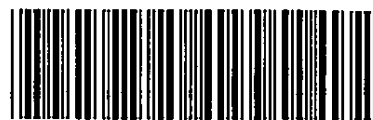


**Hambledon
Mining** plc

**Annual Report
& Accounts 2011**

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Hambleton Mining plc

Hambleton Mining plc is an AIM quoted gold mining, exploration and development company based in Kazakhstan.

It is operating and developing the Sekisovskoye gold mine in East Kazakhstan and is actively pursuing other opportunities.

- ▣ Group reports results in United States dollars
- ▣ Loss after taxation from continuing operations and before charge for tailings dam 3 incident of \$1.6 million. Charge for tailings dam 3 incident now estimated to be \$7.8 million
- ▣ Capital expenditure of \$14.4 million
- ▣ Cash of \$1.8 million at 31 December 2011. Loan facility of \$2.0 million available (\$1.0 million utilised at 31 December 2011) and European Bank of Reconstruction and Development ("EBRD") loan of \$15.0 million being completed
- ▣ \$11.5 million raised in early 2012 including \$3.0 million equity investment from EBRD
- ▣ Gold poured of 20,851 ounces in 2011
- ▣ Mined ore up to 2.5 per cent, milled ore up 4.5 per cent. Grade declined by 7.7 per cent
- ▣ Open pit stripping ratio 6.5 to 1 due to remnant waste stripping
- ▣ Underground mining commenced in November 2011
- ▣ Akmola Gold acquisition conditional upon Kazakh Government approvals

Chairman's statement

"I am pleased to announce our financial results for the twelve months to 31 December 2011."

Review of 2011 and 2012 to date

In the twelve months to 31 December 2011, the Group recorded a loss after taxation from continuing operations of \$9.4 million (2010 profit of \$3.0 million) with revenue of \$33.3 million (2010 revenue \$29.0 million). Although our production was slightly down on 2010 (20,851 oz gold poured versus 2010 gold poured of 22,410 oz), the gold price averaged \$1,587 versus \$1,295.

We started the year on a positive note with a much better performance in the first quarter thanks to improved winterisation of external infrastructure – improvements which were again demonstrated in the first quarter of 2012. Although by no means weather-proof, we believe we can achieve better results in this very cold quarter in future until such time as the underground mine is providing all the ore when there should be little weather effect. In March 2011, we raised \$13.9 million net from a combined institutional placing and open offer to all shareholders. We were pleased by the response to both this and the placing in February 2012 where we raised \$11.5 million net of expenses.

Unfortunately, the year will be remembered not for positive developments, of which there were many, but for the leak from tailings dam 3. This occurred in October, at a time when everything else was performing well. It caused a setback in our relations with Sekisovskoye village and the wider community, and to our cash resources and production. Since then we have worked hard to restore our position amongst all stakeholders. One side effect was a delay to the European Bank of Reconstruction and Development ("EBRD") loan which should ideally have been in place by the end of the year. It was this which caused us to have recourse to the institutional placing in February 2012.

The involvement of the EBRD is a significant achievement for Hambleton. We are pleased to have met the EBRD's exacting standards for transparency and operating standards which is unusual in our sector. EBRD have agreed, subject to finalisation of security arrangements, to lend Hambleton \$10.0 million as a first tranche, with the second tranche of \$5.0 million available when we have achieved certain production targets by the first quarter of 2013. As I write, we are in the process of completing the final steps necessary to satisfy the conditions for the first tranche of their loan. In the meantime, we welcome them as shareholders in the Company under the subscription agreement announced on 5 April 2012 and look forward to enjoying a fruitful relationship with them in the years ahead.

Operations

Underground mining commenced at Sekisovskoye during 2011. This has always been the main thrust for the development of the Company, given that the great majority of the resources are underground and the higher grade of ore to be found there. We are currently drilling underground to further delineate and define the ore bodies. The open pit, as the Chief executive's review will amplify, has finally begun to benefit from the removal of the backlog of waste stripping left over from the previous year. The process plant has worked almost faultlessly, albeit the recovery of gold has been lower than we would have expected due to the presence of carbonates and harder ore than previously expected.

We were pleased that the process of liquidation of Ognevka has finally been completed. Proceeds amounted to \$1.5 million which has been credited to earnings in 2011 as the investment had already been fully written down.

Outlook

This year we expect to be producing more ounces as the output from the underground mine is increasing and we are drilling further to increase our knowledge of the ore body.

We regard the fines paid by your Company in respect of the tailings dam 3 leak as excessive and are challenging them in the courts. The issue is unlikely to be resolved before the end of the year.

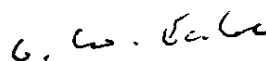
We are also endeavouring to complete the acquisition of Akmola Gold. Although the Kazakhstan wealth fund has indicated that it has a preliminary intention to pre-empt the transaction, we continue to work towards completion.

Finally, as detailed in the circular dated 1 February 2012, we are faced with the issue of the desire of the Kazakh government to have all gold refined in-country and sold to Kazakhstan's National Bank. The Kazakh government has deferred the implementation of these rules over concerns that there is insufficient refining capacity in Kazakhstan. We will of course keep shareholders informed of developments.

Corporate

During the year we accepted the resignation of Chris Thomas from the Board but welcomed Jeff O'Leary in his place. With the now impending appointment of a director from EBRD, Jeff resigned to make way for their nominated director. We are grateful to both of them for their unstinting efforts on behalf of the Company.

I would also like to pay tribute to the hard work of all the staff and my Board colleagues in what has certainly been a most challenging year.



George Eccles
Chairman
25 May 2012

Chief executive's review

"The work in 2011 followed a disciplined approach to provide a solid platform from which the Company can further develop a sustainable underground operation"

The Company has continued to concentrate on the development of its Sekisovskoye operations from a modest open pit operation to a growing joint open pit and underground operation. Despite the setback with tailings dam 3, the Company has made progress in the refurbishment of existing infrastructure, resolving waste and land management issues, improving engineering systems and controls and solving the challenges of changes to the mineral processing characteristics of the deeper gold and silver bearing ores.

Sekisovskoye operations

The Sekisovskoye operation has benefited substantially from refurbishment of the crushing infrastructure to cope with the harsh Kazakhstan winter climate. This resulted in an increase in mineral process plant production of some 70 per cent in the first quarter of 2011, and further increases in production in the first quarter of 2012 by 10 per cent. As explained in my review last year, the decision was taken to expand the mining fleet and this equipment has been utilised to move ahead with waste stripping. This has been to both catch up on last year's shortfall of remnant waste and to ensure that good mining conditions can be maintained. This resulted in a 30 per cent increase in mining volumes and for more normal mining operations to resume, with consequent increases in efficiency and cost reductions. The consequence of the removal of the remnant waste has been a reduction in the grade of ore (gold content) fed to the process plant with commensurate reductions in process plant gold recovery and gold output.

The operational statistics for 2011 and 2010 were as follows

Mining

		2011	2010
Ore mined	t	594,152	579,579
Gold grade	g/t	1.19	1.19
Silver grade	g/t	2.20	2.20
Contained gold	oz	22,638	22,176
Contained silver	oz	41,512	41,031
Waste mined	t	3,921,715	3,082,000

Mineral processing

		2011	2010
Crushing	t	748,485	713,088
Milling	t	744,416	712,112
Gold grade	g/t	1.09	1.18
Silver grade	g/t	1.86	2.39
Contained gold	oz	26,084	27,129
Contained silver	oz	44,634	54,713
Gold recovery	per cent	81.2	83.6
Silver recovery	per cent	83.7	84.7
Gold poured	oz	20,851	22,802
Silver poured	oz	36,946	46,321

Note: The difference between mined ore tonnage and the mineral crushed tonnage was material taken from the low grade stockpile and third party ore treatment.

Mining activity – open pit mine

The expansion of the mining fleet in 2011, together with a programme of employee incentivisation and improved maintenance, enabled a vigorous approach to removing the remnant waste in the open pit, which was completed as scheduled. The removal of the waste has allowed in-pit water control to be improved along with commensurate improvements to drilling and blasting activities.

During the period when waste extraction was at its highest level, the open pit produced little ore for processing and the mineral processing plant was fed from the low grade stockpile. This allowed a concentration of effort in transporting the waste rock to the tailings dam 5 embankment, with rapid progress being made. All construction works for tailings dam 5 were according to the designs by Golders Associates UK who are supervising its construction.

As tailings dam 5 nears completion, the waste rock from the open pit will be placed into the foundation for tailings dam 6 which is the final dam for the operation. The design of tailings dam 6 will allow effluent from the mineral process plant to be stored for up to 17 years. The plan is to complete all tailings dams in 2014 so that when the open pit mine ceases production all civil engineering infrastructure tasks onsite will be complete.

The improved maintenance of the Company's fleet was augmented by the installation of a fuel cleaning system. Diesel fuel in Kazakhstan is below normal standards due to aged Soviet era refining plants. All fuel delivered to site is now cleaned by this filter system which has improved machinery operating performance and reduced downtime.

Mineral processing plant

The mineral processing plant had to contend with being fed low grade ores for a period of six months whilst remnant waste was removed from the open pit. This affected gold and silver recovery for the year. In addition, due to the tailings dam 3 incident, the mineral processing plant was shut down for nine days in the fourth quarter whilst investigations and remedial works were undertaken.

Chief executive's review

to ensure no further leakage from the Company's operations. Despite the fact that during the year record plant throughput production levels had been achieved, demonstrating the effectiveness of the process plant machinery and equipment refurbishment programme, the tailings dam incident led to an overall reduction of gold produced.

The mineral processing plant improvement programme continued as set out in last year's annual report, with substantial works undertaken in 2011 including replacement of the main jaw crusher, replacement of the main secondary cone crusher, refurbishment of 50 per cent of the crushing circuit conveyors, purchase of a new electric boiler for the elution circuit as well as a new doré furnace.

In 2012 and 2013, as the operation moves more fully into the underground phase, the mineral processing plant will be further developed to meet the specification of the underground ores. This will be achieved by:

- Addition of a seventh carbon-in-leach (CIL) tank
- Expansion of the mineral process plant instrumentation needed to control the plant chemistry
- Replacement of the remaining cone crushers and associated screens to allow finer crushing and grinding of the metalliferous ores

Underground mine

The development of the underground mine to the point of operation was completed successfully in the fourth quarter of 2011. Mining and extraction of ores from five mining levels has been carried out and deepening of the main transport decline has continued as planned. The decline has connected with the existing 320mrl and the connection zone has been refurbished to allow for effective through mine ventilation, dewatering and safe working below the main 320mrl.

The underground mining works are carried out by a contractor and this arrangement will continue in 2012 with diamond drilling carried out by the Company's staff. The contractor has expanded the mining equipment fleet so that a gradual increase in mined tonnes can be achieved in line with the budget and safe working arrangements.

The works associated with the underground are numerous and a summary of what was completed in 2011 is as follows:

- Installation of rope guides and associated safety equipment in the '320' shaft so that man-riding can be carried out according to Kazakhstan and western good practice
- Completion of some 13,250 metre of the 25,000 metre diamond drill programme from the 320 exploration drift
- Completion of approximately 1,900 metres of tunnels for the transport decline, with attendant electrical

infrastructure, explosive magazines, ventilation raises, pump station and ventilation machinery

- Mining and extraction of approximately 4,500 tonnes per month of ore since November 2011

Tailings dam 3 incident

In late October 2011, a minor leak from tailings dam 3 occurred. The effluent leaked was not harmful to the environment and apart from temporary discolouration and temporary elevated levels of various natural minerals, such as calcium and sulphates, there was no long term pollution to the local environment. Whilst the leak was minor, its consequences were significant. The business interruption, resultant clean-up and legal costs have been extensive and are set out in the financial section of this review. The Company has now changed the manner in which it manages the engineering works associated with tailings impoundment construction. Since the incident, we have co-operated fully with all local and national Kazakhstan authorities and have recently replaced, improved and expanded the Sekisovskoye village water reticulation system.

The courts of Kazakhstan have applied high levels of penalties based on certain Soviet era pollution calculation methodologies. The Group has enacted legal proceedings with the aim of obtaining at least partial repayment of the fines paid to the Kazakh government by challenging the manner in which the pollution effect is calculated. Whether this can be finally achieved is uncertain.

The remediation of tailings dam 3 has commenced and works are expected to be completed in the third quarter of 2012. The remedial works have been designed by Golders Associates UK and are being peer reviewed by SRK UK. All site construction works are closely supervised by Golders Associates technicians who are onsite seven days a week. All other dams have been inspected by Golders Associates and found to be in a satisfactory condition with ongoing tailings dams being designed by Golders Associates.

Strategic planning

The open pit operation at Sekisovskoye is designed to operate until the third quarter of 2014. The current mining fleet will then be used to carry out certain mine rehabilitation tasks in line with the open pit mine closure plan. The Group's business strategy is to develop additional gold based mineral projects in Kazakhstan utilising, where possible, the existing open pit mining machinery. It is envisaged that after refurbishment the existing fleet will be transferred to a new mining location in 2015. A number of projects have been identified near to Sekisovskoye which would enable this strategy to be executed.

Hambleton – growth strategy

The Hambleton plan is to develop multiple gold-based mineral projects in Kazakhstan and the Group is currently

reviewing a number of opportunities in Kazakhstan consistent with this strategy. The company has signed a conditional sale and purchase agreement with the vendors of Akmol Gold LLP which holds title to two mineral properties in the northern central part of Kazakhstan. These properties contain metalliferous ores which the Company intends to exploit in the coming years to increase gold and silver production. A summary of the Akmol Gold LLP properties is set out below.

Akmol Gold LLP holds the subsoil use licence for two wholly-owned projects in central Kazakhstan, known as Tellur and Stepok, together containing around 440,000 ounces of gold resources, along with potentially significant amounts of copper, lead, zinc, gallium and indium. The acquisition is subject to the government's pre-emptive right to acquire on the same terms as Hambleton are offering, and on certain other required consents.

Tellur

Tellur is a high grade underground mine containing approximately 260,000 tonnes of ore at a grade of over 17 grammes per tonne of gold, giving a resource of over 140,000 ounces of gold. The attraction of Tellur to the Group is that it is well explored, partially developed and can be brought into production as early as the second quarter of 2013. The ore can be transported to Sekisovskoye for treatment in the Company's existing plant, allowing low cost treatment and, because of its high grade, providing a substantial boost to the Company's gold production potential. Subject to further study, the Company envisages producing around 50,000 tonnes per year. This would potentially yield an additional 20,000 ounces of gold per annum once the mine is at a steady state in mid-2014. The operating cost is expected to be as low as \$600 per ounce as a result of the high grade and because only marginal additional treatment costs will be incurred at the already operating Sekisovskoye treatment plant.

Stepok

Stepok is an advanced exploration project which is located within the prolific Aksu-Bestobe-Zholombet gold district, some three kilometres north of Tellur. Stepok contains estimated measured and indicated resources, equivalent to some 300,000 ounces of gold. The mineralisation also contains significant quantities of lead and zinc metal, as well as possibly economic levels of copper, gallium and indium.

Development of Stepok will take longer than for Tellur as the project is less advanced and the metallurgy more complex. Around three to four years will be needed to carry out additional resource delineation drilling and a bankable feasibility study. A drill programme of some 65,000 metres is planned, as it is believed that a significant increase in the resource can be discovered at depth and along strike. Mining will be by open pit, for which the mining fleet from Sekisovskoye will by then be available. A hybrid processing plant, including flotation and

specialised cyanidation, will be required to produce gold ore and extract concentrates for copper, lead, zinc, gallium and indium. The resource is currently sufficient to justify annual production of approximately 1 million tonnes per annum, potentially yielding 30,000 ounces of gold and 40,000 ounces of silver per annum.

It is anticipated that after further exploration, the resource at Stepok could be expanded sufficiently to justify a doubling of output to 2M tonnes per annum, thereby doubling the gold output to 60,000 ounces per annum.

Financial

Sekisovskoye poured 20,851 ounces of gold in 2011. Due to the time lag in shipping and selling gold poured to the refiner, a total of 20,855 ounces were sold in 2011 at an average price of \$1,587 per ounce. There were no other material items of revenue.

The cost of production (including depreciation and royalty payments) was \$1,417 per ounce (2010 \$896 per ounce). The increase in the cost of production in 2011 compared to 2010 was due to the increase in stripping costs, lower recoveries and cost inflation. In 2010, the stripping ratio was 5.3:1 waste to ore. In 2011 the ratio was 6.5:1 waste to ore due to catch up of the back log in stripping. The gold recovery in 2010 was 83.6 per cent and in 2011 was 81.2 per cent. The Group's accounting policy is to directly expense stripping costs to cost of sales where the stripping ratio exceeds the long term 5:1 waste to ore ratio included in the Sekisovskoye mine plan. The amount of stripping costs directly expensed in 2011 was \$2.9 million. Cost of sales for 2011 also contains a provision against ore stockpiles of \$1.6 million (2010 \$nil) due to production costs being higher than the net realisable value of the gold contained within the ore.

Sekisovskoye's administration costs in 2011 were \$2.7 million (2010 \$1.9 million) and capital expenditure was \$14.4 million in 2011 (2010 \$4.9 million). The main item of capital expenditure in both 2010 and 2011 was the development of the underground mine.

In October 2011, a leak of tailings dam 3 occurred at the Sekisovskoye mine site. The total cost of the leak is now estimated at \$7.8 million. This amount has been treated as a charge against operating profits in the year. The main components of the charge are the repair of the tailings dam of \$2.4 million, fines and penalties of \$3.9 million, repairs to the environment of \$0.4 million and social obligations arising from the leak of \$1.1 million. Of the total costs, \$0.4 million was paid prior to 31 December 2011 and the balance has been established as a provision in the accounts.

TOO Ognevka ("Ognevka") was placed into bankruptcy in 2010 and has been treated in the financial statements as a discontinued operation in 2010 and 2011. The net assets of the company had previously been written down to nil value and therefore the placing of Ognevka into

Chief executive's review

bankruptcy in 2010 did not give rise to any profit or loss. In 2012, the bankruptcy of Ognevka was completed and its assets sold for approximately \$1.8 million. The Group was a major secured creditor of Ognevka and in April 2012 received \$1.5 million as an initial settlement of its debt due from Ognevka. The receipt has been included in the consolidated income statement and as a receivable in the financial statements for the year ended 31 December 2011.

Corporate administration costs in 2011 were \$3.2 million (2010 \$2.6 million). These were director and other staff salaries, professional fees and the cost of maintaining the Group's quote on the AIM Market including investor relations. They also included \$0.9 million of consultancy for management support of the Sekisovskoye operation.

The Group has loaned funds to Akmola Gold to finance its operations whilst the Company completes the acquisition and, as at 31 December 2011, this loan stood at \$1.5 million. This loan, together with other acquisition related costs of \$1.5 million, has been included within other receivables in the Group balance sheet at 31 December 2011. Their recoverability is dependent upon the completion of the acquisition of Akmola Gold.

