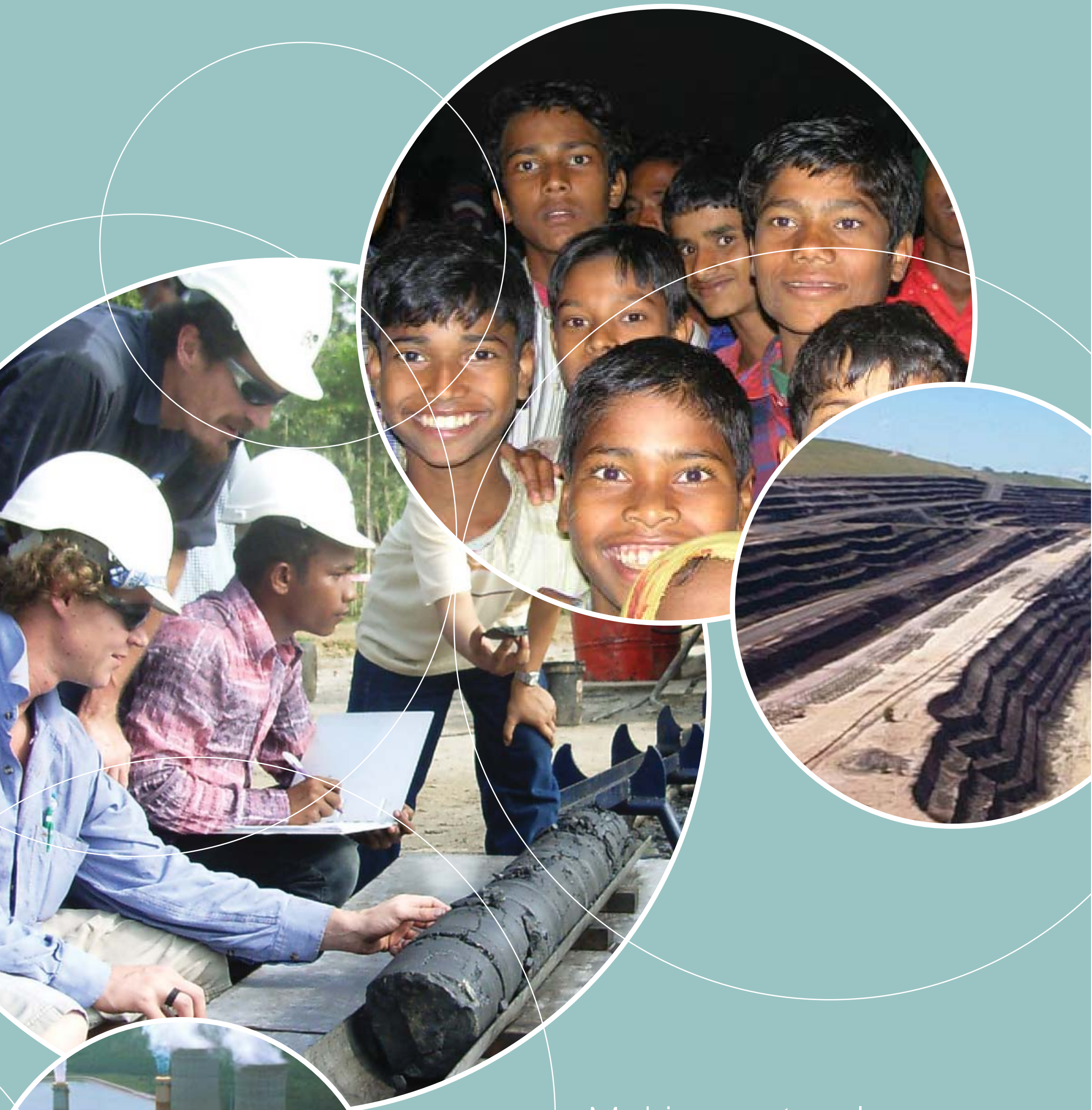
ASIA ENERGY PLC

Interim Report for the six months to 31 December 2005



Making natural resources work for the people of Bangladesh

Asia Energy PLC is a London-based AIM-quoted company whose primary activity is the development of the coal basin at Phulbari in Northwest Bangladesh into a world-class open pit coal mine.

Its objective is to start mining activity in 2006 adhering to the highest national and international environmental and social standards. At full production, the mine will produce 15 million tonnes a year of mostly export quality metallurgical and thermal coal.

Phulbari will feed coal to Asia's major seaborne and Bangladesh's domestic markets. The mine will transform Bangladesh into an energy exporter, spur the country's industrial growth and provide it with a new long-term source of sustainable energy.

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Chairman's Statement

Asia Energy PLC ('the Company') completed all major exploratory work for its planned open pit coal mine at Phulbari in Northwest Bangladesh in the six months to 31 December 2005. During the period, the Company also submitted its Scheme of Development and Feasibility Study for the 15 million tonnes per annum mine for the Phulbari Coal Project ("Project") to the Government of Bangladesh ('GoB'), and the Company is confident that in due course the Project will be given the necessary approvals. In addition it also raised sufficient finance to fund the first 6 months of development expenditure from approval of the Scheme of Development up to commencement of initial earthworks.

