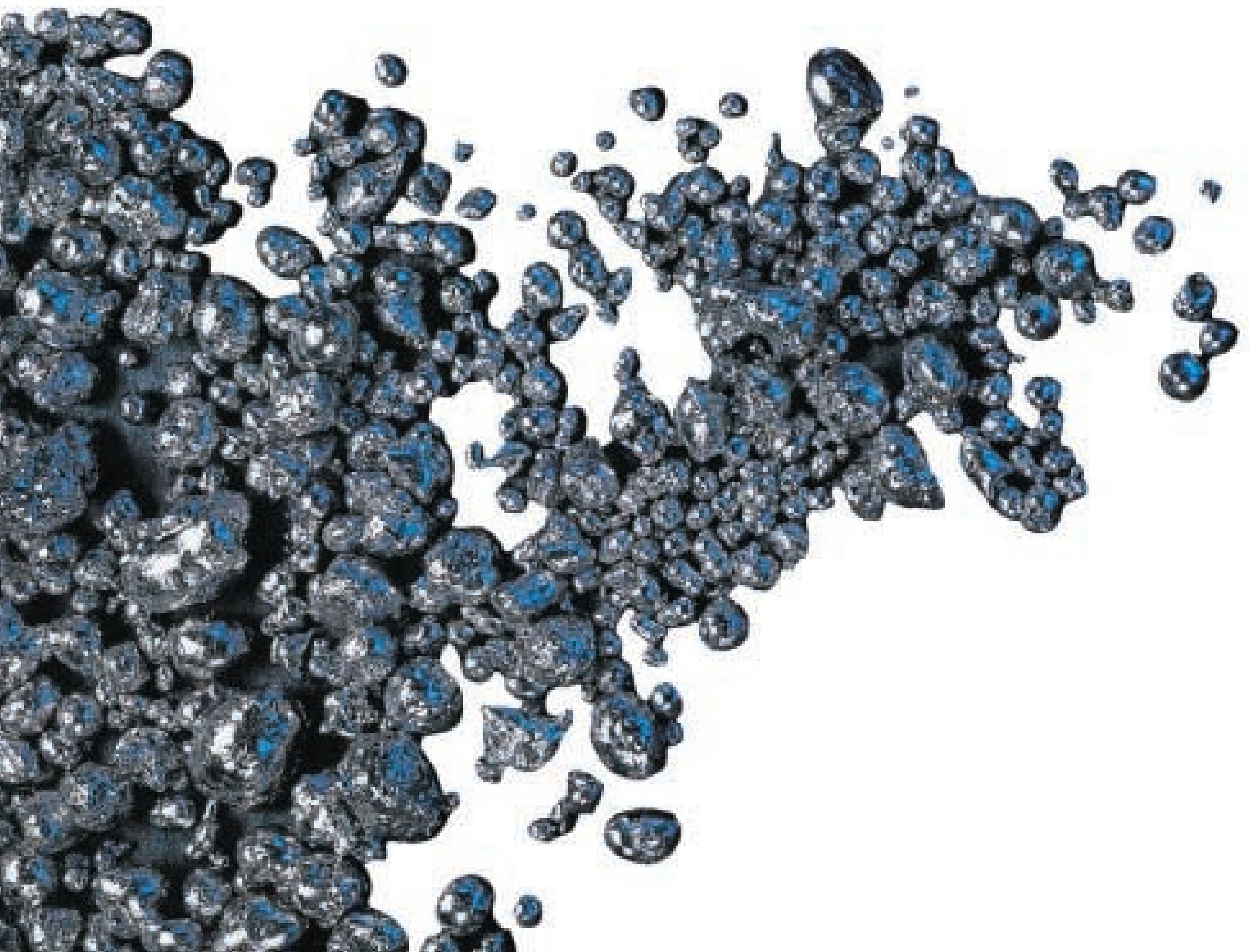
EURASIA MINING PLC

1999 Annual Report & Accounts



Front Cover Pictures:
Main Picture -
Platinum Grain
(courtesy of Anglo American Platinum Corporation Ltd)

Small Pictures -
Top: **Ore**
Bottom: **Circuit**
Left: **Exhaust**
(all courtesy of Anglo American Platinum Corporation Ltd)
Right: **Washers struck from platinum sheet crafted into bridal rings**
(Courtesy of Johnson Matthey)

Mission Statement

Eurasia's aim is to deliver quality returns for shareholders through developing its portfolio of platinum, palladium and gold assets.

Contents

Chairman's Statement

We are making progress towards platinum and palladium production during a period of increasing confidence.

During 1999 Eurasia achieved considerable progress on its platinum and palladium assets and was actively involved in an important funding and debt restructuring exercise to enable it to take those assets towards production.

The Company's funding exercise, completed in April 2000, raised £2 million and was coupled with the conversion of 60% of the debt to Framlington Russian Investment Fund into equity, thus substantially strengthening the Company's balance sheet. The funds raised will be used over the next twelve months to advance the Company's projects, to pay down debt and to provide working capital. In particular the Company is targeting the first production of palladium by the end of the year at the Baronskoye Palladium project. This is expected to be the first stage of developing production to in excess of 100,000 oz Platinum Group Metals ("PGM") per annum, for which additional debt and/or equity funding will be required. Further, much progress is expected at the Soloviev Hill and Vissim platinum licence areas.

The funding also bought in two new leading institutional shareholders, Invesco and Gartmore, to join Framlington and we welcome them and other new shareholders. It is indeed encouraging to see confidence in the Company's prospects supported by significant investment names.

In addition, the Company succeeded in concluding a joint venture agreement in 1999 with Anglo American Platinum Corporation Limited ("Amplats"), the world's leading producer of platinum. Amplats is funding a joint works programme with the Company, with the objective of assessing the potential for commercial application of alternative technologies to define and exploit large-scale alluvials and tailings resources in the Urals. Our close working relationship with Amplats bodes well for a bright future.

The rising world demand for both platinum and palladium has led me to conclude that our Company is well poised to benefit from the increases in the world prices of these two important metals, which we expect to be maintained for the foreseeable future.

One particular area of potential significant and sustained growth in demand for Platinum Group Metals is fuel cell technology. Strict legislation on emissions policy has focused attention on this alternative automotive power source. With companies such as Johnson Matthey and Ballard Power teaming up with the likes of Ford, Daimler Chrysler, General Motors, Toyota and Exxon to develop this technology, it becomes clear that fuel cells are indeed the frontrunners of the leading alternatives. It is estimated that by the year 2010 around 10% of all US cars will be powered by fuel cells.

In Russia the recently elected President Putin appears determined to boost the economy (already assisted by low inflation, high oil prices and internal demand), to cut bureaucracy and to push through the changes in tax law and investment conditions called for by Western investors. The new political stability is already restoring confidence to inward investment and provides us with added opportunities to enlarge our exploration programmes.

