

CENTRAL ASI METALS PLC

Annual Report and
Accounts 2010



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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

Alex Capelson
Non-Executive Director

Robert Cathery
Non-Executive Director

Dr Michael Price
Non-Executive Director

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Registered number

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Chairman and Chief Executive's Statement

Dear Shareholders

2010 was a year of transition for the Company as it listed on AIM and also began the process of taking Kounrad beyond the development stage and into commercial production. The Board were also encouraged by the further rise of metal prices during the year.

Financing

Since the formation of the Company in September 2005, all financing had been raised privately to fund exploration programmes and the development of Group assets. During 2009, the decision was taken to proceed with an Initial Public Offering (IPO) in 2010 and the process commenced in January 2010 with the appointment of a NOMAD (KPMG) and Corporate Brokers (Mirabaud) to oversee the process and assist in the transaction.

The Company started the financial year with a cash balance of \$1.3 million and due to the timeline involved in the IPO process, the decision was taken to raise 'bridging' finance in Q1 2010 through a pre IPO fundraising. A total of \$5.5 million was raised in early May 2010 through a convertible loan note which was converted into equity at the time of the IPO.

The Company successfully completed the IPO on 30 September 2010 raising \$60 million through the issue of 39,735,100 new shares at a price of 96 pence. As at 31 December, 2010, the Company had cash balances totalling \$47.4 million.

Operations

Key to the success of the IPO was the significant progress that had been made developing the Kounrad SX-EW copper project in Balkhash, Kazakhstan. Work commenced on the construction of the main commercial plant in July

2010. This followed the completion of a feasibility study in March 2010 prepared by the Beijing General Research Institute of Mining and Metallurgy and extensive experience gained from operating the SX-EW pilot plant on site since August 2008.

There are estimated to be 733,000 tonnes of contained copper within the oxide and sulphide dumps at Kounrad which should provide sufficient resources on site to enable the plant to produce copper at a rate of 10,000 tonnes per annum for at least the next 30 years, assuming recovery rates of 40%-50% from the leaching process. In addition to the construction of the commercial production plant, the Company plans to further develop the Kounrad project during 2011 by additional testing of the sulphide waste dumps.

Progress has also been made on the Company's other exploration assets. During the year, a licence extension at Alag Bayan was granted through to April 2012 and a limited drilling programme is planned for the current year. Similarly, at Handgait a further survey and drilling programme is scheduled to take place in 2011. Since the year end, the Company has sold Tochtar and management remains optimistic that Ereen will also be sold before the end of the current financial year.

Commodity Prices

During the year, the gold price rose from \$1,121 to \$1,405 per oz, the molybdenum price increased from \$12.5 to \$16.5 per pound and most importantly for the immediate prospects of the Company, the copper price rose from \$6,745 to \$9,600 per tonne.

Outlook

The financial year ended 31 December 2010 was pivotal for CAML as it emerged from the economic challenges posed by the global recession of the previous two years. The Company successfully listed on AIM and raised sufficient capital to develop its core assets. The delivery of the Kounrad copper plant on time, and on budget, remains the key objective for management in 2011. The successful completion of Kounrad should create significant positive cash flow for the Company, which would enable it both to accelerate the development of other projects and to provide the potential for the return of cash to shareholders.



Aerial view of Kounrad site

Nigel Hurst-Brown
Chairman

Nick Clarke
Chief Executive Officer

Operating and Financial Review

Central Asia Metals plc (“CAML” or the “Company”) has interests in copper, gold and molybdenum mining 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.
- Extensive mineral and metal resources with the mining industry accounting for approximately 27% of GDP.
- Credit risk rating of ‘BB’ equivalent, comparable to that of Russia and South Africa.
- **CAML is currently constructing an SX-EW plant at the former Kounrad copper mine that will have the capacity to deliver 10,000 tonnes per annum of near term, low-cost copper production.**
- **The Company has had offices in Almaty since 2005 and Balkhash since 2007. It currently employs 223 people in the country, of which 133 are on the Kounrad construction site.**

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.
- Agreed \$5 billion Oyu Tolgoi protocol in 2010 after 5 years negotiations – taking progressive steps towards becoming a free market economy.
- Best performing stock exchange in 2010.
- **CAML has exploration opportunities with the potential to deliver substantial value, including Alag Bayan and Handgait.**
- **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 that it operates are key stakeholders in the projects and is committed to implementing environmental and safety standards in accordance with best industry practice.

Operating and Financial Review (continued)

Review of Operations – Kounrad, Kazakhstan

Overview of Resources

A copper project, located 17km north of Balkhash in central Kazakhstan, which 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 ore that was mined and not deemed suitable for processing at the time was dumped on the surface close to the open pit. This open pit is now abandoned but 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 ore.

Originally the sulphide ores from the open pit were treated by conventional flotation, whilst oxide ores and low-grade sulphide ores were stockpiled around the site. The dumps can be divided into three main ore-bearing types, namely oxide, sulphide and mixed/waste materials. The oxide waste is 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.

The archives of Balkashmed, the state-owned operator prior to the creation of Kazakhmys plc, contain the results of hundreds of thousands of assays covering the entire period of the waste dump accumulations. Several estimates of the quantities of residual copper contained in these materials have been calculated, using the archived data, by



SX building area – Kounrad

various organisations over the past two decades. Despite inevitable differences and variances, the overall global estimates of contained residual copper metal for Kounrad show good correlation.

It is estimated that there is approximately 733,000 tonnes of contained copper within the dumps. In addition to the approved oxides, resource estimates have also been made for the sulphide and mixed/waste dumps located in the west of the property. These resources have not yet been approved by GKZ (Republic of Kazakhstan).

The Company has agreed to undertake a rolling programme of transfer of material to a recognised resource standard (JORC) and expects to have all of the presently estimated sulphide resources quantified by the end of 2011. Thereafter, CAML will transfer other material with the aim of having all presently estimated dump material classified to an acceptable international standard by the end of the first quarter of 2013.

The western sulphide dumps are undergoing active sampling and reserve re-estimation by Sary Kazna LLP. A programme of evaluation of the western dumps was conducted during 2010 through excavating trenches and pits from the dump surface, removing bulk samples, preparing samples followed by assaying at an approved laboratory. The results of all this testing are still being assessed but the Company's intention is to upgrade these estimates to reserves by obtaining GKZ (Republic of Kazakhstan) approval and then to extract them. If sufficient further reserves are proven, and approval obtained, there is potential to increase production through construction of a second commercial SX-EW plant with a similar capacity to the first.

Eastern dumps

Resource type	Quantity, mt	Grade, %	In-situ, kt
State approved oxide*	49.2	0.16	77.72
Mixed/waste**	198.7	0.10	198.66
Total	247.9	0.11	276.40

Western dumps

Resource type	Quantity, mt	Grade, %	In-situ, kt
Sulphide*	53.0	0.25	132.20
Mixed/waste**	324.6	0.10	324.60
Total	377.7	0.12	456.83
Grand Total	625.5	0.12	733.20

* The state approved oxides are approved to GKZ standards

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



Strip foundation shuttering installation – Kounrad

Solvent Extraction – Electro Winning (SX-EW) Cathode Copper Facility – 10,000 tonnes per annum

The sub-soil use contract covers an area of 23.5 km² (2,350 hectares) and is valid until 20 August 2034. In September 2007, CAML began the technical evaluation studies for a dump leach project and was awarded ownership through a joint operating agreement (JOA) following a competitive tender. CAML entered into the JOA with Sary Arka, a government owned entity, and acquired a 60% interest in the Kounrad Project. The Kounrad JOA between the two companies led to the incorporation of Kounrad Copper Company LLP (“KCC”) which is the company through which the construction and operation of the commercial SX-EW plant will be managed. The project is operated as a joint venture with equal votes for each company on major strategic and operating matters as set out in the Kounrad JOA.

A \$1.5 million SX-EW demonstration plant was commissioned and installed during the summer of 2008 and has operated successfully through challenging climatic conditions. The plant is located at oxide dumps on the eastern part of the area. Test leaching cells of area 1,000m² are irrigated at any one time and over the period have indicated a recovery of approximately 50% of the estimated contained copper. As at 31 December 2010, 390 tonnes of cathode copper had been produced at the pilot plant and provided the added benefit of significant test data for the design studies associated with the main 10,000 tonne per annum SX-EW plant.

Further, laboratory test work on samples taken from sulphide dumps in the area have indicated that a significant amount of natural oxidation has occurred converting primary to secondary sulphides. This will result in potential leach recoveries approaching 50%, although in economic assessments, CAML has utilised a lower number of 40% for these materials.

