Aurum Mining Plc

Annual Report and Financial Statements

for the year ended 31 March 2006

Annual report and financial statements

for the year ended 31 March 2006

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Company information

Directors	Sean Finlay	Non Executive Chairman
	Mark Jones	Chief Executive Officer
	Haresh Kanabar	Executive Business Development Director
	John Webster	Non-Executive Director
	Colin Knight	Non-Executive Director.
Company secretary and Registered Office	Haresh Kanabar 26 Curzon Street London WIJ 7TQ	
Company number	5059457	
Nominated adviser and broker	Arbuthnot Securities Ltd. Arbuthnot House 20 Ropemaker Street London EC2Y 9AR	
Auditors	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL	
Solicitors	Lawrence Graham LLP 190 Strand London WC2R 1JN	
Website	www.aurummining.net	

Chairman's statement

The year to the 31 March 2006 has been a year of tremendous progress at Aurum Mining. It was a year in which the foundations were firmly laid for the delivery, in 2008, of the Company's strategic objective of transforming itself from a junior gold explorer to a cash-generating gold producer. It was also a year in which Aurum continued its rapid development. By way of background, Aurum joined the AIM market in May 2004 as a specially formed vehicle to target the acquisition of gold assets in the Former Soviet Union (FSU). It successfully completed its first acquisition in January 2005, gaining an exploration licence to the Andash gold and copper project in the Kyrgyz Republic.

Our work continues to reinforce the fact that the Andash asset is highly attractive in terms of the gold resources in Zone 1 of the licence area, the economics of gold recovery and the exploration potential of other regions within the licence area. The resources in Zone 1 have been endorsed by Wardell Armstrong International, a leading UK independent mining consultant, which confirmed a JORC resource estimate of 624,000 ozs of gold and 72,000 tonnes of copper.

Our strategy is to begin production at the earliest opportunity at Zone 1, thereby providing the cash flow to finance further exploration work in the licence area. We have completed some exploration drilling in Zones 2 and 3, which has confirmed extensive mineralisation, and are continuing to test the extent of the resource in these two zones.

We have continued to work closely with the Kyrgyz authorities to advance the Andash project. In February this year the Kyrgyz government extended our exploration licence to 31 December 2010, which will allow us to carry out further assessment of Zones 2 and 3 and to begin work on Tokhonysay, a new opportunity in the Andash licence area. In June this year, we submitted our local feasibility study to the Kyrgyz government, an important step towards the application to Kyrgyz authorities for a Mining Licence for Andash Zone 1. The study covers the economic, mining, metallurgical, legal, environmental and social factors for the project.

Wardell Armstrong International is preparing a full style feasibility study for Zone 1, which will form the basis of discussions for the project financing of the Andash mine. This will be of an open pit design with the potential for production rates of approximately 120,000 ozs of gold and gold equivalent per annum. It is anticipated that the full western feasibility study will be completed by December 2006.

Personnel

Aurum's management team has been strengthened during the period, particularly by the appointment of Mark Jones, an executive with considerable international mining and management experience, as Chief Executive in June 2005. At the time of his appointment John Webster, formerly Aurum's Managing Director, became a Non-Executive Director of the Company, a role in which he is able to continue to provide the Company with his vast experience of mining in the Former Soviet Union. In September 2005, Dr Colin Knight, a mining professional with a formidable track record, also joined Aurum's Board as a Non-Executive Director.

To control overheads, Aurum retains a small team of key people and I would like to thank the entire team, both in the UK and the Kyrgyz Republic, for their contribution to the Company's successful development.

Robust Environmental and Health and Safety policies are fundamental to Aurum's success; a proactive interaction with community groups has been initiated on these matters.

I acknowledge with thanks the contribution of my fellow directors and that of the dedicated staff of Aurum's Kyrgyz subsidiary, Andash Mining Ltd., under the leadership of Mr Oleg Kim.

Financial

For the year to 31 March 2006 the Company reported a loss after tax of £1.25 million.

In May 2006, the Company successfully raised £2.5 million before expenses through a Placing of new ordinary shares by Arbuthnot Securities, the proceeds of which are being used primarily for working capital to allow completion of the full feasibility study for Zone 1 and to fund further exploratory drilling work at Zones 2 and 3. The new shares were admitted to AIM on 12 May 2006, resulting in the Company having 12,365,468 shares in issue.

