

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and what action you should take you are recommended immediately to seek your own financial advice from an independent financial adviser who specialises in advising on the acquisition of shares and other securities and is authorised under the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all your shares in the Company, you should forward this document, together with the accompanying Form of Proxy, immediately to the purchaser, transferee or the agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee, except that this document should not be forwarded or transmitted into the United States, Canada, Japan, Australia, the Republic of Ireland or South Africa or any other jurisdiction where it would be unlawful to do so.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules and the POS Regulations, has been issued in connection with the proposed admission to trading of the Enlarged Share Capital on AIM. This document does not constitute a prospectus and a copy of it has not been, and will not be, delivered to the Registrar of Companies in England and Wales for registration under Rule 4(2) of the POS Regulations. This document contains no offer to the public within the meaning of Schedule 11 to the Financial Services and Markets Act 2000, the Act, the POS Regulations or otherwise.

**Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. It is expected that Admission will occur and that trading in the Enlarged Share Capital will commence on 1 February 2005.**

For a discussion of risks and other facts that should be considered in connection with an investment in the Company, prospective investors should read the section entitled "Risk Factors" set out in Part V of this document.

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# AURUM MINING PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 5059457)*

## **Proposed Acquisition of Kaldora Company Limited**

### **Placing of 714,286 Ordinary Shares of 1p each at 84p per share**

### **Notice of Extraordinary General Meeting**

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#### **ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION**

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Number</i>	<i>Amount</i>	<i>Number</i>	<i>Amount</i>
	<i>£</i>		<i>£</i>
200,000,000	2,000,000	Ordinary Shares of 1p each	9,505,775
			95,058

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W.H. Ireland Limited, which is regulated in the UK by the Financial Services Authority, is acting as the nominated adviser and broker for Aurum Mining in connection with the proposed Placing and Admission and is not acting for any person other than Aurum Mining and will not be responsible to any person other than Aurum Mining for providing the protections afforded to its customers or for providing advice to any other person in connection with the admission document. Its responsibilities as Aurum Mining's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to Aurum Mining or to any Director or to any Proposed Director or to any other person in respect of his decision to acquire shares in Aurum Mining in reliance on any part of this document. No representation warranty, express or implied, is made by W.H. Ireland Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

**A notice convening an Extraordinary General Meeting of Aurum Mining to be held at the offices of Lawrence Graham LLP at 190 Strand, London WC2R 1JN on 31 January 2005 is set out at the end of this document. The enclosed Form of Proxy for use at the Extraordinary General Meeting should be completed and returned to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA as soon as possible and to be valid must arrive not less than 48 hours before the time fixed for the Extraordinary General Meeting. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to vote at the meetings is 10.00 a.m. on 29 January 2005 or 48 hours before any adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting. Completion and return of a Form of Proxy will not preclude Ordinary Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.**

Copies of this document will be made available to the public during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the offices and W.H. Ireland Limited at 24 Bennetts Hill, Birmingham, B2 5QP and shall remain available for at least 14 days after the date of Admission.

This document is not for distribution outside the United Kingdom and, in particular, it should not be distributed to persons with addresses in Canada, Australia, Japan, the Republic of Ireland, South Africa or to persons with addresses in the United States of America, its territories or possessions or to any citizen thereof or to any corporation, partnership or other entity created or organised under the laws thereof. Any such distribution could result in the violation of Canadian, Australian, Japanese, Irish, South African or United States of America law.

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## DEFINITIONS

The following words and expressions shall have the following meanings in this document, unless the context otherwise requires:

<b>“Acquisition”</b>	the proposed acquisition by the Company of Kaldora;
<b>“Acquisition Agreement”</b>	the conditional agreement dated 13 January 2005 pursuant to which Aurum Mining has conditionally agreed to acquire the entire issued share capital of Kaldora from the Vendors details of which are set out in paragraph 7 of Part IX of this document;
<b>“Act”</b>	the Companies Act 1985, as amended;
<b>“Acting in concert”</b>	shall bear the meaning ascribed thereto in the City Code published by the Panel (as amended from time to time);
<b>“Admission”</b>	the admission of the Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules;
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange;
<b>“AIM Rules”</b>	the rules applicable to AIM as published by the London Stock Exchange from time to time;
<b>“Andash Mining”</b>	Andash Mining Company, a company registered in the Kyrgyz Republic, a wholly owned subsidiary of Kaldora;
<b>“Articles”</b>	the Company’s articles of association;
<b>“Board” or “Directors”</b>	the directors of the Company, whose names appear on page 6 of this document;
<b>“City Code”</b>	the City Code on Takeovers and Mergers;
<b>“Combined Code”</b>	the Combined Code of Corporate Governance published in July 2003;
<b>“Company” or “Aurum Mining”</b>	Aurum Mining plc;
<b>“Concert Party”</b>	the Vendors, John Webster, David Bryans, Oleg Kim and Talyn International Limited details of whom are set out in Part I and Part II of this document;
<b>“Consideration”</b>	the Consideration Shares and cash of \$300,000;
<b>“Consideration Shares”</b>	the Initial Consideration Shares and the Deferred Consideration Shares;
<b>“CREST”</b>	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited;
<b>“Deferred Consideration Shares”</b>	up to 2,500,000 Ordinary Shares which may be issued to the Vendors pursuant to the terms of the Acquisition Agreement conditional upon the future evaluation of levels of gold reserves of Andash Mining’s existing exploration property;

<b>“EGM” or “Extraordinary General Meeting”</b>	the extraordinary general meeting of the Company to be held at 10.00 a.m. on 31 January 2005, notice of which is set out at the end of this document;
<b>“Enlarged Group”</b>	Aurum Mining, Kaldora and Andash Mining together;
<b>“Enlarged Board”</b>	the Directors of the Company upon and immediately following Admission;
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of Aurum Mining upon Admission as enlarged by the issue of the New Ordinary Shares;
<b>“FSU”</b>	the newly independent states of the former Soviet Union;
<b>“Independent Shareholders”</b>	the Shareholders excluding the members of the Concert Party;
<b>“Initial Consideration Shares”</b>	the 600,000 Ordinary Shares to be issued to the Vendors upon completion of the Acquisition;
<b>“Kaldora”</b>	Kaldora Company Limited, a company incorporated in the British Virgin Islands;
<b>“Kaldora Group”</b>	together Kaldora and Andash Mining;
<b>“Kaldora Shares”</b>	ordinary shares of \$1 each in the share capital of Kaldora;
<b>“Licence”</b>	the licence, numbered Au-141-04, issued by the Licencing Organ on 22 June 2004 in respect of the Andash Project and extended on 22 November 2004;
<b>“Licence Agreement”</b>	the licence agreement Number 2, numbered Au-141-04, dated 22 November 2004, between Andash Mining and the Licencing Organ;
<b>“Licencing Organ”</b>	the Licencing Organ of the Government of the Kyrgyz Republic;
<b>“London Stock Exchange”</b>	London Stock Exchange plc;
<b>“Marsa Gold”</b>	Marsa Gold LLC, a company registered in the Kyrgyz Republic;
<b>“New Ordinary Shares”</b>	the Initial Consideration Shares and the Placing Shares;
<b>“NKGE”</b>	North Kyrgyz Geological Expedition;
<b>“Official List”</b>	the Official List of the UKLA;
<b>“Ordinary Shares”</b>	ordinary shares of 1p each in the capital of the Company;
<b>“Panel”</b>	the Panel on Takeovers and Mergers, the regulatory body which regulates the City Code;
<b>“Placing”</b>	the proposed placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement;
<b>“Placing Agreement”</b>	the conditional agreement between W.H. Ireland, the Directors and the Company, further details of which are set out in paragraph 7 of Part IX of this document;
<b>“Placing Price”</b>	84p per Placing Share;

<b>“Placing Shares”</b>	the 714,286 new Ordinary Shares which are the subject of the Placing;
<b>“POS Regulations”</b>	the Public Offers of Securities Regulations 1995, as amended;
<b>“PPI”</b>	Product Power International Limited, a company incorporated in England and Wales whose shares are traded through OFEX;
<b>“the Project” or “the Andash Project”</b>	the Andash gold and copper exploration project located in the Talas region of the Kyrgyz Republic;
<b>“Proposed Director”</b>	John Webster;
<b>“Resolutions”</b>	the resolutions set out in the notice of EGM at the end of this document and reference to a “Resolution” shall be the relevant resolution set out in the notice of EGM;
<b>“Share Dealing Code”</b>	the code on dealings in the Company’s securities adopted by the Company;
<b>“Shareholders” or “Members”</b>	holders of issued Ordinary Shares;
<b>“UKLA”</b>	the United Kingdom Listing Authority of the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services Market Act 2000;
<b>“Vendors”</b>	the shareholders of Kaldora, comprising Jake Consultants Limited (a company controlled by David Bryans), Kantanna Company Limited (a company controlled by Oleg Kim) and Clayhill Investments Corp. (a company controlled by John Webster);
<b>“Voting Rights”</b>	means the right to receive notice of, attend (in person or by proxy or by corporate representative), speak (in person or by corporate representative) and to cast (in person or by proxy or by corporate representative) one vote per share at general meetings of the Company;
<b>“Waiver”</b>	the waiver of the obligations that would otherwise arise under Rule 9 of the City Code for the Concert Party to make a general cash offer for the whole of the Company’s issued share capital;
<b>“W.H. Ireland”</b>	W.H. Ireland Limited;
<b>“WHI Option Deed”</b>	the deed dated 13 January 2005 under which the Company has agreed to grant W.H. Ireland an option over 7,142 Ordinary Shares, further details of which are set out in paragraph 7 of Part IX of this document; and
<b>“\$”</b>	the lawful currency of the United States of America.

## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	Sean Finlay ( <i>Non-Executive Chairman</i> ) Haresh Damodar Kanabar ( <i>Executive Business Development Director</i> )
<b>all of Registered Office</b>	8 Baker Street London W1U 3LL
<b>Proposed Director of</b>	John Samuel Webster ( <i>proposed Managing Director</i> ) 1 Lambousa Street Nicosia 1019 Cyprus
<b>Company Secretary</b>	Haresh Damodar Kanabar
<b>Nominated Adviser and Broker</b>	<b>W.H. Ireland Limited</b> 24 Bennetts Hill Birmingham B2 5QP
<b>Reporting Accountants &amp; Auditor</b>	<b>BDO Stoy Hayward LLP</b> 8 Baker Street London W1U 3LL
<b>Solicitors to the Company</b>	<b>Lawrence Graham LLP</b> 190 Strand London WC2R 1JN  <b>Stringer Saul</b> 17 Hanover Square London W1S 1HU
<b>Solicitors to the Nomad</b>	<b>Eversheds</b> 115 Colmore Row Birmingham B3 3AL
<b>Mining Expert</b>	<b>Wardell Armstrong International Limited</b> Wheal Jane Baldhu Truro Cornwall TR3 6EH
<b>Public Relations Advisers</b>	<b>Buchanan Communications Limited</b> 107 Cheapside London EC2V 6DN
<b>Principal Bankers</b>	<b>NatWest Bank PLC</b> 1 Granby Street Leicester LE1 9GT
<b>Registrars &amp; Receiving agents</b>	<b>Neville Registrars Limited</b> Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

**2005**

Last time and date for receipt of Forms of Proxy	10.00 a.m. on 29 January
Extraordinary General Meeting	10.00 a.m. on 31 January
Completion date of the Acquisition	1 February
Admission effective and dealing in Ordinary Shares (including New Ordinary Shares) expected to commence on AIM	1 February
Expected date for CREST accounts to be credited (in respect of the Placing Shares)	1 February
Expected date for posting of the share certificates for the Placing Shares (where applicable)	8 February

## PLACING STATISTICS

Number of existing Ordinary Shares prior to the Placing and Acquisition	8,191,489
Placing Price	84p
Number of Placing Shares being issued under the Placing	714,286
Number of Ordinary Shares in issue immediately following Admission	9,505,775
Percentage of the Enlarged Share Capital of the Company represented by the Placing Shares upon Admission	7.51%
Gross proceeds of the Placing	£600,000
Estimated net proceeds of the Placing	£340,000

## **PART I**

### **INFORMATION ON AURUM MINING**

#### **INTRODUCTION**

The Board of Aurum Mining announced today that the Company has conditionally agreed to acquire the entire issued and to be issued share capital of Kaldora for an initial consideration of \$1.5 million comprising the issue of 600,000 Ordinary Shares, the payment of \$300,000 cash and, conditional upon the subsequently evaluated levels of gold reserves, deferred consideration of up to \$5 million comprising the further issue of up to 2,500,000 Deferred Consideration Shares. At the close of business on 12 January 2005 the last practicable date before the publication of this document, the closing mid market price of an Ordinary Share was 87.5p, valuing the Kaldora Group at between £0.7 and £2.9 million and Aurum Mining at £7.2 million.

Detailed information on Kaldora and Andash Mining, its wholly owned subsidiary, is set out in Parts II and VI of this document and, as regards certain specific disclosures, in Part IX.

In order to provide the additional working capital that will be required following the Acquisition, W.H. Ireland has conditionally placed 714,286 Ordinary Shares at 84p. The Placing, which is discussed further below is expected to raise £340,000 net of expenses.

The Consideration Shares will represent between 6.3 per cent. and 25.8 per cent. of the then issued share capital of the Company and in view of the size of the Kaldora Group relative to the Company, the Acquisition will constitute a reverse takeover of Aurum Mining under the AIM Rules and therefore requires the prior approval of Shareholders at an Extraordinary General Meeting, notice of which is set out at the end of this document.

The Vendors include parties associated with Mr David Bryans who acts as a consultant to the Company and who is interested in 27.5 per cent. of the Company's current issued share capital. Because the Vendors and their associates will, following completion of the Acquisition and the Placing, be beneficially interested in over 30 per cent. of the Enlarged Share Capital, the Company is seeking a waiver under Rule 9 of the City Code (which will deem them to be acting in concert and would otherwise require them as members of the Concert Party to offer to acquire those Ordinary Shares that they do not own). A proposal seeking Shareholder approval for a Waiver is, therefore, included in the notice of the Extraordinary General Meeting set out at the end of this document.

#### **BUSINESS & STRATEGY**

The Acquisition represents an important first step in the development of the Company's strategy of acquiring gold and other mineral exploration and extraction projects in the FSU. This opportunity has been introduced to the Company by Mr David Bryans under the consulting agreement that he entered into with the Company at the time of the original admission of its share capital to trading on AIM in May 2004 and details of which are set out paragraph 7 of Part IX of this document.

Information on Kaldora and Andash Mining is set out in Part II of this document. The sole asset of Kaldora is its shareholding in Andash Mining. The principal asset of Andash Mining is an exploration licence over the Andash gold and copper exploration project in the Talas valley located in the north west of the Kyrgyz Republic on the border with Kazakhstan. Currently the Andash Project is not sufficiently advanced to establish formal "reserve" levels. However it has been evaluated to have 634,197 oz. of "inferred" gold resources and significant exploration potential in respect of a further 412,192 oz. of gold. However further drilling and assaying will be required to establish the full potential of the Project and to prepare a feasibility study for future production. The Directors and the Proposed Director expect this work to consume much of the Company's existing cash resources and while the Enlarged Group may, in the opinion of the Directors and the Proposed Director, have the resources available to assess additional opportunities, completion of any additional acquisition will require a further fund raising.

The exploration licence held by Andash Mining was extended on 22 November 2004, and is valid until 31 January 2006, subject to a number of conditions including a requirement to undertake a minimum amount of exploration work. Under Kyrgyz mining law, once a production feasibility study has been completed, the licensee will have exclusive rights to obtain a licence. Such mining licences are valid in the first instance for 20 years from the date of grant.



In the opinion of the Directors and the Proposed Director, the funds being raised will be sufficient to take the Andash project to the point of establishing the level of reserves and carrying out a pre-feasibility study and if these are positive, further funds would be required to produce a bankable feasibility study.

Further potential projects have been indentified by Mr Bryans and are in the course of evaluation by him.

## **CURRENT TRADING**

The Ordinary Shares of Aurum Mining were admitted to trading on AIM on 7 May 2004. At that time the Company had cash of £1,413,000 and no other significant assets or liabilities. Since then, Aurum Mining has entered into a lease in respect of London offices at a cost of approximately £49,000 per annum. The Board intends to appoint PPI, a company of which John Webster, the Proposed Director, is a director and in which he has an interest, to undertake the additional drilling programme required before a feasibility study can be completed on the Andash prospect. In order to enable PPI to refurbish the rig that will be used on this project, Aurum Mining has agreed to loan £150,000 to PPI. In its last published accounts for the year ended 30 June 2003, PPI disclosed a loss of £127,500 on sales of £53,045 for the year and at the balance sheet date, net assets of £25,308. In the opinion of the Directors, the terms of this loan agreement (details of which are set out in paragraph 7 of Part IX of this document) are such that the Company will be able to achieve a significant cost saving on its drilling program at Andash by employing PPI at a discount to its normal rates.

In order to gain access to certain potential acquisition opportunities in Russia, the Company has entered into a facility agreement to lend up to \$150,000 to Open Joint Stock Company Geocentr. At 31 December 2004, \$115,000 of this facility had been drawn down.

The net effect of the above is that after allowing for draw-down of the loan facilities the Company had available cash of approximately £1,103,000 on 4 January 2005.

## **DIRECTORS, PROPOSED DIRECTOR AND EMPLOYEES**

The Board comprises two directors as follows:

### **Sean Finlay (aged 55) *Non-Executive Chairman***

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

### **Haresh Kanabar (aged 46) *Executive Business Development Director***

Haresh qualified as a certified accountant in 1986. Following a number of finance positions with Fisons plc, Reed International plc and Texas Homecare Ltd he became finance director of F E Barber Limited, a subsidiary of Hilldown Holdings plc, in 1994. In 1997 he was appointed group finance director of Whitchurch Group Plc which he left in May 1998 to become finance director of TMV Finance Limited. In December 1999 he left to join Corvus Capital Inc. as chief executive and in November 2002 he left to become finance director of Gaming Insight plc. Haresh is also currently chief executive of Blue Star Capital plc, non-executive chairman of Greenfield Construction Group, India Outsourcing Services plc and Silentpoint plc and executive director of Bombay Restaurants plc, Knightagle plc and Silvermines Media plc. Haresh was also a director of Spiritel plc until July 2004.

In addition, upon Admission, **John Webster (aged 46)**, will join the Board as Managing Director. John has over 20 years of experience in mining engineering specialising in mine evaluation and development in the countries of the FSU. John is currently managing director of, and a substantial shareholder in PPI, an engineering and equipment supply company (in which John holds a 31 per cent. rising to a possible 47 per cent. on the exercise of options in PPI held by him). Prior to PPI, John held senior positions with Far East Gold, Nelson Gold, JD Welsh & Associates and is a Member of the Australasian Institute of Mining and Metallurgy, The Society of Mining Engineers of A.I.M.E. and the Society of Explosive Engineers. John's services will be provided under a consultancy agreement between Aurum Mining and Laverock Ventures Limited. Under this agreement his services to the Company will be provided on a full time basis and, accordingly, he will become a non-executive director of PPI.

Upon Admission, Mr Webster will also be granted options over 1,000,000 Ordinary Shares at an exercise price of 84p. The first 500,000 of the options will be exercisable at any time from Admission for a period of 5 years. 166,667 options will become exercisable upon the first two anniversaries of Admission and 166,666 on the third anniversary.

John also has an interest in 20 per cent. of the equity capital of Kaldora.

Aurum Mining does not have any employees other than the executive Director.

Particulars of all service contracts and consultancy agreements with more than 12 months to run between the Company and the Directors and the Proposed Director are set out in paragraph 5.16 of Part IX.

### **Consultancy Agreement**

In addition to the above arrangements with the Directors and the Proposed Director, the Company has the benefit of a consultancy agreement, summarised in paragraph 7 of Part IX of this document with Tyry Services Limited (“Tyry”) which has agreed to provide the exclusive services of Mr David Bryans to bring suitable mineral exploration projects to Aurum Mining.

Under the terms of this agreement, Tyry receives a retainer fee of £5,000 per month (or such amount as may be agreed) together with agreed expenses. In addition, Tyry is entitled to receive an introductory fee to be agreed between the parties on a project by project basis. Generally it is expected that such fees will be equivalent to a two per cent. equity interest, without capital contribution, in projects introduced by Tyry and subsequently acquired or materially developed by the Company. However, in the case of the current acquisition, Mr Bryans provided finance for Andash Mining to enable it to continue to assess the Andash Project and acquired an interest in 20 per cent. of the equity of Kaldora. This interest will now be acquired by Aurum Mining as part of the Acquisition. In the context of the consultancy agreement, therefore, the Directors believe that this arrangement is exceptional and is unlikely to be representative of future transactions.

## **CORPORATE GOVERNANCE**

The Directors and the Proposed Director are committed to maintaining high standards of corporate governance. The Directors and the Proposed Director intend, so far as is practicable, given the Company’s size, to comply with the Combined Code as modified by the recommendations of the Quoted Companies Alliance.

The Company has adopted, and will operate, a share dealing code for directors and employees.

### *The Board*

The Enlarged Board will meet regularly throughout the year. To enable the Enlarged Board to perform its duties, all Directors will have full access to all relevant information and to the services of the Company Secretary. If necessary the non-executive Director may take independent professional advice at the Company’s expense.

The Enlarged Board has delegated specific responsibilities to the committees described below:

### *The audit committee*

The audit committee, which upon Admission will comprise Haresh Kanabar and Sean Finlay, is to be chaired by Sean Finlay and will meet at least twice a year. The committee will review the Company’s annual and interim financial statements before submission to the Enlarged Board for approval. The committee will also review regular reports from management and the external auditors on accounting and internal control matters. Where appropriate, the committee will monitor the progress of action taken in relation to such matters.

The committee will also recommend the appointment of, and review the fees of, the external auditors.

### *The remuneration committee*

The remuneration committee, which upon Admission will comprise Haresh Kanabar and Sean Finlay, is to be chaired by Haresh Kanabar and will meet at least three times a year. 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 Company. The remuneration committee will also determine allocations of Share Options and will be responsible for setting any performance criteria in relation to the exercise of options granted under the Share Options Scheme.

### *The nomination committee*

The nomination committee will comprise Haresh Kanabar and Sean Finlay, is to be chaired by Sean Finlay and will meet at least twice a year. It will be responsible for reviewing the size, structure and composition of the board of directors, succession planning and identifying and monitoring candidates to all board vacancies. Appointments to the board of directors will be made by the board of directors.

### **CITY CODE ON TAKEOVERS AND MERGERS**

The terms of the Acquisition give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford are described below.

The City Code has not, and does not seek to have, the force of law. It has, however, been acknowledged by government and other regulatory authorities that those who seek to take advantage of the facilities of the securities market in the United Kingdom should conduct themselves in matters relating to takeovers in accordance with best business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions, however effected, where the offeree company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom. The Company is such a company and its shareholders are entitled to the protection afforded by the City Code.

Rule 9 of the City Code is designed to prevent the acquisition of control of a company to which the City Code applies without a general cash offer being made to all shareholders of that company. Under Rule 9, a person who acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired or acquired by persons acting in concert with him) carry 30 per cent. or more of the Voting Rights of a company is normally required by the Panel to make a general cash offer to all the shareholders of that company to acquire the balance of the shares not held by such person, or group of persons acting in concert, at the highest price paid by him or them or any person acting in concert with him or them within the preceding 12 months.