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 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 operability throughout the winter period. BGRIMM has assumed recovery levels of 50%, 45%, and 40% respectively for the three ore types (oxide, mixed and sulphide) resulting in the projected recovery of almost 324,000 tonnes of copper (gross) over the project life.

The eastern waste dumps are assumed to recover approximately 121,000 tonnes during a 12-year period, with the western waste dumps producing the balance of 203,000 tonnes. These figures are based on the assumption of GKZ (Republic of Kazakhstan) approval for the full amount of the estimated volumes of material in the sulphide and mixed/waste dumps at Kounrad.

The results of the feasibility study indicated an estimated capital cost to construct the SX-EW plant of approximately \$47 million and cash operating costs below \$1,000 per tonne of copper produced. This is considered to be in the lowest decile of global copper producers and make the economics of Kounrad compelling.

Operating and Financial Review (continued)

Construction Progress

Construction commenced on site during summer 2010 and continued throughout the winter months. Since listing on AIM in September 2010, significant progress has been made towards the construction of the facility. Site works undertaken during the winter period, including the commissioning of a winterised concrete mixing plant, have ensured that the project schedule remains on course for completion by the end of 2011.

Detailed engineering design is fully completed and the vast majority of the plant, equipment and steel orders have been placed with first deliveries to site expected mid-April 2011. The bulk of the equipment has been sourced from China and Kazakhstan with key specialised items being imported from Germany, USA and Chile. Site earthworks have been completed and 40% of the mass concrete has been placed with all concrete works expected to be completed by end May 2011. All the solution ponds have been excavated and lined and the collector trench excavations and lining are well advanced.



Pouring concrete – Kounrad



Finished trench and pond – Kounrad



Construction – Kounrad



South trench – HDPE lining – Kounrad



Railway line – west side – Kounrad

Access to the site from the national rail system has been completed with the commissioning of 900m of rail line and sidings and power for the facility will be provided by a new 4.5km overhead power line from an existing main sub-station.

In addition to the construction of the commercial production plant, planned further developments for the Kounrad project include additional testing of the sulphide and waste dumps throughout 2011. In April 2011, the pilot plant will be moved to operate in the western sulphide dumps in order to gain more experience of the leaching processes in these dumps.

Review of Operations – Mongolia

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 Subarga copper deposit. The property is held under an extended exploration licence which expires in April 2012 and is 70% owned by Bayan Resources LLC, a subsidiary company of CAML.

A surface outcrop of copper mineralisation exists in the central portion of the licence area and has been investigated by a series of exploration programmes. Its continuation at depth has been revealed and economic studies, based on the open-pit mining of a small scale deposit, have been undertaken. Such areas, characterised by their relatively high geophysical IP anomalies, were found in the immediate vicinity of a shallow intrusive body in the licence area, so that sulphide mineralisation may occur in association with this geological environment.

Based on the results of previous geological and geophysical (induced polarisation and magnetic) surveys and trench sampling undertaken throughout the licence area, a diamond drilling programme was conducted by CAML in 2009 to confirm the further potential of the area and identify the geological setting and anomalies of interest. The initial stages of this geological investigation have identified a near-surface copper target resource.

In August 2009 CAML entered into a services and option agreement with GoviEx Mongolia LLC ("GoviEx") pursuant to which GoviEx agreed to provide high resolution geophysical survey services within the Alag Bayan exploration area. As part consideration for these services, CAML agreed a call option for GoviEx to purchase a 19.99% interest in the asset at a fixed price of \$650,000.



Core logging and sampling – Alag Bayan



The Alag Bayan team

The call option for GoviEx has recently been extended as part of the agreement for additional IP testing work currently being performed. It is exercisable by GoviEx at the later of (a) 2 years from the delivery of GoviEx's report, or (b) when CAML has spent at least \$5 million in exploration costs in relation to Alag Bayan. Should GoviEx exercise its call option, it is obliged to contribute pro rata to all ongoing capital funding requirements for the asset.

On the basis of the first IP survey, in 2009 CAML conducted a deep hole drilling campaign designed to test the anomalies identified in the survey. A total of 6,300m were drilled consisting of 5 holes ranging in depth from 1,000m to 1,800m. The drilling campaign was completed in December 2009 and the results combined with the details recorded by the IP survey were sufficiently robust to enable an application for a mining licence during 2010.

In April 2010 the licence application for Alag Bayan was completed and an extension was granted to April 2012. It is understood that the state approved reserves at this stage of exploration were confirmed as 1,987,415 tonnes of ore which contained a copper grade of 0.8006%. This equates to 15,911 tonnes of contained copper.

Management believe that the licence area has the potential to host deeper-seated porphyry-style targets that warrant further attention. A review by Wardell Armstrong International Limited (WAI) of the results of the surveys performed to date, and particular, the work undertaken by GoviEx suggests that the target anomalies identified, whilst deep-seated, are attractive given the analogy to the Oyu Tolgoi gold-rich porphyry deposit. Following analysis of the second IP Survey results mentioned above in March 2011, an additional drilling programme of two 2,000 metre holes will commence in May 2011.

Operating and Financial Review (continued)

Handgait

A molybdenum deposit located in the Bulgan province 500 km northwest of Ulaanbaatar 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.

During 2008 CAML completed a drilling programme of 78 holes (12,241 metres) and 16,735 assays were sampled with indications from the work performed of a 42,000 tonne molybdenum resource and a further potential of 280,000 tonnes in the Handgait area. The Group considered that sufficient work had been performed to apply for the conversion of the exploration licence to a mining licence.



Core Drilling – Handgait

Resource type	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
Global potential (Unclassified)	400.45	0.070	280.3
Total	479.15	0.067	320.0



Road clearing – Handgait

The mining licence application was submitted in December 2008 to the Mongolian State Minerals Commission. Following several reviews, CAML was issued with a mining licence on 9 July 2009, covering an area of 1,791 hectares for an initial period of 30 years to 9 July 2039 and with the possibility of a further two 20-year extension periods. Since early 2009 the property has been managed on a care and maintenance basis and no additional exploration work was performed due to the very sharp drop in molybdenum prices in late 2008 from approximately \$34 per lb to a low of approximately \$7 per lb.

Whilst CAML management have received several expressions of interest in the property, they are not considering a disposal at this stage of exploration. The near term focus of the Company is to conduct limited additional drilling of approximately 1,500m in the Handgait area in 2011 in order to further prove up the resources. The price of molybdenum has recovered since 2008 and is now around \$18 per lb.

Review of Operations – Assets held for sale

Ereen

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

Geophysical investigations and core drilling have demonstrated the occurrence of metasomatic gold mineralisation associated with the veins and a potential 700,000 oz gold resource. At the end of 2008, the Company completed a drilling programme of 44 holes (9,881m) and a total of 6,709 assays. In 2009 a further drilling programme of 1,792 metres was conducted on the site in order to obtain further geological data and 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.

Following on from a strategic review of the Company's assets in 2009, a decision was taken to sell the Ereen project. A number of parties have expressed a strong interest in the Ereen project since that time and the Board has concluded that should a sale not be achieved in the near future on acceptable terms, consideration may be given to further develop the asset and firm up on the resource estimate by additional drilling.

Tochtar

The mine is located in northwest Kazakhstan near the Russian border. CAML acquired an initial 65% stake in 2006 and then increased its shareholding to 75% in January 2007. The mine was managed and operated by CAML between 2007 and 2008 producing approximately 5,000 ounces of gold during that time. As part of the strategic review of the Group's assets, it was decided to sell Tochtar after due consideration of the significant capital requirements associated with further development of the project and the difficult geological conditions.

The asset was sold to Wildorf Holdings LLP on 18 February 2011 following on from lengthy negotiations. The sale is conditional upon State approval under Article 71.

Operating and Financial Review (continued)

Financial Objectives

CAML's key financial objective in 2010 was to raise sufficient equity finance to enable the Group to further develop the Kounrad asset, construct the SX-EW facility and bring the plant into production by the end of 2011. This was successfully achieved by raising \$60 million through the IPO in September 2010.

The key objective for 2011 is to complete the construction of the SX-EW plant at Kounrad by the end of the year, produce a minimum of 200 tonnes of cathode copper and ensure that the project is completed within the \$47 million capital budget.

