

Aurum Mining plc

Annual Report and Financial Statements

Period Ended

31 March 2005

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Aurum Mining plc

Directors and advisers

Directors

Sean Finlay	<i>Non Executive Chairman</i>
Mark Jones	<i>Chief Executive Officer</i>
Haresh Kanabar	<i>Executive Business Development Director</i>
John Webster	<i>Non-Executive Director</i>
Colin Knight	<i>Non-Executive Director.</i>

Company secretary and Registered Office

Haresh Kanabar
26 Curzon Street
London
W1J 7TQ

Company number

5059457

Nominated adviser and nominated broker

W H Ireland Limited
24 Bennetts Hill
Birmingham
B2 5QP

Auditors

BDO Stoy Hayward LLP
8 Baker Street
London
W1U 3LL

Solicitors

Lawrence Graham LLP
190 Strand
London
WC2R 1JN

Website

www.aurummining.net

Aurum Mining plc

Chairman's statement

Introduction

I am delighted to present the results of Aurum Mining plc ("Aurum") for the period ended 31 March 2005. These are Aurum's maiden full year results and cover a period in which considerable progress has been made both as a company and as a management team.

Aurum was formed in March last year with the objective of acquiring and developing undervalued gold and mineral resources in the Former Soviet Union (FSU), a region that offers significant potential. We were attracted to the FSU for compelling reasons including the history of gold production in the region, the extensive geological records from the Soviet era, the availability of unexploited and underdeveloped assets and the much improved business and political climate.

When Aurum was formed, it comprised a management team with experience of mining in the FSU and a clear strategy for generating value. I am pleased to report that just one-and-a-half years later we have made significant progress in realising our strategy. We have a resource of an estimated 1.5 million ozs (C2) of gold and gold equivalent, a quotation on the London Stock Exchange and a significantly strengthened management team.

Aurum joined the Alternative Investment Market (AIM) market of the London Stock Exchange in May 2004, having successfully raised £1.5 million in a Placing to finance the identification and evaluation of potential acquisitions in the FSU. At the time of the flotation, the Directors of the Company highlighted their belief that gold prices would remain buoyant, contributing to the attractiveness of the company as an investment proposition.

Acquisition

After a period of systematic project identification and evaluation in the FSU, we identified our first acquisition, a gold and copper project in the Kyrgyz Republic. The Kyrgyz Republic, which was once part of the Soviet Union, sits within a broad band of gold mineralisation that stretches through Central Asia. This band is commonly known as the Tien Shan gold belt and is one of the largest proven gold provinces in the world. The acquisition, called the Andash Project, is located in the Talas valley, close to the north western border of the Kyrgyz Republic.

In January 2005 we raised £600,000 via a Placing to acquire Kaldora Company Ltd whose wholly owned subsidiary, Andash Mining Company, holds an exploration licence over the Andash Project. The deal was structured to include a deferred consideration of up to \$5 million in shares, conditional on the project's level of gold reserves.

Progress at Andash

We have identified significant mineralisation at Andash. The State Commission of Resources of the Kyrgyz Republic included 21.7 million tonnes of C1+C2 reserves at Andash into their State Register, containing total Gold and Gold equivalent of over 1.5 million ozs. In addition, Wardell Armstrong International (WAI), a leading UK based independent mining consultancy, has confirmed a JORC resources estimate, for one of the Andash orebodies of 1.15 million ozs. of gold and gold equivalent.

Additional drilling is planned for Andash in the near future which will enhance the resources estimate and facilitate the completion of a Feasibility Study for the project. This study, which is underway, includes an open pit design, a process flow sheet and an environmental assessment.

People

We have strengthened our team considerably since flotation. I am particularly pleased to welcome Mark Jones, who has considerable mining and management experience, as Chief Executive Officer. Mark was appointed on July 1 2005. I am also delighted to welcome Colin Knight, a highly experienced mining professional, to the Board

Aurum Mining plc

Chairman's statement

as a Non- Executive Director. Dr Knight was appointed to the Board on 6 September 2005. We now have a formidable team of Executive and Non-Executive Directors supported by consulting partners to drive the business forward.

Post Balance Sheet event

On the 29 September the Company has entered into a conditional agreement with Loyal Wealthy Limited ("Seller") to purchase 51 per cent of the share capital in Open Joint-Stock Company Geocentr ("Geocentr"), a Russian company that owns an exploration licence and abandoned gold mine in the Russian Far East, for an initial consideration of \$371,000. The agreement is conditional upon, inter alia, the completion of satisfactory due diligence by Aurum on Geocentr. In addition to the initial consideration of US\$371,000 further consideration of up to a total of US\$2.35 million is payable in 2 stages dependant on the measured and indicated ore reserves of gold at the project as stated in the final feasibility report.

Outlook

Aurum has become a significant player in mining within Central Asia and we continue to believe that the Andash Project is an exciting gold opportunity. In addition we are evaluating several other projects as potential acquisitions to further develop our platform for future growth. To ensure the timely development of the Andash Project, and to put the Company into a position to exploit other opportunities, we are embarking on a further issue of shares to finance Andash through to the completion of a bankable feasibility study.

