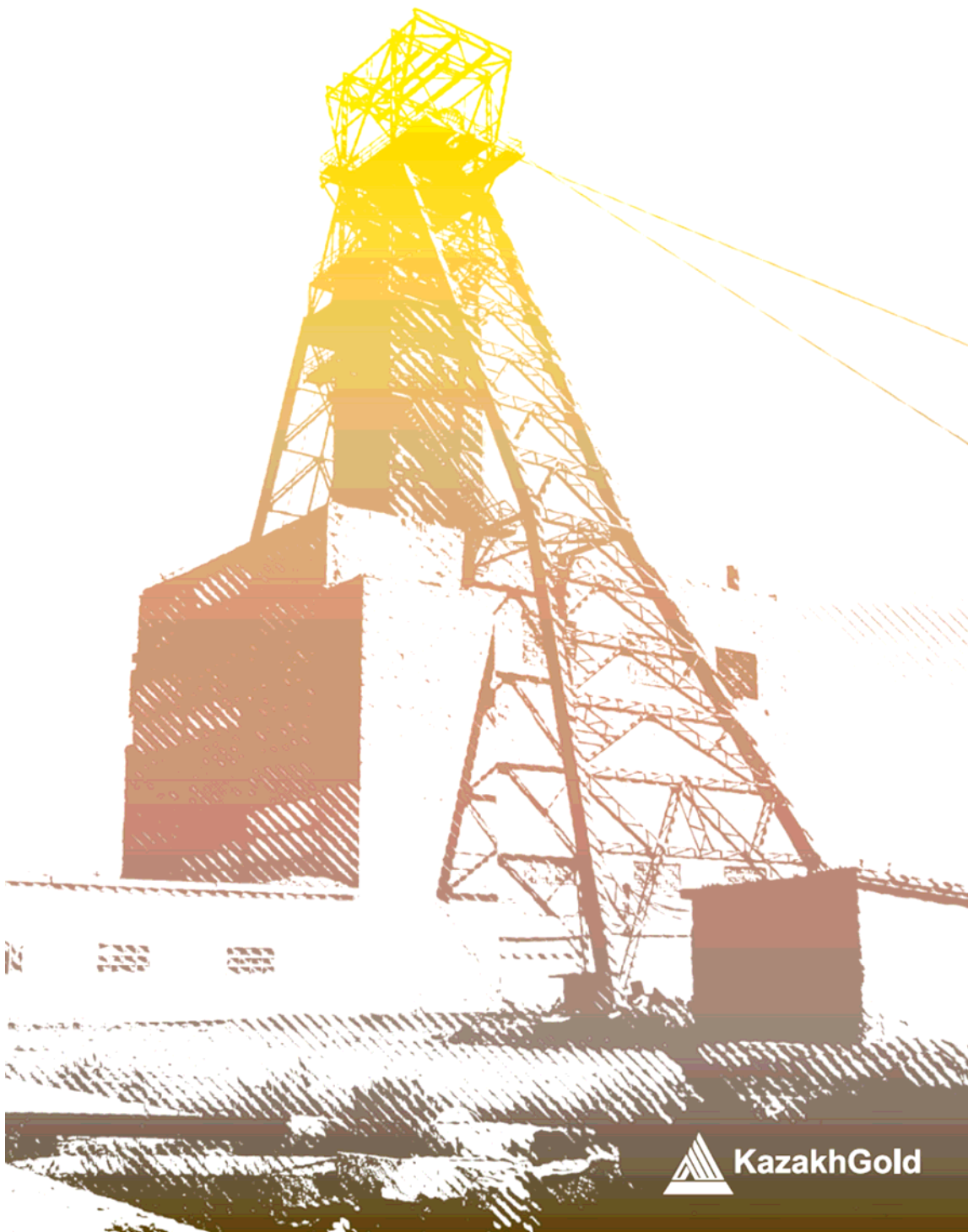


**KazakhGold Group Limited**  
**Half Year Report**

1 January to 30 June 2007



**KazakhGold**

# KazakhGold Group Limited

## Half Year Report for the six months to 30 June 2007

KazakhGold Group Limited is the leading specialist gold mining company in Kazakhstan. We estimate our world-class gold reserves and resources to be the largest in the country. We are developing rapidly, supported by an international management team, with a mission to become the largest regional gold producer in Eastern Europe and the CIS countries.

