Aurum Mining Plc

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2007

Annual report and financial statements

for the year ended 31 March 2007

Contents

Company information

Directors	Sean Finlay	Non-Executive Chairman
	Mark Jones	Chief Executive Officer
	Chris Eadie	Chief Financial Officer
	Haresh Kanabar	Non-Executive Director
	Colin Knight	Non-Executive Director

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Chairman's statement

In my Chairman's statement last year I described the year to 31 March 2006 as a year in which the foundations were firmly laid for the delivery in 2008 of Aurum's primary objective of becoming a gold producer. I am delighted to say that, in the year to 31 March 2007, we have built extensively on those foundations and have full confidence that Aurum is set to become a revenue generating gold producer next year.

During the year, we made major progress with the Andash Project in the Kyrgyz Republic culminating in February 2007 with a highly successful fundraising in which we raised £30 million gross through a share issue to fully fund construction of the open-cast mine at Zone 1 of the Andash licence area. This fundraising was a very significant achievement, marking one of the largest fundraisings this year in the AIM market's mining sector. The success of the fundraising is a reflection of the commitment of the Aurum management team, the quality of our Andash asset and the capability of our Nominated Adviser and Broker, Arbuthnot Securities. This fundraising, which will allow the Zone 1 mine to be built without the need for debt, followed a substantial amount of preparatory work during the year including upgrades to the resource estimate, the award of a mining licence from the Kyrgyz authorities and completion of a western feasibility study.

The Andash Project is Aurum's principal asset which comprises a licence area of 53 sq km in northern Kyrgyzstan. Andash forms part of the Tien Shan gold belt, one of the world's largest gold belts, and which stretches across central Asia. Our strategy is to begin production at Zone 1 of the licence area at the earliest opportunity, thereby creating the cash flow to exploit the significant opportunities in other exploration areas. We have previously completed some exploration drilling at Zones 2 and 3 and, during the period, we discovered a new and very exciting target close to Zone 1, which we named Nakhodka. We also identified a substantial prospect at Tokhtonysay, which is adjacent to the Korgontash licence area held by Lero Gold Corporation, a subsidiary of Oriel Resources plc.

These additional opportunities throughout the licence area have the potential to increase substantially the Andash Project's resource base and thereby to create significant value for the Company following the start of production at Zone 1.

Zone 1 itself has an extensive resource: our western feasibility study, the preparation of which was led by Wardell Armstrong International (WAI), identified a JORC compliant proven and probable resource of 16 million tonnes of ore at a grade of 1.05 grammes per tonne (g/t) and 0.4% copper, giving contained gold and gold equivalent of more than 1.1 million ounces. The feasibility study also confirmed that Aurum will be a low-cost producer with cash costs for gold and gold equivalent of just US$223 per ounce. The pit design will allow us to mine at a rate of 2 million tonnes per annum with a very low stripping ratio of 0.8 of a tonne of waste to 1 tonne of ore.

We believe that responsible mining is fundamental to Aurum's success at Andash and therefore we have continued our proactive interaction with the local community with initiatives including our social fund for health and education. As mentioned in our pre-close update, the Kyrgyz Republic is a demanding environment in which to operate but we believe our initiatives on the ground, including regular dialogue with senior government officials and with the local community, mean that we will deliver our plans on schedule. It is our intention to meet all of the social and environmental conditions made in our western feasibility study, which has been ratified by the Kyrgyz authorities and to which we are fully committed.

Post year end, we have made significant progress in the preparatory work for the construction of the Zone 1 mine. Detailed design work, to meet the requirements of the Company's mining licence and to enable the physical construction of the mine, is progressing well.

People

Aurum's management team, and Board, was strengthened in the period with the appointment of Chris Eadie as Chief Financial Officer as announced on 17 November 2006. Chris is a Chartered Accountant whose broad financial experience, particularly around financing and internal control, has already been of great value to the Group.

In preparation for the construction and commissioning of the Andash Zone 1 mine, we have expanded our management team at the Andash Mining Company (AMC), our wholly owned Kyrgyz subsidiary, with some key appointments in general, operational and project management and in financial control.

I would like to thank Aurum's dedicated team of staff in the UK and in the Kyrgyz Republic and also thank the Company's consultants and other advisers for their dedicated work throughout the year. I would also like to express my gratitude for the valuable support from our investors.

Financials

For the year to 31 March 2007, the Group reported a loss of £1.96 million, compared with a restated loss of £1.55 million in 2006. Cash at bank at the balance sheet date was a healthy £28.4 million (31 March 2006: £0.3m), reflecting February's £30 million gross fundraising. Careful cost control remains a key priority at Aurum particularly as we begin to invest funds in the Zone 1 mine's construction. As announced on 27 June 2007, we have successfully identified significant savings in the forecast capital expenditure (capex) at the mine, with the result that forecast capex is now expected to be in the region of US$48.5 million, compared with the western feasibility study estimate of US$55.5 million.

Future opportunities

As we move closer to meeting our initial strategic target of bringing Zone 1 of the Andash mine into production, the Board intends to review the potential to diversify our asset base to grow the Group and to reduce country and political risk.

To this end the Board will allocate time to looking at opportunities that are complementary to Andash, whilst ensuring that operationally we maintain our focus on delivering the Andash Zone 1 mine.

Outlook

The current year promises to be transformational for the Group. We are advanced with the execution of our plans for the start of construction of the open cast mine at Andash Zone 1 and look forward to initial production from the mine in 2008. In addition to becoming a near-term gold producer, Aurum has significant exploration potential from other opportunities within the Andash licence area, which should increase the value of our Company significantly. Metal prices are currently strong and the outlook remains positive for the prolonged Bull Run to continue. We look forward to the future with confidence.

Sean Finlay
Chairman

27 September 2007

Chief Executive's review

Our key objectives during the year to 31 March 2007 were the submission of the local feasibility study for Andash Zone 1, the award of a mining licence and the completion of a fully bankable feasibility study to enable the project financing of the Zone 1 open-cast mine. Achieving these objectives was the focus of much of our effort during the year, in line with our strategy of bringing Zone 1 into production at the earliest possible date. We also made some important progress during the year on new exploration opportunities. I am pleased to report that we achieved our key objectives successfully and went on to raise £30 million gross in equity to fully fund construction of the Zone 1 mine.

Post year end our effort has been focussed on preparing for the start of construction work at the Zone 1 mine, where we have made considerable progress. We announced in May the employment of technical and management staff at the Andash Mining Company (AMC), and we have subsequently enlarged the AMC team in line with our ongoing needs. The detailed design work, to meet the requirements of the Company's mining licence, is progressing well. Construction equipment and contractors are being sourced with key equipment already on order.

Deposits of precious and other metals tend to be located in challenging environments as a result of weather, infrastructure, political, environmental or technical issues. We are highly fortunate with the location of the Andash licence area, in the Talas Valley in the North West of the Kyrgyz Republic, as it is accessible year round. The technical and geological risks of the Andash Project are low, in part because the Zone 1 ore body is fairly homogeneous, close to the surface and with good geometry allowing an open-cast operation with a low strip ratio, and high mining rates.