Sean Finlay
Chairman
29 September 2005

Aurum Mining plc

Chief Executive's review

Since our admission to trading on AIM in May 2004, Aurum Mining plc (“Aurum”) has pursued opportunities in Central Asia, culminating in the acquisition of Kaldora Company Ltd (“Kaldora”) in January of this year. Kaldora’s principal asset is an exploration licence held by its wholly owned subsidiary, Andash Mining Company, over the Andash gold and copper exploration project (“Andash Project”) in the Talas valley in the north west of the Kyrgyz Republic on the border with Kazakhstan. The deposit is located on the southern slope of the Kyrgyz ridge, lying above the Karakol river.

The region is well served with infrastructure. Transport links to the site are good with gravel and asphalt roads to the oblast capital town of Talas and to Bishkek via the Susamyr Valley. Electricity is available at Kupre-Bazar village (10kV) and a main power line (500kV) with a sub-station is located within 15km of the deposit. Water is readily available from the Karakol river.

The mineralization at the Andash Au-Cu (gold-copper) deposit comprises a northwest-southeast striking, gentle southeast plunging mineralised porphyry body. The deposit has been explored and evaluated from a series of surface trenches, surface drilling and channel sampling from a main audit underground.

Progress at the Andash project

Since acquisition, Aurum has progressed the Andash project through local pre-feasibility study, approval of C1 C2 reserves and primary metallurgical assessment. Key activities included:

Exploration Drilling

Two series of diamond drill holes were drilled in zone 1, the P series (size NQ) used for delineation of mineralization on the ore body flanks and the TX series (size HQ) drilled within the ore body for metallurgical purposes. A total of 2300m were drilled.

Resource Audit

Wardell Armstrong International (WAI) were contracted to generate a new resource estimation for zone 1 in digital format in accordance with western resource classification codes (CIM and JORC). WAI used geostatistical methods within Gemcom mining software at a 0.5 g/t Au cut-off grade.

Category	Million Tonnes	Au g/t	Cu%
Measured	1.75	0.99	0.40
Indicated	8.19	1.12	0.41
Inferred	7.61	1.08	0.37
Total	17.55	1.09	0.39

At 1 tonne of Cu = 7.5 oz of Au, the total Au and ‘Au equivalent’ is:

Measured and Indicated	670, 000 oz
Inferred	485, 200 oz
Total	1, 155, 200 oz

Aurum Mining plc

Chief Executive's review

Mineralogy

A sample from the TX holes was sent to WAI, where a programme of head assay, mineralogy and flotation and leach test work was undertaken.

Head assay results were consistent with those established from all the drill holes:

Cu	Total %	0.59
Au	g/t	1.50

The mineralogy can be summarised as follows:

- Main minerals present were silicates and quartz and iron oxides.
- The principle sulphide minerals were pyrite and chalcopyrite.
- The copper bearing minerals were chalcopyrite and the secondary copper carbonates were malachite and azurite.

A scoping test work programme demonstrated satisfactory recoveries of copper and gold by flotation of copper/gold followed by cyanide leaching of the flotation tailings. Gold recoveries were in excess of 91%, and copper recovery was over 70%. WAI believe that further optimization of the flotation process should increase copper recovery to 75-80% and lower cyanide consumption during leaching.

A 2100 kg bulk sample from holes TX 1 to 4 is at WAI, where a scope of works to confirm and refine the initial test work will be completed by the end of October 2005.

Mining Licence

The results from the Exploration drilling programme entitled Andash to initiate a local pre-feasibility study with resource estimation to the Kyrgyz State Commission of Resources. The standards achieved allow the resource to be approved and entered into the State Registrar as C₁ + C₂ category. AMC now has the rights to exclusively develop and mine the deposit, and has been granted a temporary mining licence.

Environmental study

A programme of work was started in May to monitor the environment so AMC can obtain OVOS and DVOS as well as develop a Plan of Reclamation for a Bankable Feasibility Study. A complete hydrogeological study was completed and the report is available. WAI have been commissioned to provide Aurum with resource and reserve statements, mineralogy studies, assessment of process parameters, mine and plant capital and operating cost estimates and environmental study statements.

Further work at Andash

In-fill drilling programme

WAI have provided Andash with a 3000m RC drilling programme which will up rate the resource to the indicated level of confidence as a minimum as well as place 25% of the resource into the measured category. Bulk samples will be used for further optimization of mineral processing and Au and Cu recovery. This will give the project a sound basis for going to a feasibility study.

Aurum Mining plc

Chief Executive's review

Diamond drilling programme

Zone 1 extension. Drilling is expected to confirm approximately 2 million tones of ore on the northern and eastern flanks of the orebody

Zones 2 and 3. Drilling will determine localization of the additional ore resource and the relationship between each Zone and Zone 1. RC drilling will also be required. Soviet work showed the possibility of 8-10 million tons in this area. One hole, DDH# 27, intersected 119.2 meters of mineralization at an average grade of 2.16 g/t, with similar mineralogy to Zone 1.

Additional exploration

Four further mineralised zones have been identified in the Andash license area with similar geological, geophysical and structural setting, including elevated gold and copper grades; they are Malaya Kokkia, Jeganak, Chonkyshto and Karakol. A work programme of Geophysical survey, trenching and some DD and RC holes is included to establish resource profiles in these areas.

Working through winter

AMC has purchased exploration support equipment, including tracked Haggunds which will allow the exploration programme to continue throughout the winter.