The Group was financed by a secured \$2 million working capital facility from a local bank in Kazakhstan in 2011. Following the year end, a \$15 million secured facility was obtained from the European Bank of Reconstruction and Development ("EBRD") subject to certain conditions precedent. The local bank then agreed to renew its facility on an unsecured basis. The EBRD facility and the local unsecured facility were in the process of being completed at the date of signing the accounts. The Group also raised \$12.1m of equity (before costs) in 2012 through a share placement and subscription by the EBRD.

The Group has prepared its financial statements in United States dollars for the first time and comparative figures have been translated into United States dollars. The functional currency of the companies in Kazakhstan is the Kazakhstan tenge ("KZT"). The functional currencies of Hambledon Mining plc and Hambledon Mining Company Limited is pounds sterling. The rates used to convert pounds sterling and Kazakhstan tenge into United States dollars in these financial statements are as follows:

	2011		2010		2009	
	Closing	Average	Closing	Average	Closing	Average
US\$ = £	1.54	1.60	1.55	1.55	1.59	1.56
US\$ = KZT	145.58	146.65	144.52	145.08	146.82	148.92
£ = KZT	224.96	235.22	223.54	224.45	233.44	235.08

The United States dollar did not appreciate or depreciate against the Kazakh tenge by a material amount in 2011. As a result there is an insignificant currency translation movement on the Group's net investment in its subsidiaries in Kazakhstan which was taken to reserves.

Principal risks, uncertainties and key performance indicators

The principal risks and uncertainties facing the Sekisovskoye operation include the following:

- 1 Failing to obtain the metallurgical recoveries predicted by test-work
- 2 Operating costs being significantly higher than those predicted
- 3 Operations being affected by events outside the control of the Company such as major infrastructure failures or political upheaval
- 4 Uncertainty over the timing of receipt and terms of the operating permits for the underground operation
- 5 Production being affected by failure of vital equipment
- 6 Tonnes and grades of ore mined differing from those predicted from the geological model
- 7 Plant breakdowns affecting the ability to extract the metalliferous material
- 8 The risk that key staff may be absent from the operation for prolonged periods for maternity or sickness
- 9 Fluctuating gold and silver prices as their volatility affects the Group's revenue

Mitigation of risk and uncertainty

The Company's management has analysed the risks and uncertainties and has in place control systems which monitor daily the performance of the business via key performance indicators.

In addition, following a review of staff resources, we have engaged supplementary staff to augment the chief financial officer function, chief engineering role and financial administration.

The Group budget for 2012 includes provision for enhancements to site loss control (security and site access control), infrastructure enhancement and hence long term operating cost reduction. Investments in machinery and process control instrumentation are being made to improve the metallurgical plant performance and there are work programmes to develop alternate links to national infrastructure.

The board, as outlined in the corporate social responsibility section, monitors the impact of the operation of the environment and community in compliance with an agreed monitoring programme.

The Group receives regular updates on all safety and welfare matters related to its employees.

The key performance indicators used to monitor the performance of the operations are:

- Tonnes and grade of ore and waste mined
- Tonnes processed
- Metallurgical recovery
- Gold and silver produced
- Cost per unit of production
- Safety of the Group's employees

Corporate social responsibility

View of Sekisovskoye village
Sekisovskoye with village in foreground and open pit mine in the background

We believe that we have an obligation to be sensitive to the needs of all our direct and indirect stakeholders and should make decisions based not just on financial results but also on the social and environmental consequences of our activities

The Company has set out in a recently published stakeholder engagement plan an action plan to improve its environmental and social compliance ("ESAP"). These plans are integral to the support of the company by EBRD and lie at the heart of the manner in which Hambleton views its corporate development

In addition to the execution of the ESAP, the Company intends to place a register on its company website of all payments made to the Kazakhstan authorities, as per the Extractive Industries Transparency Initiative

Furthermore, the Company has commenced accreditation with the International Cyanide Management Institute ("ICMI") and initial assessment has been highly complementary of the Company's arrangements. Hambleton will be the first company in Kazakhstan to attain such accreditation

We believe that our operations fully comply with the laws and regulations of Kazakhstan, which include environmental, licensing, employment, health and safety and social obligations. We regard these standards as a minimum and recognise that higher standards can be achieved as we seek to ensure that our business is environmentally and socially sustainable in the long term. In 2011, we carried out social and environmental impact assessments which have led to a number of recommendations for the implementation of remedial measures to minimise our overall impact

As part of our commitment to improved and disciplined management control of operations, health and safety, risk management, the environment and community and social development a local consultancy group has been engaged to implement with company staff a suite of ISO standards including ISO 9001, ISO 14001, ISO 18001, ISO 26000 and ISO 31000

Our community

During the past year, we have continued to support our local communities in a number of ways. We have continued to carry out winter maintenance to the roads of Sekisovskoye under the terms of our community agreements, supported a number of local organisations with a donation for the improvement of the regional social environment and infrastructure, supplied materials to local farmers to refurbish access roadways, completed a local sports field and stadium facility in a nearby village and installed refuse centres in the local village in co-operation with the local municipality

Plans for 2012 include commissioning a new, improved and expanded drinking water reticulation system to the village of Sekisovskoye, a village clean-up programme, anti-fungicide treatment of all local trees, provision of a small excavator for surface drainage and sewage works and provision of a garbage truck and bins

We intend to mandate a detailed social impact assessment program looking at housing, employment, health and changing work arrangements as the open pit mine transitions to an underground mine. A detailed ecological study is to be undertaken to complement the ICMI audit and to provide reassurance to the local community of the minimal impacts of the industrial operations at Sekisovskoye

Sekisovskoye open pit and plant

1

2

3

4

1 Processing plant

The processing plant at Sekisovskoye continues to undergo redesign and refurbishment to improve its efficiency and reliability

2 Tailings dam 3

View of dam with its liner removed. The dam is currently being refurbished under the supervision of Golder Associates and srk consulting

3 North open pit

Much progress has been made in the last 12 months in waste removal ("stripping") and improvements to its operational efficiency

4 Gold and silver production

Production statistics

Gold poured 20,851 ounces

Silver poured 36,946 ounces

(year ended 31 December 2011)

Sekisovskoye underground mine

5

9

6

7

10

8

- 5 Ore body 11
Cross cut development to expose ore body 11. This is prior to mining to delineate the ore body
- 6 Diamec underground drill rig
This rig is used underground for ore reserve definition
- 7 Core samples
Core samples taken from the 320 metre underground level. These will subsequently be sent for assay

- 8 Underground workings
View of the underground workings taken at the 320 metre level
- 9 Pump station
A pump station has been built to remove excess water from the underground workings
- 10 Tamrock Axera 6
This is a twin boom drill rig. It is shown here being used to drill underground support holes

Directors and senior management

- 1

1 George Eccles
Chairman (non-executive)
George graduated with a law degree from the London School of Economics and then trained as a chartered accountant. He became a partner in the London office of Deloitte Haskins & Sells before moving to Moscow where he was a partner in Coopers & Lybrand and later in Deloitte & Touche. More recently, he has worked in Kazakhstan as chief operating officer of the Central Asian-American Enterprise Fund, a US government sponsored development fund.
- 2

2 Timothy Daffern
Chief Executive
Tim is a United Kingdom Chartered Mining Engineer, having graduated with a bachelor's degree in engineering (mining) and a master's degree in business administration. He has more than 23 years of operations, consultancy and corporate experience in the minerals industry gained worldwide. He has spent considerable time in Kazakhstan consulting for many different mining companies. He visits Kazakhstan every month and resides at the project site whilst in Kazakhstan.
- 3

3 Baurzhan Yerkeyev
Executive director
Baurzhan has a degree from the Tomsk Polytechnic Institute, Geological Faculty (Russia). He is an experienced exploration geologist, with extensive knowledge of Kazakhstan, the CIS and the Altai Region. He has managed projects for the State Exploration Expedition. He has been a director of CRS, Kazakhstan. Baurzhan is experienced in working with the various State bodies responsible for approving the Company's development plans.
- 4

4 Nicholas Bridgen
Non-executive director
Nicholas is a Chartered Accountant, having trained in London with Peat Marwick Mitchell & Co (now KPMG). He spent 14 years with Rio Tinto plc in group accounting, business evaluation and group planning until in 1995 he started his career in the FSU. In 1997 he formed Hambledon Mining Company Ltd, the forerunner of Hambledon Mining plc, and was Chief Executive of the group until November 2010. He is a Russian speaker and has lived in Kazakhstan for many years.
- 5

5 William Morgan
Chief financial officer and company secretary
Bill is a UK Chartered Accountant with over 30 years accountancy and financial management experience. He has worked in the UK, Russia, the Far East, Africa and previously in Kazakhstan between 1994 and 1997. He has lived in Ust Kamenogorsk for 6 years and speaks Russian. He has been instrumental in several successful start-ups and restructuring of companies, in the telecoms and mining industries.

Mineral resources

Resource statement

The mineral resource statement for the Sekisovskoye deposit has been prepared under the Australasian JORC code. Open pit mining operations commenced in mid-2006, ore mining commenced in 2007. The open pit mine has a planned mine life extending until the third quarter of 2014.

The basis of the resource statement is as set out in previous annual reports, specifically that of 2010.

The resource model has been updated to reflect the sampling of the drilling in the open pit by use of rotary air blast for blasting activities. This grade control information is used daily to control the extraction of ore for mineral processing, low grade stockpiling or allocation to waste deposition. Depletion of the open pit resource due to mining activities is also reflected in the mineral resource table 1 below.

The historic open pit activities have led to the creation of a stockpile of some 0.5 million tonnes at a gold grade of 0.73 grammes per tonne. This is marginally below the cut-off grade that is used to define the ore that is processed for doré production.

An extensive underground drilling resource delineation programme has been implemented in 2011 with some 13,250 metres of diamond drilling undertaken. This programme is delineating the resources above and below the 300mrl. The results from this drilling have confirmed and added to the Soviet era drill results. They have been included in the 2011 resource update.

Table 1
Geological resources remaining within the open pit mine only

Resource category	Tonnes (millions)	Au (g/t)	Contained metal (oz)*	Ag (g/t)	Contained metal (oz)*	Au cut-off (g/t)
Measured	-	-	-	-	-	0.5
Indicated	1.5	1.55	74,750	2.37	114,295	0.5
Inferred	0.5	1.39	22,345	2.39	38,420	0.5
Total	2.0	1.52	97,095	2.38	152,715	0.5

*Troy oz = 31 10348 grammes

Note: The resource estimation process has identified that due to the erratic and nuggety nature of the mineralisation, the use of the term 'measured' for JORC classification for resources cannot be justified.

The decrease in open pit and underground resources is primarily due to depletion of the mineral resources related to open pit mining. There has been a reconciliation of the geological resource model, grade control data and mineral processing results which have together been used to determine the remaining mineral resource.

Table 2
Geological resources within the underground project area

Resource category	Tonnes (millions)	Au (g/t)	Contained metal (oz)*	Ag (g/t)	Contained metal (oz)*	Au cut-off (g/t)
Measured	-	-	-	-	-	2.0
Indicated ¹	2.65	5.2	443,036	6.4	545,276	2.0
Inferred ¹	7.22	5.2	1,207,068	7.1	1,648,111	2.0
Indicated ²	4.83	0.8	124,230	1.5	232,932	0.5
Inferred ²	1.14	0.6	21,991	1.2	43,982	0.5
Total	15.84	3.53	1,796,325	4.86	2,470,301	0.5 + 2.0

*Troy oz = 31 10348 grammes

Mineral resources

- Note 1 The resource estimation process has identified that due to the erratic and nuggety nature of the mineralisation the use of the measured classification for resources cannot be justified
- Note 2 The inferred resources contain resources which are classified 'inferred' due to their complex geometry, erratic and nuggety gold distribution and have limited sample data, which complies with the descriptions as set out in the JORC code. However, their nature or tenor is subject to the detailed geological knowledge of the local geologist in 2003 who advised on their inclusion as a basis for future delineation. These resources may be subject to reclassification once additional resource delineation drilling is completed and has been comprehensively assessed
- Note 3 Two sets of Indicated¹⁺² and Inferred¹⁺² have been included showing the resource above 2.0 grammes per tonne Au and between 0.5 grammes per tonne Au and 2.0 grammes per tonne Au
- Note 4 A component of the inferred underground resource that is defined beyond the current limits of the 2006 block model (numerous narrow zones at 2 grammes per tonne cut-off) was initially considered to be equivalent to a JORC "inferred" category. This inferred resource was based on the actual grade and ore thickness of the zones which had been modelled (inferred/indicated). From this, the two dimensional geological area was calculated when projected onto a strike section, thus providing a volume or tonnage factor per unit area. Beyond the limits of the modelled zones numerous Soviet era drill holes intersected gold grades less than 2 grammes per tonne and the extent of the intersections along strike and at depth provided a boundary within which gold has been found and the area of this zone calculated accordingly, so that the volume factor can be applied and therefore tonnage defined. The grade will be the same as the global grade for the modelled zones. This resource is not strictly an "extrapolation", as defined by JORC – "where inferred resources have been defined beyond the spatial limits of sample data". The historic drill data is being comprehensively evaluated with the 2011 resource data to establish tenor and thus determine levels of confidence in continuity. It is noted that gold has been intersected at 930m from surface and this intersection had a grade less than 5 grammes per tonne. Based on the 2010 resource table, this resource totalled 5.78 million tonnes at 5.2 grammes per tonne

Mineable reserves

Table 3

Open pit mineable reserves at 31 December 2011

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)**	Ag (g/t)	Contained metal (oz)**	Au cut-off (g/t)
Probable	2.17	1.3	76,185	1.9	111,348	0.8

*Troy oz = 31 10348 grammes

Note a The open pit mineable reserve estimation process includes mineral process plant recovery of an average of 84 per cent

The ore reserve estimate of Sekisovskoye deposit has been prepared under the Australasian JORC code

The open pit mineable reserves have been estimated by applying project operating economics, a mining dilution tonnage factor of 25 per cent, a mining dilution grade factor of 0.8 and mineral processing plant recovery of 84 per cent. These factors allow a realistic reconciliation between the geological resource model and the actual 2011 mineral process plant feed tonnes and grade. The high dilution reflects the numerous small ore zones and their geometry. The open pit reserve is that portion of the indicated resource falling entirely within the optimised open pit design. The reduction in the open pit mineable reserves is primarily due to the depletion of the ore mined in 2011 and a reassessment of the economic worth of some of the marginal mineral resources due to increases in operating costs from 2010 to 2011.

Within the JORC reporting guidelines, stockpiled materials can also be treated similarly to the in-situ mineralised material for the classification of a mineral resource or reserve. The stockpiled material at Sekisovskoye is set out below

Table 4

Open pit stockpile reserves at 31 December 2011

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)**	Ag (g/t)	Contained metal (oz)**	Au cut-off (g/t)
Probable	0.5	0.73	9,857	1.47	219,849	0.5 to <0.8

*Troy oz = 31 10348 grammes

Note a The open pit mineable reserve estimation process includes mineral process plant recovery of an average of 84 per cent

The Sekisovskoye underground mineable reserve calculations are based on consultancy work undertaken in 2007 and 2008 by AMC, Australia and internally by the Hambleton underground project team, comprising engineers, geologists and metallurgical staff supplemented by additional consultancy work in 2011 by Golders Associates. Mr T Daffern has scrutinised these calculations and considers the validity of the 2009 mineable reserves to be legitimate. At this juncture no further update to the total mineable reserves can be justified.

The mineable reserves have been derived in accordance with the discipline of JORC to classify underground mineable reserves

Table 5
Mineable reserves for the underground mine at 31 December 2011

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)**	Ag (g/t)	Contained metal (oz)**	Au cut-off (g/t)
Probable	1 87	5 29	267,157	7 6	383,817	2 0

*Troy oz = 31 10348 grammes

Note a The open pit mineable reserve estimation process includes mineral process plant recovery of an average of 84 per cent

The derivation of the mineable reserves estimates includes engineering calculations that have been undertaken in-house and some by the use of external consultant over a period of four years. Mining engineering calculations undertaken in 2011 added substantially to the technical knowledge for the construction and development of the Sekisovskoye underground mine. These studies will be updated and expanded in 2012 in order to underpin knowledge for the expansion of the mine from 100ktpa to 250ktpa. The studies will also examine various development scenarios in order to maximise the net present value of the underground resources. The reduction in the 2009 mineable reserves has been due to depletion of the reserves by virtue of the underground mining. There has been a reassessment of the economic worth of some of the reserves due to a complicated geometry of the precious metal mineralisation as well as an increased level of confidence in expected operating costs and extraction methodologies. This reassessment has resulted in a modest reduction of the underground mineable reserves.

Mineral resource and mineable reserve and mineral process plant feed reconciliation

Mining of the ore in the open pit is carried out by hydraulic excavators following grade control drilling. The grade control drilling is carried out by using Atlas Copco CR (RAB) drill rigs. The laboratory analysis is carried out in the Sekisovskoye site laboratory. The resulting assays are modelled using Datamine software to produce a grade control model.

The grade control data is used to define the excavation boundaries post blasting of the rock. The grade control model results are based on vertical rotary drill hole sampling data, versus the diamond drill core sampling (sub-vertical and sub-orthogonal to the mineralised rock for the exploration (JORC) resource model for the year ended 31 December 2011). A polygonal approach was used for grade interpolation, in assigning gold grades to the delineated ore zones prior to mining. For grade control the Company does not assay silver.

The grade control geological model is reconciled back to the original exploration-derived geological block model (JORC) prior to mining to determine the accuracy of the original model. A comparison of the grade control geological model and the original exploration geological model indicated that there was a more appropriate method of accounting for the complex geometry in determining the mineable reserves or mineral processing plant feed.

The exploration (JORC) geological resource model continues to show a reasonably good spatial correlation with the grade control resource model, which is consistent with the resource evaluations undertaken.

Underground drilling undertaken from the 320mrl adit 2011 and so far in 2012 has confirmed this geological understanding. Further progress reports will be released during 2012.

The mining activities in 2011 involved the excavation of ore from the 405mrl to the 390mrl.