Outlook

The current year has started well across the business. From an operational viewpoint we have submitted the local feasibility study for Andash Zone 1 to the Kyrgyz authorities and drilling work has provided further details of the Zone 1 resource and the potential of Zones 2 and 3. From a financial perspective, our balance sheet has been strengthened by the May 2006 fundraising.

We are now entering a very exciting phase in the development of Andash with the expected completion of the full feasibility study by December 2006. We remain confident that Aurum Mining will make the transition to a gold producer in 2008 and therefore look forward to the future with confidence.

Sean Finlay
Chairman

26 September 2006

Chief Executive's review

The Andash project

Aurum Mining acquired the Andash project in January 2005, just before the start of the 12 month period under review to 31 March 2006. In summary, the Andash gold and copper project is in the Talas Valley in the North West of the Kyrgyz Republic on the border with Kazakhstan. The project is situated in the Tien Shan gold belt, which stretches across Central Asia from Uzbekistan in the west through to China in the east.

The Andash project is 260km west of the capital Bishkek and the nearest village, Kopero Bazar, is 1.5km away. The licence area is at an elevation of between 2,100m and 2,400m and can be accessed year round by a combination of tar and dirt road. Major power lines are within 15km of the deposit.

Zone 1 of the project contains 624,000 ounces of gold and 72,000 tonnes of copper in a porphyry style orebody that has a core of unusually high grade ore. The ore body lies close to the surface and has a low strip ratio, which, combined with the site's location close to appropriate infrastructure, should see a low cost mining operation developed in 2007 for production in 2008.

The exploration licence covers an area of $53km^2$ and is valid until December 2010, following an extension awarded to Aurum by the Kyrgyz authorities in February 2006. There is an undemanding work commitment of $60,000 in this calendar year as a condition of the licence extension, which the recent drill programme and feasibility work has already exceeded. Kyrgyzstan mining law stipulates that on discovery of a mineable deposit the licensee will have exclusive rights to obtain a mining licence.

Exploration in Zones 2 and 3 plus additional targets

Andash has three known mineralised zones and four additional exploration opportunities located within the $53km^2$ exploration licence area. To investigate these opportunities and increase the size of the resource, the Company has embarked on an exploration programme to test the extent of Zones 2 and 3, which lie to the west of Zone 1, and to look at the possible faulted extension of Zone 1 itself.

Previous work has indicated that the distance between orebodies is approximately 200m. They have variable thickness and can be traced along strike for more than 1km. The gold and copper content also appears variable from near background levels up to tens of g/t gold and 1.5% copper.

To test this, Aurum has embarked on a preliminary exploratory drilling programme on a 200x80-280m grid, with sections aligned across the known mineralised zones, and to intersect the large IP anomaly identified to the north of Zones 2 and 3. Aurum plans to drill 5-6 sections with 3-4 holes per section to a depth of 150-250m, giving a total distance of some 3,000m. However, this programme will be constantly evolving as new geological data emerges.

The drilling results from the first section of the new programme were received in May 2005. Three holes, P15, P16 and P17, drilled approximately 50m apart all intersected mineralisation in zones 2 and 3, with hole P17 testing the near surface ore zone and holes P15 and P16 intersecting the structure further down dip. Holes P15 and P16 proved the presence of blind mineralisation.

Results from the 3 holes show the ore zone intersections vary in thickness. In hole P17, where the ore zone comes close to surface, mineralisation is seen to occur as thin stringers in a clay rich formation. This becomes more coherent down dip as seen in holes P15 and P16. The ore zone is seen to increase in thickness and grade in the down dip portion to approximately 50m in hole P15, with gold values varying between 1.5g/t and 0.31g/t. Although the average grade from the 3 holes is 0.49g/t, initial interpretation indicates that selective mining of the ore zone would be possible. Intersections of higher grade in hole P15 (26m at 1.51g/t) suggests that gold grade improves down dip. This confirms what has been seen in previous drilling, which has shown that the gold content increases to an average of 1.4-1.5g/t to a maximum of 2.23–2.35g/t. Higher level targets analogous to this are the aim of this exploration programme. Encouragingly, dozer road preparation for hole P37 (the next hole to be drilled) has already cut previously unknown surface mineralisation.

The results greatly improve our understanding of the structural and morphological characteristics of these zones. Most mineralised zones are confined to approximate east-west trending, gently northerly dipping structural-tectonic zones, with thickness variations from (tens to hundreds of metres). These zones appear further localised by cross-faults.

Exploration drilling was temporarily suspended post the period end in June 2006, owing to a review by the Company of the procurement of drilling services. The Company decided to work independently from drilling contractors and has purchased its own wire line core drilling equipment, which is currently being shipped to the Kyrgyz Republic. It is anticipated that drilling will recommence shortly.