In conclusion Andash has many positives which make the project attractive, it is a relatively high-grade porphyry, very amenable to surface mining and appears to have a fairly simple process metallurgy. The programme of work outlined will enable us to establish the final parameters so that we can work on bringing a low cost mine on stream as early as 2007.

Mark Jones
Chief Executive Officer
29 September 2005

Aurum Mining plc

Directors and technical management

Sean Finley (age 55) – *Non Executive Chairman*

Sean is a professional geologist and a chartered engineer. He has over 30 years experience in mining and quarrying at senior management and board level, having worked on projects in Ireland, Canada, Ghana, Pakistan and the FSU. He was chief geologist with Tara Mines Ltd until 1987 when he became managing director of Celtic Gold plc from 1987 to 1994. In 1995 he was appointed managing director of Celtic Resources Holdings plc, a post which he held until 1999. In addition, Sean has been a non-executive director of Glencar Mining plc since 1994 and has been a managing director of Tobin Environmental Services Ltd since May 2000. Sean is a Fellow of the Institution of Mining and Metallurgy and a Fellow of the Institution of Engineers of Ireland.

Mark Jones (age 45) – *Chief Executive Officer*

Mark, who holds an MBA from Newport University and an associate degree from Columbia University, New York, is a Mining Graduate from the Camborne School of Mines, UK. For the past five years he has worked for Ingersoll-Rand Company Ltd (NYSE: IR), a leading diversified industrial firm, most recently as Business Unit Manager, Global Services, Ingersoll-Rand Europe.

He joined Ingersoll-Rand in 2000 as Managing Director of the company's South African business prior to which he held various management positions in explosives and chemicals companies in South Africa and Thailand. His early career was spent in production mining roles at Anglo American's Bindura Nickel Corporation in Zimbabwe.

Haresh Kanabar (age 47) - *Executive Business Development Director*

Haresh qualified as a certified accountant in 1986. Following a number of finance positions with Fisons plc, Reed International plc and Texas Homecare Ltd he became finance director of F E Barber Limited, a subsidiary of Hillsdown Holdings plc, in 1994. In 1997 he was appointed group finance director of Whitechurch Group Plc which he left in May 1998 to become finance director of TMV Finance limited. In December 1999 he left to join Corvus Capital Inc. as chief executive and in November 2002 he left to become finance director of Asia Capital plc. Haresh is also currently chief executive of Blue Star Capital plc, non-executive chairman of Greenfield Construction Group, India Outsourcing Services plc and Silentpoint plc and executive director of Gasol plc and Black Raven plc.

John Webster (age 46) – *Non-Executive Director*

John has over 20 years of experience in mining engineering specialising in mine evaluation and development in the countries of the FSU. John is currently managing director of, and a substantial shareholder in Product Power International Ltd, an engineering and equipment supply company listed on OFEX ("PPI"). Prior to PPI, John held senior positions with Far East Gold, Nelson Gold, JD Welsh & Associates and is a member of the Australasian Institute of Mining and Metallurgy, The Society of Mining engineers of A.I.M.E. and the Society of Explosive Engineers.

Dr. Colin Knight (age 71) – *Non-Executive Director*

Dr Colin Knight, a mining engineer and economic geologist, spent 18 years in Canada, in mining operations, exploration and mining finance, before joining Rio Tinto's London HQ, with responsibilities for overseas exploration. Since 1983 his independent consultancy has consisted largely of due diligence/project appraisal of mining projects worldwide, and particularly for the last decade, projects in the FSU.

Aurum Mining plc

Report of the directors for the period ended 31 March 2005

The Directors present their report together with the audited financial statements for the period ended 31 March 2005. The Company was incorporated on 1 March 2004 under the name Zoloto plc. On 5 April the name of the Company was changed to Aurum Mining plc.

Results and dividends

The profit and loss account is set out on page 14 and shows the loss for the period.

The directors do not recommend payment of a dividend for the period. The loss will be transferred to reserves.

Principal activities, trading review and future developments

The principal activity of the company is to make investments in gold exploration and mining projects initially in the FSU.

The group's performance during the period and expected future developments are described in the Chief Executive review on page 4.

Directors and interests

The directors of the company who all held office during the period and their beneficial interests are as follows:

		Number of shares held on appointment	Number of shares held on 31/03/2005
Sean Finlay	(appointed 07/05/2004)	250,000	250,000
Mark Jones	(appointed 01/07/2005)	-	
Haresh Kanabar	(appointed 07/05/2004)	175,000	175,000
John Webster	(appointed 01/02/2005)	-	145,000
Dr. Colin Knight	(appointed 06/09/2005)		

The directors' interests in share options are as follows:

	Options at 31 March 2005	Exercise Price	Date of grant	First date of Exercise	Final date of exercise
Sean Finlay	250,000	47p	07/05/2004	07/05/2004	07/05/2009
Mark Jones	Nil				
Haresh Kanabar	250,000	47p	07/05/2004	07/05/2004	07/05/2009
John Webster	1,000,000*	84p	01/02/2005	See below*	01/02/2010

These options have been granted under the Aurum Mining Plc Unapproved Share Option Plan.

