



Eastern Mediterranean Resources Public Limited

(Incorporated and registered in Cyprus with company registration number 152217)

**Placing and Admission
to
AIM**

Admission Document

Nominated Adviser
Nabarro Wells & Co. Limited

Broker
Hichens, Harrison & Co plc

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about the contents of this document, you should consult an independent professional adviser authorised under the Financial Services and Markets Act 2000 (the "FSMA") who specialises in advising on the acquisition of shares and other securities.

Application has been made for the entire issued and to be issued share capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. In particular, prospective investors should read the whole of the text of this document and should carefully consider the section entitled "Risk Factors" in Part 3 of this document before taking any action.

London Stock Exchange plc has not itself examined or approved the contents of this Admission Document.

This document is an admission document drawn up in accordance with the AIM Rules and where relevant the Public Offers of Securities Regulations 1995, as amended ("POS Regulations") and has been issued in connection with the application for Admission. This document does not comprise a prospectus under the POS Regulations and has not been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

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It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on or about 9 May 2005.

Eastern Mediterranean Resources Public Limited

(Incorporated and registered in Cyprus with company registration number 152217)

**Placing and Subscription of 28,155,555 new ordinary shares of par value 0.25 pence
at 8 pence per share**

and

Admission to trading on AIM

Nominated Adviser
Nabarro Wells & Co. Limited

Broker
Hichens, Harrison & Co plc

Share Capital on Admission

<i>Amount</i>	<i>Authorised Number</i>		<i>Amount</i>	<i>Issued Number</i>
		Ordinary Shares of par value 0.25 pence each		
£250,000	100,000,000		£131,076.39	52,430,555

All the Ordinary Shares will, on Admission, rank *pari passu* in all respects and will rank in full for all the dividends and other distributions declared, paid or made in respect of Ordinary Shares after Admission.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors, whose names appear on page 6 of this document, accept responsibility accordingly, including individual and collective responsibility for the information contained in this document and for compliance with the AIM Rules. In connection with this document and/or the Placing, no person is authorised to give any information or make any representations other than as contained in this document.

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Copies of this document will be available free of charge during normal business hours on any weekday (except public holidays) at the offices of Nabarro Wells & Co. Limited, Saddlers House, Gutter Lane, London EC2V 6HS from the date of this document for the period of one month from Admission.

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DEFINITIONS

The following terms apply in this document unless the context requires otherwise:

“£CY”	Cyprus pounds
“Admission”	admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules regarding AIM published by the London Stock Exchange
“Articles”	the Articles of Association of the Company
“Board” or “Directors”	the directors of the Company at the date of this document
“Code”	the City Code on Takeovers and Mergers
“Combined Code”	the Combined Code on Corporate Governance issued by the UK Listing Authority
“Company” or “EMED”	Eastern Mediterranean Resources Public Limited
“Competent Person”	Tectonex GeoConsultants Pty Ltd
“Consideration Shares”	the 5,000,000 new Ordinary Shares to be issued to Oxiana Europe Ltd as part of the consideration due under the agreement to acquire EMM, further details of which are set out in paragraph 7 of Part 6 of this document
“CREST”	the computerised settlement system, operated by CRESTCo Limited, which facilitates the transfer of title to shares in uncertificated form
“Cyprus”	the Republic of Cyprus
“Depositary”	Computershare Investor Services PLC acting in its capacity as depositary pursuant to the terms of the agreement for the provision of depositary services entered into between the Company and Computershare Investor Services PLC
“Depositary Interest”	an EMED depositary interest issued by the Depositary in the ratio of one for one in respect of the each Placing Share deposited with the Depositary for conversion to a depositary interest
“EMM”	Eastern Mediterranean Minerals (Cyprus) Limited, a subsidiary of the Company
“Enlarged Share Capital”	the issued ordinary share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares, the Consideration Shares and the Placing Shares
“Eurasia”	the regions of Central Europe, Eastern Europe, Western Asia and the Middle East
“Existing Ordinary Shares”	the 22,400,000 Ordinary Shares in issue immediately prior to the Placing and the issue of the Consideration Shares
“FSA”	the UK Financial Services Authority
“FSMA” or “Financial Services and Markets Act”	the UK Financial Services and Markets Act 2000
“Group”	the Company and its Subsidiaries
“Hichens Harrison”	Hichens, Harrison & Co plc, broker to the Company
“Law”	The Cyprus Companies Law, Cap 113 as amended
“London Stock Exchange”	London Stock Exchange plc
“Nabarro Wells”	Nabarro Wells & Co Limited, nominated adviser to the Company
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	the ordinary shares of 0.25 pence each in the capital of the Company

“p” or “pence”	UK sterling pence
“Panel”	The Panel on Takeovers and Mergers
“Placees”	those persons subscribing for Placing Shares in the Placing at the Placing Price
“Placing”	the conditional placing by Hichens Harrison of the Placing Shares at the Placing Price as described in this document, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement, dated 6 May 2005, between the Company (1), the Directors (2), Hichens Harrison (3) and Nabarro Wells (4) relating to the Placing, details of which are set out in paragraph 7 of Part 6 of this document
“Placing Price”	8p per Placing Share
“Placing Shares”	25,030,555 new Ordinary Shares to be issued pursuant to the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Pounds” or “£”	UK sterling pounds
“Shareholders”	holders of Ordinary Shares
“Subscription”	the subscription by RAB Special Situations Master Fund Limited of the Subscription Shares at the Placing Price on 9 August 2005 details of which are set out in paragraph 8 of Part 6 of this document
“Subscription Shares”	3,125,000 new Ordinary Shares to be issued pursuant to the Subscription
“Subsidiaries”	Eastern Mediterranean Minerals (Cyprus) Limited, Tredington Ventures Limited, Winchcombe Ventures Limited and Mediterranean Minerals (Bulgaria) EOOD
“UK”	The United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	The FSA acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act

The following exchange rate: £1 : £CY0.8520 (being the exchange rate as at 25 April, 2005) has been used throughout this document with the exception of the Accountants’ Report and the Competent Persons Report.

PLACING STATISTICS

Placing Price	8p
Existing Ordinary Shares	22,400,000
Number of Placing Shares being placed on behalf of the Company	25,030,555
Number of Subscription Shares*	3,125,000
Number of Consideration Shares to be issued	5,000,000
Enlarged Share Capital	52,430,555
Percentage of Enlarged Share Capital represented by the Placing Shares	47.74%
Estimated net proceeds of the Placing and Subscription (after expenses) receivable by the Company	£1.91 million
Market capitalisation of the Enlarged Share Capital on Admission at the Placing Price	£4.19 million

* to be issued on 9 August 2005

EXPECTED TIMETABLE

Admission and dealings commence on AIM	9 May 2005
CREST account credited by	9 May 2005
Despatch of definitive share certificates by	23 May 2005

DIRECTORS, SECRETARY AND ADVISERS

Directors	Gordon Leonard Toll (Non-Executive Chairman) Aristidis (Harry) Eleftherios Anagnostaras-Adams (Managing Director) Ronald (Ronnie) Hugh Beevor (Non-Executive Director) Dr Andreas Panayiotou (Non-Executive Director)	
	All of: 1, Lambousa Street 1095 Nicosia Cyprus	
Company Secretary and Registered Office	Inter Jura CY (Services) Limited 1, Lambousa Street 1095 Nicosia Cyprus	
Operating Office	1A, Kyriakos Matsis Avenue, 1510 Nicosia Cyprus	
Nominated Adviser	Nabarro Wells & Co. Limited Saddlers House Gutter Lane London EC2V 6HS United Kingdom	
Broker	Hichens, Harrison & Co plc Bell Court House 11 Blomfield Street London EC2M 1LB United Kingdom	
Placing Agent	VSA Resources Limited 43 London Wall London EC2M 5TF United Kingdom	
Competent Person	Tectonex GeoConsultants Pty Ltd Level 9, 1 York Street Sydney, NSW 2000 Australia	
Auditors and Reporting Accountants	Moore Stephens Iris Tower Office 602 58 Arch Makarios Avenue P.O. Box 24656 1302 Nicosia Cyprus	
Solicitors to the Company	<i>As to Cyprus Law</i> Dr. K Chrysostomides & Co 1, Lambousa Street 1095 Nicosia P.O. Box 22119 1517 Nicosia Cyprus	<i>As to English Law</i> Field Fisher Waterhouse 35 Vine Street London EC3N 2AA United Kingdom
Solicitors to the Placing	Wedlake Bell 52 Bedford Row London WC1R 4LR United Kingdom	

Depository	Computershare Investor Services PLC P.O. Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH United Kingdom
Transfer Agent	Computershare Investor Services (Channel Islands) Ltd P.O. Box 83 Ordnance House 31 Pier Road St Helier Jersey JE4 8PW Channel Islands
Bankers	Bank of Cyprus Limited International Business Unit 28, Michalakopoulou Street Ayioi Omoloyitaes 1599 Nicosia Cyprus

PART 1

INFORMATION ON THE COMPANY

Introduction

Eastern Mediterranean Resources Public Limited (“EMED” or the “Company”) was incorporated on 17 September 2004 in Cyprus. The Group is operated and administered from Cyprus, being the centre of its region of interest.

The principal activity of the Group is to explore for and develop natural resources, with a focus on base and precious metals, especially copper and gold. Geographically it is focused on the regions of Central Europe, Eastern Europe, Western Asia and the Middle East (“Eurasia”). This region of interest spans from Eastern Europe to Iran; it includes many past centres of mining, prospective for volcanogenic hosted massive sulphides (“VHMS”) copper-gold discoveries and widespread areas of known mineralization including a number of styles of base metal and precious metal mineralization, especially epithermal gold and porphyry copper-gold mineralization.

The core exploration team comprises five experienced geologists based in Cyprus who support and work with colleagues and advisers, most of whom are located within the region. The team combines local experts with practitioners experienced in discovery, development and mining from the well-established natural resources sector in Australasia.

The Directors and the Group’s senior management have extensive experience in exploration, development and financing of natural resources projects in many countries.

The Group’s first major exploration project is based in Cyprus where it is anticipated that a number of shallow copper-gold target areas will be drilled by the end of 2005. The exploration office is in the village of Agia Marina, in the heart of the target zone in the country – the Troodos Complex.

Cyprus has a copper mining history spanning over 3,000 years. Its major mines were Mavrovouni, Skouriotissa and Limni – all of which exceeded 10 million tonnes of ore containing copper and gold. The largest was Mavrovouni with reported production of 15 million tonnes of ore containing 4 per cent copper and unreported gold grades.

EMED has an extensive proprietary database inherited from the work done by predecessor explorers in Cyprus over the past 50 years, including Oxiana Limited (a company listed on the Australian Stock Exchange) whose wholly owned subsidiary is now a substantial shareholder of the Company. Despite the mining history of Cyprus, the Board considers that there is a high probability that there are between five and ten undiscovered, copper-rich (greater than 1 per cent copper) massive sulphide deposits under less than 200-300 metres of cover, and a moderate to high probability that at least one of these will meet EMED’s value and size criteria.

The Group’s Cyprus project was initiated through the acquisition from a subsidiary of Oxiana Limited of Eastern Mediterranean Minerals (Cyprus) Limited (“EMM”) which held some 88 sq kms of granted and applied-for prospecting permits in Cyprus. The Group has since expanded this ground position to 373 sq kms by lodging applications primarily via two other subsidiaries. EMED has also initiated a number of less advanced natural resources projects in Bulgaria, Greece and Slovakia.

Details of the Group’s exploration projects are contained in the Competent Person’s Report set out in Part 2 of this document. The following figure is an extract from that Report.

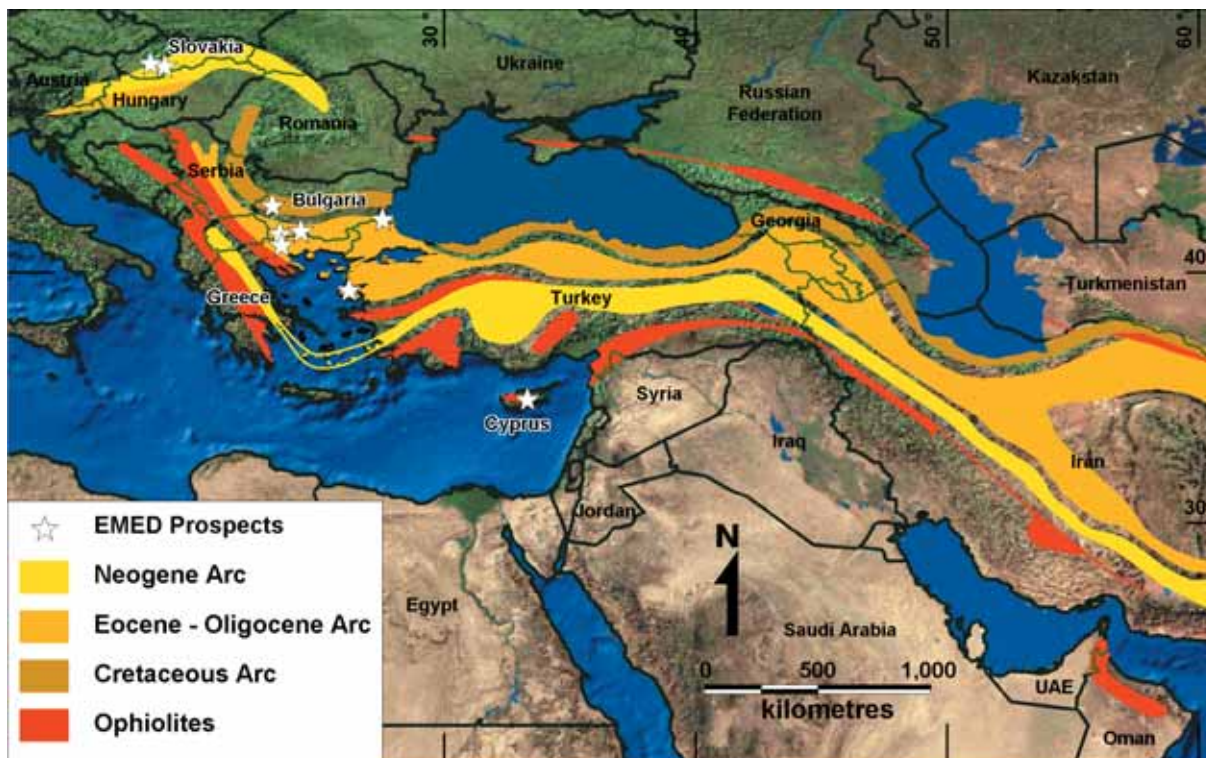


Figure 1: Map of EMED region of interest. The base is a digital topography image, and the major tectonic, volcanic and intrusive belts are overlaid, together with the locations of EMED's current areas of interest and/or applications for exploration tenements (white stars).

The Company financed its start-up activities with the resources of its founders, Harry Anagnostaras-Adams (Managing Director), Ronnie Beevor (Director) and Ronald (Ron) Cunneen (Head of Exploration) and through an initial fundraising in December 2004 which raised £540,000. It is intended that the net proceeds of the Placing will principally be used to fund the Group's exploration activity.

Group Strategy and Future Prospects

The Group's region of interest is the Mesozoic to Tertiary age tectonic belt that winds from Eastern Europe to Iran (Figure 1). This belt extends for over 3,000 kilometres.

The Group's strategy is to rapidly evaluate exploration opportunities in several jurisdictions throughout a quality mineral belt with a relatively high rate of project turnover. This approach is considered by the Competent Person superior to the standard approach adopted by a number of companies within the junior exploration sector.

In Cyprus, development of the Group's exploration interests has progressed to the stage of assembling and interpreting the geophysical data and an extensive database acquired from Oxiana Limited for the purposes of defining target drill testing areas across the country. EMED intends to rapidly advance its Cyprus exploration programme with plans to drill 5 priority target areas by the end of 2005.

The Board intends that the Group will also expand its activities outside of Cyprus and into a geologically-defined region spanning Slovakia, Bulgaria, Greece and beyond into other countries. The Company intends to track specific mineralized belts across the region, largely ignoring political borders to develop a balanced portfolio of geographically diverse opportunities across a range of countries.

It is intended that prospects will be prioritised for consideration on the following basis:

- a history of previous production or exploration;
- the opportunity for the Group to apply the most up to date exploration techniques; and
- the potential to recover at least 150,000 tonnes of copper or 1 million ounces of gold.

It is intended that the Group's exploration budget over the next two years will be divided broadly equally between activities on Cyprus and activities outside of Cyprus.

Directors



Figure 2: From left to right: secretary Ms Anna Rossides, Director Mr Ronnie Beevor, Chairman Mr Gordon Toll, Managing Director Mr Harry Anagnostaras-Adams and Director Dr Andreas Panayiotou.

The Board comprises four Directors.

Gordon Toll, B.E. Mining (Honours), M.S. Business

Non-Executive Chairman, Australian Citizen based in the United Kingdom, Age 57.

Mr Toll has worked as a mining engineer and mining company executive for 36 years including significant periods with BHP Billiton Ltd, ARCO Coal Inc and Rio Tinto plc. Most recently he spent 9 years with Ivanhoe Mines Inc. as Deputy Chairman and retired from this position in December 2004.

He is a non-executive director of Avocet Mining plc, Compass Resources NL and Fortescue Metals Group Ltd and Chairman of LinQ Resources Fund Ltd. Mr Toll has an Honours Degree in Mining Engineering from the University of Queensland and a Masters of Science in Business from the Graduate School of Business, Columbia University, New York.

Harry Anagnostaras-Adams, B. Commerce, MBA

Managing Director, Australian Citizen based in Cyprus, Age 49.

Mr Anagnostaras-Adams was born in Egypt as a Greek Citizen and adopted Australian citizenship where he was raised and became known as Harry Adams. He has served as Deputy Chairman of the Australian Gold Council, is a Fellow of the Australian Institute of Management and of the Australian Institute of Company Directors. He recently moved to Europe to lead EMED. His experience in the past 25 years has been as Managing Director of Gympie Gold Ltd, Executive Director of investment company Pilatus Capital Ltd, General Manager of resources investment group Clayton Robard Limited Group and Senior Investment Manager of Citicorp Capital Investors Australia Ltd.

Mr Anagnostaras-Adams has a Bachelor of Commerce (in Systems and Finance) from the University of New South Wales. He qualified as a Chartered Accountant while working with Price Waterhouse Coopers and has a Master of Business Administration from the Australian Graduate School of Management.

Ronnie Beevor, B.A. (Honours)

Non-Executive Director, British and Australian Citizen based in Australia, Age 57.

Mr Beevor is a former investment banker and was Head of Investment Banking at NM Rothschild & Sons (Australia) Limited. He has had an extensive involvement with the natural resources industry, both in Australia and internationally.

He is a non-executive director of Bendigo Mining Limited and Oxiana Limited. Mr Beevor has an Honours Degree in Philosophy, Politics and Economics from Oxford University and qualified as a chartered accountant in London in 1972.

Dr Andreas Panayiotou, M.Sc., Ph.D.

Non-Executive Director, Cypriot Citizen based in Cyprus, Age 64.

Dr Panayiotou, a geologist, is former Minister of the Interior in the Republic of Cyprus and before that Head of the Natural Resources Sector of the Ministry of Agriculture, Natural Resources and Environment.

He has published more than 30 papers in scientific books and journals about geology, mineral and water resources and served as Chairman of many committees, companies and other organizations. He is also a non-executive director of Hellenic Technical Enterprises Ltd and Hellenic Bank Public Ltd and is Chairman of the Hellenic – Tzilalis (Cyprus) Ltd.

Dr Panayiotou has a Degree (First Class Honours) in Natural Science and Geography from the University of Athens, Greece, a Master of Science in Mining Geology – Mineral Exploration – Economic Geology from the Imperial College of Science and Technology, London and a Ph.D. from the University of New Brunswick, Canada.

Personnel

The Directors believe the Group, once it has completed the Placing, will have both the financial and the human resources to achieve its strategy. Led by Harry Anagnostaras-Adams, the management team has extensive experience of minerals projects and includes:

- Mr Ron David Cunneen, B.Sc. (Honours), is Group Head of Exploration. Mr Cunneen has been an exploration and mine geologist for the past 20 years and has previously worked for Renison Goldfields Ltd as mine and exploration geologist focused on base metals and gold including at Mt Lyall Copper Mine in Tasmania, base metal exploration in New South Wales, feasibility studies at Pine Creek in Northern Territory and Senior Exploration Geologist for Queensland and Papua New Guinea. For the past 10 years he was Head of Mine Geology and Exploration of Gympie Gold Ltd at its gold subsidiary Gympie Eldorado Gold Mines Pty Ltd and its associate D'Aguilar Gold Pty Ltd;
- Dr Nicos Georghiou Adamides, B.Sc. (Honours), Ph.D., has 30 years' experience of field work in mine geology, exploration and database construction in Australia and especially in Cyprus, where he is seconded from Hellenic Copper Mines Ltd and where he has worked as Exploration Geologist for Hellenic Mining Company Ltd and Mining and Exploration Geologist for Cyprus Copper and Sulphur Company Ltd. He also worked for 13 years in Australia as Contract Geologist for clients including MIM Exploration Pty Ltd and CRA Exploration Pty Ltd and as Project Geologist for the Geological Survey of Western Australia;
- Mr James Norman Cran has 25 years' experience as a base metal and gold exploration geologist and has worked for Gympie Gold Ltd in Australia, Newcrest Mining Ltd in Greece, Indonesia, and Australia, Newmont Australia Ltd in Australia, Papua New Guinea, the Solomon Islands and Fiji, Anaconda Australia Inc and Aquitaine Australia Minerals Pty Ltd in Australia. He was involved in the discovery of the Tolukuma epithermal gold deposit in Papua New Guinea; open pittable, banded iron formation hosted gold deposits at Randals in the Archaean of Western Australia and the Viper epithermal gold deposit at Sappes in Greece;
- Assoc Prof Venelin Jelev, B.Sc., Ph.D., has 31 years' experience in field exploration, researching and teaching structural geology of Bulgaria and has worked for state-owned enterprises and ministries, and as a contract-geologist for private companies principally Navan Mining Resources plc. He currently teaches at the University of Mining and Geology, Sofia and consults to EMED, and has also served as Coordinator of Joint European Project for training environmental management for natural resources. He has written or co-written over 90 geological research papers;

- Mr Juraj Knesl has over 30 years' experience as a field exploration geologist mainly with former State-owned enterprise, Geologicky Prieskum Spisska Nova Ves. In the 1970s he prospected for copper in Zambia, in the 1980s for gold mineralization in Slovakia and in 1994 he co-founded Aurex Trade s.r.o which also focused on prospecting and exploration in Slovakia for disseminated gold mineralization. He now consults to a small number of clients including EMED;
- Mr Alasdair MacDougall Murray, M.A., B.Sc (Honours), has 37 years' experience of field work in Australasia and Greece and has worked for the past 12 years as a consulting geologist for many smaller exploration and mining companies including Silver & Barytes Ores Mining SA in Milos Greece where he discovered a zone of epithermal gold mineralization, Niugini Mining Ltd and Gympie Gold Ltd. Prior to that he worked for major mining houses including Renison Goldfields Ltd as Senior Geologist Western Australia, Chief Exploration Geologist Queensland and Chief Mine Geologist at Wau Gold Mine in Papua New Guinea; for Bougainville Copper Ltd as Senior Economic Geologist for the Panguna porphyry copper-gold mine; and for Alcoa Australia Pty Ltd and CRA Exploration Pty Ltd in various mine and exploration positions; and
- Bronwyn Alice Witham, B.Sc. (Honours), has 12 years' experience as an exploration geologist and researcher and has worked for Gympie Gold Ltd, its associate D'Aguiar Gold Pty Ltd and MPI Mines Ltd.

The team is managed from the Cyprus offices and integrates practitioners from Australia with local experts. In addition to the foregoing "front-line" members of the management team, EMED has the support of specialist consultants and advisers such as the Slovakian Geological Survey.

Group Structure

The Company's intention is to incorporate operating subsidiaries in the countries in which it intends to carry out its exploration activities. At the date of this document, the Company owns 95 per cent of Eastern Mediterranean Minerals (Cyprus) Limited ("EMM"), a company incorporated in Cyprus, and a number of subsidiaries.

The Company's interest in EMM was purchased from a subsidiary of Oxiana Limited pursuant to the terms of a share purchase agreement details of which are set out in paragraph 7 of Part 6 of this document. At the time of its acquisition by the Company, EMM owned extensive historical geological data from previous exploration in Cyprus and 88 square kilometres of granted and applied-for prospecting permits in that country. As a result of this acquisition, Oxiana Limited's subsidiary, Oxiana Europe Limited has become a substantial shareholder of the Company and will at Admission hold 9,000,000 Ordinary Shares representing 17.16 per cent of the Enlarged Share Capital.

EMED has also incorporated two other subsidiaries in Cyprus, Tredington Ventures Limited and Winchcombe Ventures Limited and a wholly owned subsidiary in Bulgaria, Mediterranean Minerals (Bulgaria) EOOD. Pursuant to the terms of the joint venture agreement with Hellenic Mining Company Limited, the beneficial interest in five per cent. of the issued share capital of each of Tredington Ventures Limited and Winchcombe Ventures Limited is held on trust for Hellenic Mining Company Limited.

Prospecting Permits and Applications for Prospecting Permits

The Group's most advanced project is in Cyprus and is based in part of the Troodos Complex where the Group now has 18 prospecting permits covering 49 square kilometres and has made a further 67 prospecting permit applications potentially expanding the total area to 373 square kilometres. Prospecting permits are granted for a term of one year and are renewable on an annual basis with the Cypriot Mines Service. Certain of the Group's existing prospecting permits are currently pending renewal. The Directors expect them to be renewed in due course.

The Competent Person has reported that the permits and applications cover approximately 60 per cent of the outcropping and shallowly covered Upper Pillow Lava and Lower Pillow Lava formations which host all known VHMS mineralization in Cyprus.

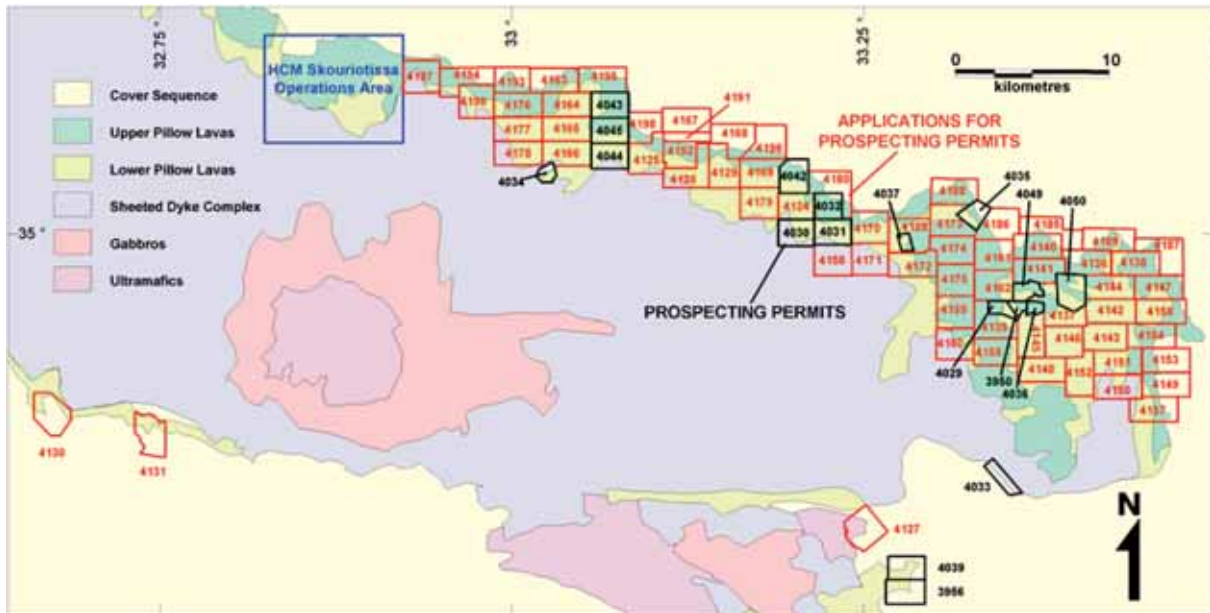


Figure 3: Map of eastern part of Troodos Complex showing location of EMED Permits (outlined in black) and Applications (outlined in red)

The Group has also lodged applications for exploration licences in Slovakia, Bulgaria and Greece which fall within EMED's region of interest, as shown in Figure 3, although all of these areas of interest are at an early stage of evaluation by the Group.

The Cyprus Project

1. Identified Target Areas

The Directors believe that a significant exploration opportunity exists in the areas covered by the Group's prospecting permits and applications in Cyprus for the following reasons:

- it is recognised that, although mineralization occurs throughout both the Upper Pillow Lavas and the Lower Pillow Lavas (being the upper and lower units of what is known as the extrusive sequence of basalt pillow lavas), more than 90 per cent of the copper mined in the Troodos Complex has come from deposits within the Upper Pillow Lavas;
- by focusing on areas of shallowly dipping Upper Pillow Lavas, especially where it dips under the sedimentary cover, the Group intends to access opportunities which the Competent Person believes have been under-explored by past operators; and
- the ability to use new techniques in reprocessing and modelling of the extensive historic geological and geophysical data in order to identify priority targets.

Eleven target areas have so far been identified by EMED within the area covered by the Group's prospecting permits and applications. Of these eleven target areas five are currently ranked as high priority and additional targets are expected to be identified and progressed.

Further details of the eleven target areas are set out on pages 35 to 42 of the Competent Person's Report set out in Part 2 of this document.

2. Exploration Strategy

EMED is focused on exploring for non-outcropping VHMS deposits (i.e substantial mineralization which is not exposed at the surface), largely within the Upper Pillow Lavas of the Troodos Complex. The Company has adopted a two-pronged methodology:

- Detailed geological mapping to enable the construction of precise and predictive cross-sections of the Upper Pillow Lavas. The Competent Person has reported that there appear to have been few, if any, detailed cross-sections constructed previously throughout the prospective area apart from those at the historical mines themselves; and
- Ground geophysical surveys including Induced Polarisation (IP) and Electromagnetic (EM) methods will be used to sample the subsurface for the presence of massive sulphides, which it is anticipated will allow deeper and more accurate target location than was historically possible.

Targets will then be prioritised and drill tested.

3. Mining Laws

Cyprus has a modern and robust mining law that provides security of tenure and right of access to private land for exploration purposes. There is a strong tradition and culture of mining in Cyprus, and mining was an important contributor to national wealth until recently.

In 1974 the occupation by Turkey of part of Cyprus effectively excluded access to about 10 per cent of the prospective part of the Troodos Complex in the north-western corner.

4. Access and infrastructure

Access is generally very good due to an extensive network of sealed roads and secondary tracks. There will be some timing issues for exploration scheduling due to cropping and other agricultural activities. However the Group will generally be operating in areas which are easily accessible.

Local Partner

As referred to above, EMED has a 95 per cent interest in its subsidiary EMM with the balance being owned by Hellenic Mining Company Limited (“HMC”), a Cypriot company with diverse interests including quarrying, cement manufacturing, banking, brewing, and environmental clean-up.

Under the terms of an exploration joint venture shareholders’ and associated parties agreement dated 29 June 1998 as subsequently amended (“Exploration Joint Venture”) between Oxiana Limited, Oxiana Europe Limited, EMM, HMC and Hellenic Copper Mines Limited, EMM has the right to all necessary assistance from the other parties for EMM to explore for any minerals within the island of Cyprus, but is excluded from the areas around HCM’s mining operations at Skouriotissa.

By virtue of a deed of novation dated 21 January 2005 (and completed on 28 February 2005), EMED has assumed the rights and liabilities of Oxiana Limited and Oxiana Europe Limited under the Exploration Joint Venture. HMC currently has a 5 per cent interest in EMM and pursuant to the Exploration Joint Venture, EMED has agreed to maintain HMC’s interest at this level at no cost to HMC. EMED has the right to appoint three directors to the board of EMM, and HMC has the right to appoint one.