Meanwhile, surface pits and trenching operations have been initiated at one of the 4 additional exploration opportunities, Tokhonysay.

In-fill drilling in Zone 1

Wardell Armstrong International (WAI) was contracted in 2005 to generate an independent resource estimate for Zone 1 in digital format in accordance with the JORC resource classification. At that time 9.94 million tonnes were classified as Measured and Indicated, with 7.61 million tonnes in the inferred classification. Under the direction of WAI, an in-fill drilling programme was initiated early in 2006 to increase the resource estimate within Zone 1 and transfer inferred resources through to measured and indicated. This was done by closing the drill hole spacing down to 25m thereby improving the confidence in grade estimation. A total of 2652m of core drilling comprising 19 holes was completed. In addition, the Company completed 5 HQ core holes totalling 713m for geotechnical and resource purposes in and around the proposed pit.

As a result of the drilling programme WAI upgraded the JORC resource estimate, and we now have a total Measured and Indicated resource of 17.1 million tonnes, with a further 200,000 tonnes in the inferred category. Total metal content has increased, giving improved grades when calculating the resource with a cut-off of 1.25g/t of gold and gold equivalent. The resource now has 624,000 ozs of gold and 72,000 tonnes of copper.

The results are tabulated below:

Andash Resources @ 1.25g/t Au_{eq} Cut-Off (September 2006)

Category	Type	Tonnage (kt)	Au (g/t)	Cu(%)	Au (kg)	Cu (kt)
Measured	Oxide	835	0.89	0.51	741	4.2
Measured	Sulphide	2,980	1.21	0.47	3,599	14.1
Total measured		3,815	1.14	0.48	4,340	18.3
Indicated	Oxide	855	0.85	0.42	726	3.6
Indicated	Sulphide	12,400	1.16	0.40	14,353	50.0
Total indicated		13,255	1.14	0.40	15,080	53.06
Total measured and indicated		17,070	1.14	0.42	19,420	71.9

Mining

The gold-copper orebody at the deposit comprises a northwest-southeast striking, gentle southeast plunging mineralised porphyry-style body which is present at surface, making it eminently suited to open pit mining methods. Initial modelling by WAI allows for production rates of 2,000,000 tonnes per annum with low stripping ratios.

Metallurgical test work

A 2,100kg bulk sample was compiled from four of Aurum's new drill holes and sent to WAI for metallurgical testing. The grade of this sample was 1.3g/t gold and 0.51% copper, which the Company believes to be representative of the likely future production. The results of this test work demonstrated gold recoveries of 75% in a circuit of gravity and flotation and copper recoveries of 70% in flotation. Additionally a further 25% of the gold could be recovered by cyanide leaching of the flotation tails but due to the presence of copper, cyanide consumption would be high. The oxides show good recovery of copper in acid leach tests, recovering 86% of copper with low acid consumption. However since test work has confirmed that a portion of the oxides can be recovered in flotation the Company believes that to keep capital costs to a minimum and to bring production in the shortest time, a combined gravity flotation circuit is optimal. The ore also contains low silver grades, which would be payable in the copper concentrate.

Environmental

The Company has secured comprehensive baseline study for the environmental aspects of the project. We now have more than one year's continuous monitoring of the flora, fauna and water quality that will be included in the environmental impact study managed by WAI. All technical aspects of the proposed project have been carefully considered to ensure the highest environmental standards. Cognisance is taken of new technological opportunities to reduce environmental risk where appropriate.

Social Impact

The Company has taken a number of initiatives to develop a good working relationship with both the local population as well as regional and local government. As Kopero Bazar is located within view of the proposed mining venture, we have sought the opinions of individual groups representing the local population, local government and NGOs to monitor and minimise any negative impact on social structures.

In accordance with good governance, we have set up a social fund which has actively participated in both local health and education projects, and we are currently negotiating with representative parties to further advantage the local population. Our future recruitment policy will be to educate, train and employ the local labour force where possible. Education levels in the region are high, but Aurum intends to augment this to ensure the local population benefit most from the increased economic activity that a successful mining project will create.

Local feasibility study

Post the period end, in May 2006, Aurum submitted a local feasibility study to the Kyrgyz government covering the economic, mining, metallurgical, legal, environmental and social factors for the first phase of Andash, which is a key step in the application for a mining licence. All aspects of the study have now been approved by the Kyrgyz authorities. Kyrgyz mining law stipulates that on discovery of a mineable deposit the exploration licence holder will have exclusive rights to obtain a mining licence.