Rule 9 also provides, *inter alia*, that where any person, together with persons acting in concert with him, holds shares carrying not less than 30 per cent. but not more than 50 per cent. of a company's Voting Rights and such person, or any person acting in concert with him, acquires additional shares which increase his percentage of the Voting Rights in that company, such person is normally required to make a general cash offer to all shareholders of that company at not less than the highest price paid by him or them or any persons acting in concert with him or them for any such shares within the preceding 12 months.

For the purposes of the City Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) actively co-operate, through the acquisition by them of shares in a company, to obtain or consolidate control of a company, irrespective of whether the holding or holdings give de facto control.

The Panel has determined that the Vendors, together with David Bryans, John Webster, Oleg Kim and Talyn International Limited, are acting in concert for the purposes of Rule 9 of the City Code. Further details of the Concert Party are set out in Part II and Part IX of this document.

Under Rule 9, unless a specific Waiver is obtained from the Panel and the terms of the Acquisition Agreement for the issue of the Consideration Shares and the proposed grant of options to John Webster are approved by Shareholders on a poll, the members of the Concert Party would be obliged to make a mandatory cash offer for the entire issued ordinary share capital of Aurum Mining once the Concert Party held 30 per cent. or more of the Voting Rights in the Company. Your Board believes that this consequence is not in the best interests of Aurum Mining or its Shareholders.

The Panel has agreed, subject to the passing of Resolution 2 in the notice of EGM by the Independent Shareholders on a poll, that it will not require the members of the Concert Party to make a general offer under Rule 9 as a result of the Acquisition and the grant of options to Mr Webster. The members of the Concert Party, who are currently interested in 2,275,000 Ordinary Shares representing 27.5 per cent. of the existing share capital of the Company, will not be entitled to vote on this resolution.

**Immediately following Admission, the members of the Concert Party will own approximately 30 per cent. of the Enlarged Share Capital. On issue of the Deferred Consideration Shares, this interest could increase up to 45 per cent. and on exercise of the 1 million options over Ordinary Shares to be granted to Mr Webster, this interest could increase further to 49 per cent.**

**The relevant holdings of the members of the Concert Party, now and following completion of the Acquisition, are set out in Part II of this document and for so long as they continue to be treated as acting in concert any further increase in their aggregate shareholding will be subject to the provisions of Rule 9.**

## **SIGNIFICANT SHAREHOLDER**

Talyn International Limited and Jake Consultants Limited (both being companies controlled by David Bryans) will together control Voting Rights in respect of 24.9 per cent. of Aurum Mining's enlarged equity upon Admission which could fall to 23.9 per cent. following the issue of the conditional element of the Consideration.

Talyn International Limited, Jake Consultants Limited and David Bryans have therefore entered into a controlling shareholder agreement with the Company and W.H. Ireland pursuant to the terms of which they have given certain undertakings concerning the use of the shares controlled (directly or indirectly) by them and their related parties to the Company. Further details of this agreement are set out in paragraph 7 of Part IX of this document.

## **LOCK-IN AGREEMENTS**

Each of the Directors, the Proposed Director, the Vendors, Brookspey Limited (a company controlled by Nigel Robertson) and Talyn International Limited have entered into agreements not to dispose of any interests in the securities of the Company within the twelve month period following Admission, save in certain circumstances permitted by the AIM Rules, including in connection with a general or partial takeover offer. Collectively upon Admission, these Shareholders will control or be interested in 58.4 per cent. of the Enlarged Share Capital.

## **PRINCIPAL TERMS OF THE ACQUISITION**

Under the terms of the Acquisition Agreement, the Company has conditionally agreed to acquire Kaldora for an initial consideration of \$1.5 million comprising the issue upon Admission of 600,000 Ordinary Shares and the payment of \$300,000 cash to the Vendors and, conditional upon the subsequently evaluated levels of gold reserves, deferred consideration of up to \$5 million satisfied by the issue of up to a further 2,500,000 Ordinary Shares to the Vendors. The conditional element of the Consideration will be payable as to 5 shares per ounce of gold or gold equivalent included in the pre-feasibility study, to be prepared by an internationally recognised independent expert. In addition, the Company has agreed to procure repayment upon Admission of all outstanding monies due from Andash to Tyry Services Limited pursuant to the loan agreement dated 19 August 2004 and described in paragraph 7 of Part IX of this document.

The Acquisition Agreement is conditional, *inter alia*, on (i) the passing of the Resolutions; (ii) the Placing Agreement becoming unconditional in all respects (other than any condition relating to completion of the Acquisition Agreement and Admission); and (iii) Admission.

The Initial Consideration Shares will, on Admission rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company after their date of issue and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Further details of the Acquisition Agreement are set out in paragraph 7 of Part IX of this document.

## **DIVIDEND POLICY**

The Company has not yet commenced trading and it is, therefore, inappropriate to make a forecast of the likely level of any future dividends.

## **DETAILS OF THE PLACING**

The Company is issuing 714,286 New Ordinary Shares pursuant to the Placing at the Placing Price to raise approximately £340,000 (net of expenses). The Placing Shares will represent approximately 7.5 per cent. of the Enlarged Share Capital of the Company and will be fully paid upon issue and will rank *pari passu* in all respects with the existing Ordinary Shares and the Initial Consideration Shares.

The Company, the Directors and the Proposed Director have entered into the Placing Agreement with W.H. Ireland. The Placing is not being underwritten. The Placing Shares have been conditionally placed with institutions and other investors. The Placing is conditional upon the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms, and Admission becoming effective on 1 February 2005 (or other such later time and date as the Company and W.H. Ireland may agree).

Further details of the Placing Agreement are set out in paragraph 7 of Part IX of this document.

## **USE OF PROCEEDS**

The Placing will raise approximately £340,000, net of expenses, for the Company. The funds raised by the Placing are intended to provide further working capital.

## **EXTRAORDINARY GENERAL MEETING**

A notice is set out at the end of this document convening an Extraordinary General Meeting to be held at 10.00 a.m. on 31 January 2005 at the offices of Lawrence Graham LLP, 190 Strand, London WC2R 1JN. At the Extraordinary General Meeting, the Resolutions will be proposed to approve the Acquisition and the Waiver:

As the Acquisition constitutes a reverse takeover, Shareholder approval, as set out in Resolution 1, is required under the AIM Rules. In accordance with the requirements of the Panel for granting a Waiver of the requirement for the members of the Concert Party to make a general offer under Rule 9 of the City Code, Resolution 2 will be taken on a poll and the members of the Concert Party will not be entitled to vote on such resolution. Resolution 1 is conditional upon the passing of Resolution 2.

The Acquisition Agreement is conditional, *inter alia*, upon the passing of the Resolutions and therefore if either is not approved by the Shareholders, the Acquisition will not be completed.

## **IRREVOCABLE UNDERTAKINGS FROM CERTAIN SHAREHOLDERS IN AURUM MINING**

An undertaking to vote in favour of the Resolutions has been given by Brookspey Limited (a company controlled by Nigel Robertson) in respect of all the Ordinary Shares held by it amounting to 2,250,000 Ordinary Shares (being 27.5 per cent. of the existing Ordinary Shares). David Bryans is interested in 2,250,000 Ordinary Shares (being 27.5 per cent. of the existing Ordinary Shares) which he holds through Talyn International Limited. In light of Mr Bryans' interests in Kaldora, Talyn International Limited has undertaken to abstain from voting on Resolution 1 and is disenfranchised from voting on Resolution 2 in accordance with the requirements of the City Code.

John Webster is interested in 25,000 Ordinary Shares (being 0.3 per cent. of the existing Ordinary Shares). In the light of his interest in Kaldora, he has undertaken to abstain from voting on Resolution 1 and is disenfranchised from voting on Resolution 2 in accordance with the City Code.

## **ACTION TO BE TAKEN**

A Form of Proxy is enclosed for use at the Extraordinary General Meeting. Whether or not you intend to be present at the meeting you are requested to complete, sign and return the Form of Proxy to Aurum Mining's registrars at Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA no later than 10.00 a.m. on 29 January 2005. The completion and return of a Form of Proxy will not preclude you from attending the EGM and voting in person should you wish to do so.

## **FURTHER INFORMATION**

Your attention is drawn to the remainder of this document, which provides additional information on the matters discussed above.

## **RECOMMENDATION OF THE DIRECTORS**

**The Directors, who have been so advised by W.H. Ireland, consider that the terms of the Acquisition and the Waiver are fair and reasonable and in the best interests of the Company and Shareholders as a whole. In providing advice to the Board, W.H. Ireland has taken into account the Directors' commercial assessments. Accordingly, the Directors unanimously recommend Shareholders to vote in favour of the Resolutions as they themselves intend to do in respect of their own beneficial holdings which amount, in aggregate, 425,000 Ordinary Shares, representing approximately 5.2 per cent. of the existing Ordinary Shares.**



## **PART II**

### **INFORMATION ON KALDORA AND ANDASH MINING**

#### **INTRODUCTION**

Andash Mining was registered as a Kyrgyz limited liability company on 14 June 2004 and on 22 June 2004 the Andash exploration licence was re-issued to Andash Mining. On 22 July 2004 Kaldora acquired the entire issued share capital of Andash Mining from Marsa Gold LLC, a local Kyrgyz company which had previously held the Licence. Since that date it has incurred additional exploration expenditure of \$100,000, principally in respect of drilling and a chemical analysis of rock samples taken from the site.

#### **THE ANDASH SITE**

The Kyrgyz Republic sits within a broad band of gold mineralisation that stretches through Central Asia. This zone is commonly known as the Tien Shan gold belt and is one of the largest proven gold provinces in the world. The gold mining industry in the Kyrgyz Republic is under developed.

The Andash Project is located in the Talas valley, close to the north western border of the Kyrgyz Republic with the Republic of Kazakhstan. It is approximately 475km by road from the capital city of Bishkek. A shorter 260km route is open in the summer months but is inaccessible at other times because of snow and the risk of avalanche.

The town of Talas is 45 km from the site and the closest village, Kupre-Bazar is less than 2.5 km away by road. Water is available at the site and a major power line passes within 15km of the licence area.

The Licence covers an area of 53km<sup>2</sup> and rises between 2,100 and 2,400m above sea level. In 1962, a survey carried out for the Soviet geological authorities by the Aktash geological team identified a copper/gold deposit at the Andash Project. Further survey work including trenching, drilling and tunneling was carried out between 1977 and 1997. This established that the site comprised a main tube shaped copper gold porphyry deposit and two smaller deposits. Further exploration was carried out by the Ala-Too Gold Company ("Ala-Too") a subsidiary of Commonwealth and British Minerals plc, during the period 1996 to 1997, but at the time the decision was taken not to proceed with further exploration and no significant further work was undertaken until 2003 when Marsa Gold carried out a further geophysical exploration

#### **THE LICENCE**

The Licence which covers gold and copper resources was granted by the Licencing Organ to Marsa Gold in January 2003 was re-issued to Andash Mining on 22 June 2004 and was extended on 22 November 2004 with an expiry date of 31 January 2006. The Licence Agreement specifies the minimum levels of investment to be conducted as follows;

- in 2005: \$277,000
- in 2006; \$60,000

The Company's legal advisers in the Kyrgyz Republic have advised the Directors that under Kyrgyz law, that subject to the conditions of its Licence Agreement, Andash Mining may apply for continuations of the exploration licence for up to 10 years. Furthermore, Kyrgyz mining law states that "should a deposit be discovered, the licensee shall have exclusive rights to obtain a licence". Such mining licences are valid in the first instance for 20 years from the date of grant. The Directors and Proposed Directors do not believe that there is any reason why the Licence should not be renewed at the end of January 2006.

#### **RESERVES & RESOURCES**

Currently three gold-copper mineralized zones have been identified within the Licence area:

Zone 1 is hosted in a cylindrical breccia. This zone has been the most thoroughly investigated, initially by the North Kyrgyz Geological Expedition (NKGE) and later by Ala-Too. Both of these parties prepared resource/reserve estimates. The Ala -Too estimate considered that the resource contained within Zone 1 could be classified as inferred in line with JORC (western) guidelines. The contained gold in Zone 1 according to this estimate is 634,197 ozs. at a grade of 1.03 g/t, using a cut-off grade of 0.5 g/t.

This estimate does not include any copper values. NKGE estimated copper resources of 11,076 tonnes grading 0.49% Cu in Zone 1.

Zones 2 and 3 are less well delineated than Zone 1 and under western resource estimation criteria would be considered as having significant exploration potential. NKGE estimated the gold resources in Zones 2 and 3 at 287,329 ozs. and 124,863 ozs. respectively.

Several areas with additional exploration potential have been identified elsewhere within the licence area by NKGE and by the current licensee, Andash Mining.

To date the work undertaken has not been sufficient to establish formal “reserve” levels, however the Directors and the Proposed Director believe that this will be done through the programme of work on which the Company is now set to engage.

Overall, the Experts Report set out in Part IV indicates a value range for the resources in Zone 1 of \$4 million to \$5.2 million.

As set out in paragraph 12.4 of Part IX of this document the Enlarged Group could incur a tax liability of up to £0.6 million if Kaldora were to be sold at the upper end of this valuation, although, it is not the intention of the Directors to pursue such a sale.

## THE PROPOSED PROGRAM

In the opinion of the Directors and the Proposed Director; upon Admission, the Company should have sufficient cash available to progress the exploration of the Andash licence to the point of completing a reserves estimate to Western standards and a pre-feasibility study. Additional funds, of the order of \$0.5 million, would then need to be raised if the outcome of these was sufficiently positive to justify taking the project to the stage of preparing a bankable feasibility study. A detailed work programme is summarised in the Competent Person’s Report in Part IV of this document.

The Board intends to retain PPI to undertake additional drilling on the Andash Project to confirm and upgrade the estimates of mineral resources on the site. In order to facilitate and expedite this work, Aurum Mining has agreed to lend PPI £150,000 to refurbish a drilling rig to be used at Andash and on any other properties in which Aurum Mining may acquire an interest. Aurum Mining will have first call on the use of this drilling rig at a discounted rate. In the opinion of the Directors, this arrangement will provide Aurum Mining with a competitive advantage in securing cost effective and preferential drilling services.

## FINANCIAL

In the period from incorporation to 30 September 2004 the Kaldora Group has incurred expenditure of approximately \$13,500, which has been funded by a loan of up to \$100,000 from Tyry Services Limited of which an initial \$30,000 was drawn down, further details of which are set out in paragraph 7 of Part IX. At 30 September 2004, the Kaldora Group had net liabilities of \$13,465. Since then a further \$70,000 has been drawn down under the loan from Tyry Services Limited. It is intended that the loan will be repaid upon Admission.

## SHAREHOLDERS OF KALDORA AND MEMBERS OF THE CONCERT PARTY

The shareholders of Kaldora are Jake Consultants Limited (as to 20 per cent.), Clayhill Investments Corp. (as to 20 per cent.) and Kantanna Company Limited (as to 60 per cent.). These are trust companies with no other assets or liabilities and hold their shares for the benefit of David Bryans, John Webster and Oleg Kim respectively, the interests and potential interests of whom in the equity of Aurum Mining are shown in the table below.

Number of Ordinary Shares	Total	Concert Party	David Bryans and associated companies	John Webster and associated company	Oleg Kim and associated company
Currently in issue	8,191,489	2,275,000 28%	2,250,000 27.5%	25,000 0.3%	– –
To be issued as					
(i) initial consideration	600,000	600,000	120,000	120,000	360,000
(ii) under the Placing	714,286	–	–	–	–
	9,505,775	2,875,000 30%	2,370,000 24.9%	145,000 1.5%	360,000 3.8%
(iii) maximum deferred consideration	2,500,000	2,500,000	500,000	500,000	1,500,000
	12,005,775	5,375,000 45%	2,870,000 23.9%	645,000 5.4%	1,860,000 15.5%
(iv) on exercise of Concert Party options	1,000,000	1,000,000		1,000,000	
	13,005,775	6,375,000 49%	2,870,000 22.1%	1,645,000 12.6%	1,860,000 14.3%

Of the options above, 500,000 are exercisable on Admission, with a further 166,667 becoming exercisable upon the first two anniversaries of Admission and 166,666 exercisable on the third anniversary.

Mr Bryans' interests are held through two companies which he controls and include 2,250,000 Ordinary Shares already held by Talyn International Limited.

David Bryans, (aged 61) has spent the past 10 years in assessing mining projects in the FSU, particularly in Russia. David was instrumental in the formation of Celtic Resources Holdings plc and in the negotiations on the formation of South Verkhoyansk Mining Company ("SVMC"), a Russian company in which Celtic Resources Holdings Plc held a 50 per cent. interest. David was a director of SVMC from its formation in 1996 until November 2002 and its general director from March 1998 to May 2002. Prior to that his early professional career was in investment management in the UK and Ireland and subsequently as an investor internationally in a range of companies, latterly in the extractive industries.

Details of John Webster's background and career to date are given in Part I of this document.

Oleg Kim, (aged 44), is a Kyrgyz national with graduate and post graduate qualifications in geology from Russia and Uzbekistan and further qualifications in economics from Canada. Having worked for the state geology bodies and subsequently Kyrgyzaltyn, the Kyrgyz state gold mining holding company, Oleg was involved from 1993 with the development of the Kumtor gold deposit joint venture with Cameco and became chief exploration geologist in charge of the major continuing exploration programme for this gold mine and also generally responsible for Cameco's Central Asian exploration programme. Since 1992 he has developed his own business interests in gold exploration and production. In addition to his directorships of Andash and Marsa Gold he is a director of Bulakashu Mining Company in the Republic. Oleg developed a professional relationship with PPI during his service with Cameco and PPI has provided professional mine industry consulting services to Marsa Gold.



## **PART III**

### **REGULATORY ENVIRONMENT**

Kyrgyzstan is a country of approximately 5.1 million people, which gained its independence from the former Soviet Union in 1991. It has a bicameral supreme council which is expected to become unicameral, following elections to be held in 2005. The country has a written constitution although following a referendum in 2003, the powers of the president were significantly increased at the expense of the legislature. The country has a civil law system.

#### **LAW ON SUBSOIL**

The Law on Subsoil governs the development of mineral resource projects in Kyrgyzstan. The Law on Subsoil became effective on the date of its publication on 9 July 1997. The Law on Subsoil sets out the general legal regulatory framework for the conduct of subsoil use operations in Kyrgyzstan.

Article 8 provides that users of subsoil resources may be physical or legal persons domiciled in the Kyrgyz Republic or elsewhere. A “resource user” is defined in the Law on Subsoil as a “legal or physical person directly conducting geological exploration of productive development of subsoil resources.”

In accordance with Article 9, the right to use subsoil resources rests upon the issuance of a licence.

In accordance with Article 7, resource licences may be issued for exploration or production, or certain other limited categories of use, such as construction and operation of underground constructions which are not associated with mineral recovery (storage of oil, gas, other substances and materials, burials of dangerous substances, use of heat of the earth and for other needs).

Article 10 provides that licences for exploration are issued for a two year period with subsequent prolongation up to ten years upon fulfilment of conditions set out in a licence agreement. Article 10 also provides that any licence holder that discovers a deposit has the exclusive right to receive a licence for production for such deposit. A “deposit” is defined in the Law on Subsoil as “a natural occurrence of a mineral structure in the subsoil that has economic significance given assumed price levels and productive technology.”

Article 11 provides that licences for production may be issued for periods up to twenty years with subsequent extension until the exhaustion of reserves.

Article 13 provides that, with the consent of the Licencing Organ (the “Licencing Organ”), licences may be pledged in order to increase the assurance of finance for the project to which such licence relates.

Article 14 sets out the requirements for the contents of licences and licence agreements. A licence must contain the following details: (i) the type of subsoil use, (ii) to whom the licence is issued, (iii) the date of issue and the period of validity and (iv) the name of the project. In addition the licensee must enter into a licence agreement which must contain the following information: (i) a work programme, (ii) information on the licence holder, (iii) the objective of the subsoil use, (iv) details of all types of payments and licensing fees applicable to the subsoil use, (v) the geographical co-ordinates of the relevant area and (vi) the conditions applicable to extraction and development and re-cultivation.

Article 15 provides that subsoil resources may be used on a concessionary basis.

In accordance with Article 16 of the Law on Subsoil, licences may be issued upon the basis of a tender or upon the basis of direct negotiations. Licences issued on the basis of direct negotiations are issued on the basis of an application to the Licencing Organ. Such application must contain information on the applicant, and the place and type of subsoil resources intended for use. Included with the application, the applicant must present: copies of its constitutive documents; an exploration programme; and a document supporting the potential for financing the relevant project. The Law on Subsoil provides that any such application shall be considered within one month of its submission. A decision to grant a licence upon the basis of direct negotiations is evidenced by a protocol, which serves as the basis for the issuance of a licence and the preparation of a licence agreement for execution by the licence holder and the Licencing Organ.

Article 18 sets out the basis on which subsoil use rights may be suspended or terminated. A licensee may have its licence suspended for three months in certain circumstances, including where (i) the resource user uses subsoil resources for a purpose other than the purpose for which such rights were granted, (ii) the resource user violates the conditions set out in the relevant licence agreement and (iii) a force majeure event occurs.

Such rights may be terminated in the following situations: (i) upon the completion of geological exploration or the exhaustion of reserves or the liquidation of the enterprise conducting operations, (ii) upon the use of technology in the course of project development that threatens the health or safety of workers or of the population, and also causes harm to the environment and the deposit, (iii) if the licensee fails to present its technical programme for the conduct of work within the period set out in the licence agreement, (iv) if the licensee in the course of more than one year from the date of licence issuance fails to begin operations on the scale set out in the licence and (v) if the licensee voluntarily refuses to conduct subsoil use operations or upon the expiration of the validity of a licence.

Article 20 provides that foreign investors are guaranteed the right to repatriation of capital and the right to export the profit, or part of it, in the form of foreign currency or product received by recovery or processing of any raw material, including gold.

Article 20 of the Law on Subsoil also provides that resource users are obliged to bring land and other natural objects that have been damaged through subsoil use operations to “a condition suitable for further use in accordance with normative acts.” Article 31 provides that resource users must be required to present financial guarantees for the conduct of re-cultivation work in relation to any environmental damage.

Article 22 provides for a “priority right” of the National Bank of the Kyrgyz Republic to buy all or a portion of precious metals and stones destined for export, although it states no price applicable to any such purchase.

Article 40 provides that resources users shall be subject to the tax legislation of the Kyrgyz Republic.

Article 41 sets out the system of payment for the use of subsoil resources in the Kyrgyz Republic. In addition to payments contemplated under other Kyrgyz legislation (such as tax legislation), licensees are required to pay: (i) a bonus representing a one off payment in consideration of the granting of the right to use subsoil resources and (ii) a royalty for the exhaustion of reserves.

Article 42 provides that the following persons are relieved of the obligation to pay for subsoil use

- 1) land owners and land users engaged in agricultural production upon extraction in a proper manner of generally found mineral resources intended for their personal use;
- 2) licensees carrying out geological, geophysical and other works of subsoil exploration works on forecasting earthquakes; engineering and geological explorations; work to control subsoil water; as well as other works carried out without damaging the subsoil;
- 3) licensees granted plots of subsoil to establish specially protected sites having scientific, cultural, aesthetic and other meaning (geological sanctuaries, nature monuments, etc.).

Article 43 provides that any disputes arising in connection with a subsoil resource use shall be governed by the law of the Kyrgyz Republic.

## **REGULATION ON SUBSOIL USE LICENSING**

Regulations “On Procedure of Subsoil Use Licensing” approved by the Decree of the Government dated 14 June 2000 govern the procedures for the issue of subsoil use licences. All types of subsoil use and all types of minerals, except small deposits of generally found minerals in communal, private or other form of ownership, are subject to licensing.

Subsoil use rights are granted through competitions and/or auctions. A licence without the accompanying licence agreement is deemed invalid. Licence extensions are possible if the provisions of the licence agreement have been fulfilled.

