

# Interim Report 2005



EURASIA MINING PLC

## Interim Statement

- Drilling commences at West Kytlim
- AngloGold Ashanti Strategic Alliance initiated
- New Project areas identified

The first six months of 2005 have seen the first fruits of our re-orientation of the Company. We have an exciting new joint venture with AngloGold Ashanti in gold exploration based on our groundwork over the past eighteen months with several specific prospects under joint investigation and negotiation. We have continued to work with Anglo Platinum on our Urals platinum group metals (PGM) joint venture and expect to report encouraging results from the initial work on West Kytlim shortly. In addition we have expended a lot of effort in developing a number of new projects of which shareholders will hear in the coming quarters.

### The Urals (PGM)

The administrative delays that had held up our work for two years at West Kytlim were resolved during the summer and field work commenced immediately. In this project we are operating in conjunction with a Russian partner who is currently producing platinum by means of dredging on another project nearby. Drilling is underway as part of our feasibility study on the first of three target areas and will continue through the winter. Together the targets are for a large potential alluvial platinum resource, based on early results from the area. The target areas comprise river terraces potentially containing un-mined platinum-bearing sediments, as well as the 'tailings' of earlier mining operations that can be reworked to recover residual platinum using modern processing technologies.

There are three drainage systems with potential for economic platinum mineralization, two on the Tylai River and the other one on the Kosva. Previous results have given values of up to 500 milligrams per cubic metre (mg/m<sup>3</sup>), well above the 180 mg/m<sup>3</sup> required to be economic. The first drilling programme commenced on the upper reaches of the Tylai and will work down the valley over the winter. In parallel, a bulk test sample is planned before the end of the field season, both to assess the platinum potential of one of the targets and to test the performance of a mobile concentrator rig constructed by the Eurasia Urals team.

Next year the Kosva River will also form part of the feasibility study work. Here the target will be for economic zones of partially worked sediments as well as gravel terraces above the main valley which have not been worked in the past. Most mined river systems have been worked three or more times in the past as technology improved, but tailings at Kosva have only been reworked once previously.

The Urals has been an important source of platinum metal over the past 150 years. The Urals was the largest producing area until the discovery of the Bushveld and is estimated to have produced at least 16 million ounces over this period. Production continues today from small producers. From Eurasia's previous assessment work, West Kytlim is the last area of major potential remaining in the central Urals.

The alluvial programme in the Urals forms part of the Anglo Platinum joint venture, in which Anglo is earning a 50% interest through funding work to completion of a feasibility study.

Also in the Urals, the company has applied for a new reduced licence area to cover the drill defined bedrock PGM and gold discoveries at Kluevsky and Baronskoye. Assessment work on metallurgical and mining characteristics of potential near surface bulk mineable low grade resources is underway.

### **East Siberia (Gold)**

On 15 April 2005 Eurasia signed a Heads of Agreement for an exploration alliance with AngloGold Ashanti Limited, the world's number two gold producer, covering gold and related mineral exploration and possible development projects in eastern Siberia. The alliance combines our country experience and exploration management skills in the region with AngloGold Ashanti's resources.

The Eastern Siberian geological environment, particularly in the vicinity of the intersection of the Siberian and Mongolia/China tectonic plate margins represents one of the best endowed, yet least systematically explored regions of the world for hard rock gold deposits. Historic production in the region was dominated by placer mining of alluvial gold. Since the mid 20th Century a number of large hard rock deposits have been explored and developed. Total resources in these deposits, including previous production and known reserves, stands well in excess of 65 million ounces, or 2,000 tonnes of Gold.

The new agreement gives AngloGold Ashanti the exclusive right to participate in projects proposed by Eurasia, which has been appraising potential prospects over a period of 18 months in conjunction with local companies and government in the region. AngloGold Ashanti will pay an entry fee in recognition of Eurasia's past costs, and fund the first \$2 million of exploration spending. Subsequent spending will be shared equally.