*The right granted to John Webster to subscribe for Ordinary Shares is exercisable up to 10 periods from the date of grant with the right being exercisable in respect of one third of the Ordinary Shares to which it relates in each of the periods 2004, 2005 and 2006. Of these options, 500,000 are exercisable on Admission, with a further 166,667 exercisable upon the first two anniversaries of Admission and 166,666 exercisable on the third anniversary.

Ordinary Shares resulting from the exercise of any such rights will rank pari passu in all respects with the Ordinary Shares in issue at the time of such exercise.

Aurum Mining plc

Report of the directors for the period ended 31 March 2005 (continued)

Significant shareholders

As at 12 September 2005 so far as the directors are aware, the only persons (other than the interests held by Directors) who are directly or indirectly interested in 3 per cent. or more of the nominal value of the company's share capital are as follows:

	Number of Ordinary Shares held	Ordinary Shares as % of issued share capital
W B Nominees Limited	1,329,978	13.99
BBHISL Nominees Limited	1,267,399	13.33
Evo Nominees Limited	553,949	5.83
Kantonna Company Limited	360,000	3.79

Payments to suppliers

The company has no formal code or standard, which deals specifically with the payment of suppliers. However, the company's policy on the payment of all creditors is to ensure that the terms of payment, as specified and agreed with the supplier, are not exceeded. Trade creditors as at 31 March 2005 represents 74 days as a proportion of the total amount invoiced by suppliers during the period ended on that date.

Donations

No charitable or political donations were made during the period.

Environmental issues

The group operates in regions and countries which have a long history of mining exploration, whose authorities accept mining can cause some disturbance to the local environment. The group ensures that all its projects incur the minimum environmental impact possible. In particular, the group seeks to ensure that, in sensitive regions, environmental baselines studies are undertaken to assess the initial environmental state prior to the group's involvement.

Auditors

BDO Stoy Hayward LLP were appointed as first auditors during the period and a resolution to reappoint as auditors of the company will be proposed at the next Annual General Meeting.

By order of the Board

Haresh Kanabar
Company Secretary
29 September 2005

Corporate governance statement

The company, being listed on AIM, is not required to comply with the Combined Code. However the company has given consideration to the code provisions set out in Section 1 of the Combined Code ("the Code") on Corporate Governance annexed to the Financial Services Authority Listing Rules. The directors support the objectives of the Code and intend to comply with those aspects which they consider relevant to the group's size and circumstances. Details of these are set out below. A statement of the directors' responsibilities in respect of the financial statements is set out on page 11. Below is a brief description of the role of the board and its committees, including a statement regarding the group's system of internal financial control.

The Board of Directors

The board currently comprises two executive and three non-executive directors. The non-executive directors are independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

The board meets on average every two months and is responsible, inter alia for setting and monitoring group strategy, reviewing trading performance, ensuring adequate funding, examining major acquisition opportunities, formulating policy on key issues and reporting to the shareholders

Internal Financial Control

The board is responsible for establishing and maintaining the group's system of internal financial controls. Internal financial control systems are designed to meet the particular needs of the group concerned and the risk to which it is exposed, and by its very nature can provide reasonable, but not absolute, assurance against material misstatement or loss.

The directors are conscious of the need to keep effective internal financial control, particularly in view of the limited cash resources of the group. Due to the relatively small size of the group's operations, the directors are very closely involved in the day-to-day running of the business and as such have less need for a detailed formal system of internal financial control. The directors have reviewed the effectiveness of the procedures presently in place and consider that they are appropriate to the nature and scale of the operations of the group.

A director of the company frequently visits Kyrgyz to oversee the exploration activities. All business plans are appraised and agreed by the board. The Board can also engage independent professional advice on risk assessment matters. It is the Board's policy to ensure that the management structure and the quality and integrity of the personal are compatible with the requirements of the group.

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Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and group and of the profit or loss of the group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Aurum Mining plc

Report of the independent auditors

To the shareholders of Aurum Mining plc

We have audited the financial statements of Aurum Mining Plc for the period ended 31 March 2005 on pages 14 to 29 which have been prepared under the accounting policies set out on pages 17 and 19.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statement. Our responsibilities do not extend to any other information

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

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

Aurum Mining plc

Report of the independent auditors (*continued*)

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 22 to the financial statements concerning the Directors' assumption that the group will be able to continue in operational existence. In view of the significance of this uncertainty we consider that it should be brought to your attention, but our audit opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group and the company at 31 March 2005 and of the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO STOY HAYWARD LLP

*Chartered Accountants
and Registered Auditors*
London

29 September 2005

Aurum Mining plc

Consolidated profit and loss account for the period ended 31 March 2005

	Note	£'000
Administrative expenses		(389)
Total administration expenses and operating loss		<u>(389)</u>
Net interest receivable and similar income	4	45
Loss on ordinary activities before taxation		<u>(344)</u>
Tax on loss on ordinary activities	5	-
Loss on ordinary activities after taxation		<u>(344)</u>
Retained loss for the financial period	14	<u>(344)</u>
Loss per share - basic and diluted	16	<u>(4.23p)</u>

All amounts relate to continuing activities, which were acquired in the period.

The notes on pages 18 to 29 form part of these financial statements.