Operating Environment, principal risks and uncertainties

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

Kounrad Project Risks

Construction

Success in the near term depends to a significant extent on the time taken and cost required to construct and operate the commercial SX-EW plant at Kounrad. Delays or cost overruns could adversely affect the Company's current capital cost estimates and the point at which a revenue stream will be generated from the sale of cathode copper. Such a delay or cost overrun would impact on the Company's liquidity and potentially require additional funds to be raised to complete the construction project.

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.

Joint Operating agreement

Operations at Kounrad are governed by a Joint Operating Agreement (JOA) between CAML's subsidiary, Sary Kazna LLP and its partner on the project, Sary Arka, a local Kazakh government entity. Although the Company has a 60% interest in the subsoil use rights under the Kounrad



PLS solution – Kounrad

Contract, and is the operator, both the Company and 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.

Political Risk

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 Risk

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 Risk

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 Risks

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.



SX building area – Kounrad

Financial Review

Balance Sheet

The total assets of the Group as at 31 December 2010 amounted to \$76.5 million (2009: \$20.2 million). The main increase over the year was the increase in net cash to \$47.4 million (2009: \$1.3 million) due to the IPO fund raising and the funds raised earlier in the year on the convertible loan notes. Over the course of the year the Group raised a total of \$65.8 million, \$60.3 million at the IPO and \$5.5 million in convertible loan notes all of which were converted into equity at the IPO. The Group had no debt as at 31 December 2010.

Property, Plant and Equipment increased to \$6.5 million (2009: \$2.1 million) as construction commenced on the Kounrad SX-EW plant in Kazakhstan. Intangible assets increased to \$13.0 million (2009: \$11.5 million) primarily reflecting the revaluation of Mongolian intangible assets caused by the appreciation of the Mongolian currency as the Group had no significant activity in the exploration projects over the course of the year.

Assets held for sale also increased to \$4.7 million (2009: \$2.6 million) primarily due to the revaluation of Ereen assets caused by the appreciation of the Mongolian currency and the revaluation of Tochtar to a fair value of \$325,000. Tochtar was sold in February 2011 as explained in Note 18.

During the year and as part of the conversion to a plc, CAML underwent a capital reduction scheme to enable the accumulated losses of previous years to be offset by the transfer of the share premium account. A total of \$54.4 million was transferred from the Share Premium account to distributable reserves as part of this process. As at 31 December 2010 the distributable reserves of the Company were \$33.6 million (2009: losses of \$18.6 million).

Income Statement

The consolidated net loss after taxation of the Group in respect of the year ended 31 December 2010 amounted to \$5.8 million (2009: \$15.0 million). This is a marked improvement on the net loss before taxation in 2009 although there were some significant charges in both years which make comparisons difficult.

Revenue of \$1.4 million (2009: \$1.1 million) was all generated from the sales of cathode copper produced by the pilot plant with a total of 225 tonnes being sold at an average price of \$6,426 per tonne.

Overall ongoing costs were similar year on year at \$5.7 million (2009: \$5.6 million) with employment expenses being maintained at a comparable level during the year at \$2.7 million (2009: \$2.7 million). Costs associated with share based incentive schemes for staff were higher at \$1.8 million (2009: \$0.8 million).



SX process sumps – Kounrad



Copper cathode – Kounrad

The following exceptional one off charges were incurred during the year;

- A \$1.0 million charge for land rates at Kounrad dating back to April 2009. This charge was imposed on the Group by the local Kazakhstan land authority following a review of the land rates.
- Foreign currency exchange rate gains of \$2.7 million (2009: loss of \$6.2 million) were primarily due to the strengthening of the Mongolian Tugrik (MNT) over the year against the US Dollar (13.5%).
- The main increase in general expenditure over the year was the fees associated with the fund raising and Listing on AIM which totalled \$6.2 million (2009: Nil). \$4.4 million of these costs were charged to equity through the Share Premium account (see note 12) and \$1.8 million were charge against the income statement.
- Write downs based on the impairment review of the group's asset portfolio were assessed as Nil (2009: \$4.0 million).

Board of Directors' profiles

Nick Clarke

Chief Executive Officer

Nick Clarke 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 a Non-Executive Director of Obtala Resources plc, Sunkar Resources plc and Empire Mining Corporation.

Nigel Robinson

Chief Financial Officer

Nigel Robinson is a member of the Institute of Chartered Accountants in England & Wales and formerly a Royal Navy 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.

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. Nigel is also a Director of Borders & Southern Petroleum plc and a Fellow of The Institute of Chartered Accountants in England and Wales.

Alex Capelson

Alex Capelson has 30 years of experience as an oil and gas geophysicist. He is currently CEO of Vostok Energy plc and was previously involved with First International Oil Corp, International Energy Services and Imperial Energy Corporation. Alex is a founder shareholder of Central Asia Metals plc (CAML) and a beneficiary of Commonwealth American Partners LLP, a substantial shareholder of CAML.

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. Robert is currently a Non-Executive Director of Salamander Energy plc, Vostok Energy plc and SOCO International plc. Robert 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) and Tertiary Minerals. He is currently also a Non-Executive Director of AIM quoted Q Resources plc, ASX listed Sumatra Copper & Gold and TSX-V listed Lincoln Mining Corporation as well as GV Gold. Michael is Chairman of the Audit and Remuneration Committees.

Directors' Report

for the year ended 31 December 2010

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2010.

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 2 and the Operating and Financial Review (OFR) on pages 3 to 11 which form part of, and by reference are incorporated in, this Director's Report.

Dividends

The Directors do not recommend a dividend for the year (2009: \$ nil).

Post Balance sheet events

In February 2011 CAML completed the disposal of its Tochtar subsidiary to Wildorf Holdings LLP. The original agreement for the sale was dated 23 November 2010 but a late amendment to this agreement had to be made for the imposition by the Kazakhstan Government of a back dated charge for historical exploration costs associated with the asset. This charge necessitated a renegotiation of the terms and conditions of the sale and resulted in the purchaser accepting the responsibility for the liability offset by a reduced cash consideration to CAML.

The Company received a gross consideration of \$825,000 for the sale of 100% of Tochtar after allowing for the above liability which the purchasers agreed to settle. The deal remains contingent upon achieving Article 71 clearance in Kazakhstan which is the Kazakhstan Government's pre-emption right appertaining to all entities which possess a sub-soil user licence.

Once this clearance has been obtained, CAML will settle the payment of the outstanding balance to the minority shareholders who own 25%. A provision of \$500,000 has been set aside to allow for this settlement based on early stage negotiations.

Directors and Directors' interests

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

	As at 15 Apr 2011	As at 31 Dec 2010
CN Hurst-Brown (Chairman)	694,065	694,065
N Clarke (Chief Executive Officer)	—	—
N Robinson (Chief Financial Officer)	—	—
AA Capelson ¹	56,000	56,000
RM Cathery ²	4,271,445	4,271,445
M A Price ³	451,000	451,000
Total Directors' Interests	5,472,510	5,472,510

Several of the above Directors were also issued shares as part of the EBT incentive scheme and details are contained in Note 26.

¹ Alex Capelson is also a trustee and beneficiary of the Commonwealth American Partners LP Trust, which has an interest in 9,713,588 shares, not included in the above amount.

² 117,445 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.

³ 6,000 shares included in the above amount are registered in the name of Shona Price, the wife of Dr. Michael Price.

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. At the forthcoming 2011 AGM, all Directors retire in this way and are to be proposed for reappointment.

Directors' Report (continued)

for the year ended 31 December 2010

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.

Nicholas Clarke	£150,000
Nigel Robinson	£130,000

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 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
Alexander Capelson	£30,000
Robert Cathery	£30,000
Michael Price	£40,000

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

Financial Instruments

The Group's financial instruments, which are recognised in the balance sheet, comprise of cash and cash equivalents, receivables and payables. The accounting policies and methods adopted, including basis of measurement applied are disclosed where relevant. Information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and uncertainty of future cash flows are disclosed in the respective notes, where applicable.

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.

	As at 31 March 2011	% of issued share capital
Lansdowne UK Strategic Investment Fund Limited	15,007,168	17.42
Commonwealth American Partners LLP	9,713,588	11.27
Blackrock Investment Management (UK) Limited	6,298,100	7.29
Henderson Global Investors	4,500,000	5.22
Robert Cathery ¹	4,271,445	4.96
Small Cap World Fund Inc	3,986,000	4.63
Edward Bloomstein	3,541,896	4.11
Ogier Employee Benefit Trust	3,387,946	3.93
Fidelity Funds European Smaller Companies	2,801,600	3.25

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.