Mineral resources

Glossary of technical terms

Term	Explanation
Grade	The tenor or concentration by weight of a metal in a mineral deposit or ore
Indicated resource	A category of mineral resource of higher confidence than an Inferred Resource, the estimation of which is prescribed by the JORC Code. This is the minimum level of resource classification required for ore reserve estimation under the JORC Code
inferred resource	A category of mineral resource the estimation of which is prescribed by the JORC Code. Inferred resources cannot be used as a basis for ore reserve estimation
JORC code	Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (Joint Ore Reserves Committee). See www.jorc.org/main.php
Kriging	A class of methods of estimating mathematically the distribution of a metal in three dimensions within the earth, together with the confidence of the estimate
Mineral resource	An estimated tonnage and grade of mineralisation in the ground determined as prescribed by the JORC Code
Mineable reserve	That part of a mineral resource which can be demonstrated to be exploited profitably when all modifying factors are taken into account, as prescribed by the JORC code
Mineral inventory	A term used to describe mineral resources and mineable reserves which are not static as additional resource delineation is not yet complete, and engineering calculations are pending. As such what might be a mineral resource today may be a mineable reserve tomorrow
Ore reserve	That part of a mineral resource which can be demonstrated to be worked profitably when all modifying factors are taken into account
mrl	Reduced Level. Measurement of elevation as measured relative to Baltic Sea standard datum
Tonne	A metric tonne of 1000 kilograms
oz	Troy ounce
g/t	Grammes per tonne of mineralised rock

Qualified person

The Sekisovskoye resource estimates have been prepared by Mr R Rhodes B Sc, M Sc, MIMMM, an independent geologist consultant with Computer Resource Services. He has over 35 years of relevant experience and is a qualified person for the purpose of reporting resources under the JORC Code and the London Stock Exchange ("LSE") AIM Rules. The mineral resources have been checked by Mr T Daffern, B Eng (Mining), MBA, C Eng, MAusIMM, MCIM, FIMMM and found to be reasonable. Mr R Rhodes has reviewed the resource information given in this annual report and consents to its inclusion in the form and context in which it appears.

The mineable reserve estimate has been prepared by Mr T Daffern, B Eng (Mining), MBA, C Eng, MAusIMM, MCIM, FIMMM. The material which has been reviewed in preparation of the mineable reserves estimates is that of Mr R Rhodes, Golder Associates and the in-house site staff at Sekisovskoye. The underground project mineable reserves are based on material from Mr R Rhodes, Golder Associates and AMC Australia and the in-house staff at Sekisovskoye. Mr T Daffern is a full time director of the Company and has sufficient experience which is relevant to the operational parameters used now and to the style of mining that is planned, and is a qualified person for the purpose of reporting resources under the JORC code and the AIM Rules.

This estimate of the mineral resources and reserves does not comprise part of the audited financial statements, which have been audited by Deloitte LLP.

Directors' report and financial statements

Directors' report

Annual report and financial statements

The directors present their annual report together with the audited financial statements on pages 25 to 53 and pages 55 to 65

Principal activities

The Group's principal activity during the year was the production of gold dore from the Sekisovskoye gold and silver deposit

Business review

A review of the activities of the business throughout the year and up to 25 May 2012 is set out in the chairman's statement on page 2 and the chief executive's review on pages 3 to 6 which includes information on the Group's risks, uncertainties and performance indicators. These sections are incorporated in this directors' report by reference.

Dividends

The directors do not recommend a dividend for the year (2010 nil) and the loss for the year has been added to accumulated losses.

Change of presentational currency of the Group financial statements

The Group has prepared its financial statements for the year ended 31 December 2011 using United States dollars as the presentational currency instead of United Kingdom pounds as in previous years.

The directors believe it is more appropriate to prepare the Group financial statements in United States dollars as follows:

- 1 Gold and silver is priced on world markets in United States dollars and the Group receives its revenue in United States dollars
- 2 The United States dollar is more stable against the Kazakh tenge (the functional currency of the Group's operating subsidiaries in Kazakhstan) than the United Kingdom pound. It will therefore reduce the effect of translation foreign exchange gains and losses in the financial statements
- 3 It is the reporting currency of many peers in the gold mining industry and therefore should aid comparison with other similar companies
- 4 Many financial performance metrics of the gold mining industry are commonly quoted in United States dollars

The change of presentational currency is a change of accounting policy as set out in notes 2 and 4 to the Group financial statements.

The directors have reviewed the presentational currency used to prepare the financial statements of Hambleton Mining Plc (company only). They believe it is appropriate to continue to prepare the financial statements in United Kingdom pounds. The Company has historically raised finance in United Kingdom pounds and any future finance is likely to also be raised in this currency.

Capital structure

Details of the Company's authorised and issued share capital, together with the movements for the years ended 31 December 2010 and 2011 are set out in note 25 – "Called-up equity share capital" of the Group financial statements. The Company has one class of ordinary share and they carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. All issued ordinary shares are fully paid.

There are no specific restrictions on the size of a holding or on the transfer of the ordinary shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's ordinary shares that may result in restrictions on the transfer of securities or on voting rights.

Certain directors own ordinary shares in the Company and certain parties own 3 per cent or more of the ordinary shares in the Company. These holdings are set out in the "Directors' interests" and "Substantial shareholders" sections of this directors' report. No person has any special rights of control over the Company's share capital.

There is no scheme in place for employees to acquire ordinary shares in the Company. Certain employees and directors have been granted options to acquire ordinary shares. Details of the share options granted are set out in note 27 – “Share based payment” of the Group financial statements.

With regard to the appointment and replacement of directors, the Company is governed by its articles of association, the Companies Act 2006 and related legislation. It also complies with the UK Corporate Governance Code as far as practicable. The articles of association themselves may be amended by special resolution of the shareholders. The powers of the directors are described in the corporate governance statement on page 20.

Under its articles of association the Company has authority to issue 950 million ordinary shares.

There are no agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are also no agreements to which the Company is a party which provide for compensation for loss of office or employment that occurs because of a takeover bid.

Donations

The Group has made charitable donations during the year of \$73,000 (2010: \$54,000). Political donations of \$1,000 (2010: \$nil) were made.

Directors' insurance

The Company has entered into an insurance policy to indemnify the directors of the Company against liability when acting for the Company.

Directors

The following directors served throughout the year and up to 25 May 2012:

George Eccles	Non-executive chairman
Nicholas Bridgen	Non-executive director
Timothy Daffern	Chief executive
Jeffrey O'Leary	Non-executive director, appointed 1 August 2011, resigned 22 February 2012
Christopher Thomas	Non-executive director, resigned 1 August 2011
Baurzhan Yerkeyev	Executive director

Nicholas Bridgen and Baurzhan Yerkeyev retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

Secretary and registered office

William Morgan ACA

The registered office is at Daws House, 33 – 35 Daws Lane, London, NW7 4SD.

Directors' interests

The beneficial interests of the directors who held office at 31 December 2011 and their connected parties in the share capital of the Company at 31 December and on 25 May 2012 were as follows:

	25 May 2012		31 December 2011		1 May 2010	
	Number of ordinary shares	per cent	Number of ordinary shares	per cent	Number of ordinary shares	per cent
Nicholas Bridgen	88,448,936	9.02	88,448,936	11.90	90,198,936	17.48
Timothy Daffern	250,000	0.03	200,000	0.03	50,000	0.01
George Eccles	194,750	0.02	194,750	0.03	144,750	0.03
Baurzhan Yerkeyev	–	–	–	–	–	–

All directors' interests are beneficially held.

Directors' report

Substantial shareholders

The Company has been notified of the following interests of 3 per cent or more in its issued share capital as at 31 December 2011 and 25 May 2012

	25 May 2012		31 December 2011	
	Number of ordinary shares	per cent	Number of ordinary shares	per cent
Nicholas Bridgen	88,448,936	9.03	88,448,936	11.89
Henderson Global Investors	65,554,240	6.69	64,524,240	8.70
Majedie Asset Management	60,786,814	6.20	32,786,814	4.41
European Bank for Reconstruction and Development	58,794,708	6.00	–	–
TD Direct Investing	51,165,671	5.22	49,600,116	6.67
Barclays PLC	50,566,800	5.16	44,416,413	5.97
Blackrock Investment Management	48,014,190	4.90	33,422,088	4.50
Selftrade	40,040,957	4.09	27,009,166	3.66
Hargreaves Lansdown	36,074,319	3.68	34,753,813	4.67

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the relevant matters affecting the performance of the Group. This is mainly achieved through informal meetings which the directors believe is the most appropriate method given the current number of Group employees.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that

- 1 so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- 2 the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Listing

The Company's ordinary shares have been traded on London's Alternative Investment Market (AIM) since 10 June 2004. Fairfax I S PLC are the Company's Nominated Advisor and Broker. The closing mid-market share price at 30 December 2011 was 3.45p (31 December 2010 7.50p).

Relations with shareholders

Communications with shareholders are considered important by the directors. The directors regularly speak to investors and analysts during the year. Press releases have been issued throughout the year and since the balance sheet date in relation to the progress of the Group. A website www.hambleton-mining.com is regularly updated and contains a wide range of information about the Group.

Internal controls

The board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and for reviewing its effectiveness. The procedures which include, inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The directors do not believe an internal audit function is practicable in a company of this size.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the chief executive's review. In addition, the financial risk management section below and note 28 – "Financial instruments" of the Group financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, and its exposure to commodity price risk, credit risk and liquidity risk. The major risks and uncertainties which could impact on the Group's ability to generate cash in the next twelve months are its level of production and gold prices.

Mining and processing operations at Sekisovskoye are the Group's only source of revenue. The directors believe that production at or above the levels achieved from the start of 2012 to the date of this report are sustainable. The levels of production in 2012 are currently running approximately ten per cent above the levels of production achieved in the same period of 2011 on an annualised basis.

The Group's forecasts and projections based on the assumption that the current level of production at Sekisovskoye can be sustained and on the prevailing outlook for the gold price and taking into account reasonably possible changes in the level of production and gold prices show that the Group now expects to be cash generative from operations for the foreseeable future. The Group has various sources of finance available in addition to those generated from operations to enable it to meet its capital expenditure plans. The Group has a \$2 million working capital borrowing facility contracted until December 2012. This facility is currently being changed to an unsecured basis and will be available for 3 years. The Group raised \$11.5 million (net of expenses) in early 2012 through placing of shares and \$3 million share placement investment from the European Bank of Reconstruction and Development ("EBRD"). The Group is near to completing a debt facility with EBRD totalling \$15 million which will be used to develop the Sekisovskoye underground project and attendant infrastructure. \$10 million will be received as a first tranche, with a second tranche of \$5 million available on achieving certain production targets.

The Group is committed to the purchase of Akmola Gold LLP once all necessary permissions have been obtained from the government of Kazakhstan in fulfilment of contractual conditions. The acquisition, together with associated legal fees, will result in a cash outflow of approximately \$3 million. The directors believe this can be financed either by raising additional finance at the time of acquisition or from current cash flow by deferring certain capital expenditure.

Accordingly, at the time of approving the Group financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue to operate for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Financial risk management

The Group's operations expose it to financial risks that include liquidity risk, credit risk, foreign exchange risk and interest rate risk.

The Group does not enter into any derivative transactions, and it is the Group's policy that no trading in such financial instruments shall be undertaken.


The main risks arising from the Group's financial instruments are liquidity risk, credit risk, foreign exchange risk and interest rate risk. Further details are provided in note 28 of the Group financial statements and note 12 of the Company financial statements.

Supplier payment policy

It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms. The Company is a holding company and therefore has few suppliers.

Credit facilities are rarely available in Kazakhstan and other countries from which the Group purchases supplies and services. The Group's subsidiaries in Kazakhstan are therefore frequently obliged to pre-pay or make advance and stage payments for supplies and services. Therefore, it is not appropriate to ascertain the average days of credit.

By order of the board


William R Morgan
Company Secretary

25 May 2012

Corporate governance

The directors are aware of the UK Corporate Governance Code published by the UK Financial Reporting Council in 2010 (the "Code") applicable to listed companies. As a company which is listed on AIM, the Company is not required to comply with the Code, but the directors intend to comply with its main provisions as far as is practicable having regard to the size of the Group.

Board structure, the chairman and its committees

The board comprises the non-executive chairman, 2 executive directors, being the chief executive and executive director and 1 non-executive director. The board meets regularly throughout the year and as issues arise which require board attention.

The chairman conducts board and shareholder meetings and ensures that all directors are properly briefed. The directors are responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments. The directors have access to independent professional advice at the Company's expense and to the company secretary.

At each annual general meeting, one third of the directors must retire by rotation, whereupon they can offer themselves for re-election if eligible.

The Company has established an audit committee and a remuneration committee. In view of the Company's size, the directors do not consider the Code recommendation for a Nominations Committee to be appropriate.

Audit committee

The audit committee comprises George Eccles (chairman) and Nicholas Bridgen. The committee, which meets at least twice a year, is responsible for considering the appointment and fees of external auditors, their cost effectiveness, independence and objectivity and for ensuring that the financial performance of the Group is properly reported and monitored.

The committee liaises with the auditors and reviews the reports from the auditors relating to the financial statements and internal controls.

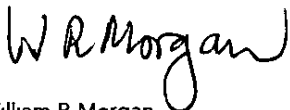
Remuneration committee

The remuneration committee comprises Nicholas Bridgen (chairman) and George Eccles. The committee, which meets at least once per year, is responsible for determining the contract terms, remuneration and other benefits of the executive directors. The remuneration of non-executive directors is determined by the board within the limits set out in the articles of association.

None of the committee members has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships, or any day-to-day involvement in running the business.

The committee consults the chief executive about its proposals and has access to professional advice from inside and outside the Company at the Company's expense.

By order of the board



William R Morgan
Company Secretary

25 May 2012

Report on directors' remuneration

Unaudited information

Policy on executive directors' remuneration

The Company operates within a competitive environment and its performance depends on the individual contributions of the directors and employees

Executive remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to manage the Group's operations and to reward them for enhancing shareholder value. The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the remuneration committee

The executive directors' remuneration packages may include

- i) basic annual salary
- ii) health insurance for the executive and his family
- iii) share options
- iv) bonuses

Each executive director's remuneration is reviewed once per year. In deciding upon appropriate levels of remuneration the remuneration committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance. Executive directors' basic salaries were last reviewed with effect from 1 July 2011

The remuneration committee establishes the objectives which must be met for a bonus to be paid or share options to be exercisable. The remuneration committee believes that the award of any bonuses should be tied to the interests of the Company's shareholders

The executive directors may participate in share incentive schemes recommended by the remuneration committee

Directors' contracts

Executive directors currently have employment contracts which may be terminated by the Company with up to six months notice. No other payments are made for compensation for loss of office

The remuneration of the non-executive directors is determined by the board within the limits set out in the articles of association. Non-executive directors currently have employment contracts which may be terminated by the director or the Company with three months notice. No other payments are made in compensation for loss of office

Audited information

Share option scheme

The Group has initiated a share option scheme for its employees. This was set up in order to reward employees for the performance of the Company on a long term basis and to enable the Company to continue to attract a high calibre of management and operational personnel. Details of share options issued under the scheme are set out in note 27 – "Share based payment" of the Group financial statements

Details of share options for directors who served during the year are as follows

Director	Number of shares				Exercise price (p)	Period during which exercisable	
	1 January 2011	Granted	Expired	31 December 2011		From	To
Timothy Daffern	3,000,000	–	–	3,000,000	5.63	5 November 2012	4 November 2014
	–	1,000,000	–	1,000,000	4.25	26 July 2013	25 July 2015
	3,000,000	1,000,000	–	4,000,000			
Baurzhan Yerkeyev	1,000,000	–	(1,000,000)	–	14.75	29 March 2009	28 March 2011
	1,250,000	–	–	1,250,000	18.50	29 January 2011	28 January 2013
	3,000,000	–	–	3,000,000	5.88	26 September 2010	25 September 2012
	–	3,000,000	–	3,000,000	4.25	26 July 2013	25 July 2015
	5,250,000	3,000,000	(1,000,000)	7,250,000			

Report on directors' remuneration

The following share options for directors outstanding at 31 December 2011 had certain performance conditions (including gold production targets and profitable operation) attached

Director	Number of shares	Exercise price (p)	Period during which exercisable
Timothy Daffern	2,000,000	5 63	5 November 2012 to 4 November 2014
Baurzhan Yerkeyev	1,250,000	18 50	29 January 2011 to 28 January 2013
	3,000,000	5 88	26 September 2010 to 25 September 2012

The performance condition for the 1,250,000 options exercisable at 18 50p per share held by Baurzhan Yerkeyev was not met at 31 December 2011. Accordingly they were not exercisable at 31 December 2011. The performance condition for the 3,000,000 options held by Baurzhan Yerkeyev at 5 88p per share was not met at 31 December 2011 and they were not exercisable at 31 December 2011 (2010 performance condition for the 3,000,000 options was met at 31 December 2010 and they were exercisable at 31 December 2010).

The Company's share price has ranged from 7 50p at 31 December 2010 to a high of 7 53p and a low of 3 07p during the year ended 31 December 2011 with a closing price of 3 45p at 30 December 2011.

Directors' emoluments

Amounts paid by the Group in respect of directors' services

	2011			2010	
	Basic £	Other £	Health insurance £	Total £	Total £
Executive directors					
Timothy Daffern*	168,000	–	7,511	175,511	24,889
Neil Stevenson**	–	–	–	–	130,523
Baurzhan Yerkeyev	140,799	–	–	140,799	168,212
Non-executive directors					
Nicholas Bridgen***	30,250	15,000	–	45,250	299,162
George Eccles	41,590	–	–	41,590	39,700
Jeffrey O'Leary****	12,605	–	–	12,605	–
Christopher Thomas*****	17,646	–	–	17,646	28,875
Total	410,890	15,000	7,511	433,401	691,361

* Timothy Daffern was appointed on 5 November 2010

** Neil Stevenson resigned on 31 October 2010

*** Nicholas Bridgen was an executive director and Chief Executive Officer until 5 November 2010

**** Jeffrey O'Leary was appointed on 1 August 2011 and resigned on 22 February 2012

***** Christopher Thomas resigned on 1 August 2011

(i) Included in the amount paid to Neil Stevenson in 2010 is an amount of £109,184 paid to Gilead Mining Industry Management Services Limited

(ii) Included in the amount payable to Nicholas Bridgen in 2010 is an amount of £228,450 payable to Mineral Mining and Processing Limited. The contractual arrangements for the provision of non-executive services by Nicholas Bridgen provide that should he perform services additional to those as a non-executive director, they are separately remunerated. These are shown as "Other" in the table above for the year ended 31 December 2011. These fees were paid to Mineral Mining and Processing Limited.

By order of the board



William R Morgan
Company Secretary

25 May 2012

Statement of the directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements international accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge

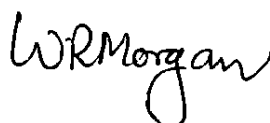
- 1 the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- 2 the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face

By order of the board



Timothy Daffern
Chief Executive

25 May 2012



William R Morgan
Chief Financial Officer

25 May 2012

Independent auditor's report to the members of Hambledon Mining plc

We have audited the Group financial statements of Hambledon Mining plc for the year ended 31 December 2011 which comprise the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 30. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the parent company financial statements of Hambledon Mining plc for the year ended 31 December 2011 and on the information in the directors' remuneration report that is described as having been audited.