In the period determined by the licence agreement the licensee is required to submit a technical report with regard to subsoil protection; and technical and environmental safety provision. Borders of land allotments must be agreed with the owners of land rights, and borders of mining allotments must be agreed with State Inspection of Subsoil Use under the Licencing Organ.

## **LAW ON STATE REGISTRATION OF RIGHTS TO IMMOVABLE PROPERTY**

The Law on State Registration of Rights to Immovable Property became effective on 31 December 1998. Accordingly, for immovable rights, including rights on subsoil use, to be valid they must be registered with the State Register of Immovable Rights. Temporary use rights must also be registered if the term of their use exceeds three years. There is no requirement to registers if the licence is issued for a term of less than three years. However, if the term of any of the licence is extended so that the term exceeds three years the Licence must then be registered.

## **LAND CODE**

The Land Code became effective on the date of its publication on 16 June 1999. In accordance with the Land Code all natural resources are in the state ownership. Only land with small deposits of generally found minerals may be in private or communal ownership.

## **LAW ON ENVIRONMENT PROTECTION**

The Law on Environment Protection became effective on the date of its publication on 7 July 1999. Accordingly, land and its subsoil are subject to environmental protection. The maximum allowable concentration of hazardous substances in the subsoil, as well as standard charges for the use of natural resources; emissions of pollutant; hazardous effects; and placement of waste; are established thereunder. Natural use charges consist of payments for use of natural resources, payments for environment pollution and other negative effects on the environment. Payment for use of natural resources is within fixed limits. For environment pollution there is a charge for every ton of contaminant established<sup>(1)</sup>.

Businesses and other entities are obliged to observe standard technical regimes; provide effective treatment facilities; decontaminate and recycle waste; introduce environmentally safe technologies; and provide protection and efficient subsoil use.

## **LAW ON SPECIALLY PROTECTED NATURE TERRITORIES**

The law on Specially Protected Nature Territories became effective on the date of its publication on 28 July 1994 and governs the procedure for use of protected nature territories.

Geological exploration and development is prohibited on the territory of state reserves, national parks and hydrogeological sanctuaries. In addition exploration and development may be prohibited in territories of state owned national monuments, botanic gardens and zoological parks.

## **LAW ON BIOSPHERE TERRITORIES**

The law on Biosphere Territories became effective on the date of its publication on 25 June 1999. Biosphere territories are established by the Government of the Kyrgyz Republic for the protection, reclamation and use of natural territories which are rich in natural or cultural heritage. Accordingly exploration work and deposit development on biosphere territories is prohibited.

## **LAW ON ATMOSPHERIC AIR PROTECTION**

The law on Atmospheric Air Protection became effective on the date of its publication on 25 June 1999. In accordance with the Law on Atmospheric Air Protection extraction and processing of the minerals must be conducted with the implementation of measures to reduce air pollution.

Business entities whose activities involve the emission of pollutants are obliged to:

- establish control areas;
- take measures to decrease emissions;
- observe rules for use of construction and cleaning equipment;

<sup>1</sup> These rates were established by the Law No. 32 on the Rate of Charges for Environment Pollution (discharges, pollutant emissions, placement of waste), adopted by the Legislative Assembly of the Zhogorku Kenesh on 10 March 2002. On 11 August 2004 the amendment to the Law of the Kyrgyz Republic on Environment Protection was made whereby the rates were required to be approved by both houses of the Zhogorku Kenesh.

- observe, in accordance with established procedures, the limits for maximum permissible emissions, keep records and submit statistical reports; and
- carry out evaluations of the hazardous effect on the environment and health of the population in the pollution zone.

### **DECREE ON BUDGET PAYMENTS**

In accordance with the Decree of the Government of the Kyrgyz Republic, enterprises and organisations using subsoil must make payments to the budget for development and reproduction of the mineral base in accordance with approved rates.

### **DECREE ON ANNUAL INVESTMENTS AMOUNT ESTABLISHMENT**

In accordance with the Resolution of the Government of the Kyrgyz Republic dated 5 July 2004 the maximum size of one license area for geological exploration must not exceed 1000 sq. km

The minimum annual investment (production costs) per license area/license deposit ranges are as set out below:

Geological exploration per 1 sq. km;

- general (scale 1:25,000 and smaller) - at least \$50;
- specific (scale 1:10,000 and bigger) - at least \$1000;

Geological exploration per 1 deposit

- ore gold - at least \$30,000;
- stream-gold and other metal minerals - at least \$10,000;
- non-metal minerals, except for generally found and local mineral deposits - at least \$ 3,000.

### **REGULATION ON INSPECTIONS PROCEDURE**

This regulation governs inspections of licensees to establish compliance with the terms of the licence agreement and the subsoil laws of the Kyrgyz Republic.

The depth of inspection reviews are either “complex” and/or “operative”. Complex reviews are planned inspections performed no more than once per annum. Complex reviews provide a detailed inspection of documentation on site and report on the condition of the subsoil area; the development; and its conformity with the terms of the licence agreement and the subsoil laws. Operative reviews are unscheduled and performed pursuant to a written request of the local state administration upon the discovery of unauthorised subsoil use.

## **PART IV**

### **EXPERT REPORT ON THE ANDASH GOLD-COPPER DEPOSIT, NORTHWESTERN KYRGYZSTAN**

#### **1. INTRODUCTION**

##### **1.1 Consultants and Interests**

Wardell Armstrong International (“WAI”) is an internationally recognised, independent minerals industry consultancy. The consultant used in the preparation of this report has detailed knowledge of the Aurum Mining plc (“Aurum”) Andash gold-copper property in northwestern Kyrgyzstan. The most recent property visit was carried out by P Newall who visited Kyrgyzstan from 28 September 2004 to 1 October 2004. Dr Newall has prior field experience of the geology and mineralisation of this area of Kyrgyzstan through previous studies.

Details of the consultant involved in the preparation of this document are as follows:

P Newall, BSc PhD FIMMM CEng, is Senior Consulting Geologist with WAI and has practised his profession as a mine and exploration geologist for over twenty years, and has particular experience within the FSU.

Neither WAI, its directors, employees or company associates hold any securities in Aurum, its subsidiaries or affiliates, nor have:

- any rights to subscribe for any Aurum securities either now or in the future,
- any vested interest or any rights to subscribe to any interest in any properties or concessions, or in any adjacent properties and concessions held by Aurum.

The only commercial interest WAI has in relation to Aurum is the right to charge professional fees to Aurum at normal commercial rates, plus normal overhead costs, for work carried out in connection with the investigations reported herein. The payment of these professional fees is not dependent on the success or otherwise of the transaction.

This report has been prepared in accordance with guidelines contained within Chapter 19 of the UKLA Listing Rules.

##### **1.2 Executive Summary**

WAI has visited and reviewed the data pertaining to the Andash gold-copper deposit in north western Kyrgyzstan. Based on this data and knowledge of the geology and mineralisation of the region, WAI has been able to provide independent expert opinion on the project.

The Andash deposit is one of a number of gold-copper occurrences distributed along a structurally-controlled east-west trending porphyry belt in northwest Kyrgyzstan. The quartz-sulphide gold-bearing mineralisation has a strong structural control, and the main Zone 1 mineralisation is separated from Zones 2 and 3 by the north-south trending Andash Fault.

The deposit has been explored on two occasions, firstly by NKGE during the 1980’s when numerous drillholes (both surface and underground), trenches and underground development were undertaken, and more recently by Ala-Too which carried out a 23 hole RC drill programme as well as further trenching between 1996-97.

NKGE calculated a global resource for the deposit (all three mineralised zones) of some 26.3Mt @ 1.22g/t Au and 0.37% Cu using a 0.5g/t Au cut-off. Their work showed that approximately two thirds of the resource was contained within Zone 1.

As such, the more recent work by Ala-Too concentrated on Zone 1 and provided a resource statement for this zone only of some 7.2Mt @ 1.58g/t Au at a 1g/t cut-off. Unfortunately, the copper resource was not calculated at this time. Although not classified, it was stated that this mineralisation would conform to the Inferred category, with the likelihood that minor amounts of Measured and Indicated resource would be present close to the underground workings.

WAI has inspected the resource methodology used by Ala-Too, and although not audited, can confirm that the cross-sectional method appears to have been applied and calculated correctly. Furthermore, at this level of study, the inference that the mineralisation in Zone 1 is at the Inferred category appears fair.



As a way forward, WAI recommends that a geostatistical block model be produced for Zone 1 which can provide an up-dated resource estimate. This will also allow decisions to be made with regard to the quantity of additional drilling (if necessary) to bring the resource to the Measured and Indicated category, and provide a model for preliminary pit design, optimisation and a basic economic analysis.

Scoping level metallurgical tests have been undertaken on samples of mineralisation from Zone 1, and although the head grades of these samples have been higher than the expected run-of-mine ore should the mine go into production, preliminary results have indicated that a combined cyanide leach followed by flotation of the tails may present a possible flowsheet. Therefore, WAI recommends that a representative sample be collected for further testwork to demonstrate the viability or otherwise of this process route.

In summary, although it is not possible to present an economic analysis of the Andash deposit at this time, the project has been valued using various industry standard methods giving a range of \$4.0-5.2M. These values strongly reflect the uncertainty in the overall resource classification, the lack of quantifiable copper data, the relatively small size of the project and the limited level of metallurgical knowledge. However, an up-dated resource estimate (including copper data where possible), additional drilling and further metallurgical testwork will add significant value to the project assuming results are favourable.

Moreover, given the favourable topography, geometry, elevation and relatively uniform grade distribution of Zone 1 mineralisation, the deposit would lend itself to the development of a small to medium sized open pit that is likely to have a relatively low strip ratio.

## PART B: ANDASH

### 1.0 INTRODUCTION

WAI has been commissioned by Aurum Mining plc (“Aurum”) to provide an expert opinion on the current status of the Andash Au-Cu deposit, located in northwestern Kyrgyzstan (figure 1).



Figure 1

WAI bases this opinion on experience gained through a site visit in October of this year as well as knowledge acquired through previous commissions in the region.

The deposit was first discovered in 1962 and extensively explored during the 1970's and 80's by Soviet geologists and later by Ala-Too Gold Company, a subsidiary of Commonwealth and British Minerals, in 1996-1997. Some preliminary metallurgical testwork has also been implemented.

Exploration work has identified three main mineralized zones of which Zone 1 contains the majority of the resource. In addition, geochemical and geophysical studies have outlined a number of other potential targets.

Although WAI has visited the Andash deposit, much of the information contained in this document comes from third parties. Whilst WAI has endeavoured to validate as much of the information as possible, the company cannot be held responsible for any omissions, errors or inadequacies of the data received.

Documents consulted during the compilation of this report include:

- results of metallurgical scoping tests conducted on gold ore samples from the Andash and Togolok prospects, Kyrgyzstan. Anamet Services, 1995.
- a review of the mineral properties of the Ala-Too Gold Company, Talas Oblast, Northern Kyrgyzstan. Watts, Griffis and McOuat, July 1995.
- work completed Andash and Taldy-Bulak prospects 1996-1997, Michael Fellows, January 1998.

## **2.0 LOCATION, ACCESS & INFRASTRUCTURE**

### **2.1 Location**

The Andash deposit is located on the southern slope of Kyrgyz ridge, lying above the Karakol river, which is a tributary of the Talas river. The terrain within the area is rugged with elevations varying from approximately 2,000m in the Karakol valley to 3,200m on the Kyrgyz ridge. Over the footprint of the deposit, elevations vary from 2,100m to 2,400m. Administratively, the deposit lies within the Talas District which is part of the Talas Oblast. Geographical coordinates for the deposit are 42°30'15" latitude and 72°58'35" longitude.

The climate is typically continental with significant seasonal and diurnal changes in temperature. Winter extremes may exceed -30°C whilst in summer, highs over 35°C are not uncommon. The average annual temperature ranges from 2 to 5°C. The annual precipitation level is approximately 400mm, being most frequent in spring and autumn, whilst stable snow cover forms in November. The Karakol river, which lies approximately 2km south of the deposit, is considered to be the only reliable source of water supply within the area. The river flow ranges from 3 to 15m<sup>3</sup> per second, depending on the season.

### **2.2 Access & Infrastructure**

Transport links to the site are generally good. The nearest village, Kupre-Bazar, which is some 2.5km distant, is connected by dirt road, and then a good gravel road (30km), followed by asphalt road (45km), to the oblast capital town of Talas, and further on to the railway station at Dzhambul in Kazakhstan (101km).

The deposit is accessible year round from Bishkek by asphalt road via the Susamyr Valley, over the Otmek and Tiuzashu passes, a total distance of 260km. However, the gravel section over the Otmek pass is subject to occasional heavy snowfalls which periodically close the road. An alternative, but longer route from Bishkek (475km) is via Kara-Balta, Merke and Taraz in Kazakhstan and then to Talas around the Kyrgyz ridge.

Electricity is available at Kupre-Bazar village (10kV) and at a farm within 1km of the deposit. A main 500kV powerline, as well as a sub-station (500/110/35/10kV), is located within 15km of the deposit near Taldy-Bulak village.

The area is subject to seismic activity, ranging from 1 to 8 on the Richter Scale.

### **2.3 Mineral Rights and Permitting**

The Exploration Licence for the Andash deposit (No. Au-141-04), which is valid until 31 January 2006, covers an area of some 53km<sup>2</sup> and extends from the Talas Valley in the south to the mountainous frontier with Kazakhstan in the north. Policy within Kyrgyzstan is to re-new exploration licences provided an approved schedule of works has been agreed with the State authorities and subsequently implemented.

The licence coordinates are given as:

Point	Easting	Northing
1	72°56'	42°32'
2	73°03'	42°32'
3	73°03'	42°29'
4	72°56'	42°29'

WAI has seen a copy of the licence, but has not been able to confirm the boundary coordinates. However, it is believed that this is being checked under a separate legal due diligence.

### **3.0 KYRGYZSTAN**

#### **3.1 Background**

The Kyrgyz Republic is one of the smallest and most mountainous nations of the FSU. Located in the Tien Shan mountain range and on the north flank of the Pamir Mountains, much of the country is rugged, although there are fertile, irrigated valleys which are intensively cultivated. The population of 5.1 million is mixed between Asian and European peoples, with little, if any, evidence of religious tension.

Today, the economy is mainly agriculture-based with some light industry around the major cities, whilst under the Soviets, mining for a variety of strategic minerals and precious metals was also important. The government has generally embraced western style commercial law, banking reform, mining code and currency regulations.

Principal access to Kyrgyzstan is by air from Western Europe, either direct to Bishkek or via Almaty in Kazakhstan. Freight is moved by railroad from either the Black Sea port of Novorossiysk or St. Petersburg on the Baltic Sea, via Vladivostok or Chinese ports on the Pacific, or by truck from Western Europe.

The Kyrgyz Republic borders with China in the east, Kazakhstan to the north, Uzbekistan to the south and west and with Tajikistan in the south. The country covers 198,500km<sup>2</sup> of mostly rugged terrain with over 40 per cent. of the country at an elevation above 3,000m. The Northern and Middle Tien Shan Mountain Ranges and the Pamirs are aligned east-west and separated by long, sometimes wide, valleys which are intensively farmed, using water from the mountain glaciers for irrigation. The Chui, Talas, Fergana and upper Naryn valleys (along with the irrigated lands around Lake Issyk Kul) are the principal farm areas and centres of population.

The country, being well inland from any major body of water, except for Lake Issyk Kul (which has created its own microclimate), has a continental climate: cold winters -20°C (November to March) and hot summers +24°C with light rainfall. Nevertheless, water resources from mountain streams are abundant, and Kyrgyzstan supplies water for both hydroelectric power and irrigation to the surrounding countries.

As with other countries in the FSU, Kyrgyzstan suffered a substantial decrease in Gross Domestic Product (GDP) following the break-up of the Soviet Union. The economy of the Kyrgyz Republic before independence was agriculture-based (grain, tobacco, row crops and livestock) with some light manufacturing (principally directed to the Soviet military establishment), and mining for gold and strategic metals. These remain the main sectors of the economy, however with the opening of a generally free market economy the service sector has seen impressive growth.

#### **3.2 Geologic Setting**

The geology of Kyrgyzstan is dominated by the Northern Tien Shan structural domain which forms part of a late Caledonian island arc system with volcanic arcs, inter-arc thrusts and an accretionary prism. The structural trend of this region is to the northwest, but tends to form a convex arc curving to the south. This trend defines the major faults, the strike of sedimentary formations and the axial trend of folding in the area.

Several structural epochs have contributed to the complex tectogenesis of the area of the northern Tien Shan Range: Pre-riphean, Issedonskiy (Riphean), Baikalskiy (Riphean-Vendian), Caledonian, post-Caledonian and Alpine. Major deformation appears to be dislocative with prominent faults defining the structural units. Sediments exhibit relatively simple forms of folding.

The oldest rocks in the area are presumed to be Archean to Proterozoic in age, although relative ageing is poorly understood due to the complexity of the structural and lithological relationships. These rocks are represented by granite gneisses, mica schists-phyllites, marbles with lenses of garnet amphibolite and eclogite.

Early Paleozoic rocks are widespread throughout the northern Tien Shan Range. These sediments tend to lie discordantly on older Proterozoic sediments.



Granodiorites, tonalites and quartz monzonites (Tabalik Complex) considered to be early late Riphean and Vendian in age are more widespread throughout the Tien Shan range. These complexes are in the order of 50km to 150km in width.

#### **4.0 PROPERTY HISTORY AND STUDY BACKGROUND**

Mineralisation at Andash was first discovered in 1962 by geologists of the Aktash Geological Crew during geological mapping of the Aktash deposit area and surrounding territories (including Andash). Numerous gold-copper occurrences often associated with quartz veins and veinlets were identified peripheral to the Uzunbulak granodiorite intrusion.

During 1977-1980, exploration works by geologists of the Barkol Crew completed a structural and mineralogical appraisal of the Andash mineralisation, suggesting a copper-porphyry type setting for the deposit. Part of this work involved an extensive trenching programme to link the various gold-copper occurrences, culminating in the discovery of Zone 1.

In 1982-85, exploration works were continued by the Chonur Geological Crew. These works comprised the preparation of 1:5,000 scale geological map of the deposit area, whilst combined geophysical works were carried out on area of 5km<sup>2</sup> which included surface spectrometry, IP and self-potential field methods, as well as resistivity and magnetics. In drill holes, downhole inclinometry, radiometry, IP and resistivity surveys were also undertaken.

The results of these works delineated three mineralised bodies at surface, whilst their continuation at depth was established by drilling with core holes up to 500m deep. Preliminary investigations of ore mineralogy, grade and structural control were undertaken, as well as a general appraisal of the prospectivity of the deposit.

During the next phase of exploration from 1986-1988, further work included detailed geological mapping and trenching resulting in the production of a 1:1000 scale geological map.

One of the main focuses of work was the drifting and sampling of Adit 1 into Zone 1, and Adit 2 into Zone 3. Unfortunately, from an inspection of results, it appears that Adit 2 was driven in the wrong direction, missing the main mineralisation which was only intersected by 3 horizontal holes from cross-cuts.

Core drilling (average diameter 76mm) at Zones 1 and 3 was carried out with a standard range of downhole inclinometry and geophysics applied (see above). Three vertical diamond holes and five underground horizontal holes were drilled at Zone 1, six inclined and three underground horizontal holes at Zone 3. Core recovery was often poor and varied between 60 to 70 per cent., probably as a result of the inherent fractured rock mass.

Trench sampling at intervals of 40 and 80m was carried out at Zone 1, and at intervals of 20-40m at Zone 3 which appears to have a higher linear variability.

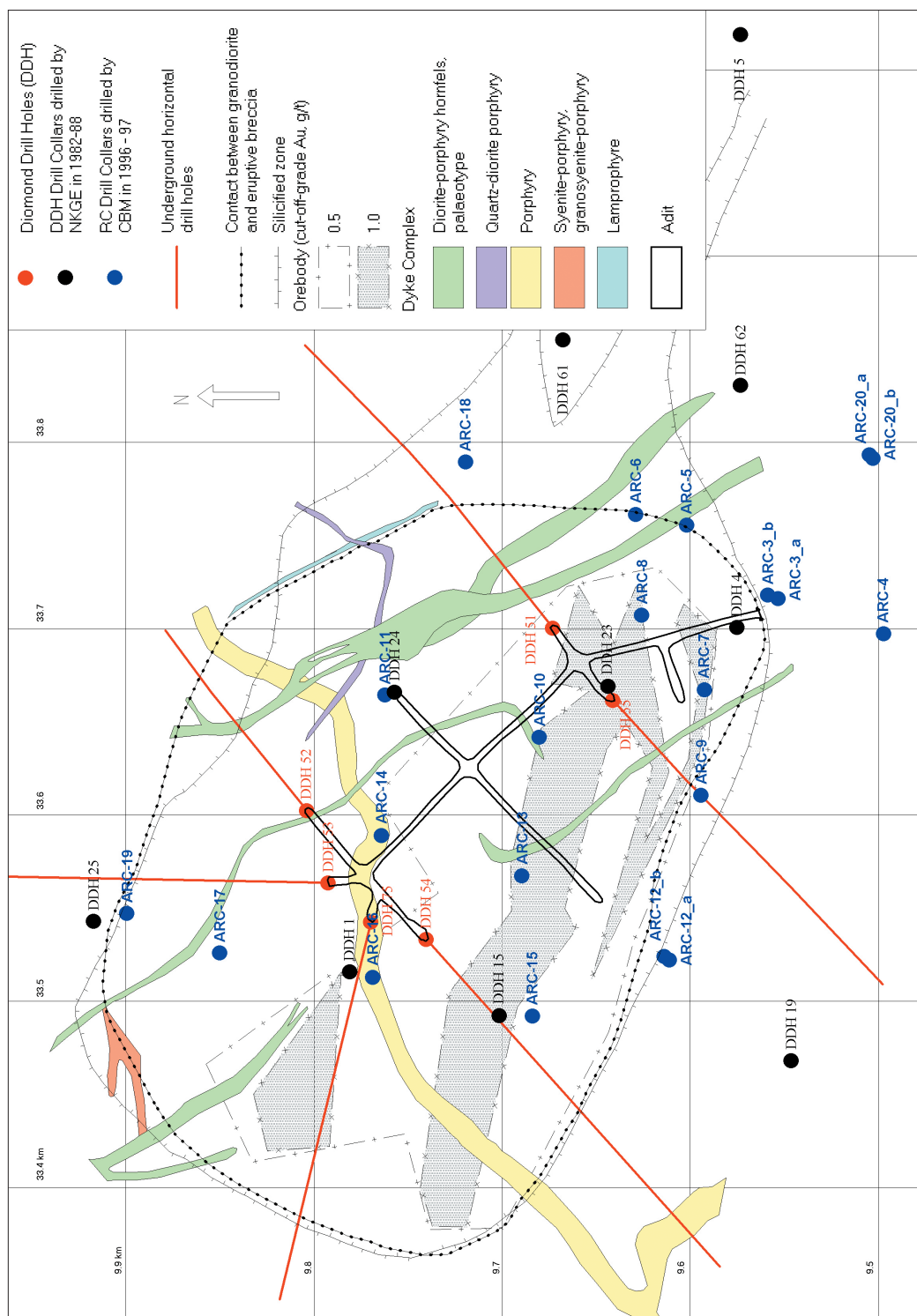
Two metallurgical samples were collected from Adit 1, analysed and tested by gravity-flotation. In addition a detailed petrographical and mineralogical investigation of collected core, surface and underground samples was undertaken.