Following completion of drilling and geophysical surveying, a JORC compliant statement in August 2005 established the Resource at Phulbari at 572 million tonnes, with 532 in the Measured and Indicated categories. The statement noted that the basin remained open to the south with the possibility of still more coal to be discovered.

In an important milestone on 11 September 2005, the Department of Environment of the Government of Bangladesh formally approved the Environmental Impact Assessment (EIA) Report for the Project and granted it Environmental Clearance.

As part of its commitment to bring significant direct benefits to the people and country of Bangladesh, in October 2005 the Company lodged a proposal with the GoB's Power Development Board to build a 500MW coal fired power plant.

The proposed plant will generate 3,700 Gwh a year by burning about 1.5 million tonnes of coal, about one tenth of the Phulbari mine's annual target production of 15 million tonnes.

In the same month, the Company announced that it had mandated the Asian Development Bank (ADB) to undertake a Due Diligence Review for potentially providing senior financing of the Project.

The Company formally lodged its Scheme of Development and Feasibility Study for the mine with the GoB in early October 2005. This triggered an automatic review process under the contract, and the Government appointed a committee of Technical Experts to report back on the Project. The work of the Technical Experts is expected to be completed in March 2006.

In November 2005, the Company raised US$ 52 million before expenses by placing an additional 6,740,000 shares through JPMorgan Cazenove Limited. The placement provides sufficient funding to carry the Project through to start of mining operations.

The CEO of the Company's Bangladesh subsidiary, Mr Gary Lye, was appointed to the board in November 2005, and a new Company Chief Executive, Mr Steve Bywater, was recruited in January 2006.

Results

During the six months to 31 December 2005, the Company made a loss before and after tax of £355,350 (31 December 2004 : Loss of £300,307) . Exploration costs of £3.9 million for the period have been capitalised (31 December 2004 : £2.4 million). They relate mainly to the drilling programme at Phulbari and the work on the Definitive Feasibility Study.

In Summary

All the major preparatory work is now successfully completed and we have the right team in place to carry the Phulbari Coal Project through to start of mining. We remain confident that the Project will be approved and we expect to start pre-mining activities as planned in 2006.

Christopher Eager
Chairman

Group Profit and Loss Account

	Note	6 months to 31 December 2005 unaudited £	6 months to 31 December 2004 (unaudited) £	Year ended 30 June 2005 £
Administrative expenses		(511,187)	(561,482)	(1,328,579)
Group operating loss		(511,187)	(561,482)	(1,328,579)
Interest receivable		155,837	261,175	447,409
Group operating loss and loss on ordinary activities before taxation		(355,350)	(300,307)	(881,170)
Taxation on loss on ordinary activities		-	-	-
Loss on ordinary activities after taxation		(355,350)	(300,307)	(881,170)
Loss for the financial period attributable to members of the parent company		(355,350)	(300,307)	(881,170)
Retained loss for the period		(355,350)	(300,307)	(881,170)
Basic and diluted loss per share (pence)		(0.8)p	(0.7)p	(2.3)p

Group Statement of Total Recognised Gains and Losses

	Note	6 months to 31 December 2005 unaudited £	6 months to 31 December 2004 (unaudited) £	Year ended 30 June 2005 £
Loss for the financial period attributable to members of the parent company		(355,350)	(300,307)	(881,170)
Total recognised losses relating to the period		(355,350)	(300,307)	(881,170)

Group Balance Sheet

	Note	31 December 2005 (unaudited) £	31 December 2004 (unaudited) £	30 June 2005 £
Fixed assets				
Intangible assets		14,218,822	4,548,467	10,287,033
Tangible assets		328,605	379,221	361,280
		14,547,427	4,927,688	10,648,313
Current assets				
Debtors		199,500	163,909	237,296
Cash at bank and in hand	4	31,049,827	10,169,946	5,642,722
		31,249,327	10,333,855	5,880,018
Creditors: amounts falling due within one year		(774,904)	(637,976)	(1,180,337)
Net current assets		30,474,423	9,695,879	4,699,681
Total assets less current liabilities		45,021,850	14,623,567	15,347,994
Capital and reserves				
Called up share capital		4,800,438	3,827,064	4,001,103
Share premium account		41,853,997	11,492,875	12,624,126
Profit and loss account		(1,632,585)	(696,372)	(1,277,235)
Equity shareholders' funds	5	45,021,850	14,623,567	15,347,994

The Financial Statements were approved by the Board on 3 March 2006 and signed on its behalf.

