PRESS INFORMATION **28 May 2012**

HAMBLEDON MINING PLC
(AIM:HMB)

Final results
(All references to "$" are to the United States dollar, "c" to the United States cent and "ounces" are to troy ounces)

Hambledon Mining plc ("Hambledon" or the "Group" or the "Company"), the gold mining, exploration and development company based in Kazakhstan, today announces its final audited results for the year ended 31 December 2011. A copy of this announcement will be available on the Company's website - www.hambledon-mining.com.

FINANCIAL

- Group reports its results in United States dollars for the first time.
- Loss after taxation from continuing operations and before charge for tailings dam 3 incident of $1.6 million (2010: profit of $3.0 million).
- Charge for tailings dam 3 incident of $7.8 million resulting in loss after taxation from continuing operations for 2011 of $9.4 million.
- Capital expenditure of $14.4 million (2010: $4.9 million).
- Cash of $1.8 million (2010: $0.9 million) at year end with loan facility of $2.0 million still available for use (of which $1.0 million was drawn down at 31 December 2011) and European Bank of Reconstruction and Development ("EBRD") loan of $15.0 million being completed.
- Raised $11.5 million (net of expenses) in early 2012 through placing of shares and $3.0 million investment from EBRD.

OPERATIONS AND DEVELOPMENT

- 20,851 oz gold poured (2010: 22,802 oz).
- Mined ore up 2.5 per cent., milled ore up by 4.5 per cent but ore grade declined by 7.7 per cent.
- Open pit stripping ratio 6.5 to 1 (2010: 5.3:1) due to remnant waste stripping.
- Underground mining commenced in November 2011.
- Acquisition of Akmola Gold remains conditional upon certain approvals from the Government of Kazakhstan.

Tim Daffern, Chief Executive of Hambledon Mining plc commented:

"The difficulties of the tailings dam 3 incident overshadowed the Company's business activities in 2011, despite not causing any long term pollution. A higher than normal amount of waste was removed to catch up on stripping, substantial refurbishment of the mineral process plant was completed and underground mining commenced ahead of schedule and under budget. The works in 2011 followed a disciplined approach to provide a solid platform from which the Company can further develop a sustainable underground operation. The proposed acquisition of Akmola Gold LLP would add substantially to the future growth in gold production"

The annual general meeting of 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 09.30 a.m. The annual report of the Company for the year ended 31 December 2011 will be posted to shareholders on or before 6 June 2012 and will then be available on the Company's website.

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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 $9.4m (2010 profit of $3.0m) with revenue of $33.3m (2010 revenue $29.0m). 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 $13.9m 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 $11.5m 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 Hambledon. 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 Hambledon $10.0m as a first tranche, with the second tranche of $5.0m 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.

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 level of fines paid by our 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

25 May 2012

Chief executive's review

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 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 gold grade fed to the process plant with commensurate reductions in process plant gold recovery and gold produced for sale.

This resulted in increases in efficiency and cost reductions in mining operations. The consequence of the removal of the remnant waste has been a reduction in gold grade fed to the process plant with commensurate reductions in process plant gold recovery and gold produced for sale.

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. The 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 machinery 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 the 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 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 continues 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 is 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 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 civil 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. However, whether this can be finally achieved is uncertain.

The remediation of tailings dam 3 has commenced and works are expected to be complete 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.
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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 will enable this strategy to be executed.

Corporate social responsibility

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 Hambledon 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. Hambledon 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.

Hambledon – growth strategy

The Hambledon 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 Akmola 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 Akmola Gold LLP properties is set out below:

Akmola 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 Hambledon are offering, and on certain other required consents.

Tellur
Tellur is a high grade underground mine containing approximately 260,000 tonnes 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 doré 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 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 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 precident. 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$= KTG	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 only 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 failures 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 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.

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 rotary air blast ("RAB") 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 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 was undertaken in 2011 with some 13,250 metre 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**

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**

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 Indicated[1+2] and Inferred[1+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**

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Mineable reserves

Table 3
Open pit mineable reserves at 31 December 2011.

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

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

The open pit 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 percent; 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)[a]	Ag (g/t)	Contained metal (oz)[a]	Au cut-off (g/t)
Probable	0.5	0.73	9,857	1.47	219,849	0.5 to <0.8

Note a: The open pit stockpile 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 Hambledon 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)[A]	Ag (g/t)	Contained metal (oz)[A]	Au cut-off (g/t)
Probable	1.87	5.29	267,157	7.6	383,817	2.0

Note A: The underground 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.

Glossary of technical terms used

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 mineral 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., FAusIMM, 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., FAusIMM, 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 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.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. 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 US$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.