David Paterson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
25 May 2012

Group income statement

year ended 31 December 2011

	Notes	2011 \$000	2010 restated* \$000
Continuing operations			
Revenue	5	33,325	29,053
Cost of sales		(29,892)	(20,451)
Gross profit		3,433	8,602
Administrative expenses		(5,886)	(4,580)
Tailings dam leak	9	(7,757)	-
Operating (loss)/profit		(10,210)	4,022
Investment revenues	10	25	12
Other losses	10	(77)	(192)
Finance costs	10	(317)	(524)
(Loss)/profit before taxation	11	(10,579)	3,318
Taxation benefit/(charge)	12	1,157	(280)
(Loss)/profit from continuing operations		(9,422)	3,038
Discontinued operations			
Profit/(loss) for the year	8	1,500	(73)
(Loss)/profit attributable to equity shareholders		(7,922)	2,965
(Loss)/profit per ordinary share			
13			
Continuing operations			
Basic		(1 37)c	0 59c
Diluted		(1 37)c	0 59c
From continuing and discontinued operations			
Basic		(1 15)c	0 57c
Diluted		(1 15)c	0 57c

Group statement of comprehensive income

year ended 31 December 2011

	2011 \$000	2010 restated* \$000
(Loss)/profit for the year	(7,922)	2,965
Currency translation differences on foreign currency net investments	98	(81)
Total comprehensive (loss)/profit for the year attributable to equity shareholders	(7,824)	2,884

The accompanying notes are an integral part of these consolidated financial statements

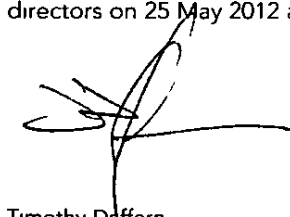
*See note 2

Group balance sheet

31 December 2011

	Notes	2011 \$000	2010 restated* \$000	2009 restated* \$000
Non-current assets				
Property, plant and equipment	15	31,793	23,559	24,488
Inventories	17	4,177	5,841	-
Trade and other receivables	18	399	-	-
Deferred tax asset	24	978	-	-
Restricted cash	22	239	161	65
		37,586	29,561	24,553
Current assets				
Inventories	17	11,061	5,821	7,931
Trade and other receivables	18	8,404	4,742	2,920
Cash and cash equivalents		1,763	959	2,328
		21,228	11,522	13,179
Total assets		58,814	41,083	37,732
Current liabilities				
Trade and other payables	19	(5,994)	(2,348)	(2,269)
Other financial liabilities	20	(282)	(282)	(280)
Provisions	22	(7,640)	(195)	-
Borrowings	23	(1,000)	-	-
		(14,916)	(2,825)	(2,549)
Net current assets		6,312	8,697	10,630
Non-current liabilities				
Trade and other payables	19	-	-	(749)
Other financial liabilities	20	(1,501)	(1,712)	(1,233)
Deferred tax liability	24	-	(492)	(218)
Provisions	22	(1,400)	(1,288)	(1,308)
		(2,901)	(3,492)	(3,508)
Total liabilities		(17,817)	(6,317)	(6,057)
Net assets		40,997	34,766	31,675
Equity				
Called-up share capital	25	1,310	946	946
Share premium		76,914	63,429	63,429
Merger reserve		(282)	(282)	(282)
Other reserves		535	570	453
Currency translation reserve		(6,821)	(6,919)	(6,838)
Accumulated losses		(30,659)	(22,978)	(26,033)
Total equity		40,997	34,766	31,675

The financial statements of Hambleton Mining plc, registered number 5048549, were approved by the board of directors on 25 May 2012 and signed on its behalf by



Timothy Daffern
Chief Executive

*See note 2

Group statement of changes in equity

year ended 31 December 2011

	Share capital \$000	Share premium \$000	Merger reserve \$000	Share based payment reserve \$000	Currency translation reserve \$000	Accumulated losses \$000	Total \$000
1 January 2009 – restated*	872	59,180	(282)	323	(2,562)	(26,282)	31,249
Share based payment	–	–	–	208	–	–	208
Lapsed share option	–	–	–	(78)	–	78	–
Other	–	–	–	–	(97)	97	–
Currency translation differences on foreign currency net investments	–	–	–	–	(4,179)	–	(4,179)
Shares issued (note 25)	74	4,389	–	–	–	–	4,463
Issue costs offset against share premium	–	(140)	–	–	–	–	(140)
Retained profit for the year	–	–	–	–	–	74	74
1 January 2010 – restated*	946	63,429	(282)	453	(6,838)	(26,033)	31,675
Share based payment	–	–	–	207	–	–	207
Lapsed share option	–	–	–	(90)	–	90	–
Currency translation differences on foreign currency net investments	–	–	–	–	(81)	–	(81)
Retained profit for the year	–	–	–	–	–	2,965	2,965
1 January 2011 – restated*	946	63,429	(282)	570	(6,919)	(22,978)	34,766
Share based payment	–	–	–	206	–	–	206
Lapsed share options	–	–	–	(241)	–	241	–
Currency translation differences on foreign currency net investments	–	–	–	–	98	–	98
Shares issued (note 25)	364	14,214	–	–	–	–	14,578
Issue costs offset against share premium	–	(729)	–	–	–	–	(729)
Retained loss for the year	–	–	–	–	–	(7,922)	(7,922)
31 December 2011	1,310	76,914	(282)	535	(6,821)	(30,659)	40,997

The accompanying notes are an integral part of these consolidated financial statements

*See note 2

Group cash flow statement

year ended 31 December 2011

	Notes	2011 \$000	2010 restated* \$000
Net cash inflow from operating activities	26	2,729	3,690
Investing activities			
Interest received		25	12
Proceeds on disposal of property, plant and equipment		18	3
Purchase of property, plant and equipment	15	(13,426)	(4,916)
Prepayment for non-current assets		(399)	-
Akmola Gold advances		(1,462)	-
Akmola Gold prepayment of fees		(1,452)	-
Restricted cash		(78)	(96)
Net cash used in investing activities		(16,774)	(4,997)
Financing activities			
Proceeds on issue of shares	25	13,849	-
Drawdown of bank loans	23	1,000	-
Net cash inflow from financing activities		14,849	-
Increase/(decrease) in cash and cash equivalents		804	(1,307)
Cash and cash equivalents at beginning of the year		959	2,328
Effect of foreign exchange rate changes		-	(62)
Cash and cash equivalents at end of the year		1,763	959

The accompanying notes are an integral part of these consolidated financial statements

*See note 2

Notes to the group financial statements

year ended 31 December 2011

1 General information

Hambleton Mining plc (the "Company") is a company incorporated in England and Wales under the Companies Act 2006. The address of its registered office is set out in Company information on page 71 of this annual report. The Company is a holding company. The principal activities and place of business of the Company and its subsidiaries (the "Group") are set out in note 16 and the chairman's statement and the chief executive's review within this annual report.

2 Basis of preparation

The Group's annual report is for the year ended 31 December 2011 and includes the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group financial statements have been prepared using accounting policies set out in note 4 which are consistent with all applicable IFRSs and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. For these purposes, IFRSs comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that have been endorsed by the European Union.

The Group financial statements have been prepared under the historical cost convention except for the treatment of share based payments.

As set out in the report of the directors on page 16 – "Change of presentational currency of the Group financial statements", the Group financial statements have been prepared using United States dollars as the presentational currency instead of United Kingdom pounds as in previous years. This change in presentational currency is a change of accounting policy and has been accounted for in accordance with IAS 21 – "The effects of changes in foreign currency exchange rates". In accordance with IAS 1 – "Presentation of financial statements" an additional balance sheet at 31 December 2009 in United States dollars has been disclosed. The comparative information for the years ended 31 December 2010 and 31 December 2009 has been restated into United States dollars.

The impact of this change in presentational currency on the result for year ended 31 December 2010 and the balance sheets at 31 December 2009 and 2010 has been computed as follows:

- 1 The assets and liabilities of the Group have been translated into United States dollars using the closing exchange rate at each balance sheet date.
- 2 The consolidated income statement and cash flow statement for the year ended 31 December 2010 have been translated into United States dollars using the average rate for the year on the basis that this average rate approximates to the exchange rates on the actual date of the transactions.
- 3 Equity items have been translated into United States dollars at historical exchange rates.

The relevant exchange rates used for the years ended 31 December 2009 and 2010 were as follows:

	2010 £1 = US\$	2009 £1 = US\$
Average rate	1.55	1.56
Closing rate	1.55	1.59

As set out in the report of the directors on page 19, the board of directors assessed the ability of the Group to continue as a going concern and these financial statements have been prepared on a going concern basis.

3 Adoption of new and revised standards

The Group has adopted, with effect from 1 January 2011, the following new and revised standards, none of which had a material impact on the financial statements:

IFRS 1	"First-time adoption of International Financial Reporting Standards – Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IFRS 3	"Business Combinations – Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 July 2010

Notes to the group financial statements

year ended 31 December 2011

3 Adoption of new and revised standards (continued)

IFRS 7	"Financial Instruments Disclosures – Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IAS 1	"Presentation of Financial Statements – Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IAS 24 (revised)	"Related Parties – Revised definition of related parties" Annual periods beginning on or after 1 January 2011
IAS 32	"Classification for rights issues" Annual periods beginning on or after 1 February 2010
IAS 34	"Interim Financial Reporting Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IFRIC 13 (amended)	"Customer Loyalty Programmes Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IFRIC 14 (amended)	"The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction" Annual periods beginning on or after 1 January 2011
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments" Annual period beginning on or after 1 July 2010

At the date of authorisation of these financial statements, the following Standards and interpretations which have not been applied in these financial statements were in issue but not yet effective

IFRS 1 (amended)	"Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" Annual periods beginning on or after 1 July 2011
IFRS 7 (amended)	"Disclosures – Transfers of Financial Assets" Annual periods beginning on or after 1 July 2011
IFRS 9	"Financial Instruments" Annual periods beginning on or after 1 January 2015
IFRS 10	"Consolidated Financial Statements" Annual periods beginning on or after 1 January 2013
IFRS 11	"Joint Arrangements" Annual periods beginning on or after 1 January 2013
IAS 12	"Disclosure of Interests in Other Entities" Annual periods beginning on or after 1 January 2013
IAS 13	"Fair Value Measurement" Annual periods beginning on or after 1 January 2013
IAS 1 (amended)	"Presentation of Items of Other Comprehensive Income" Annual periods beginning on or after 1 July 2012
IAS 12 (amended)	"Deferred Tax Recovery of Underlying Assets" Annual periods beginning on or after 1 January 2012
IAS 19 (revised)	"Employee Benefits" Annual periods beginning on or after 1 January 2013
IAS 27 (revised)	"Separate Financial Statements" Annual periods beginning on or after 1 January 2013
IAS 28 (revised)	"Investments in Associates and Joint Ventures" Annual periods beginning on or after 1 January 2013
IFRIC 20	"Stripping Costs in the Production Phase of a Surface Mine" Annual periods beginning on or after 1 January 2013

The directors are considering the impact of IFRIC 20 on the financial statements. The directors do not anticipate that the adoption of the other standards and interpretations listed above will have a material effect on the Group.

4 Accounting policies

Basis of consolidation

The Group financial statements comprise the financial statements of the Company and all its subsidiary undertakings. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of are consolidated for the periods from or to the date on which control passed. Control is achieved where the Company has the power to govern the financial and operating policies of an entity in which it has invested so as to obtain benefits from its activities.

The acquisition of subsidiaries which meet the definition of a business are accounted for using the acquisition method of accounting for business combinations in accordance with IFRS 3 – "Business Combinations".

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods provided in the normal course of business, net of VAT and any other sales related taxes.

Notes to the group financial statements

year ended 31 December 2011

4 Accounting policies (continued)

The Group's sales are the sale of the gold and silver ("Precious Metal") content of gold dore. Gold dore is delivered to a precious metal refiner. Following its refining, the Precious Metal may be sold to the refiner, shipped to a third party customer or credited to the Group's precious metal accounts maintained with the refiner to await further instruction. The Group's contract with the refiner also allows the Group to sell a significant proportion of the estimated gold contained within the gold doré to the refiner two days after its delivery. Title of the Precious Metal only passes upon a sale instruction from the Group. Sales of Precious Metal are only recognised when the sale instruction has been given and title for the Precious Metal has accordingly been passed to the refiner or a third party customer.

The Company does not hedge or otherwise enter into any derivatives in respect of its sales of gold dore. Sales are recorded at the actual selling price of the gold doré which is based on current market prices.

Foreign currencies

The Group financial statements are presented in United States dollars. This is the first year the Group financial statements are presented in United States dollars. The reason the directors believe it is appropriate to prepare the Group financial statements in United States dollars is set out in the directors report on page 16 – "Change of presentational currency of the Group financial statements". The approach used to make this change is set out in note 2 on page 29 – "basis of presentation".

The functional currency of Hambledon Mining plc and Hambledon Mining Company Limited is Sterling. The functional currency of the Group's subsidiaries in Kazakhstan is the Kazakh tenge. The financial statements of all Group Companies are translated into United States dollars whereby their income statements are translated at the average rate of exchange for the year and their balance sheets at the closing rate of exchange at the balance sheet date. Currency translation adjustments arising on the restatement of opening net assets, together with adjustments arising from the retranslation of intergroup, long term foreign currency loans to subsidiaries, are taken direct to reserves.

Transactions denominated in currencies other than the functional currency of a company are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities are translated into the relevant functional currency at the closing rates of exchange at the balance sheet date. Exchange differences arising from the restatement of monetary assets and liabilities at the closing rate of exchange at the balance sheet date or from the settlement of monetary transactions at a rate different from that at which the asset or liability was recorded are dealt with through the income statement.

Intangible assets exploration and evaluation

Exploration and evaluation includes the cost of acquiring mining and exploration rights, associated exploration and evaluation costs and other directly attributable costs. These costs are capitalised as intangible assets until the decision is made to proceed to development, whereupon the related expenditures are transferred to tangible fixed assets as mining properties and leases, or until the mining properties are determined not to be commercially viable, whereupon the related costs are written off through the income statement.

Property, plant and equipment mining properties and leases

Once a decision has been made to proceed with development of a mining project, expenditure other than that on buildings and plant and equipment is capitalised under property, plant and equipment as mining properties and leases, together with any amount transferred from exploration and evaluation.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight line or units of production basis, as appropriate. Assets are fully depreciated over their economic lives, or over the remaining life of the mine if shorter.

Depreciation rates for the principal assets of the Group are as follows

Buildings	8-10 per cent per annum
Equipment, fixtures and fittings	10-40 per cent per annum
Plant machinery and vehicles	7-30 per cent per annum
Mining properties and leases	unit of production

Assets under construction are not depreciated.

Notes to the group financial statements

year ended 31 December 2011

4 Accounting policies (continued)

Stripping costs

To obtain access to the ore in the open pit, it is necessary to first remove the non ore bearing rock ("waste" or "overburden") covering the ore. This process is known as stripping.

Costs incurred in stripping in the development of the open pit before production commences are capitalised and included in the cost of developing the mine. They are subsequently amortised over the life of the pit on a unit of production basis. Stripping costs incurred after the open pit commences production are recognised as a component of inventory and included in cost of sales in the same period as the revenue from the sales of inventory is recognised.

Impairment of property, plant and equipment

Property, plant and equipment are assessed for impairment at each balance sheet date and when events or a change in circumstances suggest that the carrying amount of an asset may exceed the recoverable amount.

Where there has been an indication of a possible impairment, management assesses the recoverability of the carrying value of the asset by comparing it with the estimated discounted future net cash flows generated by the asset based on management's expectation of future production and selling prices. Any identified impairment is charged to the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Spare parts and consumables	purchase costs on a first in first out basis
Ore stockpiles	cost of direct materials, power, labour and a proportion of site overhead

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at proceeds received, net of direct issue costs.

Notes to the group financial statements

year ended 31 December 2011

4 Accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities carried in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable and other financial liabilities. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as finance costs or investment revenue. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value. Other financial liabilities and long term other payables are initially recorded at fair value and subsequently measured at amortised cost.

Bank borrowings

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

Provision for commitments and contingencies

Provisions are recognised when the Group has a present obligation at the balance sheet date, which occurred as a result of a past event, it is probable that the Group will be required to settle that obligation and the amount of the obligation can be reliably estimated.

Possible obligations that are less than probable, and commitments to make purchases and incur expenditures in future periods, are not recognised as provisions but are disclosed as commitments and contingencies.

Provisions for restoration and abandonment are recognised on the bases as set out in note 22 – "Provisions".

Notes to the group financial statements

year ended 31 December 2011

4 Accounting policies (continued)

Share based payments

All share based payments are accounted for in accordance with IFRS 2 – “Share-based payments”

The Group issues equity-settled share based payments in the form of share options to certain employees. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest.

Fair value is estimated using a binomial probability valuation model. The expected life used in the model has been adjusted, on the basis of management’s best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Any profit and loss charge in a period in respect of share-based payments is taken to the Group’s other reserves.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group’s accounting policies, the directors have made judgments and estimates that may have a significant effect on the amount recognised in the financial statements. These include:

- Carrying value of property, plant and equipment, including estimates made in respect of reserves and resources, discount rate and future gold prices (note 15)
- Recoverability of inventories and classification as either a current or non current asset (note 17)
- Recoverability of expenditure incurred on the Akmola Gold transaction which is included in trade and other receivables (note 18 and note 30)
- Carrying value of provisions (note 22)
- Recognition of deferred taxation assets (note 24)

5 Revenue

An analysis of the Group’s revenue is as follows:

Continuing operations	2011 \$000	2010 \$000
Sale of goods	33,325	29,053
Investment income	25	12
	33,350	29,065

Included in revenues from sale of goods are revenues of \$33,255,000 (2010: \$28,933,000) which arose from sales to the Group’s largest customer.

6 Segmental information

The internal reports of the Group’s divisions for management purposes are regularly reviewed by the board of directors in order to allocate resources to the divisions and to assess their performance. The Group had two divisions throughout the year ended 31 December 2009 and up to 7 December 2010:

- Gold ore mining and processing at the Sekisovkoye site (“Gold production”)
- Metal reprocessing at the Ognevka production facility (“Metal processing”)

On 7 December 2010, the Group’s metal processing facility at the Ognevka operation was disposed of when TOO Ognevka was placed into bankruptcy (note 8). The segmental information for metal processing has been disclosed as a discontinued operation for the years ended 31 December 2009, 2010 and 2011.

For the year ended 31 December 2011, Gold ore mining and processing at the Sekisovskoye site (“Gold production”) was the Group’s only activity. The segmental information for the year ended 31 December 2011, includes the receipt of the proceeds of the liquidation of TOO Ognevka as set out in note 8 – “Disposal of TOO Ognevka”.