Aurum Mining plc**Consolidated and Company balance sheet as at 31 March 2005**

	Notes	Group £'000	Company £'000
Fixed assets			
Intangible fixed assets	7	819	-
Tangible fixed assets	8	189	9
Investments in subsidiary undertakings	9	-	665
		<hr/>	<hr/>
		1,008	674
Current assets			
Debtors: amounts falling due within one year	11	265	257
Debtors: amounts falling due after one year	11	-	335
		<hr/>	<hr/>
Total Debtors		265	592
Cash at bank and in hand		944	937
		<hr/>	<hr/>
		1,209	1,529
Creditors: amounts falling due within one year	12	(281)	(258)
		<hr/>	<hr/>
Net current assets		928	1,271
		<hr/>	<hr/>
Total assets less current liabilities		1,936	1,945
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	13	95	95
Share premium	14	1,687	1,687
Merger Reserve	14	498	498
Profit and loss account – deficit	14	(344)	(335)
		<hr/>	<hr/>
Total equity shareholders' funds	15	1,936	1,945
		<hr/>	<hr/>

The financial statements on pages 14 to 29 were approved by the Board of Directors on 29 September 2005 and were signed on its behalf by:

Haresh Kanabar
Director

The notes on pages 18 to 29 form part of these financial statements.

Aurum Mining plc**Consolidated cash flow statement for the period ended 31 March 2005**

	Note	£'000
Net cash outflow from continuing operating activities	(a)	(487)
Returns on investments and servicing of finance		
Interest received		45
Net cash inflow from returns on investments and servicing of finance		45
Capital expenditure and financial investment		
Purchase of tangible fixed assets		(179)
Payments to acquire intangible assets		(56)
Net cash outflow for capital expenditure and financial investment		(235)
Acquisitions		
Purchase of subsidiary undertaking	10	(160)
Cash acquired with subsidiary		5
Net cash outflow from acquisitions		(155)
Cash outflow before management of liquid resources & financing		(832)
Financing		
Issue of ordinary shares		2,150
Expenses paid in connection with share issues		(374)
Cash inflow from financing		1,776
Increase in net cash in the period	(c)	944

The notes on pages 17 to 24 form part of these financial statements.

Aurum Mining plc

Notes to the consolidated cash flow statement

(a) Reconciliation of operating loss to net cash outflow from operating activities

	£'000
Operating loss	(389)
Depreciation of tangible fixed assets	2
Decrease in stocks	2
Increase in debtors	(265)
Increase in creditors	163
	<hr/>
Net cash outflow from operating activities	(487)
	<hr/> <hr/>

(b) Reconciliation of net cash flow to movement in the net cash

	£'000
Increase in net cash in the period	944
	<hr/>
Movement in net cash arising from cash flows	944
	<hr/>
Net cash at end of the period	944
	<hr/> <hr/>

(c) Analysis of net funds

	At incorporation £'000	Cash flow £'000	At 31 March 2005 £'000
Cash and short term deposits	-	944	944
	<hr/>	<hr/>	<hr/>
Net funds	-	944	944
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Aurum Mining plc

Notes forming part of the financial statements

1 Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with currently applicable Accounting Standards in the United Kingdom, which have been applied consistently, and under the historical cost convention.

Basis of consolidation

Aurum Mining Plc, together with its subsidiaries as listed in note 9, is a gold exploration group that is focused on opportunities in the territories of the Former Soviet Union.

The consolidated financial statements incorporate the results of Aurum Mining Plc and all of its subsidiaries as at 31 March 2005 using the acquisition method of accounting as required. Under the acquisition method, the results of subsidiary undertakings are included from the date of acquisition.

Merger accounting

Where merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial statement, merged subsidiary undertakings are treated as if they had always been a member of the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the Company and those issued by the Company to acquire them is taken to reserves.

Goodwill

Goodwill arising on acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired.

Fixed asset investments

Investments held as fixed assets are stated at cost less provision for any impairment to their carrying value.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life, as follows:

Office and computer equipment: 3-5 years on a straight-line basis

Plant and Equipment: 3-5 years on a straight-line basis

Unevaluated mining properties

All costs associated with mining development and investment are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining development project is successful, the related expenditures will be amortised over the estimated life of the commercial ore reserves on a unit of production basis. Where a licence is relinquished, a project is abandoned, or is considered to be of no further commercial value to the company, the related costs will be written off.

Aurum Mining plc

Notes forming part of the financial statements (*continued*)

The recoverability of deferred mining costs and mining interests is dependent upon the discovery of economically recoverable reserves, the ability of the company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

Costs on productive areas are amortised over the life of the area of interest to which such costs relate on a unit of production output basis.

Environmental provisions

Appropriate and adequate provision is made for rehabilitation costs over the estimated period of exploration activity. As at 31 March 2005 no environmental damage had occurred and hence no provision has been made.

Operating leases

Amounts payable under operating leases are charged against income on a straight-line basis over the lease term.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account as they arise. Results of overseas subsidiaries and their balance sheets are translated at year end rate. Exchange differences which arise from the translation of the opening net assets of foreign subsidiaries are taken to reserves.

Deferred Taxation

FRS 19 'Deferred tax' requires deferred taxation to be recognised in full in respect of transactions or events that have taken place by the balance sheet date and which could give rise to an obligation to pay more or less taxation in the future. Deferred tax assets are only recognised to the extent they are deemed recoverable. The group has chosen not to discount deferred tax balances, as permitted by FRS 19.

