

HAMBLEDON MINING PLC YEAR ENDED 31 DECEMBER 2007

Accounting policies

Basis of consolidation

The Group financial statements comprise the financial statements of the Company and all its subsidiary undertakings. The results of subsidiaries acquired or disposed of are consolidated for the periods from or to the date on which control passed.

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". Where an acquired subsidiary is not trading and is dormant, the transaction is outside the scope of IFRS 3 and is accounted for by allocating the consideration paid to the assets and liabilities acquired by reference to their relative fair values.

Foreign currencies

The Group financial statements are presented in United Kingdom Pounds ("Sterling").

The functional and presentational currency of Hambledon Mining pic and Hambledon Mining Company Limited is Sterling. The functional currency of the Groups 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 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.

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.

Accounting policies (continued)

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

Buildings	8 per cent, per annum
Equipment, fixtures and fittings	10-20 per cent, per annum
Plant machinery and vehicles	7-30 per cent, per annum

Impairment of non-current assets

Non-current assets are assessed for impairment 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 managements expectation of future production and selling prices. Any identified impairment is charged to the income statement.

Inventories

Inventories are valued at the lower of cost or net realisable value.

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.

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.

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 Groups liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Accounting policies (continued)

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 recognized 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 recognized 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 recognized 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 realized. 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 recognized 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. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. 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 Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

Trade and other payables

Trade payables are not interest bearing and restated at their nominal value. Long term other payables are initially recorded at fair value and subsequently measured at amortized cost.

Provision for commitments and contingencies

Provisions are recognized 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 reasonably estimated.

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

Provisions for historic cost and restoration and abandonment are recognized on the bases as set out in note 18.

Accounting policies (continued)

Share based payment

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 managements best estimate for the effects of nontransferability, 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 accumulated losses.

Critical accounting judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors have made judgments that may have a significant effect on the amount recognized in the financial statements. These include:

- Recognition of deferred taxation assets
- Carrying value of intangible exploration and evaluation fixed assets
- Carrying value of property, plant and equipment
- Recoverability of VAT in Kazakhstan
- Carrying value of provisions