The Sekisovskoye site and the Ognevka production facility prior to disposal are both located close to the city of Ust Kamenogorsk in the Eastern region of the Republic of Kazakhstan and all revenues arise in this country. All non-current assets were also located in Kazakhstan.

Notes to the group financial statements

year ended 31 December 2011

6 Segmental information (continued)

Year ended 31 December 2011

Income statement

	Gold Production \$000	Discontinued Operations \$000	Consolidated \$000
Revenue	33,325	–	33,325
Cost of sales	(29,892)	–	(29,892)
Gross profit	3,433	–	3,433
Administrative expenses	(2,754)	–	(2,754)
Tailings dam leak	(7,757)	–	(7,757)
Liquidation proceeds	–	1,500	1,500
Segment result	(7,078)	1,500	(5,578)
Unallocated corporate expenses			(3,132)
Operating loss			(8,710)
Investment revenues			25
Other losses			(77)
Finance costs			(317)
Loss before taxation			(9,079)
Taxation benefit			1,157
Loss attributable to equity shareholders			(7,922)
Other information			
Capital additions	14,376	–	14,376
Depreciation	6,044	–	6,044
Balance sheet			
Assets			
Segment assets	52,692	1,500	54,192
Unallocated corporate assets			4,622
Consolidated total assets			58,814
Liabilities			
Segment liabilities	17,335	–	17,335
Unallocated corporate liabilities			482
Consolidated total liabilities			17,817

Notes to the group financial statements

year ended 31 December 2011

6 Segmental information (continued)

Year ended 31 December 2010

Income statement

	Gold Production \$000	Discontinued Operations \$000	Consolidated \$000
Revenue	29,053	–	29,053
Cost of sales	(20,451)	–	(20,451)
Gross profit	8,602	–	8,602
Administrative expenses	(1,921)	(73)	(1,994)
Segment result	6,681	(73)	6,608
Unallocated corporate expenses			(2,659)
Operating profit			3,949
Investment revenues			12
Other losses			(192)
Finance costs			(524)
Profit before taxation			3,245
Taxation charge			(280)
Profit attributable to equity shareholders			2,965
Other information			
Capital additions	4,916	–	4,916
Depreciation	5,461	–	5,461
Balance sheet			
Assets			
Segment assets	40,045	–	40,045
Unallocated corporate assets			1,038
Consolidated total assets			41,083
Liabilities			
Segment liabilities	5,663	–	5,663
Unallocated corporate liabilities			654
Consolidated total liabilities			6,317

Notes to the group financial statements

year ended 31 December 2011

6 Segmental information (continued)

Year ended 31 December 2009

Income statement

	Gold Production \$000	Discontinued Operations \$000	Consolidated \$000
Revenue	20,053	–	20,053
Cost of sales	(15,720)	–	(15,720)
Gross profit	4,333	–	4,333
Administrative expenses	(2,215)	(88)	(2,303)
Segment result	2,118	(88)	2,030
Unallocated corporate expenses			(1,965)
Operating profit			65
Investment revenues			3
Other losses			(64)
Finance costs			(389)
Loss before taxation			(385)
Taxation benefit			459
Profit attributable to equity shareholders			74
Other information			
Capital additions	3,686	–	3,686
Depreciation	4,791	–	4,791
Balance sheet			
Assets			
Segment assets	33,750	1,194	34,944
Unallocated corporate assets			2,788
Consolidated total assets			37,732
Liabilities			
Segment liabilities	4,719	1,174	5,893
Unallocated corporate liabilities			164
Consolidated total liabilities			6,057

Notes to the group financial statements

year ended 31 December 2011

7 Staff costs

The average monthly number of employees (including executive directors) was

	2011	2010
Production	427	394
Administration	144	121
	571	515

Their aggregate remuneration comprised

	2011 \$000	2010 \$000
Directors' emoluments	846	1,223
Employee wages and salaries	5,886	3,857
Employer social tax and national insurance	581	383
	7,313	5,463

The emoluments paid in respect of the highest paid director for the year to 31 December 2011 were \$281,537 (2010 \$462,445) including health insurance costs. Further details are set out in the report on directors' remuneration on pages 21 and 22.

The Company operates a share option scheme for certain of its employees and other personnel. During the year ended 31 December 2011, participating personnel were awarded 7,500,000 (2010 3,000,000) options to buy ordinary shares at the market price prevailing at the date of the award. The amounts above include the expense for share options as set out in note 27 – "Share based payment".

The Group does not operate any pension schemes for any of its employees or directors.

8 Disposal of TOO Ognevka

During the year ended 31 December 2008, TOO Ognevka ("Ognevka") ceased production of copper and other metal concentrates at its plant in Eastern Kazakhstan. Due to the closure of the plant, the government rehabilitation process was deemed to have failed and on 7 December 2010, Ognevka was placed into bankruptcy.

The results of the discontinued operations, which have been included in the consolidated income statement, are as follows:

	2011 \$000	2010 \$000
External revenue	–	–
Expense	–	(73)
Loss before and after taxation	–	(73)
Liquidation proceeds	1,500	–
Profit/(loss) attributable to discontinued operation	1,500	(73)

The Group was a major secured creditor of Ognevka and was therefore entitled to any balance of proceeds arising from its liquidation after settlement of certain preferred creditors and payment of liquidation costs. In February 2012, the liquidation of Ognevka was completed and its assets were sold to a third party. In April 2012, the Group was repaid \$1.5 million being an initial settlement of its debt due from Ognevka after payment of certain creditors and payment of liquidation costs. It is considered that any further receipts in respect of the Ognevka liquidation will not be of a material amount. The receipt of \$1.5 million has been included in the consolidated income statement and as a receivable in the financial statements for the year ended 31 December 2011.

The disposal of Ognevka did not have any material effect on the cash flows of the Group for the years ended 31 December 2010 or 31 December 2011.

Notes to the group financial statements

year ended 31 December 2011

9 Tailings dam leak

On 29 October 2011, a leak of tailings dam 3 occurred at the Sekisovskoye mine site. The mineral process plant waste water contained in the dam escaped through the drainage network into an emergency pond and the nearby Volchevka river. The tailings dam leak was a violation of both the Water and Environmental codes of Kazakhstan. Operations of the mineral process plant at the Sekisovskoye mine site were temporarily suspended whilst the tailings dam leak was repaired and recommenced on 7 November 2011.

The directors estimate that the total cost of the repair to the tailings dam, payment of fines and penalties, repair to damage caused to the environment and social obligations agreed with local authorities as a result of the leak total \$7,757,000 as follows

	Paid in 2011 \$000	Payable in 2012 \$000	Total cost \$000
Repair of tailings dam	48	2,337	2,385
Fines and penalties	–	3,892	3,892
Damage to environment	327	101	428
Social obligations ^{a)}	–	1,052	1,052
	375	7,382	7,757

A provision has been established for amounts payable in 2012. Certain of the costs above are subject to uncertainty as to their final amount and timing of payment as set out in note 22 – “Provisions”. As a result of the tailings dam leak, the Group has also contracted with the Government of the Republic of Kazakhstan to spend an additional \$4.1 million on the construction of a paste plant as set out in note 29 – “Commitments and contingencies”.

(i) These are commitments to improve the water supply of Sekisovskoye Village, the roads of Sekisovskoye Village and to build a sports hall.

10 Investment revenues, finance costs and other gains and losses

	2011 \$000	2010 \$000
Investment revenues		
Bank interest receivable	25	12
Other gains and losses		
Foreign exchange loss	(77)	(192)
Finance costs		
Interest payable on bank loan	(139)	(374)
Unwinding of discount on provisions and other financial liabilities	(178)	(150)
	(317)	(524)

11 (Loss)/profit before taxation

The (loss)/profit on ordinary activities before taxation is stated after charging

	2011 \$000	2010 \$000
Staff costs (note 7)	7,313	5,463
Depreciation of tangible assets	6,044	5,461
Cost of inventories recognised as expense	14,244	9,667
Additional stripping costs ^{a)}	2,956	–
Fees payable to the Company's auditors for the audit of the Company's annual accounts	74	62
Auditing of accounts of the Company's subsidiaries pursuant to legislation	96	100

There were fees payable in the year ended 31 December 2011 of \$43,000 (2010 \$20,000) to the Company's auditors in respect of taxation advisory services and \$6,000 (2010 nil) in respect of other financial advice.

(i) The mining plan for the Sekisovskoye open pit is based on a stripping ratio of 5:1. During the year ended 31 December 2011, the actual stripping ratio was 6.6:1 due to a backlog of stripping required in respect of previous years. Stripping costs in excess of 5:1 are expensed directly to cost of sales as incurred.

Notes to the group financial statements

year ended 31 December 2011

12 Taxation

	2011 \$000	2010 \$000
Current taxation	313	–
Deferred taxation (note 24)	(1,470)	280
Total taxation (benefit)/charge	(1,157)	280

The current taxation charge for the year ended 31 December 2011 arose in one of the Group's subsidiaries in Kazakhstan which incurred taxable profits for the year and had utilised all its brought forward tax losses from previous years

A reconciliation between the accounting profit and the total taxation (benefit)/charge from continuing operations is as follows

	2011 \$000	2010 \$000
(Loss)/profit before taxation	(10,579)	3,318
(Loss)/profit for the year multiplied by the standard rate of corporation tax of 26.5 per cent (2010 28 per cent)	(2,804)	929
Expenses not deductible for tax purposes	820	193
Current year tax losses and other temporary differences not recognised	1,444	–
Other permanent differences	308	391
Utilisation of tax losses and temporary differences not previously recognised	(1,356)	(1,032)
Effect of different tax rates of subsidiaries operating in other jurisdictions	431	(201)
Total taxation (benefit)/charge	(1,157)	280

The taxation rate used for taxation on loss on ordinary activities is the standard rate for United Kingdom corporation tax, currently 26.5 per cent (2010 28 per cent), being the average applicable rate for the parent company in 2011. In July, 2011 the United Kingdom Government enacted a reduction in this rate to 25 per cent starting in 2012. In March, 2012 the United Kingdom Government announced in its budget that the Standard rate of Corporation tax would be reduced to 24 per cent starting from 1 April 2012 and to 23 per cent from 1 April 2013. However, this is excluded from the tax calculation for 2011 as it was not substantially enacted at the balance sheet date. The rate applicable to the Group's subsidiaries in Kazakhstan is 20 per cent.

13 (Loss)/profit per ordinary share

The calculation of basic and diluted earnings per share from continuing and discontinued operations is based upon the retained loss from continuing operations for the financial year of \$9,422,000 (2010 profit of \$3,038,000) and the retained profit from discontinued operations of \$1,500,000 (2010 loss of \$73,000).

The weighted average number of ordinary shares for calculating the basic loss (2010 profit) per share and diluted loss (2010 profit) per share after adjusting for the effects of all dilutive potential ordinary shares relating to share options are as follows

	2011	2010
Basic and diluted	687,365,165	516,089,233

As the Group was loss making in 2011, the impact of Share options was anti-dilutive.

14 Dividends

The directors do not recommend the payment of a dividend (2010 nil)

Notes to the group financial statements

year ended 31 December 2011

15 Property, plant and equipment

	Mining properties and leases \$000	Freehold land and buildings \$000	Equipment, fixtures and fittings \$000	Plant, machinery and vehicles \$000	Assets under construction \$000	Total \$000
Cost						
1 January 2009	4,995	9,156	689	18,722	3,529	37,091
Change in estimates	1,094	–	–	–	–	1,094
Transfers	–	1,595	75	–	(1,670)	–
Additions	–	–	28	1,163	2,495	3,686
Disposals	–	–	(8)	(276)	(33)	(317)
Currency translation adjustment	(505)	(1,663)	4	(3,002)	(584)	(5,750)
1 January 2010	5,584	9,088	788	16,607	3,737	35,804
Change in estimates	666	–	–	–	–	666
Transfers	–	1,889	168	–	(2,057)	–
Additions	–	444	97	1,084	3,291	4,916
Disposal of subsidiary	–	(1,073)	(342)	(1,417)	–	(2,832)
Disposals	–	–	–	(57)	–	(57)
Currency translation adjustment	(9)	(21)	(13)	90	(3)	44
1 January 2011	6,241	10,327	698	16,307	4,968	38,541
Transfers	–	2,322	543	–	(2,865)	–
Additions	–	153	181	1,388	12,654	14,376
Disposals	–	–	(44)	(63)	–	(107)
31 December 2011	6,241	12,802	1,378	17,632	14,757	52,810
Accumulated depreciation						
1 January 2009	799	1,091	424	5,307	–	7,621
Charge for the year	745	161	222	3,663	–	4,791
Disposals	–	–	(2)	(95)	–	(97)
Currency translation adjustment	(98)	(198)	18	(721)	–	(999)
1 January 2010	1,446	1,054	662	8,154	–	11,316
Charge for the year	1,084	776	134	3,467	–	5,461
Disposal of subsidiary	–	(424)	(342)	(929)	–	(1,695)
Disposals	–	–	–	(43)	–	(43)
Currency translation adjustment	(15)	(19)	(9)	(14)	–	(57)
1 January 2011	2,515	1,387	445	10,635	–	14,982
Charge for the year	928	531	783	3,802	–	6,044
Disposals	–	–	(1)	(1)	–	(2)
Currency translation adjustment	(7)	–	–	–	–	(7)
31 December 2011	3,436	1,918	1,227	14,436	–	21,017
Net book value						
1 January 2009	4,196	8,065	265	13,415	3,529	29,470
31 December 2009	4,138	8,034	126	8,453	3,737	24,488
31 December 2010	3,726	8,940	253	5,672	4,968	23,559
31 December 2011	2,805	10,884	151	3,196	14,757	31,793

Capitalised cost of mining property and leases are amortised over the life of the licence from commencement of production on a unit of production basis. This basis uses the ratio of production in the period compared to the mineral reserves at the end of the period plus production in the period. Mineral reserves estimates are based on a number of underlying assumptions which are inherently uncertain. Mineral reserves estimates take into consideration estimates by independent geological consultants. However, the amount of mineral that will ultimately be recovered cannot be known until the end of the life of the mine. Any changes in reserve estimates are, for amortisation purposes, treated on a prospective basis. The recovery of the capitalised cost of the Group's property, plant and equipment is dependent on the development of the underground mine.

Notes to the group financial statements

year ended 31 December 2011

16 Subsidiaries

Name	Percentage held	Country of registration and operation
Directly held		
Hambleton Mining Company Limited	100	British Virgin Islands
TOO Altai Ken-Bayitu	100	Kazakhstan
Indirectly held		
TOO Gornorudnoe Predpriatie Sekisovskoye	100	Kazakhstan

The principal activity of all companies relates to gold mining and production with the exception of Hambleton Mining Company Limited which is an investment holding company

17 Inventories

Non-current

	2011 \$000	2010 \$000	2009 \$000
Work in progress	4,177	5,841	–

Current

	2011 \$000	2010 £000	2009 £000
Spare parts and consumables	7,892	4,574	3,211
Work in progress	1,520	724	4,682
Finished goods	1,649	523	38
	11,061	5,821	7,931

In 2010 and 2011, part of the Group's stockpile of mined ore waiting to be processed included in work in progress, has been classified as non-current inventories. Following the development of the underground mine, this ore will be processed together with ore from the underground mine subsequent to 2012.

The value of inventories above is stated after impairment for obsolescence and write downs to net realisable value in respect of spare parts and consumables of \$511,000 (2010 \$518,000, 2009 \$436,000) and work in progress of \$1,634,000 (2010 nil, 2009 nil).

18 Trade and other receivables

Non-current

	2011 \$000	2010 \$000	2009 \$000
Other prepayments	399	–	–

Current

	2011		2010		2009	
	\$000	\$000	\$000	\$000	\$000	\$000
Trade receivables		–		1,186		476
Akmola Gold – advances		1,462		–		–
Ognevka liquidation proceeds		1,500		–		–
VAT debtor		2,766		1,548		956
Other debtors	181		172		763	
Less other debtors provision	(–)	181	(–)	172	(731)	32
Akmola Gold – prepayment of fees		1,452		–		–
Prepayments		1,043		1,836		1,456
		8,404		4,742		2,920

The trade receivables are stated at full carrying value and their ageing is less than 30 days old. The directors consider that the carrying value of trade receivables approximates to their fair value. Further details of the Akmola Gold advances and prepayment are provided in note 30 – "Post balance sheet events".

Notes to the group financial statements

year ended 31 December 2011

19 Trade and other payables

Current

	2011 \$000	2010 \$000	2009 \$000
Trade creditors	4,758	1,468	1,145
Other payables and accruals	1,236	880	1,124
	5,994	2,348	2,269

Non-current

	2011 \$000	2010 \$000	2009 \$000
Other payables and accruals	–	–	749

Trade creditors and accruals principally comprise amounts outstanding for trade purchases of goods and services. The majority of the trade creditors relate to the Group's trading subsidiaries in Kazakhstan. It is not practical to calculate the average credit period taken for trade purchases for these creditors due to current business practices in the former Soviet Union. For most suppliers, interest is not charged on these trade payables. The Group regularly reviews all outstanding payables to ensure they are paid within the appropriate timeframe.

The directors consider that the carrying amount of trade payables approximates to their fair value.

20 Other financial liabilities

	2011 \$000	2010 \$000	2009 \$000
Liability for historic cost	1,783	1,994	1,513
Current	282	282	280
Non-current	1,501	1,712	1,233
	1,783	1,994	1,513

The subsoil use contract (the "Contract"), under which TOO Sekisovskoye holds the exploration and mining rights to the Sekisovskoye deposit stipulates that it must pay a total of \$3,312,000 to the Kazakhstan Government for historic costs. Until 31 December 2008, the payments were being made in accordance with the terms of an additional contract supplementary to the Contract. In 2009, the tax code of the Republic of Kazakhstan was revised. Since 1 January 2009, the balance of the historical costs is being paid in accordance with that revised tax code on a quarterly basis over the next 8 years.

The future historic costs have been discounted to their net present value. This discounted value has been capitalised as Property, plant and equipment (note 15) and will be amortised over the productive period. Any changes in estimated costs and discount rate are dealt with prospectively and result in a corresponding adjustment to property plant and equipment.

Notes to the group financial statements

year ended 31 December 2011

21 Related party transactions

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 – "Related Party Disclosures". Further information about the remuneration of individual directors is set out in the audited section of the report on directors' remuneration on pages 21 and 22

	2011 \$	2010 \$
Short term employee benefits	671,157	951,805
Other	24,062	116,901
Share based payment	151,141	154,070
	846,360	1,222,776

During the year ended 31 December 2010, \$168,777 was paid to Gilead Mining Industry Management Services Limited for the provision of the services of Neil Stevenson, a director, to Hambleton Mining plc. This is included in the total remuneration of Neil Stevenson for the year ended 31 December 2010 of \$201,762 as set out in the report on directors' remuneration on pages 21 to 22. During the year ended 31 December 2011, \$24,062 (2010 \$353,138) was paid to Mineral Mining and Processing Limited for the provision of the services of Nicholas Bridgen, a director, to Hambleton Mining plc. This is included in the total remuneration of Nicholas Bridgen for the year ended 31 December 2011 of \$72,585 (2010 \$462,445) as set out in the report on directors' remuneration on pages 21 to 22.