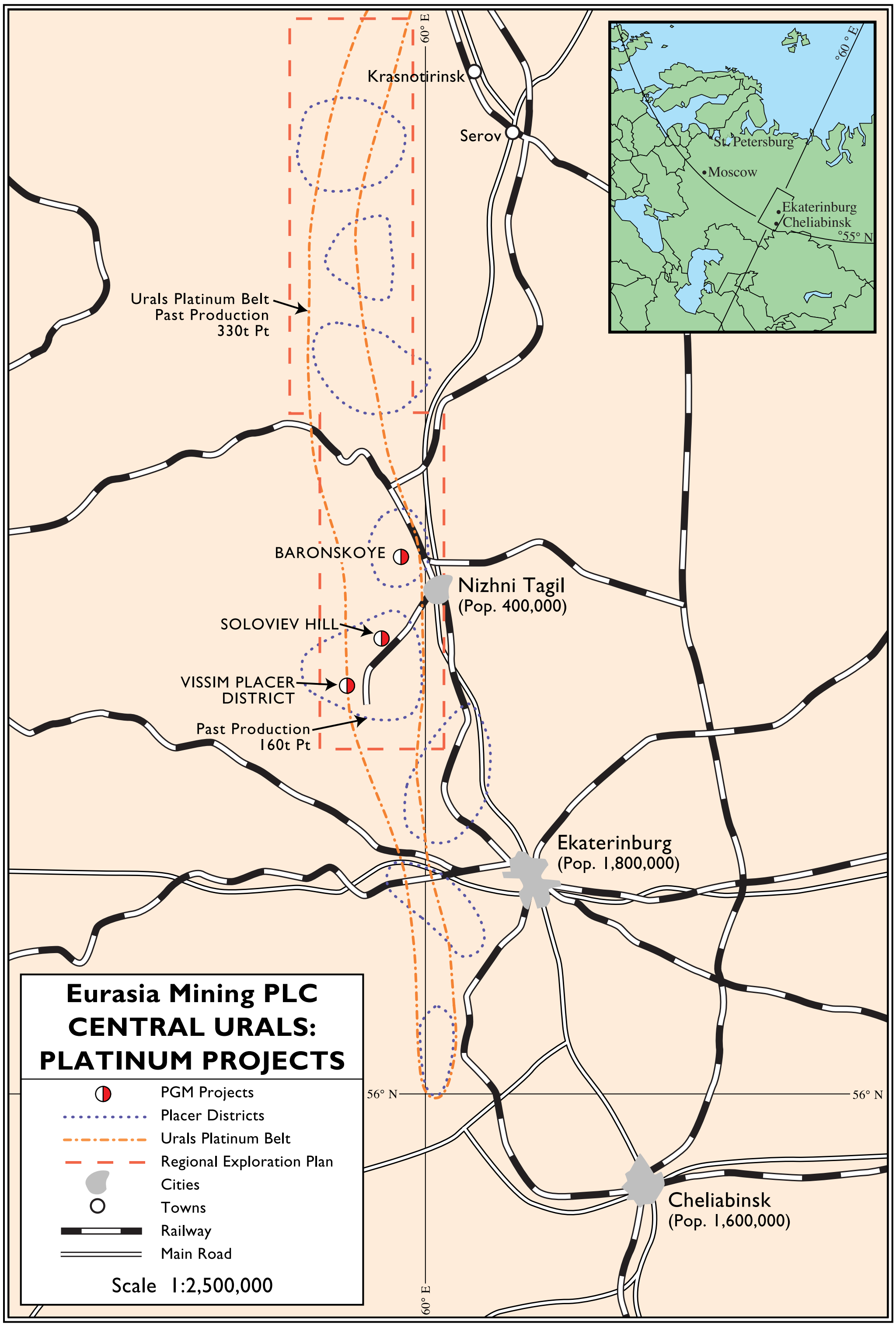
Thus I believe your Company is particularly well-positioned to take full advantage of these developments.

In conclusion I would personally like to thank management and staff for all their hard work and believe that their efforts will help provide shareholders a confident and prosperous future.

J A Mitchell
Chairman

28 June 2000

Urals Projects Location Map



Chief Executive's Review

Eurasia's primary goal is to become a major participant in the development and production of Platinum Group Metals ("PGM's") in the Urals Region. In this ambition we are very well equipped: excellent projects, a major international company as joint venture partners, experienced technical people, including local academic and research institutions, and considerable regional infrastructure.

Bill Anderson, General Manager, overseeing drilling at Baronskoye

OPERATIONS

The Company continues to focus on establishing early start up on the PGM properties to generate cash flow to help finance project expansion. The strategy remains to progressively scale up operations which will optimise capital usage.

Eurasia's properties are located in the Urals Region of Russia which is the traditional heartland of the country's mining industry with a history spanning three hundred years.

During the 19th Century the Urals Platinum Belt was the world's largest source of platinum with production exceeding 10 million ounces.

Urals Alluvial Project

The project is a Joint Venture with Amplats, the giant South African platinum producer, who are funding the activities. The objective is to assess the potential for commercial application of alternative technologies in the definition and exploitation of large scale tailings and alluvial resources in the Urals.

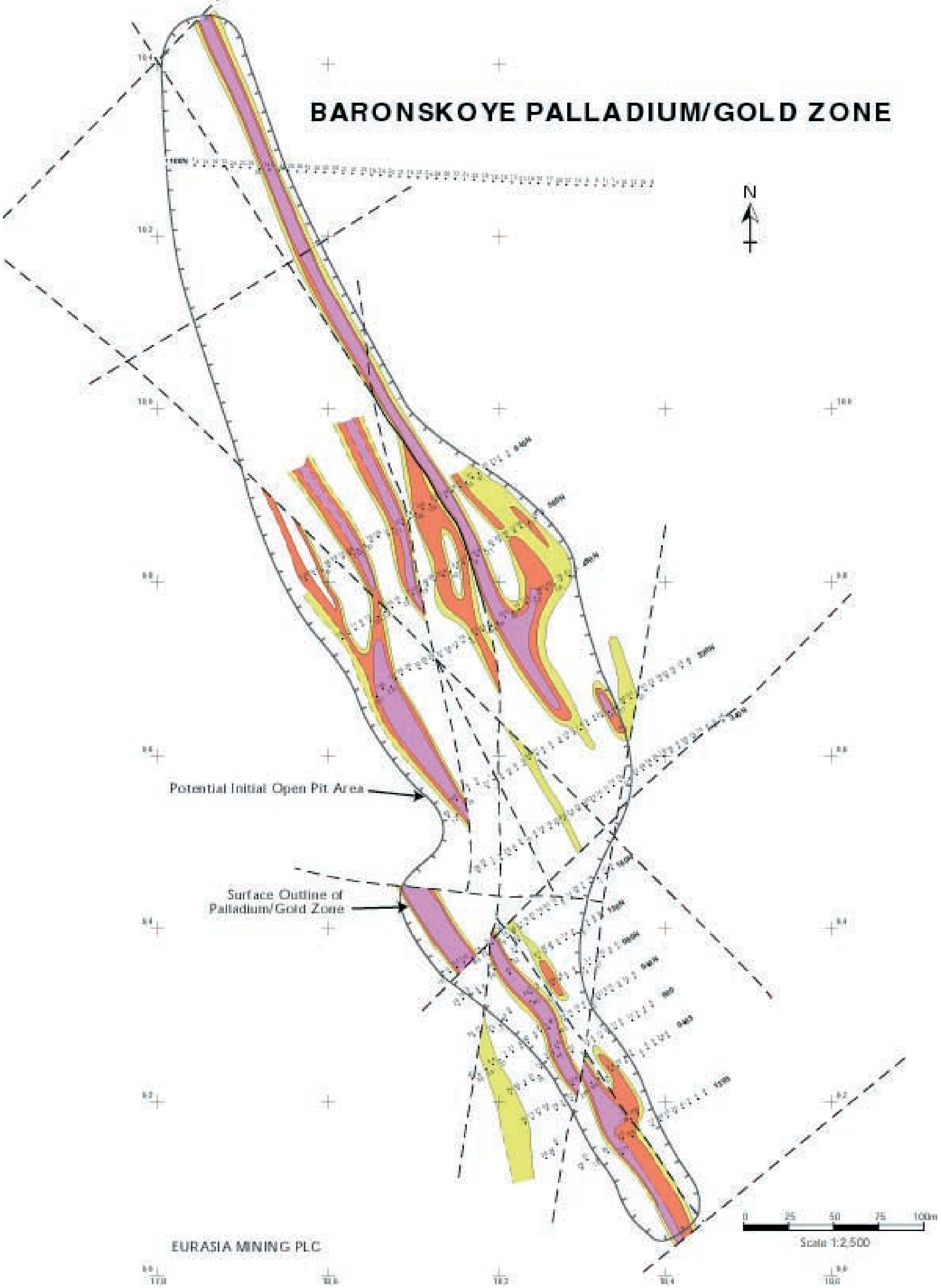
To date, information has been processed on a large number of tailings and placer occurrences to establish distribution and metallurgical characteristics and to prioritise targets for follow-up during the summer field season in the current year.

Baronskoye

Identification of Baronskoye resulted from excellent conceptual geological modelling which linked its Urals setting to other large palladium deposits elsewhere in the world, particularly Stillwater in the United States.

Its discovery was not made at the time of the major Platinum Rush into the Urals during the 19th Century due to the different dispersion characteristics of palladium compared with platinum during weathering and erosion. Unlike course grained platinum eroded from Urals ultra-mafic complexes, which form placer deposits near to their source, palladium is much more widely dispersed in the weathering environment making discovery of its source considerably more difficult.

Baronskoye Palladium/Gold Zone



Chief Executive's Review
(continued)

Eurasia's work programme to date has integrated surface mapping and trench sampling with diamond drilling and an extensive geochemical survey.

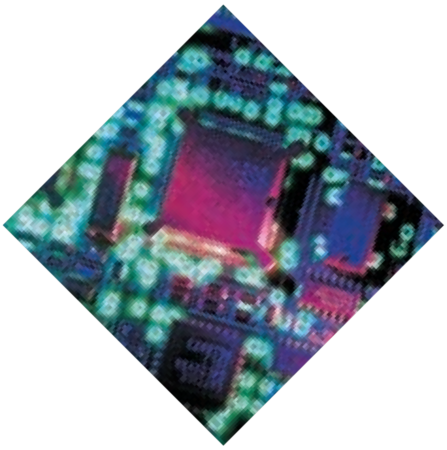
Trench sampling in the discovery area returned assays averaging 15.7 g/t palladium and 7.0 g/t gold.