Financial instruments

In relation to the disclosures made in note 17:

- short term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures; and
- the group does not hold or issue derivative financial instruments for trading purposes.

Share based employee remuneration

When shares and share options are awarded to employees a charge is made to the profit and loss account based on the difference between the market value of the company's shares at the date of grant and the option exercise price in accordance with UITF Abstract 17 (Revised 2004) 'Employee Share Schemes'.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

Aurum Mining plc

Notes forming part of the financial statements (continued)

2 Segmental analysis

The loss after taxation and net assets are wholly attributable to the principal activity of the Group which is gold exploration. The loss before interest for the year is analysed by geographical areas as follows:

	At 31 March 2005 £'000
United Kingdom	(380)
Kyrgyzstan	(9)
	<hr/>
	(389)
Interest received	45
	<hr/>
Loss for the year	(344)
	<hr/>
The net operating asset are analysed by geographical area as follows	
United Kingdom	1,008
Kyrgyzstan	(16)
	<hr/>
	992
Non-operating assets:	
Cash	944
	<hr/>
Net assets	1,936
	<hr/>

3 Operating loss

This is arrived at after charging:

	£'000
Depreciation of tangible fixed assets	2
Auditors' remuneration – audit (company £14,100)	14
	<hr/>

Fees paid to auditors in respect of other services were £80,065, which related to assurance services arising on the group's admission to AIM and acquisition of Kaldora, have been taken against the share premium reserve.

4 Net interest receivable and similar income

	£'000
Bank interest receivable	45
	<hr/>

5 Taxation

No current or deferred tax charge has arisen in the current period.

The company and the group have incurred tax losses for the period and a corporation tax charge is not anticipated. The potential benefit of these taxation losses calculated at the rates of tax prevailing in the countries in which the losses were incurred amount to approximately £58,000. This amount has not been recognised in the financial statements as the recovery of this benefit is dependent on the future profitability of certain subsidiaries, the timing of which cannot be reasonably foreseen.

The directors believe that there have been no breaches of foreign tax regulations and that all necessary provisions have been made in these accounts.

The tax assessed for the period is different than the standard rate of corporation tax in the UK. The differences are explained below:

	£'000
Loss on ordinary activities before taxation	344
	<hr/>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19%	63
Effects of:	
Expenses not deductible for tax purposes	(5)
Losses carried forward	(58)
	<hr/>
Current tax charge	-
	<hr/>

Aurum Mining plc

Notes forming part of the financial statements (continued)

6 Directors and staff

£'000

Directors emoluments 65

The highest paid director received emoluments totalling £27,000

No retirement benefits are accruing to directors under pension schemes.

Directors

**Salary/fees
£'000**

Sean Finlay	27
Haresh Kanabar	25
John Webster ¹	13
	<hr/>
	65
	<hr/>

¹John Webster is paid via Laverock Ventures Limited, a private service company

Directors' fees and emoluments	65
Wages and salaries – staff costs	19
Social security costs	5
	<hr/>
	89
	<hr/>

The average monthly number of persons (including executive directors) employed by the group during the period was:

Technical	-
Administration	3
	<hr/>
	3
	<hr/>

7 Intangible fixed assets

Group	Unevaluated mining properties £'000
<i>Cost</i>	
Acquired with subsidiaries (see note 9)	763
Additions during the period	56
	<hr/>
<i>Net book value</i>	
At 31 March 2005	819
	<hr/>

The company had no intangible assets.

8 Tangible fixed assets

Group	Office and Computer equipment £'000	Plant and equipment £'000	Total £'000
<i>Cost</i>			
Additions	11	168	179
Acquired with subsidiary	4	8	12
	<hr/>	<hr/>	<hr/>
At 31 March 2005	15	176	191
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
Charge for the period and at 31 March 2005	(2)	-	(2)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2005	13	176	189
	<hr/>	<hr/>	<hr/>
Company			Office and computer equipment £'000
<i>Cost</i>			
Additions and at 31 March 2005			10
<i>Depreciation</i>			
Charge for the period and at 31 March 2005			(1)
			<hr/>
<i>Net book value</i>			
At 31 March 2005			9
			<hr/>

Aurum Mining plc

Notes forming part of the financial statements (continued)

9 Fixed asset investments

Company	Investments in subsidiary undertakings £'000
<i>Cost and net book value</i>	
Acquisitions during the period and at 31 March 2005	665

The group had the following subsidiary undertakings at the end of the period which has been included in the consolidated financial statements:

	% interest	Country of incorporation	Activity
Kaldora Company Limited	100	British Virgin Islands	Gold exploration

10 Acquisitions

On 1 February 2005 the company acquired all of the issued share capital of Kaldora Company Limited for a consideration of \$300k and the issue of 600,000 ordinary shares.

The assets and liabilities acquired are set out below

	Book Value £'000	Fair value adjustments £'000	Fair value £'000
Fixed assets			
Tangible fixed assets	12	-	12
Intangible fixed assets	83	680	763
	<u>95</u>	<u>680</u>	<u>775</u>
Current assets			
Stocks	2	-	2
Cash	5	-	5
	<u>7</u>	<u>-</u>	<u>7</u>
Total assets			
	7	-	7
Current Liabilities			
Creditors	(118)	-	(118)
	<u>(118)</u>	<u>-</u>	<u>(118)</u>
Net Liability			
	<u>(16)</u>	<u>680</u>	<u>664</u>
Consideration			
Satisfied by:			
Shares allocated (at a premium of 83 pence per share)			504
Cash			160
			<u>664</u>
Total			<u>664</u>
Goodwill			<u>-</u>

Aurum Mining plc

Notes forming part of the financial statements (continued)

The fair value adjustments to intangible fixed assets were determined by the Directors, having regard to reports by independent experts.