22 Provisions

	Tailings dam leak \$000	Abandonment and restoration \$000	Holiday pay \$000	Total \$000
1 January 2009	–	146	109	255
Change in estimate of provision	–	991	–	991
Unwinding of discount	–	19	–	19
Currency translation adjustment	–	33	10	43
1 January 2010	–	1,189	119	1,308
Addition	–	–	195	195
Unwinding of discount	–	100	–	100
Paid during the year	–	–	(116)	(116)
Currency translation adjustment	–	(1)	(3)	(4)
1 January 2011	–	1,288	195	1,483
Addition	7,757	–	425	8,182
Unwinding of discount	–	112	–	112
Paid during the year	(375)	–	(365)	(740)
Currency translation adjustment	–	–	3	3
31 December 2011	7,382	1,400	258	9,040
31 December 2009				
Non-current	–	1,189	119	1,308
31 December 2010				
Current	–	–	195	195
Non-current	–	1,288	–	1,288
	–	1,288	195	1,483
31 December 2011				
Current	7,382	–	258	7,640
Non-current	–	1,400	–	1,400
	7,382	1,400	258	9,040

Notes to the group financial statements

year ended 31 December 2011

22 Provisions (continued)

Abandonment and restoration costs

In accordance with the provisions of the subsoil use contract (the "Contract"), TOO Sekisovskoye is liable for site restoration costs upon completion of production activities. It is not possible to predict accurately the amount which might ultimately be payable for site restoration as it includes assumptions such as inflation in Kazakhstan over the life of the Contract which are inherently uncertain. An estimate of the future cost of restoration has been discounted and a provision recognised. The discounted amount for cost of restoration has been capitalised as a tangible fixed asset (note 15) and will be amortised using the unit of production method over the life of the mine.

In accordance with the subsoil use agreement, TOO Sekisovskoye has established a cash fund to pay for the cost of restoration. The cash fund is maintained in a separate bank account in the name of TOO Sekisovskoye. TOO Sekisovskoye is required to contribute each year an amount equal to 1 per cent of its operating expenses to this fund. Any transfers from the bank account require the authorisation of the Government of Kazakhstan. This fund will be used to pay for the costs of restoration as they become due. If the funds in the account are insufficient to pay for the costs, TOO Sekisovskoye will be required to pay any deficit. Any funds in the account surplus to those required for restoration will be returned to TOO Sekisovskoye. At 31 December 2011 there was \$239,000 (2010 \$161,000, 2009 \$65,000) on deposit in the bank account maintained for restoration costs.

Tailings dam leak

On 29 October 2011, a leak of tailings dam 3 occurred at the Sekisovskoye mine site. The amounts provided for the year ended 31 December 2011 are set out in note 9. Included in the provision for the cost of the tailings dam leak are fines totaling \$3.7 million. These fines were paid in full subsequent to 31 December 2011. The fines are currently subject to review by the higher courts of Kazakhstan. This court review may result in the amount of the fines being reduced. However, the outcome and timing of any court determination is uncertain and, if it was reduced following such determination, the Group would have to obtain repayment of any excess fine paid from the Government of Kazakhstan. The directors have therefore provided for the full amount of the fines paid. As a result of the tailings dam leak, the Group has also contracted with the Government of the Republic of Kazakhstan to spend an additional \$4.1 million on the construction of a paste plant which is not included in the provision but is set out in note 29 – "Commitments and contingencies".

23 Borrowings

Secured borrowings at amortised cost

	2011 \$000	2010 \$000	2009 \$000
Bank loan	1,000	–	–
Amount due for settlement within 12 months	1,000	–	–

The Group contracted for the loan in December 2008. It is a revolving credit facility and was denominated in Kazakh tenge. In February 2009, the loan was redenominated into US dollars.

In December 2009, the loan facility was renewed with the following terms varied:

- (i) the period of the loan was extended with full repayment due on 23 December 2012
- (ii) the maximum amount of drawdown of the loan was set at \$2.0 million
- (iii) The interest rate was reduced to 15 per cent for tranches of all maturity periods

\$1.0 million was drawn down under the facility at 31 December 2011 (2010 and 2009 \$nil). The carrying value of the assets pledged as security for the loan was approximately \$3.9 million at 31 December 2011. The weighted average interest rate paid on the loan during the year ended 31 December 2011 was 15 per cent (2010 15 per cent, 2009 15.4 per cent).

Subsequent to 31 December 2011, the loan was repaid and the facility terminated. A new working capital facility was renegotiated in April 2012. The new working capital facility is expected to have the following significant terms:

- (i) the period of the working capital facility will be for 3 years
- (ii) the maximum amount of drawdown of the loan will be \$2.0 million
- (iii) the interest rate will be set at between 11.5 and 12.5 per cent depending on the length of the borrowing
- (iv) it will be unsecured

The revised facility was still being completed at the date of signing the financial statements.

Notes to the group financial statements

year ended 31 December 2011

24 Deferred taxation

Deferred taxation asset/(liability)

	Taxation losses \$000	Accelerated taxation depreciation \$000	Other \$000	Total \$000
1 January 2009	381	(1,194)	–	(813)
Credit to income	208	249	–	457
Currency translation adjustment	(71)	209	–	138
1 January 2010	518	(736)	–	(218)
(Charge)/credit to income	(493)	134	79	(280)
Currency translation adjustment	(16)	22	–	6
1 January 2011	9	(580)	79	(492)
Credit to income	523	648	299	1,470
31 December 2011	532	68	378	978

The tax losses and accelerated taxation depreciation have been offset in previous periods as they arise within one subsidiary in Kazakhstan

Unrecognised deferred taxation asset

The unrecognised deferred taxation asset is as follows

	2011 \$000	2010 \$000	2009 \$000
Temporary differences	1,143	147	1,726
Taxation losses	1,517	1,069	1,930
	2,660	1,216	3,656 ⁽ⁱ⁾

(i) 2009 includes \$1 343 000 relating to discontinued operations (note 8)

Certain subsidiaries of the Group have incurred losses which will be available for offset against future profits of those subsidiaries as well as accumulated depreciation in excess of capital allowances. During 2011, it has been concluded that one subsidiary in Kazakhstan now has sufficient evidence of future taxable profits to justify the recognition of a deferred tax asset of \$978,000. No deferred taxation asset has been recognised in respect of other subsidiaries as the realisation of this additional deferred taxation asset of \$2,660,000 is dependent on suitable taxable profits being earned in future periods in the related subsidiaries and there is insufficient evidence that this asset will be recoverable at 31 December 2011.

At the balance sheet date, there were no temporary differences associated with undistributed earnings of subsidiaries for which deferred taxation liabilities have not been recognised.

Notes to the group financial statements

year ended 31 December 2011

25 Called-up equity share capital

	2011 £	2010 £	2009 £
Authorised			
950,000,000 Ordinary Shares of UK pence 0.1 each	950,000	950,000	950,000
Issued and fully paid		Number	\$000
1 January 2009		469,189,233	872
Issued during the year			
Share placement		46,900,000	74
1 January 2010 and 2011		516,089,233	946
Issued during the year			
Share placement and open offer		227,329,873	364
31 December 2011		743,419,106	1,310

On 29 September 2009, a placing of 46,900,000 new ordinary shares at 10 cents per share raised \$4.4 million before expenses of \$0.1 million. The funds were for the development of the Sekisovskoye mine.

On 30 March 2011, a firm placing and open offer of 227,329,873 new ordinary shares in the Company was approved at a general meeting of the Company. The shares were subsequently issued at 6 cents per share. The share issue raised \$14.6 million before issue expenses of \$0.7 million. The funds were for the development of the Sekisovskoye mine and general corporate purposes.

26 Notes to the cash flow statement

Net cash inflow from operating activities

	2011 \$000	2010 \$000
(Loss)/profit before taxation from continuing operations	(10,579)	3,318
Adjusted for:		
Discontinued operations	–	(73)
Investment revenues	(25)	(12)
Finance costs	317	524
Share based payment	206	207
Depreciation of tangible fixed assets	6,044	5,461
Increase in provisions	7,445	79
Increase in inventories	(3,576)	(3,730)
Decrease/(increase) in trade and other receivables	752	(1,823)
Decrease in other financial liabilities	(277)	(235)
Increase in trade and other payables	2,696	468
Loss on disposal of fixed assets	87	11
Foreign currency translation	91	(131)
Cash inflow from operations	3,181	4,064
Income taxes paid	(313)	–
Interest paid	(139)	(374)
	2,729	3,690

Notes to the group financial statements

year ended 31 December 2011

27 Share based payment

The Company has a share option scheme for its senior employees. The scheme does not permit the issue of share options over more than 5 per cent of the Company's issued share capital. Options given to employees only become exercisable following the second or third anniversary of the date of grant of the options. Options are exercisable at a price equal to the mid market price of the Company's shares on the close of business on the date of grant. If the options remain unexercised after a period of four or five years from the date of grant the options expire unless their exercise period is extended by the board of directors. Options are forfeited if the employee leaves the Group. Certain of the options awarded to employees can only be exercised if certain performance conditions are met including profitable operation.

The number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year were as follows:

	2011		2010	
	Number	WAEP pence	Number	WAEP pence
1 January	15,300,000	8.00	13,300,000	9.17
Granted during the year	7,500,000	4.25	3,000,000	5.63
Cancelled during the year	–	–	(500,000)	18.5
Expired during the year	(4,400,000)	8.70	(500,000)	14.75
31 December	18,400,000	6.29	15,300,000	8.00

There were no share options exercised during the years ended 31 December 2010 and 2011.

The following options were outstanding at 31 December 2011:

Date of grant	Exercisable dates		Number of shares	Exercise price pence
	From	To		
29 January 2008	29 January 2011	28 January 2013	1,600,000	18.50
29 September 2008	26 September 2010	25 September 2012	6,000,000	5.88
28 September 2009	28 September 2012	27 September 2014	300,000	7.00
5 November 2010	5 November 2012	4 November 2014	3,000,000	5.63
27 July 2011	26 July 2013	25 July 2015	7,500,000	4.25
			18,400,000	

The following options were exercisable at 31 December:

	2011		2010	
	Number	Exercise price pence	Number	Exercise price pence
	–	–	9,000,000	5.88

The performance condition of the 1,600,000 options exercisable from 29 January 2011 to 28 January 2013 was not met at 31 December 2011 and the options were not exercisable at that date. The performance condition of the 6,000,000 options exercisable from 26 September 2010 to 25 September 2012 was not met at 31 December 2011 and the options were not exercisable at that date (2010: 9,000,000 options outstanding at 31 December 2010 and as the performance condition was met at that date, the options were exercisable at 31 December 2010). The options outstanding at 31 December 2011 had a weighted average remaining contractual life of 2.3 years (2010: 1.9 years).

The principal assumptions of the options valuation model were:

Risk free interest rate	0.5 per cent to 5.75 per cent per annum
Expected volatility	50 per cent per annum
Dividend yield	0 per cent
Early exercise	At rate dependent upon potential gain from exercise

Notes to the group financial statements

year ended 31 December 2011

27 Share based payment (continued)

The historical share price volatility was computed for several comparable United Kingdom listed companies for the 10 year period from 1996 (or since their flotation if later) The volatility for these companies, in conjunction with the volatility of the share price of Hambleton Mining plc since its flotation in 2004, was used to determine the share price volatility

The fair values at the date of issue and expected lives of the options valued in accordance with IFRS 2 were

Award year	Exercise Price pence	Fair value pence	Life from grant date years
2008	18 50	8 35	5
2008	5 88	2 27	4
2009	7 00	2 38	5
2010	5 63	1 91	4
2011	4 25	1 44	4

The Group recognised a total expense of \$206,000 (2010 \$207,000) in respect of the share options awarded to its senior employees

28 Financial instruments

Policy on financial risk management

The Group's principal financial instruments comprise cash and cash equivalents, trade receivables, trade and other payables, provisions, other financial liabilities and borrowings. The Group's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 4 – "accounting policies". The Group does not use financial instruments for speculative purposes. The carrying value of all financial assets and liabilities approximates to their fair value.

Capital risk management

The Group was financed by equity and debt in the years ended 31 December 2010 and 2011. It is the intention of the directors' that the Group should continue to be financed by a mixture of debt and equity as appropriate to maintain a robust balance sheet to support its business and maximise shareholders value. There was no equity raised in the year ended 31 December 2010. In the year ended 31 December 2011, equity of \$13.8 million was raised net of expenses.

Derivatives, financial instruments and risk management

The Group does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk management

The Group has transactional currency exposures. Such exposures arise from sales or purchases by its two subsidiaries in Kazakhstan in currencies other than the Company's functional currency. The functional currency of TOO Altai Ken-Bayitu and TOO Gornorudnoe Predpriatie Sekisovskoye is the Kazakh tenge. Hambleton Mining plc and Hambleton Mining Company Limited have a United Kingdom Pounds ("Sterling") functional currency. The currency transactions giving rise to this foreign currency risk are primarily US dollar denominated revenues, US dollar denominated borrowings and other financial liabilities and certain US dollar, Russian rouble and Euro denominated trade payables. The Group does not enter into hedging positions in respect of its exposure to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December, are as follows

	Liabilities		Assets	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000
US dollars	2,830	2,329	2,977	1,745

Notes to the group financial statements

year ended 31 December 2011

28 Financial instruments (continued)

Sensitivity analysis

A 10 per cent strengthening, or weakening, of any one of the above currencies against either the US dollar or Sterling, which the directors consider to be a reasonably possible change for the purpose of sensitivity analysis, would not have a material effect on both the Group's equity and profit or loss on ordinary activities after tax for the years ended 31 December 2011 and 2010. This assumes that all other variables remained constant.

Commodity price risk

The Group is exposed to the effect of fluctuations in the price of gold, silver, copper and other metals which are quoted in US dollars on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of prices of these metals.

The Group's only significant sales during the years ended 31 December 2010 and 2011 were sales of gold dore containing gold and silver. The sales proceeds for gold dore is fixed by reference to the gold and silver prices on the day of sale. The Group does not plan in the future to hedge its exposure to the risk of fluctuations in the price of gold, silver and copper and other metals and therefore it held no financial instruments that are sensitive to commodity price changes at either balance sheet date.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are monitored by the board of directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Group's principal financial assets are cash and cash equivalents, trade debtors and other accounts receivables. Cash equivalents include amounts held on deposit with financial institutions.

The credit risk on liquid funds held in current accounts and available on demand is limited because the Group's counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

Trade debtors comprise amounts receivable from a refinery in respect of sales of gold dore.

Other accounts receivable consist mostly of prepayments for goods and services by subsidiaries in Kazakhstan. It is often impractical in Kazakhstan to carry out a check of credit worthiness of suppliers before making the contracted prepayments. There were no significant balances at 31 December 2011 and 2010 in respect of which suppliers had defaulted on their obligations. Other receivables also includes amounts advanced in respect of Akmola Gold (see note 30) and accrued income related to Ognevka which has been received in full subsequent to the year end.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recorded in the financial statements.

Liquidity risk

During the year ended 31 December 2010, the Group was financed by internally generated funds and short term bank borrowings to finance working capital. There were no bank borrowings at 31 December 2010. During the year ended 31 December 2011, the Group was financed by internally generated funds, equity finance and short term bank borrowings. There were bank borrowings of \$1 million at 31 December 2011. Funds raised surplus to immediate requirements are held as cash deposits in Sterling. The maturities of the cash deposits are selected to maximise the investment return whilst ensuring that funds will be available as required to maintain the Group's operations with a maximum maturity of 3 months.

Notes to the group financial statements

year ended 31 December 2011

28 Financial instruments (continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flow.

	Borrowings \$000	Trade and other payables \$000	Provisions \$000	Other financial liabilities \$000	Total \$000
31 December 2011					
From five to ten years	–	–	–	351	351
From two to five years	–	–	–	1,124	1,124
For one to two years	–	–	–	282	282
Due after more than one year	–	–	–	1,757	1,757
Due within one year	1,000	5,134	258	282	6,674
	1,000	5,134	258	2,039	8,431
31 December 2010					
From five to ten years	–	–	–	625	625
From two to five years	–	–	–	1,126	1,126
For one to two years	–	–	–	282	282
Due after more than one year	–	–	–	2,033	2,033
Due within one year	–	2,348	195	282	2,825
	–	2,348	195	2,315	4,858
31 December 2009					
From five to ten years	–	–	–	913	913
From two to five years	–	–	–	1,121	1,121
For one to two years	–	749	119	280	1,148
Due after more than one year	–	749	119	2,314	3,182
Due within one year	–	2,269	–	280	2,549
	–	3,018	119	2,594	5,731

Borrowings and interest rate risk

The Group entered into a one year revolving working capital facility during the year ended 31 December 2008. The significant terms of this borrowing are set out in note 23 – "Borrowings". The facility is at a fixed interest rate and short term which is local commercial practice in Kazakhstan. It is therefore only used for working capital purposes. The revolving working capital facility was renewed for 3 years during the year ended 31 December 2009. Subsequent to 31 December 2011, the facility was renegotiated onto an unsecured basis and was being completed at the date of signing of the financial statements.

The Group places surplus funds on short term deposit (maximum 3 months) in Sterling with an interest rate fixed at the prevailing market rate.

The Group's exposure to interest rate risk is not material.

29 Commitments and contingencies

General conditions

In recent years, the Republic of Kazakhstan has undergone substantial political and economic change. As an emerging market, the Republic of Kazakhstan does not possess a well-developed business infrastructure such as generally exists in a more mature free market economy. As a result, operations carried out in the Republic of Kazakhstan can involve risks which are not typically associated with those in developed markets. Significant identified risks have been provided for or disclosed in these financial statements as appropriate.

Notes to the group financial statements

year ended 31 December 2011

29 Commitments and contingencies (continued)

Tax liabilities

The local and national tax environment in the Republic of Kazakhstan is subject to regular change and inconsistent application, interpretation and enforcement. Non-compliance with Kazakhstan laws and regulations, as interpreted by the Kazakh authorities, can lead to the imposition of fines, penalties and interest.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations and that its tax affairs are appropriately disclosed in these financial statements. However, the taxation authorities could take differing positions with regards to interpretative issues.

Capital commitments

The Group had contractual payments outstanding at 31 December 2011 of \$1,407,000 (2010 \$1,128,000). These amounts relate to future periods and have not been provided for in these financial statements.

