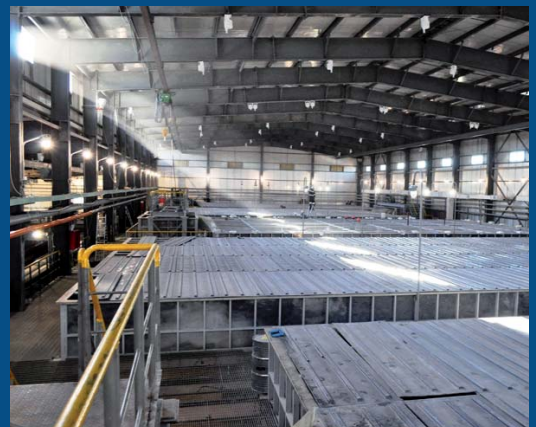


CENTRAL
ASI
METALS
PLC

Annual Report and
Accounts 2011



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Board of Directors and Company Information

DIRECTORS, SECRETARY AND ADVISERS

Board of Directors

Nigel Hurst-Brown
Non-Executive Chairman

Nick Clarke
Chief Executive Officer

Nigel Robinson
Chief Financial Officer

Howard Nicholson
Technical Director

Robert Cathery
Non-Executive Director

Dr Michael Price
Non-Executive Director

Nurlan Zhakupov
Non-Executive Director

Principal Places of Business

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Kazakhstan

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Ulaan Baatar 210646
Mongolia

Company Secretary

Tony Hunter

Registered Address

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United Kingdom

Registered number

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Company website

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Nominated Advisor

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Stockbroker

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United Kingdom

Legal Advisors

As to English law

Ashurst LLP
Broadwalk House
5 Appold Street
London EC2A 2HA
United Kingdom

As to Kazakh law

White & Case Kazakhstan LLP
117/6 Dostyk Avenue
Almaty, 050059
Republic of Kazakhstan

As to Mongolian law

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Mongolia

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Chartered Accountants and Statutory Auditors
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Public Relations

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United Kingdom

Registrars

Computershare Investor Services
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Bridge Road,
Bristol BS13 8AE
United Kingdom

Chairman and Chief Executive's Statement

Dear Shareholders

The primary focus for the Company during 2011 was the construction of a 10,000 tonne per year Solvent Extraction -Electro Winning (SX-EW) copper cathode plant at Kounrad in Kazakhstan. By 31 December 2011, the plant had reached material completion and following mechanical commissioning in the first quarter of 2012 first copper production is expected imminently within the projected capital cost of \$46.9 million.

Kazakhstan

Work commenced on the Kounrad site in late summer 2010 with the excavations for the building foundations and it has taken just 18 months to complete the overall construction phase despite the harsh winters. The CAML Board is pleased to confirm that the project has been completed well below the original capital expenditure budget of \$46.9 million. In addition, they are also extremely pleased that during construction, site personnel worked 627,000 man-hours without any lost time injuries. The Company commenced commissioning the plant in early March 2012 and the first copper cathodes are expected imminently. There will then be a phased ramp up in order to bring production to full capacity by Q4 2012.

On 9 December 2011 the Kounrad copper project was opened by the Governor of the Karaganda region and the ceremony was linked via satellite to the office of the President of Kazakhstan, Mr Nursultan Nazarbayev. This was a prestigious event within the country and provided the Company with a high profile during the country's 20 year independence celebrations. The Kounrad project has been included in the *State Programme of Innovation and Accelerated Industrial Development of Kazakhstan for 2010-2014* and is the first SX-EW plant to be built in Kazakhstan.

In late 2011, the Company was also informed by its Joint Venture Partner, SEC Sary Arka, of their intention to sell their 40% interest in the Kounrad project. The CAML Board were advised that the sale would have to be conducted through an official tender process. After discussions with SEC Sary Arka, the CAML Board concluded that it was in the best interests of the Company and its shareholders to waive its statutory rights in relation to the purchase of the 40% interest in Kounrad and not participate in the tender.

Recognising the need for a strong Kazakhstan based partner, the CAML Board entered into discussions with JSC SAT & Company (collectively with its subsidiaries, the "SAT Group") who had expressed an interest in acquiring this 40% stake. In January 2012, an agreement was reached whereby CAML would acquire this 40% from the SAT Group should they be successful in the tender process. The agreed consideration is the issue of 8,616,593 ordinary shares in the Company. CAML has now been informed that the SAT Group won the tender process and consequently, the transaction is currently undergoing due legal process in Kazakhstan.

Looking to the future, the Company has commenced dump leach testwork on the sulphide dumps situated on the western portion of our licence area and this data will enable the Board to make a decision by the end of 2012 on a potential second SX-EW plant to significantly increase copper production. During the year the sale of the Tochtar gold project was also finally concluded.

Mongolia

During the summer of 2011, CAML conducted a targeted drilling programme at Alag Bayan. Three holes were drilled to a combined total depth of 2,419 metres but no economic mineralisation was located. Subsequently, a further target area was identified which is currently being drilled by Ibex Mongolia LLC (formerly Govi-Ex Mongolia LLC) with assay results expected in April 2012. Ibex have an earn-in agreement with the Company for the Alag Bayan licence.

During 2011, the Company took the strategic decision to sell the Handgait exploration project following on from a limited drilling programme on site. The Ereen gold project also remains for sale and the CAML Board has appointed Cutfield Freeman & Co to oversee the sale process for both assets.

Financing

The Company started the year with \$47.4 million of cash in the bank being sufficient funds to complete the construction of the Kounrad SX-EW plant in Kazakhstan. Capital expenditure on the project and general overheads have been tightly controlled over the course of the year in order to ensure that Company can achieve its objectives without further recourse to additional finance. As at 31 December 2011, the Company still had \$16.3 million of cash in the bank.

Outlook

Forecast copper production for 2012 is 5,000 tonnes rising to 10,000 tonnes in 2013. It is hoped that the company should generate sufficient cash from the production of copper at Kounrad for the investment in new projects and potentially for the commencement of the payment of dividends to shareholders.



Nigel Hurst-Brown
Chairman



Nick Clarke
Chief Executive Officer

Operating Review

Central Asia Metals plc (“CAML” or the “Company”) has interests in copper, gold and molybdenum mineral assets in Kazakhstan and Mongolia. Both of these countries border and enjoy positive relationships with China and Russia. They have stable governments and have benefited from progressive trade policies over the past decade which have delivered strong economic growth during that period.



Kazakhstan

- Ninth largest and the largest landlocked, country in the World, equivalent in size to Western Europe.
- Significant progress made towards developing as a market economy post the breakdown of the former Soviet Union.
- Credit risk rating of 'BBB+' and a stable outlook (Standard & Poors).
- Extensive mineral and metal resources in the country – in top ten in the World for copper reserves.
- Averaged 8% growth per annum since 2000.
- **CAML has just completed the construction of a 10,000 tonnes per annum SX-EW plant at the site of the former Kounrad copper mine.**
- **Copper will be produced by the in-situ leaching of the oxide and sulphide dumps created by over 70 years of mining at the Kounrad open pit mine.**
- **The cathode copper produced from an SX-EW process will be low cost by world standards and the facility is expected to be in the lowest quartile of world producers from the C1 cash cost of production.**
- **The Company has recently closed its office in Almaty and moved all staff in country to Balkhash close to the mine site. CAML has had an office here since the commencement of the project in 2007. It currently employs 277 people at Kounrad.**

Mongolia

- Nineteenth largest and second largest landlocked, country in the World.
- Extensive mineral deposits including copper, coal, molybdenum, tin, tungsten and gold.
- Largest trading partner is China, which accounts for over two-thirds of all exports.
- The country is taking progressive steps towards becoming a free market economy.
- **CAML has three exploration opportunities in Mongolia.**
- **Ereen and Handgait are currently held for sale.**
- **The third exploration opportunity, Alag Bayan, is a prospective copper/gold porphyry target in the southern Gobi and exploration works will continue.**
- **The Company has had offices in Mongolia since 2007 and currently employs 14 people in the country.**

CAML strives to maintain good working relationships with host Governments as well as with its local partners in all its areas of operations. The Company considers the mining regimes in each country where it operates to be favourable to foreign investment. All of the Company's exploration licences and permits are current.

The Company recognises that the local communities in the areas in which it operates are key stakeholders in the projects and is committed to implementing environmental and safety standards in accordance with best industry practice.

Operating Review (continued)

Review of Operations – Kounrad, Kazakhstan

Background

During 2007, CAML began the technical evaluation studies for an in-situ dump leach project at Kounrad, Kazakhstan. Kounrad is an old open pit copper mine located 17km north of Balkhash in central Kazakhstan. The site has been mined since 1936, originally by the State, and more recently by Kazakhmys plc. In total 2.9Mt of finished copper was produced between 1936 and 2006 and the material that was mined and not deemed suitable for processing at the time was dumped on the surface close to the open pit.

Detailed mining and processing records have been maintained relating to the classification and grades of the various waste dumps at the site. These records exist for all the material contained within the dumps and they are classified as either oxide, sulphide or mixed/waste rock.

Originally the sulphide ores from the open pit were treated by conventional flotation, whilst oxide and low-grade sulphide material were stockpiled around the site. The oxide material was dumped entirely on the eastern margin of the open-pit mine whilst all of the sulphide, and the bulk of the mixed/waste dumps are located in the western area.

A number of previous estimates of the quantities of residual copper contained in these materials have been calculated, using archived material by both State and private organisations over the past two decades.

The tables below illustrates the estimated resources;

Eastern dumps

Resource type	Quantity mt	Grade %	In-situ kt
State approved oxide C1*	51.2	0.16	81.2
Mixed/waste**	198.7	0.10	198.7
Total	249.9	0.11	279.9

Western dumps

Resource type	Quantity mt	Grade %	In-situ kt
Sulphide**	53.0	0.25	132.2
Mixed/waste**	324.7	0.10	324.6
Total	377.7	0.12	456.8
Grand Total	627.6	0.12	736.7

* The state approved oxides are approved to GKZ standards

** The other reserves are estimates and will be JORC compliant by early 2013

In September 2007, following the technical evaluation of the dump leaching project, CAML won the tender process for the right to acquire the sub soil user licence and process the copper contained within the dumps. CAML entered into a joint operating agreement (JOA) with SEC Sary Arka, a government entity, whereby CAML acquired a 60% interest in the sub soil user licence. As part of the JOA,

CAML was obliged to provide the technical management and finance for the whole project from the testing and development stage through to the construction and subsequent commissioning of the 10,000 tonne per annum SX-EW plant.

The sub-soil use contract covers an area of 23.5 km² (2,350 hectares) and is valid until 20 August 2034.



Arial view of Kounrad site

Update on Kounrad Resources and pilot plant sulphide testing

At the time of the IPO, the Company agreed to undertake a programme to transfer dump material to a JORC compliant resource statement. The intention is to have all of the presently estimated resources drilled and assayed during 2012 with the aim of then classifying all material to an acceptable international standard by the end of the first quarter of 2013. In July 2011 Wardell Armstrong International (WAI) were commissioned to oversee a drilling and sampling programme for the western dumps. A 3,200m drill campaign was completed in 2011 and the Company has planned a further 2,500m drill campaign for 2012. The Company is on track to provide a JORC compliant resource statement by Q1 2013.

The Company has successfully operated a pilot plant on site at Kounrad since the summer of 2008. The plant was initially located at the eastern part of the site and was used as a test basis for the leaching of the oxide dumps and the subsequent data used in the design of the main SX-EW plant now being completed.



Upper showing Kounrad site prior to construction and lower, April 2012

In July 2011, the pilot plant was moved to a suitable testing area on the sulphide dumps in the western part of the site. The intention is to use the facility to provide test data on how the sulphide dumps react to leaching and management plan to assess this data in late 2012 in order to make a commercial decision regarding the viability of a second SX-EW plant to process these ores.

As at 31 December 2011, 460 tonnes of cathode copper had been produced at the pilot plant since August 2008 of which 139.3 tonnes were produced in 2011. During 2011, 140 tonnes were sold at an average price of \$8,190 per tonne and a further 74 tonnes were held in stock due to the relatively depressed copper price at the year end and also to potentially use the stock for a trial run with potential off-take suppliers for the main SX-EW plant.

Environmental Matters

Given the nature of the operations at Kounrad, there are a number of environmental aspects that need constant monitoring and CAML management constantly strive to ensure that they remain a focus of attention.

A total of 76 monitoring boreholes have been installed in three zoned rings close to the collection trenches. Within this sanitary protection area the monitoring of the boreholes is conducted on a 10 day cycle. Scheduled environmental monitoring of soil, air and water samples continues to be taken and analysed on site. To date no adverse results have been noted and during 2011 specialists from the local ecological department undertook an inspection of the site's environmental measures and plans. No negative remarks were reported and a 5 year plan, as required by the State authority, has now been developed and agreed with the local Department of Ecology.

Project Ownership changes

In November 2011, the Company was informed by its Joint Venture Partner, SEC Sary Arka, of an intention to sell their 40% interest in the Kounrad project. Due to SEC Sary Arka's internal regulations the sale had to be conducted by means of a tender process within the country. After discussions with SEC Sary Arka, the CAML Board concluded that it was in the best interests of the Company and its shareholders to waive its statutory rights in relation to the purchase of the 40% interest in Kounrad and not participate in the tender.

The Company recognised the ongoing need for a strong Kazakhstan based partner and, accordingly, entered into discussions with the SAT Group who had expressed an interest in participating in the tender process. Consequently, in January 2012, a preliminary agreement was reached with the SAT Group whereby CAML agreed to purchase the balance of the 40% shareholding it did not already own should the SAT Group win the tender.

CAML has now been informed that the SAT Group won the tender process and consequently, the transaction is currently undergoing due legal process in Kazakhstan. As a consequence, the agreement reached between CAML and the SAT Group became legally binding and the SAT Group became obliged to transfer their newly acquired 40% ownership in the Project to CAML.

The value agreed between the parties for the exchange was a consideration of 8,616,593 ordinary shares in the Company which will result in the SAT Group becoming a 9.1% shareholder in the enlarged Company once the transactions are completed.

The Company and the SAT Group in conjunction with SEC Sary Arka are now preparing the documentation to seek

Operating Review (continued)



Drip irrigation on dumps – Kounrad



Collection trench – Kounrad



Rock showing presence of oxides of copper

the approval of the transactions by the various ministries within Kazakhstan as required by law. The timing to conclude the transactions is totally dependent upon the receipt of the relevant waivers required from the Government of the Republic of Kazakhstan. These waivers are necessary as the government has a pre-emptive right with respect to all transactions associated with entities that operate under the sub soil user laws of the country. The Company will endeavour to complete this process as quickly as the required statutory procedures permit.

Upon the completion of the transactions, the CAML Group will then hold 100% of the Kounrad Project and the SAT Group will own 9.1% of the Company. The SAT Group has undertaken not to sell its CAML shares for a period of six months from completion and, subject to certain conditions, not to purchase any additional shares in CAML for a further period of 12 months. The parties have also agreed to work together to explore the possibility of undertaking new projects.

Construction of the 10,000 tonne per annum SX-EW copper plant at Kounrad

The primary focus during the year for the Company has been the completion of the construction project at Kounrad. By the end of December 2011, the 10,000 tonne per annum Kounrad SX-EW copper cathode plant had reached material completion. Work commenced on site in the summer of 2010 with the excavation of the building's foundation and it has taken just 18 months to complete the construction phase with the project only a few months behind the schedule as set out at the time of the Company's IPO in September 2010.

During the construction phase a total of 4,206 m³ of mass concrete was poured and a total 725 tonnes of structural steel erected. The work continued throughout the winter months in extremely cold conditions and management are extremely pleased that site personnel worked 627,000 man-hours with no lost time injuries. In addition, the project remains below the original capital expenditure budget of \$46.9 million.

A brief review of some of the construction project achievements and milestones are summarised below;

Engineering Design and Approvals

An engineering design study was commissioned with Beijing General Research Institute of Minerals and Metallurgy (BGRIMM) in November 2009 and completed in Spring 2010. Following a review of information provided by CAML from its own mini-plant operation and from previous test work, together with their own experience in the design of several SX-EW plants in China, BGRIMM developed a detailed leaching schedule and designed a plant capable of treating a range of flow rates and solution grades to produce 10,000 tonnes per annum of copper cathodes at a minimum 99.99% quality. The plant design has taken the extremes of climate into consideration to ensure all year round operations are possible.

Solvent Extraction (SX) Building

The SX building steel work and cladding was 100% complete at the year end and good progress had been made on the lining of the concrete solution sumps and the tanks for wash water, organics, raffinate and rich electrolyte solutions. Final installation works together with all the relevant quality checks were completed in March 2012.

The steelwork associated with the 5 mixer-settler units was also 100% completed at the year end with two of the settler pool units fully lined. The lining of the settler pool units was of critical importance throughout in this part of the plant and the very highest quality of installation techniques and plastic jointing was essential so a specialist installation crew was brought in from China for this work.