Follow-up drilling in 1999 achieved intersections including 4.1 metres @ 6.35 g/t palladium, 12 metres below the surface and 2.0 metres @ 6.2 g/t, 49 metres below surface. Importantly the drilling provided 3-dimensional confirmation of the ore occurrence and strong justification to commence an extensive surface geochemical survey targeting definition of the length dimension of the mineralisation.

Results of the geochemical survey are extremely encouraging. To date the Pd/Au/Pt anomalous zone has been defined over a length exceeding 1.5 km in the discovery area. Step out traverses show likely anomaly continuity over distances of at least 800 m, 2.3 km further south.

The level of continuity of the defined surface anomaly has exceeded our expectations and strengthens our confidence in the project as a potential large scale PGM producer.

The objective of this year's work at Baronskoye is to block-out near surface reserves to underpin rapid establishment of Platinum Group Metal and Gold production while continuing exploration will target realisation of the expanded potential of the project.



Drilling will commence in June. We have bought a fully portable hydraulic diamond drill and this will permit completion of the summer drilling programme at a cost well under the budget which was based on contractor options. Our drill will also be available for future additional drilling at Baronskoye as well as at the Company's other PGM projects.

Following drilling, metallurgical test work will be undertaken using the drill core. Outcomes of this work are required for determining parameters for recovering precious metals from the ore, and in particular to match these parameters with local toll treatment facilities. Initial toll treatment would permit commencement of production prior to the establishment of the Company's own ore treatment facilities.

Soloviev Hill/Vissim

The layered dunite ultra-mafic complex at Soloviev Hill is established as the source of platinum in the placer fields of Vissim District. These yielded in excess of 160 tonnes of platinum from mining during the 19th Century. Several bonanza grade hard rock occurrences were also mined at Soloviev Hill, particularly the Godspodskaya Chromite Pipe.

The mineralisation at Soloviev Hill comprises coarse grained ferro-platinum with chromite. Due to its coarse grain size the platinum is readily and easily recovered by gravity and magnetic methods.

Eurasia's work, comprising magnetometer surveys, surface mapping and sampling, has targeted definition of bulk mineable chromite/platinum deposits, as well as narrow high grade occurrences.

Work to date has identified a prospective bulk mineable, low grade platinum resource at Alexandrinskoye as well as a potential new ore zone 300 metres to the north of Alexandrinskoye, (composite sample grade 6.13 g/t Pt and individual chromite band grades to 57.19 g/t Pt). Drilling has intersected extensions to the Winze M-441 Chromite Pipe, at Krutoi Log, (1.0 metre @ 23.8 g/t Pt).

Importantly, surface mapping has recently confirmed the extensive occurrences of the rock units which host Baronskoye in the southern portion of the Vissim Licence Area.

Our future work at Soloviev Hill/Vissim is designed to confirm mineable ore reserves by follow-up drilling of previously identified zones at Alexandrinskoye and Krutoi Log, as well as complete a geo-chemical survey and drilling programme for Baronskoye type mineralisation at Vissim.

At Vissim, orientation of the geo-chemical survey has commenced. Drilling at Soloviev Hill is scheduled later this year after completion of the Baronskoye Programme.

New Projects

In addition to the existing projects, the Company is actively evaluating other PGM opportunities throughout the Urals both in association with present joint venture partners and also independently, particularly through strong collaboration with various academic and research institutions throughout the region.

Gold

Given the current low level of world gold prices, the Company is not spending any money on its existing gold interests in the Urals. However should events change the Company is well placed to pursue opportunities under appropriate circumstances.

OTHER ISSUES

Two significant changes in Russia under newly elected President Putin's guidance that positively affect Eurasia's activities are:

1) the clearing of the bureaucratic logjam to enable platinum exports to resume – here it should be noted that palladium sales have been steady recently under Norilsk's ten year export licence, and

2) the recent change in the Mineral Resources Law now enabling Mining Licences to be issued, without tender, to holders of Exploration Licences making new discoveries as is the case with the Company's Baronskoye deposit.

INVESTOR RELATIONS

The Company attaches great importance to investor relations and is working to increase the awareness of its shareholders and the investment community at large.

Shareholders are encouraged to visit our website which we are continually seeking to improve in both content and user friendliness.

During the recent £2 million fund raising a number of investors became new shareholders, including major institutions Invesco Asset Management Ltd and Gartmore Investment Management plc. We are encouraged that the number of shareholders has now risen to 572 and the level of liquidity in the market for the Company's shares is growing.

STAFF

The Board recognises the dedication and hard work of our staff over the past twelve months and wishes to express its appreciation.

This dedication has very much been part of maintaining the

assets and opportunities of the business during recent difficult years. As long as this dedication continues Eurasia will continue on its path to grow into a robust mining company.

With a considerably improved position in terms of cash, debt, assets and potential production/cashflow, the Company and its employees have the opportunity to create a highly profitable long-term business with commensurate high investment returns to shareholders.

A H Counsell
Managing Director

28 June 2000

Platinum Group Metals Overview

Since mid 1998, Platinum Group Metal ("PGM") prices have risen rapidly on sustained growth in demand.

Some of the volatility seen in PGM prices earlier this year has eased. However, the long term outlook remains very positive. Many analysts believe that of all commodities, PGM's have the best fundamentals given the growing levels of industrial demand.

In a world dominated by e-commerce and new technologies, the emergence of Fuel Cells as the "Revolutionary Technology" for this century should not be underestimated. Fuel cells are at the leading edge of alternative fuel technology spurred on by environmental concerns and there is growing recognition that commercialisation of this technology has finally commenced. For the automotive sector, technology to date incorporates platinum catalysts for which there is no substitute so far. They have been a long time coming but now the technology is well advanced and vehicles are in fact on the road.

Eurasia stands to benefit because we are targeting to commence production into a rising market which should see significant gains for shareholders and increase attention on the Company's assets.

Russian palladium ingot (courtesy PGI USA)

Platinum

Last year was a remarkable time for platinum with record jewellery and industrial demand and an unprecedented supply deficit.

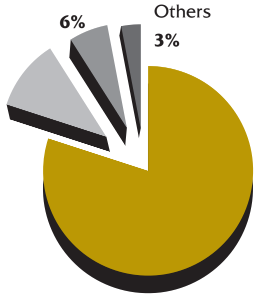
While total platinum demand grew in 1999 by 4% to 5,600,000 ounces, supply fell by 9.8% leaving a deficiency of 730,000 ounces.

Jewellery fabrication demand, largely from China, rose a dramatic 18.5% to 2,880,000 oz. Autocatalyst demand fell by 11% due to further switching from platinum to palladium and reduced purchasing for inventory.

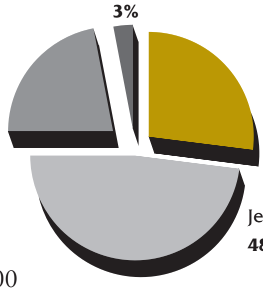
With Russian exports suspended for much of the year, total world supply fell to the lowest level since 1994.

Reflecting the positive outlook for platinum South African mines began a new phase of expansion.

Platinum Supply 1999



Platinum Demand 1999



Source: Johnson Matthey Platinum 2000

Uses of Platinum

Autocatalysts

Emission control (clean air legislation) in both gasoline and diesel vehicles

Jewellery

Industrial

Chemical Process Plants

- Platinum process catalysts for production of speciality silicones, benzene and paraxylene (an intermediate in the manufacture of polyester fibre and resin)
- Platinum gauze for production of nitric acid (for fertilizers, explosives and industrial chemicals)

Electrical

- Computer hard disks (most hard disks now incorporate a platinum-cobalt layer to enhance storage capacity)
- Thermocouples (used in manufacture of steel and semiconductors)
- Fuel Cells (proton exchange membrane or PEM for use in motor vehicles as well as residential combined heat and power generation)

Glass

- Speciality and glass fibre production (for use in motor vehicles and other)
- Liquid crystal display (LCD) production (for television and computers)

Petroleum Refining

- Platinum reforming catalysts

Other

- Coating of turbine blades in jet aircraft engines
- Oxygen sensors to monitor and control motor vehicle catalyst performance
- Platinum-tipped spark plugs
- Medical – balloon catheters, pacemakers, replacement valves and as a drug for some cancers
- Dental alloys

Investment

- Coins, small and large bars

Palladium Group Metals Overview

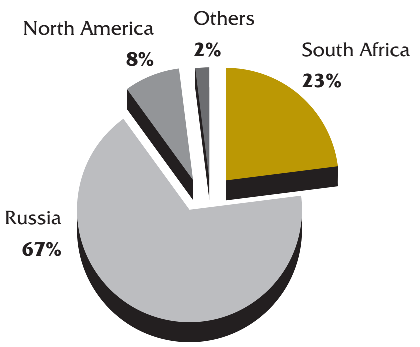
Palladium

1999 saw palladium demand reach a record level – up 9% on the previous year to 9,370,000 ounces – while supply fell by 4% leaving a deficiency of 1,310,000 ounces.