Regional Portfolio

1. Strategy

The key components of the Group’s regional strategy are:

- to focus on a demonstrably well-endowed mineral belt and apply modern scientific techniques;
- to use relationships in the region to provide a high level of technical and other expertise;
- to demonstrate a commitment to the region by operating from its base in Cyprus; and
- to integrate the practical experience gained in one of the world’s leading metal-producing countries, Australia, with local geological expertise in each country where the Group is active.

The funds being raised are intended for a preliminary evaluation of the projects already identified and to actively build a balanced portfolio of regional prospects. Whilst a discovery in any one of the Group’s prospects would be positive for the Company and its shareholders, it would also bring with it a need to carefully prioritise management time and a requirement for further funding.

Outside Cyprus, EMED has initiated its regional portfolio in Slovakia, Bulgaria and Greece. However regional activity is at a very early stage.

2. Slovakia

The Group has applied for exploration licences in the following two goldfields in Slovakia:

- The Stiavnica-Hodrusa goldfield which occurs within the Tertiary volcanic complex of central Slovakia, and has yielded the bulk of the country’s historic production of gold as well as containing the largest known remaining resource at the Kremnica Deposit (approximately 1 million ounces of gold); and
- The historic placer goldfield near the town of Zlatnicky.

At Stiavnica-Hodrusa, the Company considers that there has been inadequate testing for larger lower-grade stockwork deposits. Therefore, subject to obtaining the necessary licence, the proposed

programme will focus on soil geochemistry and the development and testing of appropriate structural targeting models to explore the licence area which forms part of this volcanic complex.

At Zlatnicky, the hard-rock source for the previously-mined placer gold deposits has not been found. This is an opportunistic play based on applying some specific local expertise to the search for the gold source, which may be under relatively thin cover rocks.

3. Bulgaria

Exploration licences have been applied for in four areas. However, under Bulgarian mining regulations, lodgement of licence applications triggers a tender process. Accordingly it is the tender process that will determine if any licence is granted to the Group.

The targets in Bulgaria are high-sulphidation epithermal gold, precious and base metal mineralization related to Late Cretaceous magmatic activity, epithermal gold associated with Tertiary volcanics and related sediments and metamorphic rocks.

Two of the four areas under application are in the far south of the country, adjoining the border with Greece, reflecting the Board's views on prospectivity on both sides of the border.

4. Greece

The targets in Greece are epithermal gold and porphyry copper-gold mainly in the Rhodope and Serbo-Macedonian massifs.

Greece's geological potential is considered by the Directors to be very attractive. However, a critical factor in the Group's prioritisation of work in that country is the ongoing assessment of the likely rate of improvement in the administrative and commercial environment for the industry. A number of opportunities are under review. The Group has to date applied for exploration permits covering two epithermal gold prospects: one in northern Greece in Neo Petritsi and the other on the island of Lesbos.

Reasons for the Placing and Subscription and for Admission

The Company is effecting the Placing and Subscription in conjunction with the application for Admission in order that funds might be raised to pursue the Group's strategy as set out under the heading "Group Strategy and Future Prospects" in this Part 1.

Use of Proceeds

The net proceeds of the Placing and the Subscription receivable by the Company are expected to amount to £1.91 million. The Directors intend that such proceeds shall be used to finance exploration expenditure on the Group's existing exploration projects and for working capital purposes. The proceeds of the Placing and the Subscription will also enable the Group to investigate and secure other exploration opportunities where such properties meet the Group's criteria and are available at what the Directors consider to be an appropriate price.

Admission to AIM and Dealings

Application has been made for the Enlarged Share Capital to be admitted to trading on AIM. Dealings in the Ordinary Shares are expected to commence on 9 May 2005.

Dealing Arrangements and CREST

CREST is a computerised paperless settlements system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer.

Foreign securities cannot be held or traded in the CREST system. To enable investors to settle their securities through CREST, a Depositary has been appointed to hold the relevant foreign securities and issue dematerialised depositary interests representing the underlying securities. The Company has appointed Computershare Investor Services PLC to act as Depositary. The Depositary will hold the Ordinary Shares on trust for the depositary interest holders and this trust relationship is documented in a deed poll executed by the Depositary. This deed poll also sets out the procedure for depositary interest holders to vote at general meetings of the Company and to exercise other procedural shareholder rights, which will be transferred to the depositary with the Ordinary Shares.

The Depositary Interests will be independent, English securities and will be held on a register maintained by the Depositary. The Depositary Interests will have the same security code as the underlying Ordinary Shares which they represent and will not require a separate admission to AIM.

Shareholders wishing to settle their securities through CREST can transfer their Ordinary Shares to the Depositary, which will then issue depositary interests to those shareholders, representing the transferred Ordinary Shares. The shareholders will not hold a share certificate evidencing the underlying Ordinary Shares. Each Depositary Interest will be treated as one Ordinary Share for the purposes of, for example, determining eligibility for dividend payments. Any payments received by the depositary, as holder of the Ordinary Shares, will be passed on to each Depositary Interest holder noted on the Depositary Interest register as the beneficial owner of the relevant Ordinary Shares.

Participation in CREST is voluntary and shareholders who wish to hold share certificates may do so. They will not, however, then be able to settle their Ordinary Shares through CREST and will have their holding recorded on the Company's share register in Jersey.

Application has been made by the Depositary for depositary interests, which represent the underlying Ordinary Shares, to be admitted to CREST on Admission.

Details of the Placing and the Subscription

The Placing Shares represent approximately 47.74 per cent. of the Enlarged Share Capital. At the Placing Price, the Company will be valued at £4.19 million. The Placing and Subscription proceeds will amount to approximately £2.25 million before expenses. The net proceeds of the Placing and Subscription receivable by the Company will (after the expenses of the Placing and Subscription) amount to approximately £1.91 million.

Hichens Harrison has entered into the Placing Agreement pursuant to which it has agreed to use reasonable endeavours to procure subscribers for the Placing Shares. The Placing has not been underwritten by Hichens Harrison. Further details of the Placing Agreement are set out in paragraph 7 of Part 6 of this Document.

Ronnie and Fiona Beevor, as Trustees for the Digger Superannuation Fund, have agreed to subscribe for 750,000 Placing Shares pursuant to the Placing. In addition, Gordon Toll has agreed to subscribe for 750,000 Placing Shares pursuant to the Placing.

The Placing Shares, following allotment, will rank equally in all respects with the Existing Ordinary Shares including in respect of any dividends and distributions paid or made in respect of the Ordinary Shares.

In the case of Placees requesting Placing Shares in uncertificated form, it is expected that the depositary interests representing the Placing Shares comprising their Placing participation will be issued with effect from Admission.

In the case of Placees requesting Placing Shares in certificated form, it is expected that certificates in respect of such Shares will be despatched by post within 14 days after Admission.

The Subscription Shares will not be admitted to AIM at Admission. Pursuant to a subscription agreement entered into by RAB Special Situations Master Fund Limited ("RAB"), RAB has agreed to subscribe for the Subscription Shares on 9 August 2005. The Subscription Shares will be admitted to AIM at the time they are issued.

Lock-ins and Orderly Market Arrangements

At Admission the Directors, substantial shareholders, related parties and applicable employees (all as defined in the AIM Rules) will own 20,820,000 Ordinary Shares representing 39.7 per cent. of the Enlarged Share Capital, and are prevented by the AIM Rules from disposing of any interest in Ordinary Shares held by them for a period of 12 months from Admission except in limited circumstances. Accordingly, each of the Directors, Nicholas and Julie Anagnostaras-Adams as Trustees for the Adams Superannuation Fund, Ronnie and Fiona Beevor as Trustees for the Digger Superannuation Fund, Oxiana Europe Limited and Ronald Cunneen has undertaken pursuant to lock-in deeds entered into between each of them and the Company, Nabarro Wells and Hichens Harrison that, save in certain limited circumstances, they will not sell or dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares at any time before the first anniversary of Admission and for a period 12 months immediately following they will not make any such sale or disposal except through the broker of the Company for the time being with a view to maintaining an orderly market in the Ordinary Shares.

Escrow Deeds dated 28 February 2005 have been entered into between Oxiana Limited and Mr and Mrs Anagnostaras-Adams, Mr and Mrs Beevor and Mr Cunneen pursuant to which Mr and Mrs Anagnostaras-Adams, Mr and Mrs Beevor and Mr Cunneen have undertaken not to sell 4.8 million

shares, 1.6 million shares and 1.6 million shares in EMED respectively during the period of 3 years from 1 January 2005.

Dividend Policy

The Directors do not envisage declaring a dividend in the short to medium term. However, if or when sufficient distributable reserves are available the Directors intend to pursue a progressive dividend policy.

Corporate Governance

The Directors intend that the Company will comply with the main provisions of the Combined Code in so far as it is practicable for a company of its size. The Company has appointed three non-executive directors with relevant sector experience to complement the executive director and to provide an independent view to the Board.

An Audit Committee, comprising two non-executive Directors, has been established by the Company. The Audit Committee is chaired by Mr Ronnie Beevor and will meet at least twice each year. The Audit Committee is responsible for ensuring that appropriate financial reporting procedures are properly maintained and reported on and for meeting with the Group's auditors and reviewing their reports on the accounts and the Group's internal controls.

The Company has in addition established a Remuneration Committee, comprising two non-executive Directors. The Remuneration Committee is chaired by Mr Gordon Toll. The Remuneration Committee is responsible for reviewing the performance of the executives, setting their remuneration, determining the payment of bonuses, considering the grant of 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.

The Company has in addition established a Physical Risks Committee, comprising two non-executive Directors. The Physical Risks Committee is chaired by Dr Andreas Panayiotou and is responsible for reviewing the compliance with regulatory and industry standards for environmental performance and occupational health and safety of personnel and the communities affected by the Company.

The Board intends regularly to review key business risks including the financial risks facing the Group in the operation of its business.

The Company has adopted a model code for Directors' dealings which is appropriate for an AIM-listed company. The Directors intend to comply with Rules 21 and 31 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

Options

The Company has also granted options in respect of an aggregate of 12,090,000 Ordinary Shares to each of the following or associates thereof: the Directors, Ron Cunneen, NWCF LLP (a limited liability partnership connected to Nabarro Wells), Hichens Harrison, VSA Resources Limited, A Murray, J Cran and B Witham. A summary of the terms of the option agreements under which these options have been granted is set out in paragraph 8 of Part 6 of this Document.

Taxation

Information regarding taxation is set out in paragraph 11 of Part 6. The details are based on the law and understanding of the practice of tax authorities in those jurisdictions at the date of this document. The comments do not apply to certain categories of shareholder, such as persons owning Shares as securities to be realised in the course of a trade. All persons are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Ordinary Shares.

PART 2
COMPETENT PERSONS REPORT



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The Directors
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and

The Directors
Hichens, Harrison & Co plc
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London EC2M 1LB

6 May 2005

Dear Sirs

Introduction

Background and Brief

Tectonex GeoConsultants Pty Ltd ('Tectonex') was commissioned by Eastern Mediterranean Resources Public Limited ('EMED'), to provide a Competent Person's Report ('CPR') on EMED'S mineral exploration properties and proposed exploration program. The CPR is to be included in the Admission Document for a capital raising and the proposed admission of EMED to the AIM market of London Stock Exchange plc. The capital raised will be used for exploration and evaluation of EMED'S properties in Cyprus and other areas in the eastern Mediterranean region.

EMED has planned its exploration program within an initial Company budget of £2.25 million for the period to 31 December 2006. For the purposes of this report it has been assumed that EMED raises no less than £2.25 million.

Tectonex has not been requested to provide an Independent Valuation of EMED or of any of the exploration properties, nor has it been asked to comment on whether any vendor or promoter considerations are fair or reasonable.

The report was prepared by Dr Mike Etheridge, Managing Director of Tectonex. Dr Etheridge is a Fellow of the Australian Institute of Geoscientists and a Fellow of the Australian Institute of Company Directors, and is bound by the ethical and professional standards of both organisations. Dr Etheridge has BSc(Hons) and PhD degrees in geoscience, and has over 30 years' professional experience, including the last 16 years as a consultant to the mineral exploration, mining and energy industries. He has written or contributed to Competent Person's and Independent Expert reports on exploration projects, portfolios and companies in a wide range of jurisdictions, including ASX, TSE, JSE, LSE and AIM. He is familiar with the geology of the region encompassing EMED'S projects, having undertaken consulting assignments on projects in Egypt, Turkey, Bulgaria and the Middle Eastern region.

EMED'S principal project (95% interest) is in the Troodos Complex in western Cyprus. Dr Etheridge visited the EMED corporate and exploration offices in Cyprus to review reports and historic exploration data, and to discuss the proposed exploration program and budgets with EMED staff. EMED has compiled a very substantial information base, including virtually all of the exploration data acquired by various local and foreign companies over the past 50 years or more. Dr Etheridge also made brief field inspections of several of the previously mined Cu deposits in the region, and a selection of EMED'S priority exploration targets. He also reviewed with EMED management the information held by EMED on the other opportunities that they are pursuing in the eastern Mediterranean region.

Reporting Standard

This report has been prepared in accordance with the relevant provisions of the VALMIN Code (1998, 2004 draft) and the JORC Code (2004).

Throughout the report, production figures quoted for historic mines and unmined resources have been taken from historic records by EMED, and have not been independently verified by either EMED or Tectonex. The status of the unmined resources with respect to JORC categories and definitions is unknown.

Work program

The project was carried out during February and March 2005, and it comprised four main stages.

- Office-based review of information provided by EMED.
- Six-day visit by Dr Etheridge to the Cyprus project area with EMED staff, including detailed review of data and information compiled by EMED and its predecessors and partners in the Cyprus areas, as well as field inspection of historic deposits and exploration target areas.
- Discussion and review of information on regional properties and opportunities under assessment/option by EMED with EMED management and staff.
- Preparation of report.

Statement of Independence

Neither Tectonex nor Dr Etheridge has any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence.

Tectonex's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report or of EMED'S attempt to raise funds and list on AIM.

Warranties and Indemnities

EMED has represented in writing to Tectonex that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

EMED has also provided Tectonex with an indemnity under which Tectonex is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required.

Tectonex has provided its written consent for the inclusion of this report and references to the report and to its name in the admission document to be issued by EMED in the form and context in which they appear and has not withdrawn that consent and has authorised the contents of its report for the purposes of regulation 13(1)(d) of the Public Offers of Securities Regulations 1995 and accepts responsibility for it.

Yours faithfully
Tectonex GeoConsultants Pty Ltd



Michael A Etheridge
Managing Director

1 Overview of Eastern Mediterranean Resources Exploration Strategy

EMED is raising capital to pursue a two-pronged exploration strategy in the broader eastern Mediterranean region (Figure 1).

- The relatively advanced Cyprus VHMS (Volcanic-Hosted Massive Sulphide) project, in which target areas have already been identified within an extensive tenement package. Final target definition and evaluation, largely by planned ground geophysical surveys, will be followed by drill testing of the priority targets within the two-year period and budget covered by this Admission Document. This component of the EMED strategy is designed to deliver value by discovery in the shorter term.
- A portfolio of opportunities in other countries in the region. Specific opportunities have been identified in Bulgaria, Slovakia and Greece, and others will be pursued and assessed as outlined in the Admission Document. The focus will be on VHMS, epithermal gold and porphyry copper-gold projects. This component is effectively an option play on the ability of EMED'S management and technical team to identify, acquire and efficiently and effectively test quality exploration projects throughout the region.

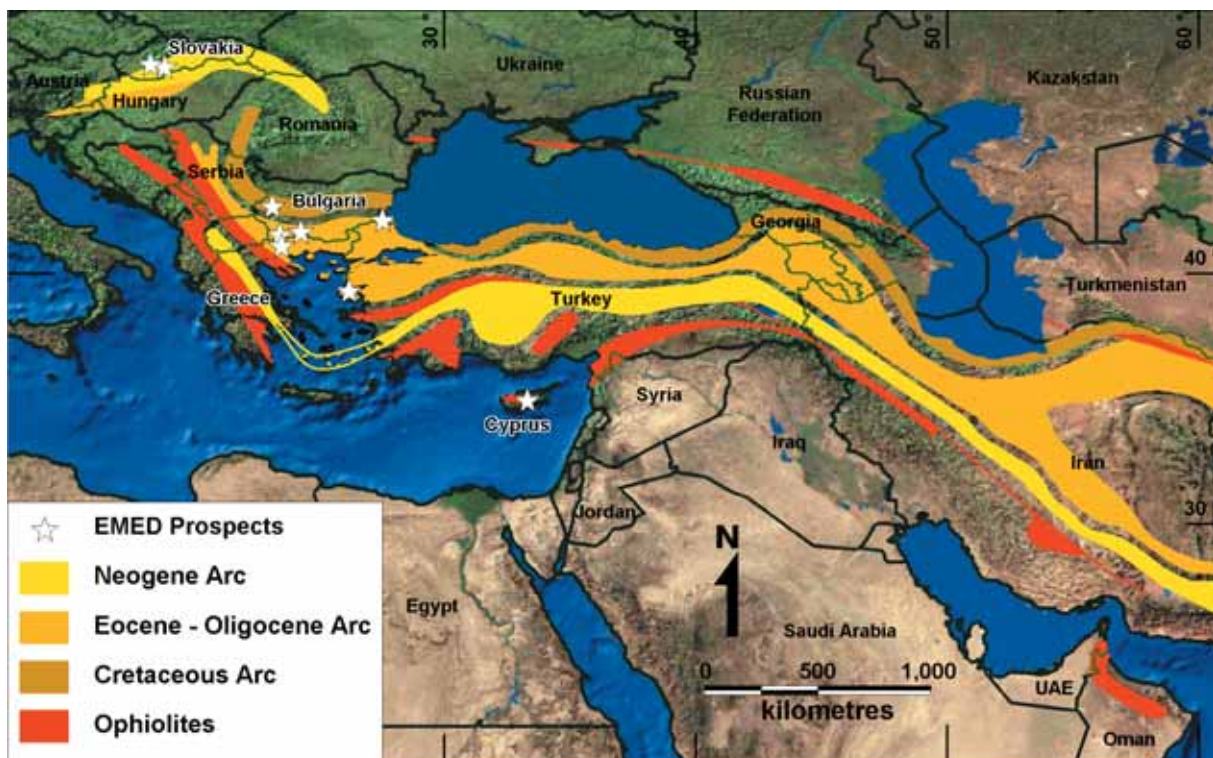


Figure 1: Map of EMED region of interest. The base is a digital topography image, and the major tectonic/volcanic/intrusive belts are overlaid, together with the locations of EMED'S current areas of interest and or applications for exploration tenements (white stars).

1.1 Cyprus VHMS Project

The Cyprus VHMS project (Figure 2), which is described in detail in the next section of this report, has a moderate to high probability of delivering a discovery within the two-year period covered by the program and budget outlined in this Admission Document. Target areas have been identified by EMED based on

- significant refinement of the Cyprus VHMS exploration model;
- reprocessing of legacy geophysical data;
- synthesis and re-interpretation of a very extensive database obtained from Oxiana, Eastern Mediterranean Minerals ('EMM'), Hellenic Mining Company ('HMC'), Hellenic Copper Mines ('HCM') and previous explorers; and
- a clear focus on targets that are either geologically blind within areas of the Troodos Complex (i.e., buried beneath rock units of the Troodos Complex), or covered by post-mineralisation sedimentary rocks.

Approximately half of the funds that are to be allocated to exploration (i.e., excluding administration costs) from the EMED financing will be directed to target definition and drill testing in the Cyprus project over a two-year period following admission to AIM.

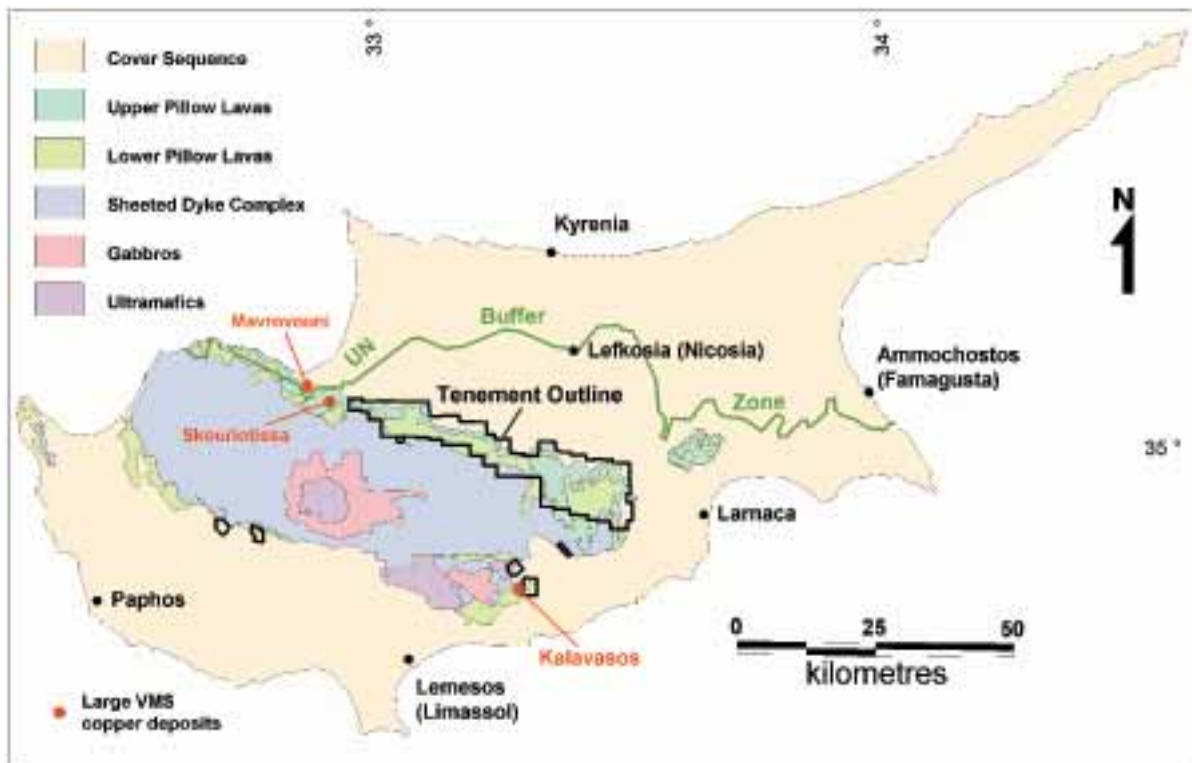


Figure 2: Simplified geological map of Cyprus showing the Troodos Complex in the southwest, the outline of the EMED Permits, the locations of the major towns, the approximate boundary with the portion of the country occupied by Turkey (Green line) and the positions of major historic mines.

1.2 Portfolio of Regional Opportunities

EMED is actively seeking, reviewing and acquiring exploration opportunities in other countries in the region from its Cyprus base. Its region of interest is the Mesozoic to Tertiary tectonic belt that winds from eastern Europe, through Greece, Turkey and Cyprus, via the Middle Eastern region to Iran (Figure 1). This belt contains a number of high-value gold, copper-gold and base metal deposits of the styles being sought by EMED. In particular, there are several equivalents to Cyprus' Troodos Complex with potential for VHMS copper-gold discoveries, and widespread areas of known epithermal and porphyry gold mineralisation ranging in age from Cretaceous to Neogene.

EMED management has established high-level contacts with government and the relevant parts of the bureaucracy, has ascertained the processes involved in acquiring exploration tenements, and has commissioned local experts to seek out opportunities in several of the countries in the region. Progress has been impressive, with applications in progress for specific exploration licences in Slovakia, Bulgaria and Greece at the date of this report. Approximately half of the funds that are to be allocated to exploration (i.e., excluding administration costs) from the EMED financing will be directed to seeking, reviewing acquiring and carrying out preliminary evaluation of regional projects during the first two years.

The EMED strategy of rapid and effective evaluation of a substantial portfolio of projects in several countries throughout a quality mineral belt, with a relatively high rate of project turnover, is arguably superior to the standard approach adopted by a number of the companies within the junior exploration sector – a limited portfolio of projects to which the company's fortunes are tied.

Section 3.3 of this report provides an opinion on EMED's exploration strategy and the opportunity and risk associated with that strategy.

2 The Cyprus Project

2.1 The Troodos Complex and its Copper Deposits

The island of Cyprus is host to the type examples of ‘Cyprus-style’ volcanic-hosted massive sulphide (‘VHMS’) deposits (Hutchinson and Searle, 1971; Solomon, 1976; Spooner, 1977; Franklin et al, 1981; Adamides, 1984; Lydon, 1988; Galley and Koski, 1999). These are copper-rich massive sulphide and stockwork deposits formed on and immediately beneath the ocean-floor during the process of seafloor spreading.

Scientists have been able to directly observe the processes of formation of this type of mineral deposit via submersible vehicles at the so-called ‘black smokers’ (Figure 3), and to dredge their products from modern ocean floor. ‘Black smokers’ represent sites of hot fluid outflow onto the ocean floor. The hot fluids are rich in dissolved metals, which are precipitated immediately in and around the ‘smokers’ as the hot fluids mix with cool sea water. It is the immediate precipitation of mainly iron and other metal sulphides in the hot water column as it mixes with cool sea water that gives black smokers their colour.

Both government and commercial organisations are reviewing the technology and economics of dredging the products of these black smokers directly from the sea floor. However, commercial mining to date has been restricted to ancient deposits formed throughout earth history and preserved on the continents. The larger examples of VHMS deposits include Kidd Creek and Flin Flon in Canada and Hellyer in Australia, but the deposits on Cyprus remain the type-example of this mineral deposit class that formed at seafloor spreading centres.

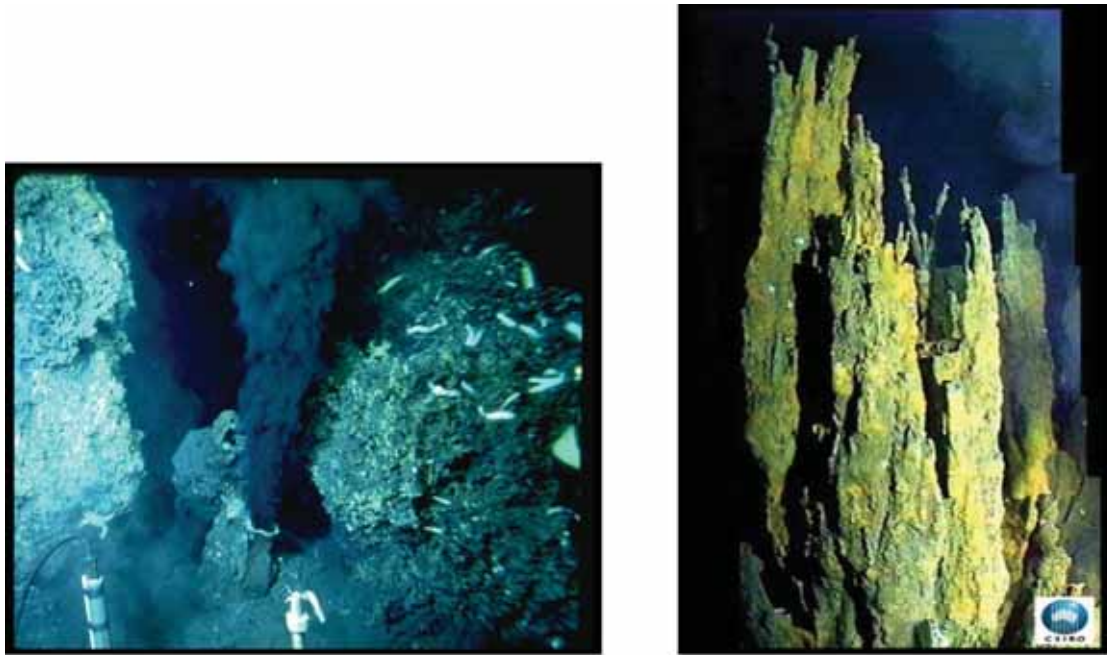


Figure 3: Photographs taken by submersible of black smokers (left) and sulphide-rich chimneys (right, courtesy CSIRO) from present day Pacific Ocean floor.

Seafloor spreading is the principal process by which new crust is formed on the Earth, and it takes place within both large and small ocean basins. New oceanic crust formed in this way is transported across the ocean basins by the processes of plate tectonics, and most of it is recycled into the Earth’s interior by subduction. However, small fragments of oceanic crust, with or without attached mantle rocks, can be sliced off the subducting plate and thrust onto the adjacent continent or island arc. These fragments are known as ophiolites.

The Troodos Complex is one such ophiolite, was one of the first to be recognised as such, and is probably the best preserved and exposed. As a result, it has been intensively studied and has become the type example of the crust beneath the ocean floor.

2.1.1 Geology of the Troodos Complex

The Troodos Complex comprises the full assemblage of rock types and layers that are interpreted to form at sites of sea-floor spreading. The complex is Cretaceous in age (~80-90 million years old) and

formed in a localised region of seafloor spreading between Africa and Europe as the latter began to move north. Cyprus and the Troodos Complex emerged from beneath the eastern Mediterranean, probably within the last few million years, buckled and thrust up as Africa approached and collided with Europe.



Figure 4: Geological map of Troodos Complex, showing the principal geological units described below, as well as the locations of the EMED Permit and Application Tenement areas and most of the historic deposits. Note that the Skouriotissa mining operation comprised three separate deposits (Phoukasa, Phoenix and Three Hills).

It is now exposed as a broad, elongate dome, such that the deeper layers of the original seafloor spreading centre are exposed in the centre of the complex, with progressively shallower units arrayed concentrically around the core (Figure 4). These units are as follows, from the base upwards (Figure 5).

- **The Plutonic Complex**, comprising a lower, ultramafic ('Harzburgite') unit, and an upper mafic ('Gabbro') unit, separated by an interlayered mafic/ultramafic unit. The lower unit represents the uppermost mantle, and middle and upper units lower oceanic crust components. The latter ranges in thickness from about 2km to 4km.
- **The Sheeted Dyke Complex**, which is made up of 50-100% steeply dipping, mafic dykes (each dyke ~0.5 to 1.0m thick) which intrude either gabbro intrusives (lower part of unit) or basalt lava flows (upper part). This unit is about 2km thick.
- **The Extrusive Sequence** of basalt pillow lavas, which comprises a lower unit (**Lower Pillow Lavas** – 'LPL') and an upper unit (**Upper Pillow Lavas** – 'UPL'). The LPL (~500m thick) is characterised by blocky, grey-green outcrop, somewhat more rugged topography, abundant sheeted dykes (20-50% of outcrop volume), and lacks olivine. The UPL (200-400m thick) tends to be more crumbly and pale green to pinkish in outcrop, forms lower lying, rolling hill topography, contains only rare dykes (<5%), and has abundant olivine crystals. There is also a very distinct difference in the chemical compositions of these two units, which can be used to distinguish them where their outcrop characteristics converge. Thin, discontinuous sedimentary units occur within and between the volcanic units. A distinctive, more continuous, Mn-rich, largely chemical sediment (known locally as 'Umber') up to ~20m thick occurs at the top of the UPL.

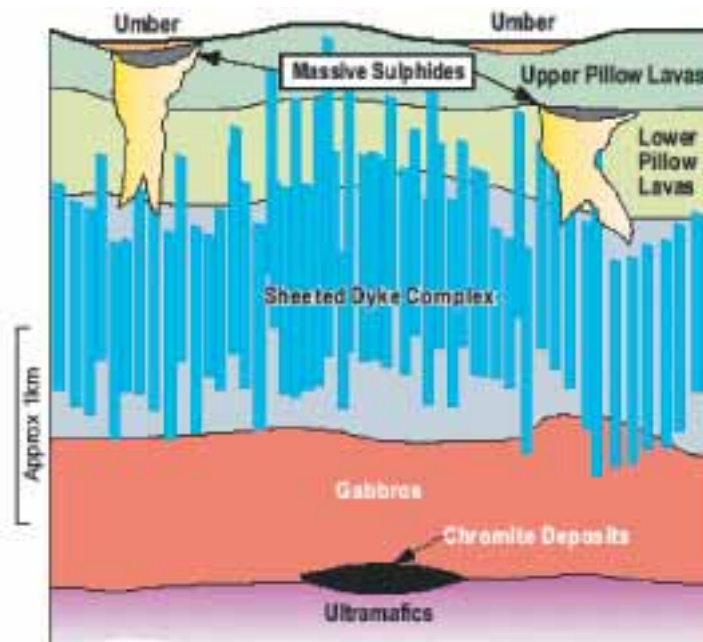


Figure 5: Schematic stratigraphy of the Troodos Complex.