The Group has combined gold reserves and resources of 46.6\* million ounces, which we believe to be the largest in Kazakhstan and corresponding to an estimated 27 per cent of the country's known gold reserves.



\* At June 2005, based on the FSU classification and including only the Aksu, Bestebe and Zholymbet properties.

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

**2007 Business Highlights - First Half**

- First half gold production of 81,531oz constrained by severe winter conditions in Northern Kazakhstan
- Average gold price of US\$611 achieved on sales, 21 per cent higher than H1 2006
- Preliminary JORC reclassification assessment of the Group's gold reserves and resources at its three principal mines confirms a world class asset base
- Production expansion projects commenced at Aksu and Zholymbet (CIP facilities) and construction of new heap leach facilities started at Kaskabulakskoe and Akzhal
- 100 per cent of Romaltyn Limited consolidated, following the acquisition of Oxus Gold plc's 50 per cent interest in the former joint venture
- Plant refurbishment commenced at the Romaltyn facility in Romania
- Executive Chairman appointed and based in Kazakhstan
- JPMorgan Cazenove appointed joint broker and financial advisor
- Further senior management appointments establish a highly experienced international management team at Stepnogorsk.

**Half Year Results Summary (1 January to 30 June 2007)**

	<b>2007</b> <b>(Six months to 30</b> <b>June)</b>	2006 (Six months to 30 June)
Revenue (US\$ '000)	<b>41,273</b>	31,578
Operating profit (US\$ '000)	<b>7,941</b>	7,119
Profit before tax (US\$ '000)	<b>6,614</b>	6,231
Cash (US\$ '000)	<b>140,669</b>	32,456
Net assets (US\$ '000)	<b>800,043</b>	686,714
Earnings per share (basic and diluted – US\$)	<b>0.08</b>	0.06
Weighted average number of shares in issue	<b>48,103,472</b>	47,100,000
Total ore extracted (tonnes)	<b>2,396,424</b>	2,244,518
Head grade (grammes/tonne)	<b>1.54</b>	1.92
Recovery rate (%)	<b>68.9</b>	68.8
Gold production (oz)	<b>81,531</b>	95,160

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**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

**Chairman's Statement**

The first half of 2007 has been one of intense corporate activity, investment in production expansion and the introduction of an experienced international management team, based at the Group's operating headquarters in Stepnogorsk, Kazakhstan. These steps support the Group's aim of becoming a world-class gold mining company and specifically the leading gold producer in Eastern Europe and the CIS countries.

**Results and Dividend**

In the six months to 30 June 2007, the Group produced 81,531oz of gold and sold 67,588oz of gold (2006: 64,549oz), at an average price of US\$611 per contained ounce. This was 21 per cent above the average price achieved over the comparable period in 2006. Production for the period was constrained by an especially cold winter, which adversely impacted the processing of ore at our heap leaching facilities.

In the six months to 30 June 2007, revenue was US\$41.3 million, a 31 per cent increase over the corresponding prior period (2006: US\$31.58 million). Profit before tax was US\$6.6 million (2006: US\$6.2 million). Earnings per share were US\$0.08 (2006: US\$0.06). Net assets at 30 June 2007 were US\$800.0 million (2006: US\$686.7 million). Cash generated from operating activities in the period was US\$37.3 million (2006: US\$7.5 million cash absorbed by operating activities). Cash held at 30 June 2007 was US\$140.7 million (30 June 2006: US\$32.5 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.

**Acquisitions**

While our primary focus is on the three principal mines in Northern Kazakhstan, we will pursue opportunities to acquire gold assets where we can add real value. Last year we made our first investment outside Kazakhstan, when we acquired the Transgold plant and related assets in Romania, in a 50:50 joint venture with Oxus Gold plc.

During the period we took the opportunity to acquire Oxus Gold plc's 50 per cent shareholding in Romaltyn Limited, taking our ownership to 100 per cent. In addition we acquired 100 per cent of Norox Mining Company Limited, which owns 66.67 per cent of the Talas Gold Mining Company in Kyrgyzstan. We also acquired the right to an option relating to the Karakilise copper deposit licence in Turkey, from a subsidiary of Oxus Gold plc.

