

# Aurum Mining Plc

## ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

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# Annual report and financial statements

for the year ended 31 March 2008

## Contents

Page

<b>2</b>	Company information
<b>3</b>	Chairman's statement
<b>5</b>	Chief Executive's review
<b>12</b>	Report of the Directors
<b>18</b>	Corporate governance statement
<b>20</b>	Statement of Directors' responsibilities
<b>21</b>	Report of the independent auditors
<b>23</b>	Consolidated income statement
<b>24</b>	Consolidated and Company balance sheets
<b>25</b>	Consolidated and Company cash flow statements
<b>26</b>	Consolidated and Company statements of recognised income and expense
<b>27</b>	Notes forming part of the financial statements
<b>58</b>	Notice of Annual General Meeting

# Company information

<b>Directors</b>	<b>Sean Finlay</b> Non-Executive Chairman <b>Mark Jones</b> Chief Executive Officer <b>Chris Eadie</b> Chief Financial Officer <b>Haresh Kanabar</b> Non-Executive Director <b>Colin Knight</b> Non-Executive Director
<b>Company Secretary and Registered Office</b>	<b>Haresh Kanabar</b> 1st Floor 26 Curzon Street London W1J 7TQ
<b>Company Number</b>	5059457
<b>Nominated Adviser and Broker</b>	<b>Arbuthnot Securities Ltd</b> Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
<b>Auditors</b>	<b>BDO Stoy Hayward LLP</b> 55 Baker Street London W1U 7EU
<b>Solicitors</b>	<b>Lawrence Graham LLP</b> 4 More London Riverside London SE1 2AU
<b>Website</b>	<a href="http://www.aurummining.net">www.aurummining.net</a>

# Chairman's statement

## The Operating Environment

The year to 31 March 2008 began very positively and we made substantial progress with the Andash project, specifically in preparations for the construction of the Zone 1 mine, by way of further exploration work throughout the Andash licence area and in developing our social responsibility initiatives in the Kyrgyz Republic

Our momentum was interrupted towards the end of the financial year by a civil case brought under the laws of the Kyrgyz Republic, which effectively challenges our ownership of the Andash licence. The immediate impact of the case, which we viewed from the outset as being entirely without merit, was an enforced cessation of the construction of the Zone 1 mine and the temporary suspension of trading of our shares on AIM

The case itself concerned the transfer of ownership of assets, including the Andash licence, prior to Aurum's acquisition of Andash Mining Company (AMC) in January 2005. While the case has not yet been formally closed, significant progress has been made in resolving matters. This is highlighted by the lifting of AMC's financial injunction in September 2008

This civil case, the nature of which is virtually impossible to envisage under UK law, has been highly disruptive. It has impacted the timeline of bringing the Zone 1 mine into production, absorbed management time, added to our costs and undermined shareholder value

The worsening operating environment in the Kyrgyz Republic, which is highlighted by the impact that a seemingly fraudulent and unfounded claim has had on our business, is of deep concern to me and the rest of the Board. As a result we have decided to cease all further investment into the Andash project until the political and operational environments improve sufficiently to warrant further investment

## Project Update

Whilst the civil case affected work on the ground, we have continued to make important progress in some aspects of the Zone 1 mine including the approval by the Kyrgyz authorities of the technical design of the mine

While the Board is still convinced of the underlying robustness of the Andash project (a view underpinned by current commodity prices), it will be of no surprise that there has been significant mining inflation in the Kyrgyz Republic as in most other parts of the world. This, combined with the fact that many of the key supply contracts for the project had to be terminated with the onset of the litigation (and subsequently renegotiated from a higher cost base), has meant that the forecast costs to bring the Andash project into production have increased by approximately 35% since Wardell Armstrong International (WAI) completed their cost estimates (as part of their feasibility study on the Zone 1 mine) in November 2006

In addition to the \$12m already invested into the Zone 1 mine, we estimate a further US\$65m of funds are required to bring the Zone 1 mine into production. This figure includes all costs (CAPEX, working capital and overheads) required to bring the mine to first cash flow

Cash funds in the Company currently stand at approximately \$36m (£19.5m) so an additional \$29m will need to be raised by the Company to bring the Zone 1 mine to first cash flow

The Company is looking at a number of options to bridge the gap between existing funds and the total funds required to bring the mine into production and it is also looking at a number of initiatives to reduce costs wherever it can

Although the Company is not investing further funds into the project at this time, the current expectation is that construction of the mine could recommence in March 2009 and, if this is the case, the Board's view is that the Zone 1 mine will be in production in the first quarter of 2010

Unfortunately the litigation process meant an immediate cessation of a successful exploration programme at a really critical time (details of which are outlined in the Chief Executive's Review). The exploration programme will be resumed once investment on the project recommences and the scope and extent of the work will be determined at that stage

# Chairman's statement

continued

## Strategic Review

In August of this year, the Board announced that the events of the previous six months had highlighted to it the risks of being a single project company in the Kyrgyz Republic. As a result, the Board is currently looking at a number of new initiatives as to how these risks can be best mitigated. The Board has undertaken an initial strategic review in which a number of tactical opportunities are being considered. These include, but are not limited to, diversifying the current project portfolio outside of the Kyrgyz Republic and identifying a business partner that can provide a greater degree of influence over the government of the Kyrgyz Republic.

It is the Board's intention to complete the strategic review before the end of November and formally propose to Shareholders a roadmap for the way forward. If at that stage the Board believes that the climate for further investment has not improved, and that the tactical opportunities to enable Aurum to grow effectively are not appropriate then it will, in consultation with Shareholders, propose to reduce the capitalisation of the company to allow cash to be returned.

## Financials

For the year to 31 March 2008, the Group reported a loss of \$1.6 million, compared with a loss of \$3.7 million in 2007. Cash at bank at the end of August 2008 (post settlement with Marsa AG) was \$36m (£19.5m). Careful cost control remains a key priority at Aurum particularly as we reassess the costs and timings of the project now we approach the end of the litigation process.

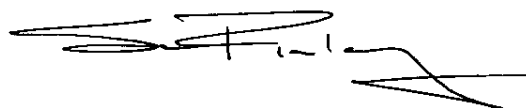
## People

I would like to thank Aurum's staff in the UK and in the Kyrgyz Republic and to thank the Company's consultants and other advisers for their dedicated work throughout this difficult period.

I would also like to express my gratitude for the valuable support from our Shareholders.

## Outlook

We remain confident that the civil case will be resolved shortly. Given this, and the fact that we continue to benefit from a strong balance sheet, we remain confident that the Andash Project has potential to create significant value for our Shareholders.



**Sean Finlay**  
Chairman

29 September 2008

## Chief Executive's review

Following the successful equity fundraising in February 2007, the key objective for the Group for the year to 31 March 2008 was to make sufficient progress to enable the Andash Zone 1 mine to be in gold and copper production in the second half of the 2008 calendar year

While significant progress was made in the period to March 2008, subsequent events have had a major impact on operations and this has meant an immensely frustrating period for all of the Company's stakeholders. While there does currently appear to be some hope that the recent issues in the Kyrgyz Republic will be resolved in the short-term, the recent litigation (and associated financial injunction) has undoubtedly damaged our business and as a direct result of the litigation our original plan to get the Zone 1 mine into production by the end of 2008 has been derailed. The injunction also stopped our extensive exploration programme in its tracks – this was extremely disappointing given the very positive start to the programme.

It will not be possible to assess the full impact of the litigation process until it is fully and finally resolved. As of today the court case is temporarily suspended by the Bishkek courts and while the financial injunction in place against AMC has been lifted – and the company is free to resume its day to day activities in the Kyrgyz Republic – the Board still has sufficient concerns about the current operating environment in the Kyrgyz Republic to hold back on further capital expenditure on the Andash project until full confidence has been restored.

Without question the litigation process and the associated impacts are deeply regrettable as AMC was on the brink of committing major expenditure on site preparation, the first step towards getting the Zone 1 mine into production. Progress over the previous few years has been substantial and Aurum was ideally positioned to break through the barrier to being a producer. Until early March 2008, all aspects of the Zone 1 project were coming together and the momentum was building for an aggressive investment and construction phase during the spring and summer to enable the Group to meet all of its targets and goals. The Zone 1 mine was on track to be completed within time and within budget.

### **Marsa AG litigation**

It was a huge shock and disappointment to the Aurum Board when it was notified of the litigation against its subsidiaries, AMC and Kaldora Company Limited.

Without wanting to compromise AMC's position in the case, readers should simply be reminded that the civil case is underpinned by a claim brought by Marsa AG against Marsa Gold LLC, a company controlled by Oleg Kim, a former employee and founder of Andash Mining Company. The case concerns historical transactions involving the transfer of a number of assets (of which the Andash asset is one) prior to Aurum's acquisition of Andash Mining Company in January 2005. As a result of the civil proceedings the Court also ordered a temporary cessation of any further financial transactions for AMC.

The Board continues to believe that there is absolutely no merit to the case whatsoever and it continues to be dismayed by the lack of due process that the Kyrgyz courts have followed during the evolution of the process. The Board has taken this up at the highest levels of government but unfortunately our concerns, whilst shared with other investors in Kyrgyz Republic, are not being reflected in any demonstrable way by government activity.

It is therefore the Board's current intention to withhold further direct investment on the project until the operating environment in the Kyrgyz Republic has changed sufficiently to warrant further investment.

## Chief Executive's review

continued

### **The operating climate in Kyrgyz Republic**

During the year under review, and subsequent period, there has been a growing concern that the investment climate in the country, particularly for resource companies, is untenable. The Mineral Resources Committee of the International Business Council, a leading business association in the Kyrgyz Republic recently drafted a letter to the Kyrgyz Government in which the following was expressed

*'It is our belief that only concerted and determined action at the highest levels of government will be able to rescue the Kyrgyz mining industry from its current impasse. The reasons for the impasse are complex, and vary in detail from project to project. The underlying common threat is that despite the efforts of genuine investors in the years since independence to bring deposits into production and to generate wealth and employment, barriers to progress have arisen and become insurmountable. The record shows that only direct government support is going to be able to remove these barriers and revive the perception that the Kyrgyz Government is indeed sincere about developing the economy through foreign investment. The potential for partnership is clear – government support for resource development will lead to a flow of tax revenues from the mining industry. Undeveloped ore bodies generate no benefits to the nation'*

The recent claim and court process to which the Group has been subjected to have highlighted to the Board the fundamental requirement of getting a clear and sincere undertaking from the government of the Kyrgyz Republic that all barriers to investment in the country are removed. In addition the government needs to confirm to the Board and its shareholders that we have full legal title to the Andash asset and that the State Agency for Geology and Mineral Resources will fully uphold the mining licence agreement.