Tailings dam leak

The Group suffered a leak of its tailings dam 3 as set out in note 9 - "Tailings dam leak". As part of the settlement of the environmental damage resulting from the leak, the Group contracted with the Government of Kazakhstan to spend \$4.8 million on remedial work and improvements to the environment and its operations. The main items are as follows:

- improvements to the water supply of Sekisovskoye village \$0.2 million,
- repairs to tailings dam 3 \$0.5 million,
- construction of a plant to convert effluent from the plant into solid form ("Paste plant") \$4.1 million.

The agreement stipulates that all commitments must be completed by 31 December 2012 except the Paste plant which must be constructed by 31 December 2015. If the Group does not fulfill any of its commitments under the agreement, it will be subject to fines of an amount to be determined at that time or its subsoil user licence being withdrawn. All commitments other than the \$4.1 million construction of the Paste plant have been provided for at 31 December 2011. The agreement to spend \$4.8 million on remedial and improvements to its operations is currently subject to review by the higher courts of Kazakhstan. However, the result and timing of any determination by any court is currently uncertain.

Akmola Gold LLP

The Group is committed to spend \$2.5 million on the acquisition of Akmola Gold LLP once the necessary permissions have been obtained from the government of Kazakhstan.

30 Post balance sheet events

Issue of new ordinary shares

On 1 February 2012, the Company announced that it was proposing to raise up to \$9.1 million through the issue of 177,507,699 new ordinary shares by way of a firm placing. The issue price was 3.25 pence (5 cents) per ordinary share. The Company announced that the funds raised from the share placing together with the \$3 million from the share subscription by the European Bank for Reconstruction and Development (see below "Investment by European Bank for Reconstruction and Development") would be used as follows: (a) \$3.0 million for payment to the vendors of Akmola Gold LLP and associated costs, (b) \$2.5 million for payment of a fine and associated costs resulting from the tailings dam leak (see note 9), and (c) \$6.0 million for working capital including repayment of a working capital loan from Alfa bank. The directors subscribed for a total of 142,308 new ordinary shares.

The firm placing was approved at a general meeting of the Company held on 17 February 2012. Further to the placing 177,507,699 new ordinary shares in the Company were allotted raising gross proceeds of \$9.1 million and \$8.5 million net of expenses of \$0.6 million. The shares were admitted for trading on 20 February 2012. Following the firm placing, the Company had a total of 920,926,805 ordinary shares in issue.

Investment by European Bank for Reconstruction and Development

On 1 February 2012, the Company announced that it had agreed heads of agreement with the European Bank for Reconstruction and Development ("EBRD") for EBRD to make an investment in the Company. The proposed investment was approximately 58.8 million new ordinary shares of 3.25 pence (5 cents) each. It was also proposed that EBRD would be issued with warrants over up to 30 million ordinary shares.

Notes to the group financial statements

year ended 31 December 2011

30 Post balance sheet events (continued)

On 23 February 2012, a subscription agreement and warrant instrument were entered into with the EBRD. The principal terms of the agreements are as follows:

Subscription agreement

- 58,794,708 new ordinary shares would be issued to EBRD at 3.25 pence (5 cents) per ordinary share for a total consideration of \$3 million
- The funds shall only be applied to developing the Sekisovskoye project in accordance with the business plan agreed between the Company and EBRD

Warrant instrument

- EBRD will be issued with non-transferable warrants over 30 million ordinary shares
- The warrants are exercisable at any time before the earlier of (i) 21 February 2014 and (ii) if the closing price per ordinary share exceeds 6.5325 pence (10.3 cents) for a period of 20 consecutive trading days during that two year period, 45 days from the date on which the Company notifies EBRD that this condition has been met. In either case, any warrants not exercised within the relevant period will lapse
- The warrants are exercisable in whole or in tranches of no less than 5,000,000 warrants (or, if less, the amount of warrants unexercised as at the relevant date)
- The exercise price of the warrants is 4.875 pence (7.70 cents) per ordinary share (representing a 50 per cent premium to the price of the ordinary shares to be issued to EBRD under the subscription agreement above)

The agreements were conditional upon the Company satisfying certain conditions. On 11 April 2012, the Company announced that the conditions had been satisfied and that the \$3 million consideration for the share subscription had been received. The shares were admitted for trading on 20 April 2012. Following the issue of the new ordinary shares to EBRD, the Company had a total of 979,721,513 ordinary shares in issue.

European Bank for Reconstruction and Development loan

On 21 February 2012, two of the Company's subsidiaries, Altai Ken-Bayitu LLP ("AKB") and Sekisovskoye LLP ("Sekisovskoye") entered into a loan agreement with EBRD. The principal terms of the loan are as follows:

- Total amount of the loan is \$15 million in two tranches to AKB and Sekisovskoye, on a joint and several basis, repayable in quarterly instalments between 10 January 2015 and 10 October 2017
- The first tranche of the loan is \$10 million. The second tranche of \$5 million will only be available provided a performance condition for the underground mining operation at Sekisovskoye mine site is met
- The loan is available for drawdown between the date of 22 February 2012 and 21 February 2014
- Interest on drawn amounts will be charged at a rate of three months LIBOR plus seven per cent per annum

The agreement is conditional upon certain conditions being satisfied. At the date of signing the financial statements, the only condition outstanding was the registration of the security in the name of EBRD.

Acquisition of Akmola Gold LLP

At the date of signing the financial statements, the acquisition of Akmola Gold LLP had not been completed. The completion of the transaction was awaiting certain approvals from the Government of Kazakhstan as a condition of completion. Included in trade and other receivables are advances to Akmola Gold LLP of \$1.5 million and legal fees incurred of \$1.5 million. If the acquisition of Akmola Gold LLP does not complete, these other receivables and prepayments totaling \$3.0 million will be expensed.

Independent auditor's report to the members of Hambledon Mining plc

We have audited the parent company financial statements of Hambledon Mining plc for the year ended 31 December 2011 which comprise the balance sheet, the cash flow statement, the statement of changes in equity and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011,
- have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the Group financial statements of Hambledon Mining plc for the year ended 31 December 2011.

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the company a quoted company.



David Paterson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London
United Kingdom
25 May 2012

Company statement of changes in equity

year ended 31 December 2011

	Notes	Share capital £000	Share premium £000	Accumulated losses £000	Total £000
1 January 2010		516	33,996	(886)	33,626
Share based payment	10	–	–	76	76
Retained loss for the year		–	–	(904)	(904)
1 January 2011		516	33,996	(1,714)	32,798
Shares issued	9	227	8,866	–	9,093
Issue costs offset against share premium	9	–	(455)	–	(455)
Share based payment	10	–	–	(22)	(22)
Retained profit for the year		–	–	1,195	1,195
31 December 2011		743	42,407	(541)	42,609

The accompanying notes are an integral part of these company financial statements

Company balance sheet

31 December 2011

	Notes	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	5	369	–
Investments	6	428	474
Loans to subsidiaries	6	39,136	32,036
		39,933	32,510
Current assets			
Other receivables	7	2,094	161
Cash and cash equivalents		894	498
		2,988	659
Total assets		42,921	33,169
Current liabilities			
Trade and other payables	8	(312)	(371)
Net current assets		2,676	288
Net assets		42,609	32,798
Shareholders' equity			
Called-up share capital	9	743	516
Share premium		42,407	33,996
Accumulated losses		(541)	(1,714)
Total equity		42,609	32,798

The financial statements of Hambleton Mining plc, registered number 5048549, were approved by the board of directors on 25 May 2012 and signed on its behalf by



Timothy Daffern
Chief Executive

The accompanying notes are an integral part of these company financial statements

Company cash flow statement

year ended 31 December 2011

	Notes	2011 £000	2010 £000
Net cash outflow from operating activities	11	(1,730)	(761)
Investing activities			
Investment revenue		15	4
Purchase of property, plant and equipment		(369)	–
Akmola Gold advances		(851)	–
Akmola Gold prepayment of fees		(939)	–
Net loans to subsidiaries		(4,368)	(105)
Net cash used in investing activities		(6,512)	(101)
Financing activities			
Proceeds on issue of shares		8,638	–
Net cash inflow from financing activities		8,638	–
Increase/(decrease) in cash and cash equivalents		396	(862)
Cash and cash equivalents at beginning of the year		498	1,360
Cash and cash equivalents at end of the year		894	498

The accompanying notes are an integral part of these company financial statements

Notes to the Company financial statements

year ended 31 December 2011

1 Basis of preparation

The financial statements of Hambleton Mining plc for the year ended 31 December 2011 are prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and therefore the Company financial statements comply with Article 4 of the EU IAS Regulation

The financial statements have been prepared using accounting policies set out in note 3 which are consistent with all applicable IFRSs and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. For these purposes, IFRS comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that have been endorsed by the European Union.

The financial statements have been prepared under the historical cost convention except for the treatment of share based payments.

As set out in the report of the directors on page 19, the board of directors assessed the ability of the Company to continue as a going concern and these financial statements have been prepared on a going concern basis.

In accordance with the Provisions of Section 408 of the Companies Act 2006 the profit and loss account of Hambleton Mining plc is not presented.

2 Adoption of new and revised standards

The Company has adopted, with effect from 1 January 2011, the following new and revised standards, none of which had a material impact on the financial statements.

IFRS 1	"First-time adoption of International Financial Reporting Standards – Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IFRS 3	"Business Combinations – Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 July 2010
IFRS 7	"Financial Instruments Disclosures – Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IAS 1	"Presentation of Financial Statements – Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IAS 24 (revised)	"Related Parties – Revised definition of related parties" Annual periods beginning on or after 1 January 2011
IAS 32	"Classification for rights issues" Annual periods beginning on or after 1 February 2010
IAS 34	"Interim Financial Reporting Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IFRIC 13 (amended)	"Customer Loyalty Programmes Amendments resulting from May 2010 Annual improvements to IFRSs" Annual periods beginning on or after 1 January 2011
IFRIC 14 (amended)	"The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction" Annual periods beginning on or after 1 January 2011
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments" Annual period beginning on or after 1 July 2010

At the date of authorisation of these financial statements, the following Standards and interpretations which have not been applied in these financial statements were in issue but not yet effective.

IFRS 1 (amended)	"Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters" Annual periods beginning on or after 1 July 2011
IFRS 7 (amended)	"Disclosures – Transfers of Financial Assets" Annual periods beginning on or after 1 July 2011
IFRS 9	"Financial Instruments" Annual periods beginning on or after 1 January 2015
IFRS 10	"Consolidated Financial Statements" Annual periods beginning on or after 1 January 2013
IFRS 11	"Joint Arrangements" Annual periods beginning on or after 1 January 2013
IAS 12	"Disclosure of Interests in Other Entities" Annual periods beginning on or after 1 January 2013
IAS 13	"Fair Value Measurement" Annual periods beginning on 1 January 2013
IAS 1 (amended)	"Presentation of Items of Other Comprehensive Income" Annual periods beginning on or after 1 July 2012
IAS 12 (amended)	"Deferred Tax Recovery of Underlying Assets" Annual periods beginning on or after 1 January 2012
IAS 19 (revised)	"Employee Benefits" Annual periods beginning on or after 1 January 2013
IAS 27 (revised)	"Separate Financial Statements" Annual periods beginning on or after 1 January 2013
IAS 28 (revised)	"Investments in Associates and Joint Ventures" Annual periods beginning on or after 1 January 2013

Notes to the Company financial statements

year ended 31 December 2011

2 Adoption of new and revised standards (continued)

IFRIC 20	"Stripping Costs in the Production Phase of a Surface Mine" Annual periods beginning on or after 1 January 2013
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The directors do not anticipate that the adoption of the other standards and interpretations listed above will have a material effect on the Company

3 Accounting policies

Cash and cash equivalents

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

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at proceeds received, net of direct issue costs.

Investments and loans to subsidiaries

Investments in subsidiaries are included at cost less amounts written off. Loans to subsidiaries are initially recognised at fair value and subsequently measured at amortised cost.

Foreign currencies

The functional currency of Hambleton Mining plc is United Kingdom Pounds ("Sterling")

Transactions denominated in currencies other than the functional currency of Hambleton Mining plc are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities are translated into Sterling at the closing rates of exchange at the balance sheet date. Exchange differences arising from the restatement of monetary assets and liabilities at the closing rate of exchange at the balance sheet date or from the settlement of monetary transactions at a rate different from that at which the asset or liability was recorded are dealt with through the income statement.

Taxation

Current taxation is provided at amounts expected to be paid (or recovered) by using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in accordance with IAS 12 – "Income Taxes", on temporary differences which are represented by a difference between the carrying value of an asset or liability and its tax base. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the surplus management charges of previous years can be utilised.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities carried in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as financial expense or revenue. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other payables

Trade payables are not interest bearing and are stated at their nominal value.

Share based payment

All share based payments are accounted for in accordance with IFRS 2 "Share based payments"

The Company issues equity-settled share based payments in the form of share options to certain employees of subsidiary companies. Equity-settled share based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share based payments is expensed on a straight line basis over the vesting period, based on the Company's estimate of shares that will eventually vest.

Notes to the Company financial statements

year ended 31 December 2011

3 Accounting policies (continued)

Fair value is estimated using a binomial probability valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

Any charge accrued in respect of share options is treated as a capital contribution to the subsidiary company with a corresponding credit to reserves. Any profit or loss charge resulting from the exercise of share options is taken to the Company's profit and loss account in the year.

4 Taxation

There was no taxation payable for the years ended 31 December 2011 and 2010 as follows

	2011 £000	2010 £000
Profit/(loss) before taxation	1,195	(904)
Profit/(loss) for the year multiplied by the standard rate of corporation tax of 26 per cent (2010 28 per cent)	311	(253)
Revaluation of loan to subsidiary not taxable	(710)	–
Expenses not deductible for tax purposes	–	120
Surplus management charges for the year	399	133
Total taxation charge	–	–

In July, 2011 the United Kingdom Government enacted a reduction in the Standard rate of Corporation tax from 28 per cent to 25 per cent starting in 2012. In March, 2012 the United Kingdom Government announced in its budget that the Standard rate of Corporation tax would be reduced to 24 per cent starting from 1 April 2012 and to 23 per cent from 1 April 2013. However, this is excluded from the tax calculation for 2011 as it was not substantively enacted at the balance sheet date. The Company did not recognise any deferred tax assets or liabilities at 31 December 2011 or 31 December 2010. The Company had an unrecognised deferred taxation asset at 31 December 2011 in respect of excess management charges carried forward of £786,000 (2010 £456,000).

5 Property, plant and equipment

	Assets under construction £000
Cost	
1 January 2011	–
Additions	369
31 December 2011	369
Net book value	
1 January 2011	–
31 December 2011	369

6 Investments and loans to subsidiaries

	Investments £000	Loans to subsidiaries £000
1 January 2010	404	31,931
Advances	–	616
Repayment	–	(511)
Capital contribution	70	–
1 January 2011	474	32,036
Advances	–	4,497
Repayment	–	(129)
Net capital reduction in respect of share options (note 10)	(46)	–
Foreign exchange movement on loan to subsidiary	–	2,732
31 December 2011	428	39,136

Notes to the Company financial statements

year ended 31 December 2011

6 Investments and loans to subsidiaries (continued)

The loans to subsidiaries are interest free and with no fixed date for repayment. The foreign exchange movement on loan to subsidiary is to revalue the foreign currency loan to a subsidiary company to the year end exchange rate. In prior years, such movements have been recorded within equity but the directors have concluded for the year ended 31 December 2011 it is more appropriate to record them in the current year income statement.

At 31 December 2011, the Company's subsidiaries were

Name	Percentage held	Country of registration and operation
Directly held		
Hambleton Mining Company Limited	100	British Virgin Islands
TOO Altai Ken-Bayitu	100	Kazakhstan
Indirectly held		
TOO Gornorudnoe Predprietiye Sekisovskoye	100	Kazakhstan

The principal activity of all companies relates to gold mining and production with the exception of Hambleton Mining Company Limited which is an investment holding company.

7 Other receivables

	2011 £000	2010 £000
Prepayments	39	30
Other debtors	170	36
Akmola Gold – advance	946	95
Akmola Gold – prepayment of fees	939	–
	2,094	161

The carrying amount of the other receivables approximates their fair value.

8 Trade and other payables

	2011 £000	2010 £000
Trade creditors	237	276
Other payables and accruals	75	95
	312	371

The carrying amount of trade and other payables approximates their fair value. Further details of Akmola Gold advances and prepayments are provided in note 14 – “Post balance sheet events”.

9 Called-up equity share capital

	2011 £	2010 £
Authorised		
950,000,000 Ordinary Shares of UK pence 0.1 each	950,000	950,000
Issued and fully paid		
	Number	£
1 January 2010 and 2011	516,089,233	516,089
Issued during the year		
Share placement and open offer	227,329,873	227,330
31 December 2011	743,419,106	743,419

On 30 March 2011, a firm placing and open offer of 227,329,873 new ordinary shares in the Company was approved at a general meeting of the Company. The shares were subsequently issued at 4 pence per share. The share issue raised £9.1 million before issue expenses of £0.5 million. The funds were for the development of the Sekisovskoye mine and general corporate purposes.

Notes to the Company financial statements

year ended 31 December 2011

10 Share based payment

The Company has a share option scheme for its senior employees. The scheme does not permit the issue of share options over more than 5 per cent of the Company's issued share capital. Options given to employees only become exercisable following the second or third anniversary of the date of grant of the options. Options are exercisable at a price equal to the mid market price of the Company's shares on the close of business on the date of grant. If the options remain unexercised after a period of four or five years from the date of grant the options expire unless their exercise period is extended by the board of directors. Options are forfeited if the employee leaves the Group. Certain of the options awarded to employees can only be exercised if certain performance conditions are met including profitable operation.

The number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year were as follows

	2011		2010	
	Number	WAEP pence	Number	WAEP pence
1 January	15,300,000	8.00	13,300,000	9.17
Granted during the year	7,500,000	4.25	3,000,000	5.63
Cancelled during the year	–	–	(500,000)	18.50
Expired during the year	(4,400,000)	8.70	(500,000)	14.75
31 December	18,400,000	6.29	15,300,000	8.00

There were no share options exercised during the years ended 31 December 2010 and 2011.

The following options were outstanding at 31 December 2011

Date of grant	Exercisable dates		Number of shares	Exercise price pence
	From	To		
29 January 2008	29 January 2011	28 January 2013	1,600,000	18.50
29 September 2008	26 September 2010	25 September 2012	6,000,000	5.88
28 September 2009	28 September 2012	27 September 2014	300,000	7.00
5 November 2010	5 November 2012	4 November 2014	3,000,000	5.63
27 July 2011	26 July 2013	25 July 2015	7,500,000	4.25
			18,400,000	

The following options were exercisable at 31 December

	2011		2010	
	Number	Exercise price pence	Number	Exercise price pence
	–	–	9,000,000	5.88

The performance condition of the 1,600,000 options exercisable from 29 January 2011 to 28 January 2013 was not met at 31 December 2011 and the options were not exercisable at that date. The performance condition of the 6,000,000 options exercisable from 26 September 2010 to 25 September 2012 was not met at 31 December 2011 and the options were not exercisable at that date (2010 9,000,000 options outstanding at 31 December 2010 and as the performance condition was met at that date, the options were exercisable at 31 December 2010). The options outstanding at 31 December 2011 had a weighted average remaining contractual life of 2.3 years (2010 1.9 years).