We have sought to minimise social or environmental problems by working closely with the local population and have also maintained a regular dialogue with the Kyrgyz government and authorities at local, regional and national levels.

The Talas Valley has received a lot of attention in the local media as it hosts the Jerooy deposit, which was formerly held by Oxus Gold, as well as a number of other exploration opportunities owned by both local and international companies. Non-Governmental Organisations (NGOs) and other interested parties are rightly concerned that any future mining operations minimise the impact on the local environment and on the social structure in what is largely an agricultural area. Media coverage, particularly around the use of cyanide, has caused concern within the local population following the internationally reported cyanide spill in 1998 at the Kumtor mine in western Kyrgyzstan. Although there have been concerns within the local community about the use of cyanide, it should be noted that it is not proposed to use cyanide for the Zone 1 mine.

Earlier this year, national government, in an initiative to reassure the local population, requested all companies in the valley to show, through independent assessment, that they were able to meet the highest environmental standards. As part of our policy to work with the government we decided to rearrange our plans and hold back on mobilising exploration and site work until July of this year.

An independent assessment by Oleg Pechenyuk from the Kyrgyz NGO, 'Independent Ecological Experts', confirmed that our operation is designed to meet the highest international standards. Although holding back has caused some delays, it has not so far impacted our target of bringing Zone 1 into production in the second half of next year. Current relationships with the Kyrgyz authorities are good, at both national and regional level, and we do not foresee any further disruptions to our timetable at this time.

Andash Zone 1

In June 2006, we completed the local feasibility study for Andash Zone 1 and it was submitted for approval by the Kyrgyz authorities. This study, which covered the economic, mining, metallurgical, legal, environmental and social issues of the project, was prepared by Ken-Too Research and Design Centre, the leading independent Kyrgyz mining consultancy. This study confirmed the resource estimates previously included in the State Commission of Resources of the Kyrgyz Republic, amounting to gold and gold equivalent of 1.5 million ounces.

This study was a key part of our application for a mining licence, which we received from the Kyrgyz authorities in November 2006 and which underlined the Company's good working relationship with the Kyrgyz Republic. This licence was awarded by the State Agency for Geology and Mineral Resources of the Kyrgyz Republic and is valid until 31 December 2017, but can be extended on the identification of additional resources in other zones of the licence area.

Concurrent with the local feasibility study and mining licence application, Wardell Armstrong International, the leading UK mining consultant with particular expertise in the Former Soviet Union, was compiling the western feasibility study to enable the project financing of the Zone 1 mine. This study, which was prepared in association with engineering consultants GBM and ground engineering and environmental services group Golder Associates, was completed in December 2006.

The western feasibility study, which confirmed a JORC proven and probable reserve at Andash Zone 1 of more than 1.1 million ounces of gold and gold equivalent, underlined the attractive economics of the Zone 1 mine. The mine which will be open pit, will be a low cost operation, the forecasted cash operating costs are US$223 per ounce, well under the forecast industry average in 2007 of US$350. The orebody, which outcrops, gives a stripping ratio of just 0.8 to 1. The pit geometry allows high production rates; the planned ore mining rate of 2 million tonnes per annum giving a pit life of approximately 9 years.

A summary of WAI's feasibility study is available on Aurum's website.

We had been considering a number of options for the financing of the Zone 1 mine but, given the persuasiveness of the western feasibility study we decided to maximise the equity component of the financing to avoid the effect of the gold hedging demands that debt providers would almost certainly have required. Along with our Nominated Adviser and Broker, Arbuthnot Securities, we decided to finance the mine entirely through equity via a share placing that successfully raised £30 million before expenses via a placing of new shares at 100p a share.

On 26 February 2007, we announced the successful result of this fundraising, the net proceeds from which are sufficient to wholly fund the construction and commissioning of the Zone 1 mine and to support the Company's exploration programme in other parts of the Andash licence area. This fundraising was a major step in the development of the Company and an endorsement of Aurum's acquisition, in January 2005, of the Andash licence area.

A further benefit of funding the mine exclusively through equity has been our ability to manage the project internally. In April 2007, we announced the employment of Jeff Geissmann as Operations Director of AMC and Norman Livingstone as Project Manager of AMC. The team was further complemented by the employment of Andrew Howson as Financial Controller in May 2007. Using the considerable experience of the team, particularly in mine construction and commissioning, we have been able to eliminate the need for an external engineering procurement and construction management contract, which would have been required by a debt provider. In addition we have enhanced flexibility in the sourcing of plant and equipment, which we are able to do locally.

This approach, as previously announced, has allowed us to identify significant savings in the forecast capital expenditure of the mine, which is now expected to be in the region of US$48.5 million compared with the western feasibility study estimate of US$55.5 million. These capex savings will assist the Company to advance other prospects within the Andash licence area to feasibility and provide us with the option to look at other growth opportunities.

In the current year, we are making good progress in preparation for the start of construction of the Zone 1 mine, and we expect to begin production during the second half of 2008.

A decision was made by the executive team in July of this year to manage parts of the open pit mine on a selective mining basis. This will allow us to avoid many of the non pay dykes that are a feature of the ore body, as well as allow us to manage the low and high grade areas to maximise recovery in the process plant. In August this year we decided to equip the mine with a mining fleet that provides full flexibility, so that both mass and selective mining opportunities can be addressed. The mining fleet and all auxiliary and support equipment was placed on order in August, with delivery scheduled for February 2008.

Final design for the new access road to site has been completed and we are currently waiting for permission for the road build programme to start. All the necessary road building equipment was ordered in April this year, and arrived on schedule in August.

The detailed design phase that needs to be completed by the end of November is on schedule, and all long lead time equipment has been identified. The manufacturer of the two 3.7 MW Ball Mills, which is the longest lead time component, has committed to schedule and deliver the mills to site in advance of any critical path time line, and we are currently finalising contracts for their purchase.

Environment

A statement of environmental impacts required by the Kyrgyz government (Stage 1 of the local environmental standard (OVOS)) has been submitted and accepted by the regulatory authorities. Comments of independent ecological experts were sought and relayed to AMC in July for consideration in the Stage 2 OVOS submission. A suitable response to these comments was made by AMC in a letter to the State Agency for Geology and Mineral Resources in August, and this was accepted and noted by the State Agency in November 2006.

The latest information on layout and design has been transmitted to the Kupero Bazaar authorities. Whilst no official response is required by the authorities, at this stage, we believe that we have had a generally positive reaction to the final design layout given in the western feasibility study.

The Stage 2 OVOS (Impact Assessment and Mitigation) will be linked in to the Technical Design due in November 2007 and allows for further minor changes to be incorporated.

The Environmental and Social Impact Assessment (ESIA) process led by our consultants WAI runs on a parallel timeline to the OVOS process. Environmental and social issues were addressed in the western feasibility study. A working draft of the ESIA report was made available to AMC for review and comment in June of 2007. Further work is progressing towards completing a social impact assessment, community development programme, environmental monitoring and management plan, mine closure and rehabilitation plan.

A final version of the ESIA will be published after receipt of permission from the authorities and consideration of attached conditions.

