ended 31 December 2006. The results below are extracted from the Company's audited Report and Accounts.

**CHAIRMAN'S STATEMENT**

As Chairman of Kryso Resources plc ('Kryso' or 'the Company'), I am pleased to report to shareholders that during the year the Company took significant steps towards production at the Pakrut gold deposit ('Pakrut') and was also able to commence exploration at the Hukas ('Hukas') nickel-copper prospect.

The three most significant developments for Kryso since my last Chairman's Statement have been the completion of an initial JORC-compliant resource estimate for part of the deposit at Pakrut in March 2007, the formation of a strategic alliance with Great Basin Gold ('Great Basin'), part of the highly successful Hunter Dickinson group of companies and the acquisition of the Hukas nickel-copper project.

The initial JORC-compliant resource estimate for Pakrut was compiled principally using data obtained from Kryso's first 8,000 metres of diamond drilling and was generated by Snowden Mining Industry Consultants ('Snowden'). The resource is estimated to contain approximately 596,500 ounces of gold at a 0.5g/t gold cut-off grade. This resource will form the basis of the feasibility study currently underway for a proposed open pit mining operation.

The bulk of the JORC-compliant resource is from the lower grade Ore Zone 2, which was targeted first due to its close proximity to the surface, facilitating the definition of an open pit. The mineralization is still open at depth, as well as to the east and to the north. The latest drilling at Pakrut, which is targeting areas below the adit level in Ore Zone 1, has indicated that both the width and grade of the ore body are increasing with depth. The results from these drill holes, once analysed at SGS Lakefield, the independent assay laboratory used by the Company, will be used to update the existing JORC resource. This could have a significant positive impact on the overall economics of the Pakrut project, especially once sufficient resources have been delineated to design the underground mine.

The strategic alliance with Great Basin Gold has been cemented through a non-brokered private placement with Great Basin Gold of Kryso shares worth £1,000,000. This was the first financing carried out by Kryso since its listing in 2004, when £2,600,000 was raised. In addition, Ferdinand Dippenaar, currently President, Chief Executive Officer and Director of TSX-listed Great Basin, has been appointed to Kryso's Board as a Non-Executive Director.

In 2005, the potential for commercially significant nickel, copper, cobalt and PGM (platinum-group-element) mineralization in the Republic of Tajikistan was brought to Kryso's attention. The Company subsequently identified two areas with favourable geological settings that had been discovered during the Soviet era. Kryso has been granted an exploration licence for one area that encompasses the Hukas prospect, and has won the tender for the other.

At Hukas, a relatively small, exposed, partially oxidized body of sulphide mineralization was trenced by the Soviets, who also drilled several boreholes into its projected extension. Sampling from these trenches and drill cores returned encouraging average grades of 2.86% Ni, 1.26% Cu, 0.084% Co and 2.3g/t PGM. From these investigations, it appeared that the mineralization at Hukas was an isolated lens which had been separated from a potentially larger sulphide body. In addition to this showing on surface, blind mineralisation was also encountered by Soviet core drilling, which indicates a possibility to a layered nature to the nickel mineralisation within the intrusive.

In 2006, after establishing a tent camp at Hukas and rehabilitating the 12 kilometre access road, Kryso excavated three trenches across the outcrop of this lens. Analysis of the samples collected from these trenches returned encouraging assays of 1.03 to 1.57% Ni and 0.62 to 1.21% Cu.

Kryso has contracted Logantek to carry out a ground based electromagnetic geophysical survey (TEM) during June/July of this year over 8 square kilometres

of the Hukas Licensed Area, which extends to 17 square kilometres in total. In addition to the geophysical survey, the Company plans to carry out a shallow diamond core drill programme around the blind mineralisation discovered by the Soviets later on this year.

The 2007 work programme at Hukas is intended to enable the Company to create a conceptual model to guide further evaluation of the license areas economic potential, while at Pakrut, Kryso remains focused on reaching production as soon as possible. To this end, the Pakrut feasibility study is proceeding well, and I expect the coming year to be even more momentous for Kryso than the preceding one.

Trevor Davenport  
Non-Executive Chairman  
13 June 2007

#### REPORT OF THE DIRECTORS

The Directors present their report and the audited Financial Statements of the Group for the year ended 31 December 2006.

