Hambledon Mining plc

Annual Report & Accounts 2010

Contents

Hambledon Mining plc

Hambledon 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.

- Net attributable profit of £1.9 million.
- Cash flow from operating activities of £2.4 million.
- Capital expenditure in 2010 of £3.2 million mainly on the Sekisovskoye underground mine.
- Cash of £0.6 million at 31 December 2010 with loan facility of $2.0 million available.
- £8.6 million raised in March 2011 to upgrade Sekisovskoye site infrastructure.
- 22,410 ounces of gold produced in 2010.
- Sekisovskoye underground mine start-up scheduled for December 2011.
- 25,000 metre drilling programme commenced with encouraging initial results on underground resource.
- Phase one of Sekisovskoye winterisation successfully completed.

Chairman's statement

"I am pleased to announce our financial results for the twelve months to 31 December 2010."

Review of 2010 and 2011 to date

In the twelve months to 31 December 2010, the Group recorded a profit before taxation of £2.1 million (2009: loss £0.2 million) with revenue of £18.8 million (2009: £12.8 million). This was achieved despite the very poor start to the year when production was severely impacted by the coldest winter weather experienced in Kazakhstan in recent memory. As I stated in last year's annual report, it was pleasing to note the improvement in production thereafter and that this improvement continued throughout the year. This enabled us to report a record number of ounces of gold produced (22,410 oz). This was achieved in parallel with other improvements being made to the operations. The average gold price received for our gold in 2010 was $1,295 per ounce (2009: $974 per ounce).

Among other highlights, we welcomed Tim Daffern as our new chief executive officer in November 2010. Tim is a mining engineer with over 20 years experience in minerals engineering and operational management. His arrival has led to considerable change in many aspects of the business. Your board was pleased that Nick Bridgen, the former chief executive officer and founder of the Group, remains as a non-executive director. The Group will continue to benefit from his intimate knowledge of the operation and the intricacies of operating in Kazakhstan.

We were very pleased to see the support of shareholders for our firm placing and open offer announced in February 2011, both of which were oversubscribed. Net receipts were £8.6 million which will be used to upgrade the site infrastructure, improve overall efficiency and reduce operating costs by an estimated US$120 per ounce.

Operations

Sekisovskoye has enjoyed more consistent production thanks to improvements in both the mining operation and our processing plant. We acquired some ore from third parties during the year and although this turned out to be small tonnage, it was worthwhile in terms of profitability. Phase one of the winterisation programme has been a success, as witnessed by our improved first quarter 2011 results. The chief executive's review comments more fully on specific aspects but we are now well placed to realise the potential at Sekisovskoye. The underground development is proceeding and we are currently conducting a large drilling programme to delineate and prove the underground deposit. The first results of this have been announced and we look forward to releasing regular results as we proceed throughout this year.

Outlook

There is undoubtedly much about which to be optimistic as we look forward to the rest of this year and beyond. Kazakhstan remains a good place to do business and the re-election of president Nursultan Nazarbayev in March, 2011 has helped to ensure continued stability. With an experienced and almost wholly local workforce, we are able to exploit opportunities to expand our business by acquiring or developing other Kazakh gold mining assets – something which we referred to in our circular to shareholders in March this year. In the short term, we look forward to continuing the progress of the underground development whilst the open pit provides us with good cash flow at a steady production rate. The high gold price is, of course, helpful but it will be our ability to reduce costs and develop our resources and, ultimately, reserves which will determine the true value of your company.

This is the last year that we will be reporting in pounds sterling. In future, we will report in United States dollars, the currency in which the Group receives its revenue and which is more stable against the Kazakhstan tenge. This will reduce the effects of currency exchange rate movements on our accounts and simplify our reporting. It is also the reporting currency of many of our peers. I hope that shareholders will welcome this change.

Finally, I wish to pay tribute to the hard work of the staff, management and my colleagues on the board for their unstinting efforts to help improve the business in all aspects. I look forward to reporting further progress over the months to come.

George Eccles

George Eccles
Chairman
3 May 2011

Chief executive's review

"Hambledon is a company with exciting prospects which I look forward to sharing with our shareholders"

Sekisovskoye operations

After the disruptions caused by the severely cold weather in the first quarter, operations at Sekisovskoye maintained a steady output from May until December 2010, with production for the year of 22,410 ounces. The harsh Kazakh winter of 2009/2010 prompted the urgent execution of phase one of additional winterisation of the external crushing and screening infrastructure. Although conditions this winter were less severe, the programme underpinned an increase in production of some 70 per cent. in the first quarter of 2011, leading to an expectation of slightly raised production this year of some 26,000 ounces.

The operational statistics for 2010 and 2009 were as follows.

Mining

		2010	2009
Ore mined	t	579,579	573,206
Gold grade	g/t	1.19	1.28
Silver grade	g/t	2.20	2.39
Contained gold	oz	22,176	23,598
Contained silver	oz	41,031	43,995
Waste mined	t	3,082,000	3,165,735

Mineral processing

		2010	2009
Crushing	t	713,088	679,714
Milling	t	712,112	676,609
Gold grade	g/t	1.18	1.15
Silver grade	g/t	2.39	2.41
Contained gold	oz	27,129	25,016
Contained silver	oz	54,713	52,425
Gold recovery	per cent.	83.6	80.1
Silver recovery	per cent.	84.7	87.7
Gold poured	oz	22,802	19,575
Silver poured	oz	46,321	46,927

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 severe cold in the first quarter of 2010 constrained the utilisation of machinery and equipment and hence impacted on production. To combat this, we undertook what is seen as phase one of a winterisation programme of the external crushing and screening infrastructure. During the first quarter of 2011, this has allowed an increase of some 70 per cent. in gold production.

The mining fleet of three excavators and eight trucks was refurbished in the fourth quarter of 2010 as the open pit reached the mid-way point in its operational life. The harsh Kazakh winters inhibit machinery operation such that, at temperatures below minus 37 centigrade, the majority of mobile equipment is stood down as part of standard operating and safety procedures. A decision to expand the mining fleet was taken in the fourth quarter of 2010. A third Hitachi excavator was delivered to site early in the second quarter of 2011 to ensure that the maintenance of the machinery can be undertaken in line with the planned budget for extraction. In addition, two new Belaz 30-tonne trucks will also be purchased; these will be used for the associated activity of waste removal from the open pit and tailings dam construction works.

Tailings dam number 3 is now 80 per cent. full and construction of tailings dam number 4 is almost complete. A decision to construct the final tailings dam number 5 has been made and application for the land and permission to develop this infrastructure is underway. In the fourth quarter of 2010 it was decided to change from the current slurry deposition of tailings waste to a paste methodology. The benefits of this system are that the scale of the tailings storage facilities is greatly reduced and that all water is re-circulated within the processing plant instead of being sent to the dams. The new system will also provide paste waste for use in the underground mine as part of strata control.

Mineral processing plant

The processing facility is being developed in 2011 and 2012 to improve gold recovery, plant availability and to handle a consistent throughput of 1 million tonnes per annum. This is being achieved by the following actions:

- Reduce downtime caused by electrical disruption by installing a second high voltage transmission line, independent of third party influence.
- Replace and upgrade Chinese crushing and screening equipment with that from western sources. In addition the specification of the crushing equipment is being optimised to ensure that the particle size of the material matches the requirement of the grinding mill.
- Install equipment and instrumentation which optimises the grinding slurry density and particle size. The key to liberating the gold particles from the barren rock is to grind them to a small enough

Chief executive's review

particle size, sufficient to optimise the cyanidation process.

- Change the current manual cyanide control system to an automated system, thereby reducing the volatility in the cyanidation chemical process.

- Expand the elution (electrowinning) circuit and gold smelting furnace capacity.

- Expand the dissolved oxygen system to augment the cyanide control system and in readiness for the underground mineralised material which consumes additional oxygen, due in part to its higher gold grade and different mineralogical characteristics.

In 2013 and 2014, 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 gold bearing material. This will be achieved by:

- Adding a flotation plant between the grinding mills and the cyanide tanks, so that barren material can be removed, thus homogenising the material being treated by cyanidation and effectively increasing the plant capacity to 1.2 million tonnes per annum. The rationale for this process facility change is related to the complex geometery of the mineralised zones at Sekisovskoye which when mined using bulk mining methods will incur high levels of dilution from barren rock (waste).

- Optimising and adjusting the grinding mills to enable efficient grinding of the harder underground material.

- Transferring the ore from the underground mine to the mineral processing plant by an underground and covered conveyor system, thereby reducing ore transport costs and minimising the effects of the harsh Kazakh winter. A series of adjustments to the plant will be made to cater for this new equipment, including a series of day bins, to provide dry, covered storage for the crushed material, prior to a controlled feed system to the grinding mills.

Underground mine – developments so far

The development of the underground mine to date has been substantial with the following steps being completed in 2010.

- Refurbishment and commissioning of the '320' shaft (extending to a depth of some 120m from the surrounding ground level at 440m),

- Refurbishment and utilisation of the 320 exploration drift,

- Initiation of the 25,000 metre diamond drill programme from the 320 exploration drift, of which some 2,500 metres has been completed to date,

- Installation of ventilation equipment to allow daily working in the mine,

- Construction of mine offices, medical facilities and minor engineering workshops at the '320' shaft collar, allowing around the clock operations,

- Completion of the main decline portal and some 800 metre of decline, with attendant electrical infrastructure, explosive magazines, ventilation raise, pump station and ventilation machinery.