Stephen Bywater

David Lenigas

Group Cash Flow Statement

	Note	6 months to 31 December 2005 (unaudited) £	6 months to 31 December 2004 (unaudited) £	Year ended 30 June 2005 £
Net cash outflow from operating activities	3	(440,716)	(575,363)	(1,281,244)
Returns on investments and servicing of finance				
Interest received		155,837	288,823	492,936
Net cash inflow from returns on investments and servicing of finance		155,837	288,823	492,936
Taxation		-	-	-
Capital expenditure and financial investment				
Purchase of tangible fixed assets		-	(244,393)	(256,583)
Purchase of intangible fixed assets		(4,337,224)	(1,950,655)	(7,269,211)
Net cash outflow from capital expenditure and financial investments		(4,337,224)	(2,195,048)	(7,525,794)
Management of liquid resources				
Decrease in short term deposits		-	2,000,000	11,000,000
Net cash outflow before financing		(4,622,103)	(481,588)	2,685,898
Financing				
Issue of ordinary share capital		31,237,500	500,999	1,806,289
Share issue costs		(1,208,292)	(15,000)	(15,000)
Net cash inflow from financing		30,029,208	485,999	1,791,289
Increase in cash	4	25,407,105	4,411	4,477,187

Notes to Interim Report

1 – Basis of Preparation of Financial Statements

The financial information contained herein does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The unaudited interim financial information has been prepared on the basis of the accounting policies set out in the Group's accounts for the year ended 30 June 2005. The figures for the year ended 30 June 2005 have been extracted from the accounts. Those accounts have been filed with the Registrar of Companies and contained an unqualified report. The Company's auditors, Ernst & Young LLP, have reviewed the interim financial information for the six months ended 31 December 2005 and their report is set out on page 8.

The financial information for the 6 months ended 31 December 2005 is unaudited. In the opinion of the directors the financial information for this period fairly presents the financial position, results of operations and cash flows for this period and conforms with generally accepted accounting principles.

Fundamental Accounting Concept

The Directors are confident that the Company's coal interests will be able to be commercially realised and are confident that further funding and necessary government approvals will be obtained. The Directors have taken steps to ensure this occurs and have appointed Barclays Capital to provide advice and services in evaluating options and sources of funding, including equity, project debt, debentures, convertible debentures, export credit agencies, multi and bi-lateral agencies, off-take agreements and joint venture partners. With completion of the Banking documents including the Independent Reviews on technical, environmental and social studies, the Banking marketing process to determine the optimal combination of these finance options should commence in early 2006. On this basis, the Directors believe that the adoption of the going concern basis is justified.

2 – Segmental Analysis

There was no turnover during the financial period. The administrative expenses relate to the United Kingdom, Australian and Bangladesh offices.

The Group operates in one principal area of activity being coal exploration and development.

The Group operates within one geographical market, being Bangladesh, and is supported by management and administrative functions in Australia and the United Kingdom.

Notes to Interim Report continued

3 – Net Cash Outflow from Operating Activities

	6 months to 31 December 2005 (unaudited) £	6 months to 31 December 2004 (unaudited) £	Year ended 30 June 2005 £
Operating loss	(511,187)	(561,482)	(1,328,579)
Depreciation and amortisation	32,675	19,646	49,778
(Increase)/Decrease in debtors	37,796	(75,900)	(167,167)
Increase in creditors	-	5,809	128,160
Decrease in stocks	-	36,564	36,564
Net cash outflow from operating activities	(440,716)	(575,363)	(1,281,244)

4 – Reconciliation of Net Cash Flow to Movement in Net Funds

Increase in cash in the period	25,407,105	4,411	4,477,187
Decrease in short term deposits	-	(2,000,000)	(11,000,000)
	25,407,105	(1,995,589)	(6,522,813)
Net funds at beginning of period	5,642,722	12,165,535	12,165,535
Net funds at end of period	31,049,827	10,169,946	5,642,722

5 – Reconciliation of Movements in Shareholders' Funds

Loss for the period	(355,350)	(300,307)	(881,170)
New share capital subscribed	799,335	66,800	240,839
Share premium (net of costs)	29,229,871	434,199	1,565,450
Net increase in shareholders' funds	29,673,856	200,692	925,119
Shareholders' funds at beginning of period	15,347,994	14,422,875	14,422,875
Shareholders' funds at end of period	45,021,850	14,623,567	15,347,994

Independent Review Report

INDEPENDENT REVIEW REPORT TO ASIA ENERGY PLC

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 December 2005 which comprises Group Profit and Loss Account, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Total Recognised Gains and Losses and the related notes 1 to 5. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company having regard to guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by the law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report as required by the AIM Rules issued by the London Stock Exchange.

Review work performed

We conducted our review having regard to the guidance contained in Bulletin 1999/4 'Review of interim We conducted our review having regard to the guidance contained in Bulletin 1999/4 'Review by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2005.

Ernst & Young LLP
Registered Auditor
London 3 March 2006

Corporate Information

Company Number
04913119

Directors

Christopher Eager	- Non-Executive Chairman
Stephen Bywater	- Managing Director
William McIntosh	- Executive Director
Gary Lye	- Executive Director
David Lenigas	- Non-Executive Director

Company Secretary
Donald Strang

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