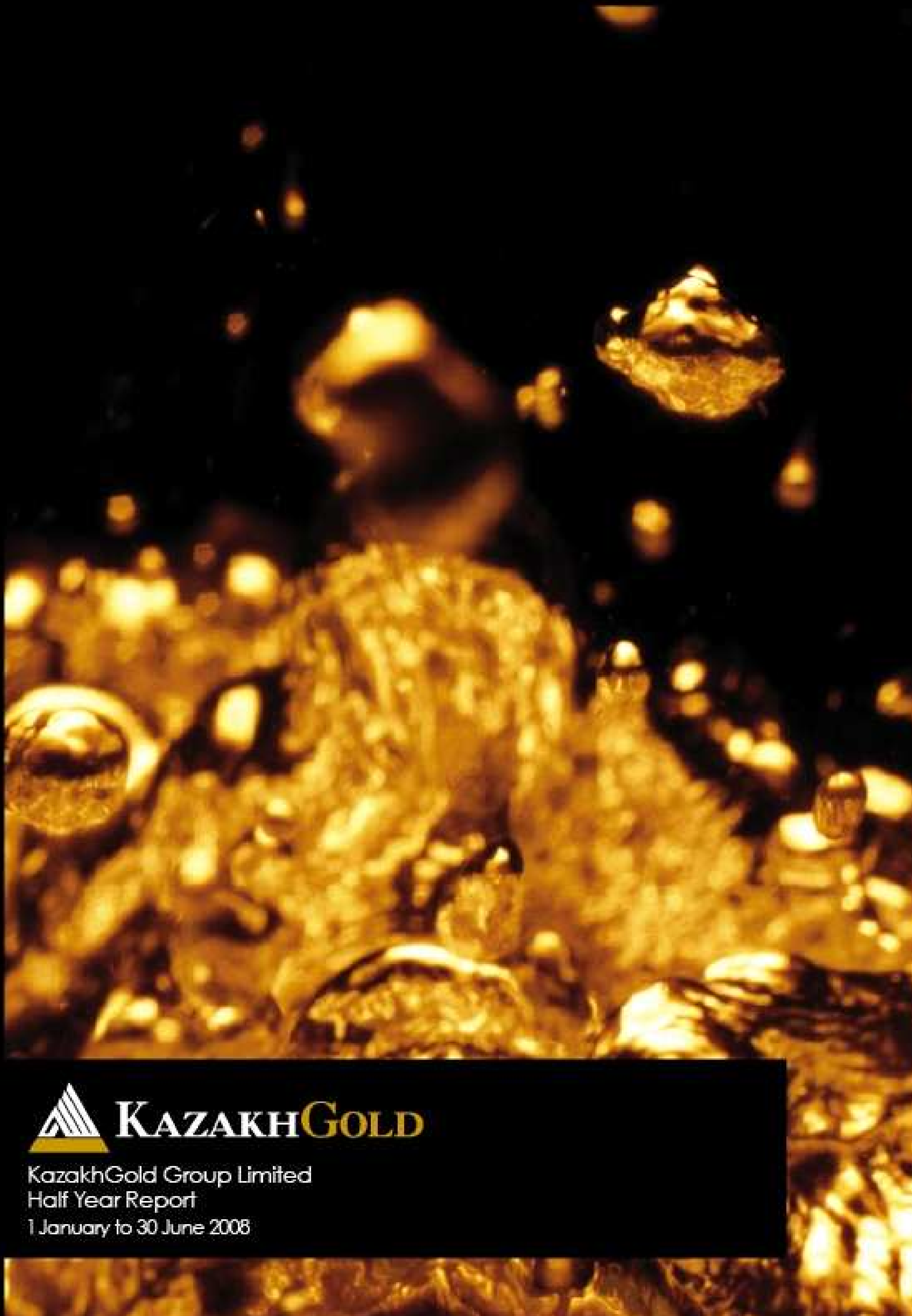

KazakhGold

KazakhGold Group Limited
Half Year Report
1 January to 30 June 2008

KazakhGold Group Limited
Half Year Report for the six months to 30 June 2008

KazakhGold Group Limited is the leading specialist gold mining company in Kazakhstan with world-class gold reserves and resources, estimated to be the largest in the country. We are developing rapidly, supported by an international management team, with the aim of becoming the leading gold producer in Central Asia.