There have been some positive moves, in particular a visit to London by Kapar Kurmanaliev, the Director of the State Agency for Geology and Mineral Resources in May of this year in which he addressed the investment community on the intentions of the State Agency and Jogorku Kenesh, the parliament of the Kyrgyz Republic, to strengthen the position of foreign investors in the mining industry, and eliminate many of the investment barriers. Kurmanaliev expressed every confidence that the new Mining Code, which is due to be published in the next few weeks, will go a long way to protecting the rights of investors. Whilst the Board is encouraged by this development, the new code will have to be backed up by clear undertakings from the President and Prime Minister that they will deliver on earlier investment agreements and ensure that both the General Prosecutors Office and the courts become independent.

### **Strategic Review**

In August of this year, the Board announced that the events of the previous six months had highlighted to it the risks of being a single project company in the Kyrgyz Republic. As a result, the Board is currently looking at a number of new initiatives as to how these risks can be best mitigated. The Board has undertaken an initial strategic review in which a number of tactical opportunities are being considered. These include, but are not limited to, diversifying the current project portfolio outside of the Kyrgyz Republic and identifying a business partner that can provide a greater degree of influence over the government of the Kyrgyz Republic.

It is the Board's intention to complete the strategic review before the end of November and formally propose to Shareholders a roadmap for the way forward. If at that stage the Board believes that the climate for further investment has not improved, and that the tactical opportunities to enable Aurum to grow effectively are not appropriate then it will, in consultation with Shareholders, propose to reduce the capitalisation of the company to allow cash to be returned.

# Chief Executive's review

continued

## Andash Zone 1

As mentioned, the period to March 2008 was one of sustained progress and achievement and we had AMC positioned to deliver our strategic objective of becoming a copper and gold producer during the second half of 2008

Key to our success in the Kyrgyz Republic was ensuring that we had the best possible team in place to strengthen our position in the region. We have previously outlined the structure of AMC's management team in the Kyrgyz Republic but we were also able to announce during the year the establishment of a local advisory board for AMC and, in respect of this, we were delighted to announce the appointment of Professor Muratbek Imanaliev as the Chairman of this board. Professor Imanaliev is currently the President of the Institute for Public Policy in the Kyrgyz Republic, and he is also a Professor at the American University of Central Asia. Professor Imanaliev is a former Ambassador of the Kyrgyz Republic to the People's Republic of China, and he has twice held the position of the Minister for Foreign Affairs. He also holds the diplomatic rank of Ambassador Extraordinaire and Plenipotentiary of both the former USSR and the Kyrgyz Republic. We were both delighted and very proud that he decided to join AMC, and we remain convinced that he will assist us in our objective of developing the AMC into a world class socially responsible and economical gold and copper producer when the current issues are resolved.

From the outset of the Andash project we were committed to taking a responsible approach to mining in the region and we were delighted to be able to announce at a public press conference in Bishkek, plans for a \$1 million social fund to benefit the local population within the Talas Valley. This fund will be initiated after production commences at the Zone 1 mine and will be managed by local trustees for social, educational and cultural development projects in the Andash area. We believe that the future success of the Andash project can be achieved only through ensuring a commonality of interests between ourselves and local, regional and national groups. Our proposed social fund underlines our objective of making a very positive on-going contribution to the people of the Kyrgyz Republic.

To ensure that local people are fully informed about all aspects of the project, we also opened an information centre in Kuperov Bazaar, the nearest village to the mine, during the year. This centre is a focal point for information sharing between AMC and the local community. AMC is itself becoming an increasingly important employer in the region, with staff numbers totaling around 140 prior to the onset of the litigation.

Until March 2008, the Board felt very confident of delivering Zone 1 mine within both the forecast timeline and in-line with our forecast capex budget. However, as previously outlined, the litigation and associated injunction have seriously impacted the business. The Board's current view is that providing the project build commences in March 2009, the mine will be in production in the first quarter of 2010. However until the court case is finally closed and the Board gets clarity and assurances that the operating environment has sufficiently improved to justify further investment into the mine it is not possible to be definitive on forecasts.

## Project Financial summary

Over the course of the summer, the AMC management team has been working on the layout and design of the Zone 1 mine to ensure that once construction commences the mine can be built as efficiently and effectively as possible. The current best estimate is that US\$65m of funds are required to complete the mine and to take it through to cash flow. Given that approximately \$12m has already been invested into the mine, this indicates that the total capital and operational costs of the project will be approximately \$77m – an increase of over 35% since the completion of the feasibility study in November 2006.

Total capital costs on the Zone 1 mine build are now forecast to be in the region of US\$60m compared to the forecast of \$48.5m a year ago. This 23% rise can chiefly be attributed to inflation in raw materials (prices of steel and concrete have risen by 30% and 15% respectively over the last twelve months alone) combined with the need for the Company to renegotiate major project contracts in a period of significant mining inflation. These include the power contract, and supply of re-grind mill, compressor and mill buildings.

# Chief Executive's review

continued

Further working capital and operational costs required to complete the construction are now forecast to be \$17m. These costs are almost 50% higher than forecast at the time of our fundraising in February 2008, and the significant cost increase are primarily due to inflation in fuel, steel balls, reagents, labour and explosives.

Cash funds in the Company currently stand at approximately \$36m (£19.5m) so there is a requirement to raise an additional \$29m to take the Zone 1 mine to first cash flow.

The incremental \$29m required is not only to make up for the increase in project costs due to mining inflation which are outlined above (approximately \$21m) but it will also cover the cash shortfall that has arisen through expenditure and charges incurred to date on 'non project' costs such as exploration, legal costs and settlement with Marsa AG. In addition the recent weakening of sterling against the US dollar has increased the funding requirement. These items between them have contributed to an additional \$8m financing requirement.

The Company is currently looking at a number of different products and options to raise the additional \$29m of finance required to take the Zone 1 mine into production. These initiatives include looking at vendor financings, potential partnering arrangements and investigating the potential of obtaining investment from multilateral institutions.

## Alternative plant design

During the summer, the AMC technical team has been working with the support of the State Agency for Geology and Mineral Resources on an alternative plant design to eliminate the need for a conventional tailings management facility (TMF) which over life of mine had a total capital cost of \$24m. Following a programme of work using consultants in Britain and Russia, it was established that our tailings are suitable to be cleaned in a washing facility, thereby allowing the cleaned sands to be stored as fill in valleys close to the Zone 1 pit.

If we adopt this design, there are a number of advantages. Whilst there is only a small reduction in up front capital costs (circa \$600k) there is a substantial reduction in the total life of mine costs through eliminating the construction of a tailings management facility of around \$24m. The release of land currently allocated to the TMF and currently used in summer as coarse grazing for the local villagers reduces one of the main environmental and social concerns raised by the local population in the impact assessment carried out by both ourselves and consultants. In addition the elimination of sands that contain chemicals has an obvious positive environmental impact, and the reduction in operating costs through reduced water, transportation and land allotment will benefit Aurum considerably.

The obvious benefits of this alternative design need to be fully modeled, but the capital and operating cost savings over the course of the mine life are currently forecast to be in the region of \$39m.

The AMC technical team will continue this work through to a technical design stage so that a final decision can be made.

## Exploration update

The Board has always had the utmost confidence and belief in the Andash asset, and it has always been our belief that there is really significant upside potential beyond the Zone 1 mine.

In support of the Board's long held belief in the Andash asset we were delighted to announce excellent results from the initial hole drilled at the Tokhtonsay exploration target and to announce the discovery of new and exciting exploration targets within the Company's Andash license area. It was therefore extremely disappointing that the financial injunction was to disrupt the exploration programme at such a crucial stage.

The initial drill hole at Tokhtonsay hit mineralisation from the surface to a depth of 85m with a remarkable intersection from 15m to 72m of 1.48g/t of gold and 1.41% copper, which includes 2.01g/t Au and 2.2% Cu from 15m to 41m. These excellent gold and copper grades come from an exploration programme that began in Tokhtonsay in September 2007 with the initial hole drilled vertically into a previously identified IP anomaly.

# Chief Executive's review

continued

This IP anomaly is 600m by 300m in size. Its characteristics are typical of porphyry systems and are similar, though extending over a larger area, to Zone 1, which has a Joint Ore Reserves Committee (JORC) Measured and Indicated resource of more than 17 million tonnes, containing 624,000 ozs of gold and 72,000 tonnes of copper.

Tokhtonysay comprises seven outcropping mineralised zones, four of which are situated within the Andash exploration license area. The remaining three are within the adjacent Korgontash license area, which is held by Orsu Metals Corporation (TSX: OSU and AIM: OSU). Tokhtonysay is situated close to the Zone 1 mine, which is currently under construction, and it therefore has the potential to significantly increase the resource base, prolong the mine life and enhance the profitability of the Andash asset.

In addition to the work at Tokhtonysay, an independent consultancy carried out an extensive programme of geophysics on the Andash Licence area.

At Nakhodka, another target within the Andash Licence area, re-interpretation of historical IP data, allied to the new work completed in 2007, resulted in the identification of a further polarized anomaly. It is located 350m to the north from Zone 1 and at a depth of 20m to 40m. This anomaly is also evident 200m to the east at a depth of 20m to 50m, where it continues to dip downwards to 100m to 150m. It is similar to ore body Zone 1 and may lead to the discovery of a blind target with similar parameters located within the contour of the designed open pit. In addition a compact anomaly was discovered some 800m to the southeast of the Nakhodka target. Again this is a blind target, but is detected to a depth of 150m, over a width of 100m, and shows similar characteristics to the Zone 1 ore body. It is intended to investigate this anomaly initially by one vertical drill hole to a depth of 150m.

The work completed during the year under review endorses the strength of the Andash asset and reaffirms the Board's belief of the significant upside potential it offers our shareholders. However, whilst it is necessary to instigate a comprehensive drilling campaign to delineate the extent and quality of additional resource potential, beyond meeting the minimal exploration license requirements the board has decided not to commence the programme until the board decides to re-invest in the asset.

## 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 2007.

The latest information on layout and design has been transmitted to the Kuperovo 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 technical design.

The Stage 2 OVOS (Impact Assessment and Mitigation) has been linked in to the Technical Design which was finally approved by the authorities when the financial injunction was lifted in September this year. The process allows for further 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 was progressed during the year, and a social impact assessment, community development programme, environmental monitoring and management plan, mine closure and rehabilitation plan have been drafted.

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

# Chief Executive's review

continued

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 Convention on Environmental Impact Assessment in a Transborder context (Espoo) 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 Kuperov Bazaar, NGOs 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 all stakeholders.

We have held a number of public consultations, round table discussions and public meetings, with representatives of the local communities, NGOs and local government. We continue to use expert guidance, and therefore public consultations were attended by WAI's UK consultant Dr Magnus McFarlane.

Our objective of sharing information centred on 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 was opened in Kuperov Bazaar in September 2007 to provide a venue for sharing information. It provides details of the proposed mining and processing activity, the economic impact and the benefits it will provide to the local community and include a 'book of comments' that will allow individuals to seek clarification or share concerns. This complements the information packs that were given to every household in the local villages in August last year.