**Reserves and Resources**

In January 2007, Wardell Armstrong International (WAI) completed its preliminary JORC reconciliation study of the Group's Soviet classified reserves and resources. The preliminary results confirm a world-class asset base, at our three main mines, with significant potential for a resource classification upgrade. It is KazakhGold's strategy to aggressively continue its exploration and evaluation programmes to upgrade the classification of gold resources and reserves.

**Exploration**

Drilling work during the period has focused on the Group's key production deposits, to ensure mine expansion. In addition, drilling and trenching remains ongoing at Akzhal, as part of the preliminary exploration programmes established for our additional exploration areas in Kazakhstan.

## **KazakhGold Group Limited**

### **Half Year Report for the six months to 30 June 2007**

A full review of all assets has been undertaken and an exploration programme developed. This allows for further assessment of the requirements for additional drilling facilities, a laboratory upgrade to manage the increased future throughput, as well as the introduction of additional geological modelling software and further staff.

#### **Operations**

The Group's accelerated investment plan is expected to raise our total annualised ore processing capacity to over 14 million tonnes by 2011. As part of this plan, we continued the expansion of our existing milling circuits, incorporating secondary milling at Aksu and Zholymbet during the period. The subsequent improvement of grind size is expected to enhance gold recovery rates, improve the stability of our cash flow, and enable a significant reduction in our average per ounce cash production costs.

Oxygen producing plants were ordered during the period, and their delivery to the Aksu and Zholymbet CIP sites is expected during the final quarter of this year. The oxygen plants are required for the oxygen shear reactors, which will be introduced into the heap leach/CIP circuits. This will enable an improvement in the reaction kinetics of the leach, which is expected to increase the resulting gold recovery.

During the first half, orders were placed for the new mill and gravity concentrator required for the Bestobe processing plant, to increase production. Delivery of these items of equipment is expected before the end of 2007.

Refurbishment programmes have started at the underground mining operations at our three principal mines. Work has also commenced on upgrading the operating shafts and surface structures in preparation for the winter period. Upgrading of the underground rolling stock has also begun, with the majority of equipment expected to arrive before the year end. Significant underground capital development continues to be carried out, in preparation for increased production.

With regard to the surface open pit operations, the availability and utilisation of the existing equipment is being focused on increasing the run-of-mine (ROM) stockpiles, in preparation for the winter period.

At Kaskabulakskoe and Akzhal, in Eastern Kazakhstan, construction work began on heap leach processing projects at each mine. Dry commissioning of the Akzhal heap leach processing plant is expected to begin before the end of 2007, enabling stacking, irrigation and ultimately gold production to begin during the first half of 2008.

During the period we further enhanced the performance of the elution plants installed in 2006. This will facilitate an increase in the efficiency of all our processing plants operating with CIP technology.

#### **Capital expenditure**

In the first half capital expenditure was US\$106.8 million (2006: US\$22.6 million), including prepayments for construction contracts, a significant increase on the previous period reflecting implementation of our accelerated investment plan. This plan envisages a peak financing requirement of US\$120 million, which is being funded from the proceeds of our US\$200 million Eurobond issue in 2006.

## **KazakhGold Group Limited**

### **Half Year Report for the six months to 30 June 2007**

#### **People**

As previously announced, we reorganised the Board during the first half, in part to reflect the need for the Chairman's role to include significant executive duties in Kazakhstan. As a result, I became Executive Chairman of the Group. During the period Darryl Norton joined our Board, from Oxus Gold plc, as Joint Managing Director and Chief Operating Officer. In our operations, Stephen Westhead and Geoff McLoughlin were appointed as Group Chief Geologist and Group Chief Metallurgist respectively. Following the first half we have made five further senior management appointments, to positions responsible for operations and geology. We now have a strong international management team, based at our operational headquarters in Stepnogorsk.

In what has been a period of intensive activity and change for the Group, I wish to acknowledge, on behalf of the Board, the significant and ongoing contribution of all employees. Their support has been fundamental to our achievements during the period.

#### **Corporate Broker**

During the period the Group appointed JPMorgan Cazenove as joint broker and financial advisor. Amongst other benefits, this firm's significant experience in the mining sector is expected to help the Group broaden its investor base.