Our objective is to participate in the rapid advancement of a number of projects towards feasibility study. The exploration alliance very considerably extends the range and type of projects that Eurasia can gain a participation in, in this highly prospective but increasingly more competitive environment for gold project development. A number of projects are forming the core of our joint activities this summer and we hope to update shareholders on success in the near future.

### **Kola (PGM)**

Eurasia is continuing its plan to acquire three exploration licences on the Kola Peninsula in north-west Russia, where early exploration results indicate the presence of potentially commercial grades of PGM. Negotiations have been protracted and the Company will only agree to final acquisition terms that offer good value for shareholders.

### **New Projects**

For some time Eurasia has been working on the identification and acquisition of advanced projects, which will provide a boost to the capitalization of the company. These efforts are being made both independently and in conjunction with Russian partners, focused on advanced projects at or near production. The Company has invested considerable time and funds in the detailed evaluation of several projects and we believe that this work will come to fruition in the relatively near future. Your Board looks forward to being able to make announcements of new developments at the earliest opportunity.

Michael Martineau  
Chairman  
*29 September 2005*

## Consolidated Profit and Loss Account

For the six months ended 30 June 2005

	6 months to 30 June 2005 (unaudited) £	6 months to 30 June 2004 (unaudited) £	12 months to 31 December 2004 (audited) £
Impairment of assets			
continuing operations	(58,942)	(71,941)	(1,008,003)
discontinued operations	-	-	(453,374)
	(58,942)	(71,941)	(1,461,377)
Other administrative expenses			
- continuing operations	(540,481)	(325,748)	(726,811)
<b>Total administrative expenses and operating loss</b>	<b>(599,423)</b>	<b>(397,689)</b>	<b>(2,188,188)</b>
Gain on disposal of subsidiaries			
continuing operations	-	-	569,627
discontinued operations	-	-	199,992
	-	-	769,619
<b>Loss after disposal of subsidiary</b>	<b>(599,423)</b>	<b>(397,689)</b>	<b>(1,165,187)</b>
continuing operations	(599,423)	(397,689)	(1,165,187)
discontinued operations	-	-	(253,382)
	(599,423)	(397,689)	(1,418,569)
Net Interest (payable) / receivable & similar items			
Net Interest receivable	4,554	10,079	12,763
Foreign exchange gain / (loss)	69,101	(8,575)	(82,002)
<b>Loss on ordinary activities before taxation</b>	<b>(525,768)</b>	<b>(396,185)</b>	<b>(1,487,808)</b>
Taxation	-	-	-
<b>Loss on ordinary activities after taxation</b>	<b>(525,768)</b>	<b>(396,185)</b>	<b>(1,487,808)</b>
Minority interest	(11,481)	1,657	16,018
<b>Retained loss for the period</b>	<b>(537,249)</b>	<b>(394,528)</b>	<b>(1,471,790)</b>
Loss per share	(0.57)p	(0.47)p	(1.74)p

## Consolidated statement of total recognised gains and losses

For the six months ended 30 June 2005

	6 months to 30 June 2005 (unaudited) £	6 months to 30 June 2004 (unaudited) £	12 months to 31 December 2004 (audited) £
Loss for the financial period	(537,249)	(394,528)	(1,471,790)
Exchange adjustments on foreign currency net investments	41,617	(11,665)	(88,511)
<b>Total recognised gains and losses for the period</b>	<b>(495,632)</b>	<b>(406,193)</b>	<b>(1,560,301)</b>

## Shareholders' Funds

For the six months ended 30 June 2005

	6 months to 30 June 2005 (unaudited) £	6 months to 30 June 2004 (unaudited) £	12 months to 31 December 2004 (audited) £
Total recognised gains and losses for the period	(495,632)	(406,193)	(1,560,301)
New share capital issued	871,500	-	48,000
Net addition / (reduction) in shareholders' funds	375,868	(406,193)	(1,512,301)
Opening shareholders' funds	2,180,149	3,692,450	3,692,450
Closing shareholders' funds	2,556,017	3,286,257	2,180,149