AMC has carried out public relations 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 the national values of the Kyrgyz Republic. 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.

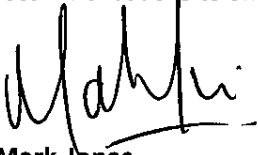
# Chief Executive's review

continued

## Summary

Whilst the year under review was highlighted by the clear focus on delivering Andash Zone 1 into production by the end of the 2008 calendar year, the subsequent litigation, financial injunction and concern over the lack of support from the government of the Kyrgyz Republic has forced the Board to take a fundamental review of how the Group should move forward

We have a strong balance sheet at a time when many junior mining companies are struggling to survive, and the strategic review being undertaken by the Board is giving confidence that we do have a number of options to deliver value to our Shareholders. The current share price has discounted the value of our Andash asset into negative territory. If the climate to bring Andash into production promptly can be established, and the current financial gap bridged then the opportunity to bring significant benefit to all stakeholders is clear. The Board understands the task at hand, and will consider all options before making recommendations to Shareholders before the end of the calendar year.



**Mark Jones**  
Chief Executive Officer

29 September 2008

# Report of the Directors

for the year ended 31 March 2008

The Directors present their report together with the audited financial statements for the year ended 31 March 2008

## Financial results

The audited financial statements are presented on pages 23 to 57

The Directors do not recommend a dividend for the year ended 31 March 2008 (2007 £nil)

## Principal activities

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

## Business review and future developments

Plant, Equipment and vehicle fixed assets increased from \$704k to \$11,309k in the year under review. This increase was due to the acquisition of the road building equipment and mining fleet required for the Andash Zone 1 mine.

Cash balances decreased from \$55.6m to \$41.7m in the year under review. The \$13.9m decrease is primarily explained by the fixed asset acquisitions outlined above and by the on-going working capital investment into the Andash project.

A detailed review of the business for the year and likely future developments are set out in the Chairman's and Chief Executive's reports on pages 3 to 11.

## Principal risks and uncertainties

The Group operates in jurisdictions that have varying degrees of political and commercial risk. 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.

Details of litigation in relation to the ownership of and the Group's interest in the Andash mining property are included within the Chairman's statement, Chief Executive's review and note 9.

## Key performance indicators (KPIs)

The key performance indicators of the Group are as follows

	2008	2007
Loss per share	\$(3.57c)	\$(25.35c)
Share price at 31 March	94.5p	103.75p
Cash at bank	\$41.7m	\$55.6m
Proven and probable ounces of gold and gold equivalent	1.1m	1.1m

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.

# Report of the Directors

continued

## 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 2008	Number of shares held at 31 March 2007
S Finlay	312,721	312,721
M Jones	313,612	313,612
H Kanabar	175,000	175,000
J Webster (resigned 01/05/2007)	145,000	145,000
C Knight	–	–
C Eadie	–	–

The Directors' interests in the share options and warrants of the Company as at 31 March 2008 were as follows

	Options at 31 March 2008	Exercise Price	Date of grant	First date of exercise	Final exercise date
<b>Options</b>					
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	150,000	99 5p	17/11/2006	08/12/2006	08/12/2011
C Eadie****	150,000	99 5p	17/11/2006	28/02/2007	28/02/2012
C Eadie***	200,000	99 5p	17/11/2006	30/09/2008	30/09/2013
<b>Warrants</b>					
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

There were no options granted to Directors during the year. No options were exercised during the year by the Directors.

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-previously estimated 30/09/2008

\*\*\*\*these options became exercisable immediately following the secure of financing 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.

# Report of the Directors

continued

## **Supplier payment policy**

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. The company is a holding company and, as such, has few suppliers. Trade creditors as at 31 March 2008 represents 20 days (2007: 2 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 \$15,986 during the period (2007: \$38,615) to Kuperu 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**

For details on post balance sheet events refer to note 23 of the financial statements.

## **Going concern**

The financial statements have been prepared on a going concern basis. The Group's cash resources stood at \$41.7 million at 31 March 2008 (2007: \$55.6 million). 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**

BDO Stoy Hayward LLP have indicated their willingness to continue in office as auditors to the Company and a resolution proposing their re-appointment will be put to the forthcoming Annual General Meeting.

## **Disclosure of information to 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.

# Report of the Directors

continued

## Annual General Meeting

The special business to be proposed at the Annual General Meeting relates to the following matters

### Resolutions 4 and 5

The current authorities of the Directors to issue shares pursuant to sections 80 and 89 of the Companies Act 1985 expire on 4 April 2009 and therefore Resolutions 4 and 5, which are proposed as an Ordinary Resolution and a Special Resolution respectively, are to renew these authorities with effect from that date

Resolution 4, which is proposed as an Ordinary Resolution, is to provide the Directors with authority to issue new ordinary shares up to an aggregate nominal value of £159,012.30 representing approximately 33 per cent of the current issued share capital of the Company. This authority will expire on the earlier of 31 October 2009 or the date of the next Annual General Meeting of the Company.

Resolution 5, which is proposed as a Special Resolution, is to approve a disapplication of statutory pre-emption rights in respect of the issue of new ordinary shares for cash up to an aggregate nominal value of £96,376.55 representing approximately 20 per cent of the current issued share capital of the Company. This authority will expire on the earlier of 31 October 2009 or the date of the next Annual General Meeting of the Company.

### Resolution 6

Resolution 6, which is proposed as a Special Resolution, is a resolution to amend the Articles of Association of the Company to take into account various provisions of the Companies Act 2006 (the "2006 Act") which have come into force over the last 18 months. The key amendments which are proposed are as follows:

#### Notices of General Meetings

It is proposed that article 51.1 of the Articles of Association be amended. The requirement to give 21 days' notice in respect of a general meeting of shareholders at which it is proposed to pass a special resolution is to be altered to 14 days'. This is to accord with the relevant provisions of the 2006 Act, which came into force on 1 October 2007. The requirement to give 21 days' notice in respect of an annual general meeting is to be retained. All other general meetings are to continue to be called at 14 days' notice.

#### Voting of Proxies

Article 64 is to be amended to reflect the position under section 284 of the 2006 Act that on a vote on a resolution by way of a show of hands, every proxy present will now have a vote.

#### Lodging of Forms of Proxy

It is proposed that article 72 be amended. The requirement to lodge an instrument appointing a proxy at the place specified for that purpose not less than 48 hours before the time of the meeting is to be amended to exclude weekends, Christmas Day, Good Friday and any bank holiday. Accordingly, any of these days will not count towards the 48 hour period. Again, these amendments are to accord with the relevant provisions of the 2006 Act, which came into force on 1 October 2007.

#### Age of Directors on Appointment

It is proposed that the provisions of Article 77 which require the appointment of any Director who is over the age of 70 to be approved by Shareholders be deleted, as such provision could now fall foul of the Employment Equality (Age) Regulations 2006.

#### Notice of Board meetings

Article 89 provides that when a Director is abroad they can request that notice of Directors' meetings is sent to them at a specified address and, if they don't do so, they are not entitled to receive notice while they are away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a Director who is abroad. It is proposed that it be replaced with a more general provision that a Director is treated as having waived their entitlement to notice, unless they supply the Company with the information necessary to ensure that they receive notice of a meeting before it takes place.

# Report of the Directors

continued

## Conflicts of interest

It is proposed to include a new article to enable the Board to authorise a Director to have a direct or indirect interest that conflicts, or may possibly conflict, with the Company's interests (for example if a Director becomes a director of another company or a trustee of another organisation) The article provides that (i) only Directors who have no interest in the matter being considered will be able to take the relevant decision, (ii) in taking the decision, the Board must act in a way it considers, in good faith, will be most likely to promote the Company's success, and (iii) the Board may impose limits or conditions when giving authorisation if it thinks this is appropriate It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively The relevant provisions of the 2006 Act are expected to come into force on 1 October 2008

## Accounting records

The requirement in article 134 to 137 requiring the Board to keep accounting records is to be removed, as that requirement is now contained in the 2006 Act

## Insolvency

Articles 144 to 147 contain provisions dealing with the distribution of assets in kind in the event of the Company going into liquidation These provisions are to be removed on the grounds that a provision about the powers of liquidators is a matter for insolvency law rather than the articles of association and that the Insolvency Act 1986 confers powers on the liquidator which would enable it to do what is envisaged by the existing articles of association

## Indemnity for Officers

Article 149 is to be amended, to reflect recent statutory changes which widen the scope of the Company's ability to indemnify its Directors and officers (and directors of an associated company) The amendments will cover liabilities incurred by a Director or officer in respect of proceedings brought by third parties in relation to any negligence, default, breach of duty or breach of trust in the performance of his duties The indemnity will be permitted to cover the legal and financial costs of such proceedings, but not criminal fines, regulatory penalties, liabilities owed to the Company or the costs of criminal proceedings if judgement is given against the Director or officer, or any other liability which would make the indemnity void under the 2006 Act

## Electronic and Web Communications

Provisions of the 2006 Act which came into force in January 2007 enable companies to communicate with members by electronic and/or web communications The amended Articles of Association continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents of information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent The Company will notify the member (either in writing or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information

In addition, the opportunity is being taken to make minor amendments to the Articles of Association to update statutory references and to correct typographical errors

A copy of the Articles of Association incorporating the proposed amendments will be available for inspection at the offices of the Company's solicitors, Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU during normal business hours on any weekday (Saturday excepted) from the date of this document until the close of the Annual General Meeting

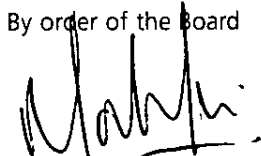
# Report of the Directors

continued

## Resolution 7

Resolution 7, which is proposed as a Special Resolution, is to authorise the Company to purchase up to 7,228,241 ordinary shares in the market, representing 15 per cent of the current issued ordinary share capital of the Company, at a price not less than the nominal value of the ordinary shares and not more than 5 per cent above the average of the middle market quotations of the Company's ordinary shares derived from the London Stock Exchange Daily Official List for the five business days before the purchase is made. The Company may either cancel any shares that it purchases under this authority or transfer them into treasury (and subsequently sell or transfer them out of treasury or cancel them). This authority will expire on the earlier of 31 October 2009 or the date of the next Annual General Meeting of the Company and it is presently intended that a resolution for the renewal of such authority will be proposed at each succeeding Annual General Meeting. The Directors have no present intention of making such purchases, but it is 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 believe that to do so would be in the best interests of shareholders generally.

By order of the Board



**Mark Jones**  
Chief Executive Officer

29 September 2008

# 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 20. 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.

# Corporate governance statement

continued

## **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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the Company in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to

- consistently select and then apply appropriate accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

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 Company'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 (the "financial statements") of Aurum Mining Plc for the year ended 31 March 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statement of Recognised Income and Expense 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 Annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 Report of the Directors' 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 only the Chairman's statement, Chief Executive's review, Corporate governance statement, Statement of Directors' responsibilities and the Report of the Directors. 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.