The drilling programme has been carried out by Company employees but the majority of the underground mine development work has been carried out by contractors. In 2011, the number of company employees will expand as we switch away from contractor-orientated development works to in-house teams and our own machinery.

Underground mine – planning

A substantial review of the underground project was undertaken in the fourth quarter of 2010. This included preliminary design work which showed that the forecast mine production rate of 500 thousand tonnes per annum could be expanded to 850 thousand tonnes per annum by use of an integrated shaft, 100 per cent. bulk mining methods and paste backfill systems.

The shaft is a key feature of the underground project infrastructure, linking the main access decline, the existing 320 mrl shaft and an ore handling system to the mineral processing plant. This provides three egress points, optimises ventilation and maximises flexibility to deploy men and machinery.

The initial mine engineering studies undertaken by AMC, Australia in 2008 are being augmented by studies undertaken by Golder Paste Technology (Europe) Limited (''Golder''). Golder have advised on the integrated waste systems, paste backfill and detailed mine engineering studies discussed above. This higher reliance on external technical consultants reduces the reliance on expatriate staff onsite.

An important aspect of the underground project is to manage the complicated geological architecture of the mineralised zones. It is anticipated that, much as occurs in the open pit operation, high levels of dilution will be commonplace. Although the majority of the mining methods selected offer operational standardisation, low costs and an ability to extract 850 thousand tonnes per annum means some dilution will be unavoidable. As such the mineral processing plant will be modified to pre-concentrate the material and sort as much waste as possible from the material fed to the cyanide plant.

It is envisaged that the underground mining machinery will be sourced from a single supplier, thereby aiming for standardisation for spare parts and developing the opportunity for lowest cost maintenance. The plan is to utilise a main European supplier and associated spare parts vendors.

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 business strategy of developing additional gold based mineral projects in Kazakhstan is likely to require a combination of surface civil engineering or open pit mining activities and it is envisaged that after refurbishment the fleet will be transferred to a new mining location in 2015.

Mineral project operations create substantial quantities of waste. At Sekisovskoye, this waste is generally environmentally benign. An integrated waste system is being introduced in 2011, so that the waste from the open pit is used for construction or is placed in a manner so as to add value to the landscape as part of the mine closure plan. The waste from the mineral processing plant will be transformed into a paste, so that it can be used in the underground project as a construction material for backfilling voids and controlling the ground conditions. The remainder will be stored in the current process plant tailings impoundment dams. The deposition of the mineral process plant waste will be in such a manner as to simplify and augment open pit mine closure and eventual mine closure.

At present a large stockpile of material is being created which has an average grade of gold of 0.73 grammes per tonne. This is below what is considered the economic cut-off grade to maximise the net present value of the project. This material will be fed to the mineral processing plant once the underground mine commences production, both to ensure continuity of production, but also to augment the increase in plant production to 1.2 million tonnes per annum which is seen as optimal for the duration of the Sekisovskoye project.

Hambledon – growth strategy

The Hambledon plan is to develop multiple gold based mineral projects in Kazakhstan. In recognition of this, the Group has discontinued the development of the Ognevka mineral processing plant which is currently in bankruptcy. Hambledon is the senior creditor and as such will seek to maximise its financial return from the bankruptcy which is expected to be concluded in the second quarter of 2011.

The Group is currently reviewing a number of opportunities in Kazakhstan that meet the Group's development strategy.

Financial

Sekisovskoye produced 22,410 ounces of gold in 2010 which was sold at an average of £825 per ounce. There were no other material items of revenue. The cost of production (including depreciation and royalty payments) was £580 per ounce (2009: £513 per ounce).

Sekisovskoye's administration costs were £1.2 million (2009: £1.4 million) and capital expenditure was £3.2 million in 2010 (2009: £2.4 million). The main item of capital expenditure was the development of the underground mine.

TOO Ognevka was placed into bankruptcy in the year and this has been treated in the financial statements as a discontinued operation. The net assets of the company had previously been written down to nil value and therefore the disposal of TOO Ognevka did not give rise to any profit or loss. The Group is a major secured creditor and should any proceeds be realised from the bankruptcy, they will be recorded within the income statement.

Corporate administration costs in 2010 were £1.7 million (2009: £1.3 million). These were mainly director and other staff salaries, professional fees and the cost of maintaining the Group's quote on the AIM Market including investor relations.

The Group prepares its financial statements in pounds sterling but the functional currency of the companies in Kazakhstan is the Kazakhstan tenge ("KZT"). The rates used to convert Kazakhstan Tenge and United States dollars into pounds sterling in these financial statements are as follows:

	2010	**2009**
£ = US$	1.55	1.59
£ = KZT	231.44	240.15
US1 = KZT	149.60	150.00

The pound sterling depreciated by approximately 4 per cent. against the Kazakhstan tenge in the year. This resulted in a currency translation gain on the Group's net investment in its subsidiaries in Kazakhstan of £0.5 million which has been 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.

Chief executive's review

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 will engage supplementary staff to augment the chief financial officer function, chief engineering role and financial administration.

The Group budget for 2011 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 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 CSR discussion, 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

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. Our corporate social responsibility ("CSR") reporting sets out a basic road map for transparent environmental and social sustainability and compliance.

Our present position and future plans

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 will carry out full social and environmental impact assessments which will identify both the negative and positive impacts, and will lead to recommendations for the implementation of measures to minimise and mitigate negatives while accentuating the positives.

We will review our health and safety policies and take any further steps necessary to ensure a 'Zero Accident' safety culture, so that safety at work and personal safety becomes second nature. Our risk analyses will be reviewed and we will monitor all workplaces to minimise the risk of occupational health issues. We will design and operate an occupational health and safety management system ("OHSMS") as part of our risk management strategy to address changing legislation and protect our workforce. As part of our employee skills programme, we will increase environmental awareness and encourage the growth of occupational skills by providing relevant on-the-job and other training. We will continue to employ the majority of our workforce from the local communities and to utilise local suppliers and businesses wherever possible.

In addition to the OHSMS we intend to initiate the design of Environmental and Quality Management Systems (EMS and QMS) and put in place appropriate audit systems to ensure compliance and provide a continuous focus on improvement in our performance in those areas. We are confident that our progress in this task will be substantial during the next and following years and will positively impact on the success of the Group in the long term.

Our community

During the past year we have effectively supported 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; installed doors and generally refurbished the Sekisovskoye kindergarten; supplied dairy products to the local orphanage; provided financial aid for Sekisovskoye pensioners in honour of "Aged People Day"; renovated Sekisovskoye's World War II memorial; and provided sponsorship of several local and district groups including the amateur theatrical group and a trip to the local district 'Olympics'. In 2011, we are developing a local community athletics club, establishing a football field and inaugurating academic prizes at the local high school. Over the coming years, we intend to maintain our contribution to local community sponsorship.

The future

The above proposals will act as a benchmark to measure our progress over the coming year and we will audit our CSR procedures on a regular basis to achieve continual improvement. We believe that we will achieve significant improvements in our CSR based performance in the coming year in all sections especially in the areas of environmental and social issues.

1 Visit by regional governor
A presentation about the Company was given to the regional governor at Sekisovskoye. The Company presented a donation of £35,000 to the regional governor for the establishment of an athletic club.

2 to 4 Local employment opportunities
The Company is providing a wide range of employment opportunities for people in Sekisovskoye village and from the surrounding area. The staff featured in the pictures are (2) an operator testing cyanide; (3) an excavator operator; (4) a front end loader operator.

Sekisovskoye gold mine

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

2 Gold and silver production
Production statistics

Gold poured	22,802 ounces
Silver poured	46,321 ounces

(year ended 31 December 2010).

3 Cyanide plant
Operator testing cyanide levels at the Sekisovskoye plant to ensure efficient gold recovery.

4 Grinding mill
One of two half million tonnes per annum grinding mills at the Sekisovskoye plant.

5 Open pit mine
Excavator loading ore into dump truck.

6 Crushed ore stockpile
Front end loader handling ore onto the high grade stockpile.

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

8 Underground portal
Decline development to the underground area is well developed.

Directors and senior management

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 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 22 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 Baurzhan Yerkeyev
Executive director
General director, TOO Altai Ken-Bayitu
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 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 Christopher Thomas
Non-executive director
Chris has been a non-executive director of Hambledon Mining plc since 2004. He has had a successful career in the advertising industry, having been a director of Abbott Mead Vickers BBDO, Managing Director of Ammirati Puris Lintas and Managing Director of Lowe Lintas. In 2002 he became CEO of Proximity London, one of the largest integrated communications companies in the UK. In 2006 Chris took on the role of Chairman and CEO of BBDO and Proximity in Asia. He is married with four children and is based in Singapore.

6 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 5 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 2009, where the boundary of the open pit and underground mine was modified reflecting increased knowledge of the boundary between the two extraction operations.

The resource model has been updated to reflect the drilling in the open pit by use of rotary air blast ("RAB") for drilling and 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. Additionally, depletion of the open pit resource due to mining activities is also reflected in the mineral resource table 1 below.

The open pit activities in 2009 and 2010 have led to the creation of a stockpile of some 0.6 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 dore production.