The 5 mixer settlers have a solution capacity of 1,500m³ in total and have been water tested for integrity.

Electro Winning (EW) Building

As at 31 December 2011, the EW building was fully completed and all 50 EW cells had been installed and the associated piping completed. The EW cells had been installed and aligned with great precision and accuracy to a tolerance of 10mm over a distance in excess of 30 metres. The acid mist ventilation pipes and scrubbing tower system plus the walkways around the EW cells were fully completed and all the acid mist hood covers positioned.

All cathode and anodes have been loaded and the cells have been flow tested.

Boiler House and Pump Stations

The SX-EW plant design incorporated a coal fired boiler house which would serve the dual purpose of keeping the buildings warm throughout the harsh winters as well as providing economical heating for the leach solutions. The three boiler units have a combined equivalent heat output of 8.5MW which will facilitate all year round operations.



EW cells Kounrad – Kounrad

As at the year end all the three boiler units had been installed together with the ash removal conveyor, exhaust fans, cyclone boxes plus various pipes and valve fittings. The testing and pre-commissioning work on the boiler house was completed in March 2012.

Two main water pump stations have been installed on site, one for the main SX-EW process and one for the fire water pump process.

Main Office Building

An office building capable of accommodating all operational site management staff was completed in March 2012.

SX-EW Process Equipment and Logistics

By May 2011 the vast majority of the SX-EW equipment had been placed on order either with BGRIMM or with a specialist manufactures and by June 2011 goods started to arrive on site. Initially, the logistics chain worked well from BGRIMM based in Beijing, a distance of over 5,000km from the project. However, a series of problems were encountered during the summer which had a damaging knock on effect throughout the project supply chain for the rest of the year.

The logistics were disrupted firstly by the volume of goods being imported into Kazakhstan from China which led to a serious backlog of goods at the border. In addition, routine inspections then all took far longer than usual for containerised loads. By late June 2011, it was estimated that the backlog had grown to almost 1,000 wagons and this congestion was then compounded during the summer by a high speed rail crash within China which caused the whole rail network to be suspended for about two weeks



Mixer/Settler tanks – SX plant Kounrad

Operating Review (continued)

pending a safety review. This situation had a considerable adverse impact on construction progress on site during the summer of 2011 as key items of equipment were stranded within China.

In August, CAML management took the decision to commence the transportation of significant quantities of materials by road from Beijing to Kounrad. The logistics situation slowly improved such that October saw a dramatic increase in the speed of installation works on site. CAML management early on in the project had decided to undertake all the installation and erection work using CAML's own staff and resources. Consequently, the experienced local construction manager on site hired his own personnel and plant as required and managed to both save money on sub contract costs and expedite the installation process by working long hours once the equipment was delivered to site.

Aside from the items of equipment ordered through BGRIMM, a number of key components were ordered from specialist suppliers throughout the World. These included the anodes and cathodes for the electro winning cells which were ordered from Chile, a specialist rich electrolyte filtration system from the USA and an overhead crane for the electro-winning building from Russia.

Commissioning, First Fill Reagents and Spares

CAML management were always mindful of the fact that attempting to commission the SX-EW plant in the depth of a Kazakhstan winter would be difficult. Consequently, the Company scheduled a phased start-up of the plant from late February 2012 with the commencement of mechanical and electrical dry commissioning of selective equipment under 'no load' conditions. The Company completed the rest of the initial commissioning tests by early April and pregnant leach solutions were introduced into the SX-EW plant in mid-April 2012. The first copper cathodes are expected to be produced imminently.

The Company has appointed PPM Solutions Pty Ltd, an Australian based organisation experienced in the start-up of SX-EW plants worldwide, to oversee and assist CAML employees in the phased commissioning of the plant.

A number of specialist reagents are required for the SX-EW processes and supply contracts have been signed for the majority of these materials. As at the 31 December 2011, the organic compounds, cobalt sulphate salts and guar gum had all been delivered to site in sufficient quantities for the first fill of the various tanks within the SX-EW plant. Also, in preparation for the commencement of leaching acid had been purchased to fill the storage tank on site.



EW Cells loaded with anodes – EW plant Kounrad



Water shaft – Kounrad

Dump Leaching and Irrigation System

The leaching system for the first stage of the Kounrad project consists of the excavation and lining of 2 kilometres of solution interceptor trenches around the base of ore dumps 6, 9 and 10. These dumps will be the first ones to be leached and during 2011 a total of 9 kilometres of irrigation distribution piping and over 700 kilometres of drip irrigation piping were installed and commissioned in readiness for the leaching process to commence.

The pregnant leach solution will be collected in the interceptor trenches and pumped to the four solution storage ponds which have been constructed close to the plant and contain up to 40,000m³ of copper bearing solutions at any one time.

Infrastructure Improvements – Water, Rail and Power

The supply of water to the site has been facilitated by the installation of an 8km water pipeline drawing water from an old mine shaft at a depth of 160 metres below surface. The mine shaft water pumping station was designed and constructed by the site management team. In August 2011, water was pumped to the surface from depth and this represented a major achievement in sourcing water for the project.

The system has been fully tested and an average flow rate in line with the design parameters achieved. In order to facilitate movements of heavy goods into and out of the site a 900 metre twin-track railway extension has been installed and commissioned. The track connects to the main Kazakhstan railway network.

Over the year the Company has installed and commissioned a 4.5km 35kV overhead power line and electricity sub-station capable of delivering 6.3MW 35/10kVa of power to the plant. The power line was fully energised and tested in September 2011.



Kounrad sub-station



Cathodes – EW plant Kounrad

Official opening of the Kounrad plant

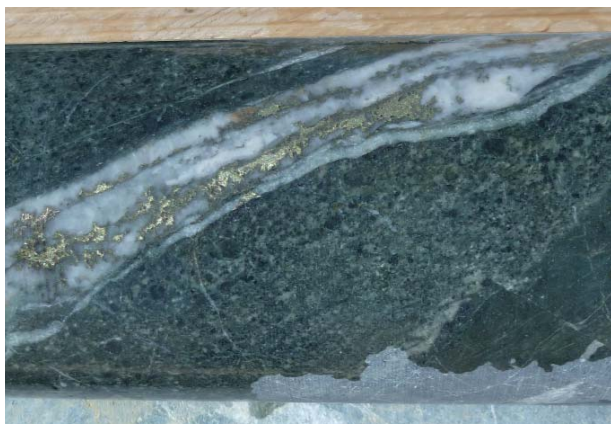
On 9 December 2011 the Kounrad copper project was opened by Mr Serik Akhmetov, the Governor of the Karaganda region. The ceremony was attended by senior CAML personnel and local government officials and was also filmed and linked via satellite to the office of the President of Kazakhstan, Mr Nursultan Nazarbayev. This was a prestigious event within the country and provided the Company with a high profile. The Kounrad project was one of several Kazakhstan projects that were included in the 'National Initiative of State Programme of Innovation and Accelerated Industrial Development of Kazakhstan for 2010-2014'. The television footage of the opening ceremony formed part of a report that was broadcast on Kazakhstan national television on 16 December 2011, celebrating the 20th anniversary of Kazakhstan's independence.

Offtake proposals for the copper cathodes

The Company has received and reviewed a number of proposals regarding the off-take of copper cathodes from Kounrad. All the proposals received were very competitive and the Company remains confident that an offtake deal will be completed shortly.

Operating Review (continued)

Review of Operations – Mongolia



Core sample from Alag Bayan



Drilling rig at Alag Bayan

Alag Bayan

The 39.4km² Alag Bayan licence (3,941 hectares) is located in the middle of Mongolia's prolific copper-gold porphyry mineralisation trend, 100km from the Oyu Tolgoi copper/gold deposit and 80km from the Tsagaan Suvarga copper deposit.

During 2011 CAML planned a drilling campaign with the primary intention of converting the exploration licence into a mining licence by April 2012. An additional IP survey was conducted by GoviEx Mongolia LLC with the intention of targeting anomalies within a specific part of the licence area. Following the results of the consultations with both CAML's own geologists and the GoviEx team, a targeted drilling campaign commenced in July 2011 and comprised 3 holes for an aggregate of 2,419 metres. The results were inconclusive.

After a further review of the licence area and in discussions with GoviEx, a further target area was identified in late 2011. CAML were not prepared to spend additional funds on the proposed new drilling campaign and accordingly an agreement was reached whereby GoviEx (subsequently

renamed Ibx Mongolia LLC) would fund this additional drilling campaign for an enhanced earn in to the project ownership. The drilling campaign commenced on site in early January and results are expected in Q2 2012. In late March 2012, the Company secured a 1 year extension to the Alag Bayan licence.

Assets held for sale

Following on from a strategic review of the Company's assets in 2009, a decision was taken to sell the Ereen project. At the time of this review it was also decided that Handgait warranted some additional drilling on site and that this would be conducted during 2011 once IPO funds were available. During 2011, CAML conducted this additional drilling and concluded that Handgait should also be sold as the asset was peripheral to CAML's long term goals. The sale process has thus far been managed internally and following on from the decision to also sell Handgait, CAML decided to appoint Cutfield Freeman & Co, an M&A specialist to oversee the sale process.

Ereen is a gold exploration project located between Centerra's Boroo mine and the Gatsurst project in the Selenge province of Mongolia approximately 140km north of Ulaan Baatar. In May 2007, CAML acquired its interest in the Ereen project through the acquisition of an 85% share of Zuun Mod UUL Ltd, a Mongolian company.

Category	Tonnage mt	Grade g/t Au	Gold kg	Gold koz
Measured	0.04	0.873	32.6	1
Indicated	0.17	0.822	141.11	4.5
Inferred	19.73	1.211	23,888	768
Total	19.94	1.206	24,062	773.6

Handgait is a molybdenum deposit located in the Bulgan province 500km northwest of Ulaan Baatar near the Russian border. CAML holds 80% of the Handgait project through its local subsidiary, Mon Resources Ltd. The exploration licence covers an area of 17.91km² in northern Mongolia, adjoining the Russian border. The licence area hosts a significant molybdenum resource which has undergone extensive exploration using soil geochemistry, detailed geophysics, and a substantial core drilling programme to delineate preliminary resources. During 2011, a drilling campaign was conducted that completed 7 holes to a combined depth of 1,489 metres.

Resource category	Mt	Mo Grade %	Mo '000t
Total measured & indicated	18.2	0.058	10.5
Inferred	60.5	0.052	31.4
Total JORC resources (WAI 2009)	78.7	0.053	41.9

Financial Objectives

Having raised \$60 million at the IPO in September 2010, the key objectives the Group during 2011 were to complete the construction of the SX-EW plant at Kounrad during the year, produce 200 tonnes of cathode copper and ensure that the project was completed within the \$46.9 million capital budget established at the time of the feasibility study.

The key objective for 2012 is to make the transition from the construction phase into production, produce 5,000 tonnes of cathode copper and control the production costs. In Mongolia, the key objectives are to sell the two assets held for sale for a reasonable consideration and further define the resource at Alag Bayan and thereby obtain a mining licence.

Operating Environment principal risks and uncertainties

The principal risks currently identified in the Group as a whole are;

Commissioning

As the construction phase is completed the plant will be commissioned during Q1 and Q2 2012 with production gradually increased to the 10,000 tonnes per annum capacity by Q4 2012. During the commissioning process, all the SX-EW equipment needs to be tested both in isolation and then as part of the overall process within the plant. This process has risks associated with it in that equipment may not operate to its designed specification or that rectification work is required to overcome any problems. Any such delays in the commissioning process will result in a subsequent delay in either the first production of copper cathodes or a reduced production output in the first year of operations. In both cases the impact would be costly.

In order to mitigate the risk, the Group has appointed a specialist SX-EW commissioning contractor, PPM Solutions Pty Ltd, to assist local staff during the commissioning phase.

Production

The decision to develop the plant is based on the results of a feasibility study which has derived estimates of expected project economic returns. These estimates are based on various assumptions relating to future copper prices, anticipated tonnage, grades and metallurgical characteristics of ore to be processed, anticipated recovery rates and projected capital expenditures on constructing the plant and the associated cash operating costs.

In order to mitigate this risk, the Company worked closely with the design engineers and supervised the overall feasibility study.

JOA

Operations at Kounrad are governed by a Joint Operating Agreement (JOA) between CAML's subsidiary, Sary Kazna LLP and its partner on the project, SEC Sary Arka, a local Kazakh government entity. Although Sary Kazna LLP has a 60% interest in the subsoil use rights under the Kounrad Contract, and is the operator, both Sary Kazna LLP and SEC Sary Arka have an equal vote in respect of certain matters to be decided under the Kounrad JOA. If the joint venture partners are unable to reach an agreement on key matters there is a risk of a material adverse impact on the Company's interest in the Kounrad project.

The Company works hard to ensure that it maintains a good working relationships with its local partners and meets regularly with the management of SEC Sary Arka.

Political

The Company operates in areas of the world that are subject to political risk due to the impact of changing legislation on the operating and exploration environments that are imposed and changed by the ruling parties within the countries. The Company manages this risk by complying with all the relevant legislation and working at maintaining close ties with government contacts within the countries. Whilst current indications are that suitably favourable conditions for business will continue for the foreseeable future, the risk remains that the legal, economic and political background in the countries in which the Company operates could change for the worse.

Licences and permitting

The risks associated with gaining and maintaining appropriate permits and licences to construct and subsequently operate a copper production facility in Kazakhstan are recognised by the Company. The Directors believe they have sufficient experience gained within the country and the appropriate in-country personnel to manage this risk. All of the Company's mining licences are valid and the Company ensures that it complies with all the local regulatory requirements to ensure their continued validity.

Environmental

Risks to the environment are taken seriously by the Company together with high standards for protecting its staff on site and all potential visitors to its sites. The Company has obtained all requisite environmental permits and licences for its operations and the Directors are aware that they must maintain high environmental standards across all the Company's activities.

Financial

The Company is exposed to a number of financial risks and details of those considered significant by the Directors and the management actions and policies undertaken to mitigate such risks are contained in note 3.

Financial Review

Income Statement

The consolidated net loss after taxation of the Group in respect of the year ended 31 December 2011 amounted to \$11.2 million (2010: \$5.8 million). A number of material items influenced this increased loss with the most significant being a \$2.8 million unrealised loss on foreign exchange differences and a \$2.6 million impairment charge for Handgait. The loss per share increased to \$0.13 (2010: \$0.11).

Revenues during the year were negligible and as in previous years consisted of the sales of cathode copper produced by the pilot plant on site at Kounrad. Total revenue of \$1.1 million (2010: \$1.4 million) was the result of 140 tonnes being sold at an average price of \$8,190 per tonne (2010: 225 tonnes / average price \$6,426). A decision was taken in December 2011 to retain 74 tonnes of cathode copper in stock due to the relatively depressed copper price during that month and also to potentially use the stock for a trial run with potential off-take suppliers.

General and Administration costs decreased significantly over the year although again there were some marked changes in the cost base compared to 2010. Overall, across the Group ongoing costs remained similar year on year at \$5.2 million (2010: \$5.2 million) after excluding IPO related charges and the share based payments for staff rewards from 2010.

Employment costs were significantly increased during 2011 to \$5.8 million (2010: \$2.7 million) but this was primarily related to the construction activities on site at Kounrad as can be seen from the average number of staff employed which increased to 212 (2010:134).

Balance Sheet

The total assets of the Group as at 31 December 2011 amounted to \$69.4 million (2010: \$76.6 million). Given that the main focus over the course of the year was the construction activity at Kounrad, the balance sheet reflects a reduction of cash into non-current assets.

Overall there was a decrease in net cash to \$16.0 million (2010: \$47.4 million) with an increase in non-current assets to \$43.7 million (2010: \$22.5 million). The main Group assets into which the funds were invested during 2011 is the Kounrad SX-EW project which due to the 60:40 joint venture ownership structure is proportionately consolidated. Non-current account trade and other receivables increased significantly in 2011 to \$12.4 million (2010: \$3.0 million) and the majority of this balance, \$10.8 million, represents funds that will be recovered once the SX-EW plant is constructed. The balance of \$1.6 million is VAT accumulated during the construction of the plant and this is expected to be recovered during the normal course of the business.



Mixer/settler tanks – Kounrad

Intangible assets decreased to \$8.9 million (2010: \$13.0 million) primarily reflecting the impairment of Handgait and its subsequent reclassification as being held for sale. The Group spent \$1.6 million on exploration during 2011 (2010: \$0.3 million), primarily at Alag Bayan in Mongolia. Overall assets held for sale also increased to \$8.4 million (2010: \$4.9 million) primarily due to the reclassification of Handgait as mentioned.

There was no movement in the Group's equity base during 2011 and the main increase in liabilities was a \$1.7 million increase to the provision made for the asset retirement obligations for the Kounrad Project.