## Consolidated Balance Sheet

As at 30 June 2005

	30 June 2005 (unaudited) £	31 December 2004 (audited) £
<b>Fixed assets</b>		
Intangible - exploration, development and production interests	1,383,275	1,316,485
Tangible	40,729	40,160
Interest in joint venture	670,680	628,280
Other investments	110,059	154,018
<b>Total fixed assets</b>	<b>2,204,743</b>	2,138,943
<b>Current assets</b>		
Debtors	300,222	247,074
Cash at bank	265,387	83,162
<b>Total current assets</b>	<b>565,609</b>	330,236
<b>Creditors - amounts falling due within one year</b>	<b>(147,398)</b>	(237,442)
Net current assets	418,211	92,794
Total assets less current liabilities	2,622,954	2,231,737
Creditors - amounts falling due after more than one year	(88,911)	(83,290)
Net assets	2,534,043	2,148,447
<b>Capital and reserves</b>		
Called-up share capital	5,188,086	4,250,586
Share premium account	7,034,374	7,100,374
Capital redemption reserve	3,539,906	3,539,906
Profit and loss account	(13,206,349)	(12,710,717)
Equity shareholders' funds	2,556,017	2,180,149
Minority interest	(21,974)	(31,702)
	2,534,043	2,148,447

## Consolidated Cash Flow Statement

For the six months ended 30 June 2005

	6 months to 30 June 2005 (unaudited) £	6 months to 30 June 2004 (unaudited) £	12 months to 31 December 2004 (audited) £
Net cash outflow from operating activities	(680,188)	(368,586)	(697,149)
Returns on investments and servicing of finance	4,554	10,079	12,763
Capital expenditure and financial investment	(60,288)	(254,434)	(443,584)
Acquisitions and disposals	43,968	-	157,500
Net cash outflow before financing	(691,954)	(612,941)	(970,470)
Financing:			
Issue of ordinary shares	871,500	-	48,000
Increase / (decrease) in cash in the period	179,546	(612,941)	(922,470)
<b>Reconciliation of net cash flow to movement in net funds</b>			
Net funds at beginning of period	83,162	1,005,632	1,005,632
Change in net funds resulting from cash flows	179,546	(612,941)	(922,470)
Exchange difference	2,679	-	-
Net funds at end of period	265,387	392,691	83,162
<b>Reconciliation of operating loss to operating cash flows</b>			
Operating loss	(599,423)	(397,689)	(2,188,188)
Depreciation charges	2,561	7,030	46,139
Impairment charge	58,942	71,941	1,461,377
(Increase)/decrease in debtors	(52,076)	(55,441)	(27,960)
Increase/(decrease) in creditors	(90,192)	5,573	11,483
Net cash outflow from operating activities	(680,188)	(368,586)	(697,149)

### Notes

- No dividend is proposed in respect of the period.
- The results for the period are derived from continuing activities.
- The calculations of loss per share have been based on the retained loss after taxation for the period and on a weighted average of 94,210,224 ordinary shares in issue during the period.
- The unaudited results have been prepared on a going concern basis and on the basis of the accounting policies adopted in the audited accounts for the year ended 31 December 2004.
- The interim report is unaudited and does not constitute Statutory Accounts as defined in section 240 of the Companies Act 1985. A copy of the Group's 2004 Statutory Accounts has been filed with the Registrar of Companies. The auditors' opinion on these Statutory Accounts was unqualified.
- The Interim Report for the six months to 30 June 2005 was approved by the Directors on 29 September 2005.

## Company Information

### Directors

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C Schaffalitzky (*Managing Director*)

G C Fitzgerald (*Non Executive*)

J A Mitchell (*Non Executive*)

### Secretary

M J de Villiers

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