An extensive underground drilling resource delineation programme has been implemented in 2011. This programme is delineating the resources above and below the 300mrl. The initial results from this drilling have been positive and confirm the Soviet drill results. They have not been included in the 2010 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	2.1	1.55	99,667	2.37	152,395	0.5
Inferred	0.5	1.39	22,345	2.39	38,420	0.5
Total	**2.6**	**1.52**	**122,012**	**2.38**	**190,815**	**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 is erroneous.

There has been a substantial increase in the tonnage included in the inferred category, as more information has been gained in 2010 about the nature of the ore geometry and mineralisation. This increase in resources derives from the reconciliation of the actual excavation of high grade ores and material which is classified for stacking on to the low grade stockpile for processing at a later date.

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]	2.70	5.2	451,396	6.4	555,565	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	**15.89**	**3.53**	**1,804,685**	**4.86**	**2,480,590**	**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 is erroneous.

Note 2: During the first quarter of 2011 the exploration geological model for the underground project area will be re-modelled at 1.0 gramme per tonne to reflect the changes in operating methodology for extraction of mineralised zones and the commensurate decrease in operating costs.

Note 3: 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 Soviet geologist in 2003 who advised on their inclusion as a basis for future delineation. The correlation between the Soviet resource classification system and that of JORC has not evolved in tandem since 2003 and as such these resources may be subject to reclassification once additional resource delineation drilling is completed.

Note 4: 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 gramme per tonne Au and 2.0 grammes per tonne Au.

Mineable reserves

Table 3

Open pit mineable reserves at 31 December 2010

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)*	Ag (g/t)	Contained metal (oz)*	Au cut-off (g/t)
Probable	2.77	1.3	90,472	1.9	133,683	0.8

*Troy oz = 31.10348 grammes.

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 23.3 per cent. and a mining dilution grade factor of 0.8. These factors allow a realistic reconciliation between the geological resource model and the actual 2010 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.

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 2010

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)*	Ag (g/t)	Contained metal (oz)*	Au cut-off (g/t)
Probable	0.6	0.73	14,082	1.47	28,357	0.5 to <0.8

*Troy oz = 31.10348 grammes.

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. Mr. T Daffern has scrutinised these calculations and considers the validity of the 2009 mineable reserves to be legitimate.

Since the consultancy work was completed, parameters have changed and as such the efficacy of the mineable reserves is liable to change in 2011 dependent upon various modifying and economic factors related to the revised mine design and related engineering studies for the Sekisovskoye project. The figures set out below were determined from the mine design work undertaken in 2007 and 2008 as part of the evaluation and design work for the development of the underground project using 2.0 grammes per tonne gold cut-off grade. The 2009 mineable reserve figures were determined by the then technical director of Hambledon Mining plc, Mr. N Stevenson. On the basis of that work, additional checks have been made which using the same basis of derivation show that the current 'mineable reserves' are as set out in table 5.

Table 5

Mineable reserves using the 2007 and 2008 mine design criteria and economic basis

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)*	Ag (g/t)	Contained metal (oz)*	Au cut-off (g/t)
Probable	1.9	5.29	332,212	7.6	477,260	2.0

*Troy oz = 31.10348 grammes.

The mineable reserves have been derived in accordance with the discipline of JORC to classify underground mineable reserves. Some of the engineering calculation has been undertaken in house and some by the use of external consultant over a period of 4 years. A comprehensive set of detailed engineering studies have been commissioned with Golder Associates (UK) Limited and these engineering studies are not yet fully complete. It is expected that these detailed engineering studies will be complete in the fourth quarter of 2011.

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 2010. 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 in 2009. However, as in 2009 the exploration (JORC) geological resource model shows a higher contained gold content. The reason for this variation was investigated in 2010 and was found to be as a result of (a) the erratic nature of the gold distribution; (b) the difference between RAB and diamond core drilling; and (c) the vertical nature of the grade control drilling which at times assays mineralised material and barren material indiscriminately. In 2009 it was found that the overestimation of the geological resource in the area between 460mrl to the 420mrl was due to the Soviet channel sampling data. This data has been removed from the resource estimation models.

The channel sampling data used from the main underground adit (320mrl) has been maintained within the geological model, as the gold grades and percentage of overall samples is statistically much lower than the gold values found from the diamond drill data in the area. As such it is believed that there is no further overestimation in the underground geological model.

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

The mining activities in 2010 involved the excavation of ore from the 435mrl to the 400mrl.

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.
M.R.L. (R.L.)	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 reviewed by Golder Associates (UK) Limited ("Golder Associates") as part of on-going engineering studies relevant to the development of the Sekisovskoye underground mine project. The review by Golder Associates has determined that the mineral resource estimate is 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 site 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 48 and pages 50 to 59.

Principal activities

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

Business review

A review of the activities of the business throughout the year and up to 3 May 2011 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 (2009: nil) and the profit for the year has been deducted from accumulated losses.

Capital structure

Details of the Company's authorised and issued share capital, together with the movements for the years ended 31 December 2009 and 2010 are set out in note 24 – ''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 26 – ''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 Combined 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 £35,000 (2009: £nil). No political donations (2009: £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 3 May 2011.

George Eccles	Non-executive chairman
Nicholas Bridgen	Non-executive director
Timothy Daffern	Chief executive, appointed 5 November 2010
Neil Stevenson	Technical director, resigned 31 October 2010
Christopher Thomas	Non-executive director
Baurzhan Yerkeyev	Executive director

Nicholas Bridgen was an executive director and chief executive officer until 5 November 2010. On 5 November 2010 he resigned as chief executive officer and was appointed a non-executive director of the Company.

George Eccles retires by rotation at the next annual general meeting and, being eligible, offers himself for re-election. Timothy Daffern who was appointed a director on 5 November 2010 retires at the next annual general meeting and, being eligible, offers himself 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 2010 and their connected parties in the share capital of the Company at 31 December and on 1 May 2011 were as follows:

	1 May 2011		2010		2009	
	Number of ordinary shares	per cent	Number of ordinary shares	per cent	Number of ordinary shares	per cent
Nicholas Bridgen	88,448,936	11.90	90,198,936	17.48	90,198,936	17.48
Timothy Daffern	150,000	0.02	50,000	0.01	–	–
George Eccles	194,750	0.03	144,750	0.03	144,750	0.03
Christopher Thomas	3,722,366	0.50	3,347,366	0.65	3,347,366	0.65
Baurzhan Yerkeyev	–	–	–	–	–	–

All directors' interests are beneficially held.

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 2010 and 1 May 2011.

	1 May 2011		31 December 2010	
	Number of ordinary shares	per cent	Number of ordinary shares	per cent
Nicholas Bridgen	88,448,936	11.90	90,198,936	17.48
Gartmore Investment Management	65,544,835	8.88	43,342,588	8.40
Blackrock Investment Management	43,941,388	5.91	43,342,588	8.40
Barclays PLC	33,360,076	4.49	24,811,202	4.81
Waterhouse Securities	32,279,756	4.34	24,701,767	4.79
Majedie Asset Management	29,486,814	3.97	21,124,377	4.09
Somercourt Investments Limited	23,500,000	3.16	23,500,000	4.55

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.

Directors' report

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 31 December 2010 was 7.50p (31 December 2009: 6.88p).

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.hambledon-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 27 – "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 2011 to the date of this report are sustainable. The levels of production in 2011 are currently running approximately ten per cent. above the levels of production achieved in the same period of 2010 on an annualised basis. The Group also reported its first significant profit and net cash inflow from operating activities for the year ended 31 December 2010.

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. In March 2011, the Group raised £8.6 million net of expenses by issuing new shares by way of a firm placing and open offer. The directors believe that the Group's low level of gearing relative to the value of its assets would put it in a strong position, were any additional funding to be required.

Accordingly, at the time of approving the Group financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence 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, 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.

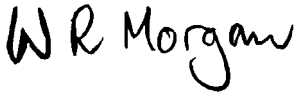
The main risks arising from the Group's financial instruments are liquidity risk, foreign exchange risk and interest rate risk. Further details are provided in note 27 of the Group financial statements and note 11 of the Company financial statements.

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

3 May 2011

Corporate governance

The directors are aware of the Combined Code on Corporate Governance published by the UK Financial Reporting Council in June 2008 (the "Combined Code") applicable to listed companies. As a company which is listed on AIM, the Company is not required to comply with the Combined 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, two executive directors, being the chief executive and executive director and two non-executive directors. 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 Combined Code recommendation for a Nominations Committee to be appropriate.

Audit committee

The audit committee comprises George Eccles (chairman) and Christopher Thomas. 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 Christopher Thomas (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

3 May 2011

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 2010.

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.

Audited information

Share option scheme

The Group has initiated a share options 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 26 – "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 2010	Granted	Cancelled	31 December 2010		From	To
Timothy Daffern	–	3,000,000	–	3,000,000	5.63	5 November 2012	4 November 2014
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
	5,250,000	–	–	5,250,000			
Neil Stevenson	250,000	–	–	250,000	14.75	29 March 2009	28 March 2011
	500,000	–	(500,000)	–	18.50	29 January 2011	28 January 2013
	3,000,000	–	–	3,000,000	5.88	26 September 2010	31 October 2011
	3,750,000	–	(500,000)	3,250,000			

All of the above share options, with the exception of one million of the three million awarded to Timothy Daffern, can only be exercised if certain performance conditions are met including gold production targets and profitable operation.