Whilst the Group had no external debt as at 31 December 2011 (2010: \$Nil), the Company's loans to related parties within the Group increased to \$73.6 million (2010: \$50.4 million). This effectively breaks down into \$56.6 million loaned to subsidiaries in Kazakhstan and \$17.0 million to subsidiaries in Mongolia. It is expected that the recoveries of these inter-company loans will commence in 2012 from the production of copper at Kounrad and potentially the disposal of two of the Mongolian exploration assets.

Board of Directors' profiles

Nick Clarke

Chief Executive Officer

Nick has 35 years of mining experience, including 16 years spent within senior management positions in production and technical services in South Africa, Ghana and Saudi Arabia. Nick served as the Managing Director of Oriel Resources plc until its acquisition by OAO Mechel for \$1.5 billion in 2008. In addition, Nick was Managing Director at Wardell Armstrong International Ltd, where he managed numerous multidisciplinary mining projects. He is a graduate of Camborne School of Mines and a Chartered Engineer. Nick is also a Non-Executive Director of Obtala Resources plc and Empire Mining Corporation.

Nigel Robinson

Chief Financial Officer

Nigel is a member of the Institute of Chartered Accountants in England & Wales and formerly a Royal Naval Officer in the Fleet Air Arm. Upon leaving the Royal Navy, he qualified with KPMG where he stayed for a further 3 years before leaving to work in commerce. He worked for 6 years in management with British Airways plc before leaving in 2002 to become more involved with smaller enterprises.

Howard Nicholson

Technical Director

Howard is an experienced metallurgist with 30 years of experience in project development and mine operations management. Formerly the COO of European Minerals Corporation, Howard contributed to the development of a large Copper – Gold mine in Kazakhstan and prior to this had held senior management positions with Ashanti Goldfields, Lonrho and Anglo American.

The Group also has four Non-Executive Directors;

Nigel Hurst-Brown

Chairman

Nigel Hurst-Brown is currently Chief Executive of Hotchkis and Wiley (UK) Ltd. Previously he was Chairman of Lloyds Investment Managers between 1986 and 1990 before becoming a Director of Mercury Asset Management and later a Managing Director of Merrill Lynch Investment Managers. He is also a Director of Borders & Southern Petroleum plc and a Fellow of The Institute of Chartered Accountants in England and Wales.

Robert Cathery

Robert Cathery was a member of the London Stock Exchange from 1967 to 2007 and was Managing Director and Head of Oil and Gas at Canaccord Europe. During his career in the City he was a Director of Vickers da Costa and Schroders Securities and Head of Corporate Sales at SG Securities (London) Limited. He is currently a Non-Executive Director of Salamander Energy plc, Vostok Energy plc and SOCO International plc. He is a founder shareholder of CAML.

Dr. Michael Price

Michael Price has arranged, structured and advised on mining related projects around the world having spent 13 years at NM Rothschild & Sons Ltd in various positions including Head of Mining Finance and Metals Trading, two years as Global Head of Mining and Metals at Societe Generale in London and between 2003 and 2006 as Joint Global Head of Mining and Metals at Barclays Capital. Michael has more than 30 years of experience in mining and mining finance and has extensive board experience, having been a Non-Executive Director of AIM quoted EMED Mining, Monterrico Metals Limited, Crew Gold Corporation (Canada), Tertiary Minerals, ASX listed Sumatra Copper & Gold. and GV Gold He is currently a Non-Executive Director of AIM quoted Q Resources plc, TSX-V listed Lincoln Mining Corporation as well as Eldorado Gold Corp (TSX, NYSE and ASX). Michael is Chairman of the Audit and Remuneration Committees.

Nurlan Zhakupov

Nurlan is a Kazakhstani national and currently employed as Vice President, Global Banking and Markets at Royal Bank of Scotland (Kazakhstan). He has extensive experience in the capital markets and has held a number of positions in the Kazakhstan's resource sector for Tau-Ken Samruk (the national mining company), Chambishi Metals PLC and ENRC. He holds Bachelor and Masters Degrees in Economics from the Moscow State Institute for International Relations (MGIMO). Nurlan joined the Company in October 2011.

Directors' Report

for the year ended 31 December 2011

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2011.

Principal activities

Central Asia Metals plc ("CAML" or "the Company") is the holding company for a group of companies (the "Group") engaged in:

- the processing and subsequent production of base metal products, primarily copper cathodes, from secondary mining techniques;
- the identification, acquisition and development of base and precious metals deposits in the Central Asia region.

CAML is domiciled and incorporated in the UK and the registered office is: Masters House, 107 Hammersmith Road, London W14 0QH, United Kingdom.

Review of business

A review of the current and future development of the Group's business is given in the Chairman and Chief Executive's Statement on page 3 and the Operating and Financial Review (OFR) on pages 4 to 12 which form part of, and by reference are incorporated in, this Directors' Report.

Dividends

The Directors do not recommend a dividend for the year (2010: \$Nil).

Post Balance sheet events

In November 2011, the Company was informed by its Joint Venture Partner, SEC Sary Arka, of an intention to sell their 40% interest in the Kounrad project. Due to SEC Sary Arka's internal regulations the sale had to be conducted by means of a tender process within the country. The Company recognised the ongoing need for a strong Kazakhstan based partner and, accordingly, entered into discussions with the SAT Group who had expressed an interest in participating in the tender process.

Consequently, in January 2012, a preliminary agreement was reached with the SAT Group whereby CAML agreed to purchase the balance of the 40% shareholding it did not already own should the SAT Group win the tender. CAML has now been informed that the SAT Group won the tender process and consequently, the transaction is currently undergoing due legal process in Kazakhstan. As a consequence, the agreement reached between CAML and the SAT Group became legally binding and the SAT Group became obliged to transfer their newly acquired 40% ownership in the Project to CAML.

The agreed consideration is the issue of 8,616,593 ordinary shares in the Company which will result in the SAT Group becoming a 9.1% shareholder in the enlarged Company once the transactions are completed.

The Company and the SAT Group in conjunction with SEC Sary Arka are now preparing the documentation to get the transactions approved through the various ministries within Kazakhstan as required by law. The timing to conclude the transactions is totally dependent upon the receipt of the relevant waivers required from the Government of the Republic of Kazakhstan. The Company will endeavour to complete this process as quickly as the required statutory procedures permit and this is certainly expected before the end of 2012.

Upon the completion of the transactions, the CAML group will then hold 100% of the Kounrad Project and the SAT Group will own 9.1% of the Company.

In February 2011 CAML completed the disposal of its Tochtar subsidiary.

Directors and Directors' interests

The Directors listed below served during the year and their interests in the issued share capital of the Company during the year were as follows;

	As at 31 Dec 2011	As at 31 Dec 2010
CN Hurst-Brown (<i>Chairman</i>)	694,065	694,065
RM Cathery ¹	4,271,445	4,271,445
MA Price ²	451,000	451,000
N Clarke (<i>Chief Executive Officer</i>)	–	–
N Robinson (<i>Chief Financial Officer</i>)	–	–
H Nicholson (<i>Technical Director</i>)	–	–
N Zhakupov	–	–
Total Directors' Interests	5,472,510	5,472,510

Alex Capelson also served as a non-executive Director during the year until his resignation on 26 April 2011.

Several of the above Directors have also been issued shares as part of the EBT incentive scheme and details are contained in Note 24.

¹ 117,445 shares held by Elizabeth Cathery, the wife of Robert Cathery; and 2,000,000 shares held by Robert and Elizabeth Cathery are included in the above amounts

² 6,000 shares included in the above amount are held by Shona Price, the wife of Dr. Michael Price.

There have been no changes in the interests of the Directors in the issued share capital of the Company between 31 December 2011 and the date of this report.

At every annual general meeting ("AGM"), any Director who has been a Director at each of the two last AGMs and was not appointed or reappointed at either of those meetings, is required to retire and is eligible for reappointment. All Directors other than Howard Nicholson and Nurlan Zhakupov were reappointed at last year's AGM and therefore are not retiring at the 2012 AGM. Howard Nicholson and Nurlan Zhakupov were appointed by the Board since last year's AGM and accordingly retire and are being proposed for reappointment at the 2012 AGM.

During the year, Directors and Officers liability insurance was maintained for Directors and other Officers of the Group.

Director Service Contracts and Appointment Letters

The Executive Directors have entered into service contracts with the Company at the following salaries with effect from 1 January 2012.

Nicholas Clarke	£200,000
Nigel Robinson	£150,000
Howard Nicholson (<i>appointed on 7 December 2011</i>)	£150,000

The Executive Directors service agreements are subject to notice periods of six months and the Company has the discretion to pay them in lieu of their notice period and also to place them on garden leave. In the event of a change of control of the Company by way of takeover or delisting the Executive Directors shall be entitled to receive a compensation payment of 12 months basic salary. Other fixed elements of the Executive Directors' remuneration comprise private medical insurance and the service contracts also contain customary post termination restrictions.

The executive Directors are currently entitled to earn an annual bonus of up to 50% of annual salary subject to the achievement of certain annual performance targets.

In 2011, specific targets were set which relate to the completion of the construction of the Kounrad SX-EW plant by specified dates in 2012 which entitle the executive Directors to earn an annual bonus of up to 100% of their annual salary. This bonus scheme is payable at the discretion of the Remuneration Committee. As at 31 December 2011, the performance criteria had not yet been achieved and consequently no bonuses were then accrued or paid. This will be reviewed by the Remuneration Committee during 2012 as and when first cathode copper is produced by the plant and capital expenditures are reviewed against the original budget.

The Non-Executive Directors have each entered into appointment letters. Under the terms of these letters, the Non-Executive Directors are entitled to an annual fee as set out below.

Nigel Hurst-Brown	£40,000
Robert Cathery	£30,000
Michael Price	£40,000
Nurlan Zhakupov (<i>appointed on 27 October 2011</i>)	£30,000

The appointments are terminable by either party with one months' written notice. The Company may pay the Non-Executive Directors in lieu of notice.

Significant Shareholders

At the date of this report the Company has been notified or is aware of the following interests in the shares of the Company of 3% or more of the Company's total issued share capital.

	No of Shares	%
Lansdowne UK Strategic Investment Fund Limited	11,394,762	13.22
Commonwealth American Partners LLP	9,713,588	11.27
Henderson Global Investors Limited	8,830,743	10.25
Blackrock Investment Management (UK) Limited	6,278,100	7.29
Legal & General UK Alpha Trust	5,740,000	6.66
Robert Cathery ¹	4,271,445	4.96
Legal & General Group Companies	3,560,000	4.13
Edward Bloomstein	3,541,896	4.11
Ogier Employee Benefit Trust ²	3,312,946	3.84
Fidelity Funds European Smaller Companies	2,692,300	3.12

¹ 117,445 shares held by Elizabeth Cathery, the wife of Robert Cathery; and 2,000,000 shares held by Robert and Elizabeth Cathery are included in the above amounts

² Ogier EBT shares consolidated into one entry now under Forest Nominees

Directors' Report (continued)

for the year ended 31 December 2011

Policy and practice on payment of creditors

It is the Group's policy to settle all amounts due to creditors in accordance with agreed terms and conditions, provided that all trading terms and conditions have been complied with. At 31 December 2011 the Group had \$1,203,013 (2010: \$1,198,901) of trade payables which equated to approximately 64 creditor days (2010: 75 days).

Going concern

During September 2010, the Group raised \$60 million upon its official listing on AIM and these funds were considered sufficient at the time to enable the Group to finance the construction of the SX-EW facility at Kounrad and manage the business through to the first production of copper.

As at 31 March 2012, the Group's updated cash flow projections indicated that this still remained the case and management remain confident that the Group's current cash resources, and those it expects to generate, are adequate to meet all expected future liabilities.

Group Structure and changes in share capital

During the year the Company did not enter into transactions that changed the share capital.

Annual General Meeting

Resolutions will be proposed at the forthcoming Annual General Meeting, as set out in the formal Notice of meeting which will accompany this Annual Report to shareholders.

Auditors and disclosure of information to auditors

Each Director in office at the date of this report has confirmed in accordance with Section 418(2) of the Companies Act 2006 that:

- So far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- he has taken all reasonable 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.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Charitable donations

During 2011 the Kazakhstan based subsidiary Sary Kazna LLP made a donation of \$33,693 (2010: \$Nil) to a charitable fund in Karaganda for construction of a Mosque.

Corporate Governance

The Company's compliance with the principles of corporate governance is explained in the corporate governance report on pages 17 to 18.

On behalf of the Board



Nigel Robinson
Chief Financial Officer

18 April 2012

Corporate Governance Report

Introduction

The Directors recognise the value of good corporate governance in achieving and sustaining the Group's success. Whilst, under AIM rules, compliance with any particular Code is not required, the Company applies the recommendations on corporate governance of the Quoted Companies Alliance (QCA) for companies with shares quoted on AIM in so far as is practicable and considered appropriate for the Company.

Board of Directors

The Board of Directors comprises three Executive Directors and four Non-Executive Directors. The Board considers that all the non-executive Directors are independent. Robert Cathery is considered independent despite the size of his shareholdings in CAML, because he is considered otherwise independent of management. Consequently, the Directors are of the opinion that the Board comprises a suitable balance of Executive and independent Directors in compliance with the QCA guidance.

The Board, through the Chairman and the Non-Executive Directors as well as the Executive Directors, maintains regular contact with its advisers and seeks to ensure that the Board develops an understanding of the views of major shareholders about the Company.

The Board meets regularly throughout the year and is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is delegated to the three Executive Directors who are charged with consulting the Board on all significant matters. Consequently, decisions are made promptly and following consultation amongst the Directors concerned where necessary and appropriate.

All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively and all Directors have access to independent professional advice at the Company's expense, as and when required.

The Chairman is available to meet with institutional shareholders to discuss any issues and concerns regarding the Group's governance. The participation of the private and institutional investors at the Annual General Meeting is welcomed by the Board.

Internal Controls

The Directors acknowledge their responsibility for the Company's and the Group's systems of internal controls, which are designed to safeguard the assets of the Group and ensure the reliability of financial information for both internal use and external publication. Overall control is achieved by a regular detailed reporting system covering both technical progress of a project and the state of the Group's financial affairs.

Any system of internal controls can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that risk of failure to achieve business objectives is eliminated. The Directors consider that the system of internal controls operated effectively throughout the financial year and up to the date the financial statements were signed.

Based on the size and complexity of the Group, the Board of Directors do not consider that there is a need for an internal audit function.

Committees

Each of the following Committees has its own terms of reference.

Audit Committee

The Audit Committee comprises Dr Michael Price, who is Chairman, and Nigel Hurst-Brown, both of whom are considered independent Directors and attended all meetings of the Committee during the year. The Audit Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal controls, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors and ensure their independence and objectivity.

In accordance with its terms of reference, the Audit Committee held meetings during the year with the auditors to review the plans for and the results of the audit of the 2010 accounts. All Directors received a copy of the report from the auditors prior to the meeting and had an opportunity to comment and raise questions on this. The Finance Director and a representative of the external auditors are normally invited to attend the Committee's meetings. Other Directors, staff and representatives of the external auditors may be invited to attend as considered beneficial by the Committee.

Corporate Governance Report (continued)

Remuneration Committee

The Remuneration Committee comprises Dr Michael Price, who is Chairman, and Nigel Hurst-Brown, both of whom are considered independent Non-Executive Directors and attended all meetings of the Committee during the year. The Remuneration Committee reviews the performance of the Executive Directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of Shareholders.

In determining the remuneration of Executive Directors, the Remuneration Committee will seek to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee also reviews the remuneration of other senior management. In addition, it decides whether to grant share awards in the Company and, if these are to be granted, who the recipients should be. The Committee established a share scheme during the year to enable the grant of share awards in the Company.

Under this scheme, shares options were granted to the executive Directors during the year as shown in Note 31. The shares will generally vest one third each year after the date of grant subject to the achievement of performance conditions to which the awards are subject.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of Executive Directors and senior management of the Company. The principal objectives of the Committee are to ensure that members of the executive management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

Non-Executive Director fees are considered and agreed by the Board with no Director participating in any decision relating to his own remuneration.

Nominations Committee

The Directors are of the opinion that, given the size of the Company, there is no requirement for a separate Nominations Committee and that the Board will take on this responsibility as and when required. This included the decisions with regard to the appointments of new Directors during the year, one executive and one non-executive.

Risk management

The effective management of risk is critical to the growth and profitability of the CAML Group. The Group is exposed to a number of risks within its business and has a structured approach to identifying, analysing, managing and monitoring such risks.

Refer to Directors' report and note 3 where principal risks and uncertainties are discussed in more details.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report to the Members of Central Asia Metals plc

We have audited the group and parent company financial statements (the "financial statements") of Central Asia Metals plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Consolidated Company Statement of Changes in Equity, the Group and Company Statements of Cash Flows and the related notes. 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 regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 19, the Directors are responsible for the preparation of the 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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 December 2011 and of the Group's loss and the Group's and Parent company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 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.