#### 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 ('Kryso') 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 (CIS).

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 approximately 596,500 ounces at the Pakrut gold project ('Pakrut').
- Commenced a bankable feasibility study on an open pit mining operation at Pakrut.
- Acquired the exploration licence for the Hukas nickel-copper project ('Hukas').
- Completed a surface trenching programme at Hukas and attained results which confirm the presence of nickel and copper mineralization at the project.
- Formed a strategic alliance with Great Basin Gold ('Great Basin'), 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.

- Completed 62 drill holes at Pakrut, totalling over 10,000m of diamond core drilling. Holes 63 and 64 are currently being drilled.
- 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, 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 over 12,000 samples, of which 3,500 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.
- Completed an environmental baseline study for Pakrut to World Bank Environmental Guidelines.

#### 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 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 will carry out an Electro Magnetic geophysical survey which will be followed up by diamond drilling of any potential targets.

#### Financial Review

The results for the year ended 31 December 2006 and the year ended 31 December 2005 were as follows:

	2006	2005
	US\$000	US\$000
Turnover	-	-
Exploration costs capitalised as intangible assets	1,754	1,019
Administrative expenses	1,093	1,031
Total costs	2,847	2,050
% Administrative expenses	38.4%	50.3%
Operating loss	936	1,336
Less: interest received	95	218
Loss on ordinary activities before taxation	841	1,118

Loss per share (cents) 1.47 1.99

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. This KPI was high in 2005 as the drilling and exploration only began in the middle of the year and has now reduced to 38.4% in 2006, our first full year of operation, and a further reduction is expected in 2007.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

		2006	2005
	Note	US\$000	US\$000
Turnover	1	-	-
Cost of sales		-	-
Gross Profit		-	-
Administrative expenses		(1,093)	(1,031)
Exceptional loss on foreign exchange		2 157	(305)
Operating Loss	3	(936)	(1,336)
Interest receivable		95	218
Loss on Ordinary Activities before Taxation		(841)	( 1,118)
Tax on loss on ordinary activities	6	-	-
Loss on Ordinary Activities after Taxation		(841)	(1,118)
Basic and Diluted Loss per Share	8	\$(0.0147)	\$(0.0199)

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 year, as set out above and therefore no separate statement of total recognised gains or losses has been presented.

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

		2006	2005
	Note	US\$000	US\$000
<b>Fixed Assets</b>			
Intangible assets	9	6,431	5,181
Tangible assets	10	601	970
		7,032	6,151
<b>Current Assets</b>			
Stocks	12	224	215
Debtors	13	236	122

Cash at bank		2,493	2,465
		2,953	2,802
Creditors: amounts falling due within one year	14	(119)	(151)
Net Current Assets		2,834	2,651
Net Assets		9,866	8,802
Capital and Reserves			
Called-up share capital	17	1,227	1,035
Share premium account	18	10,554	8,865
Profit and loss account	18	(1,915)	(1,098)
Shareholders' Funds	19	9,866	8,802

#### BALANCE SHEET

As at 31 December 2006

		2006	2005
	Note	US\$000	US\$000
Fixed Assets			
Investments	11	9,718	8,564
Current Assets			
Debtors	13	28	14
Cash at bank		2,287	1,339
		2,315	1,353
Creditors: Amounts falling due within one year	14	(131)	(20)
Net current assets		2,184	1,333
Net assets		11,902	9,897
Capital and Reserves			
Called-up share capital	17	1,227	1,035
Share premium account	18	10,554	8,865
Profit and loss account	18	121	(3)
Shareholders' Funds	19	11,902	9,897

#### CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	2006	2005
	US\$000	US\$000
Net Cash Outflow from Operating Activities	(535)	(871)

Returns on Investments and Servicing of Finance		
Interest received	95	218
Net Cash Inflow from Returns on Investments and Servicing of Finance	95	218
Taxation	-	-
Capital Expenditure and Financial Investment		
Payments to acquire intangible fixed assets	(1,375)	(827)
Payments to acquire tangible fixed assets	(38)	(1,112)
Net Cash Outflow for Capital Expenditure and Financial Investment	(1,413)	(1,939)
Cash Outflow before Financing	(1,853)	(2,592)
Financing		
Issue of equity share capital (net of issue costs)	1,881	119
Net Cash Inflow from Financing	1,881	119
Increase/(Decrease) in Cash	28	(2,473)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2006