All significant known VHMS mineral deposits occur within the extrusive sequence, and, as outlined below, most of the mined copper was hosted either at the base of or within the UPL.

2.1.2 Post-Mineral Sedimentary Cover

The Troodos Complex is overlain by two discrete sedimentary sequences, both of which may provide thin to thick cover over the prospective volcanics.

- Around most of its perimeter, the Extrusive Sequence is essentially conformably overlain by a Cretaceous to Miocene sedimentary sequence composed mainly of limestone, chalk and marl that is up to 2km thick (**'limestone sequence'**). This sequence dips gently away from the complex, and the magnetic and gravity data clearly demonstrate that the Troodos rocks project beneath the sedimentary sequence for at least several kilometres, especially along the northern margin within the EMED tenements.
- During the last few million years, the Island of Cyprus has emerged from beneath the Mediterranean Sea, and the Troodos Complex has formed a rapidly uplifting mountain range. This range has shed extensive and generally coarse-grained alluvial sediments (locally collectively known as the **'fanglomerate sequence'**) down its flanks and onto the surrounding limestone plain. Ongoing uplift has raised some of the fanglomerate deposits onto terraces, where they have been dissected and eroded in turn (see description of North Alestos prospect in Section 2.6.1).

Throughout this report, the term "Cover Sequence" is used in the text and in figures to include both of these sequences.

2.1.3 Cyprus-style VHMS Deposits of the Troodos Complex

Cyprus-style VHMS deposits have been mined for both their copper and their pyrite (sulphur) contents. During the 20th century, 42 deposits have been delineated and/or mined, ranging in size from less than 0.1Mt to 16Mt. Of these, 31 were mined principally for copper, producing from a few hundred to 600,000 tonnes of copper (Table 1; Figure 6). A comprehensive unpublished report on the Cyprus sulphide deposits and their genesis has been compiled for EMM and EMED by HCM geologist Dr Nicos Adamides (Adamides, 2004), and much of what follows in this and the next section is based on that report and a related PowerPoint presentation (Adamides, 2005). Dr Adamides is working full-time with the EMED exploration team on secondment from HCM under the EMM joint venture, and his extensive knowledge of the Cyprus copper deposits and the historic mining and exploration data is and will continue to be particularly valuable.

The highest copper grades have been in the massive sulphide parts of the deposits (see Figure 6 below; e.g., Mavrovouni, Phoukasa/Skouriotissa, Kinoussa/Mathiathis), but supergene enrichment also plays an important role in copper grade enhancement. Deposits that principally or solely comprise stockwork mineralisation (see Figure 6 below) may have larger tonnages (e.g., Limni, Phoenix/

Skouriotissa). Note that the Skouriotissa mining operations comprised three separate deposits – Phoukasa, Phoenix and Three Hills.

Gold is present in most deposits in which it has been measured. Gold assaying and/or recovery were not widespread during the main period of mining because of generally low gold prices. However, gold grades (not JORC compliant) are reported between 0.2 and 1.2 g/t, with higher grades noted in supergene enriched zones. Some gossans have apparently been mined in the past principally for their gold contents. In addition, higher gold values have been reported in silicified quartz vein/stockwork zones with some epithermal characteristics, and the primary focus of exploration by the EMM joint venture in the late 1990's was for these epithermal gold deposits.

Deposit Name	Easting	Northing	Ore Mined (Mt)	Cu (%)	Cu prod (tonne)	Strat_position
Mavrovouni	485685	3884300	15	4	600000	UPL
Limni	453070	3877310	16	1	160000	Base UPL
Phoukasa	490170	3883900	6	2.2	132000	Top UPL
Phoenix	489600	3883800	10	0.7	70000	Top UPL
Lefka East	486966	3884788	1.8	1.65	29700	Top UPL
Apliki	485740	3881540	1.65	1.8	29700	UPL wedge in LPL
Kalavassos B	523798	3850116	1.3	1.5	19500	LPL
Mousoulos	523968	3850177	1.5	1	15000	UPL/LPL contact
Kalavassos A	523608	3850275	1	1.5	15000	UPL
Peristerka	521306	3872102	0.5	2	10000	Base LPL
Kokkinoyia	509861	3878271	0.5	2	10000	UPL/LPL contact
Petra	524657	3850528	0.5	1.5	7500	UPL
Three Hills	490850	3883200	1.2	0.6	7200	UPL
Kinousa underground	455281	3877749	0.3	2.4	7200	Top UPL
Apliki West	484890	3881330	0.8	0.7	5600	LPL
Mavri Sykia	522907	3850603	0.35	1.5	5250	LPL
Evloimeni	453590	3876210	0.5	1	5000	LPL
Alestos	502132	3876900	0.5	1	5000	LPL
Kinousa opencut (Uncle Charles)	455488	3876919	0.22	2.2	4840	UPL
Klirou N	519418	3874691	0.42	1.1	4620	LPL
New Sha	533796	3868183	0.5	0.8	4000	LPL / UPL?
Mavridhia	523500	3850345	0.3	1	3000	UPL/LPL contact
Troulli	556610	3876401	0.2	1	2000	UPL/LPL contact
Kalavassos C+D+E	523718	3850336	0.16	1	1600	UPL/LPL contact
Mangaleni-Parekklishia	512468	3846274	0.1	1.5	1500	UPL
Vreccia	470100	3861500	0.3	0.5	1500	Uncertain
Platies	522248	3850281	0.05	2	1000	UPL/LPL contact
Landaria	523117	3850674	0.2	0.5	1000	LPL
Peravasa	475401	3860895	0.1	0.8	800	Uncertain
Klirou S	519145	3874534	0.08	0.5	400	LPL
Strongyli	533992	3869160	0.13	0.3	390	LPL / UPL?

Table 1: Historic mines listed in order of tonnes of copper metal produced; also showing grade, ore tonnes produced and stratigraphic position. Pale green highlighted mines hosted in UPL, blue highlighted mines hosted in LPL. 90% of copper in UPL.

EMED reasonably considers that there is little potential for economic epithermal gold deposits, but that gold is a potentially valuable by-product in VHMS deposits, and that gold grades of around 0.5 to 1.0g/t can be expected in deposits with copper grades above about 2%.

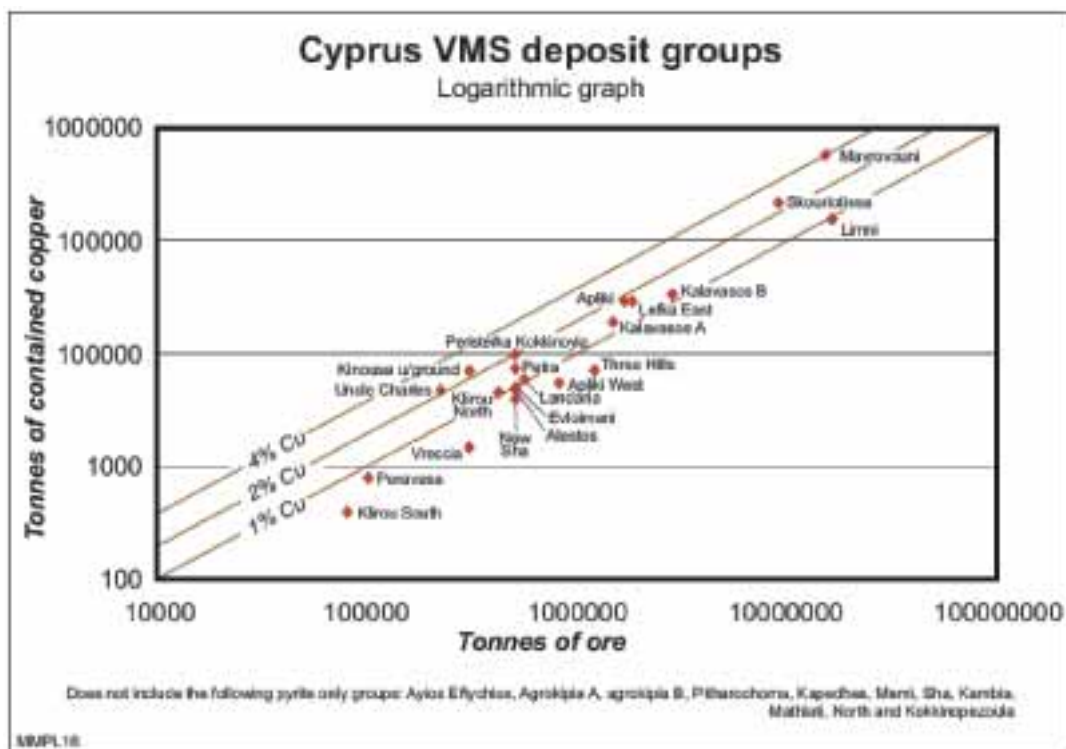


Figure 6: Plot of tonnes of ore mined (horizontal axis) versus tonnes of contained copper (vertical axis), on a log-log scale. Diagonal straight lines are Copper grade contours at 1%, 2% and 4% respectively.

The Mavrovouni deposit (Figures 4, 6) is the largest and by far the most valuable found on Cyprus, and represents the class of target that EMED is seeking. Mavrovouni, with reported production of 15Mt at 4% Cu is in the top 10% of VHMS deposits worldwide, and is probably the most valuable of the Cyprus-style sub-class ever found. Despite its size, it remained unmined for some years after discovery of its upper part, mainly because most of the deposit was overlain by both unaltered to weakly altered basalts of the upper UPL and by marls and fanglomerates of both sedimentary cover sequences (Figure 7). The deposit had an average dip of about 30°, and comprised discontinuous pods of high-grade massive sulphide within lower grade disseminated sulphide.

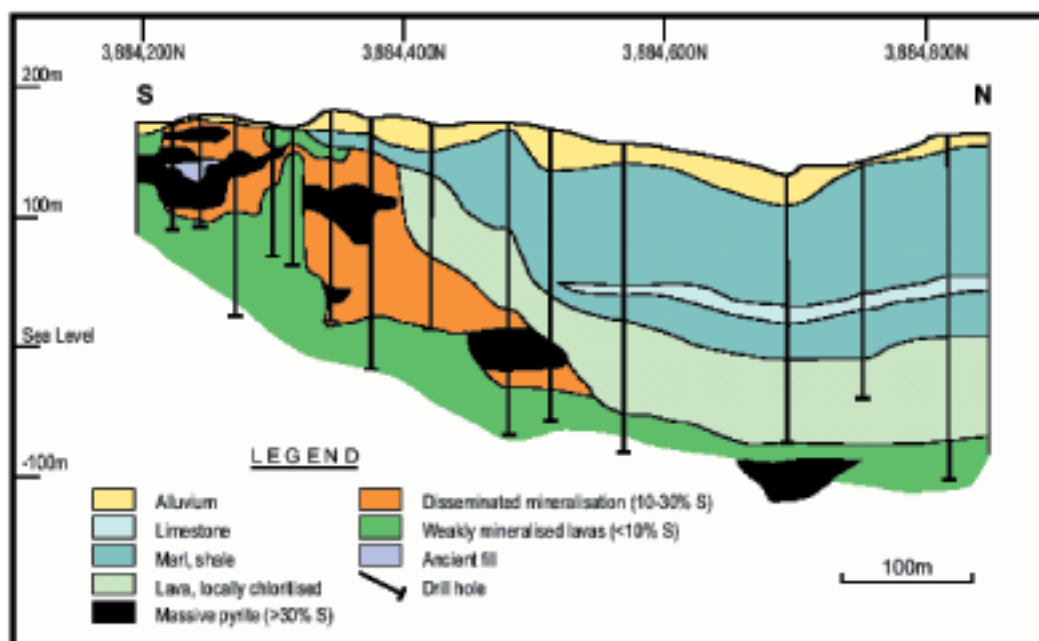


Figure 7: Cross-section through Mavrovouni mine.

2.2 The Cyprus-Style VHMS Deposit Model

The Cyprus-style VHMS deposit model is detailed in virtually all of the economic geology textbooks and classical review papers on massive sulphide deposits in general (e.g., Hutchinson and Searle, 1971; Solomon, 1976; Franklin et al, 1981; Lydon, 1988; Gibson et al, 1999). Its association with the sea-floor spreading process and ophiolite/ocean floor stratigraphy and structure is illustrated in Figure 8.

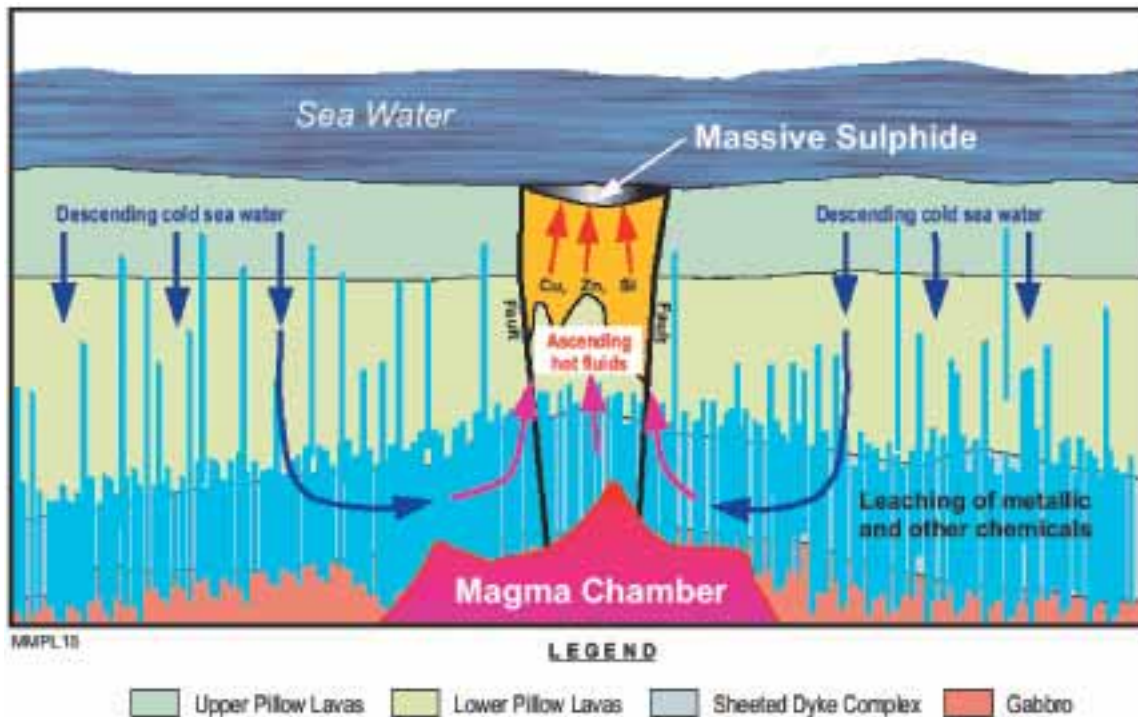


Figure 8: Schematic section through ocean floor showing relationships between seafloor spreading, ophiolite units, fluid circulation and formation of VHMS deposit.

At the deposit scale, there is a characteristic, largely vertical progression from the bottom up to the ancient seafloor, as follows (Figure 9).

- A root of highly altered lava with disseminated sulphides and low copper grades;
- A zone of intensely quartz-sulphide veined and altered lava (stockwork zone), commonly with grades up to about 1.0% Cu in both veins and disseminated through altered lavas;
- A transition zone of brecciated sulphide and basalt is not always present.
- The seafloor massive sulphide (principally pyrite) deposit that is considered to have been deposited within and immediately around the 'black smokers' and their chimneys. The internal structure of the massive sulphide ranges from massive to layered to a complex sulphide-in-sulphide breccia. Chalcopyrite is the principal copper mineral, and it commonly occurs as veins and breccia matrix within massive pyrite, indicating late-stage addition of copper to these systems.

The Cyprus deposits commonly have an obvious structural control along one or both margins, as illustrated in Figure 9. However, where the controlling structures are within the core of the alteration and stockwork system they may be less obvious (e.g., Mavrovouni; Skouriotissa deposits). In addition, the deposits are commonly surrounded laterally by a broader zone of characteristic alteration that decreases away from the deposit. The alteration is dominated by chlorite, quartz, pyrite and epidote, and silicification is commonly sufficiently intense in the stockwork zone to be detected as a resistivity anomaly in geophysical data.

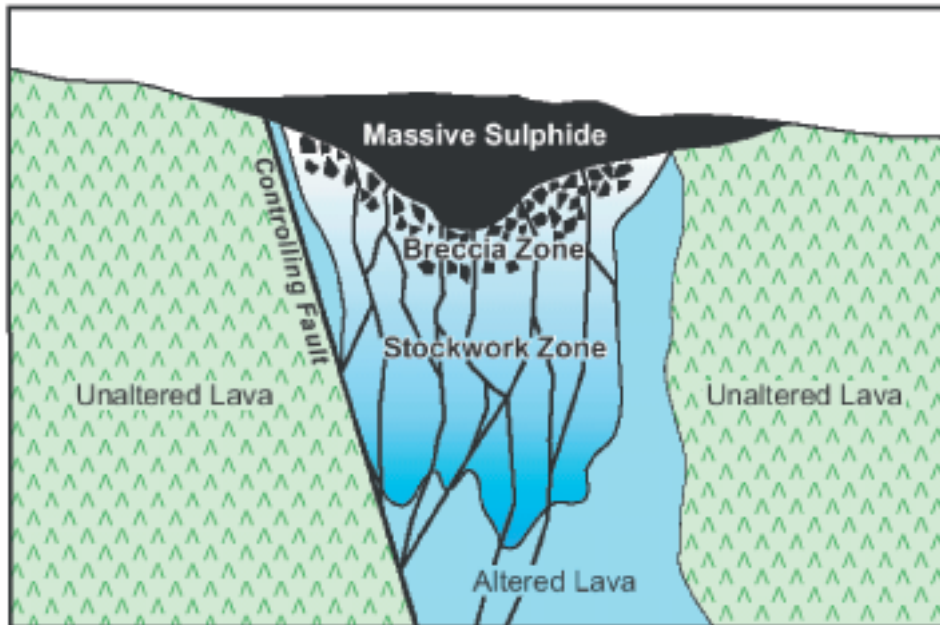


Figure 9: Schematic section of a typical Cyprus-style VHMS deposit.

The main components of the Cyprus-style VHMS deposit model that relate to exploration and discovery within the Troodos Complex, and especially to the principal opportunities that are being pursued by EMED are as follows.

- **Stratigraphic position of mineral deposits.** Mineralisation and small deposits occur throughout both Upper and Lower Pillow Lavas, with rare occurrences of stockwork and disseminated mineralisation down into the upper parts of the Sheeted Dyke Complex. However, as detailed in Table 1 and illustrated in a schematic regional cross-section (Figure 10), most of the mines, and especially the larger and more copper-rich ones occur at the base of or within the UPL. In fact more than 90% of the mined copper has come from deposits whose massive sulphide or upper stockwork components are within the UPL. **By focusing on areas of shallowly dipping UPL, especially where it dips under thin sedimentary cover, EMED will access opportunities that seem to have been under-explored by past operators.**
- **Structures active during mineralisation.** Faults that were active during volcanism and seafloor spreading are interpreted to have focused fluid flow through the upper crust to leach the metals, and, most importantly, to have controlled the localisation of hot fluid outflow onto the ocean floor (i.e., the black smokers). The localised dilation that is evidenced by the quartz-sulphide veining and stockworks also requires a degree of structural control. The controlling structures have been mapped and interpreted at many of the deposits, and can be inferred at a number of the others from linear features in the magnetic data (e.g., Skouriotissa deposits). Intersections between faults, both of which were active during volcanism and hydrothermal activity, are particularly likely to have resulted in highly focussed dilation, fluid flow and localisation of massive sulphides on the seafloor. Deposits and areas of alteration and sub-economic mineralisation commonly occur at the intersections between approximately N-trending and NW-trending faults. Less commonly, NE- and E-trending faults also appear to have been involved in localising mineralisation.
- **Characteristic alteration and association between massive sulphides and stockworks.** The distinctive alteration halo that surrounds these deposits provides an effective targeting guide and vector towards the massive sulphides. However, the greatest volume of altered rock occurs structurally and stratigraphically **beneath** the massive sulphides. Given the generally shallow dip of the volcanic units, extensive alteration at the surface may indicate that the massive sulphide deposit, if formed, has been eroded away.

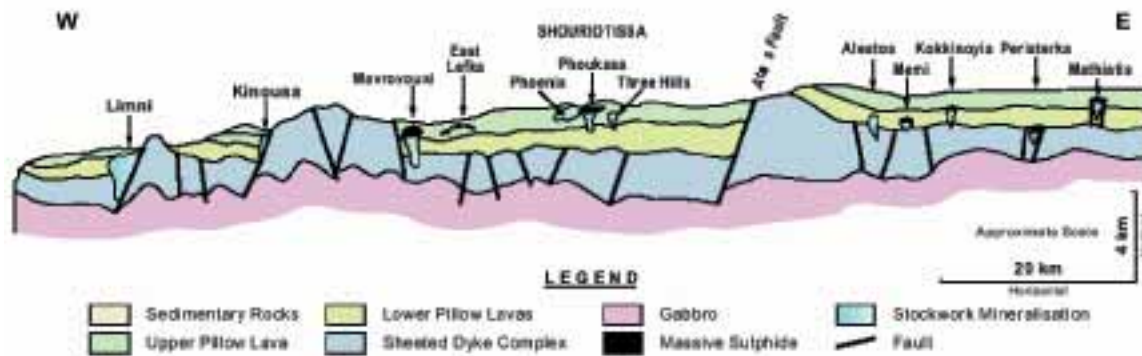


Figure 10: Schematic cross-section (~E-W) showing the stratigraphic positions of a selection of the key VHMS deposits, including all of the major ones.

2.3 Mining and Exploration History

The copper deposits of Cyprus are considered to have first been exploited by the Phoenicians over 3,000 years ago. They were subsequently extensively developed by the Greeks and Romans. Widespread and remarkably extensive slag deposits largely date from these times, and have been used as an exploration tool in modern times. After the fall of the Roman Empire in the 5th century AD, mining appears to have gone into abeyance until the early part of the 20th century.

The discovery of the Phoukasa deposit at Skouriotissa in 1914 followed a few years later by the discovery of Mavrovouni deposit led to the formation of Cyprus Mines Corporation ('CMC' – a predecessor of Cyprus Amax Corporation) and the resurgence of mining. This company, together with Hellenic Mining Company ('HMC') and Cyprus Sulphur and Copper Company ('CSCC') provided the bulk of the mining and exploration activities for the next 50 years. The heyday for both exploration and mining lasted from the mid 1950's until 1974. In 1967 alone, over 80,000m of drilling was carried out by these three companies and more than 30 ore deposits had been or were being mined on Cyprus. Most of these were rediscoveries of ancient deposits, but some were found by application of the then fledgling electrical geophysical techniques – Induced Polarisation (IP) and Self Polarisation (SP).

Following Turkish invasion in 1974 both exploration and mining declined rapidly. CMC, cut off from its treatment plant, surrendered its leases the same year. CSCC ceased exploration, mined out its existing reserves and closed in 1979. HMC remained somewhat active in exploration until 1984, focusing around its mining operations at Skouriotissa, but failed to find significant orebody extensions. Mining operations were continued by HMC, principally extracting pyrite for sulphuric acid and fertiliser.

In the late 1970's and early 1980's, some exploration was carried out by Noranda, BRGM and the Cyprus Geological Survey (financed by a UN fund). In 1990 Cyprus Mining Investments began exploration for epithermal-style gold deposits but departed in 1991, apparently having done little work.

In 1996, Eastern Mediterranean Minerals ('EMM') was formed as a joint venture between HMC and Oxiana Limited ('Oxiana'), to explore for gold and copper deposits in Cyprus. The initial emphasis was on epithermal gold exploration, switching to VHMS Cu-Au from 2000 onward. Over the period of the joint venture, Oxiana's share of EMM increased from 50% to 95%. In 2005, Oxiana sold its share of EMM to EMED, with HMC retaining its 5% share.

HMC and Oxiana also jointly owned Hellenic Copper Mines ('HCM'), which continued to mine the long-established and nearly depleted Skouriotissa Mine. An SXEW copper leaching plant was established at Skouriotissa, but it has operated below specification and Oxiana withdrew from HCM. Mining and processing operations were suspended in mid-2004. Neither EMED nor any of its Group of companies has any involvement in the HCM mining/processing operations, and are excluded from exploring in the immediate environs of the Skouriotissa mine (Figure 4).

2.4 Exploration Opportunity & Targeting Criteria

2.4.1 The Exploration Opportunity

Despite this intensive and quite successful exploration history, I consider that a significant exploration opportunity remains for EMED for the following reasons.

- Recognition by EMED that all of the larger deposits and over 90% of the mined copper are hosted within the Upper Pillow Lavas, and that there are extensive areas of UPL that are covered by relatively thin post-mineralisation sedimentary rocks. All of the papers and reports on the Cyprus copper deposits either implicitly or explicitly indicate that the UPL and LPL are equally prospective, and much of the more recent exploration appears to have been around alteration systems within the extensive outcrop area of the LPL.
- The gentle dip of the basalt sequence (generally less than 20°) provides large areas under which geologically blind deposits within or at the base of the UPL could be covered by unaltered and unmineralised basalt flows of the upper UPL. We note that size potential of the Mavrovouni deposit remained unrealised for some years after initial discovery, because it dips gently beneath unaltered overlying UPL flows (Figure 7). EMED'S review of the historic data suggests that exploration was largely centred on surface indications of mineralisation or alteration, many of which are in the LPL unit. Figure 11 illustrates how alteration and some stockwork mineralisation are to be expected with the LPL, below the higher grade massive sulphides in the UPL. Where the LPL is outcropping and altered/weakly mineralised, any UPL-hosted massive sulphide will have been eroded.
- The UPL dips at much the same angle beneath the marl-limestone sedimentary cover sequence, and may also be covered by essentially horizontal fanglomerate sequence (Figure 11). This gives rise to a strip of potentially prospective UPL about 1 to 2km wide along the whole of the northern boundary of the outcropping Troodos Complex.

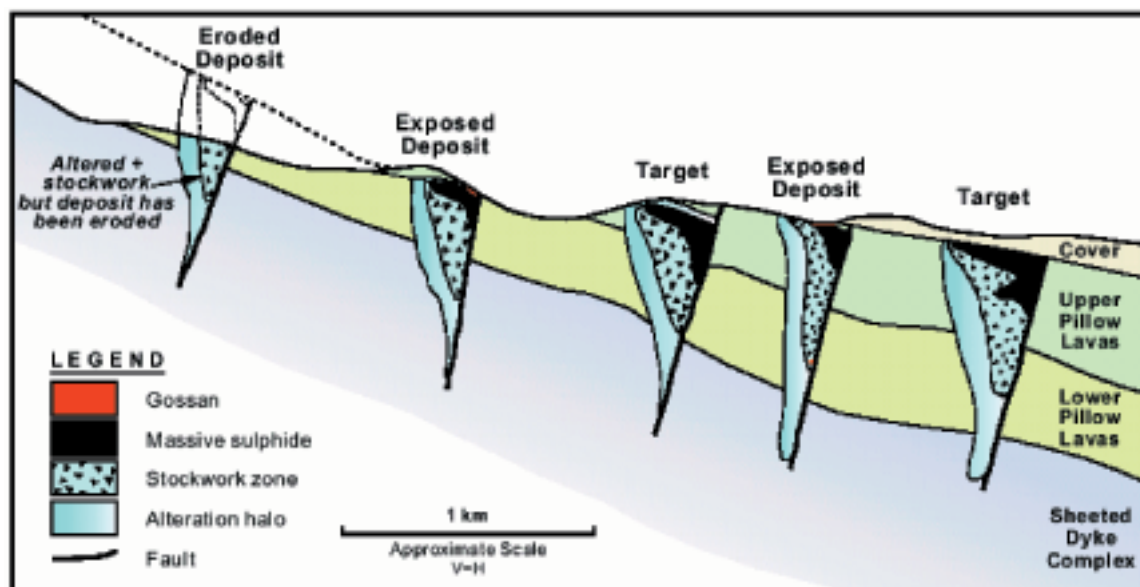


Figure 11: Schematic cross-section illustrating the opportunities for blind deposits beneath both unmineralised UPL and sedimentary cover. It also explains the common occurrence of alteration +/- stockwork systems within LPL (far left) but which have had any massive sulphide removed by erosion.

- Reprocessing of the magnetic data from the various existing surveys has enabled improved discrimination and location of the areas of relatively low and uniform magnetic response that may reflect altered and/or mineralised volcanics. It has also provided improved resolution and imaging of the faults that are known or suspected to have been active during mineralisation.
- The 1999 Dighem EM/magnetic survey acquired by EMM was principally applied to their epithermal gold exploration, and it seems to have been under-utilised for VHMS targeting. Reprocessing of this dataset by EMED has been particularly valuable in identifying the priority targets areas described below.
- Retrieval, reprocessing and modeling of the historic Induced Polarisation (IP) geophysical data using modern software tools that were unavailable at the time of acquisition is expected to identify untested targets. EMED has demonstrated that it is possible to both see deeper and more accurately locate targets than was achieved by earlier explorers.

2.4.2 Targeting Criteria and Exploration Methodology

The recognition by EMED that the principal remaining opportunity for high value VHMS deposits in the Troodos Complex is for blind or covered deposits, largely within the UPL, drives the following two-component target generation methodology.

- **Detailed geological mapping**, principally to determine the full extent, thickness and dip of the UPL sequence, locate and trace out faults that may have controlled hydrothermal fluid flow and mineralisation, and enable the construction of precise and predictive cross-sections. The cross-sections are particularly important for identifying the areas where UPL is within economic reach (<200-300m) in the subsurface, and to constrain interpretation of the geophysical data being acquired. Remarkably, there appear to have been few, if any, detailed cross-sections constructed through the prospective areas (apart from those at the mines themselves) during previous exploration programs.
- **Ground geophysical surveys**. EMED is in the process of selecting the most appropriate ground geophysical method for detailed testing of prospects prior to drilling. Historic (1960's to 1980's) use of ground geophysics in Cyprus has successfully traced mineralised zones for the siting of drill holes. After reprocessing and interpretation of existing ground geophysical data, mainly IP data, it has been decided that a combination of IP and Electromagnetic (EM) methods will be utilised to sample the sub-surface for the presence of massive sulphides. Modern geophysical instruments are computer controlled and can be used in either mode by software selection, thus cost savings can be made by importing just one unit for the survey program and using the most appropriate technique for each prospect. Previous generations of IP equipment operated in analog mode and data were hand processed to contour presentation and interpreted by intuition and experience. Modern computer power allows for interactive modelling of IP data, and for inversion techniques to derive the best interpretation to fit the observed data. Selected portions of some of the older data have been digitised and interpreted by inversion techniques by EMED prior to section modelling, as demonstrated in Figure 12. This process showed that the old data can deliver deeper penetration and more accurate location of targets using modern interpretation procedures, and has allowed the parameters for new surveys to be confidently determined.