The Group has gold reserves and resources of 59.6* million ounces, which are estimated to be the largest in Kazakhstan and over 25 per cent of the country's known gold reserves. Preliminary work to re-classify certain reserves and resources, at the Group's three main operating mines in Northern Kazakhstan, has confirmed a world class asset base.

*Based on former Soviet Union (FSU) classification and audited by Wardell Armstrong International

KazakhGold Group Limited
Half Year Report for the six months to 30 June 2008

2008 Business Highlights – First Half

- First half gold production of 66,863oz*
- Average gold price received of US$ 872 per ounce, on sales of 76,211oz
- Significant work undertaken to modernise and upgrade existing processing capacity to increase its future productivity
- Audited (FSU classified) gold reserves and resources of 59.6** million ounces confirmed, as at 1 January 2008
- Further progress to re-classify the Group's resource base to the JORC standard
- Initial exploration results reveals significant potential for large open pit at the Southern Karaultube deposit
- Additional mills installed at the Aksu, Bestobe and Zholymbet processing facilities
- Positive exploration results from Romaltyn and further pre-production preparation work undertaken
- Eastern Kazakhstan assay laboratory receives ISO 17025 accreditation
- Successful institutional placement of 2.3 million new ordinary shares (via GDRs) at US$ 23.0/GDR

* Includes 3,382oz of gold from the re-processing of flotation concentrate produced in 2007
** Based on former Soviet Union (FSU) classification and audited by Wardell Armstrong International

Half Year Results Summary (1 January to 30 June 2008)

	2008 (Six months to 30 June)	2007 (Six months to 30 June)
Revenue (US$ '000)	**66,442**	41,273
Operating profit (US$ '000)	**12,741**	7,941
Profit before tax (US$ '000)	**12,252**	6,614
Cash (US$ '000)	**68,180**	140,669
Net assets (US$ '000)	**831,067**	765,395
Earnings per share (basic and diluted – US$)	**0.06**	0.08
Weighted average number of shares in issue	**51,468,231**	48,103,472
Total ore extracted (tonnes)	**1,435,715**	2,396,424
Head grade (grammes/tonne)	**2.05**	1.54
Recovery rate (%)	**72.9**	68.9
Gold production (oz)	**66,863***	81,531

* Includes 3,382oz of gold from the re-processing of flotation concentrate produced in 2007

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KazakhGold Group Limited
Half Year Report for the six months to 30 June 2008

Chairman's Statement

In the first half, the Group has focused on its four key priorities for the year - namely to:

- Grow our gold reserves, through further exploration work at our mining properties in Kazakhstan and Romania;
- Re-classify our resource base to the more widely respected Australasian Joint Ore Reserves Committee (JORC) standard
- Modernisation of our mining methods and the optimisation of our processing technologies, to increase ore extraction
- Active participation in the consolidation of the region's gold assets, in order to ultimately grow gold production.

Within the priorities, the production enhancements achieved over the period form part of a broader five year plan to produce 1.0 million ounces of gold annually by 2011. Backed by a programme of accelerated investment, we expect to raise total annualised ore processing to over 14 million tonnes by 2011, in order to achieve our gold production target.

Results and Dividend

In the first half to 30 June 2008, the Group produced 66,863oz of gold (H1 2007: 81,531oz) which included 3,382oz from the re-processing of flotation concentrate which was in stock at 1 January 2008. A decision to reprocess this was taken during the period to benefit from the production of higher value cathodic gold. Sales of gold for the first half were 76,211oz (H1 2007: 67,588oz). Production was constrained by work to optimise our plant and equipment, while enhancing their efficiency and longevity. In addition, further planned investment to expand processing capacity at our main mines was made during the period. Although gold production was impacted by this important work, ore continued to be extracted at the Group's main mines in Northern Kazakhstan and also at Akzhal, in Eastern Kazakhstan, for future use.