Full feasibility study

To take the project through to production, Aurum has contracted WAI to author a comprehensive feasibility study with work on plant design and tailings disposal which is being carried out in conjunction with GBM and Golder Associates. The full feasibility study will upgrade the resource to a proven and probable mining reserve and be used to raise project finance. Initial discussions with banks and other recognised financial institutions have indicated an enthusiasm to work with Aurum, and the intention is to further these discussions with a view to tailoring the final study to meet the needs of specific investors for project finance.

The study is expected to be completed before the end of 2006, which should allow project finance to be arranged in the first quarter of 2007.

The successful implementation of this strategy should see Aurum bringing the Andash project on stream in the first half of 2008, just 3 years from initial acquisition.

Conclusion

The period under review has been one of rapid progress during which the Andash acquisition has been transformed from an exploration opportunity to a clearly defined resource which it is expected will allow Aurum to become a gold producing, and therefore cash generating, company in 2008. We anticipate further important milestones in the coming weeks and months, notably completion of our full feasibility study and the securing of project finance.

Mark Jones
Chief Executive

26 September 2006

Directors and technical management

Sean Finley (age 57) – 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 Chairman of Glencar Mining plc since June 2006 as well as having been a non executive director of Glencar since 1994 and has been an executive 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 46) – 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. Prior to joining Aurum he 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 senior 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 48) – 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 Whitchurch 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 India Outsourcing Services plc and Silentpoint plc and executive director of Gasol plc.

John Webster (age 47) – 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 chief executive 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 72) – 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.

Report of the Directors

for the year ended 31 March 2006

The Directors present their report together with the audited financial statements for the year ended 31 March 2006.

Results and dividends

The profit and loss account is set out on page 15 and shows the loss for the year.

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

Principal activities

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

Business review and future developments

The directors assessment of the Group's performance during the period and expected future developments in accordance with the Companies Act requirements to provide a business review are described in the Chairman's and Chief Executive's reports on pages 3 to 7.

Directors and interests

The directors of the Company who held office during the year and their beneficial interests are as follows:

		Number of shares held at 31 March 2005/ on appointment	Number of shares held at 31 March 2006
Sean Finlay		250,000	250,000
Mark Jones	(appointed 01/07/2005)	–	–
Haresh Kanabar		175,000	175,000
John Webster		145,000	145,000
Dr. Colin Knight	(appointed 06/09/2005)	–	–

The directors' interests in share options are as follows:

	Options at 31 March 2006	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	1,000,000	55.5p	23/02/2006	23/02/2006	23/02/2011
Mark Jones	250,000	55.5p	23/02/2006	*	23/02/2011
Mark Jones	250,000	55.5p	23/02/2006	**	23/02/2011
Mark Jones	500,000	55.5p	23/02/2006	***	23/02/2011
Haresh Kanabar	250,000	47p	07/05/2004	07/05/2004	07/05/2009
John Webster	500,000	84p	01/12/2005	01/02/2005	01/02/2010

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

* these options become exercisable upon the reserves in respect of the Company's Andash project being signed off to JORC standards.

** these options become exercisable upon completion of feasibility study in respect of the Andash project being prepared to Western standards.

*** these options become exercisable upon the commencement of gold production at the Andash project.

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.

Directors' remuneration

	Salary/fees Year ended 31 March 2006 £'000	Salary/fees Period ended 31 March 2005 £'000
Sean Finlay[4]	30	27
Haresh Kanabar	25	25
John Webster[1]	40	13
Mark Jones[2]	74	–
Colin Knight[3]	17	–
	186	65

[1]John Webster is paid via Laverock Ventures Ltd, a private service company.
[2]Mark Jones is paid via Laverock Ventures Ltd, a private service company.
[3]Colin Knight is paid via C J Knight Limited, a private service company.
[4]Sean Finlay is paid via Mostop Limited a private service company.

Disclosure of information

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

Significant shareholders

As at 25 August 2006 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 percentage of share capital
Talyn International Limited	2,250,000	18.20
F&C Asset Management	1,643,488	13.29
UBS AG	1,064,333	8.61
Gartmore Investment	613,174	4.96

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 2006 represents 32 days (2005 – 74 days) as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Donations

No charitable or political donations were made during the period.