The results from the above work programme enabled a resource statement to be made at C<sub>2</sub> and P<sub>1</sub> category, as well as better defining the mineralisation. Zone 1 could be considered as a cylindrical shaped body of hydrothermally and metasomatically altered eruptive breccias, hosted within a granodiorite intrusion, whilst the exploration work on Zone 3 showed that it was more complex than previously thought.

In 1995 a metallurgical sample weighing 20kg was collected from Andash Zone 1 and sent to Anamet Services in Bristol, UK, for direct cyanide leaching and flotation testwork. The results of this work are commented on below.

During 1996-1997, the deposit, although mainly Zone 1, was further explored by "Ala-too Gold Co" (subsidiary of Commonwealth and British Minerals). Geological mapping at 1:1,000 scale (northern and southern parts of Zone 1) and re-sampling of nearly 450m of old trenches was done. Additionally, 363 samples were collected and documented from outcrops in the deposit area. Drill roads were constructed and outcrops along them sampled.

A 23 inclined hole reverse circulation drill program was carried out in Zone 1, the holes spaced at relatively regular intervals (figure 2). Overall recoveries were 90 per cent., with samples collected every metre. Drill samples were reduced to 4-5kg and then sent to a sample preparation facility on site. Samples were then dried and crushed, after which two 200g splits of 95 per cent. passing 150 mesh were collected. One was sent to "Analytical Assay Services Pty Ltd", Florida, South Africa, the other kept as a duplicate. External control was carried out at XRAL in Canada and KCL in Kyrgyzstan. Later additional checks were undertaken by Alex Stewart Assayers, Kyrgyzstan.



Generally, the gold results were acceptable, but copper assay results were delayed and were not included in the report and resource calculation by Michael Fellow issued in January 1998 (see resources below).

Most recently, Andash Mining Company, a local company holding the licence for Andash, carried out detailed geophysical exploration during the summer of 2004. This work involved dipole-dipole on 400m spaced profiles with measurements taken every 50m.

## **5.0 PROPERTY GEOLOGY AND MINERALISATION**

### **5.1 Deposit Geology**

Gold-copper mineralisation within the Andash area is thought to be related to the small granodiorite intrusions emplaced during the early stage of the formation of the Susamursky batholith associated with the main phase of the Caledonian Orogeny which defines the gross structure of the area. It appears that gold-copper deposits are within a 3 to 5km wide strip of exo-contacts with the Ototsutsky and Bakaitashsky intrusive formations which extend from Taldy-Bulak in the west to Andash in the east, where they continue in two branches.

The Andash mineralised zones are situated within the western boundary of the Uzunbulak massif where granodiorite porphyries and quartz-diorite porphyries are predominant. These are emplaced within two volcano-sedimentary suites of mid Ordovician age. The Keptash suite comprises aleurolites (siltstones) and sandstones with minor tuffs and volcanics with an upper part characterised by carbonaceous and volcanogenic sandstones with beds of aleurolites, andesites and their tuffs. The other volcano-sedimentary unit, the Utmek suite, comprises andesites, basalts, andesite-basalts, their clastic lava and tuffs, minor aleurolite and volcanogenic sandstones.

The intrusive contacts are often gradational, showing varied alteration (commonly sericitisation and potassium feldspathisation). At the eastern extremity of Andash, the Uzunbulak intrusive body appears as a 1km wide strip, which is crossed by the Andash fault.

West of this, the body is split into a series of dykes which quickly pinch out. The dykes are of intermediate composition (lamprophyres, diabase porphyries, syenite-diorites) in the deposit area, and vary in thickness from 1 to 100m, sometimes up to 1km long.

In a similar fashion, the volcanogenic sediments around intrusions are metasomatically altered commonly by silicification, sericitisation, carbonatisation, chloritisation and epidotisation.

Structurally, Andash is in an area influenced by the major North Tohtonycaisky Fault, an approximately east-west orientated deep rooted fault structure with second and third order associated faults which appear in the deposit area and which are thought to have acted as channels for the mineralisation.

In addition, north-south and northwest trending younger faults are believed to control the localisation of mineralisation where they intersect the Caledonian North Tohtonycaisky sub-structures.

As a result, the Andash deposit is broken into two blocks by the north-south trending Andash Fault, where the western block contains mineralised Zones 2 and 3, whilst the eastern block contains Zone 1 and several other anomalous areas.

### **5.2 Mineralisation**

#### *5.2.1 Zone 1*

The gold-copper mineralisation of Zone 1 is hosted within a cylindrical body of eruptive breccia, located in the upper part of a granodiorite intrusion. The breccia contains altered xenoliths of granodiorite and other rocks which are now difficult to identify. The breccia has undergone relatively high temperature hydrothermal-metasomatic changes comprising early minor biotitisation, followed by chloritisation and potassium feldspathisation. This was followed by later widespread propylitic alteration with subsequent silicification and sericitisation associated with the early mineralisation stage.

Within Zone 1, important mineral zonation has been observed. In the central part, mainly quartz metasomatites with secondary chlorite and carbonate are prevalent, rimmed by sericite-rich propylites to the west, south and north. To the north, supergene alteration is encountered with a pyrite-quartz-chlorite-sericite-carbonate paragenesis, the so-called 'whitening zone', where the original rocks are unidentifiable.

Hydrothermal quartz metasomatism appears with the development of fine network of quartz veinlets and related patchy segregations of sulphide/copper minerals. When combined with intensive brittle failure, it has resulted in massive development of linear quartz stockworks with relatively elevated gold and copper grades. Towards the core of the breccia body, the rock is often completely altered by quartz metasomatites, into elongated auriferous zones, grading 2-2.5g/t Au and higher copper grades.

From detailed underground sampling, the copper and gold mineralisation appears to be coincident with the breccia body. There is no evidence of the existence of copper beyond the breccia, but reportedly some gold has been identified beyond the geological boundaries of explosive breccia.

The morphology of the orebody is relatively simple. At surface, it is oval shaped with a long axis of 430m and shorter one of 290m. Below adit level, these dimensions are about 280 and 180m respectively. The body dips to the east-southeast at 30-35°, slightly shrinking in dimensions. In vertical cross-sections, it resembles a cup-like shape.

#### 5.2.2 *Zone 2*

Zone 2 is located 250-300m to the west of Zone 1. On the surface it is intersected by trench 27 and at depth by drillholes 9 and 27. Morphologically, the zones resemble a cone-like structure dipping at 50° to the southeast and shrinking in dimensions with increasing depth.

At surface, the orebody dimensions are about 65 by 135m with average grades of 0.51g/t Au and 0.19 per cent. Cu. In vertical section, drillhole 9 intersected the mineralisation between 20.8-86.9m yielding 0.12% Cu and 0.43g/t Au. Drillhole 27 intersected this same zone from 363.5-482.7m yielding 2.16g/t Au 0.28 per cent. Cu.

The geology of Zone 2 shows that the upper part is formed by brecciated silicified aleurolites (siltstones) and quartz diorite-porphyrries. With increasing depth, the breccia becomes more eruptive in nature, similar to that seen in Zone 1.

The gold-copper mineralisation is related to the development of quartz veinlets and their stockworks, in places (hole 27), the breccia is completely altered to quartz metasomatites, with associated elevated gold values.

#### 5.2.3 *Zone 3*

Zone 3 has been explored by trenching, drilling and an underground adit. On surface, the zone was crossed by trenches spaced on average 30-50m apart (No's 27, 22, 30, 28, 31, 48, 47, 46, 45, 44, 43, 42, 27, 36, 35, 34, 33, 38, 39, 34, 33, 38, 39, 50 and 52). Three vertical holes (11, 13 and 30) and six inclined holes (65, 66, 67, 68, 69 and 70) were drilled, and from Adit 2, horizontal holes 56, 59 and 60.

The northwestern part of Zone 3 was intercepted by trenches and drillhole 8 and appears as a 50m long elongated body above adit level. Some 80m to the southeast it is intersected in two places by drillhole 13 (1.6-78.8m, average grade 0.49g/t Au and 0.18 per cent. Cu) and (110-184.9m, average grade 0.93g/t Au and 0.3 per cent. Cu). In the same section, a separate third mineralised body was intersected by drillhole 66 (189-204.5m, average grade 1.43g/t Au and 0.12 per cent. Cu).

In the central part (i.e. more to the southeast), inclined drillhole 70 intercepts a steeply dipping elongated mineralised body (88.5-92m, average grade 1.6 g/t Au and 0.22 per cent. Cu).

Further to the southeast, there is no evidence of mineralisation at surface, but vertical drillhole 71 intersected an elongated mineralised zone between 147-160m (average grade 1.63g/t Au and 0.18 per cent. Cu) and then intersects a possible feeder from 283-284m (average grade 2.9g/t Au and 0.02 per cent. Cu) of a larger and deeper body, which appears in vertical drillhole 27 from 363.5-482.7m (average grade 2.16g/t Au and 0.28 per cent. Cu). Drillhole 73 also intersected the mineralised zone cut by drillhole 71, but no further mineralisation to a depth of 570m.

Morphologically, the rocks of Zone 3 are intensively pyritised, chloritised, carbonatised and sericitised. Copper and particularly gold mineralisation is associated with quartz stockworks and networks of quartz veinlets, whilst copper mineralisation also occurs beyond the quartz stockworks.

#### 5.2.4 *Ore Mineralogy*

Much of the mineralogical knowledge comes from studies of samples taken from Zone 1, although some work has been done on samples from the other two mineralised zones.

In Zone 1, the main hypogene minerals are native gold and silver, chalcopyrite, pyrite, molybdenite and magnetite, with minor amounts of hematite, sphalerite and galena. The main supergene minerals are malachite, limonite group, chalcocite, cuprite, and native copper, with minor bornite, covellite, psilomelane.

Gold is present in dispersed and native form. The dispersed gold is related to pyrite, chalcopyrite, chalcocite and quartz. Work done by the Soviet's between 1986-88 suggests that dispersed gold in sulphides has an average grade of approximately 0.31g/t and in quartz 0.14g/t.

The same study showed that native gold has at least three generations. Most widespread is the bright grey-yellow colour which varies in size from 0.01mm to 0.05mm with an average fineness of 762. Less represented is gold of a deep yellow to greasy yellow colour which is seen as more compact and evenly shaped inclusions with average fineness of 889. Rare bright deep yellow colour gold is sometimes found, semi-crystallised with a fineness of about 839.

Microscopic investigations show that gold in general is related to quartz even when associated with sulphides.

Table 1 shows the results from sample A-2\* taken from the upper part of Zone 1 from drillholes with respect to the distribution of gold. Overall, 28 per cent. of the gold particles were greater than 0.05mm, whilst 72 per cent. were less.

**Table 1: Gold Distribution With Zone 1**

<b>Forms of Gold</b>	<b>Average Au g/t</b>	<b>% of Au</b>
Free, removable by amalgam	0.38	36
Intergrown	0.21	20
In fine association with sulphides	0.31	29
In quartz	0.14	14

The results of a separate study of metallurgical samples AH-2 and AH-3 collected between 1986-88 from adit level (AH-2, from adit 1, southeastern wall, 162-206m from entry; AH-3, from cross-cut 3 of adit 1, 2.0-22.0m and 49.5-65.5m) are presented in Table 2 below:

The mineralogical composition of samples AH-2 and AH-3 can be considered as fine to medium grained silicified granodiorite, often showing a high degree of sericitisation. Other than quartz and feldspar, lesser phases include barite, carbonate, chlorite, amphibole, pyroxene, zircon and rutile. Ore minerals comprise primarily pyrite, chalcopyrite (90-95 per cent. of all copper minerals) and magnetite, with lesser amounts of hematite, limonite group, other copper minerals and gold. Gold was observed as fine inclusions with pyrite.

**Table 2: Chemical Distribution of Elements, Zone 1**

Elements	AH-2, %	AH-3, %	Elements	AH-2, %	AH-3, %
SiO <sub>2</sub>	61.8	60.6	CO <sub>2</sub>	1.43	1.7
Fe <sub>2</sub> O <sub>3</sub>	10.6	10.88	Cu	0.72	0.5
TiO <sub>2</sub>	0.37	0.41	Pb	-0.05	-0.05
MnO	-0.1	-0.1	Zn	-0.02	-0.02
Al <sub>2</sub> O <sub>3</sub>	11.7	12.3	As	-0.05	-0.05
CaO	2.66	3.2	S	0.66	0.59
MgO	1.68	1.68	TOTAL	98.3	98.23
K <sub>2</sub> O	3.15	2.92	Au g/t w/ch.	2.3	1.8
Na <sub>2</sub> O	2.42	2.32	Ag g/t	5.4	4.8
P <sub>2</sub> O <sub>5</sub>	0.12	0.13			

Chalcopyrite appears in groups of grains, patches and fillings. It often appears in irregular or oval form within pyrite, whilst the contacts with pyrite are non-linear and irregular. Grain size varies from 0.05 to 0.3mm, rarely 0.5mm. Where oxidised, chalcopyrite is altered to limonite, chalcocite and covellite.

From examination, sample AH-2 should be defined as a mixed oxide-sulphide ore type, and AH-3 rather more sulphidic in nature.

In Zone 2, the mineralogical content of mineralisation differs slightly from that seen in Zone 1. Evidence from drillhole 9, where oxidised, shows a mineral assemblage characterised by chalcopyrite, magnetite, pyrite, chalcocite and bornite. In addition rare patches of sphalerite and galena were observed. Non-oxidised parts of the zone are characterised by chalcopyrite and pyrite, with magnetite and hematite present within healing cracks in quartz veinlets.

In Zone 3, the main ore minerals are pyrite, chalcopyrite, sphalerite, galena, arsenopyrite, hematite, molybdenite, with chalcocite, bornite and covellite common in the supergene zone.

## 6.0 RESOURCE ESTIMATION

### 6.1 Introduction

WAI has examined the base data that forms the database for the various resource statements presented below. Data collected during the Soviet era has been done so with the usual high degree of detail and diligence whilst the drilling and data capture undertaken by Ala-Too also appears robust. As such, WAI is able to place a certain degree of comfort in the results presented.

However, WAI has not had the opportunity to undertake a full database audit, nor calculate an independent resource estimate and therefore bases its conclusions purely on the results provided by the Client.

### 6.2 Soviet Resource Estimation

Mineralisation at Andash has been classified into C<sub>2</sub> and P<sub>1</sub> under the Soviet system of resource estimation. This system, like its counterparts in the West (JORC, CIMM, etc) is based upon the geological complexity of the orebody and the quality and quantity of exploration data available.

The Soviet system employs seven categories: A, B, C<sub>1</sub>, C<sub>2</sub>, P<sub>1</sub>, P<sub>2</sub> and P<sub>3</sub>. In broad terms, the Soviet A and B categories are analogous to Measured category as defined under JORC for instance, whilst C<sub>1</sub> and C<sub>2</sub> broadly conform to Indicated and Inferred respectively. However, there is overlap between the classifications, and dependent on the situation, C<sub>1</sub> may sometimes be ascribed to Measured, C<sub>2</sub> to Indicated, and occasionally, P<sub>1</sub> to Inferred.

As such, each deposit must be considered on its own merits in terms of the style of mineralisation and level of knowledge. Moreover, it is ultimately up to the qualified person to make the decision as to suitable comparisons.



### 6.3 NKGE Estimate

A gold and copper resource was calculated by NKGE (North Kyrgyz Geological Expedition) in 1995 on the basis of previous works undertaken between 1986-88. This estimate used surface trench data, surface and underground core holes and samples collected from the underground adits.

The NKGE estimate, using a 0.5g/t Au cut-off and a specific gravity of 2.71 is shown in Table 3 below. This estimate indicated a resource in excess of 1Moz within the property, albeit at a low cut-off grade.

**Table 3: NKGE Resource Estimate (0.5g/t Au cut-off)**

Class	Tonnes (000's)	Au g/t	Au oz	Cu %
C <sub>2</sub>	12,539	1.26	508,011	0.47
P <sub>1</sub>	13,878	1.19	531,023	0.27
<b>Total</b>	<b>26,317</b>	<b>1.22</b>	<b>1,039,034</b>	<b>0.37</b>

Within this, a separate resource for Zone 1 was also calculated at the same cut-off (Table 4). This estimate specifically used 2,890m of surface trench data (7 trenches), 630m of underground adit (including cross-cuts) of which 1,169m was channel sampled on both sides of the workings, 16 core holes totalling 5,071m (including 6 underground holes totalling 1,169m), and 2,170m of road cuttings.

**Table 4: NKGE Resource Estimate Zone 1 (0.5g/t Au cut-off)**

Class	Tonnes (000's)	Au g/t	Au oz	Cu %
C <sub>2</sub>	11,076	1.30	462,984	0.49
P <sub>1</sub>	5,779	0.75	139,365	0.34
<b>Total</b>	<b>16,855</b>	<b>1.11</b>	<b>602,349</b>	<b>0.44</b>

It is evident from the above global resource statement that Zone 1 contains approximately two thirds of the overall resource. Resource statements were also presented for Zones 2 and 3 (Tables 5 and 6 respectively).

**Table 5: NKGE Resource Estimate Zone 2 (0.5g/t Au cut-off)**

Class	Tonnes (000's)	Au g/t	Au oz	Cu %
P <sub>1</sub>	5,319	1.68	287,329	0.24

**Table 6: NKGE Resource Estimate Zone 3 (0.5g/t Au cut-off)**

Class	Tonnes (000's)	Au g/t	Au oz	Cu %
C <sub>2</sub>	1,463	0.96	45,160	0.32
P <sub>1</sub>	1,999	1.24	79,703	0.18
<b>Total</b>	<b>3,462</b>	<b>1.12</b>	<b>124,863</b>	<b>0.24</b>

## 6.4 Ala-Too Gold Company

From the additional work undertaken between 1996-97 by Ala-Too Gold Company, a revised resource estimate was calculated for Zone 1 only.

This method was again based on cross-sectional areas and used data detailed in Table 7 below:

**Table 7: Ala-Too Resource Data Input**

Data Type	Metreage	No. Assays
Ala-Too RC Drilling (23 holes)	3,054m	4,383
Ala-Too Road Sampling		2,050
Ala-Too Trench Sampling		450
NKGE U/G Drillholes (6 holes)	1,550m	498
NKGE Surface Drillholes (10 holes)	3,419m	963
NKGE U/G Adit Samples		1,270

Road and trench samples were treated as drillholes within the database. A specific gravity of 2.84 was used in the calculation (slightly increased on the NKGE value). Table 8 shows the resource estimates for three different grade intervals.

**Table 8: Ala-Too Resource Estimate Zone 1**

Interval	Tonnes	Au g/t	Au oz
≥ 2.5g/t	684,099	3.46	76,109
≥ 1.0g/t	7,216,383	1.58	366,620
≥ 0.5g/t	19,149,041	1.03	634,197

The work by Ala-Too considered that the resource contained within Zone 1 could be classed as Inferred in line with JORC guidelines. However, it should be noted that no copper values were included in the calculation due to delays (and possibly curtailment) of the assay programme.

Furthermore, Ala-Too conclude that the RC drilling confirmed the general shape of the mineralised zone previously defined by NKGE with an exception of an area in the north where the RC drilling defined wider mineralisation than previously modelled. In addition, the correlation of RC results particularly with underground samples was good. However, some problems with reconciliation of Soviet core holes were noted, but at this level of study, these are not thought to be significant to the overall resource.

## 6.5 Exploration Potential

Previous work within the Andash licence by personnel from NKGE and Ala-Too has identified a number of interesting anomalous zones away from the known areas of mineralisation which remain to be properly tested:

- The NKGE geology team discovered a zone of quartz-magnetite breccia/stockwork approximately 300m east of the main drill area which may represent a faulted portion of the main ore zone;
- Detailed mapping identified interesting alteration and mineralisation about 500m north of the drill area. Here, gold bearing silica-rich gossans occur along the margins of rhyolite-syenite dykes in a broad area of quartz-sericite-limonite alteration of the host granodiorite. This area extends to the northwest into the adjacent valley;
- Zone 3, which appears to have been poorly tested by the underground adit requires further testing;
- Geochemical sampling around Zone 2 revealed some interesting results which require follow-up, and
- The extensive road sampling programme over the licence area did identify some mineralised areas that have yet to be properly tested.

Geophysical work in 2004 by Andash Mining has identified a significant anomaly (larger than for Zone 1) around and below Zone 3, whilst confirming the anomalous zone to the north of Zone 1.



## 6.6 Conclusions

The resource statements produced for Zone 1 at Andash are in good agreement. However, WAI would recommend that a new geostatistical resource estimate is calculated using a Western software system (Datamine, Surpac, Micromine, etc).

It is also critical that the copper assay results from the RC drilling program conducted by Ala-Too Gold Co during 1990's are recovered, as with the current metal prices, copper plays a significant part in governing the economics of the project.

Of the remainder of the resource, although Zones 2 and 3 appear complex, they lie within a few hundred metres of Zone 1. Should Zone 1 merit the development of an open pit, Zones 2 and 3, as well as other anomalous targets within the area, may provide additional feed to a main plant facility.

The numerous other geochemical, geophysical and mapped anomalies identified within the licence require prioritisation and subsequent follow-up.

## 7.0 METALLURGY

### 7.1 Introduction

Mineralisation from Zone 1 has been subjected to two short programmes of scoping level metallurgical testwork, the first by NKGE in 1986-88, the second by Commonwealth & British Services Ltd (CBM) in 1995.

### 7.2 Soviet Work

This investigation, which considered the metallurgical properties of samples AH-2 and AH-3 (see Section 5.3.4) showed that majority of the gold, which is below 200 mesh, appears to be in leachable form. AH-2 contains 84 per cent. leachable gold, whilst AH-3 is 77.8 per cent. (includes 52 per cent. free gold in AH-2 and 38.9 per cent. in AH-3). In addition, a very small amount of gold is in fine association with sulphides, i.e. 4 per cent. in AH-2 and 5.6 per cent. in AH-3.

Unrecoverable gold in quartz accounts for 8 per cent. in AH-2, and 11 per cent. in AH-3.

The Soviet's also undertook flotation testwork, the results of this are presented in Table 9 below.

**Table 9: Soviet Flotation Testwork Results**

Products	Output %	Cu %	Recovery %	Au g/t	Recovery %
<b>AH-2</b>					
Cu-Au-Ag concentrate	2.8	18.8	81.9	60.7	74.5
Flotation tailings	97.2	0.12	18.1	0.6	25.5
Ore	100	0.64	100	2.3	100
<b>AH-3</b>					
Cu-Au-Ag concentrate	2.8	18.4	87.8	46.3	70.8
Flotation tailings	97.2	0.074	12.2	0.55	29.2
Ore	100	0.59	100	1.8	100

### 7.3 CBM Work

In 1995, a metallurgical sample weighing 20kg was selected at random from the spoil dump outside Adit 1 and sent to Anamet Services, Bristol, UK for direct cyanide leaching and flotation testwork.

The composite sample had a head grade of 3.7g/t Au, 1.45g/t Ag and 1.13 per cent. Cu. In WAI's opinion, these grades are well above the average grade of mineralisation likely to be realised from the deposit and therefore cast doubt on the representability of the testwork results described below.

Direct cyanide leaching on duplicate 1kg sub-samples at d80 grind size of 68 $\mu$ m yielded an average gold recovery of 95.3 per cent. and 21.6 per cent. silver recovery. The average value for copper concentration in solution was 796 $\mu$ g/ml, indicating the presence of cyanide soluble copper minerals in the sample. The proportion of cyanide soluble copper corresponds closely to the assay non-sulphide copper content of 8.8 per cent.