Revenue for the period was US$ 66.4 million, an increase of 61.0 per cent over H1 2007. This increase reflects the sale of gold from inventory and the benefit of a stronger price environment in 2008. Indeed, the average gold price achieved on sales in the first half was US$ 872 per contained ounce - 42 per cent higher than that achieved in H1 2007.

Profit before tax was US$ 12.3 million (H1 2007: US$ 6.6 million), while earnings per share were US$ 0.06 (H1 2007: US$ 0.08). Net assets at 30 June 2008 were US$831.1 million (H1 2007: US$ 765.4 million). Cash absorbed by operating activities over the period was US$ 12.3 million (H1 2007: US$ 1.1 million). Cash and cash equivalents held at 30 June 2008 were US$ 68.2 million (30 June 2007: US$ 140.7 million).

As previously announced, the Group does not propose the payment of shareholder dividends until the plant modernisation programme is completed, and our facilities reach their designed output capacity.

Reserves and Resources

Following an audit by Wardell Armstrong International, the Group's gold reserves and resources were confirmed as 59.6 million ounces, as at 1 January 2008, under the former Soviet Union (FSU) classification standard. This includes Aksu, Bestobe, Zholymbet, Southern Karaultube and Kyzylsorskoe in Northern Kazakhstan, and Akzhal, Kaskabulak and Vasilevski in Eastern Kazakhstan.

During the first half, further work was undertaken to upgrade gold resources to reserves and to reclassify the Group's FSU reserves to the JORC standard. Construction of a database using both historic and new exploration data, which is necessary part of the JORC conversion work, is progressing. Having concentrated mainly on the underground resource areas and tailings dams, the focus is now on compiling surface exploration data for areas of near term production potential.

Exploration

Exploration in the first half has concentrated on Aksu, Bestobe and Zholymbet, although work has also been undertaken at other Group properties in Kazakhstan and in Romania. At the three main mines in Northern Kazakhstan, exploration activity included some 21 km of core drilling, 2.1 km of hydro-core drilling, trenching and underground exploration development.

At the Southern Karaultube deposit, initial exploration trench and drilling results indicated significant potential for a large open pit mine. Drilling and trenching work was also undertaken at the Akzhal and Kaskabulak properties in Eastern Kazakhstan. In Romania, core drilling work continues and encouraging results were obtained from the June 11 deposit.

The Group is currently in advanced discussions with Alex Stewart Limited, the internationally recognized assayers, regarding an upgrade and expansion of the main assay laboratories located at each of Aksu, Bestobe and Zholymbet. The potential for independent contract management of these laboratories, for a three year period, is also part of the discussions. The plan is also to pursue ISO 17025 accreditation for these three laboratories, which relates to the acceptance and sampling of materials. During the first half, the laboratory at our office complex in Eastern Kazakhstan achieved ISO17025 accreditation. This upgrade and expansion of the Group's assay facilities is necessary for both exploration and JORC conversion work.

Operations

As well as developing new processing capacity, modernisation of the Group's mining methods at Aksu, Bestobe and Zholymbet continued throughout the first half. Upgrades were made to production capacity and processing technologies, to enable gold production to be increased.

We expected this essential work to constrain gold production levels in 2007 and 2008. While first half production was impacted, mining of ore for stockpiling and future gold production continued. In the first half 1.4 million tonnes of ore was extracted (H1 2007: 2.4 million tonnes). The average head grade of the ore was 2.05 grammes/tonne, a significant improvement over the prior period (H1 2007: 1.54 g/t). The recovery rate for the period increased to 72.9 per cent (H1 2007: 68.9 per cent).

During the period, surface, shaft and underground rehabilitation work was undertaken at Aksu. This has enabled access to the Kotenko and Quartzite Hills ore bodies, and will allow underground mining of the Vera ore body to start by the end of 2008. Work to upgrade and improve production efficiency at Aksu continued. In March, secondary mills were installed and commissioned at Aksu's carbon-in-pulp (CIP) processing plant. Construction of a new oxygen plant began in the first half and this is progressing well. This plant will help increase gold recovery, while enabling cyanide consumption to be optimised. Meanwhile, at Aksu's heap leach facility, the size of crushed ore was reduced in order to improve heap leaching efficiency.