The Stage 2 OVOS will include the compilation and State approval of maximum permissible discharges, emissions and solid wastes for the construction and operational phases of the project. These will be incorporated into the provisions of the initial ecological passport for the project.

All environmental assessment documents and project descriptions were provided to the Kazakh authorities (Jambal Oblast and Ministry of Environment) as required by the UN Espoo convention of the assessment of impacts in transborder context, in March 2007. A public meeting was held in Tarac, Kazakhstan in March 2007. Principal concluding remarks were supportive of the project and approved progression to detailed design and the stage 2 OVOS.

Social Impact assessment

During the review period and into the new financial year we continued to establish good working relationships with the local population of Kupero Bazaar, NGO's and regional and local government.

A Community Development Officer has been appointed to provide continuity in the public participation process and to provide the main communication link between AMC and the stakeholders.

We have held a number of public consultations: round table discussions and public meetings, with representatives of the local communities, NGO's and local government. Our objective of sharing information centred around the following:

- the beneficial impact for the local community from a well managed producing mine;
- the social, economic and environmental impact the mine will have on the local community; and
- the enhanced life style offered, by creating local job opportunities.

Key concerns shared:

- how the mining activity will affect the local environment?
- how it can be controlled?
- lack of information and understanding about the technical process of mining.

AMC is continuing to work closely with the local community by providing financial help for various projects. The new AMC information centre will be opened in Kupero Bazaar in September 2007 to provide a venue for sharing information. It will provide details of the proposed mining and processing activity, the economic impact and the benefits it will provide to the local community and will include a 'book of comments' that will allow individuals to seek clarification or share concerns. This will complement the information packs that were given to every household in the local villages in August this year.

AMC has carried out public relation activities designed to promote and stimulate the development of the mining sector of the country, protection of the environment, rendering assistance to vulnerable groups of the population, as well as preserving and reviving Kyrgyz national values. AMC also participated in the implementation of a number of projects and charity events to support technical progress, health and education in the Talas region.

During the year AMC rendered financial support for the Council of Veterans, the Council for Women, local government schools, kindergartens, hospitals as well as assistance for farmers.

Exploration

Whilst our primary focus is to bring the Zone 1 deposit into production during 2008, we have also made significant progress during the year under review at the other opportunities within the Andash licence area, which benefit from the considerable exploration work carried out in the Soviet era.

We were particularly excited to discover a new mineralised zone, which we named Nakhodka, which is in close proximity to Zone 1 and is a possible faulted extension of the Zone 1 orebody. This new area shares with Zone 1 identical bedding structures, the same host rocks and the same chemical elements both in type and grade. Trenching results showed strong mineralisation running 9.9 metres (m) at 7.89 g/t of gold and 9m at 5.04 g/t of gold, considerably higher than results obtained in Zone 1 trenches.

Also during the period, we conducted further successful exploration work at Tokhtonysay, which was originally discovered during the Soviet era and contains seven outcropping mineralised zones. Four of these zones are situated within the Andash licence area whilst the other three are within the adjacent Korgontash licence area, which is held by Lero Gold Corporation, a subsidiary of Oriel Resources plc.

Results from our geophysical study, announced in December 2006, were highly encouraging. Trenching work revealed gold grades as high as 27.9 g/t and copper grades of 0.77 per cent.

The close proximity of Nakhodka and Tokhtonysay to the Zone 1 mine creates the potential, following further drilling, to extend the mine life significantly.

Of the money raised in February, US$2 million has been allocated to the exploration programme. At the end of August, exploration teams who will complete a full geophysical survey of Nakhodka and start core drilling at Tokhtonysay, were mobilised. We expect to report initial findings before the 2007 calendar year end.

Summary

We made very considerable progress during the year under review and entered the current year with the full funding in place to construct and commission the Zone 1 mine and to progress the other substantial opportunities within the Andash licence area. Our immediate priority is the completion of the preparatory work to allow the construction of the Zone 1 mine, which is on track to begin production in the second half of 2008.

Mark Jones
Chief Executive

27 September 2007

Report of the Directors

for the year ended 31 March 2007

The Directors present their report together with the audited financial statements for the year ended 31 March 2007.

Results and dividends

The consolidated profit and loss account is set out on page 18 and shows the loss for the year. The loss will be transferred to reserves.

The Directors do not recommend a final dividend for the year (2006: £nil).

Principal activities

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

Business review and future developments

A detailed review of the Group's operations and future developments are set out in the Chairman's and Chief Executive's reports on pages 3 to 8.

Principal risks and uncertainties

The Group operates in jurisdictions that have varying degrees of political and commercial instability. The Group's current operations are located in or near communities that may now, or in the future, regard such operations as having a detrimental effect on their economic and social circumstances. Should this occur, it may have a material adverse impact on the profitability or, in an extreme case, the viability of the Group's operations.

Key performance indicators

The key performance indicators of the Group are as follows:

	2007	**2006**
Loss per share	(13.38p)	(16.30p)
Share price at 31 March	103.75p	77p
Cash at bank	£28.4m	£0.3m
Proven and probable ounces of gold and gold equivalent	1.1m	–

The loss per share has decreased primarily due to the issue of new shares during the current year.

The movement in cash is largely attributable to the £30m gross fundraising completed in February 2007 by issue of shares.

The gold and gold equivalent resource at Andash zone 1 was proven up to a JORC compliant proven and probable reserve level as a result of the feasibility study completed by WAI in December 2006.

The Group intends to use tonnes of ore processed and recovery rates as its non-financial KPIs going forward.

Directors and interests

The Directors of the Company during the year and their beneficial interests in the ordinary shares of the Company for the year were as follows:

		Number of shares held at 31 March 2006	Number of shares held at 31 March 2007
S Finlay		250,000	312,721
M Jones		–	313,612
H Kanabar		175,000	175,000
J Webster	(resigned 01/05/2007)	145,000	145,000
C Knight		–	–
C Eadie	(appointed 17/11/2006)	–	–

On 31 March 2007, S Finlay and M Jones were allotted 62,721 ordinary shares and 313,612 ordinary shares respectively following the conversion of their Loan Notes issued on 15 February 2006.

The Directors' interests in share options and warrants of the Company as at 31 March 2007 were as follows:

	Options at 31 March 2007	Exercise Price	Date of grant	First date of exercise	Final exercise date
Options					
S Finlay	250,000	47p	30/04/2004	06/05/2004	06/05/2009
M Jones	1,000,000	55.5p	23/02/2006	23/02/2006	23/02/2011
M Jones*	250,000	55.5p	23/02/2006	05/09/2006	05/09/2011
M Jones**	250,000	55.5p	23/02/2006	20/12/2006	20/12/2011
M Jones***	500,000	55.5p	23/02/2006	30/09/2008	30/09/2013
H Kanabar	250,000	47p	30/04/2004	06/05/2004	06/05/2009
J Webster	500,000	84p	13/01/2005	13/01/2005	01/05/2010
C Eadie[1]	150,000	99.5p	17/11/2006	08/12/2006	08/12/2011
C Eadie[1]****	150,000	99.5p	17/11/2006	28/02/2007	28/02/2012
C Eadie[1]***	200,000	99.5p	17/11/2006	30/09/2008	30/09/2013
Warrants					
S Finlay	20,000	45p	15/02/2006	15/02/2006	15/02/2016
M Jones	100,000	45p	15/02/2006	15/02/2006	15/02/2016

[1] These were the only options granted to Directors during the year.