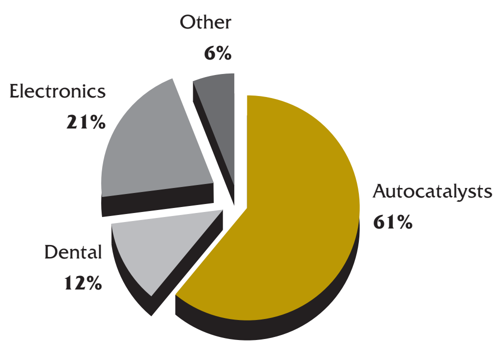
Purchases by automotive companies rose by 20% due to greater use in autocatalysts coupled with a substantial amount of stockpiling.

Demand for electronics fell by 5% as companies switched further to base metal capacitors. Similarly the use of palladium in dental alloys fell in response to higher metal prices.

Palladium Supply 1999



Palladium Demand 1999



Source: Johnson Matthey Platinum 2000

Uses of Palladium

Autocatalysts
- Emission control (clean air legislation)
  Gasoline vehicles

Dental
- Palladium dental alloys

Electronics
- Multi-layered ceramic capacitors (Computers, cellular phones and automobiles)
- Plating of connectors and leadframes for electronic circuits
- Hybrid integrated circuits

Other
- Palladium reforming catalysts (in manufacture of bulk and speciality chemicals including purified terephthalic acid used in manufacture of artificial fibres)

Directors' Biographies

John Mitchell, BA Oxon, aged 53, is **Non-Executive Chairman** and a Merchant Banker. He has had extensive international experience including Managing Director of Lloyds Merchant Bank in Sydney and London. He has served on a number of public company boards and has considerable experience in the mining industry including Russia and Eastern Europe.

Andrew Counsell, BEc, aged 54, is **Managing Director**. He has had over twenty years experience in resource finance and the stockbroking industry where he was a founding director of Australian Stock Exchange Ltd. He is the founder of the Company and has led the development of the Company's business over the past six years.

Gary FitzGerald, aged 46, **Non-Executive Director** and Director of Framlington Investment Management Limited representing Framlington Russian Investment Fund as a leading investor in the Company. He has over 25 years experience in investment management, including Head Investment Manager of The Throgmorton Trust Plc from 1988 to 1992.

Robert Jenkins, BA Oxon, ACA, aged 46, is **Finance Director** and a Chartered Accountant. A fluent Russian speaker and experienced venture capitalist, he has seven years investment experience in Russia and Eastern Europe, including natural resources. He was previously the representative of Framlington Russian Investment Fund on the Company's Board from 1995 to 1999.

Mark St Giles, BA (Hons), MA, aged 59, **Non-Executive Director** and Investment Management Consultant. He has extensive experience in stockbroking and investment management holding senior positions with Allied Hambro Group, GT Management Plc and Framlington. He was formerly Chairman of FIMBRA and a Board Member of LAUTRO. He has recently worked with the governments and private sectors of most Eastern European countries in advising and assisting in the development of institutional asset management and collective investment funds.

Report of the Directors

The Directors present their report and audited financial statements. The Profit and Loss Account for the year ended 31 December 1999 and the Balance Sheets as at 31 December 1999 are set out on pages 19 to 21.

Directors

The Directors who served during the period were:

J A Mitchell	
A H Counsell	
R J G Jenkins	
G C FitzGerald	(appointed 22 June 1999)
C M Line	(resigned 31 July 1999)
C A MacKay	(resigned 4 January 1999)
M V St Giles	(appointed 22 June 1999)

Directors' Interests

Details of the interests of the Directors are set out in note 5 to the financial statements.

Business Review

The review of the Group's business and prospects is set out in the Chairman's Statement and the Chief Executive's Review.

Share Capital

The authorised share capital of the Company at 31 December 1999 was £20,050,000 divided into 329,201,977 Ordinary Shares of 5 pence each ("Shares"), 3,726,217 Deferred shares of 95 pence each ("Deferred Shares") and 50,000 Preference shares of £1 each ("Preference Shares").

Section 89 of the Companies Act 1985 provides that any shares being issued for cash must in general be issued to all existing shareholders pro-rata to their holding. However, where directors have a general authority to allot shares they may be given power by the Articles or by a special resolution to allot shares pursuant to the authority as if the statutory pre-emption rights did not exist.

At the Annual General Meeting, held on 3 April 2000, the Board was given authority to allot equity securities for cash or otherwise up to an aggregate nominal amount of £1,500,000, such authority to expire on the earlier of 15 months from the date of the resolution or the date of the next Annual General Meeting.

The Board has utilised this authority up to a nominal amount of £746,792 pursuant to:

(i) conversion of loan stock totalling £1,394,994 into 6,065,191 Shares at an issue price of 23 pence on 25 April 2000; and

(ii) issue of 8,870,655 Shares at an issue price of 23 pence on 25 April 2000.

In addition, the Company issued 350,000 Shares at an issue price of 10 pence on 25 April 2000 as a result of the exercise of 350,000 'A' Options. This is pursuant to the granting in 1999 of 2,500,000 'A' Options to subscribe for Shares at an exercise price of 10 pence per share with a further 'B' Option attached to each

'A' Option, entitling the holder to receive a further option exercisable at 15 pence upon the exercise of each 'A' Option. The 'A' Options and the 'B' Options are each exercisable at any time up to 2 years from the date of their issue.

In addition to the options described above, there are a total of 370,000 options outstanding under the Executive Share Option Scheme, to subscribe for shares at prices of £2.10 and £3.10 per share. The Company announced on 26 April 2000 that it will propose to introduce a replacement employee share option scheme in the near future, approval for which will be sought at a shareholders' meeting. This will involve cancellation of the Company's existing Executive Share Option Scheme.

There are also currently outstanding 413,131 warrants to subscribe for Shares exercisable at a price of 23 pence per share at any time prior to their expiry on 20 April 2002. These warrants are all held by Framlington Russian Investment Fund.

No issue of Shares that would effectively change the control of the Company will be made without the prior approval of shareholders in general meeting.

The Company's share price varied between 15 pence and 41 pence during the year. At 31 December 1999 the mid-market price was 15$^1/_2$ pence.

Substantial Share Interests

The Company had been notified of the following interests in Shares held as at 28 June 2000:

	Ordinary Shares	%
Framlington Russian Investment Fund	8,323,812	29.90
R B Rowan	2,734,000	9.82
INVESCO English and International Trust	1,300,000	4.66
HL UK Performance Trust	1,100,000	3.95
NatWest Smaller Companies Investment Trust	1,100,000	3.95

The wife of Mr R B Rowan, Carole Rowan, also holds 380,000 shares.

Mr R B Rowan was granted 2,500,000 'A' Options in consideration for his underwriting a share placing by the Company of £250,000 on 23 February 1999. Mr Rowan assigned half his option rights to the Company for subsequent allocation among the Company's Directors and employees.

Of these options and option rights assigned to it, the Company has subsequently assigned 625,000 'A' options to Framlington Russian Investment Fund, as announced by the Company on 26 April 2000. Mr Rowan's resulting interests in 'A' and 'B' Options, after the above assignment of option rights by him and the exercise by him of 350,000 'A' Options on 25 April 2000, and those of Framlington Russian Investment Fund are as follows:

	'A' Options	'B' Options
Framlington Russian Investment Fund	625,000	–
R B Rowan	900,000	350,000

The interests of the Directors in 'A' and 'B' Options are disclosed in note 5 to the financial statements.

Report of the Directors

Dividends and Profit Retention
No dividend is proposed in respect of the year and the retained loss for the period is taken to reserves (1998: £Nil).

Research and Development
The Group's research and development activities during the year continued to be concentrated principally on mineral exploration programmes and the improvement of mining techniques and metallurgical processes.

Corporate Governance
The Directors support the recommendations set out in Section 1 of the Combined Code prepared by the Committee on Corporate Governance. However, it has not been practical to comply fully with the Combined Code's recommendations due to the size and nature of the Company's operations and the close involvement of all of the Directors in many aspects of the business. The Company has established an Audit Committee, chaired by Mr Mitchell, whose primary purpose is to review the accounts of the Group and a Remuneration Committee, chaired by Mr Mitchell, which determines the basis of remuneration and incentive schemes provided to directors.