Post balance sheet events

Refer to note 22 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 £321k at 31 March 2006 and a further £2.5 Million was raised through a placing of shares in May 2006. The Group intends to continue to operate within its cash resources. As a result of the placing since the balance sheet date the directors consider it appropriate to prepare the financial statements on a going concern basis.

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.

Financial instruments

The disclosures included in note 16 to the financial statements set out the policies and procedures undertaken by the directors to manage the risk exposure of the Company and Group.

Auditors

A resolution to reappoint BDO Stoy Hayward LLP as auditors of the company will be proposed at the next Annual General Meeting.

By order of the Board

Haresh Kanabar
Company Secretary

26 September 2006

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 2003 ("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 13. 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 approximately every three 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 the Kyrgyz Republic 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 Boards policy to ensure that the management structure and the quality and integrity of the personnel are compatible with the requirements of the Group.

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.

Report of the independent auditors

TO THE SHAREHOLDERS OF AURUM MINING PLC

We have audited the group and parent company financial statements (the "financial statements") of Aurum Mining Plc for the year ended 31 March 2006 which comprise the Consolidated Profit and Loss Account, 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. We also report to you if, in our opinion, the Directors' Report is not consistent with those 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 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. This other information comprises the Chairman's statement, Chief Executive's review, Corporate governance statement, Statement of Director's 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 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 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 2006 and of its 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 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
London

26 September 2006

Consolidated profit and loss account

for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Administrative expenses – exceptional items	20	(252)	–
Administrative expenses – other		(1,006)	(389)
Total administrative expenses and operating loss		(1,258)	(389)
Interest receivable and similar income	4	21	45
Interest payable		(14)	–
Loss on ordinary activities before taxation		(1,251)	(344)
Tax on loss on ordinary activities	5	–	–
Loss on ordinary activities after taxation		(1,251)	(344)
Retained loss for the financial year	3	(1,251)	(344)
Loss per share – basic and diluted	15	(13.16p)	(4.23p)

All amounts relate to continuing activities.

All recognized gains and losses in the current and prior period are included in the profit and loss account.

The notes on pages 19 to 30 form part of these financial statements.

Consolidated and Company balance sheet

as at 31 March 2006

	Notes	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Fixed assets					
Intangible fixed assets	7	1,305	819	–	–
Tangible fixed assets	8	263	189	8	9
Investments in subsidiary undertakings	9	–	–	665	665
		1,568	1,008	673	674
Current assets					
Stocks		11	–	–	–
Debtors: amounts falling due within one year	10	85	265	26	257
Debtors: amounts falling after one year	10	–	–	1,211	335
Total Debtors		85	265	1,237	592
Cash at bank and in hand		321	944	284	937
		417	1,209	1,521	1,529
Creditors: amounts falling due within one year	11	(339)	(281)	(257)	(258)
Net current assets		78	928	1,264	1,271
Convertible loan notes		(643)	–	(643)	–
Net assets		1,003	1,936	1,294	1,945
Capital and reserves					
Called up share capital	12	95	95	95	95
Other reserve	13	304	–	304	–
Share premium	13	1,687	1,687	1,687	1,687
Merger Reserve	13	498	498	498	498
Profit and loss account	13	(1,581)	(344)	(1,290)	(335)
Shareholders' funds	14	1,003	1,936	1,294	1,945

The financial statements on pages 15 to 30 were approved by the Board of Directors and authorised for issue on and were signed on its behalf by:

Haresh Kanabar
Director

The notes on pages 19 to 30 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 March 2006

	Note	Year ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Net cash outflow from operating activities	(a)	(953)	(487)
Returns on investments and servicing of finance			
Interest received and similar income		21	45
Interest paid		(14)	–
Net cash inflow from returns on investments and servicing of finance		7	45
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(138)	(179)
Deferred exploration expenditure		(486)	(56)
Net cash outflow for capital expenditure and financial investment		(624)	(235)
Acquisitions			
Purchase of subsidiary undertaking		–	(160)
Cash acquired with subsidiary		–	5
Net cash outflow from acquisitions		–	(155)
Cash outflow before management of liquid resources and financing		(1,570)	(832)
Financing			
Issue of ordinary shares		–	2,150
Issue of Convertible Loan Notes (net of issued costs)		947	–
Expenses paid in connection with share issues		–	(374)
Cash inflow from financing		947	1,776
(Decrease)/increase in cash in the year	(c)	(623)	944

The notes on pages 19 to 30 form part of these financial statements.