# Report of the independent auditors

continued

## Opinion

In our opinion

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 March 2008 and of the Group's loss for the year then ended, and
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 March 2008, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors' is consistent with the financial statements

## Fundamental uncertainty – Andash asset

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the litigation in relation to the ownership of and the Group's interest in the Andash mining property. The Directors are confident that the Group will eventually receive a favourable judgment in relation to the asset, however there is no guarantee of this. A negative outcome to the current litigation would likely lead to significant impairments against the carrying value of the Group's mining properties, plant and equipment and VAT recoverable. We draw your attention to the further details given in Note 9. Our opinion is not qualified in this respect.

*BDO Stoy Hayward LLP*

**BDO Stoy Hayward LLP**  
Chartered Accountants  
and Registered Auditors  
London

29 September 2008

# Consolidated income statement

for the year ended 31 March 2008

	Notes	2008 \$'000	2007 \$'000
Administrative expenses		(4,503)	(3,672)
<b>Operating loss</b>	3	(4,503)	(3,672)
Finance income	6	2,957	291
Finance expenses	6	(79)	(331)
<b>Loss for the year before taxation</b>		(1,625)	(3,712)
<b>Tax on loss for the year</b>	7	-	-
<b>Loss for the year after taxation</b>		(1,625)	(3,712)
<b>Loss attributable to the equity shareholders of the parent company</b>		(1,625)	(3,712)
<b>Loss per share</b>			
Basic and Diluted	8	(3 57c)	(25 35c)

All amounts above relate to continued operations

The notes on pages 27 to 57 form part of these financial statements

# Consolidated and Company balance sheets

as at 31 March 2008

	Notes	Group		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Intangible assets	10	515	–	–	–
Property, plant and equipment	9	22,516	10,053	35	13
Investment in subsidiaries	11	–	–	6,384	6,304
Amounts owed by subsidiaries	12	–	–	20,295	5,498
<b>Total non-current assets</b>		<b>23,031</b>	<b>10,053</b>	<b>26,714</b>	<b>11,815</b>
<b>Current assets</b>					
Inventories	13	462	361	–	–
Receivables	14	1,671	183	159	117
Cash and cash equivalents	19	41,730	55,649	41,720	55,498
<b>Total current assets</b>		<b>43,863</b>	<b>56,193</b>	<b>41,879</b>	<b>55,615</b>
<b>Total assets</b>		<b>66,894</b>	<b>66,246</b>	<b>68,593</b>	<b>67,430</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Trade and other payables	15	423	–	–	–
<b>Total non-current liabilities</b>		<b>423</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Trade and other payables	15	1,208	689	689	632
<b>Total current liabilities</b>		<b>1,208</b>	<b>689</b>	<b>689</b>	<b>632</b>
<b>Total liabilities</b>		<b>1,631</b>	<b>689</b>	<b>689</b>	<b>632</b>
<b>Net assets</b>		<b>65,263</b>	<b>65,557</b>	<b>67,904</b>	<b>66,798</b>
<b>Capital and reserves attributable to the equity holders of the company</b>					
Share capital	16	921	868	921	868
Share premium account	18	64,295	64,017	64,295	64,017
Merger reserve	18	5,816	865	5,816	865
Shares to be issued	18	–	5,000	–	5,000
Presentational currency translation reserve	18	1,061	171	1,284	439
Other reserve	18	350	435	350	435
Retained earnings	18	(7,180)	(5,799)	(4,762)	(4,826)
<b>Total Equity</b>		<b>65,263</b>	<b>65,557</b>	<b>67,904</b>	<b>66,798</b>

The financial statements were approved and authorised for issue by the Board on 29 September 2008  
They were signed on its behalf by



**Chris Eadie**  
Chief Financial Officer

The notes on pages 27 to 57 form part of these financial statements

# Consolidated and Company cash flow statements

for the year ended 31 March 2008

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>				
Loss for the year	(1,625)	(3,712)	(180)	(3,244)
Depreciation of property, plant and equipment	210	147	14	6
Finance income	(2,957)	(291)	(2,990)	(291)
Finance expense	79	331	3	574
Loss on disposal of property, plant and equipment	17	10	–	–
Share based payments	244	658	244	658
Foreign exchange differences	96	12	202	(371)
<b>Cash flow from operating activities before changes in working capital</b>				
	(3,936)	(2,845)	(2,707)	(2,668)
(Increase)/in inventories	(101)	(339)	–	–
(Increase) in trade and other receivables	(1,488)	(17)	(42)	(66)
Increase in trade and other payables	942	25	57	128
<b>Cash used by operations from operating activities</b>				
Income taxes paid	–	–	–	–
<b>Net cash used in operating activities</b>				
	(4,583)	(3,176)	(2,692)	(2,606)
<b>Investing activities</b>				
Purchase of property, plant and equipment	(12,617)	(218)	(36)	(2)
Proceeds from the sale of property, plant and equipment	9	4	–	–
Purchases of intangible assets	(515)	(2,120)	–	–
Interest income	2,788	291	2,788	291
<b>Net cash used in investing activities</b>				
	(10,335)	(2,043)	2,752	289
<b>Financing activities</b>				
Issue of ordinary shares	197	63,762	197	63,762
Interest paid	(6)	(331)	(3)	(203)
(Increase) in loans to subsidiaries	–	–	(14,797)	(3,122)
Expenses paid in connection with share issue	–	(3,337)	–	(3,337)
<b>Cash flows from financing activities</b>				
	191	60,094	(14,603)	57,100
<b>Net (decrease)/increase in cash and cash equivalent</b>				
	(14,727)	54,875	(14,543)	54,783
<b>Cash and cash equivalents at the beginning of the year</b>				
	55,649	630	55,498	558
Effect of exchange rate changes on cash and cash equivalents	808	144	765	157
<b>Cash and cash equivalents at the end of the year</b>				
	41,730	55,649	41,720	55,498

The notes on pages 27 to 57 form part of these financial statements

# Consolidated and Company statement of recognised income and expense

for the year ended 31 March 2008

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Exchange translation differences on consolidation of Group entities	890	171	845	439
Net income recognised directly in equity	890	171	845	439
Loss for the financial year	(1,625)	(3,712)	(180)	(3,243)
<b>Total recognised income and expense for the financial year</b>	<b>(735)</b>	<b>(3,541)</b>	<b>665</b>	<b>(2,804)</b>
<b>Attributable to the equity shareholders of the parent company</b>	<b>(735)</b>	<b>(3,541)</b>	<b>665</b>	<b>(2,804)</b>

The notes on pages 27 to 57 form part of these financial statements

# Notes forming part of the financial statements

for the year ended 31 March 2008

## 1 Accounting policies

The following accounting policies have been applied in the preparation of the financial statements of Aurum Mining Plc

### Adoption of IFRS in the financial year ending 31 March 2008

In the current year the Group has adopted standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for the Group's financial year end on 31 March 2008. The adoption of these standards and interpretations has resulted in changes to the Group's accounting policies and the impact of the adoption of IFRS on the results for the year ended 31 March 2007 are set out in note 22 to the financial statements

### Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS")

The Group financial statements are presented in United States Dollars, and all values are rounded to the nearest thousand Dollars (\$'000) except when otherwise indicated. The functional currencies of the individual Group companies are

Company	Functional Currency
Aurum Mining Plc	Great Britain Pound Sterling (GBP)
Kaldora Company Limited	US \$ (USD)
Andash Mining Company	Kyrgyz Som
Aurum Mining Kazakhstan LLP	Kazakh Tenge (KZT)

The financial statements for the financial year ended 31 March 2007 were presented in Great Britain Pounds Sterling. The Directors have decided to present the financial statements for the year ended 31 March 2008 as United States Dollars are the generally accepted presentational currency for the natural resources sector. The comparative financial statements for the year ended 31 March 2007 have been represented using a rate for the balance sheet of £1 \$1 9625, representing the closing rate at 31 March 2007 and income statement of £1 \$1 8943, representing the rate approximating the rate ruling at the date of the transaction for the year ended 31 March 2007.

As at the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective

IFRS 3 (revised)	Consolidated financial statements
IFRS 8	Operating Segments
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	IAS19 – The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
IAS 1 (revised)	Presentation of financial statements
IAS 23 (revised)	Borrowing costs
IAS 27 (revised)	Consolidated and Separate Financial Statements

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's results

# Notes forming part of the financial statements

continued

## 1 Accounting policies (continued)

### Accounting estimates and judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### Mine rehabilitation obligations

Costs associated with rehabilitating land disturbed during the exploration and mining process and addressing environmental, health and community issues are estimated and provided for based on the most current information available. Estimates may, however, be insufficient and/or further issues may be identified. Any underestimate or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect the Group's asset values, earnings and cash flows.

### Capitalised mining costs and mining resources

The Group's reserves of precious metals ("mining properties") are estimates based upon geological studies. Over the longer term the actual mineable resources achieved may vary significantly from the current estimates. The Group periodically updates estimates of reserves and assesses those for indicators of impairment relating to its capitalised mining costs.

### Base of mining operations

The Group's primary base of operations is in the Kyrgyz Republic. The laws relating to commercial operations, taxation and future dividend payments are still under development and there may be unforeseen changes to the operating and fiscal environment. The financial statements have been prepared on the assumption that no significant adverse changes to the economic, regulatory and fiscal environment will arise.

### Carrying values of inventory

The Group monitors internal and external indicators of impairment relating to its inventory. Management has considered whether any indicators of impairment have arisen over certain spares, materials, tools and equipment held in inventory. After assessing these, management has concluded that impairment has arisen in respect of these assets during the year and subsequently to 31 March 2008. Refer to note 13.

### Carrying values of PP&E

The Group monitors internal and external indicators of impairment relating to its property, plant and equipment. Management has considered whether any indicators of impairment have arisen over certain assets relating to the Group's mining operations. After assessing these, management has concluded that no impairment has arisen in respect of these assets during the year and subsequently to 31 March 2008.

### Useful lives of intangible assets and property, plant and equipment

Intangible assets and PP&E are amortised or depreciated over their useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Due to the long lives of certain assets, changes to the estimates used could result in significant variations in the carrying value.

# Notes forming part of the financial statements

continued

## 1 Accounting policies (continued)

### Fair value of financial instruments

The Group determines the fair value of financial instruments that are not quoted, based on estimates using present values or other valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. Where market prices are not readily available, fair value is either based on estimates obtained from independent experts or quoted market prices of comparable instruments. In that regard, the derived fair value estimates cannot be substantiated by comparison with independent markets and, in many cases, could not be realised immediately.

### Income Taxes

The Group is subject to income taxes in several jurisdictions and in other jurisdictions has significant carried forward tax losses. Significant judgement is required in determining provisions for income taxes and in determining deferred tax assets based on assessment of probability that taxable profits will be available against which carried forward losses can be utilised.