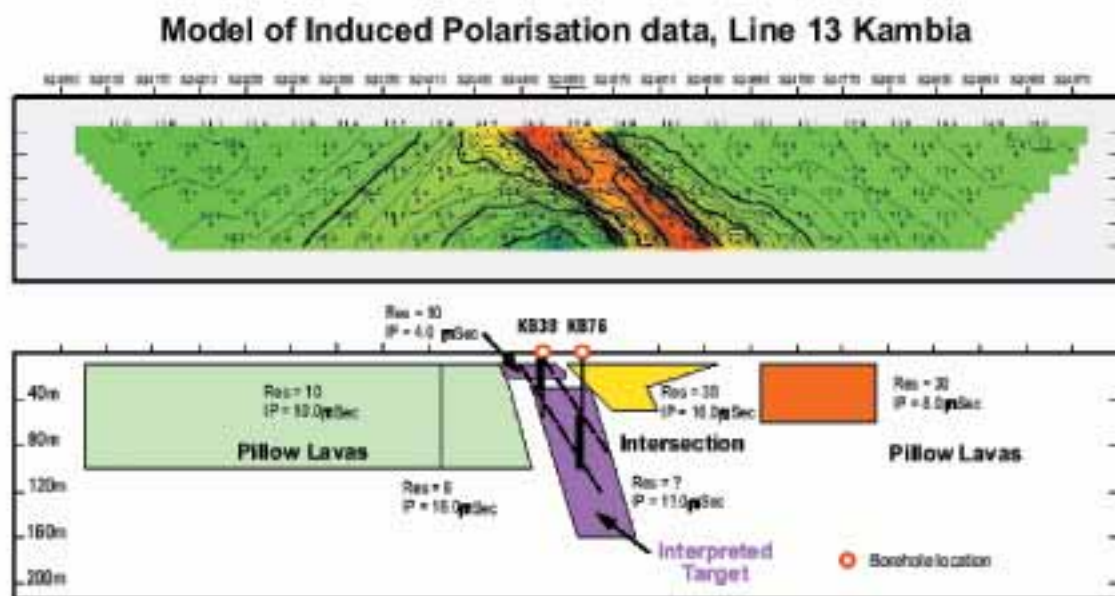


Figure 12: Example of IP section from historic exploration reprocessed and modeled by EMED. Upper section is reprocessed IP pseudo section; lower section is the preferred model, with the high chargeability “target” body (pink). This model was produced by EMED’s consulting geophysicist, Stephen Webster, prior to him being informed of the locations of two historic drill holes that had intersected sulphides.. The close correspondence between the modeled body and the drill intersections indicates that buried targets will be able to be modeled and located with confidence from the higher quality IP data to be acquired by EMED.

Geochemical methods are not considered to be particularly useful in much of the EMED tenement area, because of past intensive surface exploration, generally good outcrop, and EMED’S focus on blind/covered deposits. However, limited rock-chip sampling will be undertaken to both distinguish

UPL from LPL, and to characterise and map variations in the intensity, style and Cu/Au anomalism of alteration.

2.5 Tenement Holdings, Infrastructure and Access

2.5.1 Tenement Holdings and Applications

EMED'S Cyprus project comprises 18 Prospecting Permits (49.1 km²) and 67 Prospecting Permit Applications (323.8 km²) covering a total area of 372.9 km². The Permits and Applications cover approximately 60% of the outcropping and shallowly covered Upper and Lower Pillow Lava formations which host all known VHMS mineralisation. Tectonex did not independently verify that EMED is the beneficial owner of the Prospecting Permits nor that they are in good order. However, they have been independently reported on by Dr. Chrysostomides & Co., and we have relied on their investigations.

With respect to the Prospecting Permit Applications, we have sighted digital copies of two letters from the Cyprus Mines Department dated 12 February 2005, which stated that 22 applications had been received from Tredington Ventures Ltd and 23 applications had been received from Winchcombe Ventures Ltd (45 Applications in total), that the applications were in good order, were currently being processed and would be granted within 6 months from the date of application (2 February 2005). EMED informed me that additional applications for 14 Permit areas were made in the names of Winchcombe Ventures Ltd (2 permits), Tredington Ventures Ltd (4 permits) and EMM (Cyprus) Ltd (8 permits) on 11 March 2005, as detailed in Table 2. I made no independent confirmation of the status of those applications, but the assignment of the 4-digit numbers in Table 2 and Figure 13 indicates that the Cyprus Mines Department had accepted the applications and commenced processing of them.

All except six of the Permits and Applications comprise a contiguous area along the more historically productive northern flank of the Troodos Complex (Figure 13).

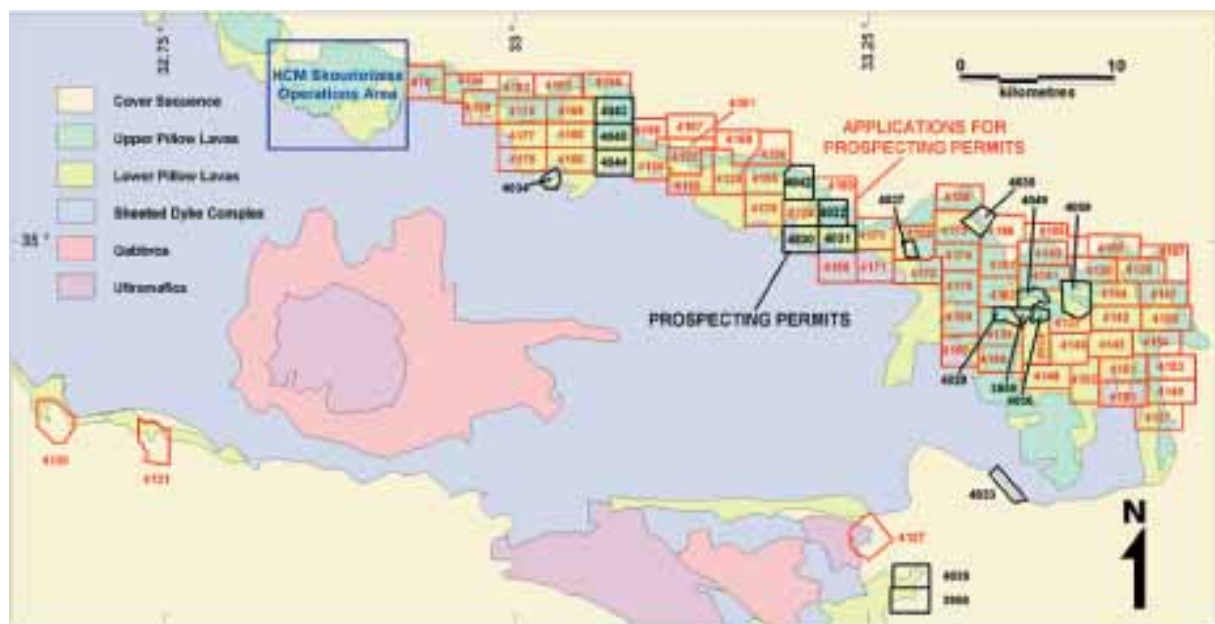


Figure 13: Map of eastern part of Troodos Complex showing location of EMED Permits (outlined in black) and Applications (outlined in red).

<i>Permit/ Application No.</i>	<i>Permit Holder</i>	<i>Area (sq km)</i>	<i>Total Area by Permit Holder</i>	<i>Date of Issue</i>	<i>Date of Application</i>
3950	EMM (Cyprus Ltd)	0.84		13-Feb-03	
3956	EMM (Cyprus Ltd)	4.07		15-Jul-03	
4029	EMM (Cyprus Ltd)	1.42		1-Mar-04	
4030	EMM (Cyprus Ltd)	4.00		15-Jul-03	
4031	EMM (Cyprus Ltd)	4.00		15-Jul-03	
4032	EMM (Cyprus Ltd)	3.00		15-Jul-03	
4033	EMM (Cyprus Ltd)	1.65		15-Jul-03	
4034	EMM (Cyprus Ltd)	0.95		15-Jul-03	
4035	EMM (Cyprus Ltd)	2.00		15-Jul-03	
4036	EMM (Cyprus Ltd)	0.76		15-Jul-03	
4037	EMM (Cyprus Ltd)	0.85		15-Jul-03	
4039	EMM (Cyprus Ltd)	3.60		4-Dec-03	
4042	EMM (Cyprus Ltd)	4.00		15-Jul-03	
4043	EMM (Cyprus Ltd)	4.00		15-Jul-03	
4044	EMM (Cyprus Ltd)	4.00		25-Jul-03	
4045	EMM (Cyprus Ltd)	4.00		15-Jul-03	
4049	EMM (Cyprus Ltd)	1.94		1-Mar-03	
4050	EMM (Cyprus Ltd)	4.03		15-Jul-03	
4124	EMM (Cyprus Ltd)	4.00			14-Nov-04
4125	EMM (Cyprus Ltd)	5.04			14-Nov-04
4126	EMM (Cyprus Ltd)	5.06			14-Nov-04
4127	EMM (Cyprus Ltd)	4.97			14-Nov-04
4128	EMM (Cyprus Ltd)	5.00			14-Nov-04
4129	EMM (Cyprus Ltd)	5.01			14-Nov-04
4130	EMM (Cyprus Ltd)	4.99			14-Nov-04
4131	EMM (Cyprus Ltd)	4.49			14-Nov-04
4185	EMM (Cyprus Ltd)	4.92			11-Mar-05
4196	EMM (Cyprus Ltd)	4.92			11-Mar-05
4187	EMM (Cyprus Ltd)	4.98			11-Mar-05
4188	EMM (Cyprus Ltd)	4.93			11-Mar-05
4189	EMM (Cyprus Ltd)	4.89			11-Mar-05
4190	EMM (Cyprus Ltd)	4.91			11-Mar-05
4191	EMM (Cyprus Ltd)	1.88			11-Mar-05
4192	EMM (Cyprus Ltd)	3.77	122.89		11-Mar-05
4136	Tredington Ventures Ltd	4.95			2-Feb-05
4137	Tredington Ventures Ltd	4.99			2-Feb-05
4138	Tredington Ventures Ltd	4.92			2-Feb-05
4139	Tredington Ventures Ltd	4.98			2-Feb-05
4140	Tredington Ventures Ltd	4.97			2-Feb-05
4141	Tredington Ventures Ltd	4.99			2-Feb-05
4142	Tredington Ventures Ltd	4.99			2-Feb-05
4143	Tredington Ventures Ltd	4.98			2-Feb-05
4144	Tredington Ventures Ltd	4.97			2-Feb-05
4145	Tredington Ventures Ltd	4.95			2-Feb-05
4146	Tredington Ventures Ltd	4.96			2-Feb-05
4147	Tredington Ventures Ltd	4.92			2-Feb-05
4148	Tredington Ventures Ltd	4.97			2-Feb-05
4149	Tredington Ventures Ltd	4.92			2-Feb-05
4150	Tredington Ventures Ltd	4.92			2-Feb-05
4151	Tredington Ventures Ltd	4.98			2-Feb-05
4152	Tredington Ventures Ltd	4.94			2-Feb-05
4153	Tredington Ventures Ltd	4.92			2-Feb-05
4154	Tredington Ventures Ltd	4.90			2-Feb-05
4155	Tredington Ventures Ltd	4.99			2-Feb-05
4156	Tredington Ventures Ltd	4.97			2-Feb-05

<i>Permit/ Application No.</i>	<i>Permit Holder</i>	<i>Area (sq km)</i>	<i>Total Area by Permit Holder</i>	<i>Date of Issue</i>	<i>Date of Application</i>
4157	Tredington Ventures Ltd	4.94			2-Feb-05
4194	Tredington Ventures Ltd	4.87			11-Mar-05
4193	Tredington Ventures Ltd	3.86			11-Mar-05
4195	Tredington Ventures Ltd	4.97			11-Mar-05
4196	Tredington Ventures Ltd	4.89	127.58		11-Mar-05
4158	Winchcombe Ventures Ltd	4.94			2-Feb-05
4159	Winchcombe Ventures Ltd	4.95			2-Feb-05
4160	Winchcombe Ventures Ltd	4.91			2-Feb-05
4161	Winchcombe Ventures Ltd	4.99			2-Feb-05
4162	Winchcombe Ventures Ltd	4.97			2-Feb-05
4163	Winchcombe Ventures Ltd	4.97			2-Feb-05
4164	Winchcombe Ventures Ltd	4.92			2-Feb-05
4165	Winchcombe Ventures Ltd	4.92			2-Feb-05
4166	Winchcombe Ventures Ltd	4.91			2-Feb-05
4167	Winchcombe Ventures Ltd	4.92			2-Feb-05
4168	Winchcombe Ventures Ltd	4.92			2-Feb-05
4169	Winchcombe Ventures Ltd	4.98			2-Feb-05
4170	Winchcombe Ventures Ltd	5.00			2-Feb-05
4171	Winchcombe Ventures Ltd	4.92			2-Feb-05
4172	Winchcombe Ventures Ltd	4.96			2-Feb-05
4173	Winchcombe Ventures Ltd	4.95			2-Feb-05
4174	Winchcombe Ventures Ltd	4.92			2-Feb-05
4175	Winchcombe Ventures Ltd	4.95			2-Feb-05
4176	Winchcombe Ventures Ltd	4.92			2-Feb-05
4177	Winchcombe Ventures Ltd	4.92			2-Feb-05
4178	Winchcombe Ventures Ltd	4.92			2-Feb-05
4179	Winchcombe Ventures Ltd	4.92			2-Feb-05
4180	Winchcombe Ventures Ltd	4.95			2-Feb-05
4197	Winchcombe Ventures Ltd	4.91			11-Mar-05
4198	Winchcombe Ventures Ltd	3.97	122.47		2-Feb-05
Total Area Held or Applied For		372.94			
Total No. Permits + Applications		85			

Table 2: Current Permits held and under application (pending) by EMED and its wholly owned subsidiaries. List provided by EMED and not independently verified by Tectonex.

2.5.2 Mining law, Access and Infrastructure

Since 1974 Cyprus has been partitioned by a UN Buffer Zone due to occupation of the northern 38% of the island by Turkey. At the present time, exploration is not possible within the Turkish Cypriot or UN-controlled zones. The historic Mavrovouni mine and about 10% of the prospective part of the Troodos Complex in the north-western corner are excluded for this reason (Figure 2).

Cyprus has a modern and robust mining law that provides security of tenure and right of access to private land for exploration purposes. There is strong tradition and culture of mining in Cyprus, and mining has been an important contributor to national wealth until recently.

Access to the Prospecting Permit and Application areas is generally very good, with an extensive network of sealed roads. In addition, most of the area is farmland and there is a secondary network of tracks to and within most properties. The UPL and the outboard sedimentary cover comprise rolling hills and are mostly under agriculture crops. There may be some access / timing issues for ground geophysical surveys, and this has been taken into account in the scheduling of these surveys by EMED. The terrain becomes progressively steeper and less accessible though the LPL and into the Basal Sequence. However, access is still reasonable for most exploration purposes, and the EMED exploration strategy to focus on UPL and areas of thin sedimentary cover will see it mainly operating in areas of excellent access.

Infrastructure in Cyprus is first class. It is serviced by two international airports, a modern port facility and a dense mobile phone network. It is a regional financial service centre, and therefore has very good access to the full range of professional services.

2.6 Identified Target Areas

Eleven target areas have been identified by EMED within their tenements and areas under application. Target generation and prioritisation is ongoing as the data continue to be reprocessed, integrated and interpreted, and we expect that additional target areas will be identified and progressed over the next two years.

The characteristics and targeting criteria for the eleven targets are summarised in Table 3 and their locations shown on Figure 14.

<i>Target</i>	<i>Strategic unit</i>	<i>Structural features</i>	<i>Geophysical features</i>	<i>Principal Target Criteria</i>
Alestos North	Upper and Lower Pillow Lavas	NW trending Aster faults. NW and NE topographic faults.	Broad magnetic low with a Magnetic Analytic Signal (MAS) anomaly. Cluster of electromagnetic (EM) anomalous responses.	Magnetic low mostly under cover, with alteration and mineralisation on margins.
Northeast Kambia	Upper and Lower Pillow Lavas	Intersection of NW and NE Aster faults. NW trending Landsat fault.	Magnetic lows on intersections of fault trends. MAS anomaly on one of these.	Geophysical features on intersection of structures, partly under cover, with indications of mineralisation. Parallel to known mineralised structure.
North Sha	Lower Pillow Lavas with Upper Pillow Lava affinities	NE and NW Aster faults.	Broad intense magnetic low.	Geophysical features on structures with known mineralisation. Local evidence of alteration and mineralisation.
South Sha	Basal Group contact with Lower Pillow Lava showing Upper Pillow Lava affinities.	E and WNW Aster faults. Intersection of NE and WNW Landsat faults.	Broad magnetic low with MAS anomalies.	Intersection of major structures known to host mineralisation.
East Lithrodontas	Upper Pillow Lavas	ENE, WNW, and E trending Aster faults. Major NW Landsat and topographic fault.	Group of NW trending magnetic lows with a cluster of MAS anomalies.	Intersection of local structures with major mineralised trend, enhanced by geophysical features.
Klirou	Upper and Lower Pillow Lavas		Magnetic low on NW trending structures.	Magnetic lows on known mineralised structures.
West Kokkinoyia	Upper and Lower Pillow Lavas	E trending Aster faults, intersecting major N trending topographic fault.	One MAS anomaly and two EM anomalies on N trending structure.	Magnetic and EM features on structures parallel to known mineralisation.
Peristerka	Upper Pillow Lava/Lower Pillow Lava contact	E and N trending Landsat faults. E trending topographic fault.	MAS and two EM anomalies on target structure.	Convergence of known mineralised structures, with evidence of hydrothermal activity.
South Kambia	Basal Group/Lower Pillow Lava contact	NE trending Aster faults. E trending Landsat fault.	Two MAS anomalies. Three EM anomalies on potential controlling structures.	Geophysical features on structural intersection similar to setting of known mineralisation.
Ayia Anna	Upper Pillow Lavas	N trending topographic fault.	Broad magnetic low with MAS anomaly.	Geophysical features on structural intersection.
North Anglisidhes	Lower Pillow Lavas and Basal Group	Major NW trending Aster and topographic fault.		Geophysical features on structural intersection. Local evidence of mineralisation.

Table 3: Characteristics of the eleven target areas identified by EMED to date. The five higher priority target areas described in detail below are highlighted in yellow, and are shown on the map in Figure 14 as boxes corresponding to the area shown in the detailed maps in Figures 15 to 20.

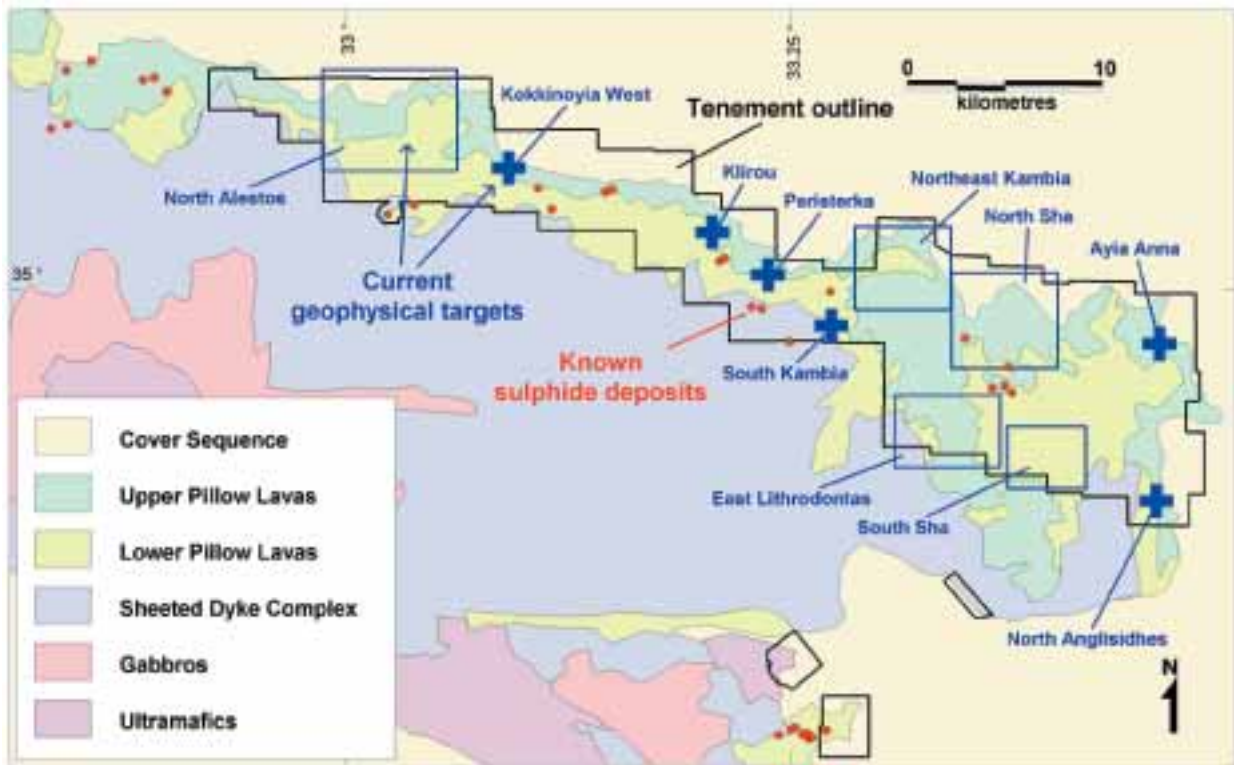


Figure 14: Identified target areas within EMED Permit and Application area. The five priority targets described below are shown as boxes that correspond to the areas of their individual maps (Figures 15 and 17 to 20, respectively). The other target areas are simply located by crosses.

Of the eleven target areas shown in Table 2 and Figure 14, five are currently ranked as high priority by EMED, and these five will absorb most of proposed exploration budget for the first year. A description of the geology and targeting criteria for each of these five areas follows.

2.6.1 North Alestos

North Alestos covers an area of about 2.5km by 1km, about 5km north of the old Alestos and Memi mines, in the western part of the tenement area (Figure 14). These mines were pyrite-dominant but Alestos did produce about 0.5 million tonnes at 1% Cu. North Alestos has the following components of the exploration model, as illustrated in Figure 15.

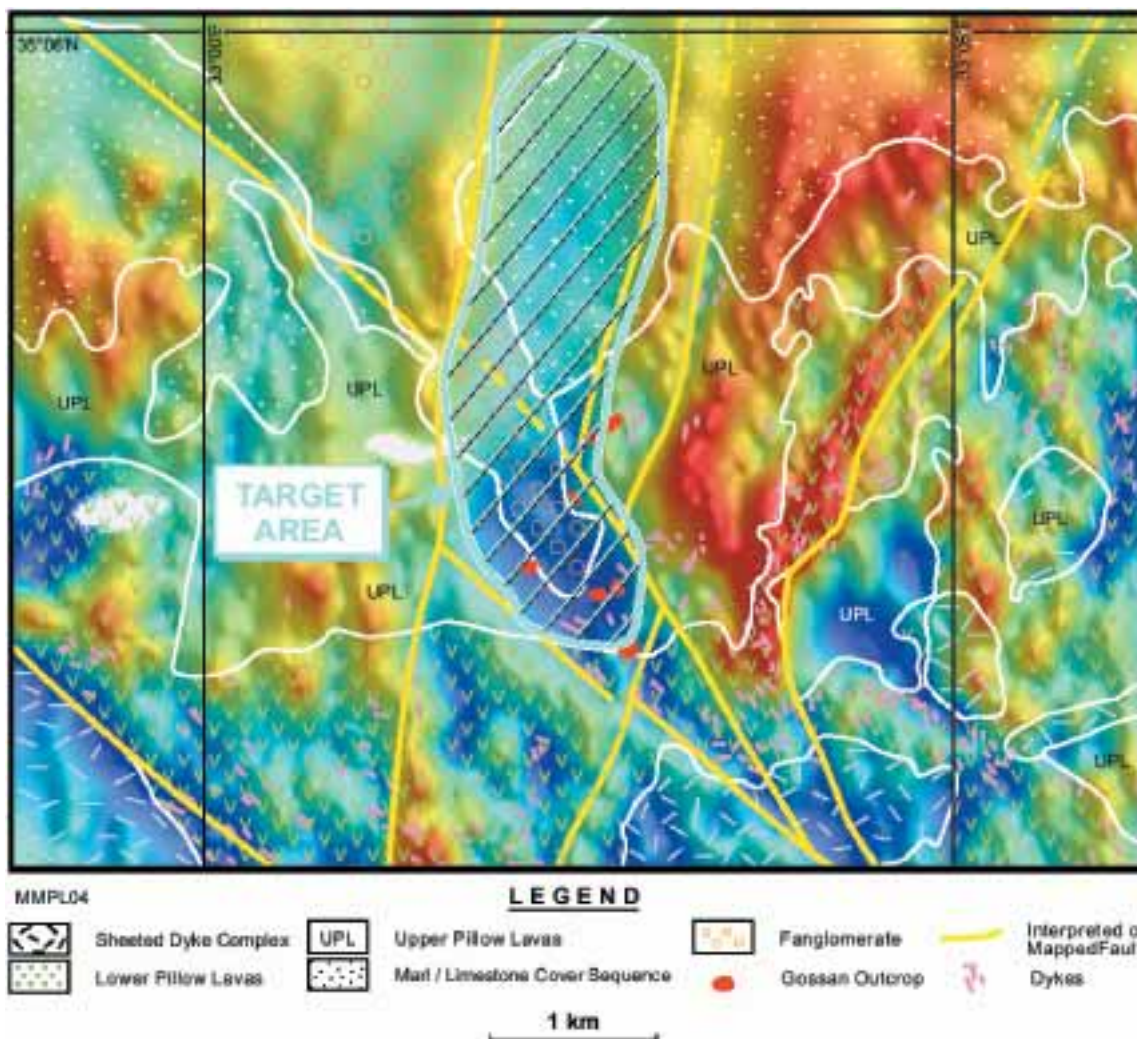


Figure 15: Detailed map of the North Alestos target area on a reduced-to-pole (RTP) magnetic base, showing major mapped and interpreted faults, outcropping units and target area. The above legend also applies to Figures 17 to 20.

- A well-defined and internally uniform magnetic low within outcropping to shallowly covered UPL that is bounded by interpreted faults.
- An interpreted structural setting that is very similar to that of a number of known deposits, at the intersection between N and NW-trending faults. These faults are particularly well-defined in the RTP magnetic data, and partly defined by straight creek sections in the topography. The NW fault that defines the southern edge of the magnetic low is imaged as a discrete linear magnetic low, indicating that it is a locus of alteration, and therefore of historic fluid flow.
- The NW-trending fault terminates at its western end against an interpreted N-S fault, and appears to be displaced about 1 km to the N across it and parallel structures (Figure 15). Similarly, the interpreted N-S fault that appears to bound the eastern side of the target area is truncated by the NW-trending structures. This complex fault intersection zone and the extension to the south of the fanglomerate and limestone cover sequences along it are reminiscent of the graben-like structural settings described for some of the mined deposits.
- Initial field checking by EMED in the target area has identified widespread alteration of the UPL where it is exposed to the south and along the western margin of the cover sequences. The alteration appears to project beneath the covered area. I briefly examined a new road cutting through UPL beneath fanglomerate along in the SW part of the target area. The pillow basalts in the road cutting are intensely altered with widespread pyrite (up to 5%) and occasional chalcopyrite.

- Preliminary rock chip sampling in and adjacent to the target area has returned up to 100ppm Cu and 199ppm Zn in altered Upper Pillow Lava showing chlorite, jasper and silica with traces of pyrite and chalcopyrite. Surface oxidation (presumably of finely disseminated sulphides) has also been reported by the Cyprus Geological Survey.
- A series of complex EM anomalies along the eastern part of the target area has also been inferred from the 1999 DIGHEM survey. The significance of these anomalies is unclear, because of the relatively shallow apparent penetration of the signal, and some positioning issues with the survey.
- Most of the magnetic low that represents the primary target definition criterion is under fanglomerate and/or limestone cover (Figure 15). The magnetic intensity increases slightly to the north, in the direction of thicker cover, which could be due to unaltered and magnetic UPL flows overlying the altered zone. This possibility and the general subsurface geology of the target area are shown in Figure 16, a N-S cross-section constructed through the target area and extended south through the Alestos mine.

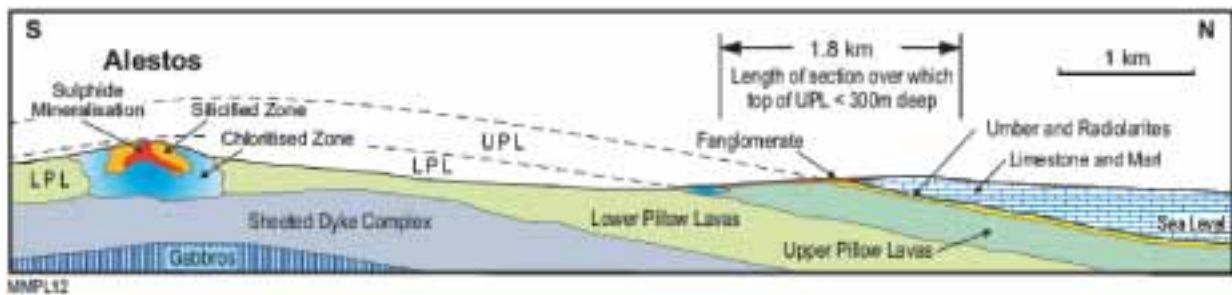


Figure 16: Interpreted ~N-S cross-section through North Alestos target area, extended to south to show Alestos Mine. Note the substantial effect of shallowing of dip on outcrop area of LPL north of Alestos Mine. Also note that there may have been a massive sulphide deposit at the LPL / UPL boundary above Alestos mine that has just been removed by erosion. Vertical and horizontal scales are equal.

Detailed geological mapping will refine the structural interpretation, including the cross-section, map the extent and intensity of alteration and confirm the distribution of UPL and LPL. These will form the basis for final planning and interpretation of the ground geophysical surveys, enabling the definition of robust drill targets.

2.6.2 East Kambia

East Kambia is one of a number of targets in the eastern part of the tenement area (Figure 14) that are associated with a prominent zone of NW-trending, altered and mineralised faults. The East Kambia target area is within the 1999 DIGHEM geophysical survey area, and therefore is covered by more detailed magnetic data, as well as EM data. The bases for target definition are as follows (Figure 17).

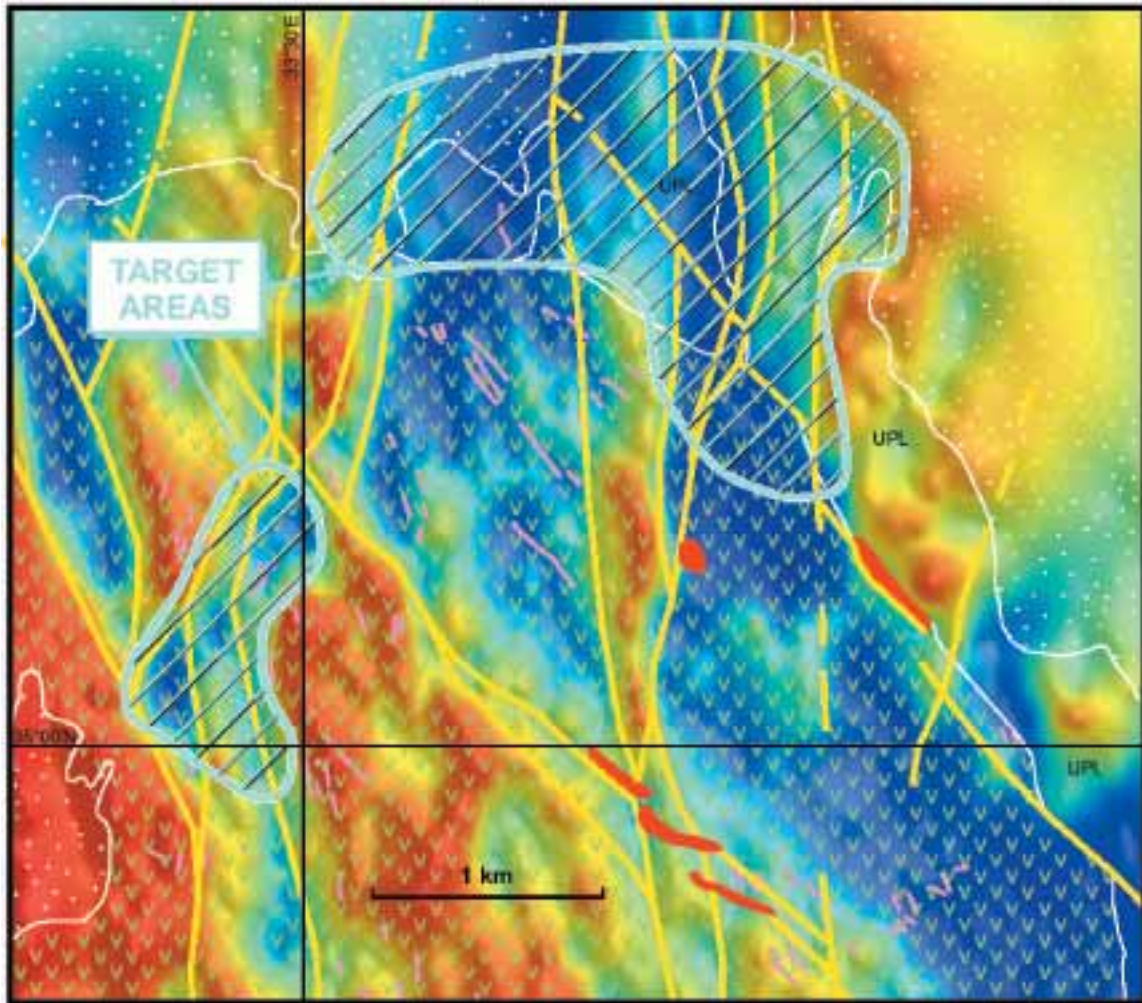


Figure 17: Detailed interpretation of East Kambia target areas.