A further 2.9 per cent. of the gold was recovered subsequent to sulphide decomposition by HNO<sub>3</sub> leaching, leaving only 1.9 per cent. of the gold unavailable to cyanide leaching. Cyanide consumption was quite high at 4.1kg/t, although it is likely that a reduction in the cyanide concentration would yield a corresponding reduction in the cyanide consumption.

Froth flotation of the sample at a d80 grind size of 62µm yielded a flotation concentrate representing 4.6 per cent. of the total mass and with a gold content 59.89g/t. This represents a recovery of only 80.3 per cent. of the gold to the flotation concentrate, although the nature of the unrecovered gold is not known.

The Andash flotation concentrate also contained 22.45 per cent. copper which represents a recovery of 90 per cent. of total copper. The nature of unrecovered copper was not determined, but it is conceivable that the residual copper is in the form of oxide copper and that recovery of sulphide copper was nearly complete. The assayed sulphide copper represents 91 per cent. of the total copper present in the sample. No determination of deleterious elements in the copper concentrate (i.e. Zn, Pb, Hg, As, Sb, Bi, Ni, Te, Cl, F) was carried out.

Cyanide leaching of the flotation concentrate yielded a gold recovery of only 63 per cent.. Anamet propose a number of explanations for this including unfavourable solution chemistry, oxidation or coating of mineral surfaces, etc. Normally, the overall gold recovery should be similar to that from direct cyanidation.

In contrast, cyanide leaching of flotation tailings yielded in a gold recovery of 78 per cent., which shows that a greater part of the non-floating gold was available for leaching. Anamet suggests further investigation of this aspect.

## **7.4 Conclusions**

WAI has considered the results of this preliminary testwork on samples of Andash mineralisation. Due to the significant differences in grade of the Anamet samples to those expected should the deposit be developed, WAI suggests that the results of this work are treated with some caution.

However, it is clear that opportunities do exist to successfully treat the Andash mineralisation, possibly by direct cyanidation followed by flotation of the tails, although considerable testwork is required on representative samples before an appropriate flowsheet can be established.

## **8.0 ENVIRONMENTAL ISSUES**

Little or no environmental work has been conducted at Andash. However, as part of the Ala-Too RC drilling campaign, prior to drilling, two water samples were collected from the Uzenbulak stream in the vicinity of the camp. These samples indicated a significant level of hydrocarbons emanating from soil on the banks of the stream, contaminated during the previous NKGE exploration activity.

These baseline samples also indicated that the streams at Andash do drain an area of naturally oxidising sulphides.

Should the project advance, baseline studies will be required to monitor soils, surface and groundwater, flora and fauna and air quality. In addition, an archaeological study of the site would also be required.

## **9.0 VALUATION**

### **9.1 Introduction**

Mineral exploration properties can be described as those which do not have a demonstrated economically viable mineral deposit contained within them, and as such, their value can only be quantified through their perceived potential to host ore in the true sense of the word. In reality, this often amounts to how much money can be justified to spend on exploration to attain a viable deposit.

At the present time, there are no fixed guidelines that specify what approaches and methods should be used for the valuation of exploration properties, although any method that is used should be based on the fair market value of the property which can be defined as “the amount that would have been paid for a mineral property in the open market by a willing buyer to a willing seller in cash or equivalent at a particular date”.

Exploration properties with undeveloped mineral resources can range from grass-roots targets with limited geochemical/geophysical data, through semi-quantified mineral resources that are insufficiently explored, to well explored deposits that lack either continuity, or sufficient grade/tonnage, or have poor mineability or metallurgy, such that they are not currently exploitable at the time of valuation.

The Andash deposit falls somewhere between these criteria in that although a Soviet resource estimate has been stated, it is likely that the majority of this resource would translate into Inferred category under JORC guidelines. As such, this precludes the use of a Discounted Cash Flow approach as this requires the deposit to have undergone a detailed pre-feasibility study or a feasibility study.

## 9.2 Valuation Methods

There are four general approaches to the valuation of exploration properties:

- Appraisal Value - this uses a cost approach to value the assets. In simplistic terms, this method considers the relevant past exploration expenditures (only direct costs associated with exploration used) and the proposed future costs to test the remaining exploration potential;
- Comparable Transaction - this method uses the transaction price of comparable properties to establish a value for the particular property;
- Geoscience Factor - the property is ranked on the basis of a number of factors such as location, proximity to other mines, deposit characteristics, exploration targets, etc, and
- Net In-Situ Value - this method ascribes a somewhat arbitrary value to the “ounces in the ground” based on site specific factors as well as the overall classification level of the resource.

For the purposes of this valuation, an effort will be made to present an analysis using the appraisal value, comparable transaction and net in-situ value methods, all of which are used in current market practice.

### 9.2.1 Appraisal Value

For the Andash deposit, the following criteria can be considered as part of the valuation process:

- Kyrgyz exploration property with considerable State and more recent Ala-Too and limited Andash Mining work;
- Generally good access and local infrastructure;
- Low-grade porphyry style gold-copper mineralisation well demonstrated;
- Soviet resource statement backed up by more recent Ala-Too RC drilling which produced an unclassified resource, but which is likely to be Inferred;
- Zone 1 has a relatively finite resource, but Zone 2 and 3 remain to be properly tested, as do a number of significant geophysical anomalies within the licence;
- Total past expenditures are approximately \$2M by Ala-Too and \$3-4M by NKGE in 2004 Dollars
- On-going exploration taking place to include drilling, metallurgical testwork, environmental and pre-feasibility work.

Thus, the Appraisal Value (2004) can be estimated as:

<sup>1</sup> Retained value of past work	\$3M
<sup>2</sup> Warranted future exploration	\$1M
<b>Appraisal Value</b>	<b>\$4M</b>

<sup>1</sup> Discounts total expenditure by 50% to take into account the quality, age and reliability of previous work.

<sup>2</sup> Includes work required to take the project through to feasibility level.

### 9.2.2 *Comparable Transaction*

WAI has found it difficult to find a directly comparable transaction to allow a meaningful valuation of Andash to be made based on this method.

However, the nearest transaction in terms of commodity, date and location would appear to be Highland Gold Mining's recent winning of an open auction to acquire the licence for exploration and production rights for the Taseevskoye deposit in the Chita region of Siberia. Upon registration of the licence with the Federal authorities the total consideration of \$25.5m will become payable within 30 days.

The property, which was a previous working mine, contains some 1.7Moz Au and 3.9Moz Ag in a resource of 18.6Mt at the C<sub>1</sub> and C<sub>2</sub> category (most of the gold is at C1).

Given the above, a nominal price of \$15/oz has been paid for the gold resource, the majority of which is probably at Indicated level.

If the Highland Gold property is directly compared to Andash, a number of observations can be made:

- The most recent statement for Andash Zone 1 (unclassified) varies from 19Mt @ 1.03g/t Au at a 0.5g/t cut-off, to 7.2Mt @ 1.58g/t Au at a 1.0g/t cut-off. This equates to an in-situ gold content of between 360,000 to 630,000oz. However, it is likely that a 0.5g/t cut-off would be uneconomic and thus for the purposes of valuation, WAI has elected to ascribe an in-situ gold content of some 400,000oz to Zone 1.
- Andash also contains copper (0.4-0.5 per cent.), but this has yet to be properly quantified in a modern resource statement, or a suitable extraction method proven.
- The Highland Gold property will command some economies of scale over Andash.

Taking the above into consideration, WAI feels that the overall small size of the Andash deposit does require a discount, as does the lower confidence in the resource estimate. As such, WAI would ascribe a Fair Market Value to the Andash deposit (excluding the value of copper), based on a comparison with Highland Gold, of some \$3.2M.

However, WAI does believe that the copper should be treated as a credit, although due to the uncertainties with the metallurgy and resource, a nominal \$1 could be considered fair.

Therefore, based on the above discussion, **a Fair Market Value for Andash would be \$4.2M.**

### 9.2.3 *Net In-Situ Value*

In the present gold market, a valuation of the contained metal within a deposit is highly subjective as it will vary considerably dependent on the level of development of a project (and thus the certainty of the resource), metallurgy, project costs and political risks to name but a few. As such, this method should only really be used as a guide.

Considering the above, WAI is of the opinion that for Andash, based on the relatively small size of Zone 1, the uncertainty of the resource (probably at Inferred, but requires confirmation), scoping level of the metallurgy and the inherent country risk (market perceptions of Kyrgyzstan with reference to the Jerooy project where the licence has been withdrawn from Oxus by the Government), an in-situ value of \$10/oz for the gold would be appropriate.

In addition to the gold, the Andash deposit does contain a significant copper resource which on present metal prices is worth about  $\frac{2}{3}$  of the contained gold. However, there is considerable uncertainty on both the actual copper resource and a viable process route. As such, WAI believes that the copper value should be discounted to approximately a  $\frac{1}{3}$  of the gold value to give a gold equivalent of \$3/oz.

**This would give an in-situ valuation for Andash of \$5.2M.**

### 9.3 Conclusions

The various valuation methods used above place the Andash deposit in the **range \$4.0-5.2M**. These values strongly reflect the uncertainty in the overall resource classification, the lack of quantifiable copper data, the relatively small size of the project and the limited level of metallurgical knowledge.

Clearly, an up-dated resource estimate (including copper data where possible), additional drilling and further metallurgical testwork will add significant value to the project assuming results are favourable.

## 10.0 CONCLUSIONS AND RECOMMENDATIONS

The Andash deposit is one of a number of gold-copper occurrences distributed along a distinctive east-west trending porphyry belt in northwest Kyrgyzstan. The gold-bearing sulphide deposit has a strong structural control, and the main Zone 1 mineralisation is separated from Zones 2 and 3 by the north-south trending Andash Fault.

The deposit has been explored on two occasions, firstly by NKGE during the 1980's when numerous drillholes (both surface and underground), trenches and underground development were undertaken, and more recently by Ala-Too which carried out a 23 hole RC drill programme as well as further trenching between 1996-97.

NKGE calculated a global resource for the deposit (all three mineralised zones) of some 26.3Mt @ 1.22g/t Au and 0.37 per cent. Cu using a 0.5g/t Au cut-off. Their work showed that approximately two thirds of the resource was contained within Zone 1.

As such, the more recent work by Ala-Too concentrated on Zone 1 and provided a resource statement for this zone only of some 7.2Mt @ 1.58g/t Au at a 1g/t cut-off. Unfortunately, the copper resource was not calculated at this time. Although not classified, it was stated that this mineralisation would conform to Inferred category, with the likelihood that minor amounts of Measured and Indicated resource would be present close to the underground workings.

WAI has inspected the resource methodology used by Ala-Too, and although not audited, can confirm that the cross-sectional method appears to have been applied and calculated correctly.

As a way forward, and to take the project towards pre-feasibility, WAI recommends that a geostatistical block model be produced for Zone 1 which can provide an up-dated resource estimate that will allow future exploration planning to upgrade the resource status. In turn, preliminary pit design, optimisation and a basic economic analysis can then be instigated for the project.

Scoping level metallurgical tests have been undertaken on samples of mineralisation from Zone 1, and although the head grades of these samples have been higher than the expected run-of-mine ore should the mine go into production, preliminary results have indicated that a combined cyanide leach followed by flotation of the tails may present a possible flowsheet. Therefore, WAI recommends that a representative sample be collected for further testwork to demonstrate the viability or otherwise of this process route. The results of this work would also form part of the pre-feasibility study.

The Andash deposit has been valued using various methods giving a **range of \$4.0-5.2M**. These values strongly reflect the uncertainty in the overall resource classification, the lack of quantifiable copper data, the relatively small size of the project and the limited level of metallurgical knowledge.

Thus, as a way forward for the project, the first phase of the work should define a "Western" resource estimate for the deposit (primarily Zone 1) which will require additional drilling using RC to infill the existing pattern and core holes to provide geotechnical data and small samples for bench-scale metallurgical testwork. As such, approximately 3,000m of RC drilling is proposed as well as 500m of core drilling plus associated dozer roads, storage facilities, sample preparation, etc. The total cost of this phase is likely to be in the order of \$250,000

Assay costs need to be added for Au and Cu at approximately \$10/sample, giving another \$35,000.

Once data is available from these exploration works, the Orebody model should be up-dated and audited by an independent consultant at a cost of \$10,000.

Further metallurgical testwork is required to better define the process route for the Cu/Au ores as well as the low-grade ores either by cyanidation followed by flotation or direct leaching. Estimated costs for this work are of the order of \$50,000.

Once a robust resource model has been established along with a demonstrated process route, the second phase of work will be to determine the feasibility of the project through the production of a Pre-feasibility Study which will involve some or all of the following studies:

- Bulk sample confirmatory testwork
- Determination of infrastructure location
- Condemnation drilling
- Geotechnical studies
- Pit optimisation and scheduling
- Capital and operating costs
- Technical and economic rationales for the mining method
- Process design
- Project infrastructure
- Environmental issues
- Finance plan

An estimated budget for this work is in the order of \$160,000.

Should the results from the pre-feasibility prove favourable, then the project could rapidly move to a full Bankable Feasibility Study which might cost something in the region of a further \$500,000.

Dated: 13 January 2005

## GLOSSARY OF TERMS

“accretionary prism”	a mass of sediment and oceanic crust that is transferred from a subducting plate to the less dense, overriding plate with which it converges.
“adit”	a horizontal or sub-horizontal underground development providing access to underground workings from surface
“Ag”	the chemical symbol for the element silver
“Alpine”	Alpine orogeny mountain-building event that affected a broad segment of southern Europe and the Mediterranean region during the middle Tertiary Period
“amphibolite”	a faintly foliated metamorphic rock developed during regional metamorphism
“Arc (Island Arc)”	a series of volcanoes that lie on the continental side of an oceanic trench, resulting from the subduction process
“Archean”	a period of geologic time beyond 2,500Ma
“Au”	the chemical symbol for the element gold
“axial trend”	a plane through a rock fold that includes the axis and divides the fold as symmetrically as possible.
“breccia”	clastic rock made up of angular fragments of such size that an appreciable percentage of rock volume consists of particles of granule size or larger
“Caledonian”	major mountain building episode which took place during the lower Paleozoic Era
“Category B”	Soviet ore reserves where blocks are delineated by mine workings on three or more sides (equivalent to Measured Mineral Resources under the JORC code)
“Category C <sub>1</sub> ”	Soviet ore reserves whose blocks are delineated by mine workings above and below (equivalent to Indicated Mineral Resources under the JORC code)
“Category C <sub>2</sub> ”	Soviet ore reserves extrapolated from Category C1 but with more complex geology or limited mine workings (equivalent to Inferred Mineral Resources under the JORC code)
“Category P”	Soviet ‘Prognostic’ ore resources extrapolated beyond more defineable reserves and resources
“cross-cut”	horizontal underground working, often developed perpendicular to the main adit.
“Cu”	the chemical symbol for copper
“cut-off grade”	lowest grade of mineralised material considered economic, used in the calculation of ore reserves. Also used in reserve estimation, meaning all material higher than the given grade
“cyanide leach”	chemical extraction method using a dilute cyanide solution to leach gold from the mineralisation
“Datamine®”	complex mining software used primarily for orebody modelling, resource estimation and pit optimisation
“deposit”	coherent geological body such as a mineralised body
“diamond drilling”	drilling method which obtains a cylindrical core of rock by drilling with an annular bit impregnated with diamonds



“eclogite”	metamorphic rocks of gabbroic composition, consisting primarily of pyroxene and garnet
“fault”	A surface rock fracture along which there has been differential movement
“feasibility study”	extensive technical and financial study to assess the commercial viability of a project
“fineness”	referring to gold purity
“flotation”	a mineral processing technique used to separate mineral particles in a slurry, by causing them to selectively adhere to a froth and float to the surface
“footwall”	rock mass below a fault, vein, bed or mineralisation
“gamma spectrometry”	the technique of measuring the spectrum, or number and energy, of gamma rays emitted as natural radioactivity by the formation
“gangue”	rocks and minerals of no economic value that occur with valuable minerals in an ore
“geochemical”	prospecting techniques which measure the content of specified metals in soils and rocks; sampling defines anomalies for further testing
“geophysical”	prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing
“geostatistics”	the use of complex statistical mathematics to improve the estimation process in the natural resources industry
“gossan”	decomposed rock, usually reddish or ferruginous (owing to oxidised pyrites), forming the upper part of a metallic vein
“grade”	relative quantity or the percentage of ore mineral or metal content in an ore body
“granite”	Coarse-grained igneous rock dominated by light-coloured minerals, consisting of about 50 per cent. orthoclase, 25 per cent. quartz, and balance of plagioclase feldspars and ferromagnesian silicates.
“granite gneisses”	Metamorphosed (altered) granites
“granodiorite”	Coarse-grained igneous rock intermediate in composition between granite and diorite
“g/t”	gramme per metric tonne
“hanging wall”	rock mass above a fault, vein, bed or mineralised zone
“hydrothermal”	hot fluids
“hypogene”	formed or crystallised at depths below the earth’s surface; said of granite gneiss, and other rocks
“inclinometry”	measurement of the angle of a drillhole below surface
“IP”	an electromagnetic geophysical method that uses electrodes with time-varying currents and voltages to map the variation of electrical permittivity (dielectric constant) in the Earth at low frequencies
“JORC”	Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals council of Australia
“km(s)”	Kilometres



“km”	square kilometres
“lamprophyre”	any of several intermediate igneous rocks constituting feldspar and ferromagnesium minerals that occur as dykes and minor intrusions
“Ma”	Million years
“magnetics”	a geophysical technique used to measure the magnetic susceptibility of rocks
“marble”	metamorphic rock of granular texture, with no rock cleavage, and composed of calcite, dolomite, or both.
“metallurgical”	describing the science concerned with the production, purification and properties of metals and their applications
“metasomatic”	process whereby rocks are altered when volatiles exchange ions with them
“Mt”	million tonnes
“mineralisation”	process of formation and concentration of elements and their chemical compounds within a mass or body of rock
“mineral resource”	a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided, in order of increasing confidence, into Inferred, Indicated and Measured categories.
“monzonite”	intrusive igneous rock that contains abundant and approximately equal amounts of plagioclase and potash feldspar
“Moz”	million troy ounces
“Ordovician”	geological period from 505-438Ma
“ore”	rock that can be mined and processed at a profit
“orebody”	mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions
“ore reserve”	the economically mineable part of a Measured or Indicated mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into Probable and Proven
“ounce” or “oz”	troy ounce (=31.1035 grammes)
“Paleozoic Era”	the first of the three eras of the Phanerozoic, spanning 570-248Ma
“Phyllite”	clayey metamorphic rock with rock cleavage intermediate between slate and schist.
“porphyry”	igneous rock containing conspicuous phenocrysts (crystals) in fine-grained or glassy groundmass.
“propylitic”	plagioclase in an igneous rock is altered to epidote, sericite and secondary albite, and ferro-magnesian minerals are altered to chlorite-calcite-epidote-iron oxide assemblages

“Proterozoic”	The most recent of three sub-divisions of the Precambrian, spanning 2,500-575Ma
“radiometry”	measurement of gamma radiation within rocks
“RC drilling”	Drilling method where samples are cut by percussion roller or blade drill bits and flushed to the surface using compressed air or water.
“recovery”	proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
“reserves”	<p><b>Proven:</b> measured mineral resources, where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions</p> <p><b>Probable:</b> measured and / or indicated mineral resources which are not yet proven, but where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions</p>
“resistivity”	a geophysical technique to measure the electrical resistance of rocks
“resources”	<p><b>Measured:</b> a mineral resource intersected and tested by drill holes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known. A measured mineral resource estimate will be based on a substantial amount of reliable data, interpretation and evaluation which allows a clear determination to be made of shapes, sizes, densities and grades</p> <p><b>Indicated:</b> a mineral resource sampled by drill holes, underground openings or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability. An indicated resource will be based on more data, and therefore will be more reliable than an inferred resource estimate</p> <p><b>Inferred:</b> a mineral resource inferred from geoscientific evidence, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability</p>
“Riphean”	an era of the Middle Proterozoic, lasting from about 1675-825Ma
“run-of-mine”	average grade of mineralisation to be extracted from a mine
“schists”	metamorphic rock dominated by fibrous or platy minerals.
“self-potential”	a geophysical method used in mineral exploration to locate and delineate conductive mineral deposits.
“silicification”	the introduction of silica into a rock, either filling pore spaces or replacing pre-existing minerals
“smelting”	a metallurgical operation (at a smelter) in which metal is separated from impurities by a process that includes melting
“stockwork”	a three-dimensional network of veinlets closely enough spaced to be considered mineralisation
“stratigraphy”	the succession and age relation of layered rocks
“strike length”	the longest horizontal dimension of an orebody or zone of mineralization
“strip ratio”	the ratio of waste to ore in an open pit mining operation

“sulphide”	mineral containing sulphur in its non-oxidised form
“supergene alteration”	near surface alteration
“tailings”	material that remains after all metals / minerals considered economic have been removed from the ore
“tectogenesis”	structural history of an area
“tonalities”	an igneous, plutonic (intrusive) rock, of felsic composition, with phaneritic texture.
“underground working”	mine openings for evaluation for ore extraction excavated beneath the ground surface
“Vendian”	the ultimate system of the Proterozoic from about 650Ma to the basal Cambrian
“xenoliths”	rock fragment foreign to igneous rock in which it occurs

## **PART V**

### **RISK FACTORS**

**In addition to the usual risks associated with an investment in a business at an early stage of its development, the Directors and the Proposed Director consider that the risks and other factors described below are the most significant and should be considered carefully together with all the information contained in this document. It should be noted that the risks described below are not the only risks faced by the Enlarged Group; there may be additional risks that the Directors and the Proposed Director currently consider not to be material or of which they are currently unaware.**

**If any of these risks crystallise, the Enlarged Group's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment.**

#### **1. General mineral exploration risks**

General exploration in the mining industry contains an element of risk and there can be no guarantee that estimates of quantities and grades of minerals disclosed in relation to future projects would actually be available for extraction. With all mining operations there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration is speculative in nature.

If reserves are developed, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditures may be required to establish ore reserves through drilling, to determine metallurgical processes to extract metals from ore and to construct mining and processing facilities. As a result of these uncertainties, there can be no assurance that exploration programmes will result in any new commercial mining activities being brought into operation.

#### **2. General mining and processing risk**

There are risks inherent in the development and exploitation of mineral deposits. The business of mining, by its nature, will involve risks and hazards outside the Company's control including geological, geotechnical and seismic factors, industrial and mechanical accidents, unscheduled plant shutdowns or other processing problems, technical failures, labour disputes and environmental hazards. The exploration, development and production of natural resources is an activity that involves financial risk.

As is common with all mining operations, there will be uncertainty and therefore risk associated with the Company's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Company's control.

#### **3. Gold price volatility and exchange rate risks**

The market price of gold is volatile at times and is affected by numerous factors which are beyond the Company's control. These include global and regional economic and political events, international economic trends, as well as a range of other market forces. Additionally, the purchase and sale of gold by central banks or other large holders or dealers may also have an impact on the market price. Sustained downward movements in gold market prices could render less economic, or uneconomic, any of the gold extraction and/or exploration activities to be undertaken by the Company.

The Company's future income will be subject to exchange rate fluctuations and may become subject to exchange control or similar restrictions.

Gold is sold throughout the world principally in US dollars but the Company's operating costs will be incurred principally in Kyrgyz Som. Any significant and sustained appreciation of the Kyrgyz Som against the US dollar could serve to materially reduce the Company's future revenues.