Construction of the 2.0 million tonnes per annum tailings re-treatment plants at Bestobe and Zholymbet continued throughout the period. The plant designs have been finalised, the major earthworks and foundations are complete, and the erection of the building housing the plant is underway. Both plants are scheduled to start commissioning in the first half of 2009. Design of a similar tailings re-treatment plant at Aksu, plus the central elution plant at Aksu is progressing, and the site has been cleared to enable construction to start.

In the first half, surface, shaft and underground development was undertaken at several locations in Bestobe. As a result, by the end of 2008, access to the Dalnaya ore body is expected. Meanwhile, on the processing side, a new mill was installed and commissioned at the Bestobe flotation plant. Additional crushing and screening equipment was delivered to Bestobe during the period, to enable further improvement of heap leach processing activity.

Mining work at Zholymbet during the period included further shaft refurbishment and development of underground areas. Two mills were installed at the mine's CIP processing plant and these are being commissioned in the second half of 2008. An oxygen generation plant was installed into a new building and the oxygen generating equipment commissioned in April 2008.

At the Akzhal deposit, ore stacking began immediately following the commissioning of the crusher plant at the end of 2007. A heap leach pad has been constructed and irrigation is expected to commence on receipt of the necessary production licences and following completion of the adsorption plant later this year.

In Romania, pre-production preparations continued at Romaltyn during the first half. A new lime plant was completed and the carbon-in-leach processing tanks were fully refurbished. A central dam monitoring and pumping station was also finished, while the central dam lime plant was refurbished. Production will start in Romania following the grant of the appropriate permits.

Corporate

On 28 February KazakhGold successfully placed 2.3 million new ordinary shares with institutional investors, in the form of Global Depository Receipts (GDR), at a price of US$ 23.0 per GDR. The proceeds will be used to fund future acquisitions and for the Group's ongoing capital expenditure requirements.

As disclosed in note 7 of the accounts, the Group is in negotiations with the Government of Kyrgyzstan to secure a mining licence for the Jerooy gold project at Talas, to allow gold production to begin. The Directors believe that the Group will eventually be granted such a licence, enabling potential gold production of up to 180,000oz per annum to be reached, within a year of starting operations.

JPMorgan Cazenove is advising us on the benefits of a potential move of KazakhGold's GDR listing to the full listing on the London Stock Exchange Main Market. The firm is also working alongside our other joint brokers and financial advisors ING Bank and Merrill Lynch, appointed in September 2008, to help us identify opportunities to participate in the anticipated future consolidation of gold assets in Central Asia.

People

With an experienced international management team in place at our operational headquarters in Stepnogorsk, KazakhGold has the necessary expertise to complement existing local knowledge to realize its full potential. The Board is grateful to all other employees for their continuing dedication and support, without which the achievements of the first half would not have been possible and the significant opportunities that lie ahead would remain beyond our grasp.

Outlook

In 2008 we have already seen a significant tightening of international credit markets and the re-emergence of inflationary pressures, which have an impact on the Group's cost base. Against this macroeconomic background, the price of gold has held up well. Gold ended the first half some 10 per cent above its opening value, having peaked at over US$ 1,000/oz in March. At such a time of economic instability, we expect the price of gold to remain firm for the foreseeable future, especially given the enduring attractions of gold as a store of value.

After the intensive work undertaken in the first half to optimise and upgrade our existing production assets, we expect gold production to increase over the second half.

The KazakhGold Group is estimated to have over 25 per cent of Kazakhstan's known gold reserves. With this excellent base and the potential of our other international properties, we have a strong platform to support future production growth. Our accelerated investment plan is now well underway at the Group's main mines, where facilities are being upgraded and modernised while new capacity is being added. KazakhGold is also well placed to play an active part in the consolidation of gold assets in Central Asia. These important factors mean that the Group continues to face the future with confidence.