Year 2000
The Group has taken steps to address the potential problems associated with Year 2000, including the identification of risk areas, the review of and upgrade of key equipment where appropriate. Whilst there can be no certainty that all problems were identified and corrected, the Directors are satisfied that all reasonable steps were taken to ensure that the Year 2000 issue would not significantly affect the Group's operations. To date there has been no significant adverse effect. Total costs of the Year 2000 compliance programme were minimal.

Creditor Payment Terms
The Group currently has no trade and therefore no trade creditors. It is the Group's policy, however, to settle balances with creditors in accordance with agreed terms of supply and with market practice in the relevant country. There have been significant constraints on the Group's working capital during the year and this has affected the Group's ability to make timely payments to its creditors.

Auditors
KPMG Audit Plc are willing to continue in office and a resolution proposing their re-appointment as auditors of the Company and authorising the Directors to fix their remuneration will be put to shareholders at the Annual General Meeting.

By order of the Board

Robert Jenkins

R J G Jenkins
Secretary

28 June 2000

DIRECTORS' RESPONSIBILITIES in respect of the preparation of financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Report of the Auditors

AUDITORS' REPORT to the members of EURASIA MINING PLC

We have audited the financial statements on pages 17 to 32.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 15 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority as appropriate, and by our profession's ethical guidance.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

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

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures concerning the fundamental uncertainty as to the adequacy and availability of the Group's funding and its ability to continue as a going concern. In view of the significance of this fundamental uncertainty we consider that this should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 and of the loss of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

28 June 2000

1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The Group has implemented the new accounting standards FRS 13 (Financial Instruments and Derivatives) and FRS 15 (Fixed Assets). Neither Financial Reporting Standard has resulted in adjustment to previously published figures.

The Group is in an early stage of development and it does not at present generate sufficient revenues from operations in order to meet operating expenditures, capital requirements and commitments. In order for the Group to finance planned extraction and achieve expanded production the Group is dependent upon securing additional debt and/or equity financing. On 25 April 2000 the Group completed a private placement of £2.0 million (£1.8 million, after deducting costs of £0.2 million) which the Directors estimate will provide sufficient finance to enable the Group to commence small scale commercial production. Further debt and/or equity financing must then be secured to finance the next stage of development.

Concurrent with the fund raising £482,065 and US$1,442,063 (£1,394,994 million in total) of secured convertible loan stock held by Framlington Russian Investment Fund (“FRIF”) was converted into Shares of the Company to take FRIF’s shareholding to 29.9% of the Company. The terms of the agreement provided that FRIF would undertake not to exercise any of its conversion rights if this would increase its shareholding in excess of 29.9% of the issued share capital of the Company and that the remaining balance of US$1,420,937 be converted or repaid by 24 April 2001. In the circumstances that either FRIF is unable to convert the remaining balance into Shares of the Company by 24 April 2001, the remaining loan stock of US$1,420,937 would be repayable by the Company. Unless agreement was reached with the loan stockholder or additional funding negotiated, the Company will not be able to meet its obligations as they fall due.

In the event that the Company is unable to secure such further funding, the Company may be unable to continue as a going concern. The financial statements do not include any adjustments, particularly in respect of tangible fixed assets, stocks, investments, loans and provisions for the costs of winding up, that would result from the Company and the Group, or any of its subsidiary undertakings, ceasing to operate as a going concern.

2 Basis of consolidation

Details of principal subsidiaries and associated undertakings are given in note 12. The consolidated financial statements have been prepared from the financial statements of the Company and all its subsidiary undertakings and also include the Group’s share of the results of associated undertakings. Each company in the Group and each associated undertaking has prepared financial statements for the period ended 31 December 1999 which have been adjusted where necessary to conform with the Group’s accounting policies.

3 Exploration and development interests

The Group adopts the “successful efforts” accounting policy for mineral expenditure. This requires the immediate write-off of exploration and development expenditure which the Directors do not consider to be

Accounting Policies

supported by the existence of commercial reserves; expenditure to bring successful prospects to production is capitalised and depleted on a unit of production method over mineral reserves on a mine by mine basis. Provision is made for any anticipated site restoration or abandonment costs over the life of the mines on a unit of production basis.

4 Other tangible fixed assets

Depreciation is calculated to write off office furniture, equipment and vehicles on a straight line basis over their estimated useful lives, which range from three to five years.

5 Intangible assets

Intangible assets represent the cost of acquisition by the Group of rights, licences and know how. Such expenditure requires the immediate write-off of exploration and development expenditure that the Directors do not consider to be supported by the existence of commercial reserves. Otherwise expenditure is capitalised and depleted on a unit of production method over mineral reserves on a mine by mine basis.

6 Deferred taxation

Provision is made for deferred taxation on timing differences only where these are expected to give rise to a tax liability in the foreseeable future.

7 Foreign currencies

The financial statements of overseas subsidiaries are generally translated at the rate of exchange ruling at the balance sheet date with the exception of the year’s profit and loss account, which is translated at the average exchange rates for the period of activity.

The exchange differences arising on the retranslation of opening net assets and on the retranslation of the profit and loss account to closing rates of exchange are taken directly to reserves. All other translation differences are taken to the profit and loss account.

Consolidated Profit and Loss Account

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Administrative expenses	*4*	**(741,254)**	(764,408)
Other operating income		**–**	35,088
Loss from continuing activities before interest		**(741,254)**	(729,320)
Profit on partial disposal of a subsidiary	*6*	**70,835**	–
Interest receivable and similar items	*7*	**90,113**	5,719
Interest payable and similar charges	*8*	**(2,364)**	(622,993)
Loss from continuing activities before taxation		**(582,670)**	(1,346,594)
Taxation	*9*	**–**	–
Loss on continuing activities after taxation		**(582,670)**	(1,346,954)
Minority interest	*18*	**(20,451)**	–
Retained loss for the financial year		**(603,121)**	(1,346,594)
Loss per share	*10*	**(6.01)p**	(36.14)p

The notes on pages 24 to 32 and the accounting policies on pages 17 and 18 form part of the financial statements.

Consolidated Balance Sheet
At 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Intangible – Exploration, development and production interests	*11*	**1,649,706**	1,649,706
Tangible – Exploration, development and production interests	*12(a)*	**3,694,368**	3,440,535
Tangible – Other	*12(a)*	**275,870**	296,468
Investments	*12(b)*	**61,762**	59,878
Total fixed assets		**5,681,706**	5,446,587
Current assets			
Debtors	*13*	**61,959**	183,576
Cash at bank		**21,710**	50,036
Total current assets		**83,669**	233,612
Creditors – amounts falling due within one year	*14,15*	**(3,009,715)**	(3,194,984)
Net current liabilities		**(2,926,046)**	(2,961,372)
Total assets less current liabilities		**2,755,660**	2,485,215
Net assets		**2,755,660**	2,485,215
Capital and reserves			
Called-up share capital	*16*	**4,167,556**	3,726,217
Share premium	*16*	**3,246,336**	2,779,917
Reserves	*17*	**(4,679,027)**	(4,021,182)
Equity shareholders' funds		**2,734,865**	2,484,952
Minority interests	*18*	**20,795**	263
		2,755,660	2,485,215

The financial statements were approved by the Board on 28 June 2000 and signed on their behalf by:

A H Counsell
Director

The notes on pages 24 to 32 and the accounting policies on pages 17 and 18 form part of the financial statements.