These options have been granted pursuant to stand alone option deeds between the Company and the relevant option holder.

* these options became exercisable upon the reserves in respect of the Company's Andash Project being signed off to JORC standards – 05/09/2006.

** these options became exercisable upon completion of the feasibility study in respect of the Andash Project being prepared to Western standards – 20/12/2006.

*** these options become exercisable upon the commencement of gold production at the Andash Project – estimated 30/09/2008.

**** these options became exercisable immediately following the securing of finance for the Company's Andash Project – 28/02/2007.

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.

No options were exercised during the year by the Directors.

Significant Shareholders

As at 26 September 2007, the latest practicable date prior to the approval of these financial statements, the Directors had been notified that the only persons (other than the interests held by Directors) who were directly or indirectly interested in 3% or more of the nominal value of the Company's share capital were as follows:

	Number of Ordinary Shares held	As % of issued share capital
F&C Asset Management plc	5,205,372	10.85
Altima Central Asia Fund Ltd	5,140,000	10.71
JSC Compass Asset Management	4,316,000	8.99
David Bryans	3,017,470	6.29
Gartmore Investment Ltd	2,886,000	6.01
Oleg Kim	1,860,000	3.88
The Equity Partnership Investment Company plc	1,640,000	3.42

Payments to suppliers

The Company has no formal code or standard that 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 2007 represents 2 days (2006: 32 days) as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Donations

The 100% owned subsidiary, Andash Mining Company, made charitable donations of £20,385 to Kupero Bazaar, a local mining village for educational and kindergarten projects.

No charitable or political donations were made by the Company during the period.

Post balance sheet events

Refer to note 24 for a description of significant events occurring post balance date.

Going Concern

The financial statements have been prepared on a going concern basis. The Group's cash resources stood at £28.4 million at 31 March 2007. The Group intends to continue to operate within its cash resources.

Environmental issues

The Group operates in regions and countries that have a long history of mining exploration and 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.

Financial instruments

The disclosures included in note 19 to the financial statements set out the policies and procedures undertaken by the Directors to manage the risk exposure of the Company and the Group.

Auditors

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

By order of the Board

Haresh Kanabar
Company Secretary

27 September 2007

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 2006 ("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 that 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 15. 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 Board meets approximately every one to 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. 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.

Directors frequently visit the Kyrgyz Republic to oversee the operational activities. All the material business plans are appraised and agreed by the Board. The Board also engages independent professional advice on risk assessment matters where appropriate. It is the Board's policy to ensure that the management structure and the quality and integrity of the personnel are compatible with the requirements of the Group.

The Audit Committee

An Audit Committee has been established which comprises the two Non-Executive Directors – Sean Finlay (who chairs the Committee) and Haresh Kanabar. The Committee is responsible for ensuring that the financial performance of the group is properly reported on and monitored, and for meeting the auditors and reviewing the reports from the auditors relating to accounts and internal controls. The Committee also reviews the Group's annual and interim financial statements before submission to the Board for approval. The role of the audit committee is also to consider the appointment of the auditors, audit fees, scope of audit work and any resultant findings.

The Remuneration Committee

The Remuneration Committee comprises the two Non-Executive Directors – Haresh Kanabar (who chairs the Committee) and Sean Finlay. It is responsible for reviewing the performance of the Executive Directors and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the Group. The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole, based on a review of the current practices in other companies.

The Nomination Committee

The Nomination Committee comprises the two Non-Executive Directors – Sean Finlay (who chairs the Committee) and Haresh Kanabar. The Committee is responsible for reviewing the size, structure and composition of the Board of Directors, succession planning and identifying and monitoring candidates for all Board vacancies.

Statement of Directors' responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year 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 year. 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.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Report of the independent auditors

TO THE SHAREHOLDERS OF AURUM MINING PLC

We have audited the Group and parent Company financial statements of Aurum Mining Plc for the year ended 31 March 2007 which comprise the Consolidated Profit and Loss account, Consolidated Statement of Total Recognised Gains and Losses, Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 March 2007 and of the Group's loss for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent Company's affairs as at 31 March 2007; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Director's report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
London

27 September 2007

Consolidated profit and loss account

for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 Restated £'000
Administrative expenses			
Exceptional items	22	–	(252)
Other		(1,938)	(1,305)
Total administrative expenses and operating loss		(1,938)	(1,557)
Interest receivable and similar income	4	154	21
Interest payable and similar expense	5	(175)	(14)
Loss on ordinary activities before taxation		(1,959)	(1,550)
Tax on loss on ordinary activities	6	–	–
Loss on ordinary activities after taxation		(1,959)	(1,550)
Retained loss for the financial year	16	(1,959)	(1,550)
Loss per share – basic and diluted	18	(13.38p)	(16.30p)

All amounts relate to continuing activities.

The notes on pages 22 to 37 form part of these financial statements.

Consolidated statement of total recognised gains and losses

for the year ended 31 March 2007

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 Restated £'000
Loss for the financial year	(1,959)	(1,550)
Exchange translation differences	(93)	14
Total recognised gains and losses for the financial year	(2,052)	(1,536)
Prior year adjustment – share based payments	(299)	
Total gains and losses recognised since last financial statements	(2,351)	

The notes on pages 22 to 37 form part of these financial statements.

Consolidated and Company balance sheets

as at 31 March 2007

	Notes	Group 2007 £'000	Group 2006 Restated £'000	Company 2007 £'000	Company 2006 Restated £'000
Fixed assets					
Intangible assets	8	–	1,305	–	–
Tangible fixed assets	9	5,123	263	6	8
Investments in subsidiary undertakings	10	–	–	3,213	665
		5,123	1,568	3,219	673
Current assets					
Stocks	11	184	11	–	–
Debtors: amounts falling due within one year	12	94	85	59	26
Debtors: amounts falling after one year	12	–	–	2,802	1,211
Total Debtors		94	85	2,861	1,237
Cash at bank and in hand		28,356	321	28,279	284
		28,634	417	31,140	1,521
Creditors: amounts falling due within one year	13	(351)	(339)	(322)	(257)
Net current assets		28,283	78	30,818	1,264
Total assets less current liabilities		33,406	1,646	34,037	1,937
Convertible Loan Notes	23	–	(643)	–	(643)
Net assets		33,406	1,003	34,037	1,294
Capital and reserves					
Called up share capital	14	455	95	455	95
Other reserve	16	250	304	250	304
Share premium	16	32,941	1,687	32,941	1,687
Merger Reserve	16	498	498	498	498
Shares to be issued	16	2,548	–	2,548	–
Profit and loss account	16	(3,286)	(1,581)	(2,655)	(1,290)
Shareholders' funds	17	33,406	1,003	34,037	1,294

The financial statements were approved by the Board of Directors and authorised for issue on 27 September 2007 and were signed on its behalf by:

Chris Eadie
Chief Financial Officer

The notes on pages 22 to 37 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2007

	Note	Year ended 31 March 2007 £'000	Year ended 31 March 2006 Restated £'000
Net cash outflow from operating activities	(a)	(1,847)	(967)
Returns on investments and servicing of finance			
Interest received and similar income		154	21
Net cash inflow from returns on investments and servicing of finance		154	21
Capital expenditure			
Purchase of tangible fixed assets		(111)	(138)
Deferred exploration expenditure		(1,080)	(486)
Sale of assets		2	–
Net cash outflow from capital expenditure		(1,189)	(624)
Cash outflow before management of liquid resources and financing		(2,882)	(1,570)
Financing			
Issue of ordinary shares		32,624	–
Issue of Convertible Loan Notes (net of issued costs)		–	947
Expenses paid in connection with share issues		(1,707)	–
Net cash inflow from financing		30,917	947
Increase/(decrease) in cash	(c)	28,035	(623)

Significant non-cash transactions are as follows:

Capital expenditure:

Shares to be issued of £2,548,000 have been capitalised within mining properties.