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 2010 the Group had \$1,198,901 (2009: \$1,460,604) of trade payables which equated to approximately 75 creditor days (2009: 93 days).

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 2011, the updated cashflow projections indicated that this still remained the case and management remain confident that the Group's cash resources are adequate to June 2012 to meet all expected future liabilities.

Group Structure and changes in share capital

During the year the Company underwent a number of transactions that changed the share capital. In May 2010 \$5.5 million was raised by means of issuing convertible loan notes which converted to ordinary shares at a discount of 30% to the official share price on 30 September 2010, the date of admission to AIM. The list price at that date was \$1.51 (GBP 0.96) and the convertible loan notes converted at \$1.06 (GBP 0.67) to 5,160,833 shares. On 30 September 2010 39,735,100 shares were issued on AIM and \$60.3 million was raised.

In advance of the IPO, Central Asia Metals Limited re-registered as a plc and completed an approved capital reduction scheme in August 2010. In so doing, \$54,446,174 of share premium was transferred to distributable reserves thereby eliminating all previous deficits and creating surplus distributable reserves of \$33,557,903 as at 31 December 2010.

International accounting standards

For the year ending 31 December 2010, the Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

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

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and the Directors have taken all necessary steps to make them 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.

Corporate Governance

The Company's compliance with the principles of corporate governance is explained in the corporate governance report on pages 16 and 17.

By Order of the Board



Nigel Robinson

Director and Chief Financial Officer

15 April 2011

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 two Executive Directors and four Non-Executive Directors. The Board considers that the Chairman, Nigel Hurst-Brown and one other Non-Executive Director, Dr Michael Price, qualify as independent Non-Executive Directors. The other two Non-Executive Directors, Robert Cathery and Alex Capelson, are considered independent despite the size of their shareholdings in CAML, because they are 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 devolved to the two 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 ensured 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 attended all meetings of the Committee. In accordance with its terms of reference, the Audit Committee held meetings during the year and held a formal meeting with the auditors to review 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 meetings. Other Directors, staff and representatives of the external auditors may be invited to attend as considered beneficial by the Committee.

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.

Remuneration Committee

The Remuneration Committee comprises two members, both of whom are independent Non-Executive Directors. The Remuneration Committee is chaired by Dr Michael Price and its other member is Nigel Hurst-Brown. The 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 intends that a scheme to enable the grant of share awards in the Company will be introduced at a time it determines to be appropriate.

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 as a whole. No Director participates 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.

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 2010 which comprise Group and Parent Company Statements of Financial Position, the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Cash Flow Statements 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 Directors' Responsibilities Statement set out on page 18, 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 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.

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 2010 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
15 April 2011

Consolidated Statements of Financial Position

at 31 December 2010

		Group		Company	
	Note	2010 \$	2009 \$	2010 \$	2009 \$
Assets					
Non-Current Assets					
Property, Plant and Equipment	6	6,493,765	2,089,040	3,747	23,893
Intangible Assets	7	12,976,149	11,542,686	1,154,238	1,175,636
Investments	8	–	–	258,853	295,853
Trade and Other Receivables	9	3,035,133	603,488	50,435,937	33,663,353
		22,505,047	14,235,214	51,852,775	35,158,735
Current Assets					
Inventory	10	363,766	275,986	–	–
Trade and Other Receivables	9	1,457,858	742,296	560,198	388,280
Cash and Cash Equivalents	11	47,365,658	1,325,088	44,733,243	1,194,527
		49,187,282	2,343,370	45,293,441	1,582,807
Assets of the disposal group classified as held for sale	18	4,870,205	3,646,307	100,000	110,000
		54,057,487	5,989,677	45,393,441	1,692,807
Total assets		76,562,534	20,224,891	97,246,217	36,851,542
Equity attributable to owners of the parent					
Ordinary Shares	12	861,659	389,461	861,659	389,461
Share Premium	12	61,431,533	53,460,880	61,431,533	53,460,880
Treasury Shares	12	(2,303,803)	(1,723,416)	(2,303,803)	(1,723,416)
Other Reserves	13	7,065,143	5,044,551	3,278,603	1,496,277
Retained Earnings		7,675,575	(40,927,071)	33,557,903	(18,571,501)
Total Equity		74,730,107	16,244,405	96,825,895	35,051,701
Liabilities					
Non-Current Liabilities					
Trade and Other Payables	15	250,562	–	57,864	32,160
Provision for Liabilities and Charges	17	433,921	441,257	–	–
		684,483	441,257	57,864	32,160
Current Liabilities					
Trade and Other Payables	15	948,339	1,460,604	362,458	767,681
Borrowings	16	–	1,000,000	–	1,000,000
		948,339	2,460,604	362,458	1,767,681
Liabilities of disposal group classified as held for sale	18	199,605	1,078,625	–	–
		1,147,944	3,539,229	362,458	1,767,681
Total Liabilities		1,832,427	3,980,486	420,322	1,799,841
Total Equity and Liabilities		76,562,534	20,224,891	97,246,217	36,851,542

The notes on pages 26 to 48 are an integral part of these consolidated financial statements. The financial statements on pages 20 to 48 were authorised for issue by the Board of Directors on 15 April 2011 and were signed on its behalf by;

Nick Clarke
Chief Executive

Nigel Robinson
Chief Financial Officer

Consolidated Income Statement

for the year ended 31 December 2010

		2010	Group
	Note	\$	2009
			\$
Continuing operations			
Revenue	5	1,446,035	1,140,979
Cost of Sales	20	(1,397,944)	(1,116,343)
Gross Profit/(Loss)		48,091	24,636
Other Income/(Loss)		—	1,089,062
General and administrative expenses, including:			
– Impairment of Inventory, including write back of previous years		—	(95,056)
– Exchange rate differences	21	2,758,649	(6,207,184)
– Other General & Administrative Expenses	20	(8,586,582)	(9,327,613)
Total General and administrative expenses		(5,827,933)	(15,629,853)
Other Expenses	22	—	(95,040)
Finance Income	28	44,122	24,293
Finance Costs	28	(107,808)	(414,804)
Loss before Income Tax		(5,843,528)	(15,001,706)
Income Tax	19	—	—
Loss for the period		(5,843,528)	(15,001,706)
Loss Attributable to:			
– Owners of the parent		(5,843,528)	(15,001,706)
Loss per share attributable to the equity holders of the company during the period			
		—	—
Basic loss per share	23	\$0.11	\$0.46

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 2010 is \$2,316,770 (2009: \$10,341,705).

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	2010 \$	Group 2009 \$
Loss for the period	(5,843,528)	(15,001,706)
Other comprehensive income:		
Currency translation differences	238,266	3,391,045
Other comprehensive income for the year, net of tax	238,266	3,391,045
Total comprehensive income for the period	(5,605,262)	(11,610,661)
Attributable to:		
– Owners of the parent	(5,605,262)	(11,610,661)
– Minority interest	–	–
Total comprehensive income for the period	(5,605,262)	(11,610,661)

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Share capital \$	Share Premium \$	Treasury Shares \$	Other Reserves \$	Retained Earnings \$	Total \$
Group						
At 31 December 2008	292,208	46,944,935	–	829,229	(25,925,365)	22,141,007
Total comprehensive income	–	–	–	3,391,045	(15,001,706)	(11,610,661)
Transactions with owners						
Issue of Shares	71,906	4,817,704	–	–	–	4,889,610
Issue of Share Options	–	–	–	805,677	–	805,677
EBT shares granted	25,347	1,698,241	(1,723,416)	18,600	–	18,772
Total transactions with owners	97,253	6,515,945	(1,723,416)	824,277	–	5,714,059
At 31 December 2009	389,461	53,460,880	(1,723,416)	5,044,551	(40,927,071)	16,244,405
Total comprehensive income	–	–	–	238,266	(5,843,528)	(5,605,262)
Transactions with owners						
Gold Loan conversion into shares	14,706	985,294	–	–	–	1,000,000
EBT Shares issued correction	–	–	(172)	–	–	(172)
Capital reduction	–	(54,446,174)	–	–	54,446,174	–
EBT Shares granted	8,533	571,682	(580,215)	846,102	–	846,102
Issue of Share Options	–	–	–	936,224	–	936,224
Convertible loan	51,608	5,403,392	–	–	–	5,455,000
Initial Public Offering	397,351	59,872,849	–	–	–	60,270,200
Share Issue Costs	–	(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