#### **Outlook**

The Group's accelerated investment plan is expected to enable a significant increase in production from 2009. While this does mean a less dramatic increase in gold production in 2007 and 2008, it will enable us to take full advantage of our three principal mines and our other properties, which are being incorporated within the scope of the investment plan. We expect the Group's gold production for the full year to be ahead of the 218,164 ounces achieved last year, and in-line with our accelerated investment plan.

After the first half we began exploration work at our Romaltyn property in Romania. By the first half of 2008, we expect to commence production at the mine. This will then build up to full production within approximately 12 months.

In recent weeks the gold price has risen to over US\$750/oz, its highest level since 1980. With gold remaining an attractive investment, especially in the face of continuing instability in the global credit markets, we expect the price of gold to remain firm, at least for the foreseeable future. The favourable market conditions, together with our focus on increasing production of higher margin gold while keeping our costs low, will have a positive benefit on our full year results.

With a world-class asset base confirmed at our principal mines, a developing portfolio of other gold properties and an experienced international management team, based in Kazakhstan, the Group has a strong platform to support future growth. The planned expansion and upgrading of our production and processing facilities will help KazakhGold towards becoming a one million ounce per annum gold producing company. Against this positive background, your Board remains confident about the prospects for the Group both for the full year and beyond.

**Kanat Assaubayev**  
Executive Chairman

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

**Consolidated income statement**

	<b>Note</b>	<b>Six months to 30 June 2007 US\$000 Unaudited</b>	<b>Six months to 30 June 2006 US\$000 Unaudited</b>	<b>Year ended 31 Dec 2006 US\$000 Audited</b>
<b>Revenue</b>	<b>4</b>	41,273	31,578	109,433
Cost of sales		(24,923)	(14,269)	(54,692)
<b>Gross profit</b>		16,350	17,309	54,741
Other operating income		991	430	2,877
Distribution expenses		(156)	(731)	(4,148)
Administrative expenses		(7,625)	(8,193)	(15,692)
Other operating expenses		(1,619)	(1,696)	(4,700)
<b>Operating profit</b>		7,941	7,119	33,078
Financial income		1,243	1,154	3,860
Financial expense		(2,570)	(2,042)	(5,660)
<b>Profit before taxation</b>		6,614	6,231	31,278
Taxation		(2,703)	(3,208)	(12,420)
<b>Profit for the period attributable to equity shareholders</b>		3,911	3,023	18,858
<b>Basic earnings per share</b>	<b>5</b>	US\$0.08	US\$0.06	US\$0.40
<b>Diluted earnings per share</b>	<b>5</b>	US\$0.08	US\$0.06	US\$0.40

All amounts relate to continuing operations.

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

**Consolidated balance sheet**

	<b>Note</b>	<b>30 June 2007 US\$000 Unaudited</b>	30 June 2006 US\$000 Unaudited	Year ended Dec 2006 US\$000 Audited
<b>Non-current assets</b>				
Property, plant and equipment	<b>6</b>	133,638	62,876	85,316
Mining properties	<b>7</b>	893,396	858,517	809,592
Exploration and development costs		2,497	14,617	950
Intangible assets	<b>8</b>	92,128	1,231	857
Prepayments and other receivables		38,095	2,011	2
Long-term inventory and ore stockpile		6,058	-	7,549
		<b>1,165,812</b>	<b>939,252</b>	<b>904,266</b>
<b>Current assets</b>				
Inventories		32,910	22,247	21,571
Trade and other receivables		38,509	48,902	93,716
Other financial assets		-	3,931	-
Cash and cash equivalents		140,669	32,456	204,752
		<b>212,088</b>	<b>107,536</b>	<b>320,039</b>
<b>Total assets</b>		<b>1,377,900</b>	<b>1,046,788</b>	<b>1,224,305</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Share capital		9	8	8
Share premium		170,544	97,429	97,658
Capital contributions		510,000	510,000	510,000
Translation reserve		61,186	75,425	27,408
Retained earnings		23,656	3,852	19,687
<b>Equity attributable to shareholders of the parent</b>		<b>765,395</b>	<b>686,714</b>	<b>654,761</b>
Minority interest		34,648	-	-
<b>Total equity</b>		<b>800,043</b>	<b>686,714</b>	<b>654,761</b>
<b>Non-current liabilities</b>				
Interest-bearing loans and borrowings		218,716	23,074	217,503
Other financial liabilities		17,432	1,471	3,022
Provisions		401	418	401
Deferred tax liabilities		297,226	305,196	293,155
		<b>533,775</b>	<b>330,159</b>	<b>514,081</b>
<b>Current liabilities</b>				
Interest-bearing loans and borrowings		6,699	-	1,564
Trade and other payables		35,908	23,385	48,211
Current tax payable		1,475	5,981	5,688
Other financial liabilities		-	549	-
		<b>44,082</b>	<b>29,915</b>	<b>55,463</b>
<b>Total equity and liabilities</b>		<b>1,377,900</b>	<b>1,046,788</b>	<b>1,224,305</b>