### Legal proceedings

In accordance with IFRS the Group only recognises a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial statements. Realisation of any contingent liabilities not currently recognised or disclosed in the financial statements could have a material effect on the Group's financial position.

Application of these accounting principles to legal cases requires the Group's management to make determinations about various factual and legal matters beyond its control. The Group reviews outstanding legal cases following developments in the legal proceedings and at each balance sheet date, in order to assess the need for provisions in its financial statements. Among the factors considered in making decisions on provisions are the nature of litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Group's management as to how it will respond to the litigation, claim or assessment.

### Share-based payments

In order to calculate the charge for share-based payments as required by IFRS2, the Group makes estimates principally relating to assumptions used in its option-pricing model as set out in note 17.

### Basis of consolidation

The consolidated financial statements incorporate the results of Aurum Mining Plc and its subsidiaries as at 31 March 2008.

The subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

The Company has taken advantage of Section 230 of the Companies Act 1985 in not presenting its own income statement. The Company's loss for the year was \$180,000 (2007 loss of \$3,243,000).

# Notes forming part of the financial statements

continued

## 1 Accounting policies (continued)

### Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at the fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

The income statements of individual Group companies with functional currencies other than US Dollars are translated into US Dollars at the rate approximating the rate ruling at the date of the transaction and the balance sheet translated at the rate of exchange ruling on the balance sheet date. Exchange differences which arise from translation of the opening net assets and results of such subsidiary undertakings are taken to reserves. On disposal of such entities, the deferred cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

All other differences are taken to the income statement with the exception of differences on foreign currency borrowings, which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

### Business combinations

Business combinations are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is regularly reviewed for impairment. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement.

### 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 property, plant and equipment as mining properties, together with any amount transferred from exploration and evaluation assets. Mining properties are amortised over the estimated life of the reserves on a 'unit of production' basis.

# Notes forming part of the financial statements

continued

## 1 Accounting policies (continued)

### Exploration and evaluation assets

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.

### Property, plant and equipment

Property, plant and equipment, is stated at cost less depreciation and impairment losses. Cost includes the purchase price plus any directly attributable costs to bring the asset into working condition and location for its intended use.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of each asset over its useful life.

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

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

### Investments in subsidiaries

Fixed asset investments in subsidiary undertakings are shown at cost less provisions for impairment. The cost of acquisition includes directly attributable professional fees and other expenses incurred in connection with the acquisition.

### Amounts owed by subsidiaries

Amounts owed by subsidiaries are treated as receivables. Refer to the receivables accounting policy for further details.

### Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged to the income statement on a straight line basis over the term of the lease.

### Finance leases

Leases of plant and equipment where the Group assumes a significant portion of risks and rewards of ownership are classified as a finance lease. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is classified between the liability and the finance charges to achieve a constant rate on the finance balance outstanding. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs. The plant and equipment acquired under the finance leases are depreciated over the useful lives of the assets, or over the lease term if shorter.

# Notes forming part of the financial statements

continued

## 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 income statement 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 permitted by International Financial Reporting Standards and 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 profit and loss. 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.

### Inventories

Inventory 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.

### Finance costs and debt

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

### Financial Instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### Receivables

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

# Notes forming part of the financial statements

continued

## 1 Accounting policies (continued)

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value

### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities

### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in profit or loss using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise

### Convertible Loan Notes

Convertible loan notes are regarded as compound financial instruments, consisting of liability and equity components. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of warrants included in compound financial instruments are fair valued at the date of grant using the Black-Scholes model and credited to a warrant reserve. The difference between the proceeds of issue of the convertible loan notes and the fair values assigned to the liability component and warrants, representing the embedded option to convert the liability into equity of the Group, is included in equity

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity components is charged directly against equity

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note

### Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs

### Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material

# Notes forming part of the financial statements

continued

## 1 Accounting policies (continued)

### Finance income and expense

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues, calculated in accordance with the effective interest rate method.

Finance costs comprise interest expense on borrowings, the accumulation of interest on provisions and foreign exchange losses. All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs.

### Income taxes

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affect neither accounting nor taxable profit or loss,
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or losses can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

### Rehabilitation obligations

Rehabilitation obligations include future estimated costs of closure and restoration in returning disturbed areas to their original state. Estimated rehabilitation obligations are provided for in the accounting period when the obligation arising from the related disturbance occurs and is based on the net present value of estimated future costs. The unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalised, where it gives rise to a future benefit, and is depreciated over the future production from the mine to which it relates.

The provision is reviewed on an annual basis for changes to obligations and discount rates that effect cost estimates or life of operations. The cost of the related asset is adjusted for such changes in the provision and the adjusted cost of the asset is depreciated prospectively.

### National Insurance on share options

To the extent that the share price as at the 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.

### Pension contribution

The Group does not enter into any pension scheme arrangements. The Group does make payments in lieu of pensions for certain individuals, these costs are expensed as incurred.

# Notes forming part of the financial statements

continued

## 1 Accounting policies (continued)

### 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.

## 2 Segmental information

For management purposes the Group is organised into two operating divisions, Mining and Corporate. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

**Corporate** – The head office activities of the Group are based in the United Kingdom.

**Mining** – The mining, production and exploration of gold and other precious metals in the Kyrgyz Republic.

The segment results areas as follows:

	Corporate \$'000	Mining \$'000	Group \$'000
<b>Year ended 31 March 2008</b>			
Operating expenses	(3,167)	(1,336)	(4,503)
Segment result	(3,167)	(1,336)	(4,503)
Finance income			2,957
Finance expenses			(79)
Loss before taxation			(1,625)
Taxation			–
Loss for the year			(1,625)
<b>Year ended 31 March 2007</b>			
Operating expenses	(2,961)	(711)	(3,672)
Segment result	(2,961)	(711)	(3,672)
Finance income			291
Finance expenses			(331)
Loss before taxation			(3,712)
Taxation			–
Loss for the year			(3,712)

# Notes forming part of the financial statements

continued

## 2 Segmental information (continued)

Other segment items included in the income statement are as follows

Year ended 31 March 2008	Corporate \$'000	Mining \$'000	Group \$'000
Depreciation	14	196	210
Share based compensation charges	244	–	244

Year ended 31 March 2007	Corporate \$'000	Mining \$'000	Group \$'000
Depreciation	6	141	147
Share based compensation charges	658	–	658

The segment assets and liabilities and capital expenditure are analysed as follows

Year ended 31 March 2008	Corporate \$'000	Mining \$'000	Group \$'000
Segment assets	41,914	24,980	66,894
Segment liabilities	(689)	(942)	(1,631)
Segment net assets	41,225	24,038	65,263
Capital expenditure	28	13,104	13,132

Year ended 31 March 2007	Corporate \$'000	Mining \$'000	Group \$'000
Segment assets	55,612	10,634	66,246
Segment liabilities	(632)	(57)	(689)
Segment net assets	54,980	10,577	65,557
Capital expenditure	2	2,336	2,338

## 3 Operating loss

Operating loss is stated after charging

	2008 \$'000	2007 \$'000
Depreciation	210	147
Operating lease expense	238	133
External auditors' remuneration		
– Fees payable to the Company's auditors for the annual audit of the group financial statements	80	45
– Fees payable to the Company's auditors for the auditing of accounts of associates of the Company under legislation	20	19
– Other services	–	–
Loss on disposal of assets	17	10
Share-based payments	244	658

The Group has a policy in place for the award of non-audit work to the auditors, which requires approval of the audit committee

# Notes forming part of the financial statements

continued

## 4 Staff costs

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Wages and salaries	2,075	1,104	1,202	807
Social security costs	228	87	56	25
Pension costs	8	–	8	–
Share based payments	244	658	244	658
National insurance on share options	(43)	261	(43)	261
	2,512	2,110	1,467	1,751

Staffs costs include executive Directors' salaries, fees, benefits and share based payments and are shown gross

The weighted average monthly number of employees, including executive Directors, employed by the Group and the Company during the year was

	Group		Company	
	2008	2007	2008	2007
Administration	73	25	6	4
Operations	31	19	–	–
Total	104	44	6	4

## 5 Directors' emolument – Group and Company

	2008 \$'000	2007 \$'000
Directors' emoluments	1,105	752
Social security costs	47	19
Pension costs	8	–
Share based payments	244	658
National insurance on share options	(43)	261
	1,361	1,690

The highest paid Director received emoluments totalling \$624,924 (2007 \$386,437) and share based payments of \$127,090 (2007 \$350,446)

M Jones is paid via J Cubed Ventures Ltd, a private service company

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

C Knight is paid via Knights Consultants Ltd, a private service company

J Webster is paid via Laverock Ventures Ltd, a private service company

Directors' interests and share options are disclosed in the Report of the Directors on pages 12 to 17

## Notes forming part of the financial statements

continued

### 6 Finance income and expenses

Recognised in profit or loss

	2008 \$'000	2007 \$'000
<b>Finance income</b>		
Bank interest receivable	2,788	291
Total interest income calculated using effective interest method	2,788	291
Exchange gains	169	–
	2,957	291
<b>Finance expenses</b>		
Bank interest payable	3	–
Lease interest payable	3	–
Interest payable on Convertible Loan Note (Note 19)	–	203
Total interest expense calculated using effective interest method	6	203
Exchange losses	73	128
	79	331
Net finance income/(expense) recognised in profit or loss	2,878	(40)

The above net finance income/(expense) includes the following in respect of assets/(liabilities) not at fair value through profit or loss

	2008 \$'000	2007 \$'000
Total finance income on financial assets	2,788	291
Total finance expense on financial liabilities	(6)	(203)
	2,782	88

# Notes forming part of the financial statements

continued

## 7 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 \$456k (2007 \$908k). 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.

### Current taxation

The tax assessed for the year is different from the standard rate of Corporation Tax in the UK. The differences are explained below.

	2008 \$'000	2007 \$'000
Loss on ordinary activities before taxation	(1,625)	(3,712)
Loss on ordinary activities at the standard rate of Corporation tax in the UK of 30% (2007 30%)	(488)	(1,114)
Effects of		
Expenses not deductible for tax purposes	32	206
Unutilised tax losses carried forward	456	908
Current tax charge	-	-

The Group did not recognise any deferred tax assets or liabilities at 31 March 2008 or 2007.

## 8 Loss per share

Loss per share is calculated based on a loss of \$1,625,000 (2007 \$3,712,000) on a weighted average of ordinary shares in issue during the year of 45,467,005 (2007 14,645,392).

The diluted loss per share is calculated on the loss attributable to equity shareholders and on the weighted average diluted number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

In 2008 and 2007 the potential ordinary shares are anti-dilutive and therefore diluted loss per share has not been calculated.

The options and other potentially dilutive instruments are disclosed in Note 17 to the financial statements.