Company Balance Sheet
At 31 December 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible – Exploration, development and production interests	*12(a)*	**91,438**	91,438
Tangible – Other	*12(a)*	**20,304**	44,544
Investments	*12(b)*	**1,485,001**	1,485,001
Total fixed assets		**1,596,743**	1,620,983
Current assets			
Debtors	*13*	**5,854,257**	5,710,927
Cash at bank		**16,986**	42,672
Total current assets		**5,871,243**	5,753,599
Creditors – amounts falling due within one year	*14,15*	**(2,996,903)**	(3,151,166)
Net current assets		**2,874,340**	2,602,433
Total assets less current liabilities		**4,471,083**	4,223,416
Capital and reserves			
Called-up share capital	*16*	**4,167,556**	3,726,217
Share premium	*16*	**3,246,336**	2,779,917
Reserves	*17*	**(2,942,809)**	(2,282,718)
Equity shareholders' funds		**4,471,083**	4,223,416

The financial statements were approved by the Board on 28 June 2000 and signed on their behalf by:

A H Counsell
Director

The notes on pages 24 to 32 and the accounting policies on pages 17 and 18 form part of the financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 1999

	Notes	1999 £	1998 £
Cash flow from operating activities	*20(a)*	**(495,722)**	(524,249)
Returns on investments and servicing of finance	*20(b)*	**(419)**	3,355
Capital expenditure and financial investment	*20(c)*	**(244,732)**	(619,573)
Acquisitions and disposals	*20(d)*	**36,847**	–
Cash outflow before use of liquid resources and financing		**(704,026)**	(1,140,467)
Financing			
Issue of convertible loans		**–**	1,006,027
Issue of ordinary shares		**675,700**	–
Decrease in cash in period		**(28,326)**	(134,440)

Reconciliation of net cash flow to movement in net debt (note 20 (e))

	1999 £	1998 £
Decrease in cash in the period	**(28,326)**	(134,440)
Cash inflow from increase in debt	**–**	(1,006,027)
Change in net debt resulting from cash flows	**(28,326)**	(1,140,467)
Translation difference	**(49,829)**	30,935
Non cash movement	**144,161**	–
Movement in net debt in period	**66,006**	(1,109,532)
Net debt at 1 January 1999	**(2,521,751)**	(1,412,219)
Net debt at 31 December 1999	**(2,455,745)**	(2,521,751)

The notes on pages 24 to 32 and the accounting policies on pages 17 and 18 form part of the financial statements.

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 31 December 1999

	1999 £	1998 £
Loss for the financial year	**(603,121)**	(1,346,594)
Exchange adjustments on foreign currency net investments	**(54,724)**	395,134
Total recognised gains and losses for the financial year	**(657,845)**	(951,460)

Reconciliation of Movements in Consolidated Shareholders' Funds

For the year ended 31 December 1999

	1999 £	1998 £
Total recognised gains and losses for the financial year	**(657,845)**	(951,460)
New share capital issued	**907,758**	–
Net addition/(reduction) in shareholders' funds	**249,913**	(951,460)
Opening shareholders' funds	**2,484,952**	3,436,412
Closing shareholders' funds	**2,734,865**	2,484,952

The notes on pages 24 to 32 and the accounting policies on pages 17 and 18 form part of the financial statements.

Notes to the Financial Statements
for the year ended 31 December 1999

1 Operating environment and risks

Russia's economy has shown a marked recovery since its financial crisis in 1998. The country's business and investment environment is also showing signs of improvement. Following the election of President Putin in March 2000, the prospects for economic and political stability may well be improved. Notwithstanding these positive developments, it is considered appropriate and prudent, nevertheless to draw attention to the broad range of continuing economic and political uncertainties in Russia's investment and operating environment, which could potentially adversely affect the Company's business.

2 Segment analysis

	Loss before taxation		Net assets	
	1999	1998	**1999**	1998
	£	£	**£**	£
By geographical area				
Russia	**38,558**	557,478	**3,677,929**	3,399,633
Western Europe	**614,901**	759,093	**(1,064,743)**	(1,078,064)
Australia	**(50,338)**	30,023	**142,474**	163,646
	603,121	1,346,594	**2,755,660**	2,485,215

All the Company's activities are related to the exploration and development of gold, platinum group metals and other minerals in Russia.

3 Employees

	1999	1998
	£	£
Staff costs (including Directors)		
Salaries and wages	**328,151**	432,863
Social security costs	**8,585**	19,269
	336,736	452,132

The average number of persons employed by the Group was as follows:

	Number	Number
Operations	5	7
Administration	6	9
	11	16

4 Administrative expenses

	1999	1998
	£	£
These include:		
Directors' remuneration (see note 5):		
Emoluments	**203,646**	259,219
Depreciation of other tangible fixed assets	**29,497**	40,402
Impairment of resource properties	**63,464**	–
Amounts payable to KPMG Audit Plc and its associates		
As Auditors	**15,000**	15,000
For Non Audit Services	**3,000**	500

5 Directors' remuneration, emoluments and share interests

	Basic Salary	Fees	Other Benefits	Total emoluments excluding pensions 1999	1998
	£	£	£	£	£
Executive:					
A H Counsell	109,375	–	15,432	**124,807**	132,069
C M Line	21,875	–	–	**21,875**	49,550
R J G Jenkins	36,964	–	–	**36,964**	–
C A MacKay	–	–	–	**–**	57,600
Non– Executive:					
J A Mitchell	–	20,000	–	**20,000**	20,000
G C FitzGerald	–	–	–	**–**	–
M V St Giles	–	–	–	**–**	–
	168,214	20,000	15,432	**203,646**	259,219

Other benefits includes the value for income tax purposes of the provision of a fully expensed motor vehicle.

Share Interests

The interests in the Shares of the Company held by those persons who were Directors of the Company on 31 December 1999 were as follow:

	31 Dec 1999	31 Dec 1998
A H Counsell		
Ordinary Shares of 5p each (1998 £1 each)	**275,000**	550,002
Deferred Shares	**275,000**	–
M V St Giles		
Ordinary Shares	**22,000**	–

Mr Counsell's interest arises by virtue of his beneficial interest in Russian Technology International Pty Limited ("RTI") which is the registered holder of the above shares. During the year half of the holding of RTI was distributed for the benefit of parties other than Mr Counsell.

Mr St Giles' interest arises by virtue of his beneficial interest in a personal pension plan through which his shareholding is held.

On 25 April 2000 Mr A H Counsell and Mr R J G Jenkins capitalised accrued fees and salaries of £14,950 and £25,300 owing to them respectively to subscribe respectively for 65,000 and 110,000 Shares at 23 pence, as announced by the Company. As a result, Mr Counsell has interests in 340,000 Shares and Mr Jenkins in 110,000 Shares.

Share Options

Outstanding options held by the Directors over the Company's unissued ordinary shares were as follows:

	At 31 Dec 1998 Number	Granted in 1999 Number	Exercised in 1999 Number	At 31 Dec 1999 Number	Exercise dates Commencement	Expiry	Exercise price per share
A H Counsell	150,000	–	–	150,000	Mar 2000	Mar 2004	£3.10

Mr Counsell also holds 425,000 'A' Options, which the Company assigned to him on 16 May 2000.

C A MacKay and C M Line resigned as Directors of the Company on 4 January 1999 and 31 July 1999 respectively. Options over 90,000 Shares and 50,000 Shares exercisable at £2.10 per share held by them respectively have lapsed following their resignations.

Notes to the Financial Statements (continued)

6 Profit on partial disposal of a subsidiary

On 11 March 1999 a third party investor subscribed for new shares in Eurasia PGM Limited, acquiring a 30% equity interest therein. This subscription is treated a partial disposal in these financial statements and a profit on disposal of £70,835 has been recognised.

7 Interest receivable and similar items

	1999	1998
	£	£
Foreign exchange gain	**88,168**	–
Bank deposit interest	**1,945**	5,719
	90,113	5,719

8 Interest payable and similar charges

	1999	1998
	£	£
Foreign exchange loss	–	620,629
Interest on loans	**2,364**	2,364
	2,364	622,993

9 Taxation

The Company has made a loss in the United Kingdom. Consequently no liability to United Kingdom taxation arises. No other company in the Group has made profits liable to taxation.

10 Loss per share

Loss per share is calculated by reference to the loss for the year of £603,121 (1998: £1,346,594) and the weighted average number of Shares in issue during the year of 10,027,598 (1998: 3,726,217).

11 Intangible assets

Balance at 1 January 1999 and 31 December 1999	£ 1,649,706

On its acquisition of RTI Resources NL on 26 April 1995, the Company gained control over the rights and interests of RTI Resources NL in Karabash Mining Limited and details of all geological, metallurgical and other studies performed by RTI Resources NL in appraising the Karabash project and other mining opportunities in the Urals. The premium paid over the net asset value of RTI Resources at the date of acquisition has been treated as an intangible exploration and development asset.

12 Fixed assets

(a) Tangible

	Group Exploration and Development Interests £	Group Other Fixtures & Equipment £	Company Exploration and Development Interests £	Company Other Fixtures & Equipment £
Cost				
As at 1 January 1999	3,447,638	391,311	91,438	115,028
Additions	241,938	2,639	–	1,850
Disposals			–	–
Exchange	74,052	6,867	–	–
At 31 December 1999	3,763,628	400,817	91,438	116,877
Depreciation, depletion and amortisation				
As at 1 January 1999	7,103	94,843	–	70,484
Impairment	63,464	–	–	–
Charge for period	–	29,497	–	26,089
Exchange	(1,307)	607	–	–
At 31 December 1999	69,260	124,947	–	96,573
Net book value				
At 31 December 1999	3,694,368	275,870	91,438	20,304
At 31 December 1998	3,440,535	296,468	91,438	44,544

Details of the Exploration and Development interests are included in the Chief Executive's Review on pages 4 to 7. It is the opinion of management that planned fund raising will be successful and will permit the Company to establish profitable operations and to generate sufficient revenues to cover all expenditures, including depreciation, such that a provision against permanent impairment in the value of assets is not required. The Company is focused on a staged programme of developing its mineral prospects recognising the limitations on its financial and personnel resources. As a result certain mineral prospects may not reach production for a number of years. In such cases the Company is also considering the introduction of a partner or disposal of such interests to generate earlier financial returns. The Directors are confident of recovering all accumulated expenditures as a result of any such transactions.