	2006	2005
	US\$000	US\$000
Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities		
Operating loss	(936)	(1,336)
Amortisation	504	504
Depreciation	27	25
Share based payments	25	-
Increase in stocks	(9)	(197)
(Increase)/decrease in debtors	(114)	105
(Decrease)/increase in creditors	(32)	28
Net Cash Outflow from Operating Activities	(535)	(871)

Analysis of Changes in Net Funds

	At 1 January 2006	Cash flows	At 31 December 2006
	US\$000	US\$000	US\$000
Cash at bank	2,465	28	2,493

Reconciliation of Net Cash Flow to Movement in Net Funds

	2006	2005
	US\$000	US\$000

Change in net funds	28	(2,473)
Net funds at 1 January	2,465	4,938
Net funds at 31 December	2,493	2,465

#### 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

Operating loss is stated after charging:

	2006	2005
	US\$000	US\$000
Amortisation	504	504
Depreciation	431	217
less transfer to exploration costs	(404)	(192)
Auditors' remuneration		
- as auditors	22	13
- taxation services	2	2
Operating lease rentals	20	10

##### 4. Particulars of Employees

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

	2006	2005
	No.	No.
Administrative and management	27	22
Mining	143	63
	170	84

The aggregate payroll costs of the above were:

	2006	2005
	US\$000	US\$000
Wages and salaries	740	543
Social security costs	92	46
Share based payments	24	-
	856	589

##### 5. Directors' Emoluments

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

	2006	2005
	US\$000	US\$000
Emoluments receivable - from the company	44	40
- from group companies	339	335
	383	375

During the year no Director (2005 - no Director) participated in a money purchase pension scheme. During the year, no Director (2005 - five Directors) exercised share options.

The highest paid director received emoluments as follows:

	2006	2005
	US\$000	US\$000
Emoluments receivable	110	110

#### 6. Taxation on Ordinary Activities

##### (a) Analysis of Charge in the Year

Current tax:

	2006	2005
	US\$000	US\$000
UK Corporation tax based on the results for the year at 30%	-	-
Overseas tax credits	-	-
Total current tax	-	-

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 Tajikstan profits tax purposes and accordingly, no provision for British Virgin Islands income tax or Tajikstan profits tax has been made.

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

#### 6. Taxation on Ordinary Activities (continued)

##### (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% (2005 - 30%).

	2006	2005
	US\$000	US\$000
Loss on ordinary activities before taxation	(841)	(1,118)
Loss on ordinary activities by rate of tax at 30%	(252)	(335)
Disallowed expenditure	(159)	(185)
Non taxable items	352	368
Overseas losses	59	152
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 profit dealt with in the Financial Statements of the parent company was US\$99,955 (2005 - loss US\$165,548).

#### 8. Loss per Share

	2006	2005
	US\$	US\$
Basic and diluted loss per ordinary share	(0.0147)	(0.0199)

The basic loss per share is calculated by dividing the loss on ordinary activities after tax of US\$841,000 (2005 - loss US\$1,118,000) by the weighted average number shares in issue and carrying the right to receive dividend. For the year ended 31 December 2006 this was 57,333,333 (2005 - 56,020,833) 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.

#### 9. Intangible Fixed Assets

Group

Exploration

	Costs	Goodwill	Total
	US\$000	US\$000	US\$000
Cost			
At 1 January 2006	1,019	4,743	5,762
Acquired in year	1,754	-	1,754
At 31 December 2006	2,773	4,743	7,516
Amortisation			
At 1 January 2006	-	581	581
Charge for the year	-	504	504
At 31 December 2006	-	1,085	1,085
Net book value			
At 31 December 2006	2,773	3,658	6,431
At 31 December 2005	1,019	4,162	5,181

#### 10. Tangible Fixed Assets

Group

	Office furniture and equipment	Motor vehicles	Plant and machinery	Total
	US\$000	US\$000	US\$000	US\$000
Cost				
At 1 January 2006	82	158	957	1,197
Acquired in year	7	6	25	38