Nicholas Blackwood (*Senior Statutory Auditor*)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London
18 April 2012

Consolidated Income Statement

for the year ended 31 December 2011

	Note	2011 \$	Group 2010 \$
Continuing operations			
Revenue		1,121,361	1,446,035
Cost of Sales	6	(974,487)	(1,397,944)
Gross Profit		146,874	48,091
General and Administrative Expenses	6	(5,410,772)	(8,708,775)
Other Income/(Expenses)	7	4,301	(2,684)
Exchange rate differences (Loss)/Gain	14	(873,268)	2,009,680
Operating Loss		(6,132,865)	(6,653,687)
Finance Income	11	231,875	44,005
Finance Costs	11	(40,745)	(79,413)
Loss before Income Tax		(5,941,735)	(6,689,095)
Income Tax		–	–
Loss from continuing operations		(5,941,735)	(6,689,095)
Discontinuing operations			
(Loss)/Profit from discontinuing operations	17	(5,251,189)	845,567
Loss for the year		(11,192,924)	(5,843,528)
Loss Attributable to:			
– Owners of the parent		(11,192,924)	(5,843,528)
Loss per share attributable to the owners of the company during the year			
Basic loss per share for continuing operations	13	\$(0.07)	\$(0.13)
Basic (loss)/profit per share for discontinuing operations	13	\$(0.06)	\$0.02
Basic loss per share total	13	\$(0.13)	\$(0.11)

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement and statement of comprehensive income. The Company's loss in 2011 for continuing operations is \$6,314,361 (2010: \$2,316,770).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2011

	Note	2011 \$	Group 2010 \$
Loss for the year		(11,192,924)	(5,843,528)
Other comprehensive income:			
Currency translation differences	23	1,251,252	238,266
Other comprehensive income for the year, net of tax		1,251,252	238,266
Total comprehensive income for the year		(9,941,672)	(5,605,262)
Attributable to:			
– Owners of the parent		(9,941,672)	(5,605,262)
– Non-controlling interests		–	–
Total comprehensive income for the year		(9,941,672)	(5,605,262)

During 2011 the Group had no balances attributable to non-controlling interests (2010: \$Nil).

Statements of Financial Position

at 31 December 2011

	Note	Group		Company	
		2011 \$	2010 \$	2011 \$	2010 \$
Assets					
Non-Current Assets					
Property, Plant and Equipment	15	22,462,165	6,493,765	6,624	3,747
Intangible Assets	16	8,899,230	12,976,149	1,000,000	1,154,238
Investments	18	–	–	485,787	258,853
Trade and Other Receivables	19	12,348,934	3,035,133	73,615,395	50,435,937
		43,710,329	22,505,047	75,107,806	51,852,775
Current Assets					
Inventory	20	541,343	363,766	–	–
Trade and Other Receivables	19	720,172	1,457,858	202,435	560,198
Cash and Cash Equivalents	21	16,042,897	47,365,658	15,490,536	44,733,243
		17,304,412	49,187,282	15,692,971	45,293,441
Assets of the disposal group classified as held for sale	17	8,423,526	4,870,205	100,000	100,000
		25,727,938	54,057,487	15,792,971	45,393,441
Total assets		69,438,267	76,562,534	90,900,777	97,246,217
Equity attributable to owners of the parent					
Ordinary Shares	22	861,659	861,659	861,659	861,659
Share Premium	22	61,431,533	61,431,533	61,431,533	61,431,533
Treasury Shares	22	(2,303,803)	(2,303,803)	(2,303,803)	(2,303,803)
Other Reserves	23	4,716,650	7,065,143	3,237,305	3,278,603
Retained Earnings		872,316	7,675,575	27,243,542	33,557,903
		65,578,355	74,730,107	90,470,236	96,825,895
Non-controlling Interests		–	–	–	–
Total Equity		65,578,355	74,730,107	90,470,236	96,825,895
Liabilities					
Non-Current Liabilities					
Obligations under finance leases	26	26,390	–	–	–
Trade and Other Payables	25	–	250,562	–	57,864
Provision for Liabilities and Charges	27	2,138,753	433,921	–	–
		2,165,143	684,483	–	57,864
Current Liabilities					
Obligations under finance leases	26	50,056	–	–	–
Trade and Other Payables	25	1,203,013	948,339	430,541	362,458
		1,253,069	948,339	430,541	362,458
Liabilities of disposal group classified as held for sale	17	441,700	199,605	–	–
		1,694,769	1,147,944	430,541	362,458
Total Liabilities		3,859,912	1,832,427	430,541	420,322
Total Equity and Liabilities		69,438,267	76,562,534	90,900,777	97,246,217

The notes on pages 27 to 53 are an integral part of these consolidated financial statements. The Company's registered number is 5559627. The financial statements on pages 21 to 53 were authorised for issue by the Board of Directors on 18 April 2012 and were signed on its behalf by;



Nick Clarke
Chief Executive



Nigel Robinson
Chief Financial Officer

Consolidated Statement of Changes in Equity for the year ended 31 December 2011

Group	Note	Share Capital \$	Share Premium \$	Treasury Shares \$	Other Reserves \$	Retained Earnings \$	Total Equity \$
At 1 January 2010		389,461	53,460,880	(1,723,416)	5,044,551	(40,927,071)	16,244,405
Total comprehensive income	23	–	–	–	238,266	(5,843,528)	(5,605,262)
Transactions with owners							
Gold Loan conversion into shares	22	14,706	985,294	–	–	–	1,000,000
EBT Shares issued correction	22	–	–	(172)	–	–	(172)
Capital reduction	22	–	(54,446,174)	–	–	54,446,174	–
EBT Shares granted	22	8,533	571,682	(580,215)	846,102	–	846,102
Issue of Share Options	22	–	–	–	936,224	–	936,224
Convertible loan	22	51,608	5,403,392	–	–	–	5,455,000
Initial Public Offering	22	397,351	59,872,849	–	–	–	60,270,200
Share issue Costs	22	–	(4,416,390)	–	–	–	(4,416,390)
Total transactions with owners		472,198	7,970,653	(580,387)	1,782,326	54,446,174	64,090,964
At 31 December 2010		861,659	61,431,533	(2,303,803)	7,065,143	7,675,575	74,730,107
Total comprehensive income	23	–	–	–	1,251,252	(11,192,924)	(9,941,672)
Disposal of Tochter	23	–	–	–	(3,786,540)	4,389,665	603,125
Transactions with owners							
Issue of Share Options	24, 6	–	–	–	186,795	–	186,795
Total transactions with owners		–	–	–	(3,599,745)	4,389,666	789,920
At 31 December 2011		861,659	61,431,533	(2,303,803)	4,716,650	872,316	65,578,355

During 2011 the Group had no balances attributable to non-controlling interests (2010: nil).

Company Statement of Changes in Equity

for the year ended 31 December 2011

Company	Note	Share Capital \$	Share Premium \$	Treasury Shares \$	Other Reserves \$	Retained Earnings \$	Total Equity \$
At 1 January 2010		389,461	53,460,880	(1,723,416)	1,496,277	(18,571,501)	35,051,701
Total comprehensive income	23	–	–	–	–	(2,316,770)	(2,316,770)
Transactions with owners							
Gold Loan conversion into shares	22	14,706	985,294	–	–	–	1,000,000
EBT Shares issued correction	22	–	–	(172)	–	–	(172)
Capital reduction	22	–	(54,446,174)	–	–	54,446,174	–
EBT shares granted	22	8,533	571,682	(580,215)	846,102	–	846,102
Issue of Share Options	22	–	–	–	936,224	–	936,224
Convertible loan	22	51,608	5,403,392	–	–	–	5,455,000
Initial Public Offering	22	397,351	59,872,849	–	–	–	60,270,200
Share Issue Costs	22	–	(4,416,390)	–	–	–	(4,416,390)
Total transactions with owners		472,198	7,970,653	(580,387)	1,782,326	54,446,174	64,090,964
At 31 December 2010		861,659	61,431,533	(2,303,803)	3,278,603	33,557,903	96,825,895
Total comprehensive income		–	–	–	(228,093)	(6,314,361)	(6,542,454)
Transactions with owners							
Issue of Share Options	24, 6	–	–	–	186,795	–	186,795
Total transactions with owners		–	–	–	186,795	–	186,795
At 31 December 2011		861,659	61,431,533	(2,303,803)	3,237,305	27,243,542	90,470,236

During 2011 the Group had no balances attributable to non-controlling interests (2010: nil).

Statement of Cash flows

for the year ended 31 December 2011

	Note	Group For the year ended		Company For the year ended	
		2011 \$	2010 \$	2011 \$	2010 \$
Cash Flows from Operating Activities					
Cash used in operations	28	(13,718,855)	(7,572,932)	(5,804,808)	(1,007,797)
Interest Paid	11, 17	(42,171)	(107,808)	(7,176)	(3,915)
Net Cash Used in Operating Activities		(13,761,026)	(7,680,740)	(5,811,984)	(1,011,712)
Cash Flows from Investing Activities					
Profit on sale of subsidiary Ereen (lost buyer deposit)		250,000	–	250,000	–
Proceeds from sale of subsidiaries	18	825,000	–	825,000	–
Purchases of Property, Plant and Equipment	15	(2,527,000)	(495,108)	(8,800)	(1,206)
Investment Property under construction	15	(15,138,404)	(4,397,589)	–	–
Proceeds from sale of Property, Plant and Equipment	15	356,877	–	–	–
Purchase/transfer of Intangible Assets	16	(9,443)	(6,187)	(342,869)	(47,000)
Exploration costs capitalised	16	(1,743,430)	(321,871)	–	–
Loans to JV Partners/Subsidiaries	31	–	–	(24,254,459)	(14,341,518)
Interest Received	11, 17	277,555	44,122	131,130	40,711
Net Cash used in Investing Activities		(17,708,845)	(5,176,633)	(23,399,998)	(14,349,013)
Cash Flows from Financing Activities					
Proceeds from Issuance of Ordinary Shares	22	–	65,725,200	–	65,725,200
Purchase of treasury shares	22	–	(580,388)	–	(580,388)
Share Issue Costs		–	(6,192,030)	–	(6,192,030)
Net Cash used in Financing Activity		–	58,952,782	–	58,952,782
Effect of foreign exchange rates on cash and cash equivalents		147,110	(60,227)	(30,725)	(53,340)
Net (Decrease)/Increase in Cash and Cash Equivalents		(31,322,761)	46,035,182	(29,242,707)	43,538,716
Cash and Cash Equivalents at the Beginning of the Year	21	47,365,658	1,330,476	44,733,243	1,194,527
Cash and Cash Equivalents at the End of the Year	21	16,042,897	47,365,658	15,490,536	44,733,243

The notes on pages 27 to 53 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2011

1 General Information

Nature of Business

Central Asia Metals plc (“CAML” or “the Company”) and its subsidiaries (“the Group”) are a mining and exploration organisation with operations in Kazakhstan and Mongolia and a parent holding company based in the United Kingdom.

The Group’s principal business activities are the exploration and subsequent development of mines primarily in the Central Asia region. The Group currently has mining interests in gold, copper and molybdenum.

CAML is a public limited company, which is listed on the Alternative Investment Market of London Stock Exchange and incorporated and domiciled in the UK. The Company’s registered number is 5559627.

Going Concern

On 30 September 2010, the Group raised \$60 million upon its official listing on AIM prior to the settlement of professional fees associated with the transaction. The due diligence associated with the IPO transaction and fund raising indicated that the Company would have adequate working capital through to March 2012. The funds raised were considered sufficient to enable the Group to finance the construction of the SX-EW facility at Kounrad and manage the business prior to the receipt of cash from the sale of cathode copper produced by the plant.

As at 31 March 2012, the updated cash flow projections indicated that this still remained the case and management remain confident that the Group’s cash resources are adequate for a period of at least 12 month to meet all expected future liabilities.

2 Summary of Significant Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

a) Basis of Preparation

The Group’s consolidated financial statements have been prepared in accordance with International Finance Reporting standards (“IFRS”) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention with the exception of assets held for sale which have been held at fair value. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2011. The Group financial statements are presented in US Dollars (\$).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are explained in note 4.

Where a change in the presentational format between the prior year and current year financial statements has been made during the year, comparative figures have been restated accordingly.

b) New and amended standards adopted by the Group

There are no new IFRSs or IFRIC Interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

c) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Group (although they may affect the accounting for future transactions and events)

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 January 2011 or later periods, but are currently not relevant to the Group.

- Amendment to IAS 32, “Financial Instruments: Presentation – Classification of rights issues”. The Standard was amended to allow rights, options or warrants to acquire a fixed number of the entity’s own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IFRIC 19, “Extinguishing financial liabilities with equity instruments”. This interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity’s shares or other equity instruments to settle the financial liability fully or partially.
- Amendment to IFRS 1, “First-time adoption of IFRS – Limited exemption from comparative IFRS 7 disclosures for first-time adopters”, Provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7. Also clarifies the transition provisions of the amendments to IFRS 7.
- IAS 24, “Related party disclosures” (revised 2009). Amends the definition of a related party and modifies certain related-party disclosure requirements for government-related entities.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

- Amendment to IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction". The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. Results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense.

d) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted

The Group's and parent entity's assessment of the impact of these new standards and interpretations is set out below.

- IFRIC 20, "Stripping costs in the production phase of a surface mine". This interpretation addresses the following issues: recognition of production stripping costs as an asset; initial measurement of the stripping activity asset; and subsequent measurement of the stripping activity asset. This interpretation considers when and how to account for the benefit arising from the stripping activity, as well as how to measure these benefits both initially and subsequently. The interpretation is effective from 1 January 2013. The Group is yet to assess the full impact of IFRIC 20.
- Amendments to IFRS 7, "Financial instruments: Disclosures" on derecognition. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The standard is applicable for financial periods starting on or after 1 July 2011 but is available for early adoption subject to EU endorsement. It is not expected to have a material impact on the Group's or parent entity's financial statements.
- Amendment to IFRS 1, "First time adoption", on fixed dates and hyperinflation. These amendments include two changes to IFRS 1, "First-time adoption of IFRS". The first replaces references to a fixed date of 1 January 2004 with "the date of transition to IFRSs", thus eliminating the need for entities adopting IFRSs for the first time to restate derecognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. The amendment is applicable from 1 July 2011 but is not expected to have any impact on the Group's or the parent entity's financial statements.
- Amendment to IAS 12, "Income taxes" on deferred tax. IAS 12, "Income taxes", currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, "Investment property". This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes – recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment is effective from 1 January 2012 but is not expected to have any impact on the Group's or the parent entity's financial statements.
- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from this amendment is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment is effective from 1 July 2012. It is not expected to have a material impact on the Group's or parent entity's financial statements.
- Amendment to IAS 19, "Employee benefits". These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The amendment is effective from 1 January 2015. It is not expected to have a material impact on the Group's or parent entity's financial statements.
- IFRS 9, "Financial instruments". IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. The standard is effective from 1 January 2015. The Group is yet to assess IFRS 9's full impact, however initial indications are that the adoption of IFRS 9 will not have a significant impact on the Group's operating results or financial position.
- IFRS 10, "Consolidated financial statements". The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities (an entity that controls one or more other entities) to present consolidated financial statements, defines the principle of control, and establishes controls as the basis for consolidations, sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee and sets out the accounting requirements for the preparation of consolidated financial statements. The standard is effective from 1 January 2013. The standard will be applicable to the Group but is not expected to have a material impact on the Group's or parent entity's financial statements.
- IFRS 11, "Joint arrangements". IFRS 11 is a more realistic reflection of joint arrangements focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement

and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is effective from 1 January 2013. It is not expected to have a material impact on the Group's or parent entity's financial statements.

- IFRS 12, "Disclosures of interests in other entities". IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The amendment is effective from 1 January 2013. It is not expected to have a material impact on the Group's or parent entity's financial statements.
- IFRS 13, "Fair value measurement". IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The amendment is effective from 1 January 2013. The Group is yet to assess IFRS 13's full impact, however initial indications are that the adoption of IFRS 13 will not have a significant impact on the Group's operating results or financial position.
- IAS 27 (revised 2011), "Separate financial statements". IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10. The amendment is effective from 1 January 2013 but is not expected to have any impact on the Group's or the parent entity's financial statements.
- IAS 28 (revised 2011), "Associates and joint ventures". IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The amendment is effective from 1 January 2013. It is not expected to have a material impact on the Group's or the parent entity's financial statements..

Basis of Consolidation

Subsidiaries

The Group financial statements consolidate the financial statements of CAML and the entities it controls drawn up to 31 December 2011.

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately within equity in the consolidated balance sheet distinct from parent shareholders equity.

Where losses are incurred by a partially owned subsidiary, they are consolidated such that the non-controlling interests' share in the losses is apportioned in the same way as profits. Where the subsidiary makes continuing losses such that the non-controlling interests' share of the losses in a period exceeds its interest in equity, the allocation of losses to the minority ceases and the loss is allocated against the parent company holding.