- The East Kambia area is mostly underlain by LPL, but the northern part, where the main target area has been defined, has mostly UPL and sedimentary cover units. A smaller target area in the southwest has been mapped as LPL.
- The targets have principally been defined on the basis of RTP magnetic lows within the otherwise magnetic lavas, particularly where the magnetic lows appear to cut across magnetic high trends (Figure 17).
- The target areas are at the structurally complex intersection between a parallel set of altered and mineralised, NW-trending faults and a complex N-trending fault zone. The NW-trending structures contain elongate gossans mapped by the Cyprus Geological Survey, some of which have apparently not been thoroughly explored.
- Rockchip sampling by EMM along the mineralised structures in and near the target areas has returned a number of anomalous assays, with values up to 756ppm Cu, 1160ppm Zn, 0.67ppm Au, 25.6ppm Ag and 752ppm Barium.
- A number of Dighem EM anomalies occur within the northern target area.

Detailed geological mapping will refine the structural interpretation, and enable construction of one or more detailed cross-sections. It will also map the extent and intensity of alteration and confirm the distribution of UPL and LPL. The outcomes of the mapping will form the basis for final planning and interpretation of the ground geophysical surveys, leading to definition of robust drill targets.

2.6.3 East Lithrodontas

The East Lithrodontas, North and South Sha target areas are all in the eastern part of the tenement area, which is an area of apparently very shallow dip and complex structure in the volcanics (based on outcrop pattern, see Figure 14). These three areas are also outside the higher resolution 1999 DIGHEM geophysical survey, and the only magnetic data coverage is from the 1966 UN airborne

survey. The lower spatial resolution and magnetic definition of the older data is clearly seen by comparing the magnetic images in the target area maps with those from North Alestos and East Kambia. The bases for the East Lithrodontas target area are as follows (Figure 18).

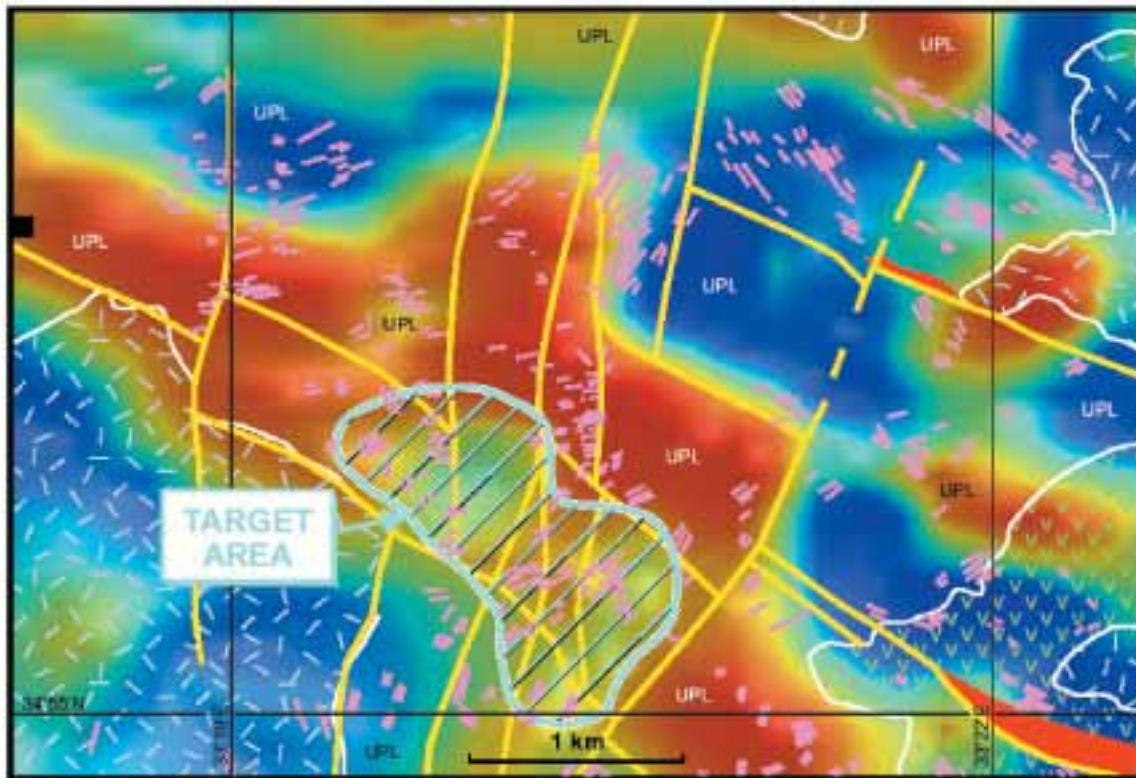


Figure 18: Detailed interpretation of East Lithrodontas target area.

- The target area occupies a complex intersection zone between major NW- and N- to NNE-trending fault zones. The NW-trending faults are components of a larger altered and mineralised fault trend that extends to the east into the South Sha target area, and which contains a number of gossans within LPL in the SW corner of the area in Figure 18.
- The target area is defined by a discrete lower magnetic area within strongly magnetic UPL (Figure 18). A deep, elongate magnetic low in the southeastern corner of the area extends further to the southeast along the Delikipos zone, an arcuate structure with widespread alteration, oxidation and gossans. The Delikipos zone is not considered to be a priority target at this time, because it is developed principally within well-outcropping LPL and has been intensively mapped and prospected. However, EMED plan to reassess it in the future.
- The structural complexity at the time of seafloor spreading and volcanism is also shown by the variation in orientation of the mapped dykes in the area. The observation that the dyke orientations are similar within fault-bounded compartments and differ discretely between the compartments infers that the mapped and interpreted faults were also active at that time, and therefore during mineralisation.
- The target area is within an extensive area of UPL, indicating that the dip must be shallow throughout, and increasing the likelihood of blind targets at shallow depth.
- Along the northern margin of the area in Figure 18, E-W elongate magnetic lows follow a zone of umber outcrops, lying on the surface of the UPL. This zone of umbers contains the historic open pit mine at Sha (3Mt of pyrite extracted) plus the small New Sha pit (0.5Mt at 0.8%Cu).

Detailed geological mapping will improve definition of the stratigraphic and structural setting, and enable construction of detailed cross-sections. The presence of widespread dykes within what is mapped as UPL is unusual, demanding particular attention to the mapped interpretation of the volcanic units. The outcomes of the mapping will form the basis for final planning and interpretation of the ground geophysical surveys, which may include acquisition of more detailed magnetic data, leading to definition of robust drill targets.

2.6.4 North Sha

The North Sha target area is southeast of the East Kambia target (Figure 14), along strike of the principal NW-trending, altered and mineralised fault zone. The bases for defining a priority target there are as follows (Figure 19).

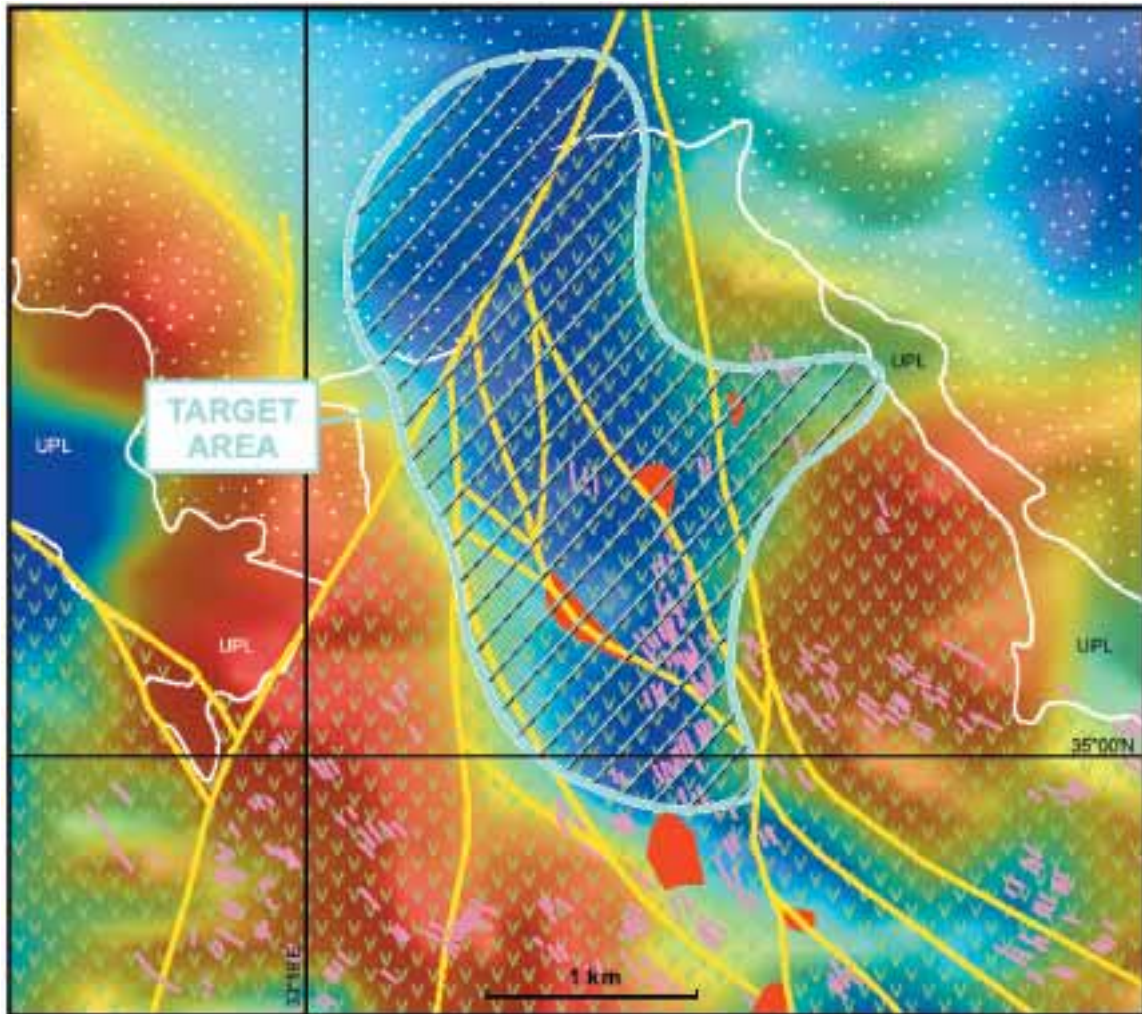


Figure 19: Detailed interpretation of North Sha target area.

- The North Sha target area is principally defined by a prominent magnetic low in the RTP processed image of the UN magnetic data (Figure 19).
- The target area is mostly within the upper part of mapped LPL, but extends into UPL and continues under sedimentary cover in its northern part. The complex outcrop pattern of the UPL / LPL boundary suggests that the dip of the volcanic units is very low, increasing the likelihood of shallowly buried blind targets. Recent reinterpretation suggests that much of the mapped LPL should be re-defined as UPL. Recent reinterpretation suggests that much of the mapped LPL should be re-defined as UPL.
- The target area corresponds to a complex intersection zone of NW- and N to NNE-trending faults. Both fault sets appear to have gossans developed preferentially along them and at their intersections.

Detailed geological mapping will improve definition of the stratigraphic and structural setting, and enable construction of detailed cross-sections. The outcomes of the mapping will form the basis for final planning and interpretation of the ground geophysical surveys, which may include acquisition of more detailed magnetic data, leading to definition of robust drill targets.

2.6.5 South Sha

South Sha is the easternmost of the priority target areas (Figure 14), and it straddles the eastern extension of the Delikipos fault zone where it swings to a more easterly orientation. The bases for defining a priority target there are as follows (Figure 20).

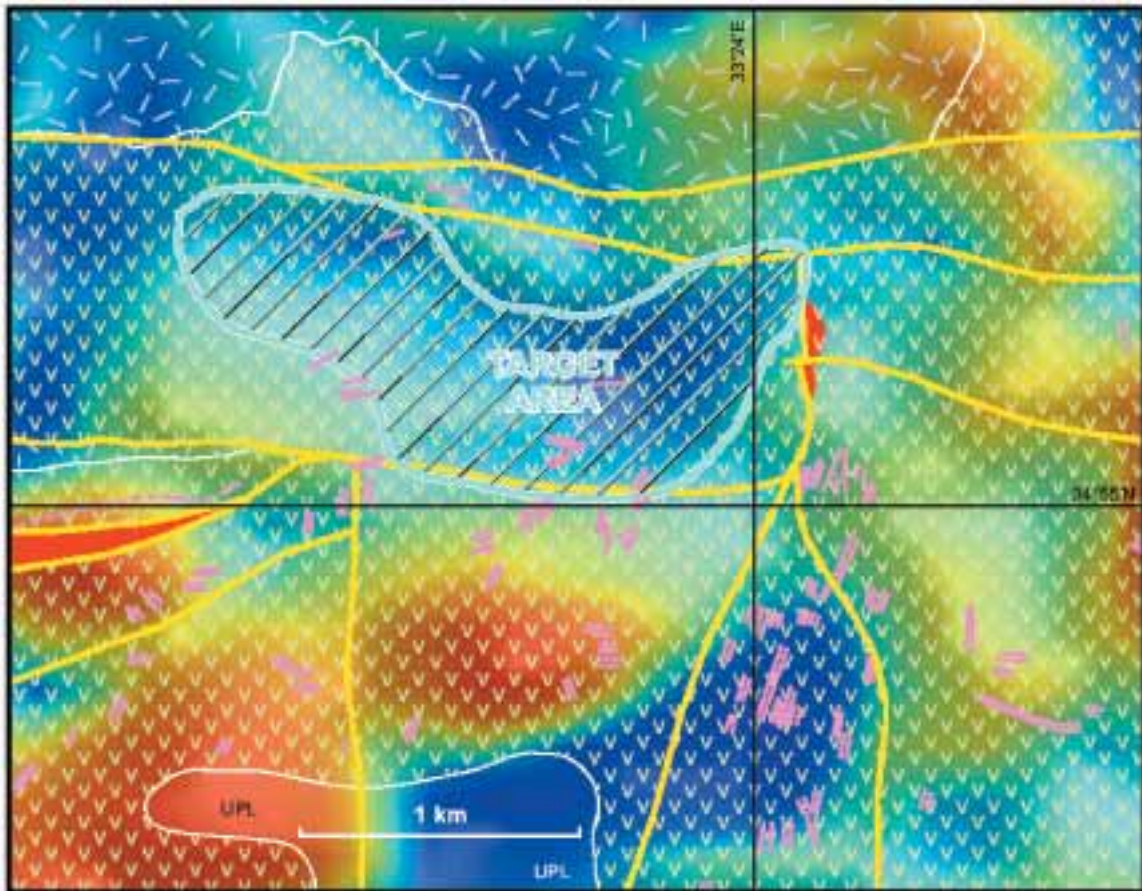


Figure 20: Detailed interpretation of South Sha target area.

- The South Sha target area is principally defined by a prominent magnetic low in the RTP processed image of the UN magnetic data (Figure 20).
- The target area is entirely within mapped LPL, but it is in an area of complex structure, shallow dip and generally low dyke density, and it is possible that it is partly underlain by UPL, or at least the uppermost part of the LPL (dyke density decreases upwards in LPL). Recent reinterpretation suggests that much of the mapped LPL should be re-defined as UPL.
- The magnetic low that defines the target area is located within a prominent zone of E-trending faults (Delikipos zone), at its intersection with N-trending structures. Both sets of structures bound quite large gossan outcrops, and are extensively altered and mineralised along strike.
- There are widespread indications of weak alteration and oxidation in the lavas.

Detailed geological mapping will improve definition of the stratigraphic and structural setting, and enable construction of detailed cross-sections. It will also further characterise the widespread alteration. The outcomes of the mapping will form the basis for final planning and interpretation of the ground geophysical surveys, which may include acquisition of more detailed magnetic data, leading to definition of robust drill targets.

2.7 Exploration Program and Budget

EMED plans to undertake the following exploration program on each of its current and any additional target areas, commencing with the five priority areas in the first year.

- **Detailed geological mapping**, with the principal objectives of improving definition of the extent of the UPL outcrop and the position of the UPL / LPL contact, the extent and intensity of alteration especially within the UPL, and the nature and thickness of sedimentary cover. There

will also be an emphasis on mapping fault zones, especially those containing characteristic alteration and mineralisation. Construction of cross-sections through the priority target areas will be used to predict where the prospective UPL sequence is at potentially economic depths.

- **Ground geophysical surveys**, comprising IP surveys with coverage of the whole of the target areas and immediate environs, followed up by more closely spaced EM over anomalous areas from IP, to precisely define drill targets.
- **Drill-testing of targets** defined by geophysics inverted and modelled in conjunction with the subsurface geology as interpreted on the cross-sections.

The budget allocated to the Cyprus project by EMED over the first two years after financing and listing are summarised in Table 3.

<i>Expenditure Category</i>	<i>May – Dec 2005</i>	<i>Jan – Dec 2006</i>
Salaries & Fixed Costs	£133,000	£177,000
Tenement Costs	£50,000	£75,000
Geochemistry + Environmental	£8,000	£8,000
Geophysics	£100,000	£100,000
Drilling	£128,000	£128,000
Total	£419,000	£488,000

Table 4: EMED budget summary for Cyprus project for years 1 and 2 after listing, based on a minimum financing of £2.25M

The budget is designed to undertake the exploration program outlined above on about 5 target areas per year, with an allowance, largely in the salary component, for ongoing identification and refinement of new targets.

- The salary budget, at about 25% of the total, is reasonable, especially considering intense geological mapping and interpretation campaign that is planned.
- The budget for geophysical surveys is based on a broader IP survey over priority target areas, followed by higher resolution EM infill over anomalies identified by the IP. It is costed to cover five target areas per year.
- The drilling budget is based on about £25,000 per target area, with a small allowance for scout drilling at other locations.

In my opinion, this is an adequate and well-planned budget for initial testing of the top-ranked ten targets over the two-year period. However, the drill budget is only sufficient for a few drill holes to test each target. Early encouragement at one or more targets will result in substantial re-allocation of budget, especially to additional drilling at the successful targets. It will probably also result in additional financing being required for more systematic drill assessment of any discoveries.

2.8 Opinion on Strategy, Opportunity and Risk

In my opinion, EMED's exploration strategy and program in the Troodos Complex is well designed and appropriate for the significant remaining opportunity of one or more high value VHMS copper deposits under cover. As summarized in section 2.8.1 below, **there is a high probability that there are several undiscovered massive sulphide deposits under the sedimentary cover, and a moderate to high probability that at least one of these will meet EMED's value / size criteria.** There is little evidence in the extensive historic exploration record that there has been any previous systematic exploration under either unaltered UPL or, more importantly, sedimentary cover sequences.

2.8.1 Estimation of Opportunity Under Cover Sequence

I have undertaken a preliminary estimation of the opportunity for undiscovered massive sulphide deposits within or at the base of UPL under sedimentary cover around the northern margin of the Troodos Complex on the basis of discussions with and information provided by EMED exploration staff. The restriction to UPL-hosted deposits is based on the fact that virtually all of the larger / richer copper deposits and ~90% of the mined copper are within the UPL or at its contact with the underlying LPL.

On the basis of the information provided to me and summarized below, **I have concluded that there are likely to be between five and ten undiscovered, copper-rich (>1% Cu) massive sulphide deposits under less than 200-300m of cover around the margin of the Troodos Complex, and that most of those will be**

along the northern margin, where the complete UPL sequence generally dips gently beneath the sedimentary cover. The size and contained copper distributions of these undiscovered deposits is likely to be the same as those of the discovered mines.

- Figures 11 and 16 demonstrate the opportunity for massive sulphide deposits hosted at the base of or within UPL dipping gently beneath limestone sequence cover. At a dip of 15°, the volume of UPL beneath limestone cover and above 300m is about 50% of that beneath the areas of outcropping UPL. On a simple volume basis, this suggests that the accessible covered areas contain about half as many deposits as the outcropping areas. The depth of 300m was chosen as a reasonable economic limit for discovering, delineating and mining a deposit that meets EMED's commercial criteria (>~10Mt at 2% Cu).
- In addition to the areas of UPL covered by the limestone sequence, there are smaller but significant areas covered by 50-200m of fanglomerate sequence, which is likely to have been sufficient to prevent discovery by historic means.
- There are also likely to be some areas within the outcropping UPL where unaltered to weakly altered uppermost UPL units may overlie and obscure VHMS systems in the lower UPL and at the UPL / LPL contact.
- Of the 32 deposits listed in Table 1 and shown on Figure 6, fourteen contain more than 1% Cu, and these fourteen deposits contain about 75% of the produced copper. Assuming that the distribution of >1% Cu deposits is the same in the outcropping and covered areas, and taking into account the area covered by the EMED permits, the estimate of five to ten undiscovered deposits under cover seems reasonable.

2.8.2 Comments on Discovery Risk

There are two principal risks that the opportunity outlined above will not be realized by EMED.

- The first risk is geological, and it is that the distribution of VHMS deposits, especially of the higher value ones being sought by EMED, is not uniform throughout the UPL of the Troodos Complex. In particular, the risk is that the UPL beneath the covered areas within the EMED permit areas hosts significantly less deposits per unit area / volume than the total exposed areas. Deposits and widespread alteration occur throughout the UPL / LPL sequence around the whole of the margin of the Troodos Complex, but the three largest mines (Mavrovouni, Skouriotissa and Limni) all occur in the western one-third of the Complex. On balance, I assess this risk as relatively low, and the distribution of the known larger deposits to be largely random.
- The second risk is that EMED will not discover deposits that are present within the upper 200-300m of covered UPL. Again I assess this risk as low, based on my assessment of the exploration technology and skills at their disposal, and the systematic program that they plan to undertake. In particular, it is highly unlikely that a large, quality deposit with significant massive sulphide will not be detected by the planned geophysical programs.

3 Portfolio of Regional Opportunities

3.1 Strategy, Opportunity and Capability

EMED'S business plan is to build and continuously regenerate a portfolio of exploration opportunities throughout the Eastern Mediterranean region which it will evaluate and explore efficiently and effectively. The Cyprus project is its core asset, but EMED'S commitment to the regional strategy is evident in the allocation of approximately half of the funds allocated to exploration (excluding corporate overheads) to the identification and initial evaluation of exploration projects throughout the region.

EMED'S region of interest is broadly described as the Mesozoic to Tertiary collision zone and complex of overlapping volcanic arcs that extends from Eastern Europe, through Greece, Cyprus and Turkey to Iran (Figure 21). This mineral belt contains high value deposits of a wide range of styles, some discovered in ancient times (e.g., Cyprus VHMS copper, high-grade gold vein systems throughout the region), some throughout the 20th century (e.g., Olympias in Greece, Chelopech in Bulgaria), and some in the most recent wave of exploration that commenced in the mid-1990's (e.g., Rosia Montana in Romania, Ada Tepe in Bulgaria, Ovacik in Turkey).

EMED has established relationships with local geoscience experts, prospectors and key players in politics and the bureaucracy in several countries in the region (Slovakia, Bulgaria, Greece), and plans

to extend that process into several additional countries (e.g., Turkey). This has led to an initial portfolio of applications for exploration tenements in three of these countries.

In my opinion, none of these projects under tenement application is sufficiently mature to justify specific inclusion in this Admission Document. The tenement application and granting process is different in each country, and there is a small risk that some of them will not eventuate. More importantly, EMED has yet to carry out sufficient work on its own account on these prospects to justify inclusion. However, what follows is a brief summary of the opportunities being pursued in Slovakia, Bulgaria and Greece, to exemplify for potential investors the EMED process and strategy. The locations of the opportunities under negotiation or application at the time of this report are shown in Figure 21.

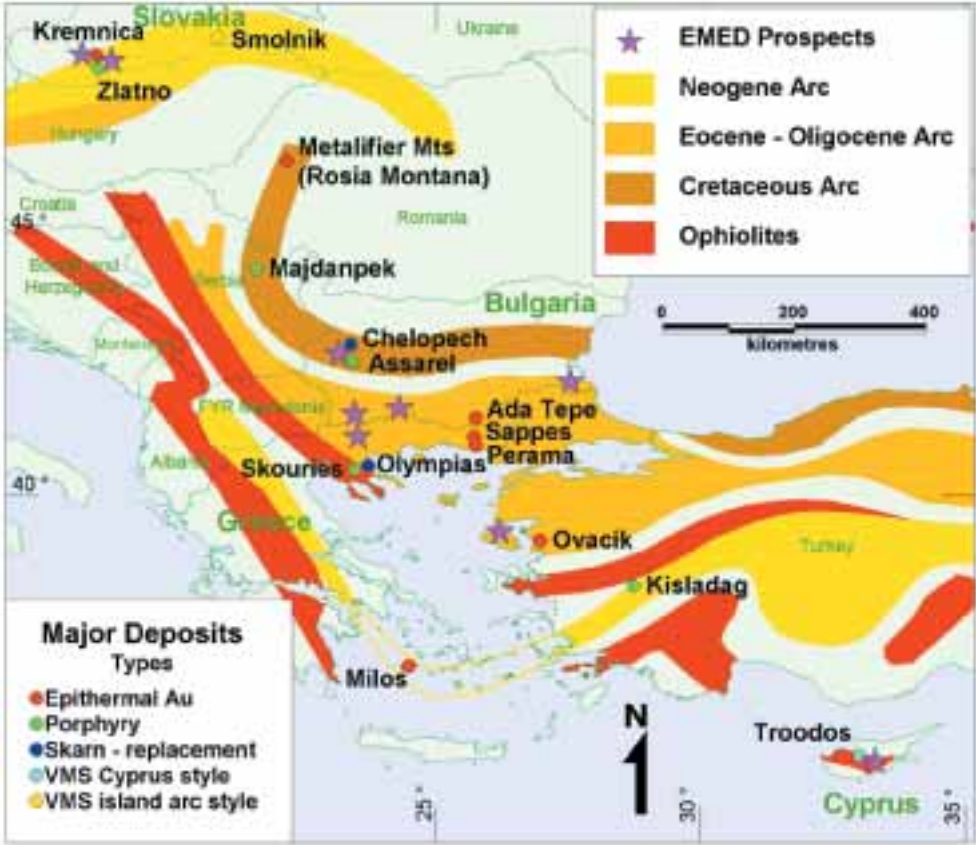


Figure 21: Regional map of eastern Europe showing main tectonic and mineral belts, major deposits and locations of EMED projects and areas under application.

3.1.1 Slovakia

EMED is working in Slovakia with one of that country’s leading economic geologists, to sift through and prioritise from a range of opportunities. The evaluation process will continue after financing, but applications have been lodged for two projects at the date of this report.

One of the application areas is in the Stiavnica-Hodrusa Goldfield and the other is based on a historic placer goldfield near the town of Zlatnicky.

- The Stiavnica-Hodrusa Goldfield occurs within the Tertiary volcanic complex of central Slovakia, and it has delivered the bulk of the country’s historic gold production, as well as containing the largest known remaining resource in the country at the Kremnica deposit (~1M oz Au). The region has been extensively explored and there is little potential for outcropping, high-grade vein deposits. However, the discovery and exploitation in the 1990’s of high-grade, sub-horizontal quartz-gold veins at a depth of 400-500m, beneath an older base metal mine at Rozalia provides an interesting target type. This target type may be completely blind within the Tertiary volcanic or intrusive rocks, and requires a new understanding of the structural controls and setting. In addition, there is potential for larger, lower grade stockwork deposits, and there seems to have been little attention to this deposit type in exploration to date. The area for which an application has been lodged by EMED is within a part of the volcanic complex with

the potential to contain both of the above target types, and the proposed program will focus on developing and testing an appropriate structural targeting model, undertaking regional to local geochemistry mainly for the stockwork targets, and to initiate drill testing of priority targets.

- The historic gold placer deposits near the village of Zlatnicky produced up to 60,000oz of gold, but no hard-rock source for the gold has been found. This is an opportunistic play based on applying some specific local expertise to the search for the gold source, which may be under relatively thin Neogene molasse cover.

EMED has allocated a total of £94,000 to these projects from the May 2005 – December 2006 budget for the regional opportunities program.

3.1.2 Bulgaria

EMED is working in Bulgaria with Dr Venelin Jelev, one of the country's most experienced minerals geologists. Following an office-based review of opportunities with Dr Jelev, four areas were prioritised for exploration licence application. The applications have been lodged, but under Bulgarian mining regulations, the application triggers an open tender process and allocation of the licence to EMED is not guaranteed.

Two of the four areas under application are in the far south of the country, adjoining the border with Greece. They are in the Rhodope Complex, a Tertiary extensional mélange of Precambrian basement metamorphic and intrusive complexes some Palaeozoic metamorphics, Cretaceous intrusives and Tertiary volcanics, volcanoclastics and continental sediments. The principal exploration target in the Rhodopes (in both Bulgaria and northern Greece) is epithermal gold associated with Tertiary volcanics and related sediments. The recent discovery at Ada Tepe is an example of such a deposit. However, there are few opportunities available in the area of extensive Tertiary outcrop. It is EMED'S view that the next wave of opportunities is within the basement complexes, where the epithermal association may be less obvious and structural controls more complex. In addition, the areas under application contain Cretaceous intrusives from an earlier tectonic and mineral system, providing an additional element of prospectivity. It is worth noting that the Chelopech Au-Cu mine (a high-sulphidation epithermal deposit) and related porphyry-style deposits in central western Bulgaria, which arguably represent superior targets to the generally small epithermal deposits, are related to Cretaceous intrusives.

The other two Bulgarian areas under application are in the Cretaceous tectonic belt that traverses central Bulgaria from west to east, and which includes the major deposits at Chelopech (33Mt at 5 g/t Au, 1.5% Cu), Elatsite (Cu-Au porphyry) and Assarel (Cu porphyry). These high-sulphidation and porphyry deposits appear to be associated with Late Cretaceous intrusives. One of the potential projects is in the far eastern part of the belt near the Black Sea coast, and the other is in the western part of the Cretaceous belt about 25km west of Sofia.

EMED has allocated £81,000 to undertake preliminary field evaluation, mapping, and stream sediment and soil sampling, together with ongoing evaluation and acquisition of additional opportunities in Bulgaria.

3.1.3 Greece

EMED's targets in Greece are epithermal gold and porphyry copper/gold mainly in the Rhodope and Serbo-Macedonian massifs.