Company Statement of Changes in Equity

for the year ended 31 December 2010

	Share Capital \$	Share Premium \$	Treasury Shares \$	Other Reserves \$	Retained Earnings \$	Total Equity \$
Company						
At 31 December 2008	292,208	46,944,935	–	672,000	(8,229,796)	39,679,347
Total comprehensive income	–	–	–	–	(10,341,705)	(10,341,705)
Transactions with owners						
Issue of Shares	71,906	4,817,704	–	–	–	4,889,610
Issue of Share Options	–	–	–	805,677	–	805,677
EBT shares granted	25,347	1,698,241	(1,723,416)	18,600	–	18,772
Total transactions with owners	97,253	6,515,945	(1,723,416)	824,277	–	5,714,059
At 31 December 2009	389,461	53,460,880	(1,723,416)	1,496,277	(18,571,501)	35,051,701
Total comprehensive income	–	–	–	–	(2,316,770)	(2,316,770)
Transactions with owners						
Gold Loan conversion into shares	14,706	985,294	–	–	–	1,000,000
EBT Shares issued correction	–	–	(172)	–	–	(172)
Capital reduction	–	(54,446,174)	–	–	54,446,174	–
EBT shares granted	8,533	571,682	(580,215)	846,102	–	846,102
Issue of Share Options	–	–	–	936,224	–	936,224
Convertible loan	51,608	5,403,392	–	–	–	5,455,000
Initial Public Offering	397,351	59,872,849	–	–	–	60,270,200
Share Issue Costs	–	(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

Consolidated Statement of Cash flows

for the year ended 31 December 2010

		Group As at 31 December		Company As at 31 December	
	Note	2010 \$	2009 \$	2010 \$	2009 \$
Cash Flows from Operating Activities					
Cash Generated from operations	29	(7,572,932)	(3,625,224)	(1,007,797)	1,472,716
Interest Paid		(107,808)	(36)	(3,915)	(36)
Net Cash Generated from Operating Activities		(7,680,740)	(3,625,260)	(1,011,712)	1,472,680
Cash Flows from Investing Activities					
Sale of subsidiaries, net of cash disposed of	22	–	(409)	–	–
Purchases of Property, Plant and Equipment	6	(495,108)	(361,106)	(1,206)	–
Investment Property under construction	6	(4,397,589)	–	–	–
Proceeds from sale of Property, Plant and Equipment		–	6,505	–	–
Purchase/Transfer of Intangible Assets	7	(6,187)	(264,549)	(47,000)	(5,731)
Exploration Costs Capitalised	7	(321,871)	(3,957,210)	–	–
Loans to JV Partners/Subsidiaries	9	–	–	(14,341,518)	(9,550,092)
Interest Received		44,122	13,163	40,711	12,031
Net Cash used in Investing Activities		(5,176,633)	(4,563,606)	(14,349,013)	(9,543,792)
Cash Flows from Financing Activities					
Proceeds from Issuance of Ordinary Shares	12	65,725,200	6,613,198	65,725,200	6,613,198
Purchase of treasury shares	12	(580,388)	(1,723,416)	(580,388)	(1,723,416)
Share Issue Costs		(6,192,030)	–	(6,192,030)	–
Net Cash used in Financing Activity		58,952,782	4,889,782	58,952,782	4,889,782
Effect of foreign exchange rates on cash and cash equivalents		(60,227)	–	(53,340)	–
Net (Decrease)/Increase in Cash and Cash Equivalents		46,035,182	(3,299,084)	43,538,716	(3,181,330)
Cash and Cash Equivalents at the Beginning of the Year	11	1,330,476	4,629,560	1,194,527	4,375,857
Cash and Cash Equivalents at the End of the Year	11	47,365,658	1,330,476	44,733,243	1,194,527

Notes to the Consolidated Financial Statements

for the year ended 31 December 2010

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 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 2011, the updated cashflow projections indicated that this still remained the case and management remain confident that the Group's cash resources are adequate to June 2012 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.

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. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2010. 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.

New, amended and revised standards and interpretations adopted by the Group

The Group has adopted the following new and amended standards as of 1 January 2010.

- IFRS 3 (revised), 'Business combinations', and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures', effective from 1 July 2009. This standard applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after the effective date.
- IFRS 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes. For example, acquisition-related expenses and any revisions to contingent cash consideration in the period following the acquisition will be recorded in the income statement.
- IAS 27 (revised), 'Consolidated and separate financial statements' – effective from 1 July 2009. This standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. Such transactions will no longer result in either goodwill or in a gain or a loss being recognised. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the income statement.
- IAS 36 (amended) 'Impairment of assets' – effective 1 January 2010. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined in IFRS 8.
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' – effective from 1 July 2009. The amendment clarifies that IFRS 5 specifies the disclosures required in respect of non-current assets classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, in particular paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.
- None of the above standards had a material impact on the group's financial statements.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not expected to have a material impact on the Group's consolidated results or assets and liabilities.

- IFRS 1 (amended), 'Additional exemptions for first-time adopters' – effective from 1 January 2010.
- IFRS 2 (amendments), 'Group cash-settled share-based payment transactions' – effective from 1 January 2010.
- IAS 38 (amendment), 'Intangible assets' – effective from 1 July 2009.
- IAS 39 (amended), 'Financial instruments: Recognition and measurement – eligible hedged items' – effective from 1 July 2009.
- IAS 39 (amended), 'Financial instruments: Recognition and measurement' – effective from 30 June 2009.
- IFRIC 9 (amended), 'Reassessment of embedded derivatives' – effective from 30 June 2009.
- IFRIC 16, 'Hedges of a net investment in a foreign operation' – effective from 1 July 2009.
- IFRIC 17, 'Distributions of non-cash assets to owners' – effective from 1 July 2009.
- IFRIC 18, 'Transfers of assets from customers' – effective from 1 July 2009.
- Improvements to International Financial Reporting Standards 2009.

Standards, revisions, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

We are currently assessing the impact of the following revised standards or interpretations. These changes are not currently expected to have a material impact on the group's results of operations, financial position or disclosures.

- IFRS 1 (amended), 'Limited exemption from comparative IFRS 7 disclosures for first-time adopters' – effective from 1 July 2010.
- IFRS 9, 'Financial Instruments' – effective from 1 January 2013. This standard establishes the principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows.
- IAS 24 (revised), 'Related Party Disclosures' – effective from 1 January 2011.
- IAS 32 (amendment), 'Financial Instruments: Presentation – Classification of Rights Issues' – effective from 1 February 2010.
- IFRIC 14 (amended), 'Prepayments of a Minimum Funding requirement' – effective from 1 January 2011.
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' – effective from 1 July 2010.
- Improvements to International Financial Reporting Standards 2010.

Basis of Consolidation

Subsidiaries

The Group financial statements consolidate the financial statements of CAML and the entities it controls drawn up to 31 December 2010.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and it continues to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The financial statements of subsidiaries used in the preparation of consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

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 shareholder's 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 7, 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

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.

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 Groups's functional and 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 & 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

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.

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.

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. Deferred tax balances are not discounted.

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.

Financial Liabilities Designated at Fair Value through Profit or Loss

Financial liabilities designated at fair value through profit or loss are financial liabilities incurred to assist trading and set up of group businesses. A financial liability is classified in this category if acquired principally for the purpose of financing the Group operations in the short-term and will not be repaid in cash.

The Group incurred such a financial liability in 2006 when setting up the funding for Tochtar LLP. The Group received \$1,798,750 in exchange for settlement of the loan by the payment of future gold production. This transaction has been accounted for as a financial liability designated at fair value through profit or loss.

The above financial liability was designated at fair value at inception because it contained an embedded derivative which had significantly affected the cash flows of the transaction, given that the repayment was denominated in the commodity.

Upon initial recognition of such a financial liability the fair value is assessed by reference to the forward price of the commodity based on the contractual delivery dates. Year end fair values are based on the 12 month forward price of the commodity as at that date. All mark-to-market gains and losses are taken to finance income and costs in the income statement.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

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.

Borrowings

Short term borrowings are accounted for based on the amount of funds actually received. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing are 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.

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) have been hedged by placing short term deposits in RMB and KZT.

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	
	2010	2009	2010	2009
Kazakhstan Tenge (KZT)	147.3441	147.9000	147.4000	148.4600
Mongolian Tugrik (MNT)	1,357.0893	1,437.1000	1,257.1800	1,442.8400
British Pound	0.6474	0.6409	0.6450	0.6278
Euro	0.7549	0.7190	0.7495	0.6977

Interest Rate Risk

The Group is primarily funded by equity capital and has limited exposure to interest rate risk. As at 31 December 2010, the Group had no borrowings (31 December 2009: \$1 million).