Report on directors' remuneration

Neil Stevenson resigned during the year. In accordance with the terms of the share options, options which have vested at the time of resignation of an employee can be exercised up to six months following the employee's resignation. This period was extended to one year.

The performance conditions for the 1,000,000 and 250,000 options exercisable at 14.75 pence per share held by Baurzhan Yerkeyev and Neil Stevenson respectively were not met at 31 December 2010. Accordingly, they were not exercisable during the year ended 31 December 2010.

The performance condition for the 3,000,000 options exercisable at 5.88 pence per share each held by Baurzhan Yerkeyev and Neil Stevenson was met at 31 December 2010. Accordingly, they were exercisable at 31 December 2010.

The Company's share price has ranged from 6.88p at 31 December 2009 to a high of 7.50p and a low of 3.88p during the year ended 31 December 2010 with a closing price of 7.50p at 31 December 2010.

Directors' emoluments

Amounts paid by the Group in respect of directors' services.

					2010	2009
	Basic £	Bonus[ii] £	Other[iii] £	Health insurance £	Total £	Total £
Executive directors						
Timothy Daffern*	24,889	–	–	–	24,889	–
Neil Stevenson[i]**	129,969	–	–	554	130,523	152,513
Baurzhan Yerkeyev	129,502	38,710	–	–	168,212	138,002
Non-executive directors						
Nicholas Bridgen[i]	150,075	66,000	75,625	7,462	299,162	170,970
George Eccles	39,700	–	–	–	39,700	37,810
Christopher Thomas	28,875	–	–	–	28,875	27,500
Total	503,010	104,710	75,625	8,016	691,361	526,795

* Timothy Daffern was appointed on 5 November 2010.

** Neil Stevenson resigned on 31 October 2010.

(i) Included in the amount paid to Neil Stevenson in 2010 is an amount of £109,184 (2009: £92,925) paid to Gilead Mining Industry Management Services Limited. Included in the amount payable to Nicholas Bridgen is an amount of £228,450 (2009: £nil) payable to Mineral Mining and Processing Limited.

(ii) The bonuses paid to Nicholas Bridgen and Baurzhan Yerkeyev relate to bringing the Sekisovkoye operation into commercial production in 2008 but were dependent on the Group having sufficient operational cash flows out of which to pay them. The Group only started to generate significant operational cash flow in the year ended 31 December 2010 and accordingly the bonuses became due and payable during this period.

(iii) Nicholas Bridgen was an executive director and chief executive until 5 November 2010. On that date he resigned as chief executive and agreed to become a non-executive director. As part of his agreement to transition to a non-executive role, Nicholas Bridgen agreed to continue providing executive services to support the new chief executive for a 6 month period, the total fees for which are shown as "Other" in the table above. After this 6 month period, should Nicholas Bridgen agree to provide additional services to those as a non-executive director he will be paid a daily rate of £750.

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.

By order of the board

William R Morgan
Company Secretary

3 May 2011

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.

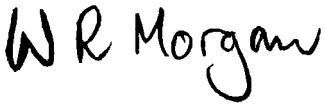
Directors' responsibility statement

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

3 May 2011

William R Morgan
Chief Financial Officer

3 May 2011

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 2010 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 29. 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.

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 2010 and of its profit 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.

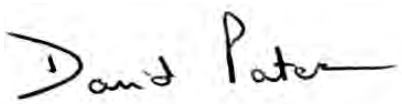
Matters on which we are required to report by exception

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 2010 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
3 May 2011

Group income statement
year ended 31 December 2010

	Notes	2010 £000	2009 £000
Continuing operations			
Revenue	5	18,795	12,810
Cost of sales		(13,230)	(10,042)
Gross profit		5,565	2,768
Administrative expenses		(2,963)	(2,670)
Operating profit		2,602	98
Investment revenues	9	8	3
Other losses	9	(124)	(41)
Finance costs	9	(339)	(249)
Profit/(loss) before taxation	10	2,147	(189)
Taxation (charge)/benefit	11	(181)	292
Profit from continuing operations		1,966	103
Discontinued operations			
Loss for the year	8	(48)	(56)
Profit attributable to equity shareholders		1,918	47
Profit per ordinary share	12		
Continuing operations			
Basic		0.38p	0.02p
Diluted		0.38p	0.02p
From continuing and discontinued operations			
Basic		0.37p	0.01p
Diluted		0.37p	0.01p

Group statement of comprehensive income
year ended 31 December 2010

	2010 £000	2009 £000
Profit for the year	1,918	47
Currency translation differences on foreign currency net investments	535	(4,608)
Total comprehensive profit/(loss) for the year attributable to equity shareholders	2,453	(4,561)

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

Group balance sheet
31 December 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Property, plant and equipment	14	15,231	15,376
Inventories	16	3,776	–
Restricted cash	21	104	41
		19,111	15,417
Current assets			
Inventories	16	3,763	4,980
Trade and other receivables	17	3,066	1,833
Cash and cash equivalents		620	1,462
		7,449	8,275
Total assets		26,560	23,692
Current liabilities			
Trade and other payables	18	(1,518)	(1,425)
Other financial liabilities	19	(182)	(176)
Provisions	21	(126)	–
		(1,826)	(1,601)
Net current assets		5,623	6,674
Non-current liabilities			
Trade and other payables	18	–	(470)
Other financial liabilities	19	(1,107)	(774)
Deferred taxation	23	(318)	(137)
Provisions	21	(833)	(821)
		(2,258)	(2,202)
Total liabilities		(4,084)	(3,803)
Net assets		22,476	19,889
Equity			
Called-up share capital	24	516	516
Share premium		33,996	33,996
Merger reserve		(148)	(148)
Other reserves		329	253
Currency translation reserve		(506)	(1,041)
Accumulated losses		(11,711)	(13,687)
Total equity		22,476	19,889

The amounts above for "Other financial liabilities" incorporate the restatement of certain prior year comparatives as disclosed in note 19.

The financial statements of Hambledon Mining plc, registered number 5048549, were approved by the board of directors on 3 May 2011 and signed on its behalf by

Timothy Daffern
Chief Executive

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

Group statement of changes in equity
year ended 31 December 2010

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Currency translation reserve £000	Accumulated losses £000	Total £000
1 January 2009	469	31,317	(148)	170	3,629	(13,846)	21,591
Share based payment	–	–	–	133	–	–	133
Lapsed share option	–	–	–	(50)	–	50	–
Other	–	–	–	–	(62)	62	–
Currency translation differences on foreign currency net investments	–	–	–	–	(4,608)	–	(4,608)
Shares issued (note 24)	47	2,767	–	–	–	–	2,814
Issue costs offset against share premium	–	(88)	–	–	–	–	(88)
Retained profit for the year	–	–	–	–	–	47	47
1 January 2010	516	33,996	(148)	253	(1,041)	(13,687)	19,889
Share based payment	–	–	–	134	–	–	134
Lapsed share option	–	–	–	(58)	–	58	–
Currency translation differences on foreign currency net investments	–	–	–	–	535	–	535
Retained profit for the year	–	–	–	–	–	1,918	1,918
31 December 2010	516	33,996	(148)	329	(506)	(11,711)	22,476

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

Group cash flow statement
year ended 31 December 2010

	Notes	2010 £000	2009 £000
Net cash inflow from operating activities	25	2,386	779
Investing activities			
Interest received		8	3
Proceeds on disposal of property, plant and equipment		2	104
Purchase of property, plant and equipment	14	(3,180)	(2,354)
Restricted cash		(63)	(18)
Net cash used in investing activities		(3,233)	(2,265)
Financing activities			
Proceeds on issue of shares	24	–	2,726
Repayment of bank loans		–	(356)
Net cash inflow from financing activities		–	2,370
(Decrease)/increase in cash and cash equivalents		(847)	884
Cash and cash equivalents at beginning of the year		1,462	513
Effect of foreign exchange rate changes		5	65
Cash and cash equivalents at end of the year		620	1,462

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

Notes to the group financial statements
year ended 31 December 2010

1 General Information

Hambledon 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 65 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 15 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 2010 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 18, 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 2010, the following new and revised standards, none of which had a material impact on the financial statements:

IFRS3 (Revised 2008)	"Business Combinations"
IAS27 (Revised 2008)	"Consolidated and Separate Financial Statements"
IFRS2	"Share Based payments – Amendments relating to group cash settled share-based payment transactions." Annual periods beginning on or after 1 January 2010
IFRS5	"Non-current assets held for Sale and Discontinued Operations – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IFRS8	"Operating Segments – Amendments resulting from April 2009 Annual Improvements in IFRSs." Annual periods beginning on or after 1 January 2010
IAS1	"Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements in IFRSs." Annual periods beginning on or after 1 January 2010
IAS7	"Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IAS17	"Leases – Amendments resulting from April 2009 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IAS27	"Consolidated and Separate Financial Statements – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IAS36	"Impairment of Assets – Amendments resulting from April 2009 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IAS39	"Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IFRIC 17	"Distribution of non cash assets to owners" Annual periods beginning on or after 1 July 2009

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:

IFRS1	"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
IFRS3	"Business Combinations – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 July 2010
IFRS7	"Financial Instruments: Disclosures – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2011
IFRS7	"Financial Instruments: Disclosures – Amendments enhancing disclosure about transfers of financial assets." Annual periods beginning on or after 1 January 2011

Notes to the group financial statements
year ended 31 December 2010

3 Adoption of new and revised standards (continued)

IFRS9	"Financial Instruments – Classification and Measurement." Annual periods beginning on or after 1 January 2013
IAS1	"Presentation of Financial Statements – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2011
IAS24	"Related Parties – Revised definition of related parties." Annual periods beginning on or after 1 January 2011
IAS32	"Classification for rights issues" Annual periods beginning on or after 1 February 2010
IAS34	"Interim Financial Reporting Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2011
IFRIC 13	"Customer Loyalty Programmes Amendments resulting from May 2010 Annual improvements to IFRSs." – Annual period beginning on or after 1 January 2011. Annual periods beginning on or after 1 January 2011
IFRIC 14 – AS19	"The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction." – November 2009 Amendments with respect to voluntary prepaid contributions. Annual periods beginning on or after 1 January 2011
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments." Annual period beginning on or after 1 January 2011. Annual periods beginning on or after 1 July 2010

The directors do not anticipate that the adoption of these standards and interpretations will have a material effect on the Group or Company.