Kanat Assaubayev
Executive Chairman

Consolidated income statement

	Note	**Six months to 30 June 2008 US$000 Unaudited**	Six months to 30 June 2007 US$000 Unaudited	Year ended 31 December 2007 US$000 Audited
Revenue	**4**	66,442	41,273	176,996
Cost of sales		(36,548)	(24,923)	(88,236)
Gross profit		29,894	16,350	88,760
Other operating income		1,389	991	571
Distribution expenses		(215)	(156)	(3,509)
Administrative expenses		(17,892)	(7,625)	(23,004)
Other operating expenses		(435)	(1,619)	(5,981)
Profit from operations		12,741	7,941	56,837
Finance income		8,558	1,243	11,599
Finance expense		(9,047)	(2,570)	(17,204)
Net financing costs		(489)	(1,327)	(5,605)
Profit before tax		12,252	6,614	51,232
Tax expense		(9,312)	(2,703)	(31,826)
Profit for the period attributable to equity shareholders		2,940	3,911	19,406
Basic and diluted earnings per share attributable to the equity shareholders of the parent during the period	**5**	US$0.06	US$0.08	US$0.39

All amounts relate to continuing operations.

KazakhGold Group Limited
Half Year Report for the six months to 30 June 2008

Consolidated balance sheet

	Note	**30 June 2008 US$000 Unaudited**	As restated 30 June 2007 US$000 Unaudited	Year end Dec 2007 US$000 Audited
Non-current assets				
Property, plant and equipment	**6**	1,194,043	1,032,445	1,055,840
Intangible assets	**7**	78,909	52,288	54,777
Available for sale investments		164	164	164
Other financial assets		36	37,931	2
		1,273,152	1,122,828	1,110,783
Current assets				
Inventories		18,816	32,910	21,766
Long-term inventory and ore stockpile		2,287	6,058	2,692
		21,103	38,968	24,458
Trade and other receivables		109,714	38,509	85,275
Investments at fair value through profit or loss		463	-	31,760
Cash and cash equivalents		68,180	140,669	160,285
		199,460	218,146	301,778
Total assets		**1,472,612**	1,340,974	1,412,561
Equity and liabilities				
Share capital		9	9	9
Share premium	**8**	220,720	170,544	170,544
Capital contributions		510,000	510,000	510,000
Translation reserve		58,153	61,186	62,727
Retained earnings		42,185	23,656	39,198
Equity attributable to shareholders of the parent		**831,067**	765,395	782,478
Total equity		**831,067**	765,395	782,478
Non-current liabilities				
Interest-bearing loans and borrowings		212,951	236,148	231,776
Provisions		8,385	401	7,910
Deferred tax liabilities		314,907	297,226	312,499
		536,243	533,775	552,185
Current liabilities				
Interest-bearing loans and borrowings		44,951	6,699	6,228
Trade and other payables		47,458	33,630	43,207
Current tax payable		12,892	1,475	28,463
		105,301	41,804	77,898
Total liabilities		**641,545**	575,579	630,083
Total equity and liabilities		**1,472,612**	1,340,974	1,412,561