Following the cessation of the exploration licences at Gagarka and Sultanovka, the Group has recorded an impairment charge of £63,464 to write down these resource properties to £nil.

(b) Investments

	Group Associated undertakings £	Company Subsidiary undertakings £
Cost		
As at 1 January 1999	59,878	1,485,001
Additions	155	–
Exchange	1,729	–
At 31 December 1999	61,762	1,485,001

Notes to the Financial Statements (continued)

The Company and the Group have interests in the following material subsidiary and associated undertakings and other significant investments, which are included in the consolidated financial statements.

Principal subsidiary undertakings	Country of Incorporation/ Registration	Principal Activity	Principal Country of Operation	Description and Proportion of Shares Held
Eurasia Mining (UK) Limited	England & Wales	Holding Company	Great Britain	100% Ordinary
Eurasia Holdings Limited	Cyprus	Holding Company	Cyprus	100% Ordinary
Eurasia Mining (Cyprus) Limited	Cyprus	Service Company	Cyprus	100% Ordinary
Eurasia Mines Limited	Cyprus	Service Company	Russia	100% Ordinary
Eurasia North Limited	Cyprus	Holding Company	Cyprus	100% Ordinary
Eurasia Investments Limited	Cyprus	Holding Company	Cyprus	100% Ordinary
Eurasia Plast Limited	Cyprus	Holding Company	Cyprus	100% Ordinary
Eurasia PGM Limited	Cyprus	Holding Company	Cyprus	70% Ordinary
RTI Resources NL	Australia	Holding Company	Australia	100% Ordinary
AOZT Karabash Mining	Russia	Mineral Evaluation & Production	Russia	50% Ordinary
AO Central Mine	Russia	Mineral Evaluation & Production	Russia	49% Ordinary
ZAO Urals Geological Services *	Russia	Mineral Evaluation Services	Russia	75% Ordinary
OAO Chromite *	Russia	Mineral Evaluation & Production	Russia	59% Ordinary
ZAO ZolotoPlast *	Russia	Mineral Evaluation & Production	Russia	50% Ordinary
ZAO Baronskoye Mining *	Russia	Mineral Evaluation & Production	Russia	50% Ordinary
Eurasia Mining Services Limited	Russia	Service Company	Russia	100% Ordinary

RTI Resources NL and Eurasia Mining (UK) Limited are direct subsidiary undertakings of Eurasia Mining PLC. All other shareholdings are held indirectly.

* The Group controls each of the above under the terms of the respective shareholders agreement providing all necessary finance and management on a day to day basis. Consequently they are accounted for as subsidiary undertakings and in view of the arrangements regarding future operating surpluses, which principally accrue to the Group until the investment is recovered, no minority interest is recognised.

13 Debtors

	Group		Company	
	1999	1998	**1999**	1998
	£	£	**£**	£
Other Debtors	**61,959**	183,576	**47,831**	171,668
Amount due from subsidiary undertakings	**–**	–	**5,806,426**	5,539,259
	61,959	183,576	**5,854,257**	5,710,927

14 Creditors – amounts falling due within one year

	Group		Company	
	1999	1998	**1999**	1998
	£	£	**£**	£
Other Creditors	**205,551**	408,969	**196,208**	365,151
Secured and Unsecured Convertible Loan Stock (note 15)	**2,477,455**	2,571,787	**2,477,455**	2,571,787
Accruals	**326,709**	214,228	**323,240**	214,228
	3,009,715	3,194,984	**2,996,903**	3,151,166

At 31 December 1999, the Company's financial liabilities comprised US$2,863,000 Secured Convertible Loan Stock, created by way of a loan stock instrument in 1997 (the "New Loan Stock"), and £707,001 Secured Convertible Loan Stock (the "Old Loan Stock"), originally issued as unsecured convertible loan stock in 1996.

The New Loan Stock was subscribed in its entirety by Framlington Russian Investment Fund, and fell due for repayment at 31 December 1999. The New Loan Stock is secured by a pledge agreement over the shares of Eurasia North Limited and that company's shareholding in AO Chromite, which holds the licence over the Soloviev Hill platinum prospect.

By way of a new loan stock instrument created on 23 December 1999, the Old Loan Stock, which was previously unsecured, was adjoined to the New Loan Stock's security, and provided for repayment on 31 March 2000.

The Company announced on 26 April 2000 the repayment in full of £224,936 of the Old Loan Stock with the conversion of the balance of £475,065 of the Old Loan Stock, together with the conversion of US$1,442,063 of the New Loan Stock, (£1,394,994 in total) by Framlington Russian Investment Fund into Shares at 23 pence per share, the price at which the Company issued £2 million of new Shares. Following this conversion, US$1,420,937 of the New Loan Stock remains outstanding and is repayable or convertible by 24 April 2001. The remaining New Loan Stock is convertible at the price at which the Company may issue further Shares prior to 24 April 2001, subject to the limitation that such conversion does not result in Framlington Russian Investment Fund's shareholding exceeding 29.9% of the Company's issued Shares.

On 28 January 1999 £144,161 convertible loan stock, issued in December 1998, was converted into 480,536 Shares at an issue price of 30 pence.

15 Financial instruments

The Group is at an early stage of development and has yet to commence commercial production. The key risk to the Group is currency exposure and liquidity risk. Currency exposure is managed as far as is practical by financing the Group's development and exploration activity in hard currency and to match the currency of the financing and/or borrowing to the expected revenue stream. Liquidity risk is managed by tight controls over expenditure.

(a) Financial liabilities

The currency profile of the financial liabilities, being secured and unsecured loan stock, is set out below:

	1999	1998
Group	**£**	£
Pounds Sterling	**707,001**	851,027
US Dollars	**1,770,454**	1,720,760
	2,477,455	2,571,787

Notes to the Financial Statements (continued)

(b) Financial assets
The currency and interest rate profile of the financial assets of the Group are as follows:

	1999	1998
Group	£	£
Cash:		
Pounds Sterling	**11,470**	12,178
US Dollars	**9,825**	37,314
Other	**415**	544
	21,710	50,036

Financial assets are at floating rate, comprising cash earning interest at various rates set with reference to the prevailing LIBOR or equivalent for the relevant country.

(c) Maturity of financial liabilities
As at 31 December 1998 and 31 December 1999 all the Group's financial liabilities, as distinct from short term creditors such as trade creditors and accruals, were repayable within one year.

As at 31 December 1999 there were no undrawn committed facilities.

(d) Currency risk
The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other then their functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the profit and loss account.

Group Net Foreign Currency Monetary Assets/(Liabilities)

	1999	1998
	£	£
Australian Dollars	**(17,364)**	(48,671)
Canadian Dollars	**(32,144)**	(33,740)
Cyprus Pounds	**(13,807)**	–
US Dollars	**(139,498)**	(29,926)
	(202,813)	(112,337)

(e) Fair values of financial assets and liabilities
There is no material difference between fair value and book value. The Group has not entered into any hedging or forward exchange rate contracts.

16 Called–up share capital

	1999		1998	
	Number of Shares	**Nominal Value £**	Number of Shares	Nominal Value £
Authorised:				
Attributable to equity interests				
Ordinary Shares at 5 pence (1998 £1)	329,201,977	16,460,099	20,000,000	20,000,000
Deferred Shares of 95 pence	3,726,217	3,539,906	–	–
Attributable to non–equity interests				
Preference Shares at £1	50,000	50,000	50,000	50,000
Share capital allotted, called–up and fully paid:				
Ordinary Shares at 5 pence (1998 £1)	12,552,992	627,650	3,726,217	3,726,217
Deferred Shares at 95 pence	3,726,217	3,539,906	–	–
		4,167,556		3,726,217

Details of share options outstanding are shown on page 25 in note 5.

At an Extraordinary General Meeting on 6 January 1999 the shareholders approved the subdivision of each issued Ordinary Share of £1 each into one New Ordinary Share of 5 pence and one Deferred Share of 95 pence. The un–issued Ordinary Shares of £1 each were each subdivided into 20 New Ordinary Shares of 5 pence.