In May 2010 the Company raised \$5.4 million (gross) convertible note, which was successfully converted to ordinary shares at Initial Public Offering (IPO) at 30% discount of IPO price on 30 September 2010.

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 11 and on its other receivables as set out in note 9.

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 commodities price changes is limited to the economic viability of the its 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.

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.

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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

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, 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.

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.

5 Segmental Information

The adoption of IFRS 8 resulted in the change in the reportable segments. Previously segments were reported on a geographical basis (by country). Management has determined the operating segments based on the reports reviewed by the Board and decided that it would be more appropriate to identify reportable segments on a project by project basis.

As at 31 December 2010, the Group consisted of the following 5 main business segments:

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

All projects 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 projects, namely Tochtar and Ereen, at 31 December 2010 have been classified as held for sale. Note 18 gives more details in relation to these projects.

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 2010 is as follows:

	Segmental revenue		Segmental result	
	2010 \$	2009 \$	2010 \$	2009 \$
Kounrad	1,446,035	394,287	(2,263,961)	(3,225,175)
Alag Bayan	–	–	(5,518)	(2,574)
Tochtar	–	746,692	306,636	(1,896,891)
Ereen	–	–	(10,933)	(29,209)
Handgait	–	–	(2,625)	(106,898)
Unallocated costs including corporate	–	–	(5,841,242)	(3,590,372)
Group Revenue	1,446,035	1,140,979		
Group EBITDA			(7,817,643)	(8,851,119)
Depreciation and amortisation			(720,848)	(546,914)
Loss from operations:			(8,538,491)	(9,398,033)
Exchange gain/(loss)			2,758,649	(6,207,184)
Other income/(expenses), net			–	994,022
Finance income			44,122	24,293
Finance costs			(107,808)	(414,804)
Loss before taxation			(5,843,528)	(15,001,706)

The segment information of segmental assets and liabilities provided to the Board for the reportable segments for the year ended 31 December 2010 is as follows:

	Segmental assets		Segmental liabilities	
	31 Dec 10 \$	31 Dec 09 \$	31 Dec 10 \$	31 Dec 09 \$
Kounrad	11,505,676	6,902,596	(466,419)	(42,020)
Alag Bayan	3,464,878	2,966,019	(2,000)	(370,808)
Handgait	6,106,166	5,403,295	(440,091)	(450,105)
Total	21,076,720	15,271,910	(908,510)	(862,933)
Assets held for sale	4,870,205	3,646,307	(199,605)	(1,078,625)
Unallocated including corporate	50,615,609	1,306,674	(724,312)	(2,038,928)
Total	76,562,534	20,224,891	(1,832,427)	(3,980,486)

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6 Property, Plant and Equipment

Group	Mining Property \$	Construction in progress \$	Plant and Equipment \$	Motor Vehicles & Office Equipment \$	Total \$
Cost					
At 1 January 2009	1,185,578	–	2,099,266	1,650,342	4,935,186
Additions	236,422	–	63,994	60,690	361,106
Disposals	(1,422)	–	(34,546)	(283,672)	(319,640)
Assets held for sale (note 18)	(674,600)	–	(522,921)	(222,553)	(1,420,074)
Translation difference	(199,595)	–	(388,070)	(261,195)	(848,860)
At 31 December 2009	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	91,082
At 31 December 2010	579,407	4,397,589	1,669,392	1,013,486	7,659,874
Depreciation					
At 1 January 2009	187,968	–	320,697	282,860	791,525
Provided during the year	118,624	–	251,922	253,672	624,218
Disposals	(318)	–	(686)	(38,499)	(39,503)
Assets held for sale (note 18)	(222,522)	–	(296,322)	(102,856)	(621,700)
Translation difference	(33,730)	–	(60,396)	(41,736)	(135,862)
At 31 December 2009	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
NBV at 31 December 2009	496,361	–	1,002,508	590,171	2,089,040
NBV at 31 December 2010	499,674	4,397,589	1,115,744	480,758	6,493,765

During the year the Group commenced construction of a commercial 10,000 tonne per annum SX-EW plant which resulted in additions during the year of the capitalized construction in progress of \$4,397,589.

The Company had \$3,747 of office equipment at Net Book value as at 31 December 2010 (2009: \$23,893).

7 Intangible Assets

Group	Deferred Exploration and Evaluation costs \$	Mining Licences and Permits \$	Software \$	Total \$
Cost				
At 1 January 2009	11,203,367	3,629,437	82,904	14,915,708
Additions	4,279,610	264,707	158	4,544,475
Disposals	(1,202,141)	(154,301)	(875)	(1,357,317)
Assets held for sale (note 18)	(3,872,896)	(751,663)	(1,027)	(4,625,586)
Translation Difference	(1,454,794)	(422,161)	(3,821)	(1,880,776)
At 31 December 2009	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
Amortisation				
At 1 January 2009	–	5,197	6,225	11,422
Provided during the year	–	2,988	42,696	45,684
Assets held for sale (note 18)	–	(2,771)	(517)	(3,288)
At 31 December 2009	–	5,414	48,404	53,818
Provided during the year	7,642	9,142	23,133	39,917
Translation Difference	–	26	3	29
At 31 December 2010	7,642	14,582	71,540	93,764
NBV at 31 December 2009	8,953,146	2,560,605	28,935	11,542,686
NBV at 31 December 2010	10,418,724	2,549,254	8,171	12,976,149

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

The Company had \$1,154,238 of intangible assets as at 31 December 2010 (2009: \$1,175,636).

Interests in Joint Ventures

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.

8 Investments

Group	31 Dec 10 \$	31 Dec 09 \$
Shares in Group undertakings		
Beginning of Year	295,853	405,853
Transfer to CAML Mongolia BV	(47,000)	–
Transferred to disposal group classified as held for sale	10,000	(110,000)
End of Year	258,853	295,853

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

Investments in Group undertakings are recorded at cost which is the fair value of the consideration paid. Details of Group holdings are included in the table below.

Subsidiary	Country	Activity	CAML % 2010	CAML % 2009	Date of Incorporation
Central Asia Metals Plc	UK	Holding Company			09-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 & Kounrad project	100	100	06-Feb-06
CAML Kazakhstan Holding LLP	Kazakhstan	Gold Mining	100	100	15-Dec-08
Kounrad Copper Company LLC	Kazakhstan	Kounrad project	60	60	29-Apr-08
Tochtar LLP	Kazakhstan	Gold Mining	75	75	27-Apr-06
New CAML Mongolia Ltd	Mongolia	Management Services	100	100	08-Jun-07
Zuun Mod UUL Ltd (Ereen)	Mongolia	Exploration – Gold	85	85	03-May-07
Mon Resources Ltd (Handgait)	Mongolia	Exploration – Molybdenum	80	80	18-May-07
Mongolian Silver Mountain Ltd	Mongolia	Exploration – Silver	100	100	01-Apr-07
Bayan Resources Ltd	Mongolia	Exploration – Copper/Gold	70	70	01-Aug-08

During 2010 the Company made no acquisitions.

9 Trade and Other Receivables

	Group		Company	
	31 Dec 10 \$	31 Dec 09 \$	31 Dec 10 \$	31 Dec 09 \$
Trade and Other Receivables	2,124,866	457,253	529,365	362,486
Receivables from related parties	2,300,362	603,488	50,435,937	33,663,353
Prepayments	67,763	285,043	30,833	25,794
	4,492,991	1,345,784	50,996,135	34,051,633
Less non-current portion				
Trade and Other Receivables	(734,771)	–	–	–
Receivables from related parties	(2,300,362)	(603,488)	(50,435,937)	(33,663,353)
Current Portion	1,457,858	742,296	560,198	388,280

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.

Company

Company receivables from related parties are non-current and are as follows;

Company	31 Dec 10 \$	31 Dec 09 \$
Kazakhstan Subsidiaries	31,530,615	17,515,692
Mongolian Subsidiaries	18,540,793	15,988,261
Dutch Subsidiaries	364,529	159,400
	50,435,937	33,663,353

10 Inventory

Group	31 Dec 10 \$	31 Dec 09 \$
Raw Materials	37,557	82,039
Finished Goods	326,209	193,947
	363,766	275,986

11 Cash and Cash Equivalents

93.9% of the Group's cash and cash equivalents at the year end are held at a AAA-rated bank (88.7%: 2009).