Consolidated cash flow statement

	Six months to 30 June 2008 US$000 Unaudited	Six months to 30 June 2007 US$000 Unaudited	Year ended 31 December 2007 US$000 Audited
Cash flows from operating activities			
Profit before tax for the period	12,741	6,614	51,232
Adjustments for:			
Depreciation, depletion and amortisation	8,894	4,493	12,558
Foreign exchange (loss)/gain	(4,883)	6,036	(167)
Finance expense	9,047	2,570	16,452
Finance income	(8,558)	(1,243)	(11,599)
Amortisation of bond issue costs	343	-	2,182
Loss on disposal of property, plant and equipment	2,323	94	363
Equity-settled share-based payment expenses	47	58	105
Cash flows from operating activities before changes in working capital and provisions	19,954	18,622	71,126
(Increase)/decrease in trade and other receivables	(17,569)	19,057	9,532
Decrease/(increase) in inventories	3,355	(8,661)	4,662
Increase/(decrease) in trade and other payables	4,004	(12,990)	(11,279)
Increase in provisions	475	-	54
Taxation paid	(22,529)	(14,889)	(2,753)
Cash (absorbed by)/generated from operating activities	(12,310)	1,139	71,342
Cash flows from investing activities			
Transaction costs of acquisitions	-	(609)	(609)
Additions of property, plant and equipment	(148,863)	(68,786)	(80,577)
Additions of intangible assets	(24,132)	-	-
Proceeds from the disposal of non-current assets	-	1,434	679
Proceeds from sale/(acquisition) of financial assets	31,263	-	(29,117)
Finance income received	1,688	1,243	10,508
Net cash from investing activities	(140,044)	(66,718)	(99,116)
Cash flows from financing activities			
Proceeds from issue of shares	52,938	-	-
Share issue costs	(2,762)	-	-
Proceeds from borrowings	22,966	7,756	6,800
Repayment of borrowings	(3,035)	-	(570)
Finance expense paid	(8,683)	(2,570)	(16,452)
Repayment of finance lease liabilities	(1,175)	(3,690)	(6,471)
Net cash from financing activities	60,249	1,496	(16,693)
Net decrease in cash and cash equivalents	(92,105)	(64,083)	(44,467)
Cash and cash equivalents at the beginning of the period	160,285	204,752	204,752
Cash and cash equivalents at the end of the period	68,180	140,669	160,285

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Consolidated Statement of Changes in Equity for the period

	Share Capital US$000	Share Premium US$000	Capital Contributions US$000	Translation Reserve US$000	Retained Earnings US$000	Total US$000
Balance at 1 January 2007	8	97,658	510,000	27,408	19,687	654,761
Foreign exchange on translation of foreign operations	-	-	-	33,778	-	33,778
Net income recognised directly in equity	-	-	-	33,778	-	33,778
Profit for the period	-	-	-	-	3,911	3,911
Total recognised income and expense for the year	-	-	-	33,778	3,911	37,689
Equity-settled share-based payment	-	-	-	-	58	58
Issue of shares	1	72,886	-	-	-	72,887
Balance at 30 June 2007	9	170,544	510,000	61,186	23,656	765,395
Foreign exchange on translation of foreign operations	-	-	-	1,541	-	1,541
Net income recognised directly in equity	-	-	-	1,541	-	1,541
Profit for the period	-	-	-	-	15,495	15,495
Total recognised income and expense for the year	-	-	-	1,541	15,495	17,036
Equity-settled share-based payment	-	-	-	-	47	47
Balance at 31 December 2007	9	170,544	510,000	62,727	39,198	782,478
Foreign exchange on translation of foreign operations	-	-	-	(4,574)	-	(4,574)
Net income recognised directly in equity	-	-	-	(4,574)	-	(4,574)
Profit for the period	-	-	-	-	2,940	2,940
Total recognised income and expense for the period	-	-	-	(4,574)	2,940	(1,634)
Equity-settled share-based payment	-	-	-	-	47	47
Issue of shares (net of issue costs)	-	50,176	-	-	-	50,176
Balance at 30 June 2008	9	220,720	510,000	58,153	42,185	831,067

Notes forming part of the interim financial statements

1 *Corporate information*

KazakhGold Group Limited (“the Company”) is a company incorporated in Jersey. The Company is centrally managed and controlled in the United Kingdom and therefore resident in the United Kingdom for the purposes of United Kingdom taxation liabilities.

2 *Basis of preparation*

These interim financial statements of the Company and its subsidiaries (“the Group”) for the six months ended 30 June 2008 have been prepared on a basis consistent with the accounting policies that the Group expects to apply in its financial statements for the year ended 31 December 2008, and are unchanged from those disclosed in the Group's consolidated annual financial statements for the year ended 31 December 2007. They have not been audited, do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group’s consolidated annual financial statements for the year ended 31 December 2007. The auditors’ report on those consolidated financial statements was unqualified with an emphasis of matter relating to the fundamental uncertainty of negotiation rights, see note 7. As permitted, the Company has chosen not to adopt IAS34 ‘Interim Financial Reporting’.