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.

The Group's sales are the sale of the gold and silver content of gold doré. Title of the precious metal contained within the doré only passes upon a sale instruction from the Group following delivery and refining of the doré. Sales of doré are only recognised when the sale instruction has been given and title for the precious metal has accordingly passed.

The Company does not hedge or otherwise enter into any derivatives in respect of its sales of gold doré. 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 Kingdom pounds ("Sterling").

The functional and presentational 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 the Group's subsidiaries in Kazakhstan are translated into Sterling whereby their income statements are translated at the average rate of exchange for the year and their balance sheets at the closing rates 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.

Notes to the group financial statements
year ended 31 December 2010

4 Accounting policies (continued)

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

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:

Consumable stores and spares:	purchase costs on a first in first out basis.
Concentrate and 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.

Notes to the group financial statements
year ended 31 December 2010

4 Accounting policies (continued)

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.

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 within 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.

Notes to the group financial statements
year ended 31 December 2010

4 Accounting policies (continued)

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 21 – "Provisions".

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 14).
- Carrying value of provisions (note 21).
- Recognition of deferred taxation assets (note 23).

5 Revenue

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

Continuing operations	2010 £000	2009 £000
Sale of goods	18,795	12,810
Investment income	8	3
	18,803	12,813

Included in revenues from sale of goods are revenues of £18,717,000 (2009: £12,742,000) 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")

The Group's two divisions 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 are also based in Kazakhstan.

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 and 2010.

Notes to the group financial statements
year ended 31 December 2010

6 Segmental information (continued)

Year ended 31 December 2010

Income statement

	Gold Production £000	Discontinued Operations £000	Consolidated £000
Revenue	18,795	–	18,795
Cost of sales	(13,230)	–	(13,230)
Gross profit	5,565	–	5,565
Administrative expenses	(1,243)	(48)	(1,291)
Segment result	4,322	(48)	4,274
Unallocated corporate expenses			(1,720)
Operating profit			2,554
Investment revenues			8
Other gains and (losses)			(124)
Finance costs			(339)
Profit before taxation			2,099
Taxation			(181)
Profit attributable to equity shareholders			1,918

Other information

Capital additions	3,180	–	3,180
Depreciation	3,533	–	3,533

Balance sheet

Assets			
Segment assets	25,889	–	25,889
Unallocated corporate assets			671
Consolidated total assets			26,560
Liabilities			
Segment liabilities	3,661	–	3,661
Unallocated corporate liabilities			423
Consolidated total liabilities			4,084

Notes to the group financial statements
year ended 31 December 2010

6 Segmental information (continued)

Year ended 31 December 2009

Income statement

	Gold Production £000	Discontinued Operations £000	Consolidated £000
Revenue	12,810	–	12,810
Cost of sales	(10,042)	–	(10,042)
Gross profit	2,768	–	2,768
Administrative expenses	(1,415)	(56)	(1,471)
Segment result	1,353	(56)	1,297
Unallocated corporate expenses			(1,255)
Operating profit			42
Investment revenues			3
Other gains and (losses)			(41)
Finance costs			(249)
Loss before taxation			(245)
Taxation			292
Profit attributable to equity shareholders			47

Other information

Capital additions	2,355	–	2,355
Depreciation	3,061	–	3,061

Balance sheet

Assets			
Segment assets	21,192	750	21,942
Unallocated corporate assets			1,750
Consolidated total assets			23,692
Liabilities			
Segment liabilities	2,963	737	3,700
Unallocated corporate liabilities			103
Consolidated total liabilities			3,803

Notes to the group financial statements
year ended 31 December 2010

7 Staff costs

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

	2010	2009
Production	394	286
Administration	121	156
	515	442

Their aggregate remuneration comprised:

	2010 £000	2009 £000
Directors' emoluments	791	625
Employee wages and salaries	2,495	2,226
Employer social tax and national insurance	248	219
	3,534	3,070

The emoluments paid in respect of the highest paid director for the year to 31 December 2010 were £299,162 (2009: £170,970) 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 options scheme for certain of its employees and other personnel. During the year ended 31 December 2010, participating personnel were awarded 3,000,000 (2009: 300,000) 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 26 – "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. This was due to the low metallurgical recoveries being achieved and the substantial decline in selling prices during the year. Since ceasing production in 2008, Ognevka was on care and maintenance. 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:

	Year ended 2010 £000	Year ended 2009 £000
External revenue	–	–
Expense	(48)	(56)
Loss before and after taxation	(48)	(56)
Loss on disposal of discontinued operation	–	–
Net loss attributable to discontinued operation	(48)	(56)

The Group is a major secured creditor of Ognevka and is therefore entitled to any balance of proceeds arising from its liquidation after settlement of certain preferred creditors and payment of liquidation costs. At the date of approval of these financial statements, the liquidation of Ognevka had not been completed. The amount of any proceeds from the liquidation of Ognevka and the proportion for the benefit of the Group is highly uncertain. Accordingly, no amount in respect of any liquidation proceeds has been included in the financial statements for the year ended 31 December 2010.

The disposal of Ognevka did not have any material effect on the cash flows of the Group for the years ended 31 December 2009 and 2010.

Notes to the group financial statements
year ended 31 December 2010

9 Investment revenues, finance costs and other gains and losses

	2010 £000	2009 £000
Investment revenues		
Bank interest receivable	8	3
Other gains and losses		
Foreign exchange loss	(124)	(41)
Finance costs		
Interest payable on bank loan	(242)	(128)
Unwinding of discount on provisions and other financial liabilities	(97)	(121)
	(339)	(249)

10 Profit/(loss) before taxation

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

	2010 £000	2009 £000
Staff costs (note 7)	3,539	3,070
Depreciation of tangible assets	3,533	3,061
Cost of inventories recognised as expense	6,254	4,628
Fees payable to the Company's auditors for the audit of the Company's annual accounts	40	39
Auditing of accounts of associates of the Company pursuant to legislation	64	49

There were fees payable in the year ended 31 December 2010 of £13,000 (2009: £9,000) to the Company's auditors in respect of taxation advice.

11 Taxation

	2010 £000	2009 £000
Current taxation	–	–
Deferred taxation (note 23)	181	(292)
Total taxation charge/(benefit)	181	(292)

The Group does not anticipate current taxation payable for the year ended 31 December 2010 because the Company and each of its subsidiaries either incurred taxable losses or taxable profits which were extinguished by taxable losses carried forward and available for offset against future profits. There was no current taxation payable for the year ended 31 December 2009 since the Company and its subsidiaries incurred taxable losses.

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

	2010 £000	2009 £000
Profit/(loss) before taxation	2,147	(189)
Profit/(loss) for the year multiplied by the standard rate of corporation tax of 28 per cent. (2009: 28 per cent.)	600	(54)
Expenses not deductible for tax purposes	125	177
Losses (utilised)/created	(667)	1,081
Other permanent differences	253	(1,616)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(130)	120
Total taxation charge/(benefit)	181	(292)

The taxation rate used for taxation on loss on ordinary activities is the standard rate for United Kingdom corporation tax, currently 28 per cent. (2009: 28 per cent.), being the applicable rate for the parent company. In March, 2011 the United Kingdom Government enacted a reduction in this rate to 26 per cent. and has announced its intention to introduce further reductions starting in 2012. The rate applicable to the Group's subsidiaries in Kazakhstan is 20 per cent.

Notes to the group financial statements
year ended 31 December 2010

12 Profit per ordinary share

The calculation of basic and diluted earnings per share from continuing and discontinued operations is based upon the retained profit from continuing operations for the financial year of £1,966,000 (2009: £103,000) and the retained loss from discontinued operations of £48,000 (2009: £56,000).

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

	2010	2009
Basic and diluted	516,089,233	481,267,589

13 Dividends

The directors do not recommend the payment of a dividend (2009: nil).