Where profits are then made in future periods, such profits are then allocated to the parent company until all unrecognised losses attributable to the non-controlling interests but absorbed by the parent are recovered at which point, profits are allocated as normal.

Joint Ventures

As mentioned in note 18, the Group operates the Kounrad copper project under a joint operating agreement (JOA) with Sary Arka, a regional development company owned by the Kazakhstan government. The project is managed through two companies, Kounrad Copper Company and Kounrad Mining Company.

Kounrad Copper Company was set up as part of the arrangements under the JOA and is the main company involved in the construction of the commercial plant in the future. The company is a jointly owned entity with CAML owning 60% through its Dutch subsidiary, CAML Kazakhstan BV, and Sary Arka owning the remaining 40%. As such the company has been accounted under IAS 31 and has been proportionately consolidated on a 60:40 basis.

Kounrad Mining Company is the sub soil user holder and is 100% owned by Sary Kazna. The accounting for this element of the Joint Venture operation is also by means of proportional consolidation based on the fact that this element the operation at Kounrad is deemed as a jointly controlled asset.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it re-sells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

The Group's revenue, operating losses and total assets are shown in note 5.

Foreign Currency Translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in US Dollars, which is the Group's presentation currency.

Transactions in currencies other than the functional currency are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates;
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

The cost of the item also includes the cost of decommissioning any buildings or plant and equipment and making good the site, where a present obligation exists to undertake the restoration work.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows:

- Mining Property – over the life of the mine
- Plant and Equipment – over 5 to 15 years
- Motor Vehicles – over 5 to 10 years
- Office Equipment – over 2 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement.

Intangible Assets

Intangible assets comprise mining licences and permits, software and deferred exploration and evaluation costs.

Goodwill

All business combinations in the Group are accounted for under IFRS 3 using the purchase method. Any excess of cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

On the acquisition of a subsidiary, the purchase consideration is allocated to the assets, liabilities and contingent liabilities on the basis of their fair value at the date of acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets of the subsidiary acquired is recognised as positive goodwill.

Any excess of the fair value of the Group's share of identifiable net assets of the subsidiary exceed the cost of the acquisition is recognised directly in the income statement.

For the purpose of impairment testing, goodwill is allocated to the cash generating unit expected to benefit from the business combination in which the goodwill arose. Where the recoverable amount is less than the carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to an entity is taken into account when determining the gain or loss on disposal of the unit.

Mining Licences, Permits and Software

The historical cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in administrative expenses as follows:

- Computer software – over 2 to 5 years
- Permits and Mining licences – over the duration of the legal agreement.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Accounting for Mineral Resources

Exploration and evaluation expenditure is accounted for in line with IFRS 6.

Mining Operations

The Group recognises five key phases in the working lives of its mining operations and these are as follows:

- **Exploration** – the active search for resources suitable for commercial exploitation, including such activities as exploratory drilling, trenching, sampling and associated geological studies;
- **Evaluation** – the technical feasibility and commercial viability studies that lead to a management decision to develop a mine;
- **Development** – the preparation of a site for production purposes;
- **Production** – the extraction and processing of mineral deposits for commercial sale;
- **Closure and rehabilitation** – the activities and obligations associated with the cessation of commercial production

The Group has operations that comprise the first 4 of the above phases.

Deferred Exploration and Evaluation expenditure

All expenditure incurred prior to obtaining the legal rights to explore an area of interest is written off as incurred to the income statement.

Once legal rights have been obtained to explore an area of interest all exploration and evaluation costs related to the area are carried forward as an asset in the balance sheet where it is considered probable that the costs will be recouped through the successful development and exploitation of the area of interest or alternatively by its sale.

Capitalised exploration and evaluation expenditure is written off where it is deemed by management that the above conditions are no longer satisfied.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. Exploration and evaluation expenditure capitalised includes acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and activities in relation to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

General and administrative costs are allocated to an exploration and evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

Development expenditure

Once the technical and commercial viability of extracting a mineral resource has been proven, expenditure related to the development of the area of interest are no longer capitalised as exploration and evaluation assets but as 'Mining Property' under Property, Plant and Equipment.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, together with any general and administrative overheads that can be related directly to the development activity.

No depreciation is recognised in respect of the capitalised mine development costs until such time as a management decision is taken to proceed to the production phase.

Mine properties are tested for impairment in accordance with the note on impairment testing.

Property under construction (Kounrad plant) is carried at cost plus any development cost under IAS 16. After recognition as an asset, plant and equipment shall be carried at cost less any accumulated depreciation and any accumulated impairment losses.

Production cost

Once production commences all costs incurred are expensed and accumulated development costs (which at this stage will include accumulated exploration and evaluation costs) are depreciated.

Pre production expenses incurred as operational activity is increased to a level of commercial production are expensed as incurred and any revenue generated during this phase is included in the income statement.

Any further development expenditure incurred at the area of interest after the commencement of commercial production is carried forward as part of the mining property asset where it is probable that additional future economic benefits associated with the expenditure will arise. Otherwise such expenditure is classified as a cost of production.

Depreciation is charged on the basis of units-of-production, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of the proved and probable reserves.

Impairment of Non-Financial Assets

The Group carries out impairment testing on all assets when there exists an indication of an impairment. If any such indication exists the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value in use.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

The best evidence of an asset's fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best available information to reflect the amount the Group could receive for the cash-generating unit in an arm's length sale. In some cases this is estimated using a discounted cash flow analysis.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Revenue Recognition

Revenue represents the fair value of consideration received from sales of metal to an end user, net of any value added tax. It is measured as the consideration received for the metal after deduction of sales commissions and any other taxes. The value of the consideration is fair value which equates to the spot price on the date of sale or the contractually agreed price.

Revenue is only recognised at the point when the following criteria are satisfied:

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- No managerial control remains over the metal product; and
- The amount of revenue earned can be accurately measured.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of finished goods and work in progress comprises raw materials, direct labour and all other direct costs associated with mining the ore and processing it to a saleable product.

Net realisable value is the estimated selling price in the ordinary course of business, less any further costs expected to be incurred to completion. Provision is made, if necessary, for slow moving, obsolete and defective inventory.

Current and Deferred Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised when they arise from timing differences where their recoverability in the short term is regarded as being probable.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Investments

Investments in subsidiaries are recorded at cost less amounts to be written off.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share Based Compensation

The Group operates a Share Option Plan, the rules of which were approved by the Group on 14 December 2007. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Trade and Other Receivables

Trade and other Receivables do not carry interest and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists. Where it is felt that impairment has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Trade and Other Payables

Trade and other payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions for environmental restoration of mining operations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Notes to the Consolidated Financial Statements (continued)

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Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 Financial Risk Factors

The Group's activities expose it to a variety of financial risks; foreign currency exchange risk, credit risk, liquidity risk, interest rate risk, commodity price risk and tax risk. These risks are mitigated wherever possible by the Group's financial management policies and practices described below;

Foreign Exchange Risk

The Group and Company report their financial results in US dollars and consequently they are exposed to foreign exchange risk arising from various currency exposures with respect to the US Dollar. Foreign exchange risk arises from both future commercial transactions where projected expenditures are sourced in currencies other than US dollars and from the resulting exchange gains and losses recognised on assets and liabilities and net investments in foreign operations within the Group accounts.

The Group raised \$60 million on 30 September 2010 by means of an IPO primarily in order that it could complete the construction of a 10,000 tonne per annum SX-EW facility in Kazakhstan. The exposure to currency risk of the capital expenditure projections, primarily in relation to the Kazakhstan Tenge (KZT) and Chinese Renminbi (RMB) during the year have been hedged by placing short term deposits in RMB and KZT. At 31 December 2011 the Group had deposits in Mongolian tugrik equivalent of \$459,659 (2010: \$Nil).

Aside from the above specific hedging policy adopted for the funds raised at IPO, the Group and Company are exposed to exchange gains and losses on its financial assets, liabilities and transactions. This exchange rate risk and exposure is monitored by the Board but managed primarily by maintaining some cash deposits in currencies other than US dollars.

The following table highlights the major currencies the Group operates in and the movements against the dollar during the course of the year;

	Average Rate		Reporting date spot rate	
	2011	2010	2011	2010
Kazakhstan Tenge (KZT)	146.620	147.344	148.400	147.400
Mongolian Tugrik (MNT)	1,264.700	1,357.089	1,396.370	1,257.180
British Pound (GBP)	0.624	0.647	0.647	0.645
Euro (EUR)	0.719	0.755	0.772	0.750

Interest Rate Risk

The Group is funded by equity capital and has limited exposure to interest rate risk. As at 31 December 2011, the Group had no borrowings (31 December 2010: Nil).

Credit Risk

Credit risk refers to the risk that the Group and Company's financial assets will be impaired by the default of a third party. The Group and Company are exposed to credit risk primarily on its cash and cash equivalents as set out in note 21 and on its other receivables as set out in note 19.

The Directors have considered the credit exposures and do not consider that they pose a material risk at the present time. The credit risk for cash and cash equivalents is managed by ensuring that all surplus funds are deposited only with financial institutions with high quality credit ratings.

The Group is exposed to the risk of not recovering VAT receivable from Kazakhstan and Mongolian tax authorities.

Commodities Price Risk

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities, primarily copper. Whilst the Group does not currently have a material income stream from the sale of copper, the completion of the 10,000 tonne per annum SX-EW copper facility at Kounrad later this year will significantly change this position.

At present, the Group's direct exposure to commodity price changes is limited to the economic viability of the mining projects. Management is always conscious of the impact of commodity price changes on the economics of the Group's projects. Financial models for projects are maintained and regularly reviewed for changes in commodity prices.

Liquidity Risk

Liquidity risk relates to the ability of the Group and Company to meet future obligations and financial liabilities as and when they fall due. The Group currently has no outstanding debts and all funding for the Group's operations has been raised through the placing of shares.

As the Group currently has finite cash resources and no material income stream, the liquidity risk is considered significant and managed through strict controls over expenditure and cash resources. The Directors believe that the funds raised at the IPO in September 2010 will be sufficient to manage the business through to successful completion of the SX-EW facility at Kounrad when a material income stream will ease the liquidity risk of the Group from May 2012.

Should there be any significant delays in achieving the completion of the SX-EW facility, whilst there can be no assurances, the Directors are confident that they will be able to obtain sufficient funding to manage the liquidity risk in the short term by raising additional capital for the completion of the project.

Capital Risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital in order to provide sufficient funds for the Group's activities. Future capital requirements are regularly assessed and Board decisions taken as to the most appropriate source for obtaining the required funds, be it through internal revenue streams, external fund raising, issuing new shares or selling assets.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "Equity" as shown on the consolidated balance sheet plus net debt.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain a zero % gearing ratio within nil% and finance its capital requirements through equity capital.

Political Risk

The taxation systems in Kazakhstan and Mongolia are at an early stage of development. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to mining and subsoil use operations, and investments in Kazakhstan and Mongolia in comparison with more developed tax systems.

Tax legislation is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose extremely severe fines, penalties and interest charges. The fact that the tax authorities have conducted an audit of a particular period does not prevent them from revisiting that period and raising an additional assessment.

In addition, Kazakhstan's tax system does not recognise the concept of tax authorities giving legally binding rulings on tax issues that are put before them. The inconsistent enforcement and the evolution of Kazakh tax laws create a risk of excessive payment of tax or penalties by the subsoil users if they fail to comply with tax legislation. Further, with the recent adoption of the Subsoil Law, tax stability arrangements for subsoil users in Kazakhstan have been eliminated.

The Group manages this risk by complying locally with all tax regulations and ensuring that its local accounting staff are adequately trained and updated regarding any appropriate tax law changes. CAML also receives tax advice on local issues from its tax advisers, PwC Chartered Accountants and Statutory Auditors, in Kazakhstan and Mongolia.

4 Critical Accounting Estimates and Judgments

The Group has three key areas where critical accounting estimates and judgements are required that could have a material impact on the financial statements:

Decommissioning and site rehabilitation estimates

Provision is made for the costs of decommissioning and site rehabilitation costs when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs.

The provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on current contractual and regulatory requirements and the estimated useful life of mines. Engineering and feasibility studies are undertaken periodically; however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Impairment

As mentioned above estimates are required periodically to assess assets for impairment. These estimates will incorporate the expected future commodity prices, estimates of the ore reserves and projected future costs of development and production. This includes an assessment of the carrying values of assets held for sale.

Mineral Reserves and Resources

The major value associated with the Group is the value of its mineral resources. These resources are the Group's best estimate of product that can be economically and legally extracted from the relevant mining property. The Group's estimates are supported by geological studies and drilling samples to determine the quantity and grade of each deposit.

Significant judgement is required to generate an estimate based on the geological data available. Ore resource estimates may vary from period to period.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

5 Segmental Information

Management has determined the operating segments based on the reports reviewed by the Board and decided that it would be appropriate to identify reportable segments on a project by project basis.

As at 31 December 2011, the Group consisted of the following 4 main business segments:

1. Kounrad – copper production and development in Kazakhstan;
2. Handgait – molybdenum exploration in Mongolia;
3. Alag Bayan – copper and gold exploration in Mongolia; and
4. Ereen – gold exploration in Mongolia.

All business segments represent separate geographical areas and have separate independent revenue streams from sales of different metals or independent cost structure related to exploration or development. UK head office does not represent a separate segment.

Two business segments, namely Handgait and Ereen, at 31 December 2011 have been classified as held for sale. As at 31 December 2011 the Group further classified two Mongolian based entities as held for sale (New CAML Mongolia Ltd and Mongolian Silver Mountain Ltd). Note 17 gives more details in relation to these business segments.

The Group operates out of three key geographical areas, being Kazakhstan, Mongolia and the UK, even though they are managed on a worldwide basis.

The Board assesses the performance of the operating segments based on a number of operational and financial measures relevant to the stage of development of the project:

Exploration and Evaluation

The main indicators used for these projects relate to the numbers of holes drilled and the depth achieved together with the associated assay results and their impact on the assessment of potential reserves and resources. Financial performance is based on the estimated costs per metre for the drilling and the associated site overheads and any required infrastructure expenditure.

Development and Production

Once a project reaches this stage of maturity, the emphasis for assessing the performance of the projects switches to the measurement of product output and the associated revenues, operating costs or the monitoring of the estimated capital costs to develop the project.

The segment information of segmental results provided to the Board for the reportable segments for the year ended 31 December 2011 is as follows:

	Segmental revenue		Segmental result	
	2011 \$	2010 \$	2011 \$	2010 \$
Kounrad	1,121,361	1,446,035	(1,187,247)	(2,263,961)
Alag Bayan	–	–	(8,244)	(5,518)
Unallocated costs including corporate	–	–	(3,883,204)	(6,281,838)
Total continuing operations	1,121,361	1,446,035	(5,078,695)	(8,551,317)
Discontinued operations				
Tochtar	–	–	(75,304)	753,834
Ereen	–	–	228,870	(10,934)
Handgait	–	–	(2,772,774)	(6,543)
Other discontinued	–	–	(736,834)	–
Group Revenue	1,121,361	1,446,035		
Group EBITDA			(8,434,737)	(7,814,960)
Depreciation and amortisation			(246,682)	(720,848)
Loss from operations:			(8,681,419)	(8,535,808)
Exchange rate differences (loss)/gain			(2,751,190)	2,758,649
Other income/(expenses), net			4,301	(2,684)
Finance income			277,555	44,122
Finance costs			(42,171)	(107,808)
Loss before taxation			(11,192,924)	(5,843,528)

Segmental revenues are represented by sales of copper produced on pilot plant as part of testing sulphide and oxide dumps. Revenue of \$1.1 million (2010: \$1.4 million) was all generated from the sales of cathode copper produced by the pilot plant with a total of 140 tonnes being sold at an average price of \$8,010 per tonne (2010: 225 tonnes of copper sold at average price of \$6,427 per tonne).

During 2011 the Group made sales of copper outside Kazakhstan in the amount of \$1,121,360 to the following customers: Deveron Alliance, Corp – \$502,042 (2010: \$1,233,750) and Traxys Europe SA \$619,318 (2010: \$Nil).

The Group did not make sales to domestic customers in Kazakhstan during 2011 (2010: \$212,285).