Notes to the consolidated cash flow statement

for the year ended 31 March 2006

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

	2006 £'000	2005 £'000
Operating loss	(1,258)	(389)
Depreciation of tangible fixed assets	64	2
(Increase)/Decrease in stocks	(11)	2
Decrease/(Increase) in debtors	180	(265)
Increase in creditors	58	163
Foreign exchange	14	–
Net cash outflow from operating activities	(953)	(487)

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

	2006 £'000	2005 £'000
(Decrease)/increase in net cash in the year	(623)	944
Cash (inflow) arising from changes in debt	(1,000)	–
Movement in net (debt)/funds	(1,623)	944
Opening net funds	944	–
Closing net (debt)/funds	(679)	944

(c) Analysis of net funds/(debt)

	At 1 April 2005 £'000	Cash flow £'000	At 31 March 2006 £'000
Cash and short term deposits	944	(623)	321
Debt due after one year	–	(1,000)	(1,000)
Total	944	(1,623)	(679)

Notes forming part of the financial statements

for the year ended 31 March 2005

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 it's subsidiary as detailed 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 2006 using the acquisition method of accounting as required. Under the acquisition method, the results of subsidiary undertakings are included 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 £954,892 (2005 loss of £335,357).

Stocks

Stocks are stated at the lower of cost and net realisable value.

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.

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)

Environmental provisions

Appropriate and adequate provision is made for rehabilitation costs over the estimated year of exploration activity. As at 31 March 2006 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.

Convertible debt

In accordance with FRS4 and FRS25, the Company has classified the convertible debt in issue as a composite 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 16:

- 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.

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:

	Year ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
United Kingdom	(979)	(380)
Kyrgyzstan	(279)	(9)
	(1,258)	(389)
Net interest received and similar income	7	45
Loss for the year	(1,251)	(344)

The net operating assets are analysed by geographical area as follows:

	Year ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
United Kingdom	1,024	1,008
Kyrgyzstan	(342)	(16)
	682	992
Non-operating assets:		
Cash	321	944
Net assets	1,003	1,936

3 Operating loss

This is arrived at after charging:

	Year ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Depreciation of tangible fixed assets	64	2
Auditors' remuneration – audit (Company £23,500, 2005: £13,500)	24	14
Exchange differences	14	–
Exceptional items	252	–

4 Interest receivable and similar income

	Year ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Bank interest receivable	10	45
Exchange gains	11	–
	21	45

5 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 taxation losses calculated at the rates of tax prevailing in the countries in which the losses were incurred amount to approximately £232,000. 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 2006 £'000	Period ended 31 March 2005 £'000
Loss on ordinary activities before taxation	(1,251)	(344)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19%	(237)	(63)
Effects of:		
Expenses not deductible for tax purposes	5	5
Unutilised tax losses	232	58
Current tax charge	–	–

6 Directors and staff – Group and Company

	Year ended 31 March 2006 £'000	Period ended 31 March 2005 £'000
Directors emoluments	186	65

The highest paid director received emoluments totalling £74,000

No retirement benefits are accruing to directors under pension schemes.

	Group Year ended 31 March 2006 £'000	Group Period ended 31 March 2005 £'000	Company Year ended 31 March 2006 £'000	Company Period ended 31 March 2005 £'000
Director's fees and emoluments	186	65	186	65
Wages and salaries – staff costs	153	19	25	19
Social security costs	38	5	5	5
	377	89	216	89

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

	Group Year ended 31 March 2006 Number	Group Period ended 31 March 2005 Number	Company Year ended 31 March 2006 Number	Company Period ended 31 March 2005 Number
Total	39	3	3	3

7 Intangible fixed assets

GROUP	Unevaluated mining properties £'000
Cost	
At 1 April 2005	819
Additions	486
At 31 March 2006	1,305
Net book value	
At 31 March 2006	1,305
At 31 March 2005	819

The Company had no intangible assets.

8 Tangible fixed assets

GROUP	Office and computer equipment £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 April 2005	15	176	191
Additions	15	123	138
At 31 March 2006	30	299	329
Depreciation			
At 1 April 2005	2	–	2
Charge for the year	7	57	64
At 31 March 2006	9	57	66
Net book value			
At 31 March 2006	21	242	263
At 31 March 2005	13	176	189

COMPANY	Office and computer equipment £'000
Cost	
At 1 April 2005	10
Additions	3
At 31 March 2006	13
Depreciation	
At 1 April 2005	1
Charge for the year	4
At 31 March 2006	5
Net book value	
At 31 March 2006	8
At 31 March 2005	9

9 Fixed asset investments

COMPANY	Investments in subsidiary undertakings £'000
Cost and net book value	
At 1 April 2005 and 31 March 2006	665