Greece's geological potential is considered by EMED to be very attractive and a critical factor in EMED's prioritisation of work in that country is the ongoing assessment of the likely rate of improvement in the administrative and commercial environment for the industry. Many opportunities are under review and EMED has proceeded to apply for exploration permits for two epithermal gold prospects one in northern Greece (in Neo Petritsi) and one on the island of Lesbos.

3.2 Exploration Budget and Program

The budget allocated to pursuing the specific and additional regional opportunities by EMED over the first two years after financing and listing are summarised in Table 4. The budget below is based on a minimum capital raising of £2.25M.

<i>Expenditure Category</i>	<i>May – Dec 2005</i>	<i>Jan – Dec 2006</i>
Salaries & Fixed Costs	£104,000	£211,000
Tenement costs	£21,000	£42,000
Geology	£20,000	£5,000
Geochemistry	£7,000	£8,000
Drilling	£73,000	£122,000
Environmental		£3,000
Total	£225,000	£391,000

Table 5: EMED budget summary for Regional Opportunities program for years 1 and 2 after listing, based on a minimum financing of £2.25M

- The budget is designed to undertake preliminary assessment of and exploration on the eight projects identified to date, with an allowance, largely in the salary component, for ongoing identification, assessment and acquisition of new opportunities.
- The pursuit of regional opportunities is necessarily labour-intensive and the salary budget, at about 40% of the total, is therefore reasonable.
- The budget for geochemistry is principally for first-pass geochemical surveys to evaluate opportunities for larger tonnage, lower grade systems in areas in which the historic focus has been more on narrow, high-grade veins.
- The drilling budget is based on about £15-25,000 per project area, which will permit only preliminary testing of targets generated by the initial field programs.

In my opinion, this is an adequate, but certainly not generous, budget for what is an ambitious program of opportunity seeking and preliminary evaluation of projects across several countries over the two-year period. It contains little or no allowance for success, especially in the limited allocations for intensive field programs (including geochemical and/or geophysical surveys), let alone for drilling. It will certainly require additional financing for more systematic exploration and drill assessment of project areas that deliver early positive results.

3.3 Opinion on Exploration Strategy, Opportunity and Risk

In my opinion, the EMED strategy of rapid but effective evaluation of a substantial portfolio of projects in several jurisdictions throughout a quality mineral belt, with a relatively high rate of project turnover, is superior to the standard approach adopted by a number of the Companies within the junior exploration sector, based on a more limited portfolio of projects to which the company's fortunes are tied.

The historic average probability that a mineral exploration property will yield a commercial discovery is about 1:100 (Mackenzie, 1982; Mackenzie and Doggett, 1992; SRK Consulting internal data (with permission)). Even in well endowed and understood mineral belts, an experienced team with deep local knowledge and effective tools are unlikely to achieve success rates better than 1:30 (Lord et al, 2001). To a significant extent, mineral exploration is a risk-spread business, with the key commercial management objective of minimising the average expenditure per project.

The management of EMED understands this principle and has based their regional strategy around it. The key components of this strategy from a potential investor's perspective, with my assessment of EMED'S capacity in each case, are as follows:

- ***A demonstrably well endowed mineral belt, but with significant remaining exploration opportunities.***
This is a mineral belt with a long and rich history of productivity of a wide range of commodities from a spectrum of deposit styles. The principal opportunity is the application of leading edge science and technology to the search for both covered / blind deposits and styles of mineralisation that were less attractive in the past.

- ***A high level of technical and other expertise in the various parts of the mineral belt and the mineral deposit styles being sought.*** EMED has already demonstrated its commitment to and ability in seeking out and building relationships with key technical, commercial and governmental people in its countries of interest. In addition, it has assembled at its Cyprus base a team of expatriate Australian explorers with significant previous exposure to the region.
- ***A commitment to the region and each of the operating countries that is visible to and believable by key people and organisations in those countries.*** The decision by EMED to base its corporate and operating base in Cyprus is a key demonstration of this commitment.
- ***A fundamental understanding of the exploration risk / value proposition, especially as it applies to adequate risk spread, technical risk minimisation, efficient and effective project turnover, and a focus on delivering value to investors.*** EMED management and exploration staff have a sound grasp of these principles, and the experience in the minerals industry to deliver on them.

The opportunity for investors in EMED'S regional strategy should therefore be clear. However, there are also some significant risks that investors should take into account.

- The funds being raised are sufficient to undertake preliminary evaluation of the projects already identified, and to maintain the search for new opportunities during about 18 months following capital raising. Diversion of some funds from current to new, lower risk / higher value opportunities is possible at relatively short notice during that period, providing some flexibility. However, additional funding is likely to be required in the short to medium term to pursue what is a relatively aggressive program of project acquisition and exploration.
- A discovery in the Cyprus project, while obviously positive for EMED and its shareholders, is likely to absorb funds and management attention, to the extent that the regional strategy and program may be neglected.

In summary, EMED'S regional exploration strategy is an option play for investors on management's ability to build relationships that deliver quality opportunities in the region, build on its expertise to prioritise and act on those opportunities, and manage its funding to ensure that it can add and extract value from them. In my opinion, EMED management has already achieved sufficient results in a short time to demonstrate that it has the capacity to build the key regional relationships, and to identify and rapidly prioritise exploration opportunities.

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PART 3

RISK FACTORS

The risk factors which should be taken into account in assessing the Group's activities and an investment in the Company include, but are not necessarily limited to, those set out below.

Prospective investors should carefully consider the following factors, among others, affecting the proposed activities of the Group prior to making an investment in the Company, as well as other matters set forth elsewhere in this document. The exploration and development of natural resources is a speculative activity that involves a high degree of financial risk. An investment in the Company may not be suitable for all recipients of this document.

General Economic Risks

Share market conditions, particularly those affecting mining and exploration companies, may affect the ultimate value of the Company's share price regardless of operating performance.

The price of copper and gold is influenced by physical and investment demand and supply.

Fluctuations in the copper and gold prices may influence individual projects in which the Group has an interest.

The Group could be affected by unforeseen events outside its control including, among other things, natural disasters, terrorist attacks and political unrest and/or government legislation or policy, particularly in connection with environmental issues which may interrupt or prevent exploration, mine development or production operations.

General economic conditions may affect interest rates and inflation rates. Movements in these rates will have an impact on the Group's cost of raising and maintaining debt financing.

Trading and Liquidity in the Company's Shares

An investment in the securities of the Company is highly speculative and subject to a high degree of risk and only those who can bear the risk of the entire loss of their investment should invest.

Prior to Admission there was no public market for the Ordinary Shares and nor have they ever been traded, quoted or dealt on any securities market. Consequently, each prospective investor should view his purchase of Ordinary Shares as a long-term investment and should not consider such purchase unless he is certain that he will not have to liquidate his investment for an indefinite period of time.

Even though the Company will make an application for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise. The Ordinary Shares will not be quoted on the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List. The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment, or sustain a total loss of their investment.

Raising of Future Funds and Growth of the Group

The Group will require additional financial resources to continue funding its future expansion. The Group may in the future raise additional funds through public or private financing. No assurance can be given that any such additional financing will be available or that, if available, it will be available on terms favourable to the Company or its Shareholders.

Notwithstanding statutory subscription rights, if additional funds are raised through the issue of shares or other equity securities, the percentage ownership of then current Shareholders of the Company may be reduced and such securities may have rights, preferences or privileges senior to those of the holders of the Ordinary Shares.

If adequate funds are not available to satisfy either short or long-term capital requirements, the Group may be required to limit its operations significantly.

There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. Any failure of management to manage effectively the Group's growth and development could have a material adverse effect on the Group's business, financial condition and results of operations.

Reliance on Key Personnel

The Group's future results will depend in part on management's ability to manage growth, which will require, among other things, continued development of the Group's financial and management controls, and its ability to expand, manage and train its employee base. There is no certainty therefore that all or, indeed, any of the elements of the Group's current strategy will develop as anticipated and that the Group will be profitable.

The Group is highly dependent on the Directors. Whilst the Board has sought to and will continue to ensure that Directors and any key employees are appropriately incentivised, their services cannot be guaranteed. The Group has a small management team and the loss of one or more executives or Directors may have an adverse effect on its operational performance and growth plans. The continued involvement of key employees, consultants and Directors is not assured, and the loss of their services to the Group may have a material adverse effect on the performance of the Group.

Foreign Exchange

The Group operates internationally and is therefore exposed to the effects of changes in currency exchange rates.

Competition

The Group competes with other companies, including major mineral exploration and mining companies. Some of these companies have greater financial and other resources than the Group and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Group can compete effectively with these companies.

Exploration and Production Risks

Exploration and production are endeavours which may be hampered by mining, heritage, community and environmental legislation, industrial disputes, cost overruns, land claims and compensation, and other unforeseen events.

The success of the Group also depends on the delineation of economically minable reserves, access to required development capital, movements in the price of metals, securing and maintaining title to its exploration tenements and obtaining all consents and approvals necessary for the conduct of its exploration and mining activities.

The Group's success will also be dependent upon it being able to attract further funding, from the capital markets or from competent joint venture partners to assist the Group in its exploration strategy and the development of any economically viable reserves.

Exploration may be unsuccessful, resulting in a reduction of the value of those tenements, diminution in the cash reserves of the Group and possible relinquishment of the exploration tenements. Whether or not income will result from projects undergoing exploration, development and production programmes depends on successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades, and mineral prices affect successful project development, as does the design and construction of efficient processing facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees and consultants.

Development and mining of mineral deposits involve obtaining licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretion by such authorities. It may or may not be possible for such conditions to be satisfied, or it may be that the satisfaction of the conditions is not commercially practicable.

Exploration, mining, processing and transporting activities may be prevented, delayed or adversely affected by many factors outside the control of the Group. These include adverse operating conditions (such as unexpected geological conditions, seismic events, fire, weather, accidents), compliance with governmental requirements, labour and safety issues, shortages or delays in installing, commissioning and repairing plant and equipment or import or customs delays. Problems may also arise due to interruptions to essential services (such as power, water, fuel, equipment or transport capacity) or technical support which result in a failure to achieve expected target dates for exploration or production and/or result in a requirement for greater expenditure.

Payment Obligations

Under the prospecting permits and licences and certain other contractual agreements to which the Group is or may in the future become a party, the Group is or may become subject to payment and other obligations. In particular, the permit holders are required to expend the funds necessary to meet the minimum work commitments attaching to permits and licences. Failure to meet these work commitments will render the permit liable to be cancelled. Further, if any contractual obligations are not complied with when due, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by the Group.

Environmental Risk

Exploration and production activities have become subject to increasing environmental responsibility and liability. EMED will seek to operate in accordance with the highest standards of environmental practice, however, the potential for liability is an ever present risk.

Environmental legislation may change in a manner that may require stricter standards and a heightened degree of responsibility for companies and their directors and employees. There may also be unforeseen environmental liabilities resulting from exploration and mining activities and these problems and liabilities may be costly to remedy.

The Group is unable to predict the effect of additional environmental laws and regulations, which may be adopted in the future, including whether any such laws or regulations would materially increase the Group's cost of doing business or affect its operations in any area.

The Group, as a participant in exploration and mining activities, may become subject to liability from hazards that cannot be insured against or against which it may elect not to be insured because of high premium costs or other reasons. The Group may incur liabilities to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

Country Risk

The Group's primary assets are located in the country of Cyprus, which introduces both sovereign and Cypriot domestic economic risk issues to investors owning the Ordinary Shares. Investors in EMED should be aware of the specific country risk issues associated with Cyprus such as was demonstrated by the invasion and partial occupation by Turkey in 1974.

The Group plans to invest in natural resource opportunities spanning parts of Central Europe, Eastern Europe, Western Asia and the Middle East ("Eurasia"). Investors in EMED should be aware that many of the countries in this Eurasian region have higher than average country risk due to potentially unstable political and business environments.

The economies of many countries in Eurasia differ from the economies of many developed countries in many respects, including level of government intervention, level of development, maturity of legal system and control of foreign exchange.

Many countries in Eurasia have been undergoing a transition from a planned economy to a more market-oriented economy. However, the relevant governments often continue to play a significant role in regulating industry by imposing industrial policies, controlling allocation of resources and providing preferential treatment to particular industries or companies. Future earnings by the Group could be affected if the relevant governments were to reverse recent trends and impose restrictions on business.

Foreign exchange transactions in parts of Eurasia continue to be subject to foreign exchange controls and require certain approvals. These limitations could affect the ability to obtain required foreign exchange for capital expenditures or for the repatriation of profits and capital from mining operations.

Many Eurasian governments have been introducing new laws and regulations dealing with economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, interpretation and enforcement of these laws and regulations involve uncertainties. As these legal systems develop, changes in such laws and regulations, their interpretation or their enforcement may have a material adverse effect on business operations.

Enforcement of Judgments

As the Company is a Cyprus company, the rights of Shareholders will be governed by Cyprus law and the Company's Memorandum and Articles of Association. The rights of Shareholders under

Cyprus law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Several of the Directors and some of the named experts referred to in this document are not residents of the UK and all of the Group's assets are located outside of the UK.

As a result, it may be difficult for investors to effect service of process on those persons in the UK or to enforce in the UK judgments obtained in UK courts against the Group or those persons who may be liable under UK law.

City Code on Takeovers and Mergers

The Company is incorporated in Cyprus and is managed and controlled outside the UK. For those reasons the City Code on Takeovers and Mergers ("Code") does not apply to EMED. It is emphasised that, although the Ordinary Shares will trade on AIM, the Company will not be subject to takeover regulation in the UK.

Legislative Changes

Changes in government regulations and policies in Cyprus or elsewhere may adversely affect the financial or other performance of the Group.

Retention of Key Business Relationships

The Group relies significantly on strategic relationships with other entities and also on good relationships with regulatory and governmental departments. The Group also relies upon third parties to provide essential contracting services. There can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and the Group could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contracts, could adversely impact the Group, its business, operating results and prospects.

Various aspects of the Group's future performance and profitability are dependent on the outcome of future negotiations with third parties. The Group's interests may in future be held in a joint venture and, in some cases, a joint venture partner may be the manager of the joint venture. In these situations the joint venture decision may not accord with the Group's stated plan.

Applications and Licences

All of the tenements, permits or licences in which the Group has or may earn an interest in will be subject to applications for renewal or grant (as the case may be). The renewal or grant of the term of each tenement, permit or licence is usually at the discretion of the relevant government authority. If a tenement, permit or licence is not renewed or granted, the Group may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement.

Tenements, permits and licences currently under application may not be granted by the relevant authorities.

While the Directors have no reason to believe that the existence and extent of any of the Group's properties are in doubt, title to mining properties may be subject to potential litigation by third parties claiming an interest in them.

Under the mineral title system in some of the countries the Group is or will be active in, the issuance of an exploration licence does not imply that other parties do not have any prior claims over that area. Whilst the Group has made and will make investigations to determine if prior rights exist, there can be no assurance that such rights do not exist.

The failure to comply with all applicable laws and regulations, including failures to pay taxes, meet minimum expenditure requirements, or carry out and report assessment work, may invalidate title to tenements or licences. The Group might not be able to retain its interests in tenements, permits or licences when they come up for renewal.

PART 4
ACCOUNTING INFORMATION ON THE GROUP
SECTION A

The following is the text of an accountant's report on the Company by Moore Stephens, Stylianou & Co. for the period from incorporation (17 September 2004) to 25 February 2005.

MOORE STEPHENS
ACCOUNTANTS AND CONSULTANTS

The Directors,
Eastern Mediterranean Resources Public Limited
1, Lambousa Street,
1095 Nicosia
Cyprus

Iris Tower Office 602,
58 Arch Makarios Avenue,
P.O. Box 24656
1302 Nicosia, Cyprus

6 May 2005

The Directors,
Nabarro Wells & Co. Limited
Saddlers House
Gutter Lane
London EC2V 6HS

The Directors
Hichens, Harrison & Co plc
Bell Court House
11 Blomfield Street
London EC2M 1LB

Dear Sirs,

EASTERN MEDITERRANEAN RESOURCES PUBLIC LIMITED (“THE COMPANY”)

We report in connection with the Admission Document to be issued by Eastern Mediterranean Resources Public Limited (“the Company”) dated 6 May 2005. In accordance with our instructions, we report on the financial information set out below relating to the Company. This financial information has been prepared for inclusion in the Admission Document.

Basis of Preparation

The financial information is based on the audited financial statements of the Company prepared and audited solely for the purpose of inclusion in the Admission Document without material adjustment. The financial statements for the period from incorporation (17 September 2004) to 25 February 2005, the latest practicable date, have been audited by Moore Stephens, Stylianou & Co Certified Public Accountants (CY), who have issued an unqualified audit report on them. No financial statements have been required to be prepared under the laws in Cyprus. Accordingly, the financial information does not constitute statutory accounts within the meaning of Section 240 of the UK Companies Act 1985 (as amended) or the Cyprus Companies Law, Cap. 113.

The Company was incorporated in Cyprus on 17 September 2004 with the name “Kragen Investments Limited” under the Cyprus Companies Law as a private limited liability company and changed its name to, firstly, Mediterranean Minerals Public Limited on 1 March 2005 and, subsequently, to Eastern Mediterranean Resources Public Limited on 11 March 2005. The Company was converted to a public limited liability company on 26 January 2005.

On incorporation, the Company had an authorised share capital amounting to CY£1,000 divided into 1,000 ordinary shares of CY£1 each. These shares were issued on the same date.

On 14 December 2004, the Company passed the following special resolutions:

- (a) That the authorized and issued share capital of the Company be expressed in Sterling Pounds, so that the current authorized and issued share capital of CY£1,000 which is divided into 1,000 shares of CY£1 each, will become GBP1,200 divided into 1,200 shares of GBP1 each.
- (b) That the authorised share capital of the Company be increased from GBP1,200 divided into 1,200 shares of GBP1 each, to GBP250,000 divided into 250,000 shares of GBP1 each.

- (c) That the authorised share capital of the Company, of GBP250,000 divided into 250,000 shares of GBP1 each, be subdivided into 100,000,000 shares of GBP0.0025 each.

On 20 December 2004, the Company issued 4,000,000 shares of GBP0.0025 at par.

On 25 January 2005, the Company issued 2,720,000 shares of GBP0.0025 at par.

On 28 February 2005, the Company issued 4,000,000 shares of GBP0.0025 at the price of GBP0.05. Upon the issue of the shares an amount of GBP190,000 was credited to the Company's share premium reserve.

On 18 March 2005, the Company issued 800,000 shares of GBP0.0025 at par and 10,400,000 shares of GBP0.0025 at the price of GBP0.05. Upon the issue of the shares an amount of GBP494,000 was credited to the Company's share premium reserve.

On 30 December 2004, the Company obtained at par, the whole of the issued share capital of Tredington Ventures Limited and Winchcombe Ventures Limited both of which were incorporated on the above same date.

On 28 February 2005, the Company acquired 95% of the issued share capital of EMM from Oxiana Europe Ltd. The consideration for the acquisition was GBP600,000 in shares of EMED as follows:

- (a) Shares valued at GBP200,000 (4,000,000 ordinary shares of nominal value GBP0.0025 each were issued at GBP0.05 per share) have been issued on 28 February 2005.
- (b) Shares to the value of GBP400,000 will be issued at the Placing Price on the date on Admission.

An additional contingent consideration of GBP600,000 will be paid by the Company one month after the date on which Eastern Mediterranean Minerals (Cyprus) Limited first receives revenue of GBP1,000,000 from or in respect of specific exploration tenements.

Responsibility

The financial information is the responsibility of the directors of the Company, who approved its issue.

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out below from the financial statements, to form an opinion on the financial information, and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the UK Statements of Investment Circular Reporting Standards issued by the UK Auditing Practices Board. Our work included an assessment of evidence relevant to accounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the company Eastern Mediterranean Resources Public Limited as at 25 February 2005 and of the results and changes in equity and cash flows of the company for the period from incorporation (17 September 2004) to 25 February 2005.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraphs 45(2)(b)(iii) and 45(1)(b) of Schedule 1 to the UK Public Offers of Securities Regulations 1995.

STATEMENT OF OPERATIONS

PERIOD FROM INCORPORATION (17 SEPTEMBER 2004) TO 25 FEBRUARY 2005

	<i>Note</i>	<u>GBP</u>
Revenue		—
Other operating expenses	4	<u>(16,836)</u>
(Loss) before tax		(16,836)
Tax	5	<u>—</u>
Net (loss) for the period		<u><u>(16,836)</u></u>

BALANCE SHEET AS AT 25 FEBRUARY 2005

	<i>Note</i>	<u>GBP</u>
Assets		
Non current assets		
Property, plant and equipment	6	7,983
Deferred expenditure	7	95,551
Investments in subsidiaries	8	2,400
		<u>105,934</u>
Current assets		
Debtors and other receivables	10	38,875
Bank and cash balances	9	379,555
		<u>418,430</u>
Total assets		<u><u>524,364</u></u>
Equity and liabilities		
Capital and reserves		
Share capital	11	18,000
Accumulated losses	11	(16,836)
Advances for the issue of share capital		522,000
		<u>523,164</u>
Current liabilities		
Other payables	12	1,200
Total liabilities		<u>1,200</u>
Total equity and liabilities		<u><u>524,364</u></u>

STATEMENT OF CHANGES IN EQUITY

PERIOD FROM INCORPORATION (17 SEPTEMBER 2004) TO 25 FEBRUARY 2005

	<i>Note</i>	<i>Share capital GBP</i>	<i>Advances for the issue of share capital GBP</i>	<i>Accumulated (losses) GBP</i>	<i>Total GBP</i>
Issue of share capital	11	18,000	—	—	18,000
Advances for the issue of share capital	11	—	522,000	—	522,000
Net (loss) for the period		—	—	(16,836)	(16,836)
		<u>18,000</u>	<u>522,000</u>	<u>(16,836)</u>	<u>523,164</u>
At 25 February 2005		<u><u>18,000</u></u>	<u><u>522,000</u></u>	<u><u>(16,836)</u></u>	<u><u>523,164</u></u>

CASH FLOW STATEMENT

PERIOD FROM INCORPORATION (17 SEPTEMBER 2004) TO 25 FEBRUARY 2005

	<i>Note</i>	<u>GBP</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before tax		(16,836)
Changes in working capital:		
Trade and other receivables		(38,875)
Net cash (used in) operating activities		<u>(55,711)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for deferred expenditure	7	(95,551)
Purchase of investments in subsidiaries		(1,200)
Purchase of property, plant and equipment	6	(7,983)
Net cash (used in) investing activities		<u>(104,734)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances for the issue of share capital		522,000
Proceeds from issue of share capital		18,000
Net cash from financing activities		<u>540,000</u>
Net increase in cash and cash equivalents		379,555
Cash and cash equivalents:		
At beginning of the period		<u>—</u>
At end of the period (Note 9)		<u><u>379,555</u></u>

NOTES TO THE FINANCIAL INFORMATION

1 General information

Country of incorporation

The Company was incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Cyprus Companies Law, Cap. 113 and was converted to a public limited liability company at 26 January 2005. Its registered office is at 1 Lambousa Street, Nicosia, Cyprus.

Principal activities

The principal activity of the Company is the holding of long term investments.

2 Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial information of Eastern Mediterranean Resources Public Limited.

Accounting Convention

The financial statements of Eastern Mediterranean Resources Public Limited have been prepared in accordance with International Financial Reporting Standards. The accounts 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 and disclosure of contingent 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 current events and actions, actual results ultimately may differ from those estimates.

Consolidation

The Company has subsidiary undertakings for which section 142(1)(b) of the Cyprus Companies Act Cap. 113 requires consolidated financial statements to be prepared and laid before the Company at the annual general meeting. The Company will meet these requirements when its first statutory financial statements are prepared. No consolidated financial statements have been prepared for the purposes of the Admission Document incorporating the results of the above subsidiaries in view of the fact that the subsidiaries are currently dormant, and therefore the effect of preparing consolidated financial statements would be immaterial.

Foreign currency translation

(1) Measurement currency

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

(2) Foreign currency translation

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

Tax

Provision is made for corporation tax in Cyprus on the taxable profit for the year at the appropriate rates in force.

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

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

Deferred expenditure

The deferred expenditure represents share issue expenses and IPO expenses of the Company that will be written off against the share premium reserve resulting from the issue of the Company's shares and subsequent admission of the Company's shares to trading on AIM.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation.

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

	%
Computer hardware	20
Computer software	33 $\frac{1}{3}$

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they were incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit from operations.

Subsidiary companies

Investments in subsidiary companies are stated at cost less provision for impairments, which is recognised as an expense in the period in which the impairment is identified.

Impairment of long-lived assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Cash and cash equivalents

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

3 Financial risk management

(1) Financial risk factors

The Company is exposed to liquidity risk and currency risk arising from the financial instruments that it may hold. The risk management policies employed by the Company to manage these risks are discussed below:

(1.1) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

(1.2) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Australian Dollar and the Cyprus Pound. The Company's policy is not to enter into any currency hedging transactions.

(2) Fair value estimation

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

4 Other operating expenses

	<u>GBP</u>
Incorporation expenses	16,836
	<u>16,836</u>

5 Tax

The Company is subject to corporation tax in Cyprus on its taxable profits at the rate of 10%.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant Cyprus tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 15% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special contribution for defence is payable for the account of the shareholders.

6 Property, plant and equipment

	<u>Computer hardware and software GBP</u>
Cost	
At 17 September 2004	—
Additions	7,983
At 25 February 2005	<u>7,983</u>
Depreciation	
At 17 September 2004	—
Charge for the period	—
At 25 February 2005	<u>—</u>
Net book value	
At 25 February 2005	<u>7,983</u>

As the assets were purchased in February 2005, no depreciation has been provided.

7 Deferred Expenditure

The deferred expenditure of the Company represents share issue expenses and IPO expenses that will be written off against the share premium reserve upon issuing shares and admission of the Company's shares to trading on AIM.

8 Investment in subsidiaries

	<i>GBP</i>
Additions during the period and at 25 February 2005	2,400

The investments in the Company's subsidiaries comprise the following companies:

<i>Name</i>	<i>Issued share capital</i>	<i>Country of incorporation</i>	<i>Principal activities</i>	<i>% Interest held</i>
Tredington Ventures Limited	1,000	Cyprus	Dormant	100
Winchcombe Ventures Limited	1,000	Cyprus	Dormant	100

No consolidated financial statements, for the purposes of the Admission Document, have been prepared incorporating the results of the above subsidiaries in view of the fact that the subsidiaries are currently dormant, and therefore the effect of preparing consolidated financial statements would be immaterial.

9 Cash and cash equivalents

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

	<i>GBP</i>
Bank balances	379,555

10 Debtors and other receivables

	<i>GBP</i>
Other prepayments	13,332
Receivables from own subsidiaries	3,787
Receivables from related companies	21,756
	38,875

11 Share capital and share premium

	<i>Number of shares</i>	<i>GBP</i>
Authorised		
Ordinary shares of GBP0.0025 each	100,000,000	250,000
Issued and fully paid		
Ordinary shares of GBP0.0025 each	7,200,000	18,000

On incorporation, the Company had an authorised share capital amounting to CY£1,000 divided into 1,000 ordinary shares of CY£1 each. These shares were issued on the same date.

On 14 December 2004, the Company passed the following special resolutions:

- That the authorized and issued share capital of the Company be expressed in Sterling Pounds, so that the current authorized and issued share capital of CY£1,000 which is divided into 1,000 shares of CY£1 each, will become GBP1,200 divided into 1,200 shares of GBP1 each.
- That the authorised share capital of the Company be increased from GBP1,200 divided into 1,200 shares of GBP1 each, to GBP250,000 divided into 250,000 shares of GBP1 each.
- That the authorised share capital of the Company, of GBP250,000 divided into 250,000 shares of GBP1 each, be subdivided into 100,000,000 shares of GBP0.0025 each.

On 20 December 2004 the Company issued 4,000,000 shares of GBP0.0025 at par.

On 25 January 2005 the Company issued 2,720,000 shares of GBP0.0025 at par.

On 28 February 2005 the Company issued 4,000,000 shares of GBP0.0025 at the price of GBP0.05. Upon the issue of the shares an amount of GBP190,000 was credited to the Company's share premium reserve.

On 18 March 2005 the Company issued 800,000 shares of GBP0.0025 at par and 10,400,000 shares of GBP0.0025 at the price of GBP0.05. Upon the issue of the shares an amount of GBP494,000 was credited to the Company's share premium reserve.

12 Other payables

	<u>GBP</u>
Payables to own subsidiaries	1,200
	<u><u>1,200</u></u>

13 Subsequent events

13.1 Eastern Mediterranean Minerals (Cyprus) Ltd

On 28 February 2005, the Company acquired 95% of the issued share capital of Eastern Mediterranean Minerals (Cyprus) Ltd incorporated in Cyprus. The principal activity of the acquired company is the exploration for mineral deposits, evaluation thereof and marketing the resources. The consideration for the acquisition is GBP600,000 in shares in the capital of the Company as follows:

- (a) Shares valued at GBP200,000 (4,000,000 ordinary shares of nominal value GBP0.0025 each were issued at GBP0.05 per share) have been issued on 28 February 2005; and
- (b) Shares to the value of GBP400,000 will be issued at the Placing Price on the date of Admission.

An additional contingent consideration of GBP600,000 will be paid by the Company one month after the date on which Eastern Mediterranean Minerals (Cyprus) Limited first receives revenue of GBP1,000,000 from or in respect of specific exploration tenements.

Details of net assets acquired and goodwill are as follows:

	<u>GBP</u>
Purchase consideration	
Shares in the capital of the purchaser	600,000
Total purchase consideration	600,000
Fair value of assets acquired (see below)	(600,000)
Goodwill on acquisition	—
	<u><u>—</u></u>

The fair value of the assets and liabilities arising from the acquisition are as follows:

	<u>GBP</u>
Bank and cash balances	4,832
Equipment	3,210
Intangible assets	616,104
Other receivables	20,310
Related company balances	(11,010)
Other payables	(1,867)
Total fair values	631,579
Fair value of assets acquired (95%)	600,000
	<u><u>600,000</u></u>

13.2 Mediterranean Minerals (Bulgaria) EOOD

On 11 March 2005, the Company incorporated a wholly owned subsidiary with company name Mediterranean Minerals (Bulgaria) EOOD incorporated in Bulgaria. As at the date of the approval of the financial statements the company remained dormant.

13.3 Change of Company's name

The Company changed its name to, firstly, Mediterranean Minerals Public Limited on 1 March 2005 and, subsequently, to Eastern Mediterranean Resources Public Limited on 11 March 2005.

13.4 Issue of share capital

On 28 February 2005 the Company issued 4,000,000 shares of GBP0.0025 at the price of GBP0.05. Upon the issue of the shares an amount of GBP190,000 was credited to the Company's share premium reserve.

On 18 March 2005 the Company issued 800,000 shares of GBP0.0025 at par and 10,400,000 shares of GBP0.0025 at the price of GBP0.05. Upon the issue of the shares an amount of GBP494,000 was credited to the Company's share premium reserve.

Yours faithfully

Moore Stephens, Stylianou & Co
Certified Public Accountants (CY)

SECTION B

The following is the text of an accountant's report on the Subsidiary by Moore Stephens, Stylianou & Co. for the years ended 31 December 2002, 2003 and 2004

MOORE STEPHENS
ACCOUNTANTS AND CONSULTANTS

The Directors,
Eastern Mediterranean Resources Public Ltd
1, Lambousa Street,
1095 Nicosia
Cyprus

Iris Tower Office 602,
58 Arch Makarios Avenue,
P.O. Box 24656
1302 Nicosia, Cyprus

6 May 2005

The Directors,
Nabarro Wells & Co. Limited
Saddlers House
Gutter Lane
London EC2V 6HS

The Directors
Hichens, Harrison & Co plc
Bell Court House
11 Blomfield Street
London EC2M 1LB

Dear Sirs,

**EASTERN MEDITERRANEAN RESOURCES PUBLIC LIMITED (“THE COMPANY”)
EASTERN MEDITERRANEAN MINERALS (CYPRUS) LIMITED (“THE SUBSIDIARY”)**

We report in connection with the Admission Document to be issued by Eastern Mediterranean Resources Public Limited (“the Company”) dated 6 May 2005 (“the Admission Document”). In accordance with our instructions, we report on the financial information set out below relating to the Company's subsidiary undertaking Eastern Mediterranean Minerals (Cyprus) Limited. This financial information has been prepared for inclusion in the Admission Document.