At 31 December 2006	89	164	982	1,235
Depreciation				
At 1 January 2006	31	22	174	227
Charge for the year	27	55	325	407
At 31 December 2006	58	77	499	634
Net book value				
At 31 December 2006	31	87	483	601
At 31 December 2005	51	136	783	970

#### 11. Investments

##### Company

	Shares in Group Undertaking	Loans to Group Undertakings	Total
	US\$000	US\$000	US\$000
Cost			
At 1 January 2006	5,440	3,124	8,564
New loan in the year	-	1,154	1,154
At 31 December 2006	5,440	4,278	9,718

##### Subsidiary Undertakings

Name of company	Holding	Country of incorporation	Proportion of voting rights held	Nature of business
Directly held				
Kryso Resources Limited	Ordinary Shares	British Virgin Islands	100%	Holding Company
Indirectly held				
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 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

Gumas was 100% owned by the Company. No minority interests are therefore disclosed.

#### 12. Stocks

	Group	Company	Group	Company
	2006	2006	2005	2005
	US\$000	US\$000	US\$000	US\$000
Consumables	224	-	215	-

#### 13. Debtors

	Group	Company	Group	Company
	2006	2006	2005	2005
	US\$000	US\$000	US\$000	US\$000
Other debtors	176	18	74	7
Prepayments	60	10	48	7
	236	28	122	14

#### 14. Creditors: amounts falling due within one year

	Group	Company	Group	Company
	2006	2006	2005	2005
	US\$000	US\$000	US\$000	US\$000
Amount due to related undertaking	-	63	-	17
Other creditors	90	42	130	3
Accruals and deferred income	29	26	21	-
	119	131	151	20

#### 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 2006 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

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.

At the year-end, \$9,796 (2005 - Nil) was due to Trevor Davenport, a Director of the Company, for Directors fees incurred during the year. At the year-end, \$17,422 (2005 - \$64,177) was due to Craig Brown, a Director of the Company, as reimbursement for expenses incurred during the year. At the year-end, \$3,482 was due to Vassilios Carellas, a Director of the Company, as reimbursement for expenses incurred during the year. As at 31 December 2005, Vassilios Carellas owed \$7,942 as an advance for expenses. At the year-end, \$18,397 was owed by Abuali Ismatov, a Director of the Company, as an advance for expenses. As at 31 December 2005, the Company owed Abuali Ismatov \$30,667 as reimbursement for



Forfeiture rate	33%	33%	33%	33%	33%	33%
Price (A3)	0.01	0.02	0.01	0.02	0.02	0.03
Bid price discount	5%	5%	5%	5%	5%	5%
Fair value of options granted (A3)	1,345	2,680	1,340	2,680	5,025	8,040

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 2006 of US\$24,979.

#### 18. Reserves

##### Group

	Share premium account US\$000	Profit and loss account US\$000
At 1 January 2006	8,865	(1,098)
Share based payment	-	24
Premium arising on shares issued	1,689	-
Loss for the year	-	(841)
At 31 December 2006	10,554	(1,915)

##### Company

At 1 January 2006	8,865	(3)
Share based payment	-	24
Premium arising on shares issued	1,689	-
Profit for the year	-	100
At 31 December 2006	10,554	121

#### 19. Reconciliation of Movements in Shareholders' Funds

##### Group

##### Shareholders' Funds

	2006 US\$000	2005 US\$000
Loss for the year	(841)	(1,118)
New equity share capital subscribed	1,881	87
Adjustment to prior year share issue costs	-	32
Share based payment	24	-
Net increase/(decrease) to funds	1,064	(999)
Opening shareholders' funds	8,802	9,801
Closing shareholders' funds	9,866	8,802

Company

Shareholders' Funds

Profit/(Loss) for the year	100	(166)
New equity share capital subscribed	1,881	87
Adjustment to prior year share issue costs	-	32
Share based payment	24	-
Net addition/(reduction) to funds	2,005	(47)
Opening shareholders' funds	9,897	9,944
Closing shareholders' funds	11,902	9,897

20. Controlling Party

There is no controlling party.

For further information, please contact:

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Brett Miller, Ruegg & Co Ltd.	Tel: 020 7584 3663
Richard Hail, Fox-Davies Capital Limited.	Tel: 020 7936 5200
Stephen Clayson/Ron Marshman/John Greenhalgh, City of London PR Limited.	Tel: 020 7628 5518