The segment information of segmental assets and liabilities provided to the Board for the reportable segments for the year ended 31 December 2011 is as follows:

	Segmental assets		Segmental liabilities	
	31 Dec 11 \$	31 Dec 10 \$	31 Dec 11 \$	31 Dec 10 \$
Kounrad	39,922,630	11,505,676	(2,954,508)	(466,419)
Alag Bayan	5,371,369	3,464,878	(5,888)	(2,000)
Total	45,293,999	14,970,554	(2,960,396)	(468,419)
Assets held for sale	8,423,526	10,976,371	(441,700)	(639,696)
Unallocated including corporate	15,720,742	50,615,608	(457,816)	(724,312)
Total	69,438,267	76,562,533	(3,859,912)	(1,832,427)

6 Expenses by nature

Cost of sales

Group	2011 \$	2010 \$
Employee benefit expense	408,747	725,707
Depreciation and amortisation	215,068	321,982
Inventory	98,873	166,533
Other	251,799	183,722
Total	974,487	1,397,944

General and administrative expenses

Group	2011 \$	2010 \$
Employee benefit expense	2,172,324	1,704,551
Taxes and duties	999,626	1,225,640
Travel and fuel costs	348,179	271,507
Office rent	315,178	356,942
Legal costs	269,298	222,637
Marketing	190,701	111,952
Share based payments	186,795	1,782,326
Consulting & Other services	171,126	132,719
Accounting and audit	169,955	417,300
Telecommunications and IT	165,374	154,873
Public group expenses	153,072	81,106
Office costs	67,908	32,564
Depreciation and amortisation	31,614	228,039
Inventory	5,541	74,468
Employee accommodation	544	42,153
IPO fees	–	1,775,640
Other expenses	163,537	94,358
Total from continuing operations	5,410,772	8,708,775
Total from discontinuing operations	701,842	325,005
Total	6,112,614	9,033,780

During 2011 the Kazakhstan based subsidiary Sary Kazna LLP made a donation of \$33,693 (2010: \$Nil) to a charitable fund in Karaganda for construction of a Mosque.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

7 Other income and expenses

Group	2011 \$	2010 \$
Other income/(expenses) from continuing operations	4,301	(2,684)

8 Auditors' Remuneration

	Group		Company	
	2011 \$	2010 \$	2011 \$	2010 \$
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	168,440	187,619	78,440	166,126
Fees payable to the Company's auditor and its associates for other services:				
– Initial Public Offering	–	483,279	–	483,279
– Tax services	37,770	89,068	37,770	89,068
– Other services	992	6,488	992	6,488
Total	207,202	766,454	117,202	744,961

9 Employee Benefit Expense

The aggregate remuneration of staff, including Directors, was as follows:

Group	2011 \$	2010 \$
Continuing operations:		
Wages and salaries	4,951,881	2,256,888
Social security	506,561	267,595
Staff healthcare	24,170	58,189
Pension related costs	330,285	123,392
Total for continuing operations	5,812,897	2,706,064
Total for discontinuing operations	414,003	84,612
Total	6,226,900	2,790,676
Company		
Wages and salaries	884,468	859,716
Social security	132,443	93,066
Staff healthcare	24,170	58,189
Total	1,041,081	1,010,971

The Company has a specific bonus scheme in place for the benefit of the Directors and also the staff employed on the construction phase of the Kounrad SX-EW plant. This bonus scheme is payable at the discretion of the Remuneration Committee and is payable upon completion of the construction of the SX-EW plant based on specific performance criteria related to the capital expenditure targets and also the production of cathode copper.

As at 31 December 2011, the performance criteria had not yet been achieved and consequently no bonuses were then accrued or paid. This will be reviewed by the Remuneration Committee during 2012 as and when first cathode copper is produced by the plant and capital expenditures are reviewed against the original budget.

The details of Directors' remuneration has been incorporated within note 31.

10 Average Number of People Employed

Group	2011 Number	2010 Number
Operational and construction	192	105
Management and Technical	20	29
	212	134

Company

The average number of staff employed by the Company during the year was 6 in 2011 and 6 in 2010.

11 Finance Income and Costs

Group	2011 \$	2010 \$
Finance Income	231,875	44,005
Other Finance Costs	(40,745)	(79,413)
Total Finance Income/(Costs)	191,130	(35,408)

12 Income Tax

Due to the losses incurred in the business there is no current tax provided. UK income tax is calculated at 26.5% (2010: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation between the expected and the actual taxation charge is provided below:

	2011		
Operations:	Continuing \$	Discontinuing \$	Total \$
Loss before tax	(5,941,735)	(5,251,189)	(11,192,924)
Tax at the domestic income tax rate 26.5% (2010: 28%)	(1,574,560)	(1,391,565)	(2,966,125)
Different tax rates for overseas jurisdictions	(286,494)	(795,611)	(1,082,105)
Expenses not deductible for tax purposes	3,228,691	2,593,877	5,822,568
Unrecognised deferred tax asset	(1,367,637)	(406,701)	(1,774,338)
Tax expense for the year	–	–	–

	2010		
Operations:	Continuing \$	Discontinuing \$	Total \$
Loss before tax	(6,689,095)	845,567	(5,843,528)
Tax at the domestic income tax rate 28% (2009: 28%)	(1,872,947)	236,759	(1,636,188)
Different tax rates for overseas jurisdictions	23,109	68,616	91,725
Expenses not deductible for tax purposes	3,467,754	60,503	3,528,257
Unrecognised deferred tax asset	(1,617,916)	(365,878)	(1,983,794)
Tax expense for the year	–	–	–

The CAML Group has an unrecognised deferred tax asset relating to prior years taxable losses of \$3,462,938 (2010: \$3,321,306).

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13 Loss per share

Basic loss per share

Basic loss per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares (note 22).

	2011 \$	2010 \$
Loss attributable to owners of the Company	(11,192,924)	(5,843,528)
Weighted average number of ordinary shares in issue	86,165,934	51,905,654
Basic loss per share	\$(0.13)	\$(0.11)

	2011 \$	2010 \$
Continuing operations:		
Loss attributable to owners of the Company	(5,941,735)	(6,689,095)
Weighted average number of ordinary shares in issue	86,165,934	51,905,654
Basic loss per share for continuing operations	\$(0.07)	\$(0.13)

	2011 \$	2010 \$
Discontinuing operations:		
Loss attributable to owners of the Company	(5,251,189)	845,567
Weighted average number of ordinary shares in issue	86,165,934	51,905,654
Basic (loss)/profit per share	\$(0.06)	\$0.02

Diluted earnings per share

Diluted earnings per share has not been calculated as the effect of all the instruments in issue is antidilutive.

14 Exchange rate differences

	2011 \$	2010 \$
Exchange rate differences (Loss)/Gain from:		
Continuing operations	(873,268)	2,009,680

The (losses)/gains on foreign exchange relate to the translation of foreign currency assets and liabilities at the balance sheet date.

15 Property, Plant and Equipment

Group	Mining Property \$	Construction in progress \$	Plant and Equipment \$	Motor Vehicles & Office Equipment \$	Total \$
Cost					
At 1 January 2010	546,383	–	1,217,723	943,612	2,707,718
Additions	–	4,396,211	446,991	48,117	4,891,319
Disposals	–	–	–	(30,244)	(30,244)
Translation difference	33,024	1,378	4,678	52,001	91,081
At 31 December 2010	579,407	4,397,589	1,669,392	1,013,486	7,659,874
Additions	8,614	15,138,404	2,196,195	330,805	17,674,018
Disposals	(322,791)	(640)	(153,844)	(297,614)	(774,889)
Assets held for sale (note 17)	(239,647)	–	–	(175,615)	(415,262)
Translation difference	(25,583)	(178,846)	(22,822)	(43,231)	(270,482)
At 31 December 2011	–	19,356,507	3,688,921	827,831	23,873,259
Depreciation					
At 1 January 2010	50,022	–	215,215	353,441	618,678
Provided during the year	23,765	–	336,081	184,863	544,709
Disposals	–	–	–	(29,718)	(29,718)
Translation difference	5,946	–	2,352	24,142	32,440
At 31 December 2010	79,733	–	553,648	532,728	1,166,109
Provided during the period	16,137	–	681,478	207,828	905,443
Disposals	–	–	(151,877)	(266,135)	(418,012)
Assets held for sale (note 17)	(87,988)	–	–	(110,573)	(198,561)
Translation difference	(7,882)	–	(10,822)	(25,181)	(43,885)
At 31 December 2011	–	–	1,072,427	338,667	1,411,094
NBV at 1 January 2011	499,674	4,397,589	1,115,744	480,758	6,493,765
NBV at 31 December 2011	–	19,356,507	2,616,494	489,164	22,462,165

In 2010 the Group commenced construction of a commercial 10,000 tonne per annum SX-EW plant, which continued in 2011. At 31 December 2011 construction in progress accounted for \$19,356,507 (2010: \$4,397,589).

The Company had \$6,624 of office equipment at Net Book Value as at 31 December 2011 (2010: \$3,747).

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2011 \$	2010 \$
Cost – capitalised finance leases	76,446	–
Accumulated depreciation	(49,518)	–
Net book amount	26,928	–

The Group leases a single item of mining equipment under a non-cancellable finance lease agreement. The lease terms are for 3 years, and ownership of the asset lies within the Group.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

16 Intangible Assets

Group	Deferred Exploration and Evaluation costs \$	Permits and Licences \$	Computer Software \$	Total \$
Cost				
At 1 January 2010	8,953,146	2,566,019	77,339	11,596,504
Additions	321,871	3,634	2,553	328,058
Disposals	–	(6,276)	(277)	(6,553)
Translation Difference	1,151,349	459	96	1,151,904
At 31 December 2010	10,426,366	2,563,836	79,711	13,069,913
Additions	1,635,110	999,946	9,443	2,644,499
Disposals	(2,397,870)	(152,124)	(64,324)	(2,614,318)
Assets held for sale (note 17)	(3,300,000)	–	–	(3,300,000)
Translation Difference	(862,306)	–	(209)	(862,515)
At 31 December 2011	5,501,300	3,411,658	24,621	8,937,579
Amortisation				
At 1 January 2010	–	5,414	48,404	53,818
Provided during the year	7,642	9,142	23,133	39,917
Assets held for sale	–	26	3	29
At 31 December 2010	7,642	14,582	71,540	93,764
Provided during the year	–	2,989	6,007	8,996
Disposal	–	(12)	(64,324)	(64,336)
Translation Difference	–	–	(75)	(75)
At 31 December 2011	7,642	17,559	13,148	38,349
NBV at 1 January 2011	10,418,724	2,549,254	8,171	12,976,149
NBV at 31 December 2011	5,493,658	3,394,099	11,473	8,899,230

Amortisation of mining licences and permits is charged to the appropriate project. Amortisation of software is all charged to general and administrative costs.

Deferred exploration and evaluation costs as at 31 December 2011 are represented by Alag Bayan of \$4,334,860 (2010: \$3,439,125) and Kounrad of \$1,158,798 (2010: \$1,166,441). The increase in deferred exploration and evaluation costs in Alag Bayan is the result of exploration program completed during 2011. At the same time, the Handgait project as at 31 December was impaired by \$2,397,870 based on a third party valuation and was classified as an asset held for sale of \$3,300,000 (2010: \$Nil).

As at 31 December 2011 the Company impaired mining licenses and permits of project Asgat (Mongolian based held for sale subsidiary Mongolian Silver Mountain Ltd) of \$152,124 (2010: \$Nil).

As part of the Kounrad JOA, prior to the commissioning date, Sary Kazna LLP is responsible for 100% of the liabilities and yet only 60% of the assets relating to the exploration activity at Kounrad. The impact of this arrangement results in an addition of \$999,946 to intangible assets as at 31 December 2011. Following commissioning in 2012, all exploration assets and liabilities at Sary Kazna LLP will be owned and accounted for on a 60:40 basis.

The Company had \$1,000,000 of intangible assets as at 31 December 2011 (2010: \$1,154,238). The amount is represented by the Alag Bayan exploration licence.

17 Assets held for sale

The assets and liabilities related to the following companies have been presented as held for sale:

Handgait

In December 2011 CAML Board made a decision to classify Project Handgait as held for sale.

A molybdenum deposit located in the Bulgan province 500km northwest of Ulaan Baatar near the Russian border.

CAML holds 80% of the Handgait project through its local subsidiary, Mon Resources LLC. The exploration licence covers an area of 17.91km² in northern Mongolia, adjoining the Russian border. The licence area hosts a significant molybdenum resource which has undergone extensive exploration using soil geochemistry, detailed geophysics, and a substantial core drilling programme to delineate preliminary resources.

Ereen

This gold exploration project is located between Centerra's Boroo mine and the Gatsurst project in the Selenge province approximately 140 km north of Ulaan Baatar, Mongolia. During 2009 a drilling programme of 1,792m was conducted on the site in order to obtain further geological data and thereby enable the conversion of the exploration licences associated with the project to be converted into 30 year mining licences. This was successfully achieved in April 2010.

A decision was taken to actively sell the mine during 2009, however during various offers the deal has not been completed. CAML actively continue marketing the asset. In February 2011, CAML has signed an agreement with Canaccord Genuity Limited, which will assist in the marketing and disposal of Ereen and Handgait.

Other

As at 31 December 2011 the Group classified two further 100% controlled Mongolian subsidiaries as held for sale:

New CAML Mongolia Ltd is a Mongolian based management company and Mongolian Silver Mountain Ltd, was set up for a prospective silver project. None of the above subsidiaries hold exploration or mining licenses.

(a) Assets of disposal group classified as held for sale

	31 Dec 11 \$	31 Dec 10 \$
Intangible assets	7,454,374	4,425,908
Cash and cash equivalents	562,430	2,264
Property plant and equipment	273,253	110,176
Trade and other receivables	133,417	6,857
Inventory	52	–
Total	8,423,526	4,545,205

The Handgait project, which is part of the intangible assets held for sale, as at 31 December 2011 was impaired by \$2,397,870 based on third party valuation and was classified as asset held for sale of \$3,300,000 (2010: \$Nil).

As at 31 December 2011 the Company impaired mining licenses and permits of project Asgat (Mongolian based held for sale subsidiary Mongolian Silver Mountain Ltd) of \$152,124 (2010: \$Nil).

The investment carried directly in the Company's accounts relating to the Ereen project at 31 December 2011 is \$100,000.

(b) Liabilities of disposal group classified as held for sale

	31 Dec 11 \$	31 Dec 10 \$
Provisions	390,815	197,445
Trade and other payables	50,885	2,160
Total	441,700	199,605

The Loss from discontinuing operations for 2011 was \$5,251,189 (2010: Gain \$845,667).

	2011 \$	2010 \$
Discontinuing operations:		
General & Administrative Expenses	(701,842)	(325,005)
Other (Expenses)/Income	(2,715,678)	449,882
Exchange rate differences (Loss)/Gain	(1,877,922)	748,968
Operating (Loss)/Profit	(5,295,442)	873,845
Finance Income	45,679	117
Finance Costs	(1,426)	(28,395)
(Loss)/Profit before Income Tax	(5,251,189)	845,567
Income Tax	–	–
(Loss)/Profit from discontinuing operations	(5,251,189)	845,567

Notes to the Consolidated Financial Statements (continued)

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Cash flows of disposal group classified as held for sale:

Group	2011 \$	2010 \$
Operating cash flows	(673,625)	(353,168)
Investing cash flows	1,075,000	–
Total cash flows	401,375	(353,168)

18 Investments

Company	31 Dec 11 \$	31 Dec 10 \$
Beginning of Year	258,853	295,853
Conversion of IC loans CAML Kazakhstan BV and CAML Mongolia BV to Investments	342,869	–
Transfer to CAML Mongolia BV	–	(47,000)
Addition to investments CAML Mongolia BV	84,065	–
Write off of Investments Handgait	(200,000)	–
Transferred to disposal group classified as held for sale	–	10,000
End of Year	485,787	258,853

Investments in Group undertakings are recorded at cost which is the fair value of the consideration paid less impairment.

Details of Group holdings are included in the table below.

Subsidiary	Country	Activity	CAML % 2011	CAML % 2010	Date of Incorporation
Central Asia Metals Plc	UK	Holding Company			9 Sep 05
CAML Kazakhstan BV	Holland	Holding Company	100	100	23 Jun 08
CAML Mongolia BV	Holland	Holding Company	100	100	23 Jun 08
Sary Kazna LLP	Kazakhstan	Management Services, Copper Production and Kounrad project	100	100	6 Feb 06
CAML Kazakhstan Holding LLP	Kazakhstan	Gold Mining	–	100	15 Dec 08
Kounrad Copper Company LLC	Kazakhstan	Kounrad project	60	60	29 Apr 08
Tochtar LLP	Kazakhstan	Gold Mining	–	75	24 Apr 06
New CAML Mongolia Ltd	Mongolia	Management Services	100	100	8 Jun 07
Zuun Mod UUL Ltd (Ereen)	Mongolia	Exploration – Gold	85	85	3 May 07
Mon Resources Ltd (Handgait)	Mongolia	Exploration – Molybdenum	80	80	18 May 07
Mongolian Silver Mountain Ltd	Mongolia	Exploration – Silver	100	100	1 Apr 07
Bayan Resources Ltd	Mongolia	Exploration – Copper/Gold	70	70	1 Aug 08

In February 2011 CAML completed the disposal of its Tochtar project (CAML Kazakhstan Holding LLP and Tochtar LLP) to Wildorf Holdings LLP and received a gross consideration of \$825,000 for sale of 100% of Tochtar. The Company received a gross consideration of \$825,000 for the sale of 100% of Tochtar. In January 2012 the deal was granted Article 12 clearance and considered to be complete. On completion of the deal the Group in Q1 2012 CAML paid the minority shareholders of Tochtar the equivalent of \$500,000, net of selling and asset maintenance expenses.