Financing:

From 14/11/2006 to 31/03/2007 convertible debt of £643,000 was converted into ordinary shares.

The notes on pages 22 to 37 form part of these financial statements.

Notes to the consolidated cash flow statement

for the year ended 31 March 2007

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

	2007 £'000	2006 Restated £'000
Operating loss	(1,938)	(1,557)
Depreciation of tangible fixed assets	77	64
Loss on sale of tangible fixed assets	5	–
Share based payments	347	299
(Increase)/decrease in stocks	(173)	(11)
(Increase)/decrease in debtors	(9)	180
Decrease/(increase) in creditors	12	58
Foreign exchange movements	7	14
Interest payable and similar expense	(175)	(14)
Net cash outflow from operating activities	(1,847)	(967)

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

	2007 £'000	2006 £'000
Increase/(decrease) in net cash in the year	28,035	(623)
(Increase)/decrease in debt on (issue)/redemption of convertible Loan Notes	643	(643)
Movement in net funds/(debt)	28,678	(1,266)
Opening net (debt)/funds	(322)	944
Closing net funds/(debt)	28,356	(322)

(c) Analysis of net funds

	At 1 April 2006 £'000	Cash flow £'000	Non cash movement £'000	At 31 March 2007 £'000
Cash at bank and in hand	321	28,035	–	28,356
Debt due after more than one year Convertible Loan Note	(643)	–	643	–
	(322)	28,035	643	28,356

Notes forming part of the financial statements

for the year ended 31 March 2007

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. In preparing these financial statements the Group has adopted FRS20 'share-based payment' for the first time.

Basis of consolidation

Aurum Mining Plc, together with it's subsidiaries as listed in note 10, is a mining and 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 2007 using the acquisition method of accounting. The acquisition method includes the results of subsidiary undertakings from the date of acquisition.

The Company has taken advantage of Section 230 of the Companies Act 1985 in not presenting its own profit and loss account. The Company's loss for the year was £1,711,805 (2006: loss of £1,253,892 as restated).

Stocks

Stock is valued at lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to disposal.

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 to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated on straight line basis at the following rates:

Office and computer equipment	20% to 33% per annum
Plant and equipment	20% to 33% per annum
Vehicles	33% per annum

Mining properties

Once a decision is made to proceed with the development of a mining project, exploration and evaluation expenditure other than that on buildings, machinery and equipment is capitalised under tangible fixed assets as mining properties, together with any amount transferred from unevaluated mining properties. Mining properties are amortised over the estimated life of the reserves on a 'unit of production' 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. When a decision is made to proceed to development, the related expenditures will be transferred to mining properties. 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.

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.

1 Accounting policies (continued)

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the profit and loss account in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit and loss account. After such a reversal the depreciation or amortisation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Environmental provisions

Appropriate and adequate provision is made for rehabilitation costs over the estimated period of exploration activity. As at 31 March 2007 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.

National Insurance on share options

To the extent that the share price as at balance sheet date is greater than the exercise price of outstanding options, provision for any National Insurance contributions has been made based on the prevailing rate. The provision is accrued over the performance period attaching to the award.

1 Accounting policies (continued)

Convertible debt

In accordance with FRS4 and FRS25, the company has classified the convertible debt in issue as a compound financial instrument. Accordingly, the Company presents the liability and equity component separately on the balance sheet. The classification of the liability and equity component is not reversed as a result of a change in the likelihood that the conversion option will be exercised. No gain or loss arises from initially recognising the components of the instrument separately. Interest on the debt element of the loan is accreted over the term of the loan. Costs associated with raising debt are set off against the gross value of monies received.

Financial instruments

In relation to the disclosures made in note 19:

- 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.

Liquid resources

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

Share-based payments

The cost of equity-settled transactions with suppliers of goods and services is measured by reference to the fair value of the good or service received, unless that fair value cannot be estimated reliably. The fair value of the good or service received is recognised as an expense as the Group receives the good or service. The cost of equity-settled transactions with employees, and transactions with suppliers where fair value cannot be estimated reliably, is measured by reference to the fair value of the equity instrument. The fair value of equity-settled transactions with employees is recognised as an expense over the vesting period. The fair value of the equity instrument is determined at the date of grant, taking into account market based vesting conditions. The fair value is determined using an option pricing model.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, the number of equity instruments that will ultimately vest, or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Adoption of FRS 20 – Share- Based Payment

The Group has adopted Financial Reporting Standard (FRS) 20 'Share-based Payment' during the year. The adoption of this standard constitutes a change in accounting policy. Therefore, the impact has been reflected as a prior year adjustment in accordance with FRS 3 'Reporting Financial Performance'.

The standard requires that where shares or rights to shares are granted to third parties, including employees, a charge should be recognised in the profit and loss account based on the fair value of the shares at the date the grant of shares or right to shares is made.

The adoption of FRS 20 has resulted in a net increase in the loss for the year of £347,312 and for the year ended 2006 the net increase in the loss was £298,799.

There is no impact on the net assets of the Group.

The share-based payments expense has been included in the administrative expenses line of the consolidated profit and loss account.