The comparative figures presented are for the six months ended 30 June 2007 and the full year ended 31 December 2007. The Group’s consolidated annual financial statements for the year ended 31 December 2007 were prepared using the recognition and measurement principles of International Financial Reporting Standards (IFRSs and IFRIC interpretations) as adopted by the European Union and also in accordance with the Companies (Jersey) Law 1991.

3 *Restatement of comparative figures*

During the period ended 30 June 2007, the company acquired the Norox Mining Limited and the 50 per cent share of Romaltyn Mining Limited joint venture Company in Romania not owned by the group and certain other assets from Oxus Gold plc.

The company estimated the provisional fair values for inclusion in the interim financial statements for the period ended 30 June 2007. These were reassessed and finalised at the year end and accordingly 30 June 2007 figures have been restated so as to reflect the fair value as disclosed in the annual report for the period ended 31 December 2007.

The effect of this restatement on 30 June 2007 interim financial statements was:

	US$ 000's
Increase in property, plant and equipment	**5,411**
Decrease in intangibles	**(42,337)**
Decrease in liabilities	**2,278**
Transfer from financial assets	**(164)**
Transfer to available for sale investments	**164**
Reduction in net assets	**(34,648)**

There was no change to the profit or equity attributable to the shareholders of the parent for the six month period to 30 June 2007 as a result of the restatement.

4 *Revenue*

The Group operates in one segment, the mining and production of gold in Kazakhstan. The revenues from this segment are analysed as follows:

	Six months 30 June 2008 US$000 Unaudited	Six months to 30 June 2007 US$000 Unaudited	Year ended 31 December 2007 US$000 Audited
By product			
Cathodic products	**54,147**	34,254	142,544
Free gold	**6,322**	4,200	24,429
Other	**5,973**	2,819	10,023
	66,442	41,273	176,996
By destination market			
Switzerland	**17,188**	13,239	28,793
United Arab Emirates	**43,281**	23,196	138,231
Other	**5,973**	4,838	9,972
	66,442	41,273	176,996

5 *Earnings per share*

The calculation of basic earnings per share is based upon the net profit after tax attributable to the ordinary shareholders of US$2,940,000, (30 June 2007: US$3,911,000, 31 December 2007 US$19,406,000) and a weighted average number of shares in issue, for the period 1 January 2008 to 30 June 2008 of 51,468,231, (30 June 2007: 48,103,472, 31 December 2007: 49,389,954).

	Six months to 30 June 2008 Unaudited	Six months to 30 June 2007 Unaudited	Year ended 31 December 2007 Audited
Basic earnings per share	**US$0.06**	US$0.08	US$0.39
Diluted earnings per share	**US$0.06**	US$0.08	US$0.40

The calculation of diluted earnings per share is based upon the net profit after tax attributable to the ordinary shareholders of US$2,940,000, (30 June 2007: US$3,911,000, 31 December 2007 US$19,406,000) and a weighted average number of shares in issue, for the period 1 January 2008 to 30 June 2008 of 51,468,231, (30 June 2007: 48,103,472, 31 December 2007: 49,389,954).