Interests in Joint Venture

The Group has a contractual arrangement with Sary Arka, a Government entity in Kazakhstan, whereby agreement has been reached to jointly operate and manage the Kounrad Copper facility near Balkhash. The arrangement provides joint control over the project assets. The initial capital to build the processing plant and infrastructure required to produce the copper from the existing dumps will be provided by the Group.

The Joint Operating Agreement (JOA) was amended in August 2010 when it was agreed that until the occurrence of the hydrometallurgical plant commissioning date, all cash funds for financing costs and expenditures would be provided by the Group exclusively. At such time, the capital to finance the project will be repaid to the Group out of 50% of the annual net operating cash flows with the balance being paid to the parties in a 60:40 split as dividends. Once all capital is repaid to the Group, net operating cash flows will all be paid as dividends to the Joint Venture parties on the agreed basis of 60:40. Thereafter, the parties would contribute to costs on a pro rata basis in relation to their percentage ownership.

In February 2012 Sary Arka has conducted a tender process for the sale of its 40% ownership of the Kounrad Project and SAT Group won the tender. The deal remains contingent upon achieving Article 12 clearance in Kazakhstan which is the Kazakhstan Government's pre-emption right appertaining to all entities which possess a sub-soil user licence.

The Group has an agreement with the SAT Group to subsequently acquire the 40% ownership of the Project in exchange for 8,616,593 CAML shares which equates to 9.1% of the enlarged share capital on completion of the transaction, which will result in 100% ownership of Kounrad Project by the Group.

The Group has a 60% interest in a joint venture, Kounrad Copper Company LLC, which is holder of Kounrad plant. The following amounts represent the Group's 60% share of the assets and liabilities, and sales and results of the joint venture. They are included in the balance sheet and income statement:

	31 Dec 11 \$	31 Dec 10 \$
Assets		
Non-current assets	17,113,959	975,281
Current assets	658,863	2,534,312
	17,772,822	3,509,593
Liabilities		
Non-current liabilities	17,847,892	3,597,414
Current liabilities	293,222	36,064
	18,141,114	3,633,478
Net assets	(368,292)	(123,885)
Income	99,653	388,471
Expenses	(355,998)	(490,353)
Loss after income tax	(256,345)	(101,882)
Proportionate interest in joint venture's commitments	1,389,874	2,468,759

19 Trade and Other Receivables

	Group		Company	
	31 Dec 11 \$	31 Dec 10 \$	31 Dec 11 \$	31 Dec 10 \$
Trade and Other Receivables	1,815,942	2,124,866	103,608	529,365
Receivables from related parties	10,787,990	2,300,362	73,615,395	50,435,937
Prepayments	465,174	67,763	98,827	30,833
	13,069,106	4,492,991	73,817,830	50,996,135
Less: non-current portion				
Trade and Other Receivables	(1,560,944)	(734,771)	-	-
Receivables from related parties	(10,787,990)	(2,300,362)	(73,615,395)	(50,435,937)
Current Portion	720,172	1,457,858	202,435	560,198

The carrying value of all the above receivables is a reasonable approximation of fair value.

All trade receivables are with counterparties that management considers to be of high credit rating in that they are either government agencies or related parties with whom the Group has a strong business association.

Management's policy is to assess all trade receivables and receivables from related parties for collectability and a provision is made where doubt exists. Amounts are fully written off when information comes to light that the amounts due will not be recovered.

The Group's non-current accounts receivable from related parties represent a portion of investments into the Kounrad Project on behalf of its Joint Partner Sary Arka. The balances are expected to be recovered by CAML through a priority repayment of intercompany loans used to finance development of Kounrad Project.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

20 Inventory

Group	31 Dec 11 \$	31 Dec 10 \$
Raw Materials	140,537	37,557
Finished Goods	400,806	326,209
Total	541,343	363,766

The Group did not have slow moving, obsolete or defective inventory at 31 December 2011 (2010: \$Nil).

21 Cash and Cash Equivalents

96.6% of the Group's cash and cash equivalents at the year end are held at a AA-rated bank (2010: 93.9%).

	Group		Company	
	31 Dec 11 \$	31 Dec 10 \$	31 Dec 11 \$	31 Dec 10 \$
Cash at bank and on hand	15,583,238	40,097,333	15,490,536	37,466,142
Short term deposits:				
Short term deposits – MNT	459,659	–	–	–
Short term deposits – USD	–	7,267,101	–	7,267,101
Short term deposits – KZT	–	1,224	–	–
	16,042,897	47,365,658	15,490,536	44,733,243
Cash at bank and on hand included in the assets held for disposal line	562,430	9,693	–	–
Total Cash and Cash Equivalent	16,605,327	47,375,351	15,490,536	44,733,243

22 Share Capital and Premium

Group	Number of Shares No	Ordinary Shares \$	Share premium \$	Treasury Shares \$	Total \$
At 1 January 2010	38,946,155	389,461	53,460,880	(1,723,416)	52,126,925
Capital reduction	–	–	(54,446,174)	–	(54,446,174)
EBT Shares issued correction	–	–	–	(172)	(172)
EBT shares granted	853,258	8,533	571,682	(580,215)	–
Gold Loan conversion into shares	1,470,588	14,706	985,294	–	1,000,000
Convertible loan	5,160,833	51,608	5,403,392	–	5,455,000
Initial Public Offering	39,735,100	397,351	59,872,849	–	60,270,200
Share issue costs	–	–	(4,416,390)	–	(4,416,390)
At 31 December 2010	86,165,934	861,659	61,431,533	(2,303,803)	59,989,389
2011 movement	–	–	–	–	–
At 31 December 2011	86,165,934	861,659	61,431,533	(2,303,803)	59,989,389

The par value of ordinary shares is \$0.01 per share (2010: \$0.01). All shares are fully paid.

On 22 December 2009, the Company issued 2,534,688 ordinary shares as part of the Employee Benefit Trust ("the Trust"), details of which are contained in note 24. The shares were issued to the Trust in line with the Joint Ownership Agreements and as at 31 December 2009 an amount of \$172 was reflected as a debtor. This amount was paid into the Company's bank account in early January 2010. On 3 September 2010 the Company issued an additional 853,258 ordinary shares to the Employee Benefit Trust.

On 14 February 2010 the Company converted the \$1 million gold loan into 1,470,588 ordinary shares at the share price of \$0.68.

In May 2010 the Company issued convertible loan notes to the value of \$5.5 million (gross). Following the successful IPO on 30 September 2010 the convertible note was converted to 5,160,833 ordinary shares. The Company recognised \$51,608 increase in share capital and \$5,403,392 increase in share premium.

Costs related directly to the new issue of shares have been deducted from equity. Attributable IPO costs are allocated between the share premium account and income statement in proportion to the number of new shares issued compared to the existing number of shares. Other costs attributable to the Listing have been expensed. During 2010, \$1,775,640 was expensed and \$4,416,390 was deducted from equity.

During 2011 the Company did not have any changes in number of shares in issue.

23 Other Reserves

Group	Share Option Reserve \$	Currency Translation Reserve \$	Total Group \$
At 1 January 2010	1,496,277	3,548,274	5,044,551
Currency translation differences	–	238,266	238,266
EBT Shares granted	846,102	–	846,102
Grant of share options	936,224	–	936,224
At 31 December 2010	3,278,603	3,786,540	7,065,143
Currency translation differences	–	1,251,252	1,251,252
Disposal of Tochter	–	(3,786,540)	(3,786,540)
Grant of share options	186,795	–	186,795
At 31 December 2011	3,465,398	1,251,252	4,716,650

The amount of \$186,795 (2010: \$936,224) credited to the share option reserve relates to the shares options granted – see note 24.

24 Equity Settled Share Based Payments

(a) Share Option Plan

619,000 Share options were granted to 10 employees under the CAML Share Option Plan on 21 February 2008. On 15 February 2010 the Company updated the exercise price and the number of options, leaving the options exercisable on 21 February 2011. On 3 September 2010 the Company granted additional 202,172 Share options. The only applicable vesting conditions are time based and consequently the share options were fully vested in February 2011. On 6 October 2011 the Company granted additional 594,201 Share options exercisable 1/3 on 6 October 2012, 1/3 on 6 October 2013 and 1/3 on 6 October 2014.

As at 31 December 2011, 1,415,373 options (2010: 821,172) to subscribe for Ordinary shares in the Company were outstanding as follows:

Date of Grant of Option	Expiry Date of Option	Option Exercise Price \$	Number of Shares
21 Feb 08	21 Feb 18	6.42	164,000
21 Feb 08	21 Feb 18	0.68	455,000
03 Sep 10	21 Feb 18	0.68	202,172
06 Oct 11	05 Oct 21	0.01	594,201
Total			1,415,373

	2011		2010	
	Average exercise price in \$ per share options	Options (number)	Average exercise price in \$ per share options	Options (number)
At 1 January	1.83	821,172	2.20	619,000
Granted	0.01	594,201	0.68	202,172
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
At 31 December	1.06	1,415,373	1.83	821,172

There were no options forfeited, exercised or expired during the period ending 31 December 2011 (2010: nil, nil, nil, respectively). The weighted average number of options exercisable at 31 December 2011 is 821,172 (2010: Nil).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

The Company originally valued the share options on grant on 21 February 2008. The estimated fair value of the share options granted on 21 February 2008 was \$4.74, for a total of \$2,422,140. This was calculated by using an options valuation model based on the Black-Scholes method. The model inputs were the share price at grant date of \$6.42 together with an exercise price of \$6.42, an expected volatility of 128% and an estimated risk-free interest rate of 3%. The volatility of 128% represents the volatility of a listed company which operates in the same sector as this company.

The Company has valued the new share options on grant in February and September 2010.

The estimated fair value of the share options granted on 15 February 2010 was \$0.30. This was calculated by using an options valuation model based on the Black-Scholes method. The model inputs were the share price at grant date of \$0.68 together with an exercise price of \$0.68, an expected volatility of 115% and an estimated risk-free interest rate of 3%. The volatility of 115% represents the volatility of a listed company which operates in the same sector as this company.

The estimated fair value of the share options granted on 3 September 2010 was \$0.22. This was calculated by using an options valuation model based on the Black-Scholes method. The model inputs were the share price at grant date of \$0.68 together with an exercise price of \$0.68, an expected volatility of 117% and an estimated risk-free interest rate of 5%. The volatility of 117% represents the volatility of a listed company which operates in the same sector as this company.

The Company valued share options granted on 6 October 2011 at its LSE AIM spot price on the date of grant of \$1.08.

An amount of \$186,795 (2010: \$936,224) has been credited to the share option reserve for the period ending 31 December 2011.

(b) Employee Benefit Trust

An Employee Benefit Trust (EBT) was set up by the Company during 2009 as a means of incentivising the management of CAML towards achieving specific goals as agreed by the Remuneration Committee. A total of 2,534,688 ordinary shares were issued as part of the arrangement.

The shares were issued at the exercise price of \$0.68 which was based on the valuation taken from the July 2009 fund raising at around the time the EBT scheme was considered appropriate as an incentive scheme by the Board. The shares are jointly owned by the Trust Fund and the employee with the ownership transferring to the employee based on certain performance criteria. The performance criteria are related to the Company achieving a trade sale or an IPO.

The estimated fair value of the shares granted in December 2009 is \$0.30. This was calculated by using an options valuation model based on the Black-Scholes model. The model inputs were the share price at grant date of \$0.68 together with an exercise price of \$0.68, an expected volatility of 130% and an estimated risk-free interest rate of 5%. The volatility of 130% represents the volatility of a listed company which operates in the same sector as this company. The vesting date was 30 September 2010.

On 3 September 2010 the Company issued additional 853,258 ordinary shares to the Employee Benefit Trust. The estimated fair value of the shares granted is \$0.09. This was calculated by using an options valuation model based on the Black-Scholes model. The model inputs were the share price at grant date of \$0.68 together with an exercise price of \$0.68, an expected volatility of 117% and an estimated risk-free interest rate of 5%. The volatility of 117% represents the volatility of a listed company which operates in the same sector as this company. The vesting date was 30 September 2010.

For the period ending 31 December 2011 \$Nil was recognised as an income statement charge (2010: \$846,102) from the Employee Benefit Trust, as EBT ordinary shares were fully paid.

25 Trade and Other Payables

	Group		Company	
	31 Dec 11 \$	31 Dec 10 \$	31 Dec 11 \$	31 Dec 10 \$
Trade Payables	1,008,203	1,001,913	350,604	256,092
Social Security and other taxes	194,810	196,987	79,937	106,366
Amounts due to related parties	–	–	–	57,864
	1,203,013	1,198,901	430,541	420,322
Less non-current portion				
Trade Payables	–	(250,562)	–	–
Amounts due to related parties	–	–	–	(57,864)
Current portion	1,203,013	948,339	430,541	362,458

The carrying value of all the above payables is equivalent to fair value. The amounts due to related parties are a consequence of inter-group arrangements.

26 Obligations under finance leases

	Minimum lease payments 31 Dec 11 \$	Interest 31 Dec 11 \$	Principal 31 Dec 11 \$
Less than one year	50,056	1,870	48,186
Between two and five years	26,390	353	26,037
More than five years	–	–	–
	76,446	2,223	74,223

	Minimum lease payments 31 Dec 10 \$	Interest 31 Dec 10 \$	Principal 31 Dec 10 \$
Less than one year	–	–	–
Between two and five years	–	–	–
More than five years	–	–	–
	–	–	–

The Group has one item of mining equipment (crasher) obtained under a finance lease agreement. Lease obligations are denominated in KZT. At 31 December 2011 the current finance lease liabilities consist of interest balance due in the amount of \$1,870 (31 December 2010: \$Nil) and principal due in the amount of \$50,056 (31 December 2010: \$Nil). The fair values of the lease obligations approximate to their carrying amounts as presented above.

27 Provisions for Liabilities and Charges

Group	Provisions for Liabilities and Charges \$
At 31 December 2010	433,921
Arising during the year	–
Asset Retirement Obligations in relation to Kounrad Project	2,138,753
Transferred to disposal group classified as held for sale	(390,815)
Exchange rate difference	(43,106)
At 31 December 2011	2,138,753

The environmental provision of \$2,138,753 (2010: \$433,921) is a non-current provision. The provision is expected to be utilised on closure of the related plant.

At 31 December 2011 the Group was in the process of construction of the Kounrad plant. A provision is recognised for the present value of costs to be incurred for the restoration of the Kounrad site. The restoration of the Kounrad site will cost in the region of \$4,194,068 during 2027.

The environmental provision transferred to the disposal group classified as held for sale amounting to \$238,619 and relates to an environmental restoration provision for the Handgait project and \$152,196 represented by provision of VAT receivable. See note 17 for further details regarding the disposal group held for sale.

Notes to the Consolidated Financial Statements (continued)

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28 Cash Used In Operations

	Note	Group As at 31 December		Company As at 31 December	
		2011 \$	2010 \$	2011 \$	2010 \$
Losses before income tax		(11,192,924)	(5,843,528)	(6,314,361)	(2,316,770)
Adjustments for:					
Depreciation	15	905,443	544,709	5,924	21,353
Amortisation	16	8,996	39,917	2,238	21,398
Foreign Exchange	14,17	2,751,190	(2,758,649)	(281,432)	213,422
Cost of Listing on AIM	6	–	1,775,640	–	1,775,640
Loss on sale of the subsidiary Tochtar		75,304	–	–	–
Profit on sale of subsidiary Ereen (lost buyer deposit)	7	(250,000)	–	–	–
Impairment of Intangible Assets	7	2,963,133	2,897	352,000	–
Impairment of Tochtar Assets	7	–	(949,522)	–	(891,229)
Share based payments	7	186,795	1,782,326	186,795	1,782,326
Finance income	11,17	(277,555)	(44,122)	(131,130)	(40,711)
Finance Costs	11,17	42,171	107,808	7,176	3,915
Changes in working capital:					
Inventories		131,501	133,908	–	–
Trade and Other Receivables		(8,401,077)	(3,452,761)	357,763	(171,918)
Trade and Other Payables		(2,045,870)	1,064,290	10,219	(405,223)
Movement in Provisions		1,384,038	24,155	–	–
Movement in Gold loan liability		–	–	–	(1,000,000)
Cash used in operations		(13,718,855)	(7,572,932)	(5,804,808)	(1,007,797)

29 Contingencies

As at 31 December 2011 the Group had no contingent liabilities or assets (2010: Nil).

Kazakhstani tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and frequent changes which may be applied retroactively. The interpretation of tax, transfer pricing and excess profit tax legislation by the Kazakhstan tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the Kazakhstani tax authorities for five years.