# Notes forming part of the financial statements

continued

## 9 Property, plant and equipment

Group	Office and computer equipment \$'000	Plant, equipment and vehicles \$'000	Mining properties \$'000	Total \$'000
<b>Cost</b>				
At 1 April 2006	59	587	-	646
Foreign currency re-translation	(4)	(67)	-	(71)
Additions	14	204	-	218
Disposals	-	(20)	-	(20)
Transfer from unevaluated mining properties	-	-	9,544	9,544
At 1 April 2007	69	704	9,544	10,317
Foreign currency re-translation	-	-	80	80
Additions	100	10,640	1,877	12,617
Disposals	(1)	(35)	-	(36)
At 31 March 2008	168	11,309	11,501	22,978
<b>Depreciation</b>				
At 1 April 2006	18	112	-	130
Foreign currency re-translation	-	(12)	-	(12)
Charge for the year	15	137	-	152
Disposals	-	(6)	-	(6)
At 1 April 2007	33	231	-	264
Foreign currency re-translation	(1)	(1)	-	(2)
Charge for the year	36	174	-	210
Disposals	-	(10)	-	(10)
At 31 March 2008	68	394	-	462
<b>Net book value</b>				
At 31 March 2008	100	10,915	11,501	22,516
At 31 March 2007	36	473	9,544	10,053

Mining properties relate to the Andash asset. There is currently a civil case being heard in the Bishkek Inter-District Court of the Kyrgyz Republic concerning a historical transaction involving the transfer of a number of assets (of which the Andash asset is one) prior to Aurum's acquisition of Andash Mining Company in January 2005. This litigation will not be resolved until after the publication of these financial statements. The Directors are confident that the Group will eventually receive a favourable judgment in relation to the asset, however there is no guarantee of this. Should it become apparent that a favourable judgment is unlikely to be granted, the Andash asset will be written down to its net realisable value.

Included within plant, equipment and vehicles is an amount of \$91,366 (2007: \$Nil), which represents capitalised interest.

The net book value of non-current assets held under finance leases was

	2008 \$,000	2007 \$,000
Cost	1,243	-
Depreciation	-	-
<b>Net book value</b>	<b>1,243</b>	<b>-</b>

# Notes forming part of the financial statements

continued

## 9 Property, plant and equipment (continued)

Company	Office and computer equipment \$'000
<b>Cost</b>	
At 1 April 2006	26
Additions	2
At 1 April 2007	28
Additions	36
At 31 March 2008	64
<b>Depreciation</b>	
At 1 April 2006	9
Charge for the year	6
At 1 April 2007	15
Charge for the year	14
At 31 March 2008	29
<b>Net book value</b>	
At 31 March 2008	35
At 31 March 2007	13

## 10 Intangible assets

Group	Unevaluated mining properties \$'000
<b>Cost</b>	
As at 1 April 2006	2,562
Foreign currency re-translation	(138)
Additions during the year	7,120
Transfer to mining properties	(9,544)
At 1 April 2007	-
Additions during the year	515
At 31 March 2008	515
<b>Net book value</b>	
At 31 March 2008	515
At 31 March 2007	-

The exploration and evaluation assets are considered to be intangible assets

The Company had no intangible assets at 31 March 2008 or at 31 March 2007

# Notes forming part of the financial statements

continued

## 11 Investment in subsidiaries

Company	Investments in subsidiaries \$'000
<b>Cost</b>	
At 1 April 2006	1,304
Additions	5,000
At 1 April 2007	6,304
Foreign currency re-translation	80
Additions	–
At 31 March 2008	6,384

The Company had the following subsidiary undertakings at 31 March 2008 and 31 March 2007 which have been included in the consolidated financial statements

	Percentage interest		Country of incorporation	Activity
	2008 %	2007 %		
Kaldora Company Limited	100	100	British Virgin Islands	Holding company
Andash Mining Company	100	100	Kyrgyz Republic	Mining and exploration
Aurum Mining Kazakhstan LLP	100	–	Republic of Kazakhstan	Mining and exploration

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.

## 12 Amounts owed by subsidiaries

	Company	
	2008 \$'000	2007 \$'000
Amounts owed by subsidiaries	20,295	5,498

The fair value of the transactions with subsidiaries are not materially different to the carrying values presented. The amounts owed by subsidiaries are unsecured, interest free and receivable on demand but are not expected to be fully received within the next twelve months but when the project reaches such an advanced stage of development that it can be repaid out of the proceeds of project cash flow.

## 13 Inventories

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Raw materials and consumables	462	361	–	–

Inventory consists of spare parts, fuel and various materials used in exploration and mining operations. Full provision of \$92,000 (2007 £nil) was made at year end in respect of steel held by third party on behalf of Andash Mining Company. The ownership of this material is now disputed.

## Notes forming part of the financial statements

continued

### 14 Receivables

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Other debtors	1,204	62	–	–
VAT recoverable	257	–	–	–
Prepayments	146	121	95	117
Accrued income	64	–	64	–
	1,671	183	159	117

The fair value of receivables is not materially different from the carrying value

#### Other debtors

The Group's subsidiary in the Kyrgyz Republic has entered into several contractual commitments with various suppliers for the supply of goods and services. The advance payments are to be repaid by way of deductions from future service invoices of the contractors. A provision of \$73,000 (2007: \$nil) was made against an advance payment to a supplier that is now in dispute.

#### VAT Recoverable

The Group's subsidiary is a registered value added tax payer in the Kyrgyz Republic and therefore has a right to be reimbursed for value added tax paid on purchased goods and services. The Group's management believes that the subsidiary would be able to recover the value added tax on the successful development of the resource and commercial production.

### 15 Trade and other payables

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
<b>Current</b>				
Trade creditors	191	22	146	14
Obligations under finance leases	241	–	–	–
Other taxation and social security	62	90	22	74
Accruals and deferred income	714	577	521	544
	1,208	689	689	632
<b>Non-current</b>				
Obligations under finance leases	423	–	–	–
	423	–	–	–

The fair value of trade and other payables is not materially different from the carrying value

Maturity analysis of financial liabilities

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Less than 3 months	795	418	457	361
3-6 months	61	–	–	–
6-12 months	352	271	232	271
1-5 years	423	–	–	–
	1,631	689	689	632

# Notes forming part of the financial statements

continued

## 16 Share capital

			Number of £0.01 ordinary shares '000	\$'000
<b>Authorised ordinary shares</b>				
At beginning of year			200,000	3,474
At end of year			200,000	3,474
		2008		2007
		Number of £0.01 ordinary shares	\$'000	Number of £0.01 ordinary shares
				\$'000
<b>Allotted, issued and fully paid ordinary shares</b>				
At beginning of year	45,467,005	868	9,505,775	165
Conversion of Loan Notes	–	–	2,857,135	56
Conversion of accrued interest on Loan Notes	26,270	1	244,402	5
Conversion of Warrants	195,000	3	–	–
Share options exercised	–	–	81,915	1
Shares issued	2,500,000	49	32,777,778	641
At end of year	48,188,275	921	45,467,005	868

On 25 April 2007, 2,500,000 ordinary shares of 1p were allotted at \$2 per share to the vendors of Kaldora Company Limited for deferred consideration as part of the acquisition of Andash Mining Company. The difference between the nominal value of the shares issued and the consideration paid of \$2 per share has been credited to the merger reserve account.

On 14 May 2007, 26,270 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.

On 4 December 2007, 170,000 ordinary shares of 1p were allotted following the conversion of warrants issued on 15 February 2006 at the previously agreed conversion price of 45 pence per share.

On 24 January 2008, 25,000 ordinary shares of 1p were allotted following the conversion of warrants issued on 15 February 2006 at the previously agreed conversion price of 45 pence per share.

# Notes forming part of the financial statements

continued

## 17 Share Options and Warrants

### Share Options

The following options over ordinary shares have been granted and remained outstanding at 31 March 2008

Exercise Price	Outstanding at 1 April 2007	Granted during year	Exercised during year	Outstanding at 31 March 2008	Final exercise date
47p	500,000	–	–	500,000	06/05/2009
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
	3,500,000	–	–	3,500,000	

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

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	

### Warrants

The following warrants over ordinary shares have been granted and remained outstanding at 31 March 2008

Exercise Price	Outstanding at 1 April 2007	Granted during year	Exercised during year	Outstanding at 31 March 2008	Final exercise date
45p	1,000,000	–	195,000	805,000	15/02/2016

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

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

Options and warrants held by Directors are disclosed in the Report of the Directors on pages 12 to 17

The market price of shares as at 4 March 2008 (suspension date) was £0 94 (2007 £1 04) The range during the financial year was £0 69 to £1 20

The expense recognised for share-based payments in respect of Directors and consultant services received during the year ended 31 March 2008 was \$243,605 (2007 \$681,600)

## Notes forming part of the financial statements

continued

### 17 Share Options and Warrants (continued)

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

	2008 Number	2008 WAEP Pence	2007 Number	2007 WAEP Pence
Outstanding at beginning of year	3,500,000	64 64	3,081,915	58 52
Granted during the year	–	–	500,000	99 50
Exercised	–	–	81,915	47 00
Outstanding at 31 March	3,500,000	64 64	3,500,000	64 64
Exercisable at 31 March	2,800,000	63 79	2,800,000	63 79

The following table lists the inputs to the model used for the year ended 31 March 2007. No options were granted in the year ended 31 March 2008.

	2008	2007
Option pricing model used	–	Black-Scholes
Weighted average share price at grant date (pence)	–	64 51
Weighted average exercise price	–	64 64
Weighted average expected option life (year)	–	5 63
Weighted average share price volatility (%)	–	50%
Weighted average dividend yield	–	Nil
Weighted average risk-free interest rate (%)	–	5 5%

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

### 18 Reserves

#### Group

	Share premium \$'000	Merger reserve \$'000	Shares to be issued \$'000	Present- ational currency translation reserve \$'000	Option premium on convertible loan \$'000	Warrant reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 April 2007	64,017	865	5,000	171	–	435	(5,799)	64,689
Share based payments	–	–	–	–	–	–	244	244
Issue of 2,500,000 shares	–	4,951	(5,000)	–	–	–	–	(49)
Issue of 26,270 shares following conversion of Loan Notes accrued interest	18	–	–	–	–	–	–	18
Issue of 195,000 shares following conversion of warrants	175	–	–	–	–	–	–	175
Exercise of warrants	85	–	–	–	–	(85)	–	–
Loss for the year	–	–	–	–	–	–	(1,625)	(1,625)
Exchange differences on retranslation	–	–	–	890	–	–	–	890
At 31 March 2008	64,295	5,816	–	1,061	–	350	(7,180)	64,342