The principal assumptions of the options valuation model were

Risk free interest rate	0.5 per cent to 5.75 per cent per annum
Expected volatility	50 per cent per annum
Dividend yield	0 per cent
Early exercise	At rate dependent upon potential gain from exercise

The historical share price volatility was computed for several comparable United Kingdom listed companies for the 10 year period from 1996 (or since their flotation if later). The volatility for these companies, in conjunction with the volatility of the share price of Hambleton Mining plc since its flotation in 2004, was used to determine the share price volatility.

Notes to the Company financial statements

year ended 31 December 2011

10 Share based payment (continued)

The fair values at the date of issue and expected lives of the options valued in accordance with IFRS 2 were

Award year	Exercise Price pence	Fair value pence	Life from grant date years
2008	18 50	8 35	5
2008	5 88	2 27	4
2009	7 00	2 38	5
2010	5 63	1 94	4
2011	4 25	1 44	4

Total share option expense in respect of employees of the Group was

	2011 £000	2010 £000
Company	24	6
Subsidiary companies	105	128
	129	134

The amount added to (2010 credited against) opening accumulated losses of the Company in respect of share options was

	2011 £000	2010 £000
Total charge for the year	129	134
Amount expensed in prior years in respect of options now lapsed	(151)	(58)
	(22)	76

The expense of subsidiaries of the Company, net of the amount expensed in prior years in respect of options which expired in the year, has been accounted for as a capital contribution or reduction to the cost of investment in those subsidiaries with a corresponding increase or decrease in opening reserves as set out in note 6 – "Investments and loans to subsidiaries"

The reduction in the cost of the investment (2010 contribution to cost of investment) was

	2011 £000	2010 £000
Share option expense of subsidiary companies	105	128
Amount expensed in prior years in respect of options now lapsed	(151)	(58)
	(46)	70

11 Notes to the cash flow statement

Net cash outflow from operating activities

	2011 £000	2010 £000
Profit/(loss) before and after taxation	1,195	(904)
Adjusted for		
Investment revenues	(15)	(4)
Increase in other receivables	(143)	(135)
(Decrease)/increase in trade and other payables	(59)	278
Share based payment	24	4
Revaluation of loan to subsidiary	(2,732)	–
	(1,730)	(761)

Notes to the Company financial statements

year ended 31 December 2011

12 Financial instruments

General

The Company is a holding company for investments and does not trade. The Company's accounting policies with regard to financial instruments are detailed in note 3. The Company does not use financial instruments for speculative purposes. Details of the Group's policies on financial risk management, certain of which are also relevant to the Company, are included in note 28 to the Group financial statements, except where detailed below.

Foreign currency risk management

The Company's functional currency is United Kingdom pounds ("Sterling"). All material assets and liabilities are denominated in Sterling except for loans made to certain of its subsidiaries in United States dollars. Loans to subsidiaries in United States dollars are revalued into Sterling at each balance sheet date and the profit or loss on revaluation recognised in the profit and loss account of the Company. The Company considers that because loans to subsidiaries are interest free and have no fixed date of repayment they are equity in nature. Accordingly, any gain or loss on revaluation of loans to subsidiaries in United States dollars is not hedged. A 10 per cent strengthening of Sterling against the United States dollar at 31 December 2011 would have resulted in a credit to the Company's profit and loss account of £1.6 million. The Company has been financed by sales of shares denominated in Sterling and its income and expenses are also denominated in Sterling.

Loans to subsidiaries

The Company has made loans to its subsidiaries in both United Kingdom pounds and United States dollars. These loans are interest free and with no fixed term for repayment. The recoverability of these loans is dependent on the future ability of each relevant subsidiary to generate sufficient funds to repay its loan. Alternatively, these loans may also be repaid out of the proceeds of any future sale of each relevant subsidiary. At the balance sheet date there were amounts receivable from subsidiary companies of £39,136,000 (2010: £32,036,000). The carrying amount of these assets approximates to their fair value. There are no past due or impaired receivable balances (2010: £nil).

13 Commitments

Acquisition of Akmola Gold LLP

The Company is committed to spend £1.6 million on the acquisition of Akmola Gold LLP once the necessary permissions have been obtained from the government of Kazakhstan.

14 Post balance sheet events

Issue of new ordinary shares

On 1 February 2012, the Company announced that it was proposing to raise up to £5.8 million through the issue of 177,507,699 new ordinary shares by way of a firm placing. The issue price was 3.25 pence per ordinary share. The Company announced that the funds raised from the share placing together with the £1.9 million from the share subscription by the European Bank for Reconstruction and Development (see below "Investment by European Bank for Reconstruction and Development") would be used as follows: (a) £1.9 million for payment to the vendors of Akmola Gold LLP and associated costs, (b) £1.6 million for payment of a fine and associated costs resulting from the tailings dam leak, and (c) £3.8 million was for working capital including repayment of a working capital loan from Alfa bank. The directors subscribed for a total of 142,308 new ordinary shares.

The firm placing was approved at a general meeting of the Company held on 17 February 2012. Further to the placing 177,507,699 new ordinary shares in the Company were allotted raising gross proceeds of £5.8 million and £5.4 million net of expenses of £0.4 million. The shares were admitted for trading on 20 February 2012. Following the firm placing, the Company had a total of 920,926,805 ordinary shares in issue.

European Bank for Reconstruction and Development investment

On 1 February 2012, the Company announced that it had agreed heads of agreement with the European Bank for Reconstruction and Development ("EBRD") for EBRD to make an investment in the Company. The proposed investment was approximately 58.8 million new ordinary shares of 3.25 pence each. It was also proposed that EBRD would be issued with warrants over up to 30 million ordinary shares.

Notes to the Company financial statements

year ended 31 December 2011

On 23 February 2012, a subscription agreement and warrant instrument were entered into with the EBRD. The principal terms of the agreements are as follows

Subscription agreement

- 58,794,708 new ordinary shares would be issued to EBRD at 3.25 pence per share for a total consideration of £1.9 million
- The funds shall only be applied to developing the Sekisovskoye project in accordance with the business plan agreed between the Company and EBRD

Warrant instrument

- EBRD will be issued with non-transferable warrants over 30 million ordinary shares
- The warrants are exercisable at any time before the earlier of (i) 21 February 2014 and (ii) if the closing price per ordinary share exceeds 6.5325 pence for a period of 20 consecutive trading days during that two year period, 45 days from the date on which the Company notifies EBRD that this condition has been met. In either case, any warrants not exercised within the relevant period will lapse
- The warrants are exercisable in whole or in tranches of no less than 5,000,000 warrants (or, if less, the amount of warrants unexercised as at the relevant date)
- The exercise price of the warrants is 4.875 pence (7.70 cents) per ordinary share (representing a 50 per cent premium to the price of the ordinary shares to be issued to EBRD under the subscription agreement above)

The agreements were conditional upon the Company satisfying certain conditions. On 11 April 2012, the Company announced that the conditions had been satisfied and that the £1.9 million consideration for the share subscription had been received. The shares were admitted for trading on 20 April 2012. Following the issue of the new ordinary shares to EBRD, the Company had a total of 979,721,513 ordinary shares in issue.

Acquisition of Akmola Gold LLP

At the date of signing the financial statements, the acquisition of Akmola Gold LLP had not been completed. The completion of the transaction was awaiting certain approvals from the Government of Kazakhstan as a condition of completion. Included in trade and other receivables are advances to Akmola Gold LLP of £0.9 million and legal fees incurred of £0.9 million. If the acquisition of Akmola Gold LLP does not complete, these other receivables and prepayments totaling £1.8 million will be expensed.

Notice of annual general meeting and company information

Notice of annual general meeting

NOTICE IS GIVEN that an annual general meeting of HAMBLEDON MINING PLC (the "Company") will be held at the offices of Fairfax I S PLC at 46 Berkeley Square, Mayfair, London W1J 5AT, United Kingdom on Friday 29 June 2012 at 9 30 a m for the purposes of considering and, if thought fit, passing the following resolutions

- 1 To consider and adopt the audited accounts of the Company for the year ended 31 December 2011 and the directors' report and auditors' report on them
- 2 To approve the directors' remuneration report for the year ended 31 December 2011
- 3 To reappoint Nicholas Bridgen, who retires by rotation at the meeting, as a director of the Company
The biography of Nicholas Bridgen appears on page 10
- 4 To reappoint Baurzhan Yerkeyev, who retires by rotation at the meeting, as a director of the Company
The biography of Baurzhan Yerkeyev appears on page 10
- 5 To reappoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting before which accounts are laid and to authorise the directors of the Company to determine the auditors' remuneration
- 6 To authorise the directors of the Company (the "Directors") generally and unconditionally pursuant to section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into such shares in the Company ("Rights")
 - 6 1 up to an aggregate nominal amount of £326,573 84, and
 - 6 2 comprising equity securities within the meaning of Section 560 of the Act, up to an aggregate nominal amount of £653,147 68 (after deducting from such amount any allotments or grants made under the authority conferred by virtue of resolution 6 1) in connection with or pursuant to an offer or invitation by way of a rights issue (as defined below),

provided that such authorities shall expire on the earlier of the date falling six months from the expiry of the Company's current financial year and the date of the next annual general meeting of the Company after the passing of this resolution (unless varied, revoked or renewed by the Company in general meeting), save that the Directors may before the expiry of the authorities granted by this resolution make any offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares and grant Rights in pursuance of any such offer or agreement as if the authorities conferred by this resolution had not expired and the authorities granted by this resolution are in substitution for all previous authorities granted to the Directors to allot shares and grant Rights which (to the extent that they remain in force and unexercised) are revoked but without prejudice to any allotment or grant of Rights made or entered into prior to the date of the passing of this resolution 6

For the purpose of this resolution 6 and resolution 7 1, "rights issue" means an offer or invitation to (i) holders of ordinary shares in proportion (as nearly as may be practicable) to the respective numbers of ordinary shares held by them on the record date for such allotment, and (ii) persons who are holders of other classes of equity securities if this is required by the rights of such securities (if any) or, if the Directors consider necessary, as permitted by the rights of those securities, to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable instrument) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or any other matter whatever

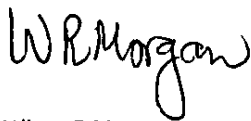
- 7 To empower the directors of the Company (the "Directors") (subject to the passing of resolution 6) pursuant to sections 570 and 573 of the Companies Act 2006 (the "Act") to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authorities conferred upon them by resolution 6 or where the allotment constitutes an allotment of equity securities by virtue of Section 560(3) of the Act, provided that this power shall be limited to
 - 7 1 the allotment of equity securities in connection with an open offer or other pre-emptive offer or issue (but in the case of the authority granted under resolution 6 2 by way of a rights issue only) to or in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or any other matter whatever, and

Notice of annual general meeting

7.2 the allotment (otherwise than pursuant to paragraph 7.1 above) of equity securities up to an aggregate nominal amount of £97,972.15,

as if section 561(1) and subsections (1)-(6) of section 562 of the Act did not apply to any such allotment, and such powers shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the earlier of the date falling six months from the expiry of the current financial year of the Company and the date of the next annual general meeting of the Company after the passing of this resolution, save that the Directors may, before the expiry of any power contained in this resolution, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired

By order of the board



William R Morgan
Company Secretary

29 May 2012

Registered office
Daws House
33-35 Daws Lane
London
NW7 4SD

Notes

1 General

This notice is the formal notification to shareholders of the Company's annual general meeting (the "Meeting"), its date, time and place, and the matters to be considered. If you are in doubt as to what action to take you should consult an independent adviser.

Resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions. Resolution 7 will be proposed as a special resolution. Resolution 2 is an item of special business.

2 Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), the Company specifies that in order to have the right to attend, speak and vote at the Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the Company's register of members at 6.00 p.m. on 27 June 2012, or if the Meeting is adjourned, at 6.00 p.m. two days prior to the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the Meeting.

3 Appointment of proxies

If you are a member of the Company at the time set out in note 2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

A proxy does not need to be a member of the Company but will need to attend the Meeting in order to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman of the Meeting) and give your instructions directly to them.

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares.

The return of a proxy form will not prevent you from attending the Meeting, speaking or voting in person if you so wish.

If a member of the Company appoints a proxy or proxies and then decides to attend the Meeting in person and vote using his poll card, then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member's entire holding, then all proxy votes will be disregarded. If, however, the member votes at the Meeting in respect of less than the member's entire holding, then if the member indicates on his polling card that all proxies are to be disregarded, that shall be the case, but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding.

Notice of annual general meeting

If you do not have a proxy form and/or believe that you should have one or if you require additional forms, please contact the Company at its registered office

4 Appointment of proxy using the proxy form

The notes to the proxy form explain how to direct your proxy to vote on each resolution or to withhold their vote. To appoint a proxy using the proxy form, the form must be

- completed and signed,
- sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, and
- received by Neville Registrars no later than 9.30 a.m. on 27 June 2012

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company, stating their capacity (e.g. director, secretary)

Any power of attorney or other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form

5 Changing or revoking proxy instructions

To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see note 4 above) also apply in relation to amended instructions, any amended proxy appointment received after the relevant cut-off time will be disregarded

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence

In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Neville Registrars Limited at the address above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of authority) must be included with the revocation notice

The revocation notice must be received by Neville Registrars Limited at the address above no later than 9.30 a.m. on 27 June 2012. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to note 3 above, your appointment will remain valid

6 Appointment of a proxy by joint members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior)

7 Corporate representatives

If a corporation is a member of the Company, it may by resolution of its directors or other governing body authorise one or more persons to act as its representative or representatives at the Meeting and any such representative or representatives shall be entitled to exercise on behalf of the corporation all the powers that the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares

Corporate representatives should bring with them either an original or certified copy of the appropriate board resolution or an original letter confirming the appointment, provided it is on the corporation's letterhead and is signed by an authorised signatory and accompanied by evidence of the signatory's authority

8 Communication

You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice of Meeting (or in any related document) to communicate with the Company for any purposes other than those expressly stated

Notice of annual general meeting

9 Documents on display

Copies of the letters of appointment of the non-executive directors of the Company will be available for inspection at the Company's registered office at Daws House, 33-35 Daws Lane, London NW7 4SD during normal business hours on any weekday (Saturdays and English public holidays excepted) from the date of this notice until the close of the Meeting and at the place of that Meeting for at least 15 minutes prior to and during the Meeting

Explanation of resolutions

Resolution number 1 – Accounts

The directors of the Company are obliged to present to shareholders the report of the directors and the accounts for the Company for the year ended 31 December 2011 and the auditors' report on those items. That report and those accounts, and the report of the Company's auditors on those accounts, are set out on pages 24 to 65 of this document

Resolution number 2 – approval of the directors' remuneration report

The shareholders are being asked to vote on the remuneration report relating to directors. This report is set out on pages 21 and 22 of this document. The vote is advisory and the directors' entitlement to remuneration is not conditional upon the resolution being passed

Resolutions number 3 and 4 – Re-election of director

At each annual general meeting one third of the directors for the time being (other than those appointed since the latest annual general meeting) are required to retire. If the number of relevant directors is not a multiple of three, the number nearest to but not less than one third of directors are obliged to retire. Directors due to retire by rotation are those who have been longest in office since their election or last re-election and as between persons who become or were last re-elected on the same day those due to retire shall (unless they otherwise agree among themselves) be determined by lot

A retiring director is eligible for re-election. Nicholas Bridgen and Baurzhan Yerkeyev retire by rotation and are offering themselves for re-election

Resolution number 5 – reappointment of auditors

The Company is required to appoint auditors at each general meeting at which accounts are laid, to hold office until the next such general meeting

The present auditors, Deloitte LLP, have indicated their willingness to stand for reappointment. This resolution, in accordance with standard practice, also authorises the directors to determine the level of the auditors' remuneration

Resolution number 6 – authority to allot shares

Resolution 6.1 grants the directors authority to allot shares up to an aggregate nominal amount of £326,573.84 (representing approximately one third of the Company's ordinary share capital in issue at 29 May 2012)

In line with guidance issued by the Association of British Insurers in December 2008, resolution 6.2 grants the directors authority to allot unissued share capital in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount of £653,147.68, as reduced by the nominal amount of any shares issued under resolution 6.1. This amount, before any such reduction, represents approximately two thirds of the Company's ordinary share capital in issue at 29 May 2012

It is not the directors' current intention to allot shares pursuant to this resolution. The authorities expire at the conclusion of the next annual general meeting of the Company or six months from the expiry of the Company's current financial year, whichever is earlier. The resolution replaces the existing authority to allot shares but does not affect the ability to allot shares under the share option schemes

Resolution number 7 – disapplication of statutory pre-emption rights

This resolution disapplies the statutory pre-emption rights which would otherwise apply on an issue of shares for cash and is limited to allotments in connection with rights issues and certain other pre-emptive issues, and otherwise up to an aggregate nominal amount of £97,972.15 (representing approximately 10 per cent. of the Company's ordinary share capital in issue at 29 May 2012). This power replaces the existing disapplication of pre-emption rights and expires at the conclusion of the next annual general meeting of the Company or six months from the expiry of the Company's current financial year, whichever is the earlier

Company information

Directors	George Eccles, Non-executive chairman Timothy Daffern, Chief executive Nicholas Bridgen, Non-executive director Baurzhan Yerkeyev, Executive director
Secretary	William Roy Morgan B Sc ACA
Registered office	Daws House 33 – 35 Daws Lane London NW7 4SD Telephone +44 (0) 870 111 8778
Web	www.hambleton-mining.com
Kazakhstan office	10 Novostroyevskaya Sekisovskoye Village Kazakhstan Telephone +7 (0) 72331 27927 Fax +7 (0) 72331 27933
Nominated adviser and broker	Fairfax IS PLC 46 Berkeley Square Mayfair London W1J 5AT Telephone +44 (0) 207 598 5368
Investor relations	Charles Zorab Telephone +44 (0) 207 233 1462
Auditors to the group	Deloitte LLP 2 New Street Square London EC4A 3BZ Deloitte LLP Almaty Financial District Building B 36 Al Farabi Avenue Almaty, 050059 Kazakhstan
Registrars	Neville Registrars 18 Laurel Lane Halesowen West Midlands B63 3DA Telephone +44 (0) 121 585 1131
Bankers	Natwest Bank plc London City Commercial Business Centre 7th Floor, 280 Bishopsgate London EC2M 4RB

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