Subsequent to the year end the Company has made the following issues of Shares :

	Number of Shares	Issue Price
25 April 2000	14,935,846	23 pence
25 April 2000	350,000	10 pence

Share Premium Account

	1999	1998
Group and Company	£	£
Balance at 31 December	**3,246,336**	2,779,917

17 Reserves

	Group	Company
Profit & Loss Account	£	£
At 1 January 1999	**(4,619,045)**	(2,282,718)
Loss for year	**(603,121)**	(660,091)
At 31 December 1999	**(5,222,166)**	(2,942,809)
Foreign Exchange Reserve		
At 1 January 1999	**597,863**	–
Loss for year	**(54,724)**	–
At 31 December 1999	**543,139**	–
Total Reserves	**(4,679,027)**	(2,942,809)

Eurasia Mining PLC has taken advantage of the exemption permitted by section 230 of the Companies Act 1985 and has not presented its own profit and loss account.

18 Minority interest

	£
At 1 January 1999	263
Partial disposal of subsidiary	20,451
Exchange	81
At 31 December 1999	20,795

19 Contingencies and commitments

Pursuant to the Joint Venture Agreement leading to the formation of Karabash Mining Limited, the Group is to fund development expenditure and working capital of Karabash Mining Limited of up to a maximum of US$10 million (£6.2 million). Other Group contingent liabilities and commitments are not material.

Notes to the Financial Statements (continued)

20 Cash flow statement

		1999 £	1998 £
a)	Reconciliation of Operating Profit to Operating Cash Flows		
	Operating loss	**(741,254)**	(729,320)
	Depreciation and impairment charges	**92,961**	40,402
	Decrease in debtors	**121,617**	(16,999)
	Increase in creditors	**30,954**	181,668
	Net cash outflow from operating activities	**(495,722)**	(524,249)
b)	Returns on investments and servicing of finance		
	Interest received	**1,945**	5,719
	Interest paid	**(2,364)**	(2,364)
	Net cash outflow from returns on investments and servicing of finance	**(419)**	3,355
c)	Capital expenditure and financial investment		
	Purchase of tangible fixed assets	**(2,639)**	(6,299)
	Investment in Exploration and Development	**(241,938)**	(613,274)
	Purchase of shares	**(155)**	–
	Net cash outflow for capital expenditure and financial investment	**(244,732)**	(619,573)
d)	Acquisition and disposals		
	Partial disposal of subsidiary	**36,847**	–

e)	Analysis of Net Debt	At 1 Jan 1999 £	Non–Cash Flow £	Cash Flow £	Exchange £	At 31 Dec 1999 £
	Cash in hand, at bank	50,036	–	(28,326)	–	21,710
	Debt due within one year	(2,571,787)	144,161	–	(49,829)	(2,477,455)
		(2,521,751)	144,161	(28,326)	(49,829)	(2,455,745)

The non-cash flow movement of £144,161 represents the conversion of convertible loan stock into Shares of the Company.

21 Related party transactions

The Group has entered into a lease agreement on normal commercial terms for the rental of office facilities from Argonaut Associates, a partnership in which John Mitchell, Chairman of the Group, is a partner.

Company Information

Company Number 3010091

Directors

J A Mitchell	(Non Executive Chairman)
A H Counsell	(Managing Director)
G C FitzGerald	(Non Executive)
R J G Jenkins	(Finance Director)
M V St Giles	(Non Executive)

Secretary

R J G Jenkins

Head Office and Registered Office

14–16 Regent Street
London SW1Y 4PH
Telephone 44 20 7976 1222
Facsimile 44 20 7976 1422
E–mail info@eurasia-mining.plc.uk
Web Site www.eurasia-mining.plc.uk

Russian Office

194 Lunacharsky Street
Ekaterinburg
Russia
Telephone 7 3432 615187
Facsimile 7 3432 615924

Advisers

Auditors

KPMG Audit Plc
8 Salisbury Square
London EC4Y 8BB

Solicitors

Eversheds
Senator House
85 Queen Victoria Street
London EC4V 4JL

Bankers

National Westminster Bank plc
1 Princes Street
London EC2R 8PH

Stockbrokers

Canaccord Capital (Europe) Limited
Cannon Bridge
25 Dowgate Hill
London EC4R 2YA

Independent Consulting Geologists

ACA Howe International Limited
254 High Street
Berkhamstead
Hertfordshire HP4 1AQ

Nominated Advisers

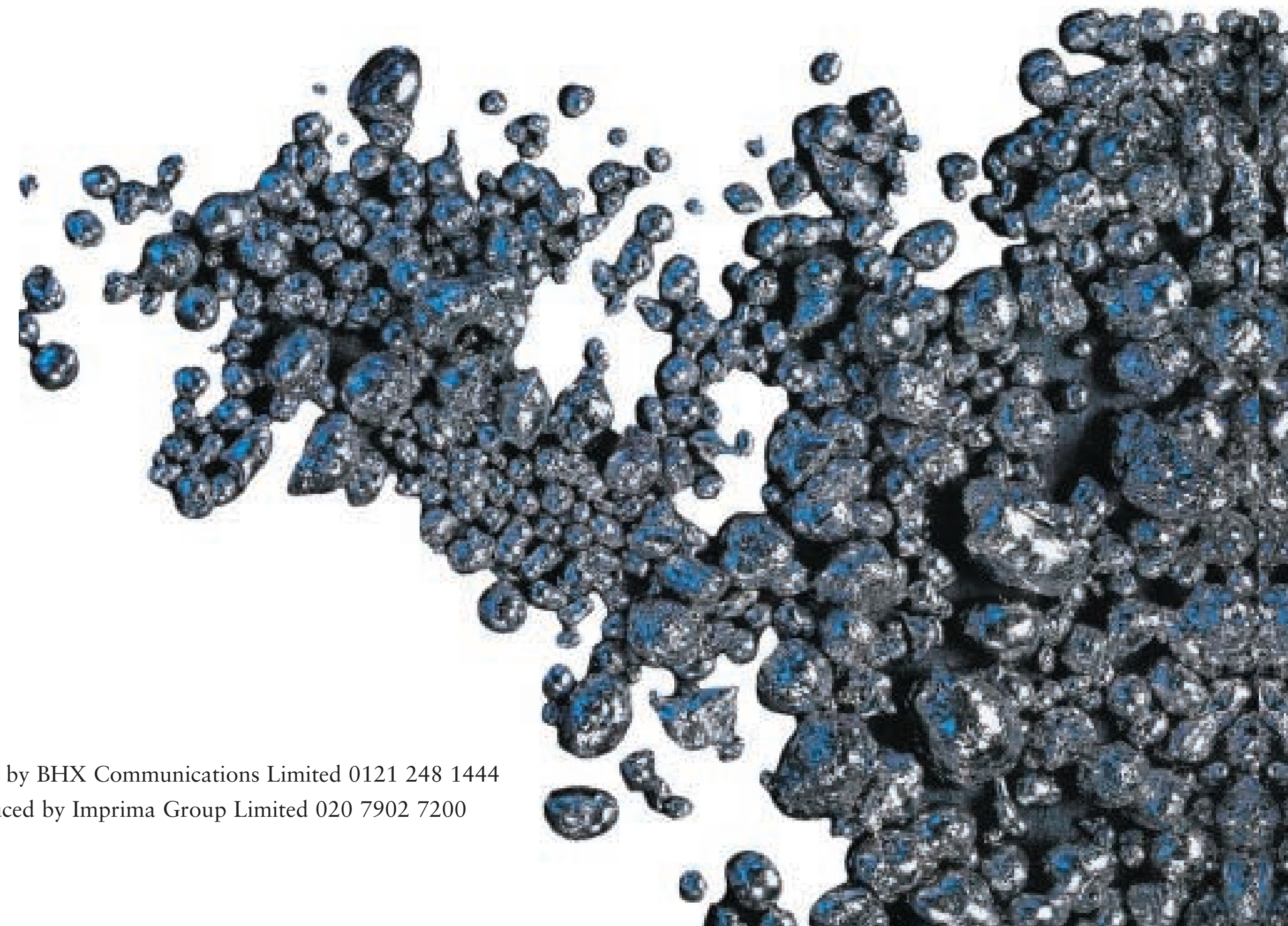
Grant Thornton
Grant Thornton House
Melton Street, Euston Square
London NW1 2EP

Registrars

Independent Registrars Group Limited
Balfour House
390-398 High Road
Ilford
Essex IG1 1NQ

EURASIA MINING PLC

14-16 Regent Street
London SW1Y 4PH
Tel: 44 20 7976 1222
Fax: 44 20 7976 1422
Email: info@eurasia-mining.plc.uk
Web site: www.eurasia-mining.plc.uk



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