30 Commitments

Group	31 Dec 11 \$	31 Dec 10 \$
Kazakhstan	2,316,456	4,114,599
UK	146,039	94,141
Mongolia	297,498	91,699
Total	2,759,993	4,300,439

Group	31 Dec 11 \$	31 Dec 10 \$
Property, plant and equipment	2,316,456	4,114,599
Intangible assets	98,093	91,691
Other	345,444	94,149
Total	2,759,993	4,300,439

At 31 December 2011 amounts contracted for but not provided in the financial statements amounted to \$2,759,993 for the Group (2010: \$4,300,439).

The Kazakhstan commitments relate to the acquisition of Property, plant and equipment for the Kounrad plant. Intangible assets commitments relate to agreements associated with Mongolian project and its exploration expenditure.

The Company commitments are mainly represented by office rent agreement, healthcare insurance and general consulting agreements and totalled at 31 December 2011 \$146,039 (2010: \$94,141).

31 Related Party Transactions

The Group had the following related party balances and transactions during the year ended 31 December 2011, and 31 December 2010. Related parties are those entities owned or controlled by the Company, which is ultimate controlling party of the Group.

Transactions between the Company and related parties:

	2011 \$	2010 \$
Management fees income from related parties		
New CAML Mongolia Ltd	60,000	60,000
Sary Kazna LLP	60,000	60,000
Total	120,000	120,000

The Company is recharging \$5,000 per month for Management services to New CAML Mongolia Ltd and Sary Kazna LLP. The total charge for 2011 was \$120,000 (2010: \$120,000).

	2011 \$	2010 \$
Interest income from related parties		
Sary Kazna LLP	972,183	1,423,589
Mon Resources Ltd	442,792	421,484
Zuun Mod UUL Ltd	297,347	280,326
Bayan Resources Ltd	284,995	175,209
Kounrad Copper Company LLC	60,753	38,138
New CAML Mongolia Ltd	-	63,255
Mongolian Silver Mountain Ltd	-	18,210
CAML Mongolia BV	-	5,989
CAML Kazakhstan BV	-	4,866
Total	2,058,070	2,431,066

On the 1 January 2011 the Company converted loans and interest receivable from CAML Mongolia BV and CAML Kazakhstan BV into investments. During 2011 the Company made further contributions into share premium of CAML Mongolia BV and CAML Kazakhstan BV, which resulted in nil interest charge during the year and nil loan and interest receivable balances at 31 December 2011.

	31 Dec 11 \$	31 Dec 10 \$
Management fees receivable from related parties		
New CAML Mongolia Ltd	240,000	180,000
Sary Kazna LLP	120,000	60,000
Total	360,000	240,000

	31 Dec 11 \$	31 Dec 10 \$
Loans receivable from related parties		
Sary Kazna LLP	28,723,787	18,870,776
Kounrad Copper Company LLC	20,839,009	5,900,000
Zuun Mod UUL Ltd	4,884,434	4,820,524
Bayan Resources Ltd	4,602,673	3,086,413
New CAML Mongolia Ltd	2,243,467	1,400,707
Mon Resources Ltd	1,996,495	7,009,658
Mongolian Silver Mountain Ltd	307,315	301,705
CAML Kazakhstan Holding LLP	-	483,275
Tochtar LLP	-	341,725
CAML Mongolia BV	-	185,677
CAML Kazakhstan BV	-	146,337
Total	63,597,180	42,546,797

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2011

During 2011 the Company sold Tochtar LLP and CAML Kazakhstan Holding LLP, which resulted in nil loan receivable balances at 31 December 2011.

At 1 January 2011 the Company converted loans receivable from CAML Mongolia BV and CAML Kazakhstan BV into investments, which resulted in nil loan receivable balances at 31 December 2011 (2010: \$185,677 and \$146,337 respectively).

At 31 December 2011 as part of the impairment testing, the Company made a provision against Mon Resources Ltd related party loans receivable of \$5,578,273 (2010: \$Nil) resulting in a closing loan balance of \$1,996,495 (2010: \$7,009,658).

	31 Dec 11	31 Dec 10
	\$	\$
Interest receivable from related parties		
Sary Kazna LLP	6,830,544	5,858,361
Mon Resources Ltd	1,303,505	860,713
Zuun Mod UUL Ltd	822,140	524,793
Bayan Resources Ltd	517,897	232,902
New CAML Mongolia Ltd	86,684	86,684
Kounrad Copper Company LLC	60,753	38,138
Mongolian Silver Mountain Ltd	36,694	36,694
CAML Mongolia BV	–	5,989
CAML Kazakhstan BV	–	4,866
Total	9,658,217	7,649,140

At 1 January 2011 the Company converted interest receivable on related party loans from CAML Mongolia BV and CAML Kazakhstan BV into investments, which resulted in nil interest receivable on related party loans at 31 December 2011 (2010: \$5,989 and \$4,866 retrospectively).

Directors' Remuneration

Directors' remuneration, including Non-Executive Directors, during the year was as follows:

	2011	2011	2011	2011	2010
	Basic salary/Fees	Annual Bonus	Benefits in kind	Total	Total
	\$	\$	\$	\$	\$
Executive directors:					
Nick Clarke	238,277	–	4,795	243,072	223,387
Nigel Robinson	208,741	–	7,261	216,002	206,332
Howard Nicholson	208,741	–	3,301	212,042	–
Non-Executive directors					
Dr. Michael Price	64,490	–	4,257	68,747	19,648
Nigel Hurst-Brown	64,490	–	–	64,490	15,447
Robert Cathery	48,368	–	–	48,368	11,585
Nurlan Zhakupov	11,668	–	–	11,668	–
Alex Capelson	12,084	–	–	12,084	11,539
Directors' emoluments	856,859	–	19,614	876,473	487,938

The emoluments of the highest paid Director totalled \$243,072 in 2011 (2010: \$223,387).

The executive Directors are currently entitled to earn an annual bonus of up to 50% of annual salary subject to the achievement of certain annual performance targets.

In 2011, specific targets were set which relate to the completion of the construction of the Kounrad SX-EW plant by specified dates in 2012 which entitle the executive Directors to earn an annual bonus of up to 100% of their annual salary. This bonus scheme is payable at the discretion of the Remuneration Committee. As at 31 December 2011, the performance criteria had not yet been achieved and consequently no bonuses were then accrued or paid. This will be reviewed by the Remuneration Committee during 2012 as and when first cathode copper is produced by the plant and capital expenditures are reviewed against the original budget.

Details of the Directors' interests in the ordinary shares of the Company are set out in the Directors' Report.

No Director has a service agreement with the Company that is terminable on more than 12 months notice.

Directors' EBT share awards

	As at 31 Dec 2011	As at 31 Dec 2010
CN Hurst-Brown	250,543	250,543
MA Price	300,543	300,543
N Clarke	1,342,887	1,342,887
H Nicholson (<i>from 7 December 2011</i>)	646,715	646,715
N Robinson	646,715	646,715
Total Directors Interests	3,187,403	3,187,403

The above shares were awarded to the Directors of the Company as part of EBT incentives scheme. All the share awards were made prior to the IPO and vested upon its successful completion.

Directors' Options awards

During 2011 the Group awarded following options to the Executive Directors of the Company. These options generally vest at the rate of one-third per annum subject to continued service and the achievement of certain performance conditions..

Group	6 Oct 11	31 Dec 10
Nick Clarke	217,391	–
Nigel Robinson	188,405	–
Howard Nicholson	188,405	–
Total	594,201	–

Annual General Meeting

The Company's Annual General Meeting will be held at the Company's offices at 4/5 Park Place, London SW1A 1LP on 31 May 2012 at 12 noon. The Notice of Meeting follows, and sets out the business to be transacted. An explanation of each of the resolutions follows below:

Resolution 1: To Receive and Adopt the Annual Report and Accounts

The directors of the Company are required to lay the Annual Report and Accounts before the shareholders each year at the Annual General Meeting. Resolution 1 is an ordinary resolution to receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 December 2011.

Resolutions 2 and 3: Re-appointment of Directors

At every annual general meeting ("AGM"), any Director who has been a Director at each of the two last AGMs and was not appointed or reappointed at either of those meetings, is required to retire and is eligible for reappointment. All Directors, other than Howard Nicholson and Nurlan Zhakupov, were reappointed in this way at last year's AGM. Howard Nicholson and Nurlan Zhakupov were appointed as Directors by the Board since last year's AGM and accordingly retire and are being proposed for reappointment at the forthcoming 2012 AGM.

Resolution 4: Re-appointment of Auditors

The Company's Auditors are required to be re-appointed at every AGM. Resolution 4 is an ordinary resolution to approve the re-appointment of PricewaterhouseCoopers LLP as auditors.

Resolution 5: Auditors' Remuneration

This resolution is to authorise the Directors, as is customary, to negotiate and agree the remuneration of the auditors. In practice, the Audit Committee will consider and approve the audit fees on behalf of the Directors.

Resolution 6: Allotment of Relevant Securities

Your Directors may allot shares and grant rights to subscribe for, or convert any security into, shares only if authorised to do so by shareholders. The authority granted at the last AGM is due to expire at this year's AGM. Accordingly, Resolution 6 will be proposed as an ordinary resolution to grant new authorities to allot shares and grant rights to subscribe for, or convert any security into, shares. If given, these authorities will expire at the AGM in 2013 or on 30 June 2013, whichever is the earlier.

Paragraph (a) of Resolution 6 will allow the directors to allot ordinary shares up to a maximum nominal amount of US\$287,219, representing approximately one third (33.33 per cent.) of the Company's existing issued share capital as at 18 April 2012 (being the latest practicable date prior to publication of this notice). In accordance with the latest institutional guidelines issued by the Association of British Insurers, paragraph (b) of Resolution 6 will also allow directors to allot, including the ordinary shares referred to in paragraph (a) of Resolution 6, further ordinary shares in connection with a pre-emptive offer by way of a rights issue to ordinary shareholders up to a maximum nominal amount of US\$574,438, representing approximately two thirds (66.67 per cent.) of the Company's existing issued share capital as at 18 April 2012.

It is customary for a UK quoted company to maintain such an authority irrespective of any intention to exercise it. The Directors confirm that they do not currently have any intention to exercise this authority other than as may be appropriate in connection with the transaction with SAT Group referred to in the Annual Report. If they do exercise the authority, the Directors will have due regard to institutional shareholder guidelines regarding its use.

Resolution 7: Disapplication of Pre-emption Rights

Your Directors also require a power from shareholders to allot equity securities or sell treasury shares for cash and otherwise than to existing shareholders pro rata to their holdings. The power granted at the last AGM is due to expire at this year's AGM. Accordingly, Resolution 7 will be proposed as a special resolution to grant such a power.

Apart from offers or invitations in proportion to the respective number of shares held, the power will be limited to the allotment of equity securities and sales of treasury shares for cash up to an aggregate nominal value of US\$86,166 (being approximately ten per cent. of the Company's issued ordinary share capital at 18 April 2012, the latest practicable date prior to publication of this notice). If given, this power will expire on 30 June 2013 or at the conclusion of the AGM in 2013, whichever is the earlier.

Your directors will have due regard to institutional guidelines in relation to any exercise of this power. It is customary for a UK quoted company to maintain such an authority irrespective of any intention to exercise it. The Directors confirm that they do not currently have any intention to exercise this authority other than as may be appropriate in connection with the transaction with SAT Group referred to in the Annual Report.

Resolution 8: Authority for the Company to Buy Back Shares

This resolution will give the Company authority to purchase its own shares in the market up to a limit of approximately 10 per cent. of its issued ordinary share capital at 18 April 2012, the latest practicable date prior to the publication of the Notice of Meeting. The maximum and minimum prices are stated in the resolution. Whilst they do not currently have any intention to utilise this authority your Directors believe that it is advantageous for the Company to have this flexibility to make market purchases of its own shares. Your Directors will exercise this authority only if they are satisfied that a purchase would result in an increase in expected earnings per share and would be in the interests of shareholders generally.

In the event that shares are purchased, they would either be cancelled (and the number of shares in issue would be reduced accordingly) or, in accordance with the Companies Act 2006, be retained as treasury shares. The Company may consider holding repurchased shares pursuant to the authority conferred by this resolution as treasury shares. This would give the Company the ability to transfer treasury shares quickly and cost effectively and would provide the Company with additional flexibility in the management of its capital base. Any issues of treasury shares for the purposes of the Company's employee share schemes will be made within the 10 per cent. anti-dilution limit set by the ABI.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the Company's offices at 4/5 Park Place, London SW1A 1LP on 31 May 2012 at 12 noon.

AGENDA

To consider and, if thought fit, approve the following Ordinary Resolutions numbered 1 to 6:

1. To receive and adopt the Directors' Report and Accounts for the period ended 31 December 2011;
2. To re-appoint Howard Nicholson as a director of the Company;
3. To re-appoint Nurlan Zhakupov as a director of the Company;
4. To re-appoint PricewaterhouseCoopers LLP as auditors;
5. To authorise the directors to fix the remuneration of the auditors;
6. That the directors be generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act"), to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for, or convert any security into, shares in the Company:
 - a) comprising up to an aggregate nominal value (within the meaning of section 551(3) and (6) of the Act) equal to US\$287,219 (such amount to be reduced by the nominal amount allotted or granted under (b) below in excess of that amount); and
 - b) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) equal to US\$574,438 in connection with or pursuant to an offer by way of a rights issue in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever,

these authorisations to expire on 30 June 2013 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2013 (save that the Company may before such expiry make any offer or agreement which would or might require shares in the Company to be allotted or rights to subscribe for or to convert any securities into shares in the Company to be granted, after such expiry and the directors may allot shares in the Company, or grant rights to subscribe for or to convert any security into shares in the Company, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

7. To consider and, if thought fit, to approve the following Special Resolution:

That, subject to the passing of the resolution 6 of the notice of this Annual General Meeting, the directors be given power pursuant to sections 570 (1) and 573 of the Companies Act 2006 (the "Act"), to:

- a) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorisation conferred by that resolution; and
- b) sell ordinary shares (as defined in section 560(1) of the Act) held by the Company as treasury shares for cash,

as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities and the sale of treasury shares for cash:

- (i) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation granted under resolution 6(a), by way of a rights issue only) in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale (and holders of any other class of equity securities entitled to participate therein or if the directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal regulatory or practical difficulties which may arise under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- (ii) otherwise than pursuant to paragraph (i) of this resolution, up to an aggregate nominal amount of US\$86,166,

these authorisations to expire on 30 June 2013 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2013, (save that the Company may before such expiry make any offer or agreement that would or might require equity securities to be allotted, or treasury shares to be sold, after such expiry and the directors may allot equity securities, or sell treasury shares in pursuance of any such offer or agreement as if the power conferred hereby had not expired).

8. To consider, and if thought fit, to approve the following Special Resolution:

That the Company is generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of section 693(4) of the Act) of any of the ordinary shares in the capital of the Company

Notice of Annual General Meeting (continued)

on such terms and in such manner as the Directors may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes of its employee share schemes, provided that:

- (a) the maximum number of ordinary shares which may be purchased is 8,616,593 ordinary shares of US\$0.01 each;
- (b) the minimum price that may be paid for each ordinary share is the nominal amount of such share which amount shall be exclusive of expenses, if any;
- (c) the maximum price (exclusive of expenses) that may be paid for each ordinary share is an amount equal to the higher of: (i) 105 per cent. of the average of the middle market quotations for the ordinary shares of the Company (as derived from the AIM Appendix to the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the day on which such share is contracted to be purchased and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003;
- (d) the Company may, before this authority expires, make a contract to purchase ordinary shares that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired; and
- (e) unless previously renewed, revoked or varied, this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, on 30 June 2013.

BY ORDER OF THE BOARD

Tony Hunter
Secretary

18 April 2012

Registered Office
Masters House
107 Hammersmith Road
London W14 0QH
Registered No. 5559627

Notes:

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote instead of him. A form of proxy is enclosed with this Notice. The completion and return of the proxy form does not preclude a member from attending the Meeting and voting in person.
2. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. To appoint more than one proxy, please sign and date the form of proxy and, if necessary, attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. You may not appoint more than one proxy to exercise the rights attached to any one share. If you wish to appoint the Chairman as one of your multiple proxies, simply write "the Chairman of the Meeting".
3. In order to be valid, the form of proxy and any power of attorney, or notarially certified copy thereof, under which it is executed, must be received by the Company no later than 12 noon on 29 May 2012, having been returned in hard copy form by post, by courier or by hand to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY.
4. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have the right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise such right, he/she may, under such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 12 noon on 29 May 2012 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Subsequent changes to entries on the register of members shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
8. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, the time referred to in the immediately preceding paragraph will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled members must be entered on the Company's register of members at a time which is 48 hours before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.
9. You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
10. As at 18 April 2012 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital comprises 86,165,934 ordinary shares of US\$0.01 each, each such share carrying one vote. Accordingly, the total voting rights in the Company as at 18 April 2012 are 86,165,934.