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

**Consolidated cash flow statement**

	<b>Six months to 30 June 2007 US\$000 Unaudited</b>	<b>Six months to 30 June 2006 US\$000 Unaudited</b>	<b>Year ended 31 Dec 2006 US\$000 Audited</b>
<b>Cash flows from operating activities</b>			
Profit before tax for the period	6,614	6,231	31,278
<i>Adjustments for:</i>			
Depreciation, depletion and amortisation	4,493	5,579	9,122
Foreign exchange difference	6,036	13,485	(296)
Financial expense	2,570	2,042	2,937
Financial income	(1,243)	-	(3,860)
Loss on disposal of non-current assets	94	84	3,075
Provision against non-current financial asset	-	-	1,713
Equity-settled share-based payment expenses	58	115	115
<b>Cash flows from operating activities before changes in working capital and provisions</b>	<b>18,622</b>	<b>27,536</b>	<b>44,084</b>
Decrease/(increase) in trade and other receivables	55,207	(33,019)	(73,565)
Increase in inventories	(10,445)	(14,618)	(13,611)
Decrease/(increase) in long-term inventory	1,784	-	(5,567)
(Decrease)/increase in trade and other payables	(12,990)	12,457	37,363
Taxation paid	(14,889)	-	(1,810)
Increase/(decrease) in provisions	-	177	(280)
<b>Cash generated from/(absorbed by) operating activities</b>	<b>37,289</b>	<b>(7,467)</b>	<b>(13,386)</b>
<b>Cash flows from investing activities</b>			
Additions to property, plant and equipment	(17,030)	(16,840)	(39,770)
Additions to mining properties	(49,732)	(138)	-
Additions of exploration and evaluation costs	(1,547)	(4,530)	(540)
Additions into intangible assets	(477)	-	-
Prepayments for construction contracts	(36,150)	-	-
Proceeds from the disposal of non-current assets	1,434	838	1,349
Cash outflow on acquisition of assets	(609)	-	-
<b>Net cash flow from investing activities</b>	<b>(104,111)</b>	<b>(20,670)</b>	<b>(38,961)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of senior loan notes	-	-	195,808
Redemption of promissory notes	-	(3,007)	-
Repayment of borrowings	-	(21,630)	(25,044)
Interest paid	(2,570)	(1,956)	(2,715)
Interest received	1,243	-	3,860
Repayment of finance lease liabilities	(3,690)	(701)	(2,697)

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

Receipt of bank loans	7,756	-	-
<b>Net cash flow from financing activities</b>	<b>2,739</b>	<b>(27,294)</b>	<b>169,212</b>
Net (decrease)/increase in cash and cash equivalents	(64,083)	(55,431)	116,865
Cash and cash equivalents at the beginning of the period	204,752	87,887	87,887
<b>Cash and cash equivalents at the end of the period</b>	<b>140,669</b>	<b>32,456</b>	<b>204,752</b>