2 Segmental analysis

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

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 Restated £'000
United Kingdom	(1,563)	(1,278)
Kyrgyzstan	(375)	(279)
	(1,938)	(1,557)
Net interest and similar income	(21)	7
Loss on ordinary activities after taxation	(1,959)	(1,550)

The net operating assets/(liabilities) are analysed by geographical area as follows:

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 Restated £'000
United Kingdom	5,697	1,024
Kyrgyzstan	(647)	(342)
	5,050	682
Non-operating assets:		
Cash	28,356	321
Net assets	33,406	1,003

3 Operating loss

This has been arrived at after charging:

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 Restated £'000
Depreciation of tangible fixed assets	77	64
Audit services:		
Fee for the audit of annual accounts	24	24
Auditing of accounts of associates of the Company under legislation	10	–
Loss on disposal of fixed assets	5	–
Exceptional items (note 22)	–	252
Share-based payments	347	299
Operating lease expense	70	70

4 Net interest receivable and similar income

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Bank interest receivable	154	10
Exchange gains	–	11
	154	21

5 Interest payable and similar expense

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 £'000
Interest payable on convertible Loan Notes	107	14
Exchange losses	68	–
	175	14

6 Taxation

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

The Company and the Group have incurred tax losses for the year and a corporation tax charge is not anticipated. The potential benefit of these carried forward taxation losses calculated at the rates of tax prevailing in the countries in which the losses were incurred amount to approximately £479,000. 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 year is different than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 Restated £'000
Loss on ordinary activities before taxation	1,959	1,550
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006: 30%)	(588)	(465)
Effects of:		
Expenses not deductible for tax purposes	109	95
Unutilised tax losses carried forward	479	370
Current tax charge	–	–

Notes forming part of the financial statements

continued

7 Directors and staff – Group and Company

Directors

	Year ended 31 March 2007 £'000	Year ended 31 March 2006 Restated £'000
Directors' emoluments	397	186
Social security costs	10	2
Share based payments	347	299
National insurance on share options	138	–
	892	487

The highest paid Director received emoluments totalling £204,000 (2006: £74,000) and share based payments of £185,000 (2006: £299,000).

No retirement benefits are accruing to directors under pension schemes.

M Jones and J Webster are paid via Laverock Ventures Ltd, a private service company.

S Finlay is paid via Mostop Ltd, a private service company.

C Knight is paid via C J Knight, a private service company.

Directors' interests and share options are disclosed in the report of the Directors on pages 9 to 12.

Directors and Employees

	Group Year ended 31 March 2007 £'000	Group Year ended 31 March 2006 £'000	Company Year ended 31 March 2007 £'000	Company Year ended 31 March 2006 £'000
Directors' fees and emoluments	397	186	397	186
Wages and salaries- staff costs	186	153	29	25
Social security costs	46	38	13	5
Share based payments	347	299	347	299
National insurance on share options	138	–	138	–
	1,114	676	924	515

The average number of employees (including Executive Directors) employed by the Group during the year was as follows:

	Group Year ended 31 March 2007 £'000	Group Year ended 31 March 2006 £'000	Company Year ended 31 March 2007 £'000	Company Year ended 31 March 2006 £'000
Administration	25	27	4	3
Operations	19	12	–	–
Total	44	39	4	3

8 Intangible assets

GROUP	Unevaluated mining properties £'000
Cost	
As at 1 April 2006	1,305
Foreign currency re-translation	(70)
Additions during the year	3,628
Transfer to mining properties	(4,863)
At 31 March 2007	–
Net book value	
At 31 March 2007	–
At 31 March 2006	1,305

The Company had no intangible assets at 31 March 2007 or at 31 March 2006.

9 Tangible fixed assets

GROUP	Office and computer equipment £'000	Plant, equipment and vehicles £'000	Mining properties £'000	Total £'000
Cost				
At 1 April 2006	30	299	–	329
Foreign currency re-translation	(2)	(34)	–	(36)
Additions	7	104	–	111
Disposals	–	(10)	–	(10)
Transfer from unevaluated mining properties	–	–	4,863	4,863
At 31 March 2007	35	359	4,863	5,257
Depreciation				
At 1 April 2006	9	57	–	66
Foreign currency re-translation	–	(6)	–	(6)
Charge for the year	7	70	–	77
Disposals	–	(3)	–	(3)
At 31 March 2007	16	118	–	134
Net book value				
At 31 March 2007	19	241	4,863	5,123
At 31 March 2006	21	242	–	263

9 Tangible fixed assets (continued)

COMPANY	Office and computer equipment £'000
Cost	
At 1 April 2006	13
Additions	1
At 31 March 2007	14
Depreciation	
At 1 April 2006	5
Charge for the year	3
At 31 March 2007	8
Net book value	
At 31 March 2007	6
At 31 March 2006	8

10 Fixed asset investments

COMPANY	Investments in subsidiary undertakings £'000
Cost	
At 1 April 2006	665
Additions	2,548
At 31 March 2007	3,213

The Company had the following subsidiary undertakings at the end of the year which have been included in the consolidated financial statements:

	Percentage interest	Country of incorporation	Activity
Kaldora Company Limited	100	British Virgin Islands	Holding company
Andash Mining Company	100	Kyrgyz Republic	Mining and exploration

11 Stocks

	Group Year ended 31 March 2007 £'000	Group Year ended 31 March 2006 £'000	Company Year ended 31 March 2007 £'000	Company Year ended 31 March 2006 £'000
Raw materials and consumables	184	11	–	–

12 Debtors

	Group Year ended 31 March 2007 £'000	Group Year ended 31 March 2006 £'000	Company Year ended 31 March 2007 £'000	Company Year ended 31 March 2006 £'000
Amounts falling due within one year:				
Other debtors	32	38	–	–
Prepayments and accrued income	62	47	59	26
	94	85	59	26
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	–	–	2,802	1,211
Total debtors	94	85	2,861	1,237

Amounts owed by subsidiaries are unsecured, interest free and fall due for repayment in 2008.

13 Creditors: Amounts falling due within one year:

	Group Year ended 31 March 2007 £'000	Group Year ended 31 March 2006 £'000	Company Year ended 31 March 2007 £'000	Company Year ended 31 March 2006 £'000
Trade creditors	11	170	7	143
Other creditor	–	6	–	–
Other taxation and social security	46	5	38	2
Accruals and deferred income	294	158	277	112
	351	339	322	257

14 Share capital

	2007 Number	2006 Number	2007 £'000	2006 £'000
Authorised				
Ordinary shares of 1p each	200,000,000	200,000,000	2,000	2,000
Allotted, issued and fully paid				
Ordinary shares of 1p each	45,467,005	9,505,775	455	95

On 25 April 2006, 81,915 ordinary shares of 1p were allotted at 47 pence per share to W H Ireland on the exercise of share options.

On 12 May 2006, 2,777,778 ordinary shares of 1p were issued at a premium of 89 pence for cash.

From 14 November 2006 to 31 March 2007, 2,857,135 ordinary shares of 1p were allotted following the conversion of Loan Notes of £1,000,000 issued on 15 February 2006 at the previously agreed conversion price of 35 pence per share.

On 28 February 2007, 30,000,000 ordinary shares of 1p were issued at a premium of 99 pence for cash.

On 31 March 2007, 244,402 ordinary shares of 1p were allotted following the conversion of accrued interest on Loan Notes issued on 15 February 2006 at the previously agreed conversion price of 35 pence per share.

15 Share options and warrants

In addition to the directors' interests, the following share options have been granted:

	Options at 1 April 2006	Exercise Price	Date of grant	First date of exercise	Final exercise date
Options					
W H Ireland	81,915	47p	30/04/2004	06/05/2004	06/05/2007

The following options and warrants over ordinary shares have been granted and remained outstanding at 31 March 2007:

Options

Exercise price	Outstanding at 1 April 2006	Granted during year	Exercised during year	Outstanding at 31 March 2007	Final exercise date
47p	500,000	–	–	500,000	06/05/2009
47p	81,915	–	(81,915)	–	06/05/2007
55.5p	2,000,000	–	–	2,000,000	23/02/2011
84p	500,000	–	–	500,000	01/05/2010
99.5p	–	500,000	–	500,000	08/12/2011
	3,081,915	500,000	(81,915)	3,500,000	

On 25 April 2006 W H Ireland exercised options on all the shares.