#### **4. Political and economic risks**

The FSU has undergone a substantial political transformation from a centrally controlled command economy under communist rule to a pluralist market-orientated democracy. There can be no assurance that the political and economic reforms will continue. Changes may occur in its political, economic, fiscal and legal systems which might affect the ownership or operation of the Company's future mining projects including, *inter alia*, changes in exchange control regulations, ownership of mining rights, changes of government and changes in legislative or regulatory regimes. There is no guarantee that future changes in legislation would not affect the Company retrospectively.

In addition, legal uncertainties, ambiguities, inconsistencies and anomalies, which would not necessarily exist in the UK, may arise. In particular, difficulties may arise in seeking to obtain redress through the legal courts in overseas jurisdictions.

#### **5. Physical infrastructure in the FSU**

The FSU's physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained. Particularly affected are the rail and road networks, power generation and transmission, communications systems, and building stock. Road conditions throughout the FSU are generally poor with many roads not meeting minimum quality requirements. The deterioration of infrastructure harms the national economy, disrupts the transportation of goods and supplies, adds cost to doing business in the FSU and can interrupt business operations. This could have a material adverse effect on the Company's future operations.

#### **6. Regulatory Regime**

The Company's future exploration, mining and processing activities will be dependent upon the granting of appropriate licences, concessions, leases, permits and regulatory consents which may be granted for a defined time period. These may be subject to limitations and may provide for withdrawal in certain circumstances. There can be no assurance that when granted they will be renewed or if so, on what terms.

#### **7. Property rights**

The laws of the FSU are uncertain and the risks associated with the legal system include (i) the untested nature of the independence of the judiciary, (ii) the inconsistencies among laws, Presidential decrees and Government and ministerial orders and resolutions, (iii) the lack of judicial or administrative guidance on interpreting the laws, (iv) a high degree of discretion on the part of the governmental authorities, (v) conflicting local, regional and federal laws and regulations, (vi) the relative inexperience of judges and courts in interpreting new legal norms, and (vii) the unpredictability of enforcement of foreign judgments and arbitral awards.

In particular, during the FSU's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalisation. However, it is possible that due to the lack of experience in enforcing these provisions and due to potential political changes, these protections would not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of the Company's future assets, potentially without adequate compensation, would have a material adverse effect on the Company.

#### **8. Expiry of exploration licence**

Whilst the exploration licence held by Andash Mining expires on 31 January 2006, the Directors have been advised that a further extension of the licence should be available without additional cost but there can be no assurance that this will be the case. Under Kyrgyz law Andash Mining has the right to extend its exploration rights for up to a total of 10 years from the original date of issue, if Andash Mining complies with the conditions of its Licence Agreement. There is no guarantee that such extension will occur, notwithstanding the provisions of Kyrgyz law. In the event of a commercial discovery within the territory of the Licence Agreement, Andash Mining has the right to receive a mining licence under Kyrgyz law. There is no guarantee that such mining licence will be issued, notwithstanding the provisions of Kyrgyz law.

## **9. Environmental concerns**

Andash Mining may be liable for any environmental damage caused by it or by Marsa Gold dating back to the original issuance of the licence and the Company's future operations will be subject to environmental regulation (including regular environmental impact assessments and obtaining the appropriate permits) in the FSU. The environmental legislation of the FSU consists of numerous federal and regional regulations which quite often conflict with each other and cannot be consistently interpreted. As a result, full environmental compliance may not always be ensured.

Environmental regulation in the FSU is likely to evolve in a manner which will require stricter standards and enforcement, increased penalties for non-compliance, more stringent environmental assessment of proposed projects and a heightened degree of responsibility for companies and their directors and employees. This may have the effect of increasing the future costs of environmental compliance.

## **10. Uninsured risks**

Some forms of insurance protection used in Western countries are unavailable in the FSU on the terms common in Western countries. Furthermore, the Company, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. The Company may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

## **11. Dependence on key personnel**

The Company is dependent on the services of certain key consultants and members of the executive management team. Whilst the Company has entered into contractual arrangements or consultancy agreements with such people, details of which are set out in Part IX of this document, the retention of their services cannot be guaranteed. The loss of any key employees or consultants may have an adverse effect on the Company's future business.

## **12. Financing**

The Company will have limited financial resources. Existing funds may not be sufficient to fund the acquisition and/or development of further gold mining projects or all of the due diligence costs and professional costs associated with such projects and the Company's working capital requirements. It may be necessary to raise additional equity or debt financing or other means to cover working capital requirements and, where appropriate, part of any cash consideration in respect of acquisitions. Any additional equity financing may be dilutive to Shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There can be no assurance that such funding required by the Company will be made available to it and, if such funding is available, that it will be offered on reasonable terms.

If the Company is unable to obtain additional financing as needed, the Company may not be able to fulfil its strategy, which could have a material adverse effect on the Company's business, financial condition and prospects.

## **13. Further issue of shares**

Upon identification of suitable projects, the consideration payable may be satisfied or part satisfied by the issue of new Ordinary Shares. Such an issue may be at a discount to current or future market prices.

## **14. Share price volatility and liquidity**

The share price of publicly traded companies, in particular those at an early stage of development, can be highly volatile. The price at which the Ordinary Shares will be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its proposed operations and the ability to successfully implement its intended investment strategy and some which may affect quoted companies generally. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or the absence of liquidity) in the Ordinary Shares, currency fluctuations and general economic conditions. The value of the Ordinary Shares may go down as well as up.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise his investment on AIM than to realise an investment in a company whose shares are quoted on the Official List.



## PART VI

### ACCOUNTANTS' REPORT ON KALDORA AND ITS SUBSIDIARY



**BDO Stoy Hayward**  
**Chartered Accountants**

BDO Stoy Hayward LLP  
8 Baker Street  
London W1U 3LL

The Directors and the Proposed Director  
Aurum Mining Plc  
8 Baker Street  
London  
W1U 3LL

13 January 2005

The Directors  
W.H. Ireland Limited  
24 Bennetts Hill  
Birmingham  
B2 5QP

Dear Sirs

#### **KALDORA COMPANY LIMITED ("KALDORA")**

##### **Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 13 January 2005 of Aurum Mining Plc ("the Admission Document").

Kaldora was incorporated as Kaldora Company Limited on 12 May 2004.

##### **Basis of preparation**

The financial information set out below is based on the non-statutory consolidated accounts of Kaldora for the period ended 30 September 2004 to which no adjustments were considered necessary.

##### **Responsibility**

The non-statutory consolidated accounts of Kaldora are the responsibility of the directors of Kaldora and have been approved by them.

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

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

##### **Basis of opinion**

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Kaldora and its subsidiary, Andash Mining Company, as at 30 September 2004 and of the consolidated loss for the period then ended.

### **Consent**

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraphs 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## **FINANCIAL INFORMATION**

### **Accounting policies**

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The financial information is stated in US dollars. The following principal accounting policies have been applied:

### **Depreciation**

Office equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write off the cost of assets less their estimated residual values over their expected useful lives. The annual rates used are:

Office equipment	-	25 per cent. straight line
------------------	---	----------------------------

### **Intangible assets**

Intangible assets represent pre-production costs incurred in the exploration and appraisal of gold and mineral reserves. These have been accounted for under the full cost method and will be held as intangible assets until commercial reserves have been determined at which point they will be transferred to tangible assets or written off.

### **Investments**

Kaldora acquired the entire share capital of Andash Mining Company on 22 June 2004. The results of Andash Mining Company have been consolidated using the acquisition method.

### **Stock**

Stock comprises parts and supplies, all of which are stated at the lower of cost and net realisable value.

### **Foreign currency**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Monetary assets and liabilities at the period-end are translated at closing exchange rates.

### **Deferred tax**

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

## Consolidated profit and loss account

		Period ended 30 September 2004 \$
	Notes	
Administration expenses		13,467
<b>Operating loss and loss for the period before and after taxation</b>	3, 11	(13,467)
<b>Loss per share</b>	4	(6,734)

All amounts relate to continuing activities.

There are no recognised gains or losses for the period, other than the loss for the period.

## Consolidated balance sheet

		As at 30 September 2004 \$
	Notes	
<b>Fixed assets</b>		
Intangible assets	5	9,724
Tangible assets	6	1,946
		11,670
<b>Current assets</b>		
Stock	7	283
Debtors	8	838
Cash at bank and in hand		14,862
		15,983
<b>Creditors - amounts falling due within one year</b>	9	(41,118)
<b>Net current liabilities</b>		(25,135)
<b>Total assets less current liabilities</b>		(13,465)
<b>Net liabilities</b>		(13,465)
<b>Capital and reserves</b>		
Called up share capital	10	2
Profit and loss account	11	(13,467)
<b>Shareholders' deficit - equity</b>		(13,465)

## Consolidated cash flow statement

		<b>Period ended 30 September 2004</b>
	<b>Notes</b>	<b>\$</b>
<b>Net cash outflow from operating activities</b>	12	(3,470)
<b>Capital expenditure</b>		
Payments to acquire intangible fixed assets		(9,724)
Payments to acquire tangible fixed assets		(1,946)
		<hr/>
		(11,670)
<b>Financing</b>		
Issue of ordinary shares		2
Loan advances		30,000
		<hr/>
		30,002
<b>Increase in cash</b>		<hr/> <hr/> 14,862

## Notes to the consolidated financial information

### 1 Employees

	<b>Period ended 30 September 2004</b>
	<b>\$</b>
Staff costs (including directors) consist of:	
Wages and salaries	3,421
National insurance	852
	<hr/>
	4,273
	<hr/> <hr/>

The average number of employees (including directors), during the period was 6.

### 2 Directors' remuneration

	<b>Period ended 30 September 2004</b>
	<b>\$</b>
Directors' emoluments	<hr/> <hr/> —

### 3 Taxation

The company has a potential deferred tax asset of \$2,559 due to losses made in the period. This has not been recognised as recovery is dependent upon future profitability, the timing of which is currently uncertain.

**4 Loss per share**

The basic and diluted loss per share is calculated by reference to the loss for the period of \$13,467 and the weighted number of ordinary shares in issue during the period, which was 2.

**5 Intangible assets - exploration expenditure**

	<b>As at 30 September 2004</b>
	\$
<i>Cost</i>	
At incorporation	-
Additions	9,724
	<hr/>
At 30 September 2004	9,724
	<hr/>
<i>Amortisation</i>	
At incorporation and at 30 September 2004	-
	<hr/>
<i>Net book value</i>	
At 30 September 2004	9,724
	<hr/> <hr/>

**6 Tangible assets - office equipment**

	<b>As at 30 September 2004</b>
	\$
<i>Cost</i>	
At incorporation	-
Additions	1,946
	<hr/>
At 30 September 2004	1,946
	<hr/>
<i>Depreciation</i>	
At incorporation and at 30 September 2004	-
	<hr/>
<i>Net book value</i>	
At 30 September 2004	1,946
	<hr/> <hr/>

**7 Stock**

	<b>As at 30 September 2004</b>
	\$
Parts and supplies	283
	<hr/> <hr/>

## 8 Debtors

	As at 30 September 2004 \$
Prepayments	836
Unpaid share capital	2
	<u>838</u>

## 9 Creditors: amounts falling due within one year

	As at 30 September 2004 \$
Other creditors	9,815
Taxation and social security	1,303
Other loans	30,000
	<u>41,118</u>

The loan is repayable after 19 August 2005, or any other date as will be defined by the lender. The loan is interest free (see also note 13).

## 10 Share capital

	Authorised Number	Allotted, called up and fully paid Number
Ordinary shares of \$1 each	<u>50,000</u>	<u>2</u>
	\$	\$
Ordinary shares of \$1 each	<u>50,000</u>	<u>2</u>

The company was incorporated with authorised share capital of \$50,000 divided into 50,000 ordinary shares of \$1 each. On incorporation, 2 ordinary shares of \$1 each were issued at par.



**11 Reconciliation of movements in shareholders' funds**

	<b>As at 30 September 2004</b>
	\$
At incorporation	-
Issue of shares	2
Loss for period	(13,467)
	<hr/>
	(13,465)
	<hr/> <hr/>

**12 Reconciliation of operating loss to net cash outflow from operating activities**

	<b>Period ended 30 September 2004</b>
	\$
Operating loss	(13,467)
Increase in debtors	(838)
Increase in creditors	11,118
Increase in stock	(283)
	<hr/>
	(3,470)
	<hr/> <hr/>

**13 Related party transactions**

Included within other creditors is an amount of \$7,428 owing to Tyry Services Limited. During the year, Tyry Services Limited paid expenses on behalf of Andash Mining Company. Other loans of \$30,000 represent an interest free loan from Tyry Services Limited. The company and Tyry Services Limited are under common control.

**14 Post balance sheet events**

On 2 November 2004 and in late December 2004, further interest free loans of \$60,000 and \$10,000 respectively were received from Tyry Services Limited under the loan agreement discussed in note 13.

Yours faithfully

BDO Stoy Hayward LLP  
Chartered Accountants

## PART VII

### ACCOUNTANTS' REPORT ON AURUM MINING



**BDO Stoy Hayward**  
**Chartered Accountants**

BDO Stoy Hayward LLP  
8 Baker Street  
London W1U 3LL

The Directors and the Proposed Director  
Aurum Mining Plc  
8 Baker Street  
London  
W1U 3LL

13 January 2005

The Directors  
W.H. Ireland Limited  
24 Bennetts Hill  
Birmingham  
B2 5QP

Dear Sirs

#### **AURUM MINING PLC (“AURUM MINING” OR THE “COMPANY”)**

##### **Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the admission document dated 13 January 2005 of the Company (“the Admission Document”).

The Company was incorporated as Zoloto Plc on 1 March 2004 and changed its name to Aurum Mining Plc on 5 April 2004.

##### **Basis of preparation**

The financial information set out below is based on the non-statutory accounts of the Company for the period ended 31 October 2004, to which no adjustments were considered necessary.

##### **Responsibility**

The non-statutory accounts of the Company are the responsibility of the directors of the Company and have been approved by them.

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

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

##### **Basis of opinion**

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

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 31 October 2004 and of its loss for the period then ended.

### **Consent**

We consent to the inclusion in the Admission Document of this report and accept responsibility for the report for the purposes of paragraph 45(8)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

## **FINANCIAL INFORMATION**

### **Accounting policies**

The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied:

#### **Depreciation**

Office equipment is stated at historical cost less accumulated depreciation.

Depreciation is calculated on the straight line method to write off the cost of assets less their estimated residual values over their expected useful lives. The annual rates used are:

Office equipment                      -              25 per cent. straight line

A full year's depreciation is provided on assets in the period of purchase and none in the year of disposal.

#### **Foreign currency**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account. Monetary assets and liabilities at the period-end are translated at closing exchange rates.

#### **Deferred tax**

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

**Profit and loss account**

		<b>Period ended 31 October 2004 £</b>
	<b>Notes</b>	
Administration expenses		(143,783)
<b>Operating loss</b>		(143,783)
Interest receivable		22,802
Interest payable	3	(214)
<b>Loss for the period before and after taxation</b>	4, 11	(121,195)
<b>Loss per share</b>		
Basic	5	(1.9)p

All amounts relate to continuing activities.

There are no recognised gains or losses for the period, other than the loss for the period.

**Balance sheet**

		<b>As at 31 October 2004 £</b>
	<b>Notes</b>	
<b>Fixed assets</b>		
Tangible assets	6	10,444
<b>Current assets</b>		
Debtors	7	111,785
Cash at bank and in hand		1,271,973
<b>Creditors: amounts falling due within one year</b>	8	1,383,758 (45,829)
<b>Net current assets</b>		1,337,929
<b>Total assets less current liabilities</b>		1,348,373
<b>Capital and reserves</b>		
Called up share capital	9	81,915
Share premium	10	1,387,653
Profit and loss account	10	(121,195)
<b>Shareholders' funds - equity</b>	10	1,348,373

## Cash flow statement

		<b>Period ended 31 October 2004</b>
	<b>Notes</b>	<b>£</b>
Net cash outflow from operating activities	11	(207,956)
<b>Returns on investments and servicing of finance</b>		
Interest received		22,802
Interest paid		(214)
		<hr/>
		22,588
<b>Capital expenditure</b>		
Payments to acquire tangible fixed assets		(12,227)
<b>Financing</b>		
Issue of ordinary shares (net of issue costs of £80,432)		1,469,568
		<hr/>
<b>Increase in cash</b>		<u>1,271,973</u>

## Notes to the consolidated financial information

### 1 Employees

	<b>Period ended 31 October 2004</b>
	<b>£</b>
Staff costs (including directors) consist of:	
Wages and salaries	37,501
National insurance	2,530
	<hr/>
	40,031

The average number of employees (including directors), during the period was 3.

### 2 Directors' remuneration

	<b>Period ended 31 October 2004</b>
	<b>£</b>
Directors' emoluments	29,167

### 3 Interest payable

	<b>Period ended 31 October 2004</b>
	<b>£</b>
Bank interest	214

#### 4 Taxation

The Company has a potential deferred tax asset of £23,882 due to the losses made in the period. This has not been recognised, as recovery is dependent upon future profitability, the timing of which is currently uncertain.

#### 5 Loss per share

The basic and diluted loss per share is calculated by reference to the loss for the period of £121,195 and the weighted average number of ordinary shares in issue during the period of 6,298,307.

#### 6 Tangible assets - office equipment

	As at 31 October 2004 £
Cost	
At incorporation	-
Additions	12,227
	<hr/> 12,227
Depreciation	
At incorporation	-
Charge for the period	1,783
	<hr/> 1,783
At 31 October 2004	<hr/> 1,783
Net book value	
At 31 October 2004	<hr/> <hr/> 10,444

#### 7 Debtors

	As at 31 October 2004 £
Prepayments	19,725
Other debtors	92,060
	<hr/> 111,785

#### 8 Creditors: amounts falling due within one year

	As at 31 October 2004
Trade creditors	21,715
Accruals and deferred income	21,207
Taxation and social security	2,907
	<hr/> 45,829

#### 9 Share capital

	Authorised	Allotted, called up and fully paid
Ordinary shares of £0.01 each (number)	200,000,000	8,191,489
Ordinary shares of £0.01 each (£)	<hr/> 2,000,000	<hr/> 81,915

## 9 Share capital (continued)

The Company was incorporated with authorised share capital of £2 million divided into 200 million ordinary shares of £0.01 each. On incorporation, 2 ordinary shares of £0.01 each were issued at par.

On 20 April 2004 the 2 subscriber shares were paid up and a further 4,999,998 ordinary shares were issued at par for cash.

On 7 May 2004 a further 3,191,489 ordinary shares were issued at a premium of 46 pence for cash. The issue costs of £80,432 have been charged against the share premium account.

## 10 Reconciliation of movement in shareholders' funds

	<b>As at 31 October 2004</b>
At incorporation	–
Issue of shares (net of costs of £80,432)	1,469,568
Loss for the period	(121,195)
	<hr/> 1,348,373 <hr/>

## 11 Reconciliation of operating loss to net cash outflow from operating activities

	<b>Period ended 31 October 2004</b>
Operating loss	(143,783)
Depreciation of tangible fixed assets	1,783
Increase in debtors	(111,785)
Increase in creditors	45,829
	<hr/> (207,956) <hr/>

## 12 Capital commitments

On 3 August 2004, the Company signed an agreement whereby up to £150,000 would be advanced to a third party in return for the provision of drilling services up to this value (at cost price) and for a further three years following repayment (at cost price plus 20 per cent). This loan is free of interest.

At 31 October 2004, £75,000 of this amount had been advanced (the debtor balance of £75,000 is included in "other debtors" in note 7).

## 13 Post balance sheet events

On 2 December 2004, the Company advanced a further £55,000 to a third party under the agreement discussed in note 12. This took the total amount advanced to the third party to £130,000.

On 7 December 2004, the Company entered into an agreement with Open Joint-Stock Company, Geocentr ("Geocentr"), a third party entity, under which the Company agreed to make available to Geocentr a facility of up to US\$150,000. The loan may be drawn down at any time up to 7 March 2005 and will accrue interest at a rate of 5 per cent. per annum and is to be repaid (together with any accrued interest) no later than 21 December 2007. The agreement provides for the repayment date to be shortened to 31 December 2005 if, within 60 days from the date of the agreement, the Company does not conclude with one or more of Geocentr's shareholders an agreement for the acquisition of not less than 51 per cent. of the ordinary share capital of Geocentr. As security for its obligations under the agreement, Geocentr is obliged to procure the execution of a share pledge contract in favour of the Company from shareholders in Geocentr of not less than 51 per cent. of the total of number of voting shares of Geocentr. The agreement is governed by English Law. As at 4 January 2005, Geocentr had drawn down approximately US\$115,000 from the facility.

Yours faithfully

BDO Stoy Hayward LLP  
Chartered Accountants



## PART VIII

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The following unaudited pro forma statement of net assets of the Company following the Acquisition, admission to AIM and Placing (together, the “Transaction”) has been prepared for illustrative purposes only to provide information about the impact of the Transaction on the Company and because of its nature may not give a true reflection of the financial position of the Company. It has been prepared on the basis that the Transaction was undertaken as at 31 October 2004 and on the basis set out in the notes:

	Adjustments				
	Aurum Mining as at 31 October 2004 (note 1) £000	Kaldora Group as at 30 September 2004 (note 2) £000	Impact of the Acquisition (note 3) £000	Net Placing proceeds (note 4) £000	Pro forma net assets of the Enlarged Group £000
<b>Fixed assets</b>					
Intangible assets	-	5	3,141	-	3,146
Tangible assets	11	1	-	-	12
	11	6	3,141	-	3,158
<b>Current assets</b>					
Debtors	112	1	-	-	113
Cash at bank and in hand	1,272	8	(359)	525	1,446
	1,384	9	(359)	525	1,559
<b>Creditors:</b> amounts falling due within one year	(46)	(22)	-	-	(68)
<b>Net current assets/(liabilities)</b>	1,338	(13)	(359)	525	1,491
<b>Total assets less current liabilities</b>	1,349	(7)	2,782	525	4,649
<b>Net assets/(liabilities)</b>	1,349	(7)	2,782	525	4,649

Notes:

The unaudited pro forma statement of net assets has been prepared on the following basis:

1. The net assets of the Company at 31 October 2004 have been extracted from the Accountants’ Report set out in Part VII of this document.

#### Adjustments:

2. The net assets of Kaldora Group have been extracted from the Accountants’ Report set out in Part VI of this document. The financial information in the Accountants’ Report is denominated in \$ and for the purposes of this pro forma statement has been converted to Pounds Sterling using an exchange rate of £1:\$1.90.

3. The consideration for the acquisition of Kaldora is as follows:

	£000	£000
Cash consideration of \$300,000	158	
Committed expenditure of \$30,000	16	
	<hr/>	
Total cash consideration payable		174
600,000 shares issued upon acquisition	537	
2,500,000 shares issued as deferred consideration	2,238	
	<hr/>	
Total share consideration payable		2,775
		<hr/>
Total consideration payable		2,949
Transaction costs		185
		<hr/>
Total cost of the Acquisition		3,134
		<hr/>
Pro forma net liabilities acquired		7
Pro forma goodwill		3,141
		<hr/>

- i. The cash consideration has been converted to Pounds Sterling using an exchange rate of £1:\$1.90.
  - ii. The value of the shares issued to the vendor is based on the closing mid-market price of the Company's shares on 11 January 2005, the latest practicable date prior to completion of this document. The actual fair value of the consideration shares will be the mid-market price prevailing at the date of completion.
  - iii. The pro forma statement assumes that the maximum number of deferred consideration shares are issued to the vendor.
  - iv. No allowance has been made for any fair value adjustments that may be made to the book values of the net assets of Kaldora Group.
4. As part of the proposed transaction, the Company will place shares to the value of £600,000. The Placing costs are estimated to be £75,000 such that the net Placing proceeds will be approximately £525,000.
5. No adjustments have been made to reflect the trading results of the Company or of Kaldora Group since, respectively, 31 October 2004 and 30 September 2004.