	Group		Company	
	31 Dec 10 \$	31 Dec 09 \$	31 Dec 10 \$	31 Dec 09 \$
Total Cash at bank and on hand	40,097,333	558,555	37,466,142	427,994
Short term deposits:				
Short term deposits – USD	7,267,101	766,533	7,267,101	766,533
Short term deposits – KZT	1,224	–	–	–
	47,365,658	1,325,088	44,733,243	1,194,527
Cash at bank and on hand included in the assets held for disposal line (note 18)	9,693	5,388	–	–
Total Cash and Cash Equivalent	47,375,351	1,330,476	44,733,243	1,194,527

12 Share Capital and Premium

	Number of Shares No	Ordinary Shares \$	Share premium \$	Treasury Shares \$	Total \$
At 1 January 2009	29,220,866	292,208	46,944,935	–	47,237,143
Proceeds from shares issued	7,190,601	71,906	4,817,704	–	4,889,610
EBT Shares issued	2,534,688	25,347	1,698,241	(1,723,416)	172
At 31 December 2009	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

The total authorised number of ordinary shares as at 31 December 2010 is 100 million shares (2009: 100 million shares) with a par value of \$0.01 per share (2009: \$0.01). All issued shares are fully paid.

On 22 December 2009, the Company issued 2,534,688 ordinary shares as part of the Employee Benefit Trust, details of which are contained in note 14. 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 \$5.4 million (gross). Following the successful IPO on 30 September 2010 the convertible note was converted to 5,160,833 ordinary shares. The Company recognized \$51,608 increase in share capital and \$5,403,392 increase in share premium.

Notes to the Consolidated Financial Statements (continued)

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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.

13 Other Reserves

Group	Share Option Reserve \$	Currency Translation \$	Total Group \$
At 1 January 2009	672,000	157,229	829,229
Currency translation differences	–	3,391,045	3,391,045
Grant of share options	805,677	–	805,677
EBT Shares granted	18,600	–	18,600
At 31 December 2009	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

The amount of \$936,224 (2009: \$805,677) credited to the share option reserve relates to the shares options granted in February 2008 and during 2010 – see note 14.

14 Equity Settled Share Based Payments

(a) Share Option Plan

511,000 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 fully vested in February 2011.

As at 31 December 2010, 821,172 options (2009:511,000) 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
3 Sep 10	21 Feb 18	0.68	202,172
Total			821,172

There were no options forfeited, exercised or expired during the period ending 31 December 2010 (2009: nil, nil, nil, respectively). The weighted average number of options exercisable at 31 December 2010 is nil (2009: Nil).

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 operate 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.

An amount of \$936,224 (2009: \$805,677) has been credited to the share option reserve for the period ending 31 December 2010.

(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 2010 \$846,102 was recognised as an income statement charge (2009: \$18,600) from the Employee Benefit Trust.

15 Trade and Other Payables

	Group		Company	
	31 Dec 10 \$	31 Dec 09 \$	31 Dec 10 \$	31 Dec 09 \$
Trade Payables	1,001,913	1,320,288	256,092	649,919
Amounts due to related parties	–	–	57,864	32,160
Social Security and other taxes	196,987	140,316	106,366	117,762
	1,198,901	1,460,604	420,322	799,841
Less non-current portion				
Trade Payables	250,562	–	–	–
Amounts due to related parties	–	–	(57,864)	(32,160)
Current portion	948,339	1,460,604	362,458	767,681

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.

16 Borrowings

	Group		Company	
	31 Dec 10 \$	31 Dec 09 \$	31 Dec 10 \$	31 Dec 09 \$
Gold loan	–	1,000,000	–	1,000,000
	–	1,000,000	–	1,000,000

Gold loan

The gold loan related to the receipt of funds by Tochtar LLP from Commonwealth American Partners LLP (CAP) in 2006 which were advanced in consideration for repayment from future gold production.

Management agreed with CAP in September 2009 that the liability would be settled for a monetary amount of \$1 million by CAML and that this liability would in turn be settled by conversion to equity once the appropriate authority to allot shares had been obtained by the Directors. The agreed price per share of \$0.68 was based on the July 2009 fund raising.

In November 2009, this agreement was completed resulting in the recognition of a gain in the 2009 income statement of \$1,089,062. In February 2010 the loan was converted into 1,470,588 shares.

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17 Provisions for Liabilities and Charges

Group	Environmental Restoration \$
At 1 January 2009	1,231,263
Arising during the year	
Asset Retirement Obligations	(61,578)
Transferred to disposal group classified as held for sale	(728,428)
At 31 December 2009	441,257
Asset Retirement Obligations	(49,933)
Exchange rate difference	42,597
At 31 December 2010	433,921

The environmental provision of \$433,921 (2009: \$441,257) is a non-current provision. The provision is expected to be utilised on closure of the related mines.

18 Assets held for sale

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

Tochtar

In February 2011 CAML completed the disposal of its Tochtar subsidiary to Wildorf Holdings LLP. The original agreement for the sale was dated 23 November 2010 but a late amendment to this agreement had to be made for the imposition by the Kazakhstan Government of a back dated charge for historical exploration costs associated with the asset. This charge necessitated a renegotiation of the terms and conditions of the sale and resulted in the purchaser accepting the responsibility for the liability offset by a reduced cash consideration to CAML.

The Company received a gross consideration of \$825,000 for the sale of 100% of Tochtar after allowing for the above liability which the purchasers agreed to settle. The deal remains contingent upon achieving Article 71 clearance in Kazakhstan which is the Kazakhstan Government's pre-emption right appertaining to all entities which possess a sub-soil user licence.

Once this clearance has been obtained, CAML will settle the payment of the outstanding balance to the minority shareholders who own 25%. A provision of \$500,000 has been set aside to allow for this settlement based on early stage negotiations.

As a consequence of the above transaction, Tochtar was recognised in the accounts at 31 December 2010 at a fair value of \$325,000.

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 and in March 2010 an offer was accepted on the asset. Despite completing the due diligence in June 2010, a final agreement on the sale of the asset has still not been concluded.

In February 2011 the Company has signed an agreement with Frontier LLC, which will assist in marketing and disposal of Ereen.

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

	31 Dec 10 \$	31 Dec 09 \$
Intangible assets	4,425,908	3,509,957
Property plant and equipment	110,176	128,062
Cash and cash equivalents	6,857	5,388
Trade and other receivables	2,264	2,900
Total	4,545,205	3,646,307

Investment carried directly in the Company's accounts relating to the Ereen project at 31 December 2010 is \$100,000.

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

	31 Dec 10 \$	31 Dec 09 \$
Provisions	197,445	728,428
Trade and other payables	2,160	350,197
Total	199,605	1,078,625

19 Income Tax

Due to the losses incurred in the business there is no current tax provided. Domestic income tax is calculated at 28% (2009: 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:

	2010 \$	2009 \$
Loss before tax	(5,843,528)	(15,001,706)
Tax at the domestic income tax rate 28% (2009: 28%)	(1,636,188)	(4,202,796)
Different tax rates for overseas jurisdictions	91,725	610,646
Expenses not deductible for tax purposes	3,528,257	2,462,730
Unrecognised deferred tax asset	(1,983,794)	1,129,420
Tax expense and effective tax rate for the year	—	—

The CAML Group has an unrecognised deferred tax asset relating to prior years of \$3,321,306 (2009: \$4,156,412).

20 Expenses by nature**Cost of sales**

Group	31 Dec 10 \$	31 Dec 09 \$
Employee benefit expense	725,707	363,155
Depreciation and amortisation	321,982	195,575
Inventory	166,533	172,253
Other	183,722	385,360
	1,397,944	1,116,343

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

General and administrative expenses

Group	31 Dec 10 \$	31 Dec 09 \$
IPO fees	1,775,640	–
Employee benefit expense	1,789,163	1,963,294
Share based payments	1,782,326	824,277
Land fee	1,050,430	1,349
Accounting and audit	419,153	338,798
Depreciation and amortisation	398,866	351,339
Office rent	362,374	201,191
Travel and fuel costs	277,982	248,068
Legal costs	222,692	165,321
Taxes and duties	189,971	56,700
Telecommunications and IT	159,885	158,724
Consulting & Other services	137,923	263,693
Marketing	112,072	1,676
Public group expenses	81,106	–
Inventory	74,468	384,009
Employee accommodation	42,153	162,142
Office costs	39,611	42,785
Other expenses	117,965	163,406
	9,033,780	5,326,772
Write off – assets related to Tochtar	(949,882)	1,554,083
Write off – Tarbagatai licence	–	233,234
Write off – Kenes loan	–	1,211,409
Write off – Sary Arka loan	–	943,015
Write off – MSM license	2,684	–
VAT write off	–	59,100
Amount payable to Minority shareholders	500,000	–
	8,586,582	9,327,613

21 Exchange rate differences

Group	31 Dec 10 \$	31 Dec 09 \$
	2,758,649	(6,207,184)

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

22 Other expenses

Group	2010 \$	2009 \$
Loss on sale of subsidiary	–	(95,040)
	–	(95,040)

On 15 December 2009, CAML management decided to sell the Kenes property to the minority shareholder for the nominal value of the share capital, 50,750 Kazakhstan Tenge (KZT). It was felt that the contractual commitments were too onerous for the CAML Group at this stage in its development and that the limited financial and human resources within the Group could be better utilised elsewhere.