Warrants

Exercise price	Outstanding at 1 April 2006	Granted during year	Exercised during year	Outstanding at 31 March 2007	Final exercise date
45p	1,000,000	–	–	1,000,000	15/02/2016
	1,000,000	–	–	1,000,000	

Options and warrants held by Directors are disclosed in the report of the Directors on pages 9 to 12.

The market price of shares at 31 March 2007 was £1.04 (2006: £0.77). The range during the financial year was £0.71 to £1.33.

The expense recognised for share-based payments in respect of Directors and consultant services received during the year ended 31 March 2007 was £347,312 (2006: £298,799).

The following illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2007 Number	2007 WAEP Pence	2006 Number	2006 WAEP Pence
Outstanding at beginning of year	3,081,915	58.52	1,081,915	64.10
Granted during the year	500,000	99.50	2,000,000	55.50
Exercised	81,915	47.00	–	–
Outstanding at 31 March 2007	3,500,000	64.64	3,081,915	58.52
Exercisable at 31 March 2007	2,800,000	63.79	2,081,915	59.57

15 Share options and warrants (continued)

The following table lists the inputs to the model used for the years ended 31 March 2007 and 31 March 2006.

	2007	2006
Option pricing model used	Black-Scholes	Black-Scholes
Weighted average share price at grant date (pence)	64.51	59.10
Weighted average exercise price	64.64	58.52
Weighted average expected option life (year)	5.63	5.53
Weighted average share price volatility (%)	50%	50%
Weighted average dividend yield	Nil	Nil
Weighted average risk-free interest rate (%)	5.5%	5.5%

In forming the volatility assumptions the Directors have considered the volatility of the share price since the date of listing. The volatility of companies operating in the same sector has also been reviewed. Based on these factors the volatility assumption has been assessed at 50%.

16 Reserves

GROUP	Merger reserve £'000	Other reserve £'000	Share premium £'000	Profit and loss account £'000	Shares to be issued £'000
At 1 April 2006 – as restated	498	304	1,687	(1,581)	–
Loss for the year	–	–	–	(1,959)	–
Share based payments	–	–	–	347	–
Equity proportion of convertible Loan Notes	–	(54)	–	–	–
Exchange differences on retranslation	–	–	–	(93)	–
Issue of 81,915 shares following exercise of share options	–	–	38	–	–
Issue of 2,777,778 shares at a premium of 89 pence	–	–	2,472	–	–
Issue of 30,000,000 shares at a premium of 99 pence	–	–	29,700	–	–
Share issue costs	–	–	(1,707)	–	–
Issue of 3,101,537 shares following conversion of Loan Notes and accrued interest	–	–	751	–	–
Shares to be issued	–	–	–	–	2,548
At 31 March 2007	498	250	32,941	(3,286)	2,548

Shares to be issued represent the further consideration payable at year end for the acquisition of Kaldora Company Limited. Per the acquisition agreement, the further consideration of US$5 million was to be satisfied in shares. The issue of shares was completed on 24 April 2007, refer to note 24 for more details.

16 Reserves (continued)

COMPANY	Merger reserve £'000	Other reserve £'000	Share premium £'000	Profit and loss account £'000	Shares to be issued £'000
At 1 April 2006 – as restated	498	304	1,687	(1,290)	–
Loss for the year	–	–	–	(1,712)	–
Share based payments	–	–	–	347	–
Equity proportion of convertible Loan Note	–	(54)	–	–	–
Issue of 81,915 shares following exercise of share options	–	–	38	–	–
Issue of 2,777,778 shares at a premium of 89 pence	–	–	2,472	–	–
Issue of 30,000,000 shares at a premium of 99 pence	–	–	29,700	–	–
Share issue costs	–	–	(1,707)	–	–
Issue of 3,101,537 shares following conversion of Loan Notes and accrued interest	–	–	751	–	–
Shares to be issued	–	–	–	–	2,548
At 31 March 2007	498	250	32,941	(2,655)	2,548

17 Reconciliation of movement in equity shareholders' funds

	Group Year ended 31 March 2007 £'000	Group Year ended 31 March 2006 Restated £'000	Company Year ended 31 March 2007 £'000	Company Year ended 31 March 2006 Restated £'000
Loss for the year	(1,959)	(1,550)	(1,712)	(1,254)
Issue of ordinary shares	32,678	–	32,678	–
Expense of share issue	(1,707)	–	(1,707)	–
Convertible Loan Note conversion	643	–	643	–
Share based payments	347	299	347	299
Shares to be issued	2,548	–	2,548	–
Equity proportion of convertible loan note	(54)	54	(54)	54
Exchange differences on retranslation	(93)	14	–	–
Issue of warrants	–	250	–	250
Addition/(reduction) in shareholders' funds	32,403	(933)	32,743	(651)
Opening shareholders' funds	1,003	1,936	1,294	1,945
Closing shareholders' funds	33,406	1,003	34,037	1,294

18 Loss per ordinary shares

The calculation of loss per share of 13.38 pence (2006: 16.30 pence as restated) is based on the loss for the year of £1,959,000 (2006: £1,550,000 as restated) and on the weighted average number of shares in issue during the year of 14,645,392 (2006: 9,505,775).

Due to the losses incurred during the year a diluted loss per share has not been disclosed as this would serve to reduce the basic loss per share.

There are options and warrants outstanding at the end of the year that could potentially dilute basic earnings per share in the future. These are detailed in note 15.

19 Financial instruments

The Group uses financial instruments, other than derivatives, comprising cash at bank and various items such as sundry debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are liquidity risk, currency risk, and interest rate risk.

Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Credit risk

The Group's credit risk is primarily attributable to the cash held on deposit at financial institutions. It is the Group's policy to only use recognised financial institutions for these deposits.

Currency risk

The Group does not hedge its exposure of foreign investments held in foreign currencies. The Group is exposed to translation and transaction foreign exchange risk and takes profits or losses on these as they arise. The Group is continually reviewing its strategy towards currency risk.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to cash at bank. Cash is held either on current or on short term deposits at floating rates of interest determined by the relevant bank's prevailing base rate. The company seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits.

Current of net monetary asset/(liability)	**2007 £'000**	**2006 £'000**
UK pounds	28,017	(590)
US dollar	74	34
Kyrgyz som	8	(20)
	28,099	(576)

Borrowing facilities and interest rate risk

The Group has financed its operations through the issue of equity share capital and convertible Loan Notes. The Group earned interest on its cash assets at rates between 0% and 5.07% (2006: 0% and 5.00%). The convertible Loan Notes had a fixed interest rate of 11%.

Cash at bank and in hand	**2007 £'000**	**2006 £'000**
Floating interest rate	28,356	321

Convertible Loan Notes	**2007 £'000**	**2006 £'000**
Fixed interest rate	–	643

Fair values

The fair values of the Group's financial instruments are considered not materially different to their book values.