## PART IX

### ADDITIONAL INFORMATION

#### 1. Responsibility for information in this document

- 1.1 The Directors of Aurum Mining, whose names and business addresses are set out in paragraph 1.3 of this Part IX and the Proposed Director, whose name and business address is set out in paragraph 1.4 of this Part IX, accept responsibility, individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Director (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The members of the Concert Party accept responsibility for all information contained in this document relating to the Kaldora Group and themselves. Subject as aforesaid, to the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case) such information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 The Directors of Aurum Mining and their respective positions are:

Sean Finlay	<i>Non-Executive Chairman</i>
Haresh Damodar Kanabar	<i>Executive Business Development Director</i>

The business address of the Directors is 8 Baker Street, London W1U 3LL.

- 1.4 The Proposed Director and his respective position is:

John Webster	<i>Proposed Managing Director</i>
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The business address of the Proposed Director is 1 Lambousa Street, Nicosia 1019 Cyprus .

- 1.5 The name and address of each member of the Concert Party is as follows:

<b>Name</b>	<b>Address</b>
Kantanna Company Limited	Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
Jake Consultants Limited	Akara Building, 24 de Castro Street, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands
Clayhill Investments Corp.	OMC Chambers, PO Box 3152, Road Town, Tortola, British Virgin Islands
Oleg Kim	12th Micro District, House 4, Flat 16, Bishtek 720023, Kyrgyz Republic
John Webster	1 Lambousa Street, Nicosia 1019 Cyprus
David Bryans	Boden Park House, Scholarstown Road, Dublin 16, Republic of Ireland
Talyn International Limited	Lister House, 35 The Parade, St. Helier, Jersey JE2 3QQ

#### 2. The Company

- 2.1 The Company was incorporated and registered in England and Wales under the Act on 1 March 2004 under the name of Zoloto Plc with registered number 5059457, as a public company limited by shares under the Act. On 5 April 2004 the name of the Company was changed to Aurum Mining Plc. The Company has no subsidiaries.
- 2.2 The principal activity of the Company is to make investments in gold exploration and mining projects, initially in the FSU.
- 2.3 The principal legislation under which the Company operates is the Act. The liability of the Company's members is limited. On 20 April 2004 the Registrar of Companies issued a certificate to the Company under section 117 of the Act entitling it to commence business and to borrow.

### 3. Memorandum and Articles of Association

The principal objects of the Company, which are set out in clause 4 of its Memorandum of Association, are to carry on the business of a general commercial company.

The Articles contain, *inter alia*, provisions to the following effect:

#### 3.1 Voting rights

Subject to paragraph 3.6 below, and to any special rights or restrictions as to voting upon which any shares may for the time being be held, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by its duly appointed representative shall have one vote and on a poll every member present in person or by representative or proxy shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

#### 3.2 Variation of rights

Whenever the share capital of the Company is divided into different classes of shares the special rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class and may be so varied and abrogated whilst the Company is a group concern or during or in contemplation of a winding-up. To every such separate general meeting (except an adjourned meeting), the quorum shall be two persons at least holding or representing by proxy one-third in nominal value of the issued shares of that class.

#### 3.3 Alteration of capital

The Company may by ordinary resolution increase its capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, subdivide all or any of its shares into shares of a smaller nominal value, cancel any shares not taken, or agreed to be taken, by any person and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, subject to any conditions, authorities and consents required by law, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including any redeemable shares) with and subject to all prior authorities of the Company in general meeting as specified under the Act provided that the Company may not purchase any of its shares if as a result of the purchase of the shares there would no longer be any member holding shares in the Company other than redeemable shares.

#### 3.4 Transfer of shares

A member may transfer all or any of his shares (1) in the case of certificated shares by transfer in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only and (2) in the case of uncertificated shares, in the manner provided for in the rules and procedures of the operator of the relevant system and in accordance with and subject to the Uncertificated Securities Regulations 2001 (the “Uncertificated Securities Regulations”). The instrument of transfer of a certificated share shall be signed by or on behalf of the transferor and, if the share is not fully paid, by or on behalf of the transferee. Subject to paragraph 3.6 below, the Articles contain no restrictions on the free transferability of fully paid shares provided that the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Directors and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with.

The Company will not close the register of members in respect of a share, class of share, renounceable right of allotment of a share or other security (title to units of which is permitted to be transferred by computer-based systems and procedures in accordance with the Uncertificated Securities Regulations) without the consent of the operator of the computer-based system and/or procedure. The registration of transfers may be suspended at such times and for such periods as the Directors may determine either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days a year.

Subject to the requirements of the UK Listing Authority and the London Stock Exchange, the Company shall register a transfer of title to any uncertificated share or any renounceable right to allotment of a share held in uncertificated form in accordance with the Uncertificated Securities Regulations but so that the Directors may refuse to register such transfer in any circumstance permitted or required by the Uncertificated Securities Regulations.

### 3.5 Dividends

3.5.1 Subject to the Act or any other statutes in force, the Company may by ordinary resolution in general meeting declare dividends provided that no dividend shall be paid otherwise than out of profits available for the purpose and no dividend shall exceed the amount recommended by the Directors. The Directors may from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates in respect of such periods as appear to the Directors to be justified.

3.5.2 Subject to the rights of persons, if any, holding shares with special dividend rights, and subject to paragraph 3.6 below, all dividends shall be apportioned and paid pro rata according to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose.

3.5.3 All dividends unclaimed for a period of 12 years from the date on which such dividend was declared or became due for payment shall be forfeited and shall revert to the Company.

3.5.4 There is no fixed date on which an entitlement to dividend arises.

### 3.6 Suspension of rights

If a member or any other person appearing to be interested in shares of the Company fails after the date of service of a notice to comply with the statutory disclosure requirements then:

3.6.1 If the shares are held in certificated form from the time of such failure until not more than 7 days after the earlier of (a) receipt by the Company of notice that there has been a transfer of the shares by an arm's length sale and (b) due compliance, to the satisfaction of the Company, with the statutory disclosure requirements (if the Directors so resolve) such member shall not be entitled to vote or to exercise any right conferred by membership at meetings of the Company in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent of the issued shares of that class, the payment of dividends may be withheld, and such member shall not be entitled to transfer such shares otherwise than by an arm's length sale.

3.6.2 If the shares are held in uncertificated form, the Directors may serve upon the registered holder of such shares a notice requiring the holder to convert his holding of uncertificated shares into certificated form with such period as is specified in the notice and require the holder to continue to hold such shares in certificated form for so long as such failure continues. If the holder shall fail to convert his holding within the specified time, the Directors are empowered to authorise some person to take all such steps and issue such instructions as may be necessary in the name of the holder of such shares to effect the conversion of such shares to certificated form. Such steps shall be as effective as if they had been taken by the registered holder of the relevant uncertificated shares. Once such conversion to certificated form has been effected, the above rules in relation to shares in certificated form shall apply.

### 3.7 Return of capital

Subject to any preferred, deferred or other special rights, or subject to such conditions or restrictions to which any shares in the capital of the Company may be issued, on a winding-up or other return of capital, the holders of ordinary shares are entitled to share in any surplus assets pro rata to the amount paid up on their ordinary shares. A liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether or not the assets shall consist of property of one kind or shall consist of property of different kinds), those assets to be set at such value as he deems fair. A liquidator may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members as the liquidator shall think fit.

### 3.8 Pre-emption rights

There are no rights of pre-emption under the Articles in respect of transfers of issued Ordinary Shares.

In certain circumstances, the Company's shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in the Company. These statutory pre-emption rights would require the Company to offer new shares for allotment to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the Company's shareholders.

### 3.9 Borrowing powers

Subject to the Act and any other Statute, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party

## 4. Share Capital

- 4.1 The Company was incorporated with an authorised share capital of £2,000,000 represented by 200,000,000 ordinary shares of 1p each, of which 2 were issued, nil paid, to the subscribers to the memorandum of association. The following alterations in the issued share capital of the Company have taken place since incorporation:

On 20 April 2004, the 2 subscriber shares were paid up and a further 4,999,998 Ordinary Shares issued at par.

On 7 May 2004, a total of 3,191,489 Ordinary Shares were issued at 47p per share.

- 4.2 The authorised and issued share capital of the Company (i) as at the date of this document and (ii) upon Admission, is set out below:

Authorised		Issued and fully paid		
£	Number		£	Number
(i) 2,000,000	200,000,000	Ordinary Shares	81,915	8,191,489
(ii) 2,000,000	200,000,000	Ordinary Shares	95,058	9,505,775

In addition, up to 2,500,000 Deferred Consideration Shares may be issued pursuant to the terms of the Acquisition Agreement, further details of which are set out in paragraph 7.1.6 below.

- 4.3 On 30 April 2004, the Company granted W.H. Ireland an option to subscribe for 81,915 Ordinary Shares. Upon Admission, the Company will grant W.H. Ireland an option to subscribe for a further 7,142 Ordinary Shares. The terms of these options are summarised in paragraph 7.1.4 below.
- 4.4 Save as disclosed in paragraph 4.3 above and paragraph 5 below, no capital of the Company is proposed to be issued or is under option or is agreed to be put under option.
- 4.5 By a special resolution dated 5 April 2004 the Directors were generally unconditionally authorised for the purposes of section 80 of the Act to allot relevant securities of an aggregate nominal value representing the entire unissued share capital of the Company such authority to expire on 4 April 2009. This authority will be used to issue the Consideration Shares. The Directors were also empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash as if section 89(1) of the Act did not apply for any allotment of equity securities by way of rights in proportion (as nearly as may be) to their existing holdings, and in respect of any other issue up to an aggregate nominal value representing the entire unissued share capital of the Company such authority to expire on 4 April 2009.

## 5. Shareholdings, Dealings and Directors

### 5.1 Interests in Shares

References in this paragraph 5 to “relevant securities” means Ordinary Shares and securities convertible into such shares, rights to subscribe thereof, options in respect thereof and derivatives referenced thereto.

As at the close of business on 12 January 2005 (being the latest practicable date prior to the date of this document), the interests (all of which are beneficial unless otherwise stated) of the Directors and the Proposed Director in the issued share capital of the Company, which have been notified to the Company pursuant to sections 324 or 328 of the Act or which are required to be entered in the register maintained pursuant to section 325 of the Act or which are interests of a connected person of a Director (within the meaning of section 346 of the Act) which would, if the connected person were a Director, be required to be disclosed as aforesaid or which are interests of the Proposed Director or a connected person of the Proposed Director and would be required to be disclosed, and the existence of which is known to, or could with reasonable diligence be ascertained by, the Directors and Proposed Director, are set out below:

	<b>Number of Ordinary Shares</b>	<b>per cent. of existing share capital</b>	<b>Number of Ordinary Shares on Admission</b>	<b>per cent. of issued share capital on Admission</b>
S Finlay	250,000	3.1	250,000	2.6
H Kanabar	175,000	2.1	175,000	1.8
J Webster	25,000	0.3	145,000*	1.5

\* 120,000 of these shares will be held by Clayhill Investments Corp., a company controlled by Mr Webster. In addition, Mr Webster may become interested in up to 500,000 Deferred Consideration Shares pursuant to the terms of the Acquisition Agreement.

The Directors are, and the Proposed Director will be, also interested in unissued Ordinary Shares granted to them by the Company under share options issued to them pursuant to individual option deeds as set out below. The options are exercisable at anytime until five years from the date of grant:

	<b>Exercise Price</b>	<b>Ordinary Shares</b>	<b>Latest exercise date</b>
Sean Finlay	47p	250,000	7 May 2009
Haresh Kanabar	47p	250,000	7 May 2009
John Webster	84p	1,000,000*	1 February 2010

\* Of these options, 500,000 are exercisable on Admission, with a further 166,667 exercisable upon the first two anniversaries of Admission and 166,666 exercisable on the third anniversary.

- 5.2 Save as disclosed in paragraph 5.1 above no Director and no member of the Concert Party has any option over or warrant to subscribe for relevant securities.
- 5.3 Save as disclosed in paragraphs 5.1 and 6.1 of this Part IX, none of the Directors, or any member of the Concert Party nor any person connected with them (within the meaning of section 346 of the Act) has any interest in any relevant securities.
- 5.4 On 7 May John Webster acquired 25,000 Ordinary Shares at a price of 55p per share and, with this exception no Director nor any member of the Concert Party nor Brookspey nor Nigel Robertson has dealt for value in any relevant securities during the 12 months prior to the date of this document.
- 5.5 No pension fund of the Company and, save as disclosed in paragraph 4.3, no bank or financial or other professional advisers including stockbrokers to the Company (excluding any exempt market makers) owns, controls or is interested in any relevant securities.
- 5.6 There are no relevant securities managed on a discretionary basis by fund managers connected with the Company.
- 5.7 The Company has agreed to lend £150,000 to PPI (a company in which John Webster has an interest of 31 per cent., potentially rising to 47 per cent.), further details of which are set out in paragraph 7.1.7 below. With this exception, there are no outstanding loans granted by the Company to any of the Directors or any member of the Concert Party nor has any guarantee been provided by the Company for the benefit of any Director or any member of the Concert Party.



5.8 Neither the Company, nor Kaldora, nor any Director or any person connected with them (within the meaning of section 346 of the Act) has or has had any interest, direct or indirect, nor dealt during the 12 months prior to the date of this document in shares of any of the Vendors.

5.9 Interests of the Directors and members of the Concert Party in transactions

Except as set out in paragraphs 7.1.7 and 7.2.3 below, no Director, Proposed Director or member of the Concert Party has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Company and which were effected by any member of the Company during the current or immediately preceding financial year or which were effected during an earlier financial year and remain in any respect outstanding or unperformed.

5.10 Additional Information on the Directors and Proposed Director

The names of all companies and partnerships outside the Company of which the Directors and the Proposed Director have, at any time in the five years prior to the date of this document, been a director or partner, as appropriate, each of which is currently held unless stated otherwise are as follows:

<b>Name</b>	<b>Current Directorships</b>	<b>Past Directorships</b>
Haresh Damodar Kanabar	Blue Star Capital Plc Bombay Restaurants plc Gaming Insight Plc Greenfield Construction Group Plc India Outsourcing Services Plc Knightsdale plc Silentpoint Plc Silvermines Media Plc	Corvus Capital Inc. Spiritel plc TMV Finance Limited
Sean Finlay	Bootmount Management Co Ltd (Ireland) Clare Calcite Ltd (Ireland) Glencar Mining plc (Ireland) Mostop Ltd (Ireland) Obart Ltd (Ireland) Tobin Environmental Services Ltd (Ireland) (trading as TES Consulting Engineers)	Celtic Petroleum Ltd Celtic Resources Holding plc (Ireland) Fynegold Petroleum Ltd ( <i>dissolved</i> ) Oliver Minerals Ltd (Ireland) SVMC Ltd (Russia)
John Webster	Product Power International Ltd Taiga Zoloto Limited	None

Save as set out above, none of the Director or the Proposed Director has held or occupied any other directorships or has been a partner in a partnership over the previous five years.

Mr Finlay is a former director of Celtic Resources Holding plc ("Celtic") which in May 1999 reached an agreement with Dragon Oil plc, the company's largest creditor and shareholder, to vary the terms of a Loan Agreement in which \$2.39 million was converted into IR £1 Preference Shares of Celtic at the higher of 15 IR pence or market price before 31 October 1999. In June 1999, 97 per cent of Celtic's other creditors, accounting for 83 per cent of all outstanding debts, settled at 40 IR pence in the pound by way of a combination of cash (10 IR pence) and shares (30 IR pence).

5.11 Save as disclosed above, no Director or Proposed Director:

5.11.1 has any unspent convictions in relation to indictable offences; or

5.11.2 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such director; or

5.11.3 has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or

5.11.4 has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or

5.11.5 has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or

5.11.6 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

## 5.12 Directors' and Proposed Director's Service Agreements

The services of Hareesh Kanabar and Sean Finlay as executive Director and non-executive Chairman respectively are provided under the terms of letters of appointment between the Company and each of them dated 30 April 2004 for an initial period of 12 months, continuing thereafter subject to termination upon at least one month's notice, at an initial fee of £25,000 per annum.

John Webster will provide services to the Company pursuant to the terms of a consultancy agreement between the Company and Laverock Ventures ("Laverock") Limited dated 13 January 2005. The agreement is for an initial period of 6 months, continuing thereafter subject to termination by either party upon at least 6 months' written notice, such notice not to be given during the first 6 months following Admission. Laverock will receive an annual fee of \$150,000 (exclusive of VAT and expenses) subject to annual review. In the event of a change of control of the Company, where the services of Laverock are no longer required then it shall be entitled to a severance package equivalent to one-half of the annual fee payable at such time.

## 5.13 There are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.

Save as set out in paragraph 5.12 above, none of the Directors and the Proposed Director has an existing or proposed service agreement with the Company or Kaldora, nor has there been a change to any such agreements in the last six months.

From the date of incorporation to 31 March 2005, the first financial year of the Company, the estimated aggregate remuneration of the Directors and, from Admission, the Proposed Director including pension contributions and benefits in kind payable by any member of the Enlarged Group under the arrangements in force at the date of this document is £60,000.

## 6. Substantial Shareholders and transactions in shares

### 6.1 As at 12 January 2005 (being the latest practicable date prior to the date of this document) the Company had been notified of, or was otherwise aware of the following person(s) who were, directly or indirectly, interested in 3 per cent. or more of the existing share capital of the Company and as they will be following Admission and/or who will be immediately following Admission directly or indirectly interested in 3 per cent. or more of the Enlarged Share Capital of the Company.

	Number of Ordinary Shares	per cent. of existing share capital	Number of Ordinary Shares following Admission	per cent. of Enlarged Share Capital	No of Ordinary Shares following issue of of Deferred Consideration Shares and exercise of options	Maximum holding of further enlarged share capital %
D Bryans <sup>1</sup>	2,250,000	27.5	2,370,000	24.9	2,870,000	21.3
N Robertson <sup>2</sup>	2,250,000	27.5	2,250,000	23.7	2,250,000	16.7
S Finlay	250,000	3.1	250,000	2.6	500,000	3.7
J Webster	25,000	0.3	145,000 <sup>3</sup>	1.5	1,645,000	12.2
O Kim <sup>4</sup>	-	-	360,000	3.8	1,860,000	13.8
H Kanabar	175,000	2.1	175,000	1.8	425,000	3.1

1. The 2.25 million existing Ordinary Shares are held by Talyn International Limited, a company controlled by Mr Bryans. The additional 120,000 Ordinary Shares that Mr Bryans will be interested in following Admission (together with any Deferred Consideration Shares issued) will be held by Jake Consultants Limited, a company also controlled by Mr Bryans.

2. These shares are held by Brookspey Limited, a company controlled by Mr Robertson.

3. 120,000 of these shares (together with any Deferred Consideration Shares issued) will be held by Clayhill Investments Corp., a company controlled by Mr Webster.

4. These shares (together with any Deferred Consideration Shares issued) will be held by Kantanna Company Limited, a company controlled by Mr Kim.

- 6.2 Save as disclosed in this paragraph 6, the Company is not aware of any person who as at 12 January 2005 (being the latest practicable date prior to the date of this document), directly or indirectly, has an interest in the Company which represents 3 per cent. or more of its issued share capital. Save as disclosed in paragraph 6, the Company is not aware of any persons who as at 12 January 2005 (being the latest practicable date prior to the date of this document), directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 6.3 Except as set out in paragraphs 5.1 and 6.1 in this Part IX none of the members of the Concert Party, nor the Directors nor any associate of any of these are party to any arrangement, other than the Acquisition Agreement in respect of the equity of the Company nor, except as set out in paragraph 5.4 of this Part IX, have any such parties acquired or dealt for value in any shares of the Company.

## **7. Material Contracts**

- 7.1 The following contracts, not being contracts entered into in the ordinary course of business, have been or will have been on Admission entered into by the Company and are or may be material:
- 7.1.1 On 30 April 2004, the Company entered into an agreement with Tyry Services Limited (“Tyry”) and David Bryans under which Tyry agreed to procure the provision to the Company of the exclusive services of David Bryans to actively source, identify, assess and undertake preliminary negotiations relating to projects including the development or acquisition of rights relating to gold mining or other extractable mineral resources situated in the FSU (“Development Projects”). The agreement is for an initial period of 12 months (subject to termination by the Company in certain circumstances) and thereafter is terminable by either party on 12 months’ notice. In consideration for the provision of these services Tyry receives a retainer fee of £5,000 per month (or such amount as may be agreed) together with agreed expenses. In addition, Tyry is entitled to receive an introductory fee to be agreed between the parties on a project by project basis although it is likely to be equivalent to a two per cent. carried interest without capital contribution obligations until the commencement of first production, in all projects introduced by Tyry and subsequently acquired or materially developed by the Company.
- 7.1.2 On 7 April 2004, the Company entered into an agreement with W.H. Ireland under which W.H. Ireland agreed to act as the Company’s Financial Adviser and Nominated Adviser and Broker and to advise and assist the Company in respect of admission to AIM and on an ongoing basis for an initial period of twelve months and thereafter until terminated by three months’ notice by either party. The agreement contained indemnities and warranties given by the Company to W.H. Ireland. In addition, in respect of its Nominated Adviser and Broker services, W.H. Ireland receives a fee equivalent to £15,000 p.a. until completion of the Company’s first acquisition and £25,000 p.a. thereafter.
- 7.1.3 On 30 April 2004, the Company, the Directors and David Bryans entered into a placing agreement with W.H. Ireland whereby W.H. Ireland conditionally agreed to use its reasonable endeavours (as agent for the Company) to procure subscribers for Ordinary Shares. The Company, the Directors and David Bryans gave certain warranties and indemnities as to the accuracy of the information contained in the original admission document and other matters in relation to the Company and its business. Under the placing agreement, the Company paid to W.H. Ireland a fee of £25,000 together with its costs and expenses. In addition, the Company was responsible for all other costs and expenses of the application for admission to AIM.
- 7.1.4 Pursuant to an option deed entered into by the Company and W.H. Ireland dated 30 April 2004, the Company agreed to create and issue an option to W.H. Ireland to subscribe for 81,915 Ordinary Shares at 47p per share. Such options are exercisable at any time until 7 May 2007. Pursuant to an option deed entered into by the Company and W.H. Ireland dated 13 January 2005, the Company has agreed to create and issue an option to W.H. Ireland to subscribe, at the Placing Price for 7,142 Ordinary Shares. The options are exercisable at any time until three years from Admission.
- 7.1.5 The Directors, Proposed Director and the Vendors and certain other significant Shareholders, comprising Talyn International Limited, and Brookspey Limited have covenanted to the Company and W.H. Ireland pursuant to individual deeds of restriction with the Company and W.H. Ireland dated 13 January 2005, during the period of one year from Admission, that they will not directly or indirectly transfer, sell or otherwise dispose of the legal or beneficial ownership of any Ordinary

Shares held by them. These agreements are subject to certain limited exceptions permitted by the AIM rules or as required by the Panel including, *inter alia*, pursuant to acceptance of a general offer to all shareholders, giving an irrevocable undertaking to accept such an offer and the sale of shares to an offeror or potential offeror. These deeds apply currently to an aggregate of 5,550,000 Ordinary Shares.