Basis of Preparation

The financial information is based on the audited financial statements of the Subsidiary Eastern Mediterranean Minerals (Cyprus) Limited without material adjustment. The financial statements of the years ended 31 December 2002, 2003 and 2004 have been audited by PricewaterhouseCoopers, Nicosia, Chartered Accountants, who have issued unqualified audit reports on them. No financial statements have been made up since 31 December 2004 and no dividends have been paid or declared in respect of the period since that date. The financial statements have been prepared in accordance with Section 156 of the Cyprus Companies Law, Cap. 113. Accordingly, the financial information does not constitute statutory accounts within the meaning of Section 240 of the UK Companies Act 1985 (as amended). We have reviewed the audited financial statements of the Subsidiary for the years ended 31 December 2002, 2003 and 2004 and carried out such work as we considered necessary for the purpose of this report.

Eastern Mediterranean Minerals (Cyprus) Limited was incorporated in Cyprus on 2 November 1998 under the Cyprus Companies Law.

On 28 February 2005, 95% of the shares of Eastern Mediterranean Minerals (Cyprus) Limited were acquired by Eastern Mediterranean Resources Public Limited.

The activities of the Subsidiary include exploration for mineral deposits of precious and base metals and other minerals that appear capable of commercial exploitation, including topographical, geological, geochemical and geophysical studies and exploratory drilling. As a result of this, the Subsidiary has adopted a policy in respect of these costs of carrying them forward as an intangible asset. As at 31 December 2004, this amounted to costs of CY£1,035,289. As at the date of this report there is no specific guidance within the International Financial Reporting Standards framework with

respect to the mining industry. The treatment adopted is judgemental and complies with the International Financial Reporting Standards Framework for the Preparation and Presentation of Financial Statements of the IASB to the extent that a future economic benefit is anticipated to result from the explorations. This judgement is based on careful consideration and deliberation by the directors. The competent person's report included in the Admission Document identifies a moderate to high probability of delivering a discovery within the two-year period covered by the program and budget outlined in the Admission Document and therefore the policy is considered reasonable.

Furthermore, following the acquisition of the shares of the Subsidiary by the Company, the value of the asset was considered to be impaired by CY£318,569. The directors considered that the negotiations for the takeover of Eastern Mediterranean Minerals (Cyprus) Limited indicated the fair value or recoverable amount and wrote the asset down accordingly.

Responsibility

The financial statements are the responsibility of the directors of the Subsidiary who approved their issue.

The directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out below from the audited financial statements, to form an opinion on the financial information, and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the UK Statements of Investment Circular Reporting Standards issued by the UK Auditing Practices Board. Our work included an assessment of evidence relevant to accounts and disclosures in the financial information. The evidence included that obtained by us during the course of our review. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Subsidiary's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Subsidiary, Eastern Mediterranean Minerals (Cyprus) Limited as at 31 December 2002, 2003 and 2004 and of the results and changes in equity and cash flows of the Subsidiary for the years then ended.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(2)(b)(iii) of Schedule 1 to the UK Public Offers of Securities Regulations 1995.

Income Statements

	<i>Note</i>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Revenues		<u>—</u>	<u>—</u>	<u>—</u>
		<u>—</u>	<u>—</u>	<u>—</u>
Administrative expenses		(16,192)	(24,871)	(30,916)
Amortisation of intangible assets	9	(39,736)	(45,926)	(51,754)
Impairment of intangibles	9	<u>—</u>	<u>—</u>	<u>(318,569)</u>
Operating (loss)	4	<u>(55,928)</u>	<u>(70,797)</u>	<u>(401,239)</u>
Finance income/(costs) – net	5	<u>14,937</u>	<u>(34,928)</u>	<u>20,659</u>
Net (loss) for the year		<u><u>(40,991)</u></u>	<u><u>(105,725)</u></u>	<u><u>(380,580)</u></u>

Balance Sheets

	<i>Note</i>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Assets				
Non-current assets				
Property, plant and equipment	8	3,215	1,097	2,630
Intangible assets	9	654,586	732,444	478,898
		<u>657,801</u>	<u>733,541</u>	<u>481,528</u>
Current assets				
Other receivables	10	3,741	7,744	16,640
Bank and cash balances	15	35	18,691	3,959
		<u>3,776</u>	<u>26,435</u>	<u>20,599</u>
Total assets		<u><u>661,577</u></u>	<u><u>759,976</u></u>	<u><u>502,127</u></u>
Equity and liabilities				
Capital and reserves				
Share capital	11	625,000	625,000	625,000
Accumulated losses		(242,060)	(347,785)	(728,365)
		<u>382,940</u>	<u>277,215</u>	<u>(103,365)</u>
Current liabilities				
Other payables	12	1,660	3,489	1,530
Related companies	13	10,966	1,564	2,609
Group companies	14	266,011	477,708	601,353
		<u>278,637</u>	<u>482,761</u>	<u>605,492</u>
Total liabilities		<u><u>278,637</u></u>	<u><u>482,761</u></u>	<u><u>605,492</u></u>
Total equity and liabilities		<u><u>661,577</u></u>	<u><u>759,976</u></u>	<u><u>502,127</u></u>

Statement Of Changes In Equity

	<i>Share capital</i>	<i>Accumulated losses</i>	<i>Total</i>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Balance at 1 January 2002	500,000	(201,069)	298,931
Issue of share capital	125,000	—	125,000
Net loss for the year	—	(40,991)	(40,991)
Balance at 31 December 2002	625,000	(242,060)	382,940
Net loss for the year	—	(105,725)	(105,725)
Balance at 31 December 2003	625,000	(347,785)	277,215
Net loss for the year	—	(380,580)	(380,580)
Balance at 31 December 2004	625,000	(728,365)	(103,365)

Cash Flow Statements

	<i>Note</i>	<u>2002</u>	<u>2003</u>	<u>2004</u>
		<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Cash flows from operating activities				
Loss for the year		(40,991)	(105,725)	(380,580)
Adjustments for:				
Depreciation of property, plant and equipment	8	2,139	2,144	1,418
Amortisation of intangible assets	9	39,736	45,926	51,754
Impairment of intangible assets		—	—	318,569
Interest expense	5	2	16	6
Interest received	5	(6)	—	—
Unrealised exchange differences	5	(14,933)	34,912	(20,665)
		<u>(14,053)</u>	<u>(22,727)</u>	<u>(29,498)</u>
Changes in working capital:				
Other payables		(1,178)	1,829	(1,959)
Other receivables		14,155	(4,003)	(8,896)
		<u>(1,076)</u>	<u>(24,901)</u>	<u>(40,353)</u>
Cash flows from investing activities				
Intangible assets	9	(32,842)	(123,784)	(116,777)
Purchases of property, plant and equipment	8	—	(26)	(2,951)
Interest received	5	6	—	—
		<u>(32,836)</u>	<u>(123,810)</u>	<u>(119,728)</u>
Cash flows from financing activities				
Interest paid	5	(2)	(16)	(6)
Group Companies		33,493	176,785	144,310
Related Companies		(739)	(9,402)	1,045
		<u>32,752</u>	<u>167,367</u>	<u>145,349</u>
Net cash from financing activities		<u>32,752</u>	<u>167,367</u>	<u>145,349</u>
Net (decrease)/increase in cash		<u>(1,160)</u>	<u>18,656</u>	<u>(14,732)</u>
Cash at beginning of year		<u>1,195</u>	<u>35</u>	<u>18,691</u>
Cash at end of year	15	<u><u>35</u></u>	<u><u>18,691</u></u>	<u><u>3,959</u></u>

Material non-cash transactions

During the year ended 31 December 2002, the Subsidiary issued shares to the value of CY£125,000 in partial settlement of a debt (note 15).

Notes to the Financial Information

1. Incorporation and principal activities

Country of incorporation

Eastern Mediterranean Minerals (Cyprus) Limited was incorporated in Cyprus as a private limited liability company in accordance with the provisions of the Companies Law, Cap. 113. Its registered office is at 1 Lambousa Street, 1095 Nicosia, Cyprus.

Principal activities

The Subsidiary's principal activities during the year were:

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

2. Accounting Policies

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial information of Eastern Mediterranean Minerals (Cyprus) Limited.

Accounting Convention

The financial statements of Eastern Mediterranean Minerals (Cyprus) Limited have been prepared in accordance with International Financial Reporting Standards and the provisions of the Cyprus Companies Law, Cap. 113. The accounts 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 and disclosure of contingent 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 current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

Revenue comprises amounts receivable from exploration tenements, technical data, precious and base metals sold.

The Subsidiary had no sales/revenue during the years under review.

Foreign currency translation

1. Measurement currency

The financial statements are prepared in Cyprus pounds (the measurement currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Subsidiary.

2. Transactions and balances

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

Tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the

balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of property, plant and equipment.

Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values, over their estimated useful lives. The annual depreciation rates are as follows:

	%
Furniture, fittings, instruments and office equipment	10
Machinery	10
Computer hardware	20
Computer software	33 $\frac{1}{3}$
Motor vehicles	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which they were incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Subsidiary. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement.

Impairment of assets

Property, plant and equipment and other non-current assets, including goodwill and other intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Intangible assets

Intangible assets represent development costs including the cost of exploration tenements, applications for exploration tenements and accumulated technical data and knowledge from previous exploration activity in the exploration area, where it is anticipated that these costs will be recovered through future commercial activities from the exploitation of precious and base metals and other minerals.

Intangible assets are amortised on a straight line basis over their expected useful lives which is estimated to be 20 years.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Subsidiary has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Subsidiary expects a

provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Cash and cash equivalents

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

Comparatives

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

3. Financial risk management

(1) Financial risk factors

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

Currency risk

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

(2) Fair values

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

4. Operating loss

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Depreciation of property, plant and equipment	2,139	2,144	1,418
Amortisation of intangibles	39,736	45,926	51,754
Auditors remuneration	1,600	1,600	2,100
Impairment of intangibles	—	—	318,569

5. Finance income/(costs) – net

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Interest expense	(2)	(16)	(6)
Interest receivable	6	—	—
Net foreign exchange transaction gain/(loss)	14,933	(34,912)	20,665
	<u>14,937</u>	<u>(34,928)</u>	<u>20,659</u>

6. Tax

At 31 December 2002, 2003 and 2004, the Subsidiary had tax losses carried forward amounting to CY£237,720, CY£343,465 and CY£723,780 respectively.

7. Deferred tax

No provision for deferred taxation has been made as there are no differences between the amounts attributed to assets and liabilities for tax purposes and their corresponding carrying amounts in the balance sheet.

8. Property, plant and equipment

	<i>Furniture, fittings, instruments and office equipment</i>	<i>Motor Vehicles</i>	<i>Machinery</i>	<i>Computer hardware and software</i>	<i>Total</i>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Cost					
At 1 January 2002	995	7,500	694	2,450	11,639
Additions	—	—	—	—	—
At 31 December 2002	995	7,500	694	2,450	11,639
Additions	—	—	—	26	26
At 31 December 2003	995	7,500	694	2,476	11,665
Additions	—	—	—	2,951	2,951
At 31 December 2004	995	7,500	694	5,427	14,616
Depreciation					
At 1 January 2002	299	4,500	207	1,279	6,285
Charge for the year	99	1,500	69	471	2,139
At 31 December 2002	398	6,000	276	1,750	8,424
Charge for the year	99	1,500	69	476	2,144
At 31 December 2003	497	7,500	345	2,226	10,568
Charge for the year	99	—	69	1,250	1,418
At 31 December 2004	596	7,500	414	3,476	11,986
Net book value					
At 31 December 2002	597	1,500	418	700	3,215
At 31 December 2003	498	—	349	250	1,097
At 31 December 2004	399	—	280	1,951	2,630

9. Intangible assets

	<i>Exploration tenements and technical data</i>	<i>Development costs</i>	<i>Total</i>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Cost			
At 1 January 2002	250,000	511,886	761,886
Additions	—	32,842	32,842
At 31 December 2002	250,000	544,728	794,728
Additions	—	123,784	123,784
At 31 December 2003	250,000	668,512	918,512
Additions	—	116,777	116,777
Impairment	—	(479,308)	(479,308)
At 31 December 2004	250,000	305,981	555,981
Amortisation			
At 1 January 2002	39,583	60,823	100,406
Amortisation charge	12,500	27,236	39,736
At 31 December 2002	52,083	88,059	140,142
Amortisation charge	12,500	33,426	45,926
At 31 December 2003	64,583	121,485	186,068
Amortisation charge	12,500	39,254	51,754
Impairment	—	(160,739)	(160,739)
At 31 December 2004	77,083	—	77,083
Net book amount			
At 31 December 2002	197,917	456,669	654,586
At 31 December 2003	185,417	547,027	732,444
At 31 December 2004	172,917	305,981	478,898

10. Other receivables

	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
V.A.T. refundable	3,741	7,744	16,640

11. Share capital

	<i>Number of shares</i>	<i>2002 CY£</i>	<i>Number of shares</i>	<i>2003 CY£</i>	<i>Number of shares</i>	<i>2004 CY£</i>
Authorised:						
Class A shares of CY£1 each	500,500	500,500	500,500	500,500	500,500	500,500
Class B shares of CY£1 each	832,750	832,750	832 750	832,750	832,750	832,750
	<u>1,333,250</u>	<u>1,333,250</u>	<u>1,333,250</u>	<u>1,333,250</u>	<u>1,333,250</u>	<u>1,333,250</u>
Issued and fully paid:						
Class A shares of CY£1 each						
At 1 January and at 31 December	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Class B shares of CY£1 each						
At 1 January	499,500	499,500	624,500	624,500	624,500	624,500
Issue of shares	125,000	125,000	—	—	—	—
At 31 December	<u>624,500</u>	<u>624,500</u>	<u>624 500</u>	<u>624,500</u>	<u>624,500</u>	<u>624,500</u>
Total at 31 December	<u>625,000</u>	<u>625,000</u>	<u>625,000</u>	<u>625,000</u>	<u>625,000</u>	<u>625,000</u>

12. Other payables

	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Other creditors and accruals	<u>1,660</u>	<u>3,489</u>	<u>1,530</u>

13. Related companies

	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Amount due to: Hellenic Copper Mines Limited (Note 15)	<u>10,966</u>	<u>1,564</u>	<u>2,609</u>

14. Group companies

	<i>2002</i>	<i>2003</i>	<i>2004</i>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Amounts due to: Hellenic Mining Company Limited (Note 15)	91,001	2,343	6,411
Oxiana Europe Limited (Note 15)	175,010	475,365	594,942
	<u>266,011</u>	<u>477,708</u>	<u>601,353</u>

On 28 February 2005, Oxiana Europe Limited waived the balance owed to it by Eastern Mediterranean Minerals (Cyprus) Limited following the sale of its 95% shareholding in the Subsidiary on the same date to Eastern Mediterranean Resources Public Limited.

15. Cash and cash equivalents

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Bank balances and cash	35	18,691	3,959

16. Related party transactions

Throughout the period under review, the Subsidiary was controlled by Oxiana Europe Limited, a wholly owned subsidiary of Oxiana Limited, incorporated in Australia, which owned 95% of the Subsidiary's shares. Through a sale agreement executed on 28 February 2005, the Subsidiary became a 95% subsidiary of Eastern Mediterranean Resources Public Limited. Hellenic Mining Company Limited, incorporated in Cyprus, which owned 5% of the Subsidiary's shares throughout the period under review, retained their shareholding.

(a) Year-end balances arising from financing services

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Payable to related parties:			
Hellenic Mining Company Limited (Note 14)	91,001	2,343	6,411
Oxiana Europe Limited (Note 14)	175,010	475,365	594,942
Hellenic Copper Mines Limited (Note 13)	10,966	1,564	2,609
	<u>276,977</u>	<u>479,272</u>	<u>603,962</u>

(b) Financing from related parties

	<u>2002</u>	<u>2003</u>	<u>2004</u>
	<i>CY£</i>	<i>CY£</i>	<i>CY£</i>
Financing from related parties:			
At beginning of year	384,156	276,977	479,272
Financing during year	32,754	167,383	145,355
Issue of shares	(125,000)	—	—
Unrealised exchange (gain)/loss	(14,933)	34,912	(20,665)
At end of year	<u>276,977</u>	<u>479,272</u>	<u>603,962</u>

Financing from related parties was provided interest free, and there was no specified repayment date.

17. Contingencies

At 31 December 2004, the Subsidiary had contingent liabilities in respect of bank guarantees arising in the ordinary course of business from which it is anticipated that no material liability will arise. These guarantees amounted to CY£34,000.

18. Post balance sheet events

On 28 February 2005, Oxiana Europe Limited waived the balance owed to it by Eastern Mediterranean Minerals (Cyprus) Limited following the sale of its 95% shareholding in the Subsidiary on the same date.

Yours faithfully

Moore Stephens, Stylianou & Co
Certified Public Accountants (CY)

PART 5

PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The pro forma statement of net assets of the Group set out below is provided for illustrative purposes only. It has been compiled on the basis described below, from the audited balance sheets of Eastern Mediterranean Resources Public Limited (“EMED”) as at 25 February 2005 as set out in Section A of Part 4 and Eastern Mediterranean Minerals (Cyprus) Limited (“EMM”) as at 31 December 2004 as set out in Section B of Part 4, and includes the estimated net proceeds of the Placing and Subscription. Due to its nature, the pro forma statement of net assets cannot give a complete picture of the intended financial position of the Group.

	<i>EMED</i> <i>Note 1</i> <i>GBP'000</i>	<i>EMM</i> <i>Note 2</i> <i>GBP'000</i>	<i>Acquisition</i> <i>adjustments</i> <i>Note 3</i> <i>GBP'000</i>	<i>Placing</i> <i>Note 4</i> <i>GBP'000</i>	<i>Pro forma</i> <i>GBP'000</i>
Investments in subsidiaries	2	—	—	—	2
Tangible fixed assets	8	3	—	—	11
Deferred expenses	95	—	—	(95)	—
Intangible assets	—	568	48	—	616
	<u>105</u>	<u>571</u>	<u>48</u>	<u>(95)</u>	<u>629</u>
Debtors	39	20	—	—	59
Cash at bank and in hand	380	5	—	2,004	2,389
	419	25		2,004	2,448
Creditors: Amounts falling Due within one year	(1)	(718)	705	—	(14)
Net current assets/(liab.)	418	(693)	705	2,004	2,434
Creditors: Amounts falling Due in more than one year	—	—	—	—	—
Net assets	<u><u>523</u></u>	<u><u>(122)</u></u>	<u><u>753</u></u>	<u><u>1,909</u></u>	<u><u>3,063</u></u>

Basis of preparation

The above pro forma statement of net assets is based on the following:

1. The audited balance sheet of EMED as at 25 February 2005, as set out in the Accountants’ Report in Section A of Part 4.
2. The audited balance sheet of EMM as at 31 December 2004, as set out in the Accountants’ Report in Section B of Part 4, translated into Pounds Sterling (GBP) at the rate GBP1.186 = CY£1.
3. The intangible assets in EMM were impaired to reflect their fair value as indicated by the consideration of GBP600,000 that EMED agreed for the acquisition of 95% of the shares in EMM in an arm’s length transaction. The Book Value of the Intangible Assets as stated in the audited financial statements is GBP48,000 less than the fair value.

The Company acquired 95% of the issued share capital of EMM from Oxiana Europe Ltd on 28 February 2005. The consideration for the acquisition was GBP600,000 in shares of EMED as follows:

- (a) Shares valued at GBP200,000 (4,000,000 ordinary shares of nominal value GBP0.0025 each were issued at GBP0.05 per share) were issued on 28th February 2005
- (b) Shares to the value of GBP400,000 will be issued at the Placing Price on the date of Admission.

An additional contingent consideration of GBP600,000 will be paid by the Company one month after the date on which Eastern Mediterranean Minerals (Cyprus) Limited first receives revenue of GBP1,000,000 from or in respect of specific exploration tenements.

Pursuant to the acquisition, Oxiana Europe Limited waived the debt due to it by EMM in the amount of GBP705,000.

The affect of the movements outlined in note 2 and note 3 may be summarised as:

Net assets of EMM	(122)	(note 2)
Acquisition adjustments	753	(note 3)
	<u>631</u>	
Minority interest 5%	(31)	
	<u>600</u>	
Net assets acquired	<u><u>600</u></u>	
Consideration		
Shares issued on 28 February 2005	200	(note 3)
Shares to be issued	400	(note 3)
	<u>600</u>	
	<u><u>600</u></u>	

No adjustment has been made in respect of the additional contingent consideration of GBP600,000 which is payable according to the terms set out in the Accountants' Report in Section A of Part 4.

- The raising of GBP2,252,444 by the issue of 25,030,555 shares of GBP0.0025 each at GBP0.08 per share for cash in the Placing, raising GBP2,002,444 and a further issue of 3,125,000 shares of GBP0.0025 each of GBP0.08 per share for cash in the Subscription raising GBP250,000, less an aggregate of GBP343,000 (of which GBP95,000 had been paid as at 25 February 2005) of estimated total expenses relating to the Placing and Subscription that will be written off against the share premium account.
- No adjustment in respect of any trading results since 31 December 2004 for EMM and since 25 February 2005 for EMED.

PART 6

ADDITIONAL INFORMATION

1. Incorporation and Status of the Company

- (a) The Company was incorporated as a limited liability company by shares and registered in Cyprus on 17 September, 2004 under the name Kragen Investments Limited (Registration No. 155217). On 1 March, 2005 the Company changed its name to Mediterranean Minerals Public Limited. On 13 April, 2005 the Company changed its name to Eastern Mediterranean Resources Public Limited.
- (b) The registered office of the Company is 1, Lambousa Street, 1095 Nicosia, Cyprus. The Company does not have a place of business in the United Kingdom.
- (c) The Company has three subsidiaries in Cyprus and one in Bulgaria, particulars of which are set out below.

	<i>Country of Incorporation</i>	<i>Beneficial interest %</i>
Eastern Mediterranean Minerals (Cyprus) Limited	Cyprus	95
Tredington Ventures Limited	Cyprus	95
Winchcombe Ventures Limited	Cyprus	95
Mediterranean Minerals (Bulgaria) EOOD	Bulgaria	100

- (d) The law applicable to companies in Cyprus is *The Companies Law, Cap 113* (“the Law”) as amended.
- (e) The Company is incorporated in Cyprus, has its head office and place of central management in Cyprus and is resident in Cyprus. Accordingly, transactions in Ordinary Shares will not be subject to the provisions of the City Code on Takeovers and Mergers (“Code”).
- (f) The liability of the members of the Company is limited.

2. Share Capital of the Company

- (a) The authorised and issued share capital of the Company as at the date of this document and immediately following Admission is or will be as follows:

<i>Authorised share capital</i>		<i>Issued share capital</i>		
£	<i>Number of Ordinary Shares</i>		£	<i>Number of Ordinary Shares</i>
250,000	100,000,000	at present immediately following Admission	56,000	22,400,000
250,000	100,000,000		131,076.39	52,430,555

- (b) There are no other listed or unlisted securities issued by the Company not representing share capital other than as set out above.
- (c) Application for admission to trading on AIM is being made in respect of the Enlarged Share Capital.
- (d) Other than as set out here, the Ordinary Shares have not been admitted to dealing on any recognised investment exchange nor has any application for such admission been made, nor are there intended to be other arrangements for there to be dealings in such Ordinary Shares.
- (e) All of the unissued Ordinary Shares of the Company may be issued by the Board at its absolute discretion. The Board has resolved that, save in respect of the Placing, it will not, pursuant to any fundraising, issue Ordinary Shares for cash representing more than 25 per cent of the Company’s issued share capital from time to time without seeking Shareholders’ approval. The above restriction will not apply to the issue of Ordinary Shares for non-cash consideration or the issue of Ordinary Shares for cash in connection with an issue in favour of the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings of Ordinary Shares.

3. Constitution

A company in Cyprus is a legal person possessing corporate authority and legal capacity both inside and outside Cyprus, including the powers to: (a) issue and (subject to the terms of issue) cancel shares in the company; (b) issue debentures; (c) grant options over unissued shares in the company; (d) distribute any of the property of the company among the members, in kind or otherwise; (e) give security by charging its uncalled capital; (f) arrange for the company to be registered or recognised as a body corporate in any place outside its jurisdiction of incorporation; and (g) do any other acts that it is authorised to do by law (including the law of a foreign country).

The Memorandum of Association of the Company provides that the objects for which the Company is established include to prospect for deposits of gold, silver, copper, other ores and metals as well as other resources, to open, work, develop, finance and maintain gold mines, mines, worksites, to open, maintain and exploit shafts or wells and to raise, pump, dig, extract, quarry for, refine, process, purify, sell and supply gold, silver, copper, ores, metals and other resources and substances. Its objects are set out in full in clause 3 of the Memorandum of Association.

The current Articles of Association of the Company (the “Articles”) were adopted on 17th January, 2005. The Articles contain, *inter alia*, provisions which, together with certain provisions of the Law, are summarised below. The summary does not purport to be complete and is qualified in its entirety by the full terms of the Articles and the Law.

(a) Power to issue shares

- (i) Any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall be at the disposal of the Board which has the right, at its absolute discretion, to issue or generally dispose of the same to such persons, at such times and under such terms, conditions and restrictions which it deems to be most beneficial to the Company.
- (ii) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any shares in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Board of Directors may from time to time determine.
- (iii) Paragraph (i) has effect without prejudice to any special rights conferred on the holders of any issued shares, options or other securities.

(b) Alteration in Capital

The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (ii) subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Law; or
- (iii) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.

(c) Variation of Class Rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not unless otherwise expressly provided by the terms of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(d) General Meeting and Notices

The Company must in each year hold a general meeting as its annual general meeting, at such time and place as the Directors shall appoint. Members may also requisition or convene general meetings, in accordance with the provisions of the Law. An annual general meeting and a meeting called for the passing of a special resolution shall be called by twenty-one days' notice in writing at the least. Each member is entitled to attend and vote at general meetings and to receive all notices and other documents required to be sent to members in accordance with the Articles, the Law and the AIM Rules.

(e) Calls and Forfeiture

Subject to the Law, Directors may make calls on the members in respect of any money unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) which is not, by the terms of issue of those shares, made payable at fixed times. The Directors may revoke a call, and, if not precluded from doing so by the AIM Rules, may postpone a call, and a call may be required to be paid by instalments.

If a member fails to pay a call or instalment of a call on or before the day appointed for payment of the call or instalment, the Directors may, at any time afterwards while any part of the call or instalment remains unpaid, serve a notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest that has accrued and all expenses of the Company incurred as a result of the non-payment but the Directors may waive payment of the interest and expenses in whole or in part.

If the requirements of the notice served on the member relating to the call are not complied with, any share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by resolution of the Directors.

(f) Purchase of Own Shares

A company may resolve by special resolution to acquire its own shares. The special resolution must specify the terms, the manner and the maximum number of shares to be acquired. The total nominal value of the shares held at any one time by the Company must not exceed 10 per cent of the Company's issued share capital. The consideration for acquiring the shares must be paid out of realised profits that have not been distributed and the shares cannot be held for more than two years.

(g) Transfer of Shares

Transfers of shares may be effected by an instrument of transfer in any usual or common form or any other form, including electronic form, which the Directors may approve.

(h) Refusal of Registration

The Directors may, in their absolute discretion, refuse to register any transfer of shares or other securities where permitted to do so by the Law or which are not fully paid or on which the Company has a lien. The Directors must refuse to register any transfer of shares or other securities when required by the Law. If the Directors decline to register a transfer, the Company must within 2 months after the date of lodgement of such transfer give to the lodging party written notice of the refusal and the reasons for it.

(i) Voting Rights

Subject to any rights or restrictions attaching to any class of shares, at meetings of members or classes of members, each member entitled to attend and vote, may attend and vote in person or by proxy or attorney and, where the member is a body corporate, by representative. On a show of hands every member present having the right to vote at the meeting has one vote. On a poll every member present has one vote for each fully paid share and, in the case of each partly paid share or shares held by the member, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) on the share or shares held.

No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

(j) Dividends and other distributions

Subject to the Law and to any special rights or restrictions attached to any shares, Directors may from time to time authorise the Company to pay interim and final dividends which appear to the Directors to be justified by the profits of the Company.

No dividend shall bear interest against the Company.

Subject to any special rights or restrictions attached to any shares, every dividend shall:

- (i) be paid *pro rata* to the amounts paid or credited as paid on the shares in respect of which it is to be paid; and
- (ii) be apportioned and paid proportionately to the amounts paid or credited as paid on the shares in respect of which the dividend is to be paid during any part or parts of the period in respect of which the dividend is paid.

Subject to any special rights or restrictions attached to any shares, the Directors may from time to time resolve that dividends (interim or final) are to be paid out of a particular source or particular sources, and where the Directors so resolve, they may, in their absolute discretion:

- (i) allow each or any member to elect from which specified sources that particular member's dividend may be paid by the Company; and
- (ii) where such elections are permitted and any member fails to make such an election, the Directors may, in their absolute discretion, identify the particular source from which dividends will be payable.

When declaring a dividend, the Directors may by resolution direct payment of the dividend wholly or partly by distribution of specific assets, including, without limitation, paid up shares in or debentures of any other body corporate.

(k) Capitalisation of Profits

The Company in general meeting may upon the recommendation of the Directors resolve:

- (i) to capitalise any sum, being the whole or part of the amount for the time being standing to the credit of any reserve account, profit and loss account, share premium account or otherwise available for distribution to members; and
- (ii) that the sum be applied, in any of the ways mentioned in the Articles, for the benefit of members in full satisfaction of their interest in the capitalised sum, in the proportions to which those members would have been entitled in a distribution of the sum by way of dividend, or in connection with an employee share scheme adopted by the Company, by applying the sum in paying up in part or full unissued shares and issuing them in accordance with the rules of that scheme.

(l) Directors

Subject to the Articles, at every annual general meeting one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to, but greater than, one-third shall retire from office; but, if there is only one Director who is subject to retirement by rotation, he shall retire. Unless and until otherwise determined by the Company in general meeting, the number of the Directors shall not be less than two, but shall not be subject to any maximum number.

If a non-executive Director is required to perform services for the Company which in the opinion of the Directors is outside the scope of the ordinary duties of a Director, the Company may pay the Director a fixed sum determined by the Directors in addition to or instead of the Director's remuneration described below. Non-executive Directors may not be paid commission on or a percentage of the profits.

(m) Indemnity

Subject to the provisions of the Law, every Director, executive officer, company secretary and full time employee of the Company is indemnified by the Company against any liabilities incurred by that person in his or her capacity as an officer of the Company which includes defending any proceedings (whether civil or criminal) in which judgment is given in the person's favour or in which the person is acquitted or in connection with an application in relation to such proceedings in which the Court grants relief to the person under the Law.

The Company will not indemnify any officer who has demonstrated a lack of good faith or has acted contrary to the Company's express instructions.

(n) Winding Up

If the Company is wound up and the assets available for distribution are of an amount insufficient to repay the whole of the paid up capital, the assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up, on the shares held by them respectively.

If, in a winding up, the assets available for distribution among the members are more than that required to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding up, on the shares held by them respectively.

If the Company is wound up, the liquidator may:

- (i) with the sanction of a special resolution passed by members of the Company, divide among the members in kind the whole or any part of the property of the Company;
- (ii) for that purpose set a value as the liquidator considers fair on any property to be so divided; and
- (iii) decide how the division is to be carried out as between the members or different classes of members.