20 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 the Financial Reporting Standard 8 not to disclose transactions between more than 90% owned Group Companies.

During the year the Company entered into various transactions with Power Products International ('PPI') for contracted services including administration, ecology, mine engineering, legal transactions etc. These transactions in total amounted to £64,940 (2006: £94,876) and the amount outstanding at the year end was £ nil (2006: £112). John Webster, a Non-Executive Director of the Company during the year, is also a Director of PPI.

21 Commitments under operating leases

The Group and the Company was committed to making the following annual payments under non-cancellable operating leases for land and buildings.

	2007 £'000	2006 £'000
Leases which expire:		
Within one year	–	–
In two to five years	70	70

22 Exceptional items

On 7 December 2004 the Company entered into an agreement with Geocentr whereby the Company agreed to make available a facility of up to $170,000. The loan carries an interest rate of 5% and was due for repayment not later than 31 March 2006. The amount lent to Geocentr was £89,366. The purpose of the Loan was to enter into a strategic relationship with a view to acquire a substantial equity stake in Geocentr. The acquisition of Geocentr could not be completed within the conditional agreement's terms and therefore was terminated. As part of the conditional agreement entered into with Loyal Wealthy, it was agreed that the benefit of an outstanding loan of £89,366 to Geocentr would be assigned to Loyal Wealthy.

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 £163,000 to assist in the refurbishment of a drilling rig owned by PPI in consideration for the right to require PPI to carry out drilling into the last quarter of 2005. The debt is to be repaid by the provision of drilling services at the Andash mine in Krgyzstan 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 of year for three years on three months notice at a discounted rate of 120% of cost.

The Board made full provision in the 2006 accounts against the above loans due to uncertainty regarding the eventual recovery of the balances outstanding.

23 Convertible Loan Notes

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Convertible Loan Notes	–	643	–	643

During the prior year, Loan Notes with a par value of £1,000,000 were issued for cash (being £1 per Loan Note) on 15 February 2006 (the 'Commencement Date'). The Loan Notes were secured on the Group's interest in the Andash Project.

Interest was payable on the Loan Notes from the Commencement Date to the earlier of the date of redemption or the date of conversion. Interest was accrued at 11% until the first anniversary of the Commencement Date and thereafter at 10 per cent per annum.

The Loan Notes were convertible at the lesser of 35p per ordinary share and the price at which any fundraising took place. The ordinary shares so issued rank pari passu in all respects with the existing ordinary shares in issue.

Each Loan Note holder received one warrant entitling him to subscribe for 1 ordinary share (each a 'Warrant') for each £1 of Loan Notes subscribed for. The Warrants, which are transferable (in whole or in part) are exercisable at 45p per share at any time prior to 15 February 2016. The ordinary shares to be so issued will rank pari passu in all respects with the existing ordinary shares in issue.

In accordance with the provisions of FRS4 and FRS25, the Company treated the simultaneous issue of the convertible Loan Notes and warrants as a composite financial instrument. The Company apportioned the proceeds of the loan based upon the fair value of the loan and the fair value of the warrants issued and as a result £53,850 of the proceeds from the loan was classified as equity. Costs incurred on raising the loan amounts of £53,252 were set against the loan amount.

From 14 November 2006 to 31 March 2007, all of the Loan Notes were converted as was accrued interest of £86,000 into ordinary shares. This resulted in the issue of 3,101,537 ordinary shares of 1p at the conversion price of 35 pence per share.

24 Post balance sheet events

As part of the acquisition of Kaldora, the Company agreed to pay US$5 million in deferred consideration to the vendors of Kaldora Company Limited. The consideration was settled by the Company issuing 2,500,000 ordinary shares of 1p at a fixed price of US$2 per share on 24 April 2007 as follows:

- 1,500,000 ordinary shares to Kantanna Company Ltd, a company controlled by Oleg Kim, the former General Director of AMC.
- 500,000 ordinary shares to Jake Consultants Ltd, a company controlled by David Bryans, a consultant to Aurum.
- 500,000 ordinary shares to John Webster, Non-Executive Director of the Company.

Aurum Mining Kazakhstan LLP was incorporated on 26 April 2007. The Company has been set up for the purpose of assisting the Group in reviewing potential investment opportunities in Kazakhstan, which neighbours the Kyrgyz Republic.

John Webster, a Non-Executive Director of the Company has agreed to be contracted directly to supply consulting and engineering services to the Company and as such he is expected to play a key role in the construction of the Andash mine. In order to allow Mr Webster to fulfil this role, he stepped down from the Board of the Company on 1 May 2007.

In September 2007, AMC entered into a contract to acquire the entire mining fleet for the Andash Zone 1 mine. The total value of the contract was US$7 million. The assets acquired include all the excavators, haul fleet, bulldozers, graders and support vehicles required for the mine.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Aurum Mining Plc will be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU on 2 November 2007 at 10.30 a.m. at which resolutions 1 to 4 will be proposed as ordinary resolutions and resolution 5 will be proposed as a special resolution:

As Ordinary Business

1. To receive and adopt the accounts, together with the directors' and auditors' reports for the period ended 31 March 2007.

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 Chris Eadie, who was appointed during the year and retires in accordance with Article 94 of the Articles of Association and who, being eligible, offers himself for re-election as a Director.

4. To re-elect Sean Finlay who retires by rotation pursuant to Article 88 of the Articles of Association.

As Special Business

5. THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined by section 163(3) of the Companies Act 1985 (as amended)) on the London Stock Exchange of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") provided that:

   (i) the maximum aggregate number of shares authorised to be purchased is 7,198,991 Ordinary Shares;

   (ii) the minimum price which shall be paid for the Ordinary Shares is 1p for each share, and the maximum price (exclusive of expenses) which may be paid for such shares is five per cent above the average of the middle market quotations derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made;

   (iii) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on the date of the Annual General Meeting of the Company to be held in 2008 or 15 months after the date of passing of this resolution (whichever is the earlier); and

   (iv) the Company may, before such expiry, make a contract to purchase its own shares under the authority hereby conferred which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own shares in pursuance of such a contract.

By Order of the Board

Haresh Kanabar
Company Secretary

Dated: 27 September 2007

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

Notice of Annual General Meeting

continued

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 Uncertified Securities Regulations 2001, in order to have the right to attend or vote at the meeting and for the purpose of determining how many votes may be cast, a person must be entered on the Register of Members by 6.00 p.m. on 31 October 2007.
5. Resolution 5 will be proposed as a special resolution to authorise the Company to purchase up to 7,198,991 Ordinary Shares in the market (representing approximately 15 per cent. of the current issued share capital of the Company as at 14 September 2007), at a price which is not less than the nominal value of the Ordinary Shares and not more that an amount equal to 105 per cent. of the average middle market quotation (as derived from the London Stock Exchange Daily Official List) for the 5 business days before the purchase is made. The authority will continue until the conclusion of next year's Annual General Meeting or 15 months after the date of the passing of the resolution if earlier. The Directors have no present intention of making such purchases, but consider it prudent to have this authority so as to be able to act at short notice if circumstances change. The authority would however only be exercised if the Directors believed that to do so would be in the best interests of shareholders generally.

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