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

**Statement of changes in equity for the Group**

*For the six month period ended 30 June 2007*

	<b>Share Capital US\$000 Unaudited</b>	<b>Share Premium US\$000 Unaudited</b>	<b>Capital Contributions US\$000 Unaudited</b>	<b>Translation Reserve US\$000 Unaudited</b>	<b>Retained Earnings US\$000 Unaudited</b>	<b>Total US\$000 Unaudited</b>
Balance at 1 January 2007	8	97,658	510,000	27,408	19,687	654,761
Equity settled share-based payments	-	-	-	-	58	58
Foreign exchange on translation of foreign operations	-	-	-	33,778	-	33,778
Profit after tax for the period	-	-	-	-	3,911	3,911
Issue of shares	1	72,886	-	-	-	72,887
Balance at 30 June 2007	9	170,544	510,000	61,186	23,656	765,395

*For the six month period ended 30 June 2006*

	<b>Share Capital US\$000 Unaudited</b>	<b>Share Premium US\$000 Unaudited</b>	<b>Capital Contributions US\$000 Unaudited</b>	<b>Translation Reserve US\$000 Unaudited</b>	<b>Retained Earnings US\$000 Unaudited</b>	<b>Total US\$000 Unaudited</b>
Balance at 1 January 2006	8	97,429	510,000	(41)	714	608,110
Equity settled share-based payments	-	-	-	-	115	115
Foreign exchange on translation of foreign operations	-	-	-	75,466	-	75,466
Profit after tax for the period	-	-	-	-	3,023	3,023
Balance at 30 June 2006	8	97,429	510,000	75,425	3,852	686,714

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

*For the year ended 31 December 2006*

	<b>Share Capital US\$000 Audited</b>	<b>Share Premium US\$000 Audited</b>	<b>Capital Contributions US\$000 Audited</b>	<b>Translation Reserve US\$000 Audited</b>	<b>Retained Earnings US\$000 Audited</b>	<b>Total US\$000 Audited</b>
Balance at 1 January 2006	8	97,429	510,000	(41)	714	608,110
Equity settled share-based payments	-	-	-	-	115	115
Foreign exchange on translation of foreign operations	-	-	-	27,449	-	27,449
Profit after tax for the period	-	-	-	-	18,858	18,858
Adjustment to share issue costs	-	229	-	-	-	229
Balance at 31 December 2006	<u>8</u>	<u>97,658</u>	<u>510,000</u>	<u>27,408</u>	<u>19,687</u>	<u>654,761</u>

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of these shares net of share issue expenses.

Capital contributions represent the value of Romanshorn LC AG and its subsidiaries, the beneficial ownership of which was acquired by the Company in 2005.

Exchange differences arising on translating the net assets and the results of overseas operations to US dollars are recognised directly in the translation reserve.

Retained earnings represent the cumulative profit/(loss) of the Group attributable to the equity shareholders.

# KazakhGold Group Limited

## Half Year Report for the six months to 30 June 2007

### 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 2007 have been prepared on a basis consistent with the accounting policies set out in the Group’s consolidated annual financial statements for the year ended 31 December 2006. 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 2006. The auditors’ report on those consolidated financial statements was unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report. 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 2006 and the full year ended 31 December 2006. The Group’s consolidated annual financial statements for the year ended 31 December 2006 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. **Significant accounting policies**

##### a. **Basis of consolidation**

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method other than disclosed below. In the consolidated balance sheet, the acquiree’s identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained.

On 26 September 2005 the Company acquired the entire share capital of Romanshorn LC AG. As the controlling party of Romanshorn LC AG and KazakhGold Group Limited were the same, the acquisition has been accounted for as a capital contribution with the assets and liabilities acquired initially recognised at fair value and a corresponding increase to equity credited to the capital contributions reserve.

##### b. **Mining properties**

Once a decision is made to proceed with the development of a mining project, exploration and evaluation expenditure other than that on buildings, machinery and equipment is capitalised under non-current assets as mining properties, together with any amount transferred from exploration and development. Mining properties are amortised over the estimated life of the reserves on a ‘unit of production’ basis.

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

**c. Borrowing costs**

Borrowing costs directly attributable to the construction of assets that necessarily take a substantial period of time to prepare for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in income in the period in which they are incurred.