# Notes forming part of the financial statements

continued

## 18 Reserves (continued)

### Group

	Share premium \$'000	Merger reserve \$'000	Shares to be issued \$'000	Present-ational currency translation reserve \$'000	Option premium on convertible loan \$'000	Warrant reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 April 2006								
– as restated	2,931	865	–	–	93	435	(2,745)	1,579
Issue expenses	(3,337)	–	–	–	–	–	–	(3,337)
Share based payments	–	–	–	–	–	–	658	658
Shares to be issued	–	–	5,000	–	–	–	–	5,000
Equity proportion of convertible Loan Notes	–	–	–	–	(93)	–	–	(93)
Issue of 81,915 shares following exercise of share options	67	–	–	–	–	–	–	67
Issue of 2,777,778 shares at a premium of 89 pence	4,673	–	–	–	–	–	–	4,673
Issue of 30,000,000 shares at a premium of 99 pence	58,212	–	–	–	–	–	–	58,212
Issue of 3,101,537 shares following conversion of Loan Notes and accrued interest	1,471	–	–	–	–	–	–	1,471
Loss for the year	–	–	–	–	–	–	(3,712)	(3,712)
Exchange differences on retranslation	–	–	–	171	–	–	–	171
At 31 March 2007	64,017	865	5,000	171	–	435	(5,799)	64,689

### Company

	Share premium \$'000	Merger reserve \$'000	Shares to be issued \$'000	Present-ational currency translation reserve \$'000	Option premium on convertible loan \$'000	Warrant reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 April 2007	64,017	865	5,000	439	–	435	(4,826)	65,930
Share based payments	–	–	–	–	–	–	244	244
Issue of 2,500,000 shares	–	4,951	(5,000)	–	–	–	–	(49)
Issue of 26,270 shares following conversion of Loan Notes accrued interest	18	–	–	–	–	–	–	18
Issue of 195,000 shares following conversion of warrants	175	–	–	–	–	–	–	175
Exercise of warrants	85	–	–	–	–	(85)	–	–
Loss for the year	–	–	–	–	–	–	(180)	(180)
Exchange differences on retranslation	–	–	–	845	–	–	–	845
At 31 March 2008	64,295	5,816	–	1,284	–	350	(4,762)	66,983

# Notes forming part of the financial statements

continued

## 18 Reserves (continued) Company

	Share premium \$'000	Merger reserve \$'000	Shares to be issued \$'000	Presentational currency translation reserve \$'000	Option premium on convertible loan \$'000	Warrant reserve \$'000	Retained earnings \$'000	Total \$'000
At 1 April 2006								
– as restated	2,931	865	–	–	93	435	(2,241)	2,083
Issue expenses	(3,337)	–	–	–	–	–	–	(3,337)
Share based payments	–	–	–	–	–	–	658	658
Shares to be issued	–	–	5,000	–	–	–	–	5,000
Equity proportion of convertible Loan Notes	–	–	–	–	(93)	–	–	(93)
Issue of 81,915 shares following exercise of share options	67	–	–	–	–	–	–	67
Issue of 2,777,778 shares at a premium of 89 pence	4,673	–	–	–	–	–	–	4,673
Issue of 30,000,000 shares at a premium of 99 pence	58,212	–	–	–	–	–	–	58,212
Issue of 3,101,537 shares following conversion of Loan Notes and accrued interest	1,471	–	–	–	–	–	–	1,471
Loss for the year	–	–	–	–	–	–	(3,243)	(3,243)
Exchange differences on retranslation	–	–	–	439	–	–	–	439
At 31 March 2007	64,017	865	5,000	439	–	435	(4,826)	65,930

The following describes the nature and purpose of each reserve within owners' equity

Reserve	Description and purpose
Share premium	Amounts subscribed for share capital in excess of nominal value
Merger reserve	Merger relief reserve for amount in excess of nominal value on issue of shares in relation to business combinations
Other reserves – Option premium on convertible loan	Amount of proceeds on issue of convertible debt relating to the equity component (i.e. option to convert the debt into share capital)
Other reserves – Warrant reserve	Fair value of the warrants issued as part of compound financial instruments
Presentational currency translation reserve	Gains/losses arising on retranslating the net assets of Group operations into US Dollars
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement

# Notes forming part of the financial statements

continued

## 19 Financial instruments

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

### General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

The main risks arising from the Group and the Company's financial instruments are liquidity risk, credit risk, currency risk, and interest rate risk. Further details regarding these policies are set out below.

### Liquidity risk

The Group finances its operations through the issue of equity share capital and debt. The Group seeks to manage financial risk, to ensure sufficient liquidity to meet foreseeable requirements and to invest cash profitably at low risk.

The Group holds investments in bank deposits as a liquid resource to fund the projects of the Group. The Group's strategy for managing cash is to maximise interest income whilst ensuring its availability to match the profile of the Group's expenditure. Liquidity risk is further managed by tight controls over expenditure.

### Credit risk

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

### Currency risk

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

### Currency of net monetary asset/(liability)

The net monetary assets/(liabilities) of the Group and Company are denominated as follows:

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
UK Pounds	41,330	54,982	43,964	57,030
US Dollars	408	145	17,521	3,451
Kyrgyz Som	32	16	-	-
	41,770	55,143	61,485	60,481

The Group is mainly exposed to Kyrgyz Som (functional currency of Andash Mining Company) – a 5% increase in the value of the Kyrgyz Som against the US\$ will increase expenses and pre-tax loss by \$75,000 (2007: \$36,000).

# Notes forming part of the financial statements

continued

## 19 Financial instruments (continued)

### Interest rate risk

The Group and the Company'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 Group and the Company seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits.

### Borrowing facilities and interest rate risk

The Group and the Company have financed their operations through the issue of equity share capital and convertible loan notes.

The Group and the Company earned interest on its cash assets at rates between 0% and 6.65% (2007: 0% and 5.07%). The convertible loan notes had a fixed interest rate of 11%.

An increase of 0.5% in interest rates will increase finance income by \$250,000 (2007: \$26,000).

### Cash and cash equivalents

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Floating interest rate	41,730	55,649	41,720	55,498

### Fair values

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

### Convertible Loan Notes

Loan Notes with a par value of £1,000,000 were issued by the Company 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.

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.

# Notes forming part of the financial statements

continued

## 19 Financial instruments (continued)

### Capital disclosures

As described in notes 16 and 18, the Group considers its capital to comprise its ordinary share capital, share premium and accumulated retained earnings as its capital reserves. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through capital growth. In order to achieve this objective, the Group seeks to maintain a gearing ratio that balances risk and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There has been no other significant changes to the Group's capital management objectives, policies and processes in the year nor has there been any change in what the Group considers to be its capital.

## 20 Financial commitments

Total commitments under non-cancellable operating leases are as follows

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Land and buildings, expiring within				
– Within one year	279	136	138	136
– Two to five years	656	784	656	784
<b>Total</b>	<b>935</b>	<b>920</b>	<b>794</b>	<b>920</b>

Total commitments under finance leases are as follows

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Plant and equipment, expiring within				
– Within one year	241	–	–	–
– Two to five years	423	–	–	–
<b>Total</b>	<b>664</b>	<b>–</b>	<b>–</b>	<b>–</b>

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows

	Group		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Plant and equipment	4,628	–	–	–

# Notes forming part of the financial statements

continued

## 21 Related party transactions

During the year there were no related party transactions

During the prior 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 \$nil (2007 \$123,016) and the amount outstanding at the year end was \$nil (2007 \$nil). John Webster, a non-executive Director of Aurum during the year, is also a director of PPI.

## 22 Transition to IFRS

Aurum Mining Plc has a mandatory requirement to implement International Financial Reporting Standards (herein after referred to as "IFRS") for accounting periods commencing from 1 April 2007. The financial statements for the year ended 31 March 2008 and have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time.

The Group's transition date to IFRS is 1 April 2006. The rules for the first-time adopting of IFRS are set out in IFRS1 "First time adoption of international reporting standards". In preparing the IFRS financial information, these transition rules have been applied to the amounts reported previously under generally accepted accounting principles in the United Kingdom (UK GAAP). IFRS1 generally requires full retrospective application of the Standards and Interpretations in force at the first reporting date. However IFRS1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process.

The only exemption applied by the Group on first time adoption of IFRS relates to cumulative translation differences (under IAS 21 "The effects of changes in foreign exchange rates"). This exemption allows cumulative foreign exchange differences for all foreign operations to be set at zero on the date of transition.

The transition from UK GAAP to IFRS has no effect on the Group's financial results, net assets or reported cash flows. The IFRS Income statement, balance sheet and cash flow statements are presented in a different format from that required under UK GAAP.

The presentation of the primary statements has been amended to comply with IAS 1.

Cash flow statements have not been prepared as the only changes to the cash flow statement are presentational. The key presentational changes include Grouping cash flows under three main headings (from operating, investing and financing activities), presenting a statement showing the movements in cash and cash equivalents, and classifying tax cash flows as relating to operating activities.

# Notes forming part of the financial statements

continued

## 22 Transition to IFRS (continued)

### The Group: Reconciliation of equity at 1 April 2006

The effect of the changes to the Group's accounting policies on the equity of the Group at the date of transition, 1 April 2006 was as follows

Note	As reported under UK GAAP <sup>1</sup> \$'000	Effect of transition to IFRSs \$'000	IFRSs \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	457	–	457
Intangible assets	2,267		2,267
<b>Total non-current assets</b>	<b>2,724</b>	<b>–</b>	<b>2,724</b>
<b>Current assets</b>			
Inventories	19	–	19
Receivables	148	–	148
Cash and cash equivalents	558	–	558
<b>Total current assets</b>	<b>725</b>	<b>–</b>	<b>725</b>
<b>Total assets</b>	<b>3,449</b>	<b>–</b>	<b>3,449</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Convertible loan notes	1,117	–	1,117
Trade and other payables	588	–	588
<b>Total current liabilities</b>	<b>1,705</b>	<b>–</b>	<b>1,705</b>
<b>Total liabilities</b>	<b>1,705</b>	<b>–</b>	<b>1,705</b>
<b>Net assets</b>	<b>1</b>	<b>–</b>	<b>1,744</b>
<b>Capital and reserves attributable to the equity holders of the company</b>			
Share capital	165	–	165
Share premium account	2,931	–	2,931
Merger reserve	865	–	865
Other reserve	528	–	528
Retained earnings	(2,745)	–	(2,745)
<b>Total Equity</b>	<b>1,744</b>	<b>–</b>	<b>1,744</b>

1 The previously reported UK GAAP figures have been restated for the change in presentational currency from £GBP to \$USD. The previously reported figure for net assets of £1,003k has been restated as \$1,744 using an exchange rate of £1 \$ 1.7372

# Notes forming part of the financial statements

continued

## 22 Transition to IFRS (continued)

### The Group Reconciliation of equity at 31 March 2007

The effect of the changes to the Group's accounting policies on the equity of the Group at the date of the date of the last financial statements presented under UK GAAP, 31 March 2007 was as follows

Note	As reported under UK GAAP <sup>1</sup> \$'000	Effect of transition to IFRSs \$'000	IFRSs \$'000		
<b>Assets</b>					
<b>Non-current assets</b>					
	Property, plant and equipment	10,053	–	10,053	
	<b>Total non-current assets</b>	10,053	–	10,053	
<b>Current assets</b>					
	Inventories	361	–	361	
	Receivables	183	–	183	
	Cash and cash equivalents	55,649	–	55,649	
	<b>Total current assets</b>	56,193	–	56,193	
	<b>Total assets</b>	66,246	–	66,246	
<b>Liabilities</b>					
<b>Current liabilities</b>					
	Trade and other payables	689	–	689	
	<b>Total current liabilities</b>	689	–	689	
	<b>Total liabilities</b>	689	–	689	
	<b>Net assets</b>	1	65,557	–	65,557
<b>Capital and reserves attributable to the equity holders of the company</b>					
	Share capital	868	–	868	
	Share premium account	64,017	–	64,017	
	Merger reserve	865	–	865	
	Shares to be issued	5,000	–	5,000	
	Presentational currency translation reserve	2	354	(183)	171
	Other reserve	435	–	435	
	Retained earnings	2	(5,982)	183	(5,799)
	<b>Total Equity</b>	65,557	65,557	65,557	

### Notes to the reconciliation of equity at 31 March 2007

- The previously reported UK GAAP figures have been restated for the change in presentational currency from £GBP to \$USD. The previously reported figure for net assets of £33,406k has been restated as \$65,557k using an exchange rate of £1 \$ 1.9625.
- Under IAS 21, the Group is required to disclose net exchange differences in a separate component of equity. The Group has elected to set the previously accumulated cumulative translation reserve to zero at 1 April 2006. This exemption has been applied to all subsidiaries in accordance with IFRS 1.