(o) Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money, and to charge or mortgage its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

4. Directors' and Other Interests

- (a) The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of persons connected with them in the Existing Ordinary Shares as at the date of this document and as expected to be immediately following Admission are as follows:

<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of Existing Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
Harry Anagnostaras-Adams*	4,800,000	21.4	4,800,000	9.15
Ronnie Beevor	3,200,000	14.3	3,950,000	7.53
Andreas Panayiotou	nil	nil	nil	nil
Gordon Toll	400,000	1.8	1,150,000	2.19

* in addition, Julie Anagnostaras-Adams, the wife of Harry Anagnostaras-Adams, is interested in a further 1,360,000 Ordinary Shares

- (b) The Directors to whom options over Ordinary Shares have been granted and the number of Ordinary Shares subject to such options as at the date of this document are as follows:

<i>Name</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise Price</i>	<i>Expiration Date</i>
Gordon Toll	1,250,000	8p	9 May 2011
Harry Anagnostaras-Adams	5,000,000	8p	9 May 2011
Ronnie Beevor	1,250,000	8p	9 May 2011
Andreas Panayiotou	625,000	8p	9 May 2011

- (c) Save as disclosed in sub-paragraphs (a) and (b) above or in the table below, the Directors are not aware of any interest in the Ordinary Shares which, immediately following Admission, would amount to three per cent or more of the Enlarged Share Capital nor, so far as the Directors are aware, are there any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Share Capital</i>
Oxiana Europe Limited	9,000,000	17.16
Ron Cunneen	1,920,000	3.66
RAB Special Situations Master Fund Limited	3,125,000	5.96
Geographia Capital Limited	1,875,000	3.58
Wallbrook Nominees Limited	4,687,500	8.94

* pursuant to a subscription agreement dated 5 May 2005, RAB Special Situations Master Fund Limited has agreed to subscribe for a further 3,125,000 Ordinary Shares on 9 August 2005.

5. Directors' Service Agreements/Letters of Appointment

- (a) Ferkand Pty Ltd (a service company controlled by Harry Anagnostaras-Adams) has agreed to supply Harry Anagnostaras-Adams as Managing Director of the Company pursuant to a service agreement with the Company dated 6 May 2005. Ferkand Pty Ltd receives an annual fee of £CY105,000 as from 1 May 2005 pursuant to this service agreement. The Company must pay for or reimburse Ferkand Pty Limited or Harry Anagnostaras-Adams for reasonable relocation, vehicle and accommodation expenses in Cyprus along with travel and other out of pocket expenses approved by the Company. The agreement may be terminated by either party giving 12 months' written notice.
- (b) Beevor Associates Pty Ltd has agreed to provide the services of Ronnie Beevor to act as a non-executive director of the Company for an annual fee of £CY8,400 from 1 May 2005 pursuant to a letter of appointment dated 6 May 2005. The appointment may be terminated by either party giving three months' written notice (save in respect of a fundamental disagreement between the director and the Company where the appointment may be terminated forthwith).
- (c) Andreas Panayiotou has agreed to act as a non-executive director of the Company for an annual fee of £CY8,400 from 1 May 2005 pursuant to a letter of appointment dated 6 May 2005. The appointment may be terminated by either party giving three months' written notice save in respect of a fundamental disagreement between the director and the Company where the appointment may be terminated forthwith.
- (d) Gordon Toll has agreed to act as a non-executive director of the Company for an annual fee of £CY16,800 from 1 May 2005 pursuant to a letter of appointment dated 6 May 2005. The appointment may be terminated by either party giving three months' written notice save in respect of a fundamental disagreement between the director and the Company where the appointment may be terminated forthwith.
- (e) Save as disclosed above, there are no service contracts in existence between any Director and the Company or any company in the Group which cannot be determined by the relevant Company without payment of compensation (other than statutory compensation) within one year and none of the service contracts referred to in this paragraph have been amended in the last six months.
- (f) The aggregate remuneration and benefits in kind paid to the Directors in respect of the period ended 31 December 2004 was Nil. It is estimated that under arrangements currently in force, the aggregate remuneration and benefits in kind to be paid to the Directors for the financial period ending 31 December 2005 will be approximately £CY92,800 which is the equivalent of £UK108,900.

6. Additional Information on the Directors

- (a) In addition to directorships of the Company the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships or partnerships</i>	<i>Past directorships or partnerships</i>
Gordon Toll	Compass Resources NL Fortescue Metals Group Ltd LinQ Resources Fund Ltd Avocet Mining plc Toll Management Limited	Chapada Diamonds plc Goldamere Pty Ltd Beviron Pty Ltd Orian Holding Corp Limited Ivanhoe Networks Pte Ltd Ivanhoe Capital Pte Ltd Ivanhoe Australia Limited Ivanhoe Myanmar Holdings Limited Central Asia Mining Limited Ivanhoe Mines Limited ABM Norway Holdings Limited Benetto Development Ltd Hugold Mines Ltd Ivanhoe Australia Services Pty Limited Ivanhoe Cloncurry Mines Pty Limited Myanmar Ivanhoe Copper Company Limited European Goldfields Limited INTEC Limited Emperor Mines Limited
Harry Anagnostaras-Adams	Weonga Rural Partnership Eastern Mediterranean Minerals (Cyprus) Limited Tredington Ventures Limited Winchcombe Ventures Limited Mediterranean Minerals (Bulgaria) EOOD	Keffi Korporation Pty Ltd Ferkand Pty Ltd Weonga Rural Partnership Australian Gold Council Gympie Gold Limited Devex Pty Limited Doral Lime Products Pty Ltd Doral Magnetite Pty Ltd Doral Resources NL Gympie Eldorado Gold Mines Pty Ltd Gympie Gold Mining Pty Limited Haoma Petroleum Pty Ltd Keffi Korporation Pty Limited Southland Coal Pty Ltd Southland Gold Pty Limited Southland Mining Ltd Strata Petroleum Pty Ltd
Ronnie Beevor	Bendigo Mining Limited Oxiana Limited Beemac Bloodstock Partnership Beevor Associates Pty Limited Galecove Pty Limited Stewart Editorial Services Pty Limited Eastern Mediterranean	NM Rothschild & Sons (Australia) Limited RAL Holdings Pty Limited Rothschild Australia Securities Limited Rothschild Nominees Pty Ltd NM Rothschild Corporate Finance Limited Kimberley Diamond

<i>Name</i>	<i>Current directorships or partnerships</i>	<i>Past directorships or partnerships</i>
Andreas Panayiotou	Minerals (Cyprus) Limited Tredington Ventures Limited Winchcombe Ventures Limited Mediterranean Minerals (Bulgaria) EOOD Hellenic Technical Enterprises Ltd Hellenic Bank Public Ltd Hellenic – Tzilalis (Cyprus) Ltd	Company NL Bounty (Victoria) Pty Ltd Viceroy Australia Pty Ltd St Luke's Hospital Foundation Ltd None

Harry Anagnostaras-Adams was the Managing Director of Gympie Gold Limited which entered into voluntary administration and receivership on 30 December 2003. A rapid and substantial deterioration in Gympie Gold Limited's financial position and prospects was caused by a devastating underground fire at the Southland Colliery, the Company's key source of cash flow. No person was physically hurt.

Ronnie Beevor became a non-executive director of Viceroy Australia Pty Ltd on 19 August 1999 and of Bounty (Victoria) Pty Ltd on 5 October 1999. Both of these proprietary companies were wholly-owned subsidiaries of Viceroy Resources Corporation, a listed Canadian gold producer based in Vancouver, Canada. Mr Beevor resigned from both subsidiary boards on 5 July 2000. Following production difficulties at the Bounty gold mine in Western Australia, Viceroy Australia Pty Ltd and Bounty (Victoria) entered voluntary administration on 24 June 2001.

- (b) Save as disclosed in sub-paragraph (a) above none of the Directors has:
- (i) any unspent convictions in relation to indictable offences;
 - (ii) had any bankruptcy order made against him or entered into any voluntary arrangements;
 - (iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
 - (iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - (v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - (vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
 - (vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.
- (c) Ronnie Beevor is a director of Oxiana Limited which, through its subsidiary sold to the Company its 95 per cent shareholding in EMM. Save as disclosed in this document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.
- (d) No loans made or guarantees granted or provided by the Company to or for the benefit of any Director are outstanding.

7. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the period of two years immediately preceding the date of this document and are, or may be, material:

- (a) A share purchase agreement dated 13 December 2004 and completed on 28 February 2005 between Oxiana Europe Limited (“Vendor”), the Company, EMM and Oxiana Limited ACN 005 482 824 pursuant to which the Company acquired all of the Vendor’s shares in EMM representing 95 per cent of the issued capital of EMM. This agreement included a deed of novation, novating the position of Oxiana Limited to EMED.

The consideration for the acquisition of EMM is up to £1,200,000, of which £200,000 was paid by way of the issue of 4,000,000 new Ordinary Shares at an issue price of 5p per share; £400,000 is to be paid by the issue, on the date of Admission, of new Ordinary Shares at the Placing Price and £600,000 in cash to be paid within one month after the Company has received revenue of £1,000,000 from or in respect of the tenements held by EMM at the time of the acquisition.

The share purchase agreement included warranties given by the Vendor about its legal capacity, ownership of the sale shares, non-conflict of the agreement with any other obligations of the Vendor, disclosure of mining interests and the accuracy of mining information. The Vendor warranted pursuant to the agreement that either the tenements referred to in the agreement were in good standing or that the Vendor would before completion apply to renew any tenements due to expire prior to completion. As a separate undertaking pursuant to the agreement, the Vendor unconditionally and irrevocably indemnified the Company against all liability or loss arising from, and any costs, charges and expenses incurred in connection with, a breach by the Vendor of any of the Vendor’s obligations under the agreement.

- (b) A deed of covenant and novation dated 21 January 2005 and completed on 28 February 2005 between Oxiana Europe Limited, Oxiana Limited, the Company, Hellenic Copper Mines Limited, Hellenic Mining Company and EMM pursuant to which the Company succeeded to the rights and obligations of Oxiana Europe Limited and Oxiana Limited under the Exploration Joint venture defined and described in the “Local Partner” section of Part 1 of this document.
- (c) An engagement letter dated 6 May 2005 between the Company and Nabarro Wells, pursuant to which the Company appointed Nabarro Wells as its nominated adviser for the purposes of the AIM Rules. The appointment will continue until terminated by either party giving the other party 7 days’ written notice. Under the terms of the engagement letter, the Company has agreed to pay Nabarro Wells:

- an engagement fee of £10,000;
- a fee of £30,000 payable on Admission;
- transferable options to subscribe for 590,000 new Ordinary Shares at the Placing Price and conditional on Admission; and
- any disbursements, including all travel expenses, paid by Nabarro Wells on behalf of and approved in advance by the Company pursuant to the engagement and other out-of-pocket expenses incurred by Nabarro Wells (including its reasonable legal fees).

In addition to the fees set out above, the Company has agreed to pay Nabarro Wells an annual nominated adviser’s fee of £25,000, payable quarterly in advance.

- (d) A broker appointment letter dated 6 May 2005 between Hichens Harrison and the Company pursuant to which the Company appointed Hichens Harrison as broker to the Company.

Under the terms of the appointment letter the Company has agreed to pay Hichens Harrison:

- a broking fee of £20,000;
- a broking commission equal to 5 per cent of the aggregate value at the Placing Price of those Placing Shares in respect of which Hichens Harrison has procured subscribers and a commission of 1 per cent on the balance of the Placing Shares; and
- an option to subscribe for 375,000 new Ordinary Shares at the Placing Price.

In addition to the fees set out above, the Company agrees to pay Hichens Harrison an annual broker fee of £15,000 payable quarterly in advance with the first such fee being due on the date of Admission.

- (e) A Placing Agreement dated 6 May 2005 between the Company, the Directors, Nabarro Wells and Hichens Harrison pursuant to which, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 9 May 2005 (or such later time or date as the Company, Nabarro Wells and Hichens Harrison may agree, being not later than 8.00 a.m. on 20 May 2005) Hichens Harrison was appointed as agent of the Company to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Pursuant to the Placing Agreement, the Company and the Directors have given warranties to Hichens Harrison and Nabarro Wells regarding, *inter alia*, the accuracy of information in this document and the Company has given an indemnity. The Placing is not underwritten. The Placing Agreement contains provisions entitling Hichens Harrison and Nabarro Wells to terminate the agreement in certain circumstances including in the event of a material breach of warranty or a force majeure event.

Under the Placing Agreement, the Company has agreed to pay to Hichens Harrison a broking commission equal to 5 per cent of the aggregate value at the Placing Price of those Placing Shares in respect of which Hichens Harrison has procured subscribers and a commission of 1 per cent on the balance.

- (f) A subscription agreement dated 5 May 2005 between the Company and RAB Special Situations Master Fund Limited (“RAB”) pursuant to which RAB agreed to subscribe for the Subscription Shares at the Placing Price on 6 August 2005.
- (g) Lock-in Deeds dated between 18 April 2005 and 6 May 2005 between EMED, Hichens Harrison, Nabarro Wells and each of the Directors, Nicholas and Julie Anagnostaras-Adams as Trustees for the Adams Superannuation Fund, Ronnie and Fiona Beevor as Trustees for the Digger Superannuation Fund, Oxiana Europe Limited and Ron Cunneen (the “Locked-in Shareholders”) pursuant to which each of the Locked-in Shareholders have undertaken in accordance with Rule 7 of the AIM Rules save in specified circumstances, not to sell or otherwise dispose of, or agree to sell or dispose of, any of their interests in Ordinary Shares held by them for a period of 12 months following Admission and for a further period of 12 months only to dispose of any Ordinary Shares through the Company’s broker on an orderly market basis. These undertakings do not apply to a disposal of Ordinary Shares resulting from an intervening court order, the death of a party giving the undertaking, acceptance of a takeover offer for the Company (and such agreement being conditional upon a takeover offer for the Company which is open to all shareholders).
- (h) Option agreements, details of which are set out in paragraph 8 below.
- (i) Escrow Deeds dated 28 February 2005 between Oxiana Limited and Mr and Mrs Anagnostaras-Adams, Mr and Mrs Beevor and Mr Cunneen pursuant to which Mr and Mrs Anagnostaras-Adams, Mr and Mrs Beevor and Mr Cunneen have undertaken not to sell 4.8 million shares, 1.6 million shares and 1.6 million shares in the Company respectively during the period of 3 years from 1 January 2005.
- (j) A broker agreement dated 6 May 2005 between the Company and Hichens Harrison pursuant to which Hichens Harrison has been appointed to act as broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Hichens Harrison a fee of £15,000 per annum for its services as broker under the agreement, together with all reasonable expenses and VAT. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulation. The agreement is for an initial period of 12 months subject thereafter to termination on the giving of 3 months’ notice.

8. Option Agreements

- (a) Pursuant to option agreements dated between 24 April and 6 May 2005 between the Company and each of the Directors, Ron Cunneen, Alastair Murray, Jim Cran and Bronwyn Witham the Company has, conditional on Admission, granted options to subscribe for, in aggregate, 10,750,000 Ordinary Shares (the “Option Shares”) at the Placing Price. The options are exercisable in respect of a total of one third of the Option Shares on Admission, two thirds of the Option Shares after one year and all of the Option Shares after two years following Admission. The option period expires on the date six years following Admission.

The option agreements contain provisions adjusting the exercise price in certain circumstances including the allotment of fully paid Ordinary Shares by way of a capitalisation of the Company's reserves, a sub-division or consolidation of the Ordinary Shares, a reduction of share capital and offers or invitations (whether by way of rights issue or otherwise) to the holders of Ordinary Shares.

- (b) Pursuant to option agreements dated 6 May 2005 between the Company and each of NWCF LLP, Hichens Harrison and VSA Resources Limited, the Company has, conditional on Admission, granted options to subscribe for, in aggregate, 1,340,000 Ordinary Shares (the "Option Shares") at the Placing Price. The options are exercisable in respect of a total of one third of the Option Shares on Admission, two thirds of the Option Shares after one year and all of the Option Shares after two years following Admission. The option period expires on the date six years following Admission.

9. Litigation

No legal or arbitration proceedings are active, pending or threatened against, or being brought by, the Company or any member of the Group which are having or may have a significant effect on the Company's or the Group's financial position.

10. Working capital

The Directors are of the opinion, having made due and careful enquiry that following Admission the Company and the Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Admission.

11. Taxation

The following paragraphs are intended only to provide a general outline of the taxation implications to UK residents holding Ordinary Shares as investments of a Cyprus resident company trading on AIM.

The following comments are intended as a general guide to the UK and Cyprus tax implications only and apply only to certain categories of persons. **This should not be a substitute for individual advice from an appropriate professional adviser and all persons are strongly advised to obtain their own professional advice concerning the consequences under any tax laws of the acquisition, ownership and disposition of Ordinary Shares.**

The income tax implications can vary depending on the nature and character of the circumstances affecting each particular investor. This summary describes the generic income tax implications that could be expected to arise for an investor who is not conducting a business of trading or dealing in shares or marketable securities and in the case of non-resident investors, does not have a permanent establishment in Cyprus. The UK advice is based on a UK resident holding shares of a Cyprus company trading on AIM. The advice contained in this summary is general in nature and, accordingly, may not apply to all investors who participate in the placing of the Ordinary shares.

Cyprus resident company

It is anticipated that the Company will be resident in Cyprus for taxation purposes.

Taxation of dividends and distributions

Under Cyprus legislation there is no withholding tax on dividends paid to non-residents of Cyprus.

A UK holder, or a holder of Ordinary Shares who is carrying on a trade, profession or vocation in the UK through a branch or agency in connection with which the Ordinary Shares are held will, depending upon the holder's particular circumstances, be subject to UK income tax or corporation tax as the case may be on the amount of any dividends paid by the Company. A dividend paid by the Company to a non-corporate Shareholder is liable to income tax under Schedule D Case V on an arising basis if the Shareholder is UK domiciled, but only if remitted to or received in the UK if the shareholder is non-UK domiciled. Shareholders must consult their tax advisers on their domicile, residence and ordinary residence status and on what amounts to "remitted or received in" the UK. Non-corporate Shareholders whose income, including the dividends, is within the lower or basic rate bands will be liable to the "Schedule F Ordinary rate" of the income tax at 10 per cent. Individual Shareholders who are liable to income tax at higher rate of tax will be charged to the "Schedule F

Upper rate” of tax of 32.5 per cent. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law.

Certain non-corporate Shareholders may also be subject to UK tax on the Group’s profits on an arising basis whether or not these profits are distributed to Shareholders by the Company. To the extent that those profits are subsequently paid out as Company dividends, relief should be available to avoid double taxation.

Taxation of chargeable gains

Cyprus Capital Gains Tax is imposed at the rate of 20 per cent on gains from the disposal of immovable property situated in Cyprus including gains from the disposal of shares in companies which own such immovable property excluding shares listed in any recognised stock exchange.

A disposal, or deemed disposal, of Ordinary Shares by a Shareholder who is either resident or ordinarily resident for tax purposes in the UK will, depending on the Shareholder’s circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains in the UK. Individuals, personal representatives and trustees may be entitled to taper relief, which will serve to reduce the chargeable gain. UK resident companies are not entitled to taper relief, but are due indexation allowance, which may also reduce any chargeable gain, but will not create nor enhance a capital loss.

UK domiciled non-corporate Shareholders who, with connected persons, hold more than 10 per cent interest in the Company will be subject to the attribution of gains arising to the Company, if the Company, if UK tax resident, would be regarded as a UK close company.

Broadly, Shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Shares unless such Ordinary Shares are used, held or acquired for the purposes of a trade, profession or vocation or, in the case of companies only, a permanent establishment, carried on in the UK through a branch or agency or for the purpose of such branch or agency. Such Shareholders may be subject to foreign taxation on any gain under local law.

A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete tax years and who disposes of the Ordinary Shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such Shareholder’s year of return to the UK.

Stamp duty

Any transfer of Ordinary Shares after the admission of the Company to AIM will generally not be subject to Cyprus stamp duty.

Any agreement to transfer, or any transfer of, Ordinary Shares registered on the Company’s UK branch register will generally be subject to UK stamp duty or stamp duty reserve tax at the rate of 0.5 per cent of the consideration for the transfer. UK stamp duty may arise on transfers of other Ordinary Shares depending on the circumstances, such as where the transfer is executed in the UK.

UK inheritance tax

Cyprus inheritance tax law has been abolished with effect from 1 January 2000 by virtue of N74 (I) 2000.

The Ordinary Shares will not be assets situated in the UK for UK inheritance tax purposes. A gift of such assets by, or the death of, an individual holder who is domiciled, or is deemed to be domiciled under certain rules relating to long residence or previous domicile, may (subject to certain exemptions and relief) give rise to a liability to UK inheritance tax. For inheritance tax purposes a transfer of assets at less than market value may be treated as a gift and particular rules may apply where the donor reserves or retains some benefit.

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in Ordinary Shares. Taxation consequences will depend on particular circumstances.

Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility in respect of taxation consequences connected with an investment in the Ordinary Shares.

12. General

- (a) The total costs and expenses relating to the Placing, Subscription and Admission are estimated to be £343,000 excluding VAT and are payable by the Company.
- (b) Moore Stephens have given and not withdrawn their written consent to the inclusion in this document of references to them herein in the form and context in which they appear and to the inclusion of their reports in this document and accept responsibility for their reports for the purposes of regulation 13(1)(d) of the POS Regulations.
- (c) Nabarro Wells has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- (d) Hichens Harrison has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- (e) Tectonex GeoConsultants Pty. Ltd has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and content in which it appears and to the inclusion of its report in this document and accept responsibility for its report for the purposes of regulation 13(1)(d) of the POS Regulations.
- (f) The accounting reference date of the Company is 31 December.
- (g) For the purposes of paragraph 21(a) of Part IV to the POS Regulations the minimum amount which must be raised by the Company pursuant to the Placing and Subscription is £2,250,000, in respect of each of the following:
 - (i) purchase price of property £nil;
 - (ii) preliminary expenses, commissions and expenses (excluding VAT) of the Placing £343,000;
 - (iii) repayment of monies borrowed in respect of (i) and (ii) above;
 - (iv) working capital £1,907,000.
- (h) There are no amounts to be provided in respect of the matters referred to in paragraph 12 (g) above otherwise than out of the proceeds of the Placing and Subscription.
- (i) Save as disclosed in Part 1 of this document, the Directors are unaware of any exceptional factors which have influenced the Group's activities.
- (j) Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are or may be of fundamental importance to the Group's business.
- (k) Save as disclosed in this document, there have been no significant changes in the trading or financial position of the Group since 31 December 2004.
- (l) As at the date of this document, no Director or member of a Director's family has a related financial product referenced to the Ordinary Shares.
- (m) No persons (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) in the last twelve months have received or are contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.
- (n) Save as disclosed in this document there are no significant investments in progress.
- (o) The arrangements for payment of the Placing Shares are set out in the placing letters referred to in the Placing Agreement.

13. Availability of this document

Copies of this document are available free of charge at the offices of Nabarro Wells at Saddlers House, Gutter Lane, London EC2V 6HS during normal business hours on any weekday (public holidays excepted) and shall remain available for at least one month after Admission.

6 May 2005

PART 7

GLOSSARY

“alluvial”	Formed by running water.
“alteration”	Change in mineral and chemical composition of rock, commonly brought about by reactions to weathering or to hydrothermal solutions.
“anomaly”	An area where exploration has revealed values higher or lower than the local background level.
“anticline”	A fold in rocks in which strata dip in opposite directions away from the central axis.
“basalt”	A dark, fine-grained volcanic rock of low silica (<55%) and high iron and magnesium composition, composed primarily of plagioclase and pyroxene.
“basement”	Generally refers to Precambrian igneous and metamorphic rocks. Oldest rocks in an area.
“blind deposits”	Mineral deposits which do not outcrop.
“breccia”	Rock comprising angular fragments enclosed in a matrix.
“chalcopyrite”	A copper iron sulphide mineral.
“chalk”	Soft, earthy, fine-grained white to greyish sedimentary rock composed almost entirely of calcium carbonate.
“chlorite”	A group of micaceous greenish minerals often formed as an alteration product of mafic minerals.
“conglomerate”	A sedimentary rock formed by the cementing together of rounded water-worn pebbles; distinct from breccia.
“Cretaceous”	Period of geological time from 140 to 65 million years ago.
“crust”	Outer layer of the surface of the Earth.
“Dighem”	EM Proprietary airborne geophysical system comprising electromagnetic and magnetic instruments.
“dip”	The angle at which a rock stratum or structure is inclined from the horizontal.
“disseminated”	Particles distributed finely and evenly throughout a matrix.
“dome”	An anticlinal structure that plunges in all directions.
“dyke”	A tabular intrusive rock that cuts across another rock.
“EM”	Electromagnetic geophysical survey method.
“epidote”	A rock forming aluminium-calcium-iron silicate mineral which is a common secondary component of igneous rocks.
“epigenetic”	Mineralisation deposited later than the enveloping rocks.
“epithermal deposit”	A mineral deposit formed from hydrothermal solutions precipitating within 1 km of the Earth’s surface at temperatures of 50 to 200 degrees Celsius. These deposits typically form in volcanic rocks and contain gold, silver or mercury.
“extrusive”	Rocks that form at the surface of the earth from the cooling and solidification of igneous materials.
“fanglomerate”	Conglomerate composed of an alluvial fan sequence that has become cemented.
“fault”	A fracture or fracture zone, along which displacement of opposing sides has occurred.
“gabbro”	A fine to coarse grained, dark coloured, igneous rock composed mainly of calcic plagioclase, clinopyroxene, magnetite and ilmenite, and sometimes olivine.

“geophysical survey”	A survey measuring the physical properties of a rock mass, typically recording the magnetic, electrical or radiometric properties. Commonly used to assist in determining the nature of the sub-surface rock mass.
“goldfield”	A large discrete area containing multiple clusters of gold mines.
“gossan”	A ferruginous deposit remaining after the oxidation of the original sulphide minerals in a vein or ore zone.
“graben”	Down-dropped block or basin between two inward-dipping normal faults
“gravity anomaly”	The difference between the observed value of gravity at a point and the theoretically calculated value. It is based on a simple gravity model of Earth, modified in accordance with some generalized assumptions regarding the near surface topography and rock types.
“Harzburgite”	Rock composed mainly of the minerals olivine and orthopyroxene.
“hydrothermal”	Pertaining to hot aqueous solutions, having temperatures up to 400°C, which may transport metals and minerals in solution.
“Induced Polarisation (IP)”	A ground-based geophysical survey technique measuring the intensity of an induced electric current, used to identify disseminated sulphide deposits.
“intrusive”	Rocks that form at depth from the cooling and solidification of igneous materials.
“jasper”	Red coloured, slightly translucent, crypto-crystalline quartz with a dull fracture.
“JORC Code”	The “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004)” prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.
“lava”	Molten rock flowing from openings at the Earth’s surface or on the ocean floor.
“limestone”	A sedimentary rock containing at least 50% calcium or calcium-magnesium carbonates.
“LPL”	The Lower Pillow Lavas sequence of the Troodos Complex in Cyprus.
“mafic”	Pertaining to, or composed dominantly of, the dark coloured ferromagnesian rock forming silicates.
“mafic volcanic”	Volcanic rocks dominantly comprised of ferromagnesian minerals.
“magnetic anomaly”	Zones where the magnitude and orientation of the earth’s magnetic field is distorted by magnetic rocks.
“marl”	A mixture of clay and very fine-grained carbonate sediments.
“mantle”	The zone that extends from the Earth’s crust to the Earth’s core.
“massive sulphide”	Rock comprised of more than 40% sulphide minerals.
“melange”	A chaotic mixture of rocks with a wide range of types, size and source.
“Mesozoic”	Era of geological time from approximately 250 to 65 million years ago.
“metallogenic”	Association of metal ores that is peculiar to a particular region, or period of time.
“metamorphic”	Rocks altered by temperature and/or pressure.

“Mineral Resources”	The estimated quantity and grade of mineralisation that is of potential merit. A resource estimate does not require specific mining, metallurgical, environmental, price or cost data, but the nature and continuity of mineralisation must be understood to a specific degree of knowledge.
“mineralization”	An anomalous concentration of metals of economic interest. Not ore unless it can be mined at a profit.
“Miocene”	Epoch of geological time within the Neogene Period.
“Neogene”	Refers to geological time from approximately 25 to 2 million years ago, comprised of the Miocene and Pliocene Epochs of the Tertiary Period.
“olivine”	Green iron-magnesium silicate mineral.
“ophiolite”	Mafic and ultramafic rocks formed initially at sites of sea-floor spreading which have been thrust onto continents by plate-tectonic forces.
“ore”	Rock containing minerals of economic interest which can be mined profitably.
“outcrop”	Rocks visible on the Earth’s surface.
“pillow lava”	Basaltic rock with spherical or ellipsoidal structures which forms when lava cools rapidly upon contact with water.
“plate tectonics”	The theory regarding the Earth’s solid outer shell being comprised of a number of crustal plates and how these plates move and interact with each other.
“plutonic”	Rocks formed at great depth.
“porphyry deposits”	Large tonnage, low grade mineral deposits associated with rocks which typically form in felsic igneous rocks and contain copper and gold or molybdenum.
“Precambrian”	Era of geological time before the Cambrian, from approximately 4,600 to 590 million years ago.
“pyrite”	A common iron sulphide mineral.
“quartz”	Silicon dioxide, the most common mineral in the Earth’s crust.
“RTP”	Reduced-to-Pole – processing that is applied to measurements of the Earth’s magnetic field to simulate that the measurements were all made at the Earth’s magnetic pole; results in the magnetic anomaly occurring directly over the causative magnetic body.
“resistivity”	The electrical resistance of a rock mass.
“sandstone”	A sedimentary rock composed of cemented or compacted detrital minerals, principally quartz grains.
“sediment”	A rock formed of particles which were deposited from suspension in water, wind or ice.
“sericite”	A white or pale apple green potassium mica, very common as an alteration product in metamorphic and hydrothermally altered rocks.
“shear zone”	A zone in which shearing has occurred on a large scale, such that the rock is deformed dominantly by ductile deformation.
“sheeted dykes”	Multiple dykes associated with ophiolite sequences.
“silicification”	Replacement by, or introduction of, appreciable quantities of silicon dioxide minerals.
“slag”	Vitreous smelting refuse.
“soil geochemistry”	The determination of relative or absolute abundances of elements in soil.

“stockwork”	A network of (usually) quartz veinlets of varying orientation, produced during pervasive brittle fracture.
“structure”	Orientation and relative position of an area’s rock units.
“subduction”	The movement of one crustal plate under another.
“sulphides”	Minerals containing sulphur and metallic elements.
“SXEW”	Solvent extraction electro winning.
“tectonic belt”	A zone subjected to forces involved in the structural modification of rocks.
“tenement”	Exploration or mining land title allowing various actions.
“Tertiary”	Era of geological time from approximately 65 to 2 million years ago.
“thrust”	A low angle (shallowly inclined) fault or shear on which the rocks on the top have moved up and over the rocks on the bottom.
“ultramafic”	Referring to an igneous rock in which more than 90% of the minerals are ferromagnesium minerals, with only trace quartz and feldspar.
“unconsolidated”	Uncemented and/or compacted.
“UPL”	The Upper Pillow Lavas sequence of the Troodos Complex in Cyprus.
“VALMIN Code”	The Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy.
“vein”	A thin infill of a fissure or crack, commonly bearing quartz.
“volcanic”	All natural processes and/or products resulting from the activities of volcanoes.
“VHMS”	Volcanic-hosted massive sulphides; refers to massive sulphide deposits formed in a volcanic environment with varying base metals (copper, lead and zinc) often with significant additional gold and silver.

Abbreviations

Ag	silver
Au	gold
Cu	copper
E	East
g/t	grams per tonne
km	kilometre
km²	square kilometre
m	metre
Mt	million tonnes
N	North
oz	troy ounce
S	South
t	tonne
W	West
Zn	zinc