Cashflows

The net outflow of cash arising from the acquisition of Kaldora Company Limited was as follows:

	£'000
Cash consideration (as above)	160
Cash acquired	(5)
	<hr/>
Net outflow of cash	155
	<hr/>

11 Debtors

	Group £'000	Company £'000
<i>Amounts falling due within one year:</i>		
Other debtors	218	210
Prepayments and accrued income	47	47
	<hr/>	<hr/>
	265	257
	<hr/>	<hr/>
<i>Amounts falling due after more than one year:</i>		
Amounts owed by subsidiary undertakings	-	335
	<hr/>	<hr/>
	265	592
	<hr/>	<hr/>

Amounts owed by subsidiaries are unsecured, interest free and fall due for repayment in 2007.

12 Creditors: Amounts falling due within one year:

	Group £'000	Company £'000
Trade creditors	240	221
Other taxation and social security	3	2
Accruals and deferred income	38	35
	<hr/>	<hr/>
	281	257
	<hr/>	<hr/>

Aurum Mining plc

Notes forming part of the financial statements (continued)

13 Share capital

Authorised

Ordinary shares of 1p each 200,000,000 £2,000,000

	Share Capital Number	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Total £'000
<i>Issued and fully paid:</i>					
Issued at par on incorporation	2	-	-	-	-
Issued at par on 20 April 2004	4,999,998	50	-	-	50
Issued at 47p per share on 7 May 2004	3,191,489	32	1,387	-	1,419
Issued at 84p per share on 1 February 2005	714,286	7	300	-	307
Issued at 84p per share on 1 February 2005	600,000	6	-	498	504
	9,505,775	95	1,687	498	2,280

The Company was incorporated with authorised share capital of £2 million divided into 200 million ordinary shares of 1p each. On incorporation 2 ordinary shares of 1p each were issued at par.

All shares were issued for cash consideration for the purpose of providing finance for the group's exploration activities, except for the 600,000 shares issued on 1 February 2005 as part consideration for the acquisition of Kaldora Company Limited. The fair value of these shares was 84p per share with this amount being derived by reference to a placing of shares which took place at approximately the same time as this acquisition. (see note 10)

Share options

The following options are outstanding for ordinary shares

	Options granted	Options at 31 March 2005	Exercise Price	Date of grant	First date of exercise	Final date of exercise
Sean Finlay Haresh	250,000	250,0000	47p	7 May 2004	7 May 2004	7 May 2009
Kanabar John	250,000	250,0000	47p	7 May 2004	7 May 2004	7 May 2009
Webster John	166,667	166,6677	84p	1 Feb 2005	1 Dec 2005	1 Feb 2006
Webster John	166,667	166,6676	84p	1 Feb 2005	1 Dec 2005	1 Feb 2007
Webster John	166,666	166,6666	84p	1 Feb 2005	1 Dec 2005	1 Feb 2008
Webster	500,000	500,0000	84p	1 Feb 2005	1 Feb 2005	1 Feb 2010

The Aurum Mining Plc Unapproved Share Option Plan was adopted on 30 April 2004 and is not approved by the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988. The Scheme is governed by Rules and is administered by the Directors of the company, or a duly authorised committee thereof.

Aurum Mining plc

Notes forming part of the financial statements (continued)

14 Reserves

Group	Merger reserve £'000	Share premium £'000	Profit and loss account £'000	Total £'000
Loss for the period	-	-	(344)	(344)
Issue of shares	498	1,687	-	2,185
At 31 March 2005	498	1,687	(344)	1,841
Company				
Loss for the period	-	-	(335)	(335)
Issue of shares	498	1,687	-	2,185
At 31 March 2005	498	1,687	(335)	1,850

The company has not presented its own profit and loss account as permitted by section 230 of the Companies Act 1985. The company's loss for the year was £335,000.

15 Reconciliation of movement in equity shareholders' funds

	Group £'000	Company £'000
Loss for the period	(344)	(335)
Issue of ordinary shares	2,280	2,280
Closing equity shareholders' funds	1,936	1,945

16 Loss per ordinary shares

The calculation of loss per share of 4.23 pence is based on the loss for the year of £344,000 and on 8,144,579 ordinary shares, being the weighted average number of ordinary shares in issue during the period ended 31 March 2005.

The effect of all potential ordinary shares is antidilutive and therefore dilutive EPS is the same as basic EPS.

17 Financial Instruments

The Group's financial instruments during the year comprised cash at bank and various items such as trade creditors that arise directly from its operations. The main purpose of these instruments is to raise finance for operations. The Group has not entered into derivatives transactions and does not trade in financial instruments as a matter of policy. The main risk arising from the financial instruments is interest rate risk. The Group seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits.

Operations to date have been financed through the placing of shares and it is Board policy to keep borrowings to a minimum.