6 Property, plant and equipment

	Freehold Land & Buildings US$000	Mining Properties US$000	Assets Under Construction US$000	Machinery, Equipment & Vehicles US$000	Total US$000
Cost					
Balance as at 1 January 2007	56,167	814,832	11,663	25,298	907,960
Additions	2,067	64,027	15,055	10,313	91,462
Acquisition of subsidiary	-	6,500	29,415	-	35,915
Transfers from assets under construction	14,044	-	(20,580)	6,536	-
Reclassifications and transfers from inventory	660	-	-	1,397	2,057
Disposals	(304)	-	(291)	(664)	(1,259)
Effect of movements in foreign exchange	3,226	40,791	878	848	45,743
Balance at 31 December 2007	75,860	926,150	36,140	43,728	1,081,878
Additions	343	31,597	116,751	968	149,659
Transfers from assets under construction	1,265	-	(1,463)	198	-
Disposals	(1,371)	-	-	(969)	(2,340)
Effect of movements in foreign exchange	(19)	(234)	(2)	(13)	(268)
Balance at 30 June 2008	**76,078**	**957,513**	**151,426**	**43,912**	**1,228,929**
Depreciation and impairment					
Balance at 1 January 2007	3,429	5,240	-	4,383	13,052
Depreciation charge for the year	2,628	5,890	-	4,012	12,530
Reclassifications and transfers from inventory	(222)	-	-	77	(145)
Disposals	(103)	-	-	(126)	(229)
Effect of movements in foreign exchange	123	407	-	300	830
Balance at 31 December 2007	5,855	11,537	-	8,646	26,038
Depreciation charge for the year	1,986	3,783	-	3,125	8,894
Disposals	-	-	-	(17)	(17)
Effect of movements in foreign exchange	(6)	(13)	-	(10)	(29)
Balance at 30 June 2008	**7,835**	**15,307**	**-**	**11,744**	**34,886**
Net book value					
At 30 June 2008	**68,243**	**942,206**	**151,426**	**32,168**	**1,194,043**
At 31 December 2007	70,005	914,613	36,140	35,082	1,055,840
At 1 January 2007	52,738	809,592	11,663	20,915	894,908

7 Intangible assets

Included within intangible assets are negotiation rights amounting to US$48,457,000 which arise in respect of the strong position gained by the Group for negotiating the grant of the relevant licences at Jerooy. The Group currently owns the plant and geological data at Jerooy. The Directors are confident that the Group will eventually be granted a mining licence; however there is no guarantee that the licence will be granted. Should the licence be granted to the Group, the carrying value of the negotiation rights will be transferred to mining licences and/or mining properties as appropriate. Should it become apparent that the licence is unlikely to be granted, the negotiation rights will be written down to their net realisable value. Should these negotiations prove successful, a further sum to be negotiated of up to US$80 million, will be payable to Oxus Gold plc on the grant of the appropriate mining and operations licence to the Group by the Kyrgyzstan government.

8 Share Issue

On 28 February 2008, the Company placed 2,301,666 new ordinary shares in the form of GDRs with institutional investors at a price of $23 per GDR.

9 Significant post balance sheet events

There are no significant post balance sheet events to note in relation to the Group.

INDEPENDENT REVIEW REPORT TO KAZAKHGOLD GROUP LIMITED

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the consolidated balance sheet, the consolidated income statement, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes 1 to 9.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report and applying the accounting policies and basis of preparation consistent with the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement with the company to review its financial information for the six months ended 30 June 2008 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008.

Fundamental uncertainty – Negotiation rights

In forming our conclusion, we have considered the adequacy of the disclosures made in the financial statements concerning the negotiation rights in respect of the Jerooy mining licence. The realisation of these assets included in the condensed set of financial statements in the half-yearly financial report are dependent on the outcome of the negotiations relating to the granting of the licence by the relevant government authorities. We draw your attention to the further details given in Note 7. Our conclusion is not qualified in this respect.

BDO STOY HAYWARD LLP
Chartered Accountants
London
26 September 2008

KazakhGold Group Limited
Half Year Report for the six months to 30 June 2008

Directors, Company Secretary and Advisors

Directors

Kanat Shaikhanovich Assaubayev
Executive Chairman

Baurzhan Kanatovich Assaubayev
Joint Managing Director, Internal Affairs & Government Relations
and government relations

Aidar Kanatovich Assaubayev
Executive Vice Chairman, Corporate Development Affairs

Marussya Maralovna Assaubayeva
Director, Human Resources & Corporate Affairs

Sanzhar Kanatovich Assaubayev
General Manager, London Office

Toktarkhan Kozhagapanov
Non-Executive Director

Darryl Norton
Chief Operating Officer, Production

David Netherway
Non-Executive Director

William Trew
Non-Executive Director

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Company Secretary
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