Group income statement
year ended 31 December 2011

	Notes	2011	2010 restated*
		$000	$000
Continuing operations			
Revenue		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	3	(7,757)	-
Operating (loss) / profit		(10,210)	4,022
Investment revenues		25	12
Other losses		(77)	(192)
Finance costs		(317)	(524)
(Loss) / profit before taxation		(10,579)	3,318
Taxation benefit / (charge)	4	1,157	(280)
(Loss) / profit from continuing operations		(9,422)	3,038
Discontinued operations			
Profit / (loss) for the year	5	1,500	(73)
(Loss) / profit attributable to equity shareholders		(7,922)	2,965
(Loss) / profit per ordinary share			
Continuing operations			
Basic	7	(1.37)c	0.59c
Diluted	7	(1.37)c	0.59c
From continuing and discontinued operations			
Basic	7	(1.15)c	0.57c
Diluted	7	(1.15)c	0.57c

* see note 2

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

* see note 2

Group balance sheet
31 December 2011

	2011	2010 restated*	2009 restated*
	$000	$000	$000
Non-current assets			
Property, plant and equipment	31,793	23,559	24,488
Inventories	4,177	5,841	-
Other receivables	399	-	-
Deferred tax asset	978	-	-
Restricted cash	239	161	65
	37,586	29,561	24,553
Current assets			
Inventories	11,061	5,821	7,931
Trade and other receivables	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	(5,994)	(2,348)	(2,269)
Other financial liabilities	(282)	(282)	(280)
Provisions	(7,640)	(195)	-
Borrowings	(1,000)	-	-
	(14,916)	(2,825)	(2,549)
Net current assets	6,312	8,697	10,630
Non-current liabilities			
Trade and other payables	-	-	(749)
Other financial liabilities	(1,501)	(1,712)	(1,233)
Deferred taxation	-	(492)	(218)
Provisions	(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	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

* 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	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 option	-	-	-	(241)	-	241	-
Currency translation differences on foreign currency net investments	-	-	-	-	98	-	98
Shares issued	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

* see note 2.

Group cash flow statement
year ended 31 December 2011

	2011	2010 restated*
	$000	$000
Net cash inflow from operating activities	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	(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	13,849	-
Drawdown of bank loans	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 rates changes	-	(62)
Cash and cash equivalents at end of the year	1,763	959

* see note 2

Notes

1 General information

Hambledon Mining plc (the "Company") is a company incorporated in England and Wales. The address of the registered office is Daws House, 33-35 Daws Lane, London, NW7 4SD. The principal activities and place of business of the Company and its subsidiaries ("the Group") are set out in the Chairman's statement and the Chief executive's review above.

2 Basis of preparation of financial information

The financial information set out above, which was approved by the Board on 25 May 2012, has been compiled in accordance with International Financial Reporting Standards ("IFRS"), but does not contain sufficient information to comply with IFRS. The Company expects to distribute its full financial statements that comply with IFRS in June 2012.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2011 but is extracted from those accounts. The Company's statutory accounts for the year ended 31 December 2011 will be filed with the Registrar of Companies following the Company's annual general meeting. The independent auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying those accounts and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. The Company's statutory accounts for the year ended 31 December 2010 have been filed with the Registrar of Companies. The independent auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying those accounts and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

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 Stated 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 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 the presentational currency on the result for the 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 dates 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	**2009**
	£1=$	**£1=$**
Average rate	1.55	1.56
Closing rate	1.55	1.59

The financial statements have been prepared under the historical cost convention. The accounting policies are consistent with those adopted and disclosed in the Group's annual financial statements for the year ended 31 December 2010.

3 *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	Payable in 2012	Total cost
	$000	$000	$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	-	1,052	1,052
	375	7,382	7,757

A short term provision has been established for those amounts payable in 2012. As a result of the tailings dam leak, the Group has also contracted with the Government of Kazakhstan to spend an additional $4.1 million on the construction of a paste plant.

4 *Taxation*

An analysis of the taxation (benefit) / charge is as follows:

	2011 $000	2010 $000
Current taxation	313	-
Deferred taxation	(1,470)	280
Total taxation (benefit)/ charge	(1,157)	280

5 *Discontinued operations*

During the year ended 31 December 2008, TOO Ognevka ("Ognevka") ceased production of copper and other metal concentrates at its plant in North 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 for approximately Kazakh tenge 265 million. 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.

6 *Dividends*

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

7 *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.

8 *Post balance sheet events*

8.1 *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 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.

8.2 *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 58.8m 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.

On 23 February 2012, a subscription and warrant instrument was entered into with the EBRD. The principle 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 Sekisovkoye project in accordance with the business plan agreed between the Company and EBRD

Warrant instrument

- EBRD will be issued with non-transferrable 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 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 to trading AIMb 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.

8.3 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 ("Seki") entered into a loan agreement with EBRD. The agreement is conditional upon certain conditions being satisfied. The principal terms of the loan once in operation will be as follows:

- Total amount of the loan is $15 million in two tranches to AKB and Seki, on a joint and several basis, repayable in quarterly installments 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 certain performance condition for the underground mining operation at Sekisovskoye is met.

- The loan is available for drawdown following registration of the security until 21 February 2014.

- Interest on drawn amounts will be charged at a rate of three months LIBOR plus seven per cent. per annum.

At the date of signing the financial statements, the only condition outstanding was the registration of the security.

8.4 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 totalling $3.0 million will be expensed.

9 Annual general meeting

The annual general meeting of 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 09.30 a.m.

Company Information

Directors	George Eccles *Non-executive chairman* Timothy Daffern *Chief executive* Nicholas John Bridgen *Non-executive director* Baurzhan Yerkeyev *Executive director*
Secretary	William Roy Morgan B. Sc. ACA
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Nominated Advisor and Broker	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT Telephone: +44 (0) 207 598 5368
Investor relations	Charles Zorab Telephone: +44 (0) 207 233 1462
Registrars	Neville Registrars 18 Laurel Lane Halesowen West Midlands B63 3DA Telephone: +44 (0) 121 585 1131