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

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

10 Debtors

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Amounts falling due within one year:				
Other debtors	38	218	–	210
Prepayments and accrued income	47	47	26	47
	85	265	26	257
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	–	–	1,211	335
	85	265	1,237	592

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

11 Creditors: Amounts falling due within one year:

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Trade creditors	170	240	143	221
Other creditors	6	–	–	–
Other taxation and social security	5	3	2	2
Accruals and deferred income	158	38	112	35
	339	281	257	258

12 Share capital

	Number	£'000
Authorised:		
At 1 April 2005 and 31 March 2006		
Ordinary shares of 1p each	200,000,000	2,000
Allotted, called up and fully paid:		
At 1 April 2005 and 31 March 2006		
Ordinary shares of 1p each	9,505,775	95

Share options

The following options are outstanding for ordinary shares.

The directors' interests in share options are as follows:

	Options at 31 March 2006	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	1,000,000	55.5p	23/02/2006	23/02/2006	23/02/2011
Mark Jones	250,000	55.5p	23/02/2006	*	23/02/2011
Mark Jones	250,000	55.5p	23/02/2006	**	23/02/2011
Mark Jones	500,000	55.5p	23/02/2006	***	23/02/2011
Haresh Kanabar	250,000	47p	07/05/2004	07/05/2004	07/05/2009
John Webster	500,000	84p	01/12/2005	01/02/2005	01/02/2010

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

* these options become exercisable upon the reserves in respect of the Company's Andash project being signed off to JORC standards.

** these options become exercisable upon completion of feasibility study in respect of the Andash project being prepared to Western standards.

*** these options become exercisable upon the commencement of gold production at the Andash project.

13 Reserves

GROUP	Merger reserve £'000	Other reserve £'000	Share premium £'000	Profit and loss account £'000
At 1 April 2005	498	–	1,687	(344)
Loss for the year	–	–	–	(1,251)
Equity proportion of convertible loan notes	–	54	–	–
Exchange differences on retranslation	–	–	–	14
Issue of warrants	–	250	–	–
At 31 March 2006	498	304	1,687	(1,581)

COMPANY	Merger reserve £'000	Other reserve £'000	Share premium £'000	Profit and loss account £'000
At 1 April 2005	498	–	1,687	(335)
Loss for the year	–	–	–	(955)
Equity proportion of convertible loan notes	–	54	–	–
Issue of warrants	–	250	–	–
At 31 March 2006	498	304	1,687	(1,290)

14 Reconciliation of movement in shareholders' funds

	Group Year ended 31 March 2006 £'000	Group Period ended 31 March 2005 £'000	Company Year ended 31 March 2006 £'000	Company Period ended 31 March 2005 £'000
Loss for the year	(1,251)	(344)	(955)	(335)
Issue of ordinary shares	–	2,280	–	2,280
Equity proportion of convertible loan note	54	–	54	–
Exchange differences on retranslation	14	–	–	–
Issue of warrants	250	–	250	–
(Reduction)/addition in shareholders' fund	(933)	1,936	(651)	1,945
Opening shareholders' funds	1,936	–	1,945	–
Closing shareholders' funds	1,003	1,936	1,294	1,945

15 Loss per ordinary shares

The calculation of loss per share of 13.16 pence (2005 – 4.23 pence) is based on the loss for the year of £1,251,000 (2005 – £344,000) and on the weighted average number of shares in issue during the year of 9,505,775 (2005 – 8,144,579).

Due to the loss in the year the effect of all potential ordinary shares is considered to be antidilutive.

16 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 policy is to assess the credit risk of all new customers before entering into contracts and also where possible to trade only with established entities.

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.

Current of net monetary asset/(liability)	2006 £'000	2005 £'000
UK Sterling	(590)	936
US Dollar	34	6
Kyrgyz Som	(20)	(14)
	(576)	928

16 Financial instruments (continued)

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% (2005 – 0% and 4.5%). The convertible loan notes had a fixed interest rate of 11%.

Cash at bank and in hand	**2006 £'000**	**2005 £'000**
Floating interest rate	320,853	944,247

Convertible loan notes	**2006 £'000**	**2005 £'000**
Fixed interest rate	642,654	–

Fair values

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

17 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 and legal transactions. These transactions in total amounted to £94,876 and the amount outstanding at the year end was £112. John Webster a Non-Executive Director of Aurum is also a Director of PPI

The subscribers for the Loan Notes (see note 22) included the following related parties:

- Mark Jones, director (£100,000);
- Sean Finlay, director (£20,000); and
- David Bryans, consultant and substantial shareholder (£150,000).