14 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	3,451	6,326	476	12,936	2,438	25,627
Change in estimates (notes 19 and 21)	699	–	–	–	–	699
Transfers	–	1,019	48	–	(1,067)	–
Additions	–	–	18	743	1,594	2,355
Disposals	–	–	(5)	(176)	(21)	(202)
Currency translation adjustment	(644)	(1,639)	(42)	(3,075)	(598)	(5,998)
1 January 2010	3,506	5,706	495	10,428	2,346	22,481
Change in estimates (notes 19 and 21)	431	–	–	–	–	431
Transfers	–	1,222	109	–	(1,331)	–
Additions	–	287	63	701	2,129	3,180
Disposal of subsidiary	–	(694)	(221)	(917)	–	(1,832)
Disposals	–	–	–	(37)	–	(37)
Currency translation adjustment	98	155	6	367	67	693
31 December 2010	4,035	6,676	452	10,542	3,211	24,916
Accumulated depreciation						
1 January 2009	552	754	293	3,667	–	5,266
Charge for the year	476	103	142	2,340	–	3,061
Disposals	–	–	(1)	(61)	–	(62)
Currency translation adjustment	(120)	(195)	(18)	(827)	–	(1,160)
1 January 2010	908	662	416	5,119	–	7,105
Charge for the year	701	502	87	2,243	–	3,533
Disposal of subsidiary	–	(274)	(221)	(601)	–	(1,096)
Disposals	–	–	–	(28)	–	(28)
Currency translation adjustment	17	7	6	141	–	171
31 December 2010	1,626	897	288	6,874	–	9,685
Net book value						
1 January 2009	2,899	5,572	183	9,269	2,438	20,361
31 December 2009	2,598	5,044	79	5,309	2,346	15,376
31 December 2010	2,409	5,779	164	3,668	3,211	15,231

Notes to the group financial statements
year ended 31 December 2010

14 Property, plant and equipment (continued)

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. The recovery of the capitalised cost of mining property and leases is dependent on the development of the underground mine.

15 Subsidiaries

Name	Percentage held	Country of registration and operation
Directly held		
Hambledon 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 Hambledon Mining Company Limited which is an investment holding company.

16 Inventories

Non-current

	2010 £000	2009 £000
Work in progress	3,776	–

Current

	2010 £000	2009 £000
Spare parts and consumables	2,957	2,016
Work in progress	468	2,940
Finished goods	338	24
	3,763	4,980

In 2010, 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 in 2010, this ore will be processed together with ore from the underground mine subsequent to 2011.

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 £335,000 (2009: £274,000).

17 Trade and other receivables

	2010		2009	
	£000	£000	£000	£000
Trade receivables		767		299
VAT debtor		1,001		600
Other debtors	111		479	
Less other debtors provision	–	111	(459)	20
Prepayments		1,187		914
		3,066		1,833

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.

Notes to the group financial statements
year ended 31 December 2010

18 Trade and other payables

Current liabilities

	2010 £000	2009 £000
Trade creditors	949	719
Other payables and accruals	569	706
	1,518	1,425

Non-current liabilities

	2010 £000	2009 £000
Other payables and accruals	–	470

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.

19 Other financial liabilities

	2010 £000	2009 £000
Liability for historic cost	1,289	950
Current	182	176
Non-current	1,107	774
	1,289	950

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 US$3,312,000 (£2,137,000) 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 9 years.

The future costs have been converted into United Kingdom sterling at the year end rate and discounted. The discounted value of historic costs has been capitalised as Property, plant and equipment (note 14) 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.

The future historic costs have been translated at 31 December 2010 into United Kingdom sterling using an exchange rate of £1 = US$1.55 (2009: £1 = US$1.59) and discounted to its net present value.

Prior to 2010, the Group's liability for historic cost was classified in its balance sheet as a provision. From 2010, the liability has been classified as an other financial liability and the comparative amount for 31 December 2009 has been reclassified accordingly. The reclassification was as a result of an amendment to the Kazakhstan tax code in 2009, following which there is no longer any uncertainty as to the timing or amount of the payments. The amended classification would not have been relevant at 31 December 2008 and would not have had a material impact on the income statement for the year ended 31 December 2009.

Notes to the group financial statements
year ended 31 December 2010

20 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.

	2010 £	2009 £
Short term employee benefits	615,736	526,795
Other	75,625	–
Share based payment	99,670	98,222
	791,031	625,017

During the year ended 31 December 2010, £109,184 (2009: £92,925) was paid to Gilead Mining Industry Management Services Limited for the provision of the services of Neil Stevenson, a director, to Hambledon Mining plc. This is included in the total remuneration of Neil Stevenson for the year ended 31 December 2010 of £130,523 (2009: £152,513) as set out in the report on directors' remuneration on pages 21 to 22. During the year ended 31 December 2010, £228,450 (2009: £nil) was paid to Mineral Mining and Processing Limited for the provision of the services of Nicholas Bridgen, a director, to Hambledon Mining plc. This is included in the total remuneration of Nicholas Bridgen for the year ended 31 December 2010 of £299,162 (2009: £170,970) as set out in the report on directors' remuneration on pages 21 to 22.

21 Provisions

	Abandonment and restoration £000	Holiday pay £000	Total £000
1 January 2009	101	75	176
Change in estimate of provision	633	–	633
Unwinding of discount	12	–	12
1 January 2010	746	75	821
Addition	–	126	126
Unwinding of discount	65	–	65
Paid during the year	–	(75)	(75)
Currency translation adjustment	22	–	22
31 December 2010	833	126	959
31 December 2009			
Non-current	746	75	821
31 December 2010			
Current	–	126	126
Non-current	833	–	833
	833	126	959

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. However, an estimate for the cost of restoration which will be spent over the final year of the life of the mine (in 2019) has been made at £1.2 million. This 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 14) 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 2010 there was £104,000 (2009: £41,000) on deposit in the bank account maintained for restoration costs.

Notes to the group financial statements
year ended 31 December 2010

22 Borrowings

Secured borrowings at amortised cost

	2010 £000	2009 £000
Bank loan	–	–
Amount due for settlement within 12 months	–	–

The Group contracted for the loan in December 2008. It is a revolving credit facility and was denominated in Kazakhstan tenge ("TG"). 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 US$2.0 million (£1.3 million).

(iii) The interest rate was reduced to 15 per cent. for tranches of all maturity periods.

US$nil was drawn down under the facility at 31 December 2010 (2009: nil). US$2.0 million (£1.3 million) was undrawn and available at 31 December 2010 (2009: US$2 million). The carrying value of the assets pledged as security for the loan was approximately TG338 million (£1.4 million) at 31 December 2010.

The weighted average interest rate paid on the loan during the year was 15 per cent. (2009: 15.4 per cent.).

23 Deferred taxation

Deferred taxation liability

	Taxation losses £000	Accelerated taxation depreciation £000	Other £000	Total £000
1 January 2009	(263)	824	–	561
(Credit) to income	(133)	(159)	–	(292)
Currency translation adjustment	71	(203)	–	(132)
1 January 2010	(325)	462	–	137
Charge/(credit) to income	319	(87)	(51)	181
31 December 2010	(6)	375	(51)	318

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

Unrecognised deferred taxation asset

The unrecognised deferred taxation asset is as follows:

	2010 £000	2009 £000
Temporary differences	95	1,084
Taxation losses	691	1,212
	786	2,296[i]

(i) 2009 includes £843,000 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. A subsidiary in Kazakhstan has also incurred accumulated depreciation in excess of capital allowances. No deferred taxation asset has been recognised in respect of temporary differences relating to these items. The realisation of this deferred taxation asset is dependent on suitable taxable profits being earned in future periods and there is insufficient evidence that this asset will be recoverable at 31 December 2010. £240,000 of the unrecognised losses above will expire between 2017 and 2019.

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred taxation liabilities have not been recognised was £1 million (2009: nil).

Notes to the group financial statements
year ended 31 December 2010

24 Called-up equity share capital

	2010 £	2009 £
Authorised		
950,000,000 Ordinary Shares of UK pence 0.1 each	950,000	950,000

Issued and fully paid	Number	£
1 January 2009	469,189,233	469,189
Issued during the year		
Share placement	46,900,000	46,900
1 January and 31 December 2010	516,089,233	516,089

On 29 September 2009, a placing of 46,900,000 new ordinary shares at 6p per share raised £2.8 million before expenses of £0.1 million. The funds were for the development of the Sekisovskoye mine.

25 Notes to the cash flow statement

Net cash inflow from operating activities

	2010 £000	2009 £000
Profit/(loss) before taxation	2,147	(189)
Adjusted for:		
Discontinued operations	(48)	(56)
Investment revenues	(8)	(3)
Finance costs	339	249
Share based payment	134	133
Depreciation of tangible fixed assets	3,533	3,061
Increase in provisions	51	–
Increase in inventories	(2,559)	(2,007)
Increase in trade and other receivables	(1,233)	(195)
Decrease in other financial liabilities	(124)	(129)
Increase/(decrease) in trade and other payables	359	(105)
Loss on disposal of fixed assets	7	36
Foreign currency translation	30	111
Cash inflow from operations	2,628	906
Interest paid	(242)	(127)
	2,386	779

Notes to the group financial statements
year ended 31 December 2010

26 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:

	2010		2009	
	Number	WAEP pence	Number	WAEP pence
1 January	13,300,000	9.17	14,500,000	9.14
Granted during the year	3,000,000	5.63	300,000	7.00
Cancelled during the year	(500,000)	18.5	–	–
Expired during the year	(500,000)	14.75	(1,500,000)	8.50
31 December	15,300,000	8.00	13,300,000	9.17

There were no share options exercised during the years ended 31 December 2009 and 2010.