- 7.1.6 On 13 January 2005, the Company, the Vendors and each of David Bryans, John Webster and Oleg Kim (“Warrantors”) entered into the Acquisition Agreement whereby the Company has agreed to acquire the entire issued share capital of Kaldora for an initial consideration equal to \$1,500,000 to be satisfied by the payment to the Vendors of \$300,000 in cash and the issue of 600,000 Ordinary Shares. In addition, deferred consideration of up to \$5 million is payable by the Company to be satisfied by the issue of such number of Ordinary Shares (at a fixed value of \$2 per share) as equals \$10 multiplied the number of gold or gold equivalent ounces of proved ore reserves at the property covered by the Licence as stated in an independently prepared preproduction feasibility study. For these purposes one tonne of copper will be treated as equal to 7 ounces of gold. The Acquisition Agreement is conditional, *inter alia* upon, (i) the passing of the Resolutions, (ii) the Placing Agreement becoming unconditional in all respects (other than any condition relating to the completion of the Acquisition Agreement or to Admission) and not being terminated and (iii) Admission. The Acquisition Agreement contains certain warranties and indemnities made by the Vendors and the Warrantors in respect of the Kaldora Group. The Acquisition Agreement is governed by the laws of England. The Company has also agreed to procure the repayment of the loan to Andash Mining from Tyry Services Limited (as detailed in paragraph 7.2.3 below) upon Admission.
- 7.1.7 On 3 August 2004, the Company entered into an agreement with PPI pursuant to which the Company agreed to make available to PPI an interest free loan of up to £150,000 to assist in the refurbishment of a drilling rig owned by PPI in consideration for the right to require PPI to carry out drilling in Kyrgyzstan. Such debt is to be repaid by the provision by PPI of drilling services to the Company at cost price. Following settlement of the debt, the Company will have the right to require PPI to carry out drilling in central Asia at anytime for a period of 3 years from the date of repayment on three months’ notice at a discounted rate of 20 per cent. over cost price.
- 7.1.8 An irrevocable undertaking dated 13 January 2005 has been received from Brookspey Limited undertaking to vote in favour of all the resolutions to be proposed at the EGM in respect of the 2,250,000 Ordinary Shares held by it. A further irrevocable undertaking dated 13 January 2005 has been received from Talyn International Limited undertaking to abstain from voting on resolutions 1 and 2 at the EGM.
- 7.1.9 David Bryans, Jake Consultants Limited and Talyn International Limited (being companies that David Bryans controls) have entered into a controlling shareholder agreement with the Company and W.H. Ireland dated 13 January 2005 pursuant to the terms of which they have agreed that for so long as they are interested in excess of 20 per cent. of the issued share capital of the Company they shall not exercise their voting powers (or shall procure those of any related party are not exercised) so as to derogate from the independence of the Board, that any director appointed by them shall not vote on any matter involving any actual or potential conflict between them and the Company and ensure that any transactions entered into between them (or any regulated party) and the Company are conducted at arm’s length and on a normal commercial basis.
- 7.1.10 On 13 January 2005, the Company, the Directors and Proposed Director and W.H. Ireland entered into the Placing Agreement pursuant to which W.H. Ireland has agreed to, as agent for the Company, to handle the implementation of the placing arrangements for the subscription by the placees of the Placing Shares at the Placing Price. The Agreement is conditional, *inter alia*, upon the Acquisition Agreement becoming unconditional (other than any condition relating to the Placing Agreement and Admission) and not being terminated and Admission taking place on or before 8.00 am on 1 February 2005 or such later date as W.H. Ireland and the Company may agree but in any event not later than 4.30 pm on 22 February 2005. The Company will, subject to Admission, pay W.H. Ireland a fee of £75,000 together with all costs and expenses and VAT thereon where appropriate. In addition, the Company will be responsible for all other costs and expenses of the application for Admission. The Company, the Directors and the Proposed Director have given certain warranties and indemnities as to the accuracy of the information

contained in this document and other matters in relation to the Enlarged Group. W.H. Ireland may terminate the Placing Agreement in certain specified circumstances prior to Admission, principally in the event of a material breach of the Placing Agreement or any of the warranties contained in it or any failure by the Directors or the Company to comply with their obligations which is or will be in the opinion of W.H. Ireland, materially prejudicial in the context of the Placing.

- 7.1.11 On 7 December 2004, the Company entered into an agreement with Open Joint-Stock Company, Geocentr ("Geocentr") pursuant to which the Company agreed to make available to Geocentr a facility of up to \$150,000 for the purpose of Geocentr making a repayment of indebtedness to its creditors and to fund works conducted for the development of the Igumenovskoye gold ore deposit in the Magadan Oblast of the Russian Federation. The loan may be drawn down at anytime up to 7 March 2005 and will accrue interest at a rate of 5 per cent. per annum and is to be repaid (together with any accrued interest) no later than 21 December 2007. The agreement provides for the repayment date to be shortened to 31 December 2005 if, within 60 days from the date of the agreement, the Company does not conclude with one or more of Geocentr's shareholders an agreement for the acquisition of not less than 51 per cent. of the ordinary share capital of Geocentr. As security for its obligations under the agreement, Geocentr is obliged to procure the execution of a share pledge contract in favour of the Company from shareholders in Geocentr of not less than 51 per cent. of the total of number of voting shares of Geocentr. The agreement is governed by English Law.
- 7.2 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Kaldora Group within the period of two years immediately preceding the date of this document and are or may be material:
- 7.2.1 The Licence was issued to Andash Mining on 22 June 2004 for exploration in the Talas district of the Talas region of the Kyrgyz Republic. The Licence was to expire on 31 January 2005 but on 22 November 2004 the Licencing Organ issued an extension of the Licence term until 31 January 2006. The Licence as issued on 22 June 2004 referred only to gold however, when the Licence was extended on 22 November 2004, an express reference to copper was also included.
- 7.2.2 The Licence Agreement was entered into by the Licencing Organ and Andash Mining on 22 November 2004, at the same time that the Licence term was extended until 31 January 2006. The Licence Agreement provides for work to be conducted in 2005 and 2006 comprising, *inter alia*, 3000 meters of linear drilling, 2500 linear meters of breakout drifting and the taking of 5000 core samples. The level of investment stated for 2005 is \$277,000 and for January 2006 is \$60,000. In addition, the Licence Agreement provides that the work to be conducted by Andash Mining is set out in a work programme entitled "Project for the Conduct of Geological Exploration Work for the Andash Mining Gold-Copper Deposit and related Field 2003-2005." and sets out the geographical co-ordinates of the Licence area. which covers 53 sq km. The Licence holder is not obliged to return any territory prior to the expiration of the Licence but must provide geological information concerning its work to the Kyrgyz Government, including a report on its work conducted in 2003-2005.
- 7.2.3 On 19 August 2004, Andash Mining (as borrower) and Tyry Services Limited ("Tyry") (as lender) entered into a loan agreement for \$100,000. The loan is re-payable in instalments to be agreed by Andash Mining and Tyry from 19 August 2005 onwards or such date as may be notified by Tyry and is non-interest bearing. Such loan agreement does not provide for any security, lien, charge or encumbrance by Andash mining in favour of Tyry and is governed by the laws of the Kyrgyz Republic.
- 7.2.4 On 22 July 2004, Kaldora and Marsa Gold entered into a share purchase agreement in respect of the acquisition by Kaldora of the entire issued share capital of Andash Mining. The purchase price was stated as 1,000 Kyrgyz Som and the agreement contained certain representations and warranties by Marsa Gold to Kaldora in respect of the Licence and the Andash project, including warranties that (i) Andash Mining was the legal owner of the Licence and had received all governmental or other consents and authorisations necessary in order to obtain and hold the Licence, (ii) Andash Mining's rights under the Licence were free of any claims, liabilities, third party rights, limitations and encumbrances and (iii) as of the date of the agreement there were no grounds for termination or revocation of the Licence. The agreement is governed by the laws of the Kyrgyz Republic and any dispute or claim arising thereunder is subject to the jurisdiction of the Chamber of Commerce of the Kyrgyz Republic.



## **8. Working Capital**

In the opinion of the Directors and the Proposed Director, having made due and careful enquiry, the working capital available to the Enlarged Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

## **9. Litigation**

### **9.1 Aurum Mining**

The Company is not and has not been engaged in any legal or arbitration proceedings and the Company is not aware that any legal or arbitration proceedings are pending or threatened by or against the Company which may have, or have had since incorporation, a significant effect on the financial position of the Company.

### **9.2 Kaldora Group**

The Kaldora Group is not and has not been engaged in any legal or arbitration proceedings and the Kaldora Group is not aware that any legal or arbitration proceedings are pending or threatened by or against the Kaldora Group which may have, or have had since incorporation, a significant effect on the financial position of the Kaldora Group.

## **10. Significant Changes**

### **10.1 Aurum Mining**

Save as disclosed in Part I under “Current Trading”, there has been no significant or material change in the financial or trading position of the Company since incorporation.

### **10.2 Kaldora Group**

There has been no significant or material change in the financial or trading position of the Kaldora Group since 31 October 2004, the date to which the Accountants’ Report in Part VI was made up.

## **11. Middle Market Quotations for Ordinary Shares**

The table below lists the closing middle market quotations for Ordinary Shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange for 7 May 2004 (the date of admission of the Ordinary Shares to trading on AIM) and for the first dealing day in each of the six months prior to the date of this document, for 12 January 2005 (the last business day before the commencement of the offer period (for the purposes of the City Code) and the last day before the posting of this document.)

<b>Date</b>	<b>Share price Pence</b>
7 May 2004	69.5
2 August 2004	120.5
1 September 2004	101.5
1 October 2004	95
1 November 2004	90.5
1 December 2004	90.5
4 January 2005	90.5
12 January 2005	87.5

## **12. TAXATION**

The following information, which sets out the taxation treatment for holders of Ordinary Shares, is based on existing law in force in the United Kingdom (“UK”) and what is understood to be current Inland Revenue practice. It is intended as a general guide only and applies to Shareholders who are resident or ordinarily resident in the UK (except to the extent that specific reference is made to Shareholders resident outside the UK), who hold the Ordinary Shares as investments and who are the absolute beneficial owners of those Ordinary Shares.

Any Shareholders who are in any doubt as to their taxation position or who are subject to taxation in any jurisdiction other than the UK should consult their professional advisers immediately. Shareholders should note that the levels and bases of, and relief from, taxation may change and that changes may affect benefits of investment in the Company. This summary is not exhaustive and does not generally consider tax relief or exemptions.

## 12.1 Taxation of Dividends

Under current UK tax legislation, no tax will be withheld from any dividend paid by the Company.

### 12.1.1 UK Resident Individual Shareholders

An individual UK resident shareholder is currently entitled to a tax credit in respect of the dividend (the “associated tax credit”), that can be set off against the total liability to UK income tax. The amount of the associated tax credit is equal to one-ninth of the cash dividend received. The aggregate of the cash dividend and the associated tax credit (the “gross dividend”) will be included in the Shareholder’s income for UK tax purposes and will be treated as the top slice of the Shareholder’s income. Thus, an individual UK resident Shareholder receiving a cash dividend of £90 will be treated as having received income of £100, which has the associated tax credit of £10 attached to it.

An individual UK resident Shareholder who, after taking into account the gross dividend, pays income tax at the lower rate or basic rate will pay tax on the gross dividend at the “Schedule F ordinary rate” of 10 per cent. against which he can set off the tax credit. As a consequence, such a Shareholder will have no further liability to account for income tax on the cash dividend received.

An individual UK resident Shareholder who, after taking into account the gross dividend, pays income tax at the higher rate will pay tax on the gross dividend at the “Schedule F upper rate” of 32.5 per cent. against which he can set off the associated tax credit. Such a Shareholder will have a liability to account for additional tax on the gross dividend, calculated by multiplying the gross dividend by the Schedule F upper rate and deducting the tax credit. This will be equivalent to 25 per cent. of the cash dividend received.

An individual UK resident Shareholder who does not pay income tax or whose liability to income tax does not exceed the amount of the associated tax credit will not be entitled to claim repayment of the associated tax credit attaching to the dividend.

### 12.1.2 Trustees of UK Resident Trusts

For dividends paid to Trustees of UK resident discretionary or accumulation trusts, the gross dividend will be subject to UK income tax at the “Schedule F trustee rate” of 32.5 per cent. To the extent that the associated tax credit exceeds the Trustees’ liability to account for income tax, the trustees will have no right to claim repayment of the associated tax credit. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

### 12.1.3 UK Resident Corporate Shareholders

A UK resident corporate Shareholder (other than a share dealer) will not generally be liable for corporation tax on any dividend received.

### 12.1.4 UK Resident Pension Funds and Charities

UK pension funds and charities are not subject to tax on dividends which they receive. Neither are they entitled to claim repayment of the associated tax credit.

### 12.1.5 Non-resident Shareholders

A Shareholder not resident in the UK for tax purposes is not generally entitled to an associated tax credit in respect of a dividend received. However, such a non-resident Shareholder may be entitled to a payment from the UK Inland Revenue of a proportion of the associated tax credit in respect of dividends paid to him under a double tax treaty between the UK and the country in which the Shareholder is resident for tax purposes. Non-resident Shareholders may be subject to foreign tax on the dividend income received from the Company. Such non-resident Shareholders should consult their own professional tax advisers on the incidence of tax in the country in which they are resident for tax purposes, as to whether they are entitled to the benefit of any associated tax credit and the procedure for claiming repayment.



## 12.2 Taxation of Chargeable Gains

A subsequent disposal of Ordinary Shares by an individual or corporate Shareholder may result in a liability to UK taxation on chargeable gains, depending upon the relevant circumstances of the transaction and the particular Shareholder's circumstances.

On 5 April 1998, "taper relief" was introduced which applies to individual Shareholders and Trustees (but not to corporate Shareholders). Taper relief reduces the proportion of any chargeable gain assessable to capital gains tax by reference to the period of ownership of the Ordinary Shares by a Shareholder. The rate of taper depends upon whether the Shareholder holds the Ordinary Shares as "business" or "non-business" assets, with the speed of taper relief being accelerated for Ordinary Shares held as "business" assets.

Business assets include shares in qualifying unquoted trading companies or holding companies of trading groups. For these purposes, Shareholders should note that companies admitted to trading on AIM are regarded as unquoted.

Ordinary Shares in the Company do not currently qualify as business assets as the Company is not a trading company and, therefore, the reduced levels of taper relief do not currently apply. However, if the Company makes an acquisition so that it is deemed to be a trading company or a holding company of a trading company or group and satisfies the relevant criteria to qualify as a business asset, the classification will change so that shares in the Company will be deemed to be business assets with the associated accelerated scales of taper relief being applicable. In these circumstances, the taper relief would be calculated by apportioning any gain assessed on shares in the Company between the non-business and business periods with each part of the gain then attracting taper relief at the appropriate rate, for the whole of the qualifying holding period.

## 12.3 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty will be payable on the issue by the Company of Ordinary Shares. Transfers of Ordinary Shares for value will give rise to a liability to United Kingdom ad valorem stamp duty or stamp duty reserve tax at the rate, in each case, of 50p per £100 of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). Transfers under the CREST system for paperless transfers of shares will generally be liable to stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of consideration.

## 12.4 Tax on realisation of assets by the Enlarged Group

In the UK, capital gains on the sale of shares are taxed at the normal corporation tax rate of 30 per cent., subject to the UK participation exemption discussed below. A capital gain is calculated as the excess of the sale proceeds over the original cost, the original cost is calculated as the market value of the consideration given. All allowance is available for inflation; the amount of this allowance is based on the increase in the retail price index, such that a gain may be reduced or eliminated.

Under the UK participation exemption, when a member of a trading group of companies disposes of a shareholding of at least 10 per cent. in another company, any capital gain arising is exempt subject to certain conditions. Whether a disposal satisfies the conditions is a question of the facts at the time of the disposal and cannot be determined with absolute certainty in advance.

It is not possible at this time to quantify the gain that would be taxable in Aurum Mining on the sale of Kaldora, as the quantum of the consideration for the acquisition of Kaldora shares is uncertain, being conditional on the level of gold reserves in Andash. Additionally, any such gain may be exempt if the conditions for the participation exemption are met.

However, the maximum gain, based on the information provided, would arise if no deferred consideration shares were issued so that the cost of the Kaldora shares was £0.7 million and Kaldora was sold for \$5.2 million. assuming an exchange rate of \$1.9:£1, this would result in base cost of £0.7 million and proceeds of £2.7 million. Ignoring the inflation allowance mentioned above, this would result in a gain of £2.0 million with a UK tax charge of £0.6 million.

An alternative approach would be for Kaldora to sell the shares in Andash Mining. Capital gains are not subject to tax in the British Virgin Islands. However, if Aurum Mining is a close company at the time of the disposal, any gain on the disposal may be attributed back to the shareholders of Aurum Mining and be taxable on them. Also, if the proceeds of the disposal were returned to Aurum Mining through dividend or liquidation then they would be taxable in the UK company. This would be no better than the worst case scenario if Kaldora was sold.

This potential tax charge is based on statute, case law and practice as at this time and any subsequent changes in such law and practice may therefore affect the above.

### 13. General

13.1 Except for the Licence, the Directors and Proposed Director are not aware of any patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's or the Kaldora Group's respective businesses.

13.2 The minimum amount which, in the opinion of the Directors and the Proposed Director, must be raised under the Placing to provide the sums required in respect of the matters specified in Paragraph 21 of Schedule 1 of the POS Regulations is £600,000 divided as follows:

The purchase price of any property:	£nil
Preliminary expenses and expenses of the Placing:	£260,000
Repayment of money borrowed in respect of above	£nil
Working Capital	£340,000

13.3 The total expenses of the Acquisition and Admission are estimated to be £260,000, including VAT, and are payable by the Company.

13.4 Except for payments to trade suppliers, the Company's professional advisers and the loan to PPI (further details of which are set out in paragraph 7 above), no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.

13.5 Save as disclosed in this document, the Directors and the Proposed Director are not aware of any exceptional factors which have influenced the Company's or the Kaldora Group's activities.

13.6 The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act. The Company has not prepared any statutory accounts since its incorporation.

13.7 BDO Stoy Hayward LLP have given and have not withdrawn their written consent to the issue of this document with the inclusion of their Accountants' Reports in Part VI and VII above and the references to such reports and to their name in the form and context in which they appear.

13.8 W.H. Ireland has given and not withdrawn its written consent to the issue of this document with its report and the references to it in the form and context in which such references are included.

13.9 Wardell Armstrong International has given and not withdrawn its written consent to the issue of this document with the inclusion of their Experts Report in Part IV above and the references to such report and to their name in the form and context in which they appear.

13.10 Save in regard to the loan from Tyry Services Limited (which is an associate of David Bryans and details of which are provided in paragraph 7.2.2 above), there is no debt due to the Concert Party which is dependent on financing being provided by Aurum Mining, and there is no agreement, arrangement or understanding exists between any of the member of the Concert Party and any of the Directors, recent directors, shareholders or recent shareholders of Aurum Mining having any connection with or dependence on the Acquisition.

13.11 There are no agreements, arrangements or understandings whereby the beneficial ownership of any Consideration Shares acquired by any of the Vendors pursuant to the Acquisition Agreement will be transferred to any person.

13.12 Save as disclosed herein the Company has no investments in progress which are or may be significant.

13.13 The arrangements for paying for the Ordinary Shares the subject of the Placing are set out in the placing letter sent to placees. All monies received from applicants will be held by W.H. Ireland prior to issue of the Placing Shares. Share certificates will, where relevant, be sent to successful applicants by first class post at the risk of the applicant within ten days of the completion of the Placing. The offer constituted by the Placing will open on 13 January 2005 and may be closed at any time thereafter. Share certificates representing the Placing Shares are expected to be dispatched to holders who do not wish to receive their

Placing Shares in uncertificated form, by post and at their own risk within 5 business days of Admission. Temporary documents of title will not be issued. Pending the dispatch of definitive share certificates (if applicable), instruments of transfers will be certified against the register of members of the Company. The Directors have applied for the Placing Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the Ordinary Shares will be enabled for settlement in CREST following Admission. Stock accounts of persons who elect to receive their Ordinary Shares in uncertificated form through the CREST system are expected to be credited on 1 February 2005.

#### **14. Availability of Documents for Inspection**

Copies of the following documents will be available for inspection at the office of W.H. Ireland, 24 Bennett's Hill, Birmingham, B2 5QP during normal working hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including 13 February 2005. The documents will also be available for inspection at the Extraordinary General Meeting:

- 14.1 the memorandum and articles of association of the Company and Kaldora;
- 14.2 the accountants' reports by BDO Stoy Hayward LLP at Parts VI and VII of this document;
- 14.3 the report of Wardell Armstrong International Limited at Part IV of this document;
- 14.4 the irrevocable undertakings referred to in paragraphs 7.1.5 and 7.1.8 above;
- 14.5 the Directors' and Proposed Director's letters of appointment and consultancy agreements referred to in paragraph 5.12 above;
- 14.6 the material contracts referred to in paragraph 7 above;
- 14.7 the letters of consent referred to in paragraphs 13.7, 13.8 and 13.9 above; and
- 14.8 this document.

Dated: 13 January 2005

**AURUM MINING PLC**  
(the “Company”)

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of the Company will be held at the offices of Lawrence Graham LLP at 190 Strand, London WC2R 1JN at 10.00 a.m. on 31 January 2005 for the purpose of considering and, if thought fit, passing the following resolutions will be proposed as ordinary resolutions (resolution 2 to be determined on a poll, as required by the Panel on Takeovers and Mergers).

**ORDINARY RESOLUTIONS**

1. THAT, subject to the passing of resolution 2 below, the proposed acquisition (“the Acquisition”) by the Company of the entire issued share capital of Kaldora Company Limited, on the terms and subject to the conditions of the agreement (“the Acquisition Agreement”) described in the admission document sent to shareholders of the Company dated 13 January 2005 (“the Admission Document”) be and is hereby approved and that the board of Directors of the Company (or a duly constituted committee of that Board) be and is hereby authorised to waive, amend, vary or extend any of the terms and conditions of the Acquisition or the Acquisition Agreement (but not to any material extent) and do all such things as it may consider necessary or desirable in connection with the Acquisition.
2. THAT the waiver by the Panel on Takeovers and Mergers of the obligations of the members of the Concert Party (as defined in the Admission Document) to make a general offer to all shareholders of the Company for the whole of the Company’s issued share capital pursuant to Rule 9 of the City Code on Takeovers and Mergers as a result of the allotment and issue of up to 3,100,000 new ordinary shares in the Company pursuant to the Acquisition and grant of options over 1,000,000 ordinary shares in the Company to the members of the Concert Party, as described in the Admission Document (which would amount to an aggregate interest of the members of the Concert Party of up to approximately 49 per cent. of the enlarged issued share capital of the Company) be and is hereby approved.

13 January 2005

*Registered Office:*  
8 Baker Street  
London  
W1U 3LL

*By Order of the Board:*  
Haresh Damodar Kanabar  
*Company Secretary*

*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 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 notarilly certified copy thereof, must be deposited at Neville Registrars Limited, 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.
- 3 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.
- 4 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 authorized attorney or duly authorised officer of the corporation.
- 5 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 10.00 a.m. on 29 January 2005 shall be entitled to attend and vote, whether in person or by proxy, at the Extraordinary General Meeting, in respect of the number of Ordinary Shares registered in their name at that time. Changes to entries in the register of members after 10.00 a.m. on 29 January 2005 shall be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting. If the Extraordinary General Meeting is adjourned, entitlements to attend and vote will be determined by reference to the register of members of the Company 48 hours before the time of the adjourned meeting.
- 6 Completion and return of the form of proxy will not preclude members from attending or voting in person at the meeting if they so wish.
- 7 Resolution 2 will be taken on a poll in accordance with the requirements of the Panel on Takeovers and Mergers for dispensation from Rule 9 of the City Code on Takeovers and Mergers and members of the Concert Party will not be entitled to vote on this resolution.