**d. Foreign exchange**

On consolidation, the results of overseas operations are translated into US dollars, the presentational currency of the Group, at rates approximating to those ruling when the transaction took place. All assets and liabilities of overseas operations are translated at the rate ruling at the balance sheet date. Goodwill and fair value adjustments arising on the acquisition of an overseas entity are treated as assets and liabilities of the overseas entity and translated at the rate ruling at the balance sheet date. The functional currency of JSC Kazakhaltyn MMC (the main operating company of the Group) is Kazakh Tenge. Exchange differences arising on translating the opening net assets at the opening rate and the results of overseas operations at the actual rate are recognised directly in equity (the "translation reserve").

**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:

	<b>Six months To 30 June 2007 US\$000 Unaudited</b>	Six months to 30 June 2006 US\$000 Unaudited	Year ended 31 Dec 2006 US\$000 Audited
<b>By product</b>			
Cathodic products	34,254	28,654	101,827
Free gold	4,200	1,514	4,696
Flotation and gravitational concentrate	1,601	1,173	2,355
Quartzite ore	1,218	237	555
	41,273	31,578	109,433

**By destination market**

Kyrgyzstan	-	17,733	17,856
Kazakhstan	2,018	8,624	8,685
Switzerland	13,239	3,812	15,893
Russia	2,820	1,409	2,909
United Arab Emirates	23,196	-	64,090
	41,273	31,578	109,433

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

**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\$3,911,000 (2006: US\$3,023,000) and a weighted average number of shares in issue, for the period 1 January 2007 to 30 June 2007 of 48,103,472 (2006: 47,100,000).

	<b>Six months to 30 June 2007 Unaudited</b>	Six months to 30 June 2006 Unaudited	Year ended 31 Dec 2006 Audited
<b>Earnings per share</b>	US\$0.08	US\$0.06	US\$0.40

The numerator for the calculation of the basic earnings per share is the profit after tax of US\$3,911,000 (2006: US\$3,023,000). The denominator for the calculation of the basic earnings per share is 48,103,472 (2006: 47,100,000).

<b>Diluted earnings per share</b>	US\$0.08	US\$0.06	US\$0.40
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The numerator for the calculation of the diluted earnings per share is the profit after tax of US\$3,911,000 (2006: US\$3,023,000). The denominator for the calculation of the diluted earnings per share is 48,117,781 (2006: 47,139,025).

**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

6. Property, plant and equipment Group	Freehold Land US\$000	Freehold Buildings US\$000	Assets under Construction US\$000	Machinery and Equipment US\$000	Vehicles US\$000	Other US\$000	Total US\$000
<b>Cost</b>							
Balance at 1 January 2007	265	55,902	11,663	16,856	7,814	628	93,128
Additions	10	177	6,178	12,282	595	515	19,757
Acquisitions of assets	-	-	-	30,504	-	-	30,504
Transfers from assets under construction	-	234	866	(1,385)	282	3	-
Transfer to inventory	-	-	-	(876)	-	(18)	(894)
Disposals	(7)	(705)	(67)	(655)	(74)	(44)	(1,552)
Effect of movements in foreign exchange	11	2,383	504	321	173	31	3,423
Balance at 30 June 2007	279	57,991	19,144	57,047	8,790	1,115	144,366
<b>Depreciation and impairment</b>							
Balance at 1 January 2007	-	3,429	-	3,074	1,226	83	7,812
Depreciation charge for the year	-	617	-	1,249	546	42	2,454
Disposals	-	(19)	-	(2)	(2)	(1)	(24)
Effect of movements in foreign exchange	-	95	-	345	37	9	486
Balance at 30 June 2007	-	4,122	-	4,666	1,807	133	10,728
<b>Net book value</b>							
At 31 December 2006	265	52,473	11,663	13,782	6,588	545	85,316
At 30 June 2007	279	53,869	19,144	52,381	6,983	982	133,638

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<b>7. Mining properties</b>	<b>US\$000</b>
<b>Cost</b>	
Balance at 1 January 2007	814,832
Additions	49,732
Exchange adjustments	36,361
Balance at 30 June 2007	<u>900,925</u>
 <b>Depletion and impairment</b>	
Balance at 1 January 2007	(5,240)
Exchange adjustments	(250)
Depletion charge for the year	(2,039)
Balance at 30 June 2007	<u>(7,529)</u>
 <b>Net book value</b>	
At 30 June 2007	<u>893,396</u>
At 1 January 2007	<u>809,592</u>

**8. Intangibles**

Included within intangible assets as at 30 June 2007 is an amount of US\$90,794,000 in respect of negotiation rights relating to the Jerooy project that was acquired in the period (see Note 9 for further details).