The following options were outstanding at 31 December 2010.

	Exercisable dates			
Date of grant	From	To	Number of shares	Exercise price pence
29 March 2007	29 March 2009	28 March 2011	1,400,000	14.75
29 January 2008	29 January 2011	28 January 2013	1,600,000	18.50
29 September 2008	26 September 2010	25 September 2012	9,000,000	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
			15,300,000	

The following options were exercisable at 31 December.

	2010		2009	
	Number	Exercise price pence	Number	Exercise price pence
	9,000,000	5.88	–	–

The 1,400,000 options exercisable from 29 March 2009 at 14.75p per Share were only exercisable if certain performance conditions were met. These conditions were not met and the options were not exercisable at 31 December 2009 and 2010. The performance condition of the 9,000,000 options exercisable from 26 September 2010 was met at 31 December 2010. These options were therefore exercisable at 31 December 2010. The options outstanding at 31 December 2010 had a weighted average remaining contractual life of 1.9 years (2009: 2.6 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 Hambledon Mining plc since its flotation in 2004, was used to determine the share price volatility.

Notes to the group financial statements
year ended 31 December 2010

26 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
2007	14.75	6.98	4
2008	18.50	8.35	5
2008	5.88	2.27	4
2009	7.00	2.38	5
2010	5.63	1.91	4

The Group recognised a total expense of £134,000 (2009: £133,000) in respect of the share options awarded to its senior employees.

27 Financial instruments

Policy on financial risk management

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables, trade and other payables, 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.

Capital risk management

The Group was financed by equity and debt in the year ended 31 December 2010. 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.

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 Kazakhstan tenge. Hambledon Mining plc and Hambledon 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	
	2010 £000	2009 £000	2010 £000	2009 £000
US dollars	1,506	949	1,128	611
Russian roubles	–	42	–	23
	1,506	991	1,128	634

Notes to the group financial statements
year ended 31 December 2010

27 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 2009 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 2009 and 2010 were sales of gold doré containing gold and silver. The sales proceeds for gold doré 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 doré.

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 2010 and 2009 in respect of which suppliers had defaulted on their obligations.

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

Liquidity risk

In the year ended 31 December 2009, the Group was financed from internally generated funds, bank borrowings and equity finance. The bank borrowings during the year ended 31 December 2009, were repaid before the end of the year from the proceeds of a placing of ordinary shares during 2009. 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. 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 2010

27 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 2010					
From five to ten years	–	–	–	404	404
From two to five years	–	–	–	728	728
For one to two years	–	–	–	182	182
Due after more than one year	–	–	–	1,314	1,314
Due within one year	–	1,518	126	182	1,826
	–	1,518	126	1,496	3,140
31 December 2009					
From five to ten years	–	–	–	573	573
From two to five years	–	–	–	704	704
For one to two years	–	470	75	176	721
Due after more than one year	–	470	75	1,453	1,998
Due within one year	–	1,425	–	176	1,601
	–	1,895	75	1,629	3,599

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 22 – "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.

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.

28 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.

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 2010 of £729,000 (2009: £35,000). These amounts relate to future periods and have not been provided for in these financial statements.

Notes to the group financial statements
year ended 31 December 2010

29 Post balance sheet event

On 14 March 2011, the Company announced that it was proposing to raise up to £9.1 million through the issue of up to 227,329,873 new ordinary shares by way of a firm placing and open offer. The issue price was 4 pence per share. Of the funds raised, £6.6 million were for upgrading the surface infrastructure at the Sekisovskoye mine and the balance for working capital and to accelerate the underground development at the Sekisovskoye mine. The open offer was on the basis of one new share for every ten shares held. The open offer was not underwritten.

As part of the transaction, 1.75 million existing ordinary shares held by Mr Bridgen (the former chief executive officer and now non-executive director) and his spouse were placed with institutional and other investors conditional on the completion of the firm placing. The other directors also subscribed for a total of 525,000 new ordinary shares.

The firm placing and open offer was approved at a general meeting of the Company held on 30 March 2011. Further to the placing and open offer, 227,329,873 new ordinary shares in the Company were allotted raising gross proceeds of £9.1 million and £8.6 million net of expenses of £0.5 million. The shares were admitted for trading on 31 March 2011. Following the firm placing and open offer, the Company had a total of 743,419,106 ordinary shares in issue.

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 2010 which comprise the balance sheet, the cash flow statement, the statement of changes in equity and the related notes 1 to 12. 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.

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 2010;
- 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

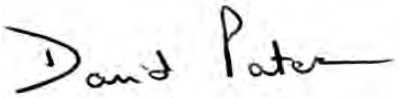
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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 2010.

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
3 May 2011

Company statement of changes in equity
year ended 31 December 2010

	Notes	Share capital £000	Share premium £000	Accumulated Losses £000	Total £000
1 January 2009		469	31,317	(490)	31,296
Shares issued	8	47	2,767	–	2,814
Issue costs offset against share premium		–	(88)	–	(88)
Share based payment	9	–	–	81	81
Retained loss for the year		–	–	(477)	(477)
1 January 2010		516	33,996	(886)	33,626
Share based payment	9	–	–	76	76
Retained loss for the year		–	–	(904)	(904)
31 December 2010		516	33,996	(1,714)	32,798

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

Company balance sheet
31 December 2010

	Notes	2010 £000	2009 £000
Non-current assets			
Investments	5	474	402
Loans to subsidiaries	5	32,036	31,931
		32,510	32,333
Current assets			
Other receivables	6	161	26
Cash and cash equivalents		498	1,360
		659	1,386
Total assets		33,169	33,719
Current liabilities			
Trade and other payables	7	(371)	(93)
Net current assets		288	1,293
Net assets		32,798	33,626
Shareholders' equity			
Called-up share capital	8	516	516
Share premium		33,996	33,996
Accumulated losses		(1,714)	(886)
Total equity		32,798	33,626

The financial statements of Hambledon Mining plc, registered number 5048549, were approved by the board of directors on 3 May 2011 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 2010

	Notes	2010 £000	2009 £000
Net cash outflow from operating activities	10	(761)	(499)
Investing activities			
Investment revenue		4	3
Net loans to subsidiaries		(105)	(1,140)
Net cash used in investing activities		(101)	(1,137)
Financing activities			
Proceeds on issue of shares		–	2,726
Net cash inflow from financing activities		–	2,726
(Decrease)/increase in cash and cash equivalents		(862)	1,090
Cash and cash equivalents at beginning of the year		1,360	270
Cash and cash equivalents at end of the year		498	1,360

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

Notes to the Company financial statements
year ended 31 December 2010

1 Basis of preparation

The financial statements of Hambledon Mining plc for the year ended 31 December 2010 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 18, 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 Hambledon Mining pic is not presented.

2 Adoption of new and revised standards

The Company has adopted, with effect from 1 January 2010, the following new and revised standards, none of which had a material impact on the financial statements:

IFRS3 (Revised 2008)	"Business Combinations"
IAS27 (Revised 2008)	"Consolidated and Separate Financial Statements"
IFRS2	"Share Based payments – Amendments relating to group cash settled share-based payment transactions." Annual periods beginning on or after 1 January 2010
IFRS5	"Non-current assets held for Sale and Discontinued Operations – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IFRS8	"Operating Segments – Amendments resulting from April 2009 Annual Improvements in IFRSs." Annual periods beginning on or after 1 January 2010
IAS1	"Presentation of Financial Statements – Amendments resulting from April 2009 Annual Improvements in IFRSs." Annual periods beginning on or after 1 January 2010
IAS7	"Statement of Cash Flows – Amendments resulting from April 2009 Annual Improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IAS17	"Leases – Amendments resulting from April 2009 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IAS27	"Consolidated and Separate Financial Statements – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IAS36	"Impairment of Assets – Amendments resulting from April 2009 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IAS39	"Financial Instruments: Recognition and Measurement – Amendments resulting from April 2009 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2010
IFRIC17	"Distribution of non cash assets to owners" Annual periods beginning on or after 1 July 2009

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:

IFRS1	"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
IFRS3	"Business Combinations – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 July 2010
IFRS7	"Financial Instruments: Disclosures – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2011
IFRS7	"Financial Instruments: Disclosures – Amendments enhancing disclosure about transfers of financial assets." Annual periods beginning on or after 1 January 2011
IFRS9	"Financial Instruments – Classification and Measurement." Annual periods beginning on or after 1 January 2013
IAS1	"Presentation of Financial Statements – Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2011
IAS24	"Related Parties – Revised definition of related parties." Annual periods beginning on or after 1 January 2011

Notes to the Company financial statements
year ended 31 December 2010

2 Adoption of new and revised standards (continued)

IAS32	"Classification for rights issues" Annual periods beginning on or after 1 February 2010
IAS34	"Interim Financial Reporting Amendments resulting from May 2010 Annual improvements to IFRSs." Annual periods beginning on or after 1 January 2011
IFRIC 13	"Customer Loyalty Programmes Amendments resulting from May 2010 Annual improvements to IFRSs." – Annual period beginning on or after 1 January 2011. Annual periods beginning on or after 1 January 2011
IFRIC 14 – AS19	"The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction." – November 2009 Amendments with respect to voluntary prepaid contributions. Annual periods beginning on or after 1 January 2011
IFRIC 19	"Extinguishing Financial Liabilities with Equity Instruments." Annual period beginning on or after 1 January 2011. Annual periods beginning on or after 1 July 2010

The directors do not anticipate that the adoption of these standards and interpretations will have a material effect on the Group or 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 Hambledon Mining plc is United Kingdom Pounds ("Sterling").