Short term creditors are not treated as financial assets and liabilities respectively for disclosure purposes.

18 Related party transactions

Financial Reporting Standard 8, 'Related Party Transactions,' requires the disclosure of the details of material transactions between the reporting entity and related parties. The company has taken advantage of exemptions under Financial Reporting Standard 8 not to disclose transactions between more than 90% owned group companies. Details of other related party transactions are:

On 3 August 2004 the company entered into an agreement with Power Products International ("PPI"). Under which the Company would make available to PPI an interest free loan of up to £150,000 to assist in the refurbishment of a drilling rig owned by PPI in consideration for the right to require PPI to carry out drilling in the last quarter of 2005.

The debt is to be repaid by the provision of drilling services at the Andash mine in Krgystan to the company at cost price. Following repayment of the debt the Company will have the right to require PPI to carry out drilling in Central Asia at any time for a period of three years on three months notice at a discounted rate of 120% of cost.

The amount outstanding at 31 March 2005 was £130,000. John Webster is a shareholder and director of PPI.

19 Contingent liability

As part of the acquisition of Kaldora the Company agreed to pay up to \$5 million in deferred consideration to the vendors of Kaldora Company Limited. The exact amount is to be calculated by reference to \$10 for every proven ounce of gold equivalent reserve identified in a bankable feasibility study on the Andash property. The consideration may be settled by the Company issuing up to 2,500,000 shares at a fixed price of \$2 per share. No provision has been reflected in the financial statements for this consideration at this stage as the exact outcome cannot be reasonably determined.

20 Financial commitments

At 31 March 2005 the group was committed to making the following payments during the following year in respect of operating leases for land and buildings.

	£'000
Leases which expire:	
Within two and five years	70

21 Material contracts

On 7 December 2004 the Company entered into an agreement with Geocentr JSC whereby the Company agreed to make available a facility of up to \$150,000. The loan carries an interest rate of 5% and is due for repayment not later than 31 March 2006. The amount outstanding at the balance sheet date was \$150,000 (£78,691). The purpose of the loan is to enter into a strategic relationship with Geocentr with a view to acquire a substantial equity stake in Geocentr JSC.

22 Going Concern

At the balance sheet date the Company held cash of £944,000. In order to develop the Company's unevaluated mining projects and continue in operational existence the Company will need to raise further funds by issuing new shares to either existing shareholders or new investors. The Directors have commenced plans to issue further shares and expect to complete this before the current cash reserves are exhausted. If it is not possible to raise sufficient further funds then the current exploration and development programme will need to be suspended and the carrying value of the unevaluated mining properties may need to be written down.

23 Post Balance Sheet events

On the 29 September the Company has entered into a conditional agreement with Loyal Wealthy Limited ("Seller") to purchase 51 per cent of the share capital in Open Joint-Stock Company Geocentr ("Geocentr"), a Russian company that owns an exploration licence and abandoned gold mine in the Russian Far East, for an initial consideration of \$371,000. The agreement is conditional upon, inter alia, the completion of satisfactory due diligence by Aurum on Geocentr. In addition to the initial consideration of US\$371,000 further consideration of a total of US\$2.35 million is payable in 2 stages dependant on the measured and indicated ore reserves of gold at the project as stated in the final feasibility report.

Aurum Mining plc

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first ANNUAL GENERAL MEETING of AURUM MINING PLC will be held at the offices of Lawrence Graham LLP on 28 October 2005 at 10.30 am at which the following resolutions will be proposed as ordinary resolutions:

Ordinary Resolutions

1. To receive and adopt the accounts, together with the directors' and auditors' reports for the period ended 31 March 2005.
2. To re-appoint BDO Stoy Hayward LLP as auditors to the Company until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration.
3. To re-elect Sean Finlay who retires pursuant to article 88 of the Company's Articles of Association.
4. To re-elect Haresh Kanabar who retires pursuant to article 88 of the Company's Articles of Association.
5. To re-elect Mark Jones who retires pursuant to article 88 of the Company's Articles of Association.
6. To re-elect John Webster who retires pursuant to article 88 of the Company's Articles of Association.
7. To re-elect Colin Knight who retires pursuant to article 88 of the Company's Articles of Association.

Dated: 29 September 2005

Registered Office:
1st Floor
26 Curzon Street
Mayfair
London W1J 7TQ

By Order of the Board
Haresh Kanabar
Secretary

Notes:

1. *Any member of the Company entitled to attend and vote at this meeting may appoint a proxy to attend and, on a poll, to vote in his stead. The proxy need not be a member of the Company.*
2. *For the convenience of members who may be unable to attend the meeting, a form of proxy is enclosed which should be completed and returned to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA not less than 48 hours before the time fixed for the meeting. The fact that members may have completed forms of proxy will not prevent them from attending and voting in person should they afterwards decide to do so.*
3. *Copies of service contracts between the directors and the Company or any subsidiary of the Company, and the register of directors' shareholdings and transactions will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and until the conclusion of the Annual General Meeting.*
4. *Pursuant to section 41 of the Uncertificated Securities Regulations 2001 members who hold ordinary shares in uncertificated form must have been entered on the Company's Register of Members by 3.00pm on 26 October 2005 in order to be entitled to attend and vote at the meeting. such members may only vote at the Meeting in respect of ordinary shares in the Company held at that time.*