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**9. Acquisitions**

On 26 April 2007 the Company announced that it had signed a "Sale and Purchase Agreement" with Oxus Gold plc for the acquisition of Norox Mining Limited, the 50 per cent share of the Romaltyn Limited joint venture company in Romania not owned by the Group and certain other assets.

Norox Mining Limited owns 66.7 per cent of Talas Gold Mining Company, which owns the Jerooy project in Kyrgyzstan. The Jerooy project primarily consists of production plant and the ability to negotiate with the Kyrgyz government for the resumption of the project and the renewal of the lapsed mining licences. Should these negotiations prove successful, a further sum of up to US\$80m will be payable to Oxus Gold plc on the grant of the appropriate mining and operational licences to the Group by the Kyrgyz government.

The provisional details of the fair values of the identifiable assets and liabilities acquired are as follows:

		Book value US\$'000	Fair value adjustment US\$'000	Fair value US\$'000
Property plant and equipment	(a)	22,375	8,129	30,504
Negotiation rights	(b)	-	90,794	90,794
Deferred mining property expenditure	(c)	15,960	(15,960)	-
Other financial assets		-	164	164
Net current liabilities		(687)	-	(687)
Non current liabilities	(d)	-	(12,631)	(12,631)
		37,648	70,496	108,144
Less minority interest (33.3% of Talas Gold Mining Company)				(34,648)
Net identifiable assets acquired				73,496
Consideration:				
Shares issued	(e)			72,887
Acquisition costs				609
				73,496

Deferred taxation has not been provided on the acquisition of the assets as the transaction was not deemed to be a business combination, in accordance with IFRS3 "Business Combinations". This transaction has been accounted for as an asset purchase.

- (a) The fair values of the Jerooy property plant and equipment were fair valued by the directors, having regard to reports by independent experts which resulted in a fair value adjustment of US\$7,190,000. The balance of the fair value adjustment of US\$939,000 relates to the property, plant and equipment in Romania.
- (b) No identifiable goodwill has arisen in respect of this transaction. The surplus of value of the consideration over the separable net assets and liabilities acquired has been attributed to negotiation rights in respect of the Jerooy mining licence. There is no guarantee that the necessary licences will be granted. Should these licences not be reinstated, then this balance will be written down to net realisable value.
- (c) Due to the circumstances relating to the Jerooy licence, the directors have fair valued the deferred mining property expenditure in relation to the Jerooy licence at US\$nil.
- (d) The fair value adjustment of US\$12,631,000 to non current liabilities relates to additional potential liabilities identified during due diligence carried out prior to the acquisition.
- (e) On 10 May 2007 the Company issued 3,541,666 new ordinary shares of £0.0001 each at a price of US\$20.58 per share for a total consideration of US\$72,887,000.

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**INDEPENDENT REVIEW REPORT TO KAZAKHGOLD GROUP LIMITED**

***Introduction***

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 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 interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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 2007 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.

***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.

***Review work performed***

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (United Kingdom and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

***Review conclusion***

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

**BDO STOY HAYWARD LLP**

*Chartered Accountants*

London

**26 October 2007**

**KazakhGold Group Limited**  
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**Directors, Company Secretary and Advisors**

**Directors**

**Kanat Shaikhanovich Assaubayev**  
Executive Chairman

**Baurzhan Kanatovich Assaubayev**  
Joint Managing Director, Internal Affairs  
& Government Relations

**Aidar Kanatovich Assaubayev**  
Executive Vice Chairman, Corporate  
Development

**Marussya Maralovna Assaubayeva**  
Director, Human Resources &  
Corporate Affairs

**Sanzhar Kanatovich Assaubayev**  
General Manager, London Office

**Toktarkhan Kozhagapanov**  
Non-Executive Director

**Darryl Norton**  
Joint Managing Director & Chief  
Operating Officer

**David Netherway**  
Non-Executive Director

**William Trew**  
Non-Executive Director

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**Company Secretary**

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**KazakhGold Group Limited**  
**Half Year Report for the six months to 30 June 2007**

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