## Notes forming part of the financial statements

continued

### 22 Transition to IFRS (continued)

#### The Group: Reconciliation of profit for the year ended 31 March 2007

The changes in accounting policies had the following effect on the profit reported for the year ended 31 March 2007

	Note	As reported under UK GAAP <sup>1</sup> \$'000	Effect of transition to IFRSs \$'000	IFRSs \$'000
Operating expenses		(3,672)	-	(3,672)
<b>Operating loss</b>		(3,672)	-	(3,672)
Finance income		291	-	291
Finance expenses		(331)	-	(331)
<b>Loss for the year before taxation</b>		(3,712)	-	(3,712)
<b>Tax on loss for the year</b>		-	-	-
<b>Loss for the year after taxation</b>		(3,712)	-	(3,712)
<b>Loss attributable to the equity shareholders of the parent company</b>	1	(3,712)	-	(3,712)

- 1 The previously reported UK GAAP figures have been restated for the change in presentational currency from £GBP to \$USD. The previously reported figure for loss for the year of £1,959k has been restated as \$3,712k using an exchange rate of £1 \$ 1.8943.

# Notes forming part of the financial statements

continued

## 22 Transition to IFRS (continued)

### The Company: Reconciliation of equity at 1 April 2006

The effect of the changes to the Group's accounting policies on the equity of the Company at the date of transition, 1 April 2006 was as follows

Note	As reported under UK GAAP <sup>1</sup> \$'000	Effect of transition to IFRSs \$'000	IFRSs \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
	14	-	14
	1,155	-	1,155
	2,103	-	2,103
<b>Total non-current assets</b>	<b>3,272</b>	<b>-</b>	<b>3,272</b>
<b>Current assets</b>			
	46	-	46
	493	-	493
<b>Total current assets</b>	<b>539</b>	<b>-</b>	<b>539</b>
<b>Total assets</b>	<b>3,811</b>	<b>-</b>	<b>3,811</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
	1,117	-	1,117
	446	-	446
<b>Total current liabilities</b>	<b>1,563</b>	<b>-</b>	<b>1,563</b>
<b>Total liabilities</b>	<b>1,563</b>	<b>-</b>	<b>1,563</b>
<b>Net assets</b>	<b>1</b>	<b>2,248</b>	<b>-</b>
<b>Capital and reserves attributable to the equity holders of the company</b>			
	165	-	165
	2,931	-	2,931
	865	-	865
	528	-	528
	(2,241)	-	(2,241)
<b>Total Equity</b>	<b>2,248</b>	<b>-</b>	<b>2,248</b>

1 The previously reported UK GAAP figures have been restated for the change in presentational currency from £GBP to \$USD. The previously reported figure for net assets of £1,294k has been restated as \$2,248 using an exchange rate of £1 \$ 1.7372

# Notes forming part of the financial statements

continued

## 22 Transition to IFRS (continued)

### The Company: Reconciliation of equity at 31 March 2007

The effect of the changes to the Group's accounting policies on the equity of the Company at the date of the date of the last financial statements presented under UK GAAP, 31 March 2007 was as follows

Note	As reported under UK GAAP <sup>1</sup> \$'000	Effect of transition to IFRSs \$'000	IFRSs \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
	13	–	13
	6,304	–	6,304
	5,498	–	5,498
<b>Total non-current assets</b>	<b>11,815</b>	<b>–</b>	<b>11,815</b>
<b>Current assets</b>			
	117	–	117
	55,498	–	55,498
<b>Total current assets</b>	<b>55,615</b>	<b>–</b>	<b>55,615</b>
<b>Total assets</b>	<b>67,430</b>	<b>–</b>	<b>67,430</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
	632	–	632
<b>Total current liabilities</b>	<b>632</b>	<b>–</b>	<b>632</b>
<b>Total liabilities</b>	<b>632</b>	<b>–</b>	<b>632</b>
<b>Net assets</b>	<b>1</b>	<b>–</b>	<b>66,798</b>
<b>Capital and reserves attributable to the equity holders of the company</b>			
	868	–	868
	64,017	–	64,017
	865	–	865
	5,000	–	5,000
	439	–	439
	435	–	435
	(4,826)	–	(4,826)
<b>Total Equity</b>	<b>66,798</b>	<b>–</b>	<b>66,798</b>

1 The previously reported UK GAAP figures have been restated for the change in presentational currency from £GBP to \$USD. The previously reported figure for net assets of £34,037k has been restated as \$66,798 using an exchange rate of £1 \$ 1.9625

## 23 Post balance sheet events

Details of significant post balance sheet events are included within the Chairman's statement and Chief Executive's review

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Aurum Mining Plc (the "Company") will be held at 11 a.m. on 31 October 2008 at the offices of the Company's solicitors, Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU to consider and if thought fit to pass the following resolutions which in the case of resolutions 1 to 4 will be proposed as Ordinary Resolutions and in the case of resolutions 5 to 7 will be proposed as Special Resolutions

## Routine Business

- 1 To receive the report of the Directors and the financial statements for the year ended 31 March 2008
- 2 To re-elect Colin Knight, who retires by rotation as a Director under article 88 of the Company's articles of association and, being eligible, offers himself for re-election as a Director at the Annual General Meeting
- 3 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

## Special Business

- 4 THAT with effect from 4 April 2009 (being the date on which such existing authority expires) the directors be and they are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (as amended) (the "1985 Act") to exercise all the powers of the company to allot relevant securities up to an aggregate nominal amount of £159,012.30 provided that this authority shall expire on 31 October 2009 or at the conclusion of the Company's next Annual General Meeting if earlier and that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement notwithstanding that the authority conferred hereby has expired and in this resolution the expression "relevant securities" and references to the allotment of relevant securities shall bear the same respective meanings as in section 80 of the 1985 Act
- 5 THAT (subject to the passing of Resolution 4 above) with effect from 4 April 2009 (being the date on which such existing authority expires) the directors be and they are hereby empowered (in substitution for any existing such powers) pursuant to section 95 of the 1985 Act to allot equity securities for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities
  - (a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, and
  - (b) otherwise than pursuant to sub-paragraph (a) above up to an aggregate nominal amount of £96,376.55

and shall expire on 31 October 2009 or at the conclusion of the Company's next Annual General Meeting if earlier, save that the company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired and in this resolution the expression "equity securities" and references to the allotment of equity securities shall bear the same respective meanings as in section 94 of the 1985 Act

# Notice of Annual General Meeting

continued

- 6 THAT the amendments to the articles of association of the Company, a copy of the amended draft of which is produced to the Meeting and initialled by the Chairman of the Meeting for identification purposes (which amendments are summarised in the Report of the Directors contained in the Annual Report and Financial Statements of the Company for the year ended 31 March 2008 sent to shareholders of the Company on 29 September 2008), be and they are hereby approved
- 7 THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined by section 163(3) of the 1985 Act on the London Stock Exchange of ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") provided that
- (a) the maximum aggregate number of shares authorised to be purchased is 7,228,241 Ordinary Shares,
  - (b) 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,
  - (c) unless previously renewed, varied or revoked, the authority hereby conferred shall expire on 31 October 2009 or the date of the next Annual General Meeting of the Company (whichever is earlier), and
  - (d) 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**  
Secretary

Dated 29 September 2008

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

# Notice of Annual General Meeting

continued

## Notes.

- 1 A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her. The proxy need not be a member of the Company.
- 2 Members may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. Please contact the Company's Registrars, Neville Registrars if you wish to appoint more than one proxy.
- 3 A vote withheld option is provided on the Form of Proxy to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a vote withheld in this way is not a "vote" in law and will not be counted in the calculation of the votes "For" and "Against" a resolution.
- 4 To be valid a Form of Proxy, together with a power of attorney or other authority, if any, under which it is executed or a notarially certified copy thereof, must be deposited at the Company's Registrars, Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA not less than 48 hours before the time for holding the meeting or adjourned meeting. A Form of Proxy is enclosed with this notice and instructions for use are shown on the form.
- 5 In the case of a corporation, the Form of Proxy must be executed under its common seal or signed on its behalf by a duly authorised attorney or duly authorised officer of the corporation.
- 6 In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of any other joint holders. For these purposes, seniority shall be determined by the order in which the names stand in the register of members in respect of the joint holding.
- 7 The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at the close of business on 29 October 2008 shall be entitled to attend and vote, whether in person or by proxy, at the General Meeting, in respect of the number of ordinary shares in the capital of the Company registered in their name at that time. Changes to entries in the register of members after the close of business on 29 October 2008 shall be disregarded in determining the rights of any person to attend or vote at the General Meeting.
- 8 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST personal members, sponsored CREST members and CREST members who have appointed a voting service provider(s) should refer to their CREST sponsor or voting service provider(s) who will be able to take the appropriate action for them.
- 9 To complete a valid proxy appointment or instruction using the CREST service, the CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must in order to be valid, be transmitted and received by Neville Registrars (Participant ID 7RA11) 48 hours before the time fixed for the meeting (or adjournment thereof). The time of receipt of the instruction will be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Neville Registrars is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
- 10 CREST members and, where applicable, CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will apply to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to ensure that his CREST sponsor or voting service provider(s) take(s) the necessary action to ensure that a message is transmitted by means of the CREST system by a particular time. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should refer to the sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 11 The Company may treat a CREST Proxy Instruction as invalid as set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 12 Completion and return of a Form of Proxy will not preclude members from attending or voting in person at the meeting if they so wish.