

Hambledon Mining plc
Principal Accounting Policies
Year ended 31 December 2007

1 Basis of accounting

The financial information has been prepared under the historical cost convention and using accounting policies consistent with International Financial Reporting Standards (“IFRS”).

2 Basis of consolidation

The consolidated 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 are trading is 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 its assets are dormant, the acquisition is accounted for using the acquisition of assets method of accounting.

3 Foreign currencies

The consolidated financial statements are presented in United Kingdom Pounds (“Sterling”).

The functional currency of Hambledon Mining plc and Hambledon Mining Company Limited is Sterling. The functional currency of the Group’s subsidiaries in Kazakhstan is the Kazakh Tenge. The financial statements of the Group’s subsidiaries in Kazakhstan are translated into Sterling whereby their profit and loss accounts 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 inter-group, 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 profit and loss account.

4 Use of estimates

The preparation of the consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5 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 profit and loss account.

6 Mining properties and leases

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

7 Depreciation and impairment

Depreciation of tangible fixed assets 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 per cent. per annum
Equipment, fixtures and fittings	10–20 per cent. per annum
Plant machinery and vehicles	7–30 per cent. per annum

The carrying values of fixed assets are periodically assessed and provided against to the extent that such expenditures cannot be recovered through successful development or by sale.

8 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.

9 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 tax 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 taxable profit will be available against which the deductible temporary differences can be utilised.

10 Investments

Investments are included at cost less amounts written off.

11 Financial instruments

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. Distributions to holders of financial instruments classified as equity are charged directly to equity. 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.

12 Provision for commitments and contingencies

Provisions are recognised when the Group has an obligation at the balance sheet date, which occurred as a result of a past event, 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 recognised as provisions but are disclosed as commitments and contingencies.

13 Share based payment

Share based payments are accounted for in accordance with IFRS 2 “Share-based payments”. The Group had not granted any equity instruments prior to 7 November 2002 and therefore IFRS 2 has been applied to all grants of equity instruments that had not vested as of the balance sheet date.

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 behavioral considerations.

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