Transactions denominated in currencies other than the functional currency of Hambledon Mining pic 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.

Notes to the Company financial statements
year ended 31 December 2010

3 Accounting policies (continued)

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.

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 2010 and 2009 as follows:

	2010 £000	2009 £000
Loss before taxation	(904)	(477)
Loss for the year multiplied by the standard rate of corporation tax of 28 per cent. (2009: 28 per cent.)	(253)	(134)
Expenses not deductible for tax purposes	120	–
Surplus management charges for the year	133	134
Total taxation charge	–	–

The Company did not recognise any deferred tax assets or liabilities at 31 December 2010 or 31 December 2009. The Company had an unrecognised deferred taxation asset at 31 December 2010 in respect of excess management charges carried forward of £456,000 (2009: £323,000).

5 Investments and loans to subsidiaries

	Investments £000	Loans to subsidiaries £000
1 January 2009	321	30,791
Advances	–	1,140
Capital contribution	81	–
1 January 2010	402	31,931
Advances	–	616
Repayment	–	(511)
Capital contribution	72	–
31 December 2010	474	32,036

The loans to subsidiaries are interest free and with no fixed date for repayment.

Notes to the Company financial statements
year ended 31 December 2010

5 Investments and loans to subsidiaries (continued)

At 31 December 2010, the Company's subsidiaries were:

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

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

6 Other receivables

	2010 £000	2009 £000
Prepayments	30	26
Other debtors	131	–
	161	26

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

7 Trade and other payables

	2010 £000	2009 £000
Trade creditors	276	15
Other payables and accruals	95	78
	371	93

The carrying amount of trade and other payables approximates their fair value.

8 Called-up equity share capital

	2010 £	2009 £
Authorised		
950,000,000 Ordinary Shares of UK pence 0.1 each	950,000	950,000

Issued and fully paid	Number	£
1 January 2009	469,189,233	469,189
Issued during the year		
Share placement	46,900,000	46,900
1 January and 31 December 2010	516,089,233	516,089

On 29 September 2009, a placing of 46,900,000 new ordinary shares at 6p per share raised £2.8 million before expenses of £0.1 million. The funds were for the development of the Sekisovskoye mine.

Notes to the Company financial statements
year ended 31 December 2010

9 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:

	2010		2009	
	Number	WAEP pence	Number	WAEP pence
1 January	13,300,000	9.17	14,500,000	9.14
Granted during the year	3,000,000	5.63	300,000	7.00
Cancelled during the year	(500,000)	18.50	–	–
Expired during the year	(500,000)	14.75	(1,500,000)	8.50
31 December	15,300,000	8.00	13,300,000	9.17

There were no share options exercised during the years ended 31 December 2009 and 2010.

The following options were outstanding at 31 December 2010.

	Exercisable dates			
Date of grant	From	To	Number of shares	Exercise price pence
29 March 2007	29 March 2009	28 March 2011	1,400,000	14.75
29 January 2008	29 January 2011	28 January 2013	1,600,000	18.50
29 September 2008	26 September 2010	25 September 2012	9,000,000	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
			15,300,000	

The following options were exercisable at 31 December.

	2010		2009	
	Number	Exercise price pence	Number	Exercise price pence
	9,000,000	5.88	–	–

The 1,400,000 options exercisable from 29 March 2009 at 14.75p per share were only exercisable if certain performance conditions were met. These conditions were not met and the options were not exercisable at 31 December 2009 and 2010. The performance condition of the 9,000,000 options exercisable from 26 September 2010 was met at 31 December 2010. These options were therefore exercisable at 31 December 2010. The options outstanding at 31 December 2010 had a weighted average remaining contractual life of 1.9 years (2009: 2.6 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 Hambledon 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 2010

9 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
2007	14.75	6.98	4
2008	18.50	8.35	5
2008	5.88	2.27	4
2009	7.00	2.38	5
2010	5.63	1.94	4

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

	2010 £000	2009 £000
Expense of the Company	6,000	–
Expense of subsidiary companies	128,000	133,000
	134,000	133,000

The expense in respect of subsidaries of the Company has been accounted for as a capital contribution to the cost of investment in those subsidaries with a corresponding increase in opening reserves as set out in note 5 – "Investments and loans to subsidairies".

The amount credited against opening accumulated losses in respect of share options was:

	2010 £000	2009 £000
Total charge for the year	134,000	133,000
Amount expensed in prior years in respect of options now lapsed	(56,000)	(52,000)
	78,000	81,000

10 Notes to the cash flow statement

Net cash outflow from operating activities

	2010 £000	2009 £000
Loss before and after taxation	(904)	(477)
Adjusted for:		
Investment revenues	(4)	(3)
Increase in other receivables	(135)	(10)
Increase/(decrease) in trade and other payables	278	(9)
Share based payment	4	–
	(761)	(499)

Notes to the Company financial statements
year ended 31 December 2010

11 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 27 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. 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 United States dollar loans to its subsidiaries which 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 £32,036,000 (2009: £31,931,000). The carrying amount of these assets approximates to their fair value. There are no past due or impaired receivable balances (2009: £nil).

12 Post balance sheet event

On 14 March 2011, the Company announced that it was proposing to raise up to £9.1 million through the issue of up to 227,329,873 new ordinary shares by way of a firm placing and open offer. The issue price was 4 pence per share. Of the funds raised, £6.6 million were for upgrading the surface infrastructure at the Sekisovskoye mine and the balance for working capital and to accelerate the underground development at the Sekisovskoye mine. The open offer was on the basis of one new share for every ten shares held. The open offer was not underwritten.

As part of the transaction, 1.75 million existing ordinary shares held by Mr Bridgen (the former chief executive officer and now non-executive director) and his spouse were placed with institutional and other investors conditional on the completion of the firm placing. The other directors also subscribed for a total of 525,000 new ordinary shares.

The firm placing and open offer was approved at a general meeting of the Company held on 30 March 2011. Further to the placing and open offer, 227,329,873 new ordinary shares in the Company were allotted raising gross proceeds of £9.1 million and £8.6 million net of expenses of £0.5 million. The shares were admitted for trading on 31 March 2011. Following the firm placing and open offer, the Company had a total of 743,419,106 ordinary shares in issue.

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 Institute of Materials, Minerals and Mining, One Carlton House Terrace, London SW1Y 5DB, United Kingdom on Tuesday 21 June 2011 at 11.00 a.m. for the purposes of considering and, if thought fit, passing the following resolutions:

1 To consider the audited accounts of the Company for the year ended 31 December 2010 and the directors' report and auditors' report on them.

2 To approve the directors' remuneration report for the year ended 31 December 2010.

3 To reappoint Timothy Daffern, who was appointed on 5 November 2010, as a director of the Company.

The biography of Timothy Daffern appears on page 10.

4 To reappoint George Eccles, who retires by rotation at the meeting, as a director of the Company.

The biography of George Eccles 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 £247,806.37; and

6.2 comprising equity securities within the meaning of Section 560 of the Act, up to an aggregate nominal amount of £495,612.73 (after deducting from such amount any shares allotted 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 a further 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 such an 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 will 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 £74,341.91,

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 an 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 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

20 May 2011

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 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 19 June 2011; 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.

A vote withheld is not a vote in law, which means that any such vote will not be counted in the calculation of votes for or against the particular resolution. If no voting indication is given on the proxy form, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote or abstain from voting as he or she thinks fit in relation to any other matter which is put before the Meeting.

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

Notice of annual general meeting

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.

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 11.00 a.m. on 19 June 2011.

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 11.00 a.m. on 19 June 2011. 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.

Notice of annual general meeting

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.

9 Documents on display
The following documents 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:

- copies of the letters of appointment of the non-executive directors of the Company.

Explanations 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 2010 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 59 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 directors
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 exceeding 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. Timothy Daffern retires as he was appointed during the year ended 31 December 2010 and George Eccles retires 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 £247,806.37 (representing approximately one third of the Company's ordinary share capital in issue at 20 May 2011.

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 £495,612.73, 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 20 May 2011.

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 £74,341.91 (representing approximately 10 per cent. of the Company's ordinary share capital in issue at 20 May 2010). 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 Christopher Thomas, 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.hambledon-mining.com
Kazakhstan office	10 Novostroyevskaya Sekisovskoye Village Kazakhstan Telephone: +7 (0) 72331 27927 Fax: +7 (0) 72331 27933
Nominated adviser and broker	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT Telephone: +44 (0) 207 598 5368
Joint broker	Ambrian Partners Old Change House 128 Queen Victoria Street London EC4V 4BJ Telephone: +44 (0) 20 7634 4700
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

Designed and produced by Sterling

Hambledon Mining plc
Registered Office
Daws House
33-35 Daws Lane
London NW7 4SD
Telephone: +44 (0) 870 111 8778

www.hambledon-mining.com

Registration number 5048549