18 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 ounce of gold equivalent to 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.

19 Commitments under operating leases

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

	2006 £'000	2005 £'000
Leases which expire:		
Within one year	–	–
In two to five years	70	70
After five years	–	–

20 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. The board have made full provision against this balance to reflect the uncertainty regarding the eventual recovery of the balance outstanding.

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 into the last quarter of 2005. The debt is to be repaid by the provision of drilling services at the Andash mine in Kyrgyzstan 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 year of three years on three months notice at a discounted rate of 120% of cost.

The board are currently considering the future drilling programme and the suitability of available drilling rigs. There is some uncertainty as to whether the equipment available from PPI will be the most suitable for some of the drilling targets and therefore whether the Company will utilise the PPI agreement and eventually recover the above amount. The board have therefore provided at this stage against the balance but will review this once the drilling programme is further defined.

Notes forming part of the financial statements

continued

21 Issue of convertible debt

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Issue of convertible debt	643	–	643	–

Loan Notes with a value of £1,000,000 were issued for cash at par (being £1 per Loan Note) on 15 February 2006 (the 'Commencement Date'). The Loan Notes, which are transferable (in whole or in part), may be redeemed (in whole or in part) at par at any time after the first anniversary of the Commencement Date and prior to the third anniversary of the Commencement Date (the 'Repayment Date').

The Loan Notes are secured on the Group's interest in the Andash Project.

Interest is payable on the Loan Notes, at the interest rate from the Commencement Date to the earlier of the date of redemption or the date of conversion. Interest is charged at 11 per cent until the first anniversary of the Commencement Date and thereafter at 10 per cent per annum. Interest accrues from day to day on the aggregate principal amount of the Loan Notes outstanding at that time and all interest accruing after the Commencement Date is payable to the Loan Noteholders with effect from the first anniversary of the Commencement Date by quarterly payments in arrears until conversion or, if earlier, when the Loan Notes are repaid.

If at any time prior to the Repayment Date the Company completes a raising of further funds by way of an issue of new Ordinary Shares or by way of convertible debt ('Fundraising') at less than 35p per share (or, where such Fundraising is structured by way of convertible debt, where conversion rights may be exercised at less than 35p per share), Loan Noteholders shall have the right to redeem their Loan Notes (in whole or in part) at par, together with interest accrued up to and including the date of redemption.

The Loan Notes are convertible at the lesser of 35p per Ordinary Share and the price at which any Fundraising takes place (or where such Fundraising is structured by way of convertible debt, the price per share at which such debt may be converted). The Ordinary Shares to be so issued will rank pari passu in all respects with the existing Ordinary Shares in issue.

Each Loan Noteholder received one warrant entitling him to subscribe for 1 Ordinary Share ('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 FRS4 and FRS25, the Company has treated the simultaneous issue of the convertible loan notes and the warrants as a composite financial instrument. The Company has 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 has been classified as equity. Costs incurred in raising the loan amounts of £53,252 have been set against the loan amount. The effective rate of interest is 10.33%.

22 Post balance sheet events

The Company announced on 8 May 2006 that a placing of 2,777,778 new ordinary shares of 1 pence each have been placed by Arbuthnot Securities Limited with institutional investors at a price of 90 pence per share to raise £2.5 Million before expenses. The placing shares represent approximately 22.5 per cent of the enlarged issued share capital of the Company.

The net proceeds of the placing will be used primarily for working capital purposes in order to complete the engineering design work required to complete the feasibility study and conduct further drilling on exploration zones 2 and 3 at the Company's Andash project

On 20 April 2006, application was made for the admission to trading on AIM of 81,915 ordinary shares of 1p each in the Company pursuant to the exercise of options. The shares rank pari passu with the Company's existing issued ordinary shares.

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, 190 Strand, London WC2R 1JN on 3 November 2006 at 10.30 am at which the following resolutions will be proposed as ordinary resolutions:

As Ordinary Business

1. To receive and adopt the accounts, together with the directors' and auditors' reports for the period ended 31 March 2006.
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 Haresh Kanabar who retires by rotation pursuant to Article 88 of the Articles of Association.

By Order of the Board

Haresh Kanabar
Secretary

Dated: 26 September 2006

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

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 members who hold ordinary shares in uncertificated form must have been entered on the Company's Register of Members by 10.30 am on 1 November 2006 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.

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