The corresponding loss on the investment over the period of the Group's ownership was written off in full and amounted to \$95,040.

23 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders 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 12).

	2010 \$	2009 \$
Loss attributable to equity holders of the Company	(5,843,528)	(15,001,706)
Weighted average number of ordinary shares in issue	51,905,654	32,970,616
Basic loss per share	(0.11)	(0.46)

Diluted earnings per share

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

24 Employee Benefit Expense

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

Group	2010 \$	2009 \$
Wages and salaries	2,341,500	2,297,496
Social security	274,349	250,075
Pension related costs (State related overseas)	123,392	116,584
	2,739,241	2,664,155
Company		
Wages and salaries	859,716	702,496
Social security	93,066	78,792
	952,782	781,288

25 Average Number of People Employed

Group	2010 Number	2009 Number
Operational and construction	114	84
Management and Technical	33	27
	147	111

Company

The average number of staff employed by the Company during the year was 6 in 2010 and 5 in 2009.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

26 Directors' Remuneration

Director's remuneration, including Non-Executive Directors, during the year was as follows;

Group	2010 Basic Salary/Fees \$	2010 Annual Bonus \$	2010 Benefits in kind \$	2010 Total \$	2009 Total \$
Executive directors:					
Nick Clarke	180,213	38,617	4,557	223,387	124,133
Nigel Robinson	159,617	38,617	8,098	206,332	113,066
Dr Edward Bloomstein	–	–	–	–	175,939
Frank L. Wells	–	–	–	–	51,852
Non-Executive directors					
Dr Michael Price	15,447	–	4,201	19,648	48,353
Nigel Hurst-Brown	15,447	–	–	15,447	–
Robert Cathery	11,585	–	–	11,585	–
Alex Capelson	11,539	–	–	11,539	–
Directors' emoluments	393,848	77,234	16,856	487,938	513,343

The emoluments of the highest paid Director totalled \$223,387 in 2010 (2009: \$175,939).

Details of the Director's interests in the ordinary shares of the Company are set out in the Directors' Report on pages 13 & 15.

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 Mar 2011	As at 31 Dec 2010
CN Hurst-Brown	250,543	250,543
M A Price	300,543	300,543
N Clarke	1,342,887	1,342,887
N Robinson	646,715	646,715
Total Directors Interests	2,540,688	2,540,688

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.

27 Auditors' Remuneration

	Group		Company	
	2010 \$	2009 \$	2010 \$	2009 \$
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	187,619	153,928	166,126	68,928
Fees payable to the Company's auditor and its associates for other services:				
– Initial Public Offering consulting fees	483,279	–	483,279	–
– Tax services	89,068	6,072	89,068	6,072
– Other services	6,488	–	6,488	–
Total	578,835	6,072	578,835	6,072

28 Finance Income and Costs

Group	2010 \$	2009 \$
Finance Income	44,122	24,293
Other Finance Costs	(107,808)	(3,254)
Finance cost associated with gold loan	–	(411,550)
Net Finance (Costs)/Income	(63,686)	(390,511)

29 Cash Generated from Operations

		Group As at 31 December	Company As at 31 December		
		2010 \$	2009 \$	2010 \$	2009 \$
Note					

30 Contingencies

As at 31 December 2010 the Group had no contingent liabilities or assets (2009: 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 Kazakhstani 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.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2010

31 Commitments

Group	31 Dec 10 \$	31 Dec 09 \$
Kazakhstan	4,114,599	–
UK	94,141	–
Mongolia	91,699	–
	4,300,439	–

At 31 December 2010 amounts contracted for but not provided in the financial statements amounted to \$4,300,439 for the Group (2009: Nil). The main portion of the contracts relates to the Kounrad project.

32 Related Party Transactions

During 2006 funds were advanced to one of the Group's subsidiaries, Tochtar LLP, to assist in the set up of the business. Repayment of the funds advanced was to be repaid by the future delivery of gold upon commencement of production.

The funds were advanced by Commonwealth Partners LP which is considered to be a related party by virtue of the size of its shareholding in the Group, details of which are contained in the Directors' Report.

In November 2009, it was agreed that the loan would be converted into a monetary amount of \$1 million and that this amount would subsequently be settled in equity at the share price of \$0.68 when the Director's had acquired the authority to issue the shares. The loan was converted into shares in February 2010.

Annual General Meeting

The Company's Annual General Meeting ("AGM") will be held at the Company's offices at 4/5 Park Place, London SW1A 1LP on 27 May 2011 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. This is an ordinary resolution to receive and adopt the Company's Annual Report and Accounts for the financial year ended 31 December 2010.

Resolutions 2,3,4,5,6 & 7: Re-appointment of Directors

The Company's Articles of Association require that every year any Director who shall have been a Director at each of the preceding two AGMs, retire from office and, if appropriate, seek re-appointment. This year, Nigel Hurst-Brown, Nicholas Clarke, Nigel Robinson, Alexander Capelson, Robert Cathery and Michael Price retire and ordinary resolutions 2, 3, 4, 5, 6 & 7 are for their re-appointment.

Resolution 8: Re-appointment of Auditors

The Company's Auditors are required to be re-appointed at every AGM. Resolution 8 is an ordinary resolution to approve the re-appointment of PricewaterhouseCoopers LLP as auditors.

Resolution 9: 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 10: 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 General Meeting is due to expire at this year's Annual General Meeting. Accordingly, Resolution 10 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 Annual General Meeting in 2012 or on 30 June 2012, whichever is the earlier.

Paragraph (a) of Resolution 10 will allow the directors to allot ordinary shares up to a maximum nominal amount of \$287,219, representing approximately one third (33.33%) of the Company's existing issued share capital and calculated as at 15 April 2011 (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 10 will also allow directors to allot, including the ordinary shares referred to in paragraph (a) of Resolution 10, 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 £574,438, representing approximately two thirds (66.67%) of the Company's existing issued share capital calculated as at 15 April 2011. 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. If they do exercise the authority, the Directors will have due regard to institutional shareholder guidelines regarding its use.

Resolution 11: 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 General Meeting is due to expire at this year's Annual General Meeting. Accordingly, Resolution 11 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 \$86,165 (being 10% of the Company's issued ordinary share capital at 15 April 2011, the latest practicable date prior to publication of this notice). If given, this power will expire on 30 June 2012 or at the conclusion of the Annual General Meeting in 2012, 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.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Central Asia Metals plc will be held at the Company's offices at 4/5 Park Place, London SW1A 1LP on 27 May 2011 at 12 noon.

AGENDA

To consider and, if thought fit, approve the following ordinary resolutions numbered 1 to 10:

1. To receive and adopt the Directors' Report and Accounts for the period ended 31 December 2010;
2. To re-appoint Nigel Hurst-Brown as a director of the Company;
3. To re-appoint Nicholas Clarke as a director of the Company;
4. To re-appoint Nigel Robinson as a director of the Company;
5. To re-appoint Alexander Capelson as a director of the Company;
6. To re-appoint Robert Cathery as a director of the Company;
7. To re-appoint Michael Price as a director of the Company;
8. To re-appoint PricewaterhouseCoopers LLP as auditors;
9. To authorise the directors to fix the remuneration of the auditors;
10. 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 and grant rights to subscribe for, or convert any security into, shares:
 - a) comprising up to an aggregate nominal value (within the meaning of section 551(3) and (6) of the Act) equal to \$287,219; 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 \$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 2012 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2012 (save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights to be granted, after such expiry and the directors may allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of any such offer or agreement as if the authorisations conferred hereby had not expired).

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

That, subject to the passing of the resolution numbered 10 above, 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 for cash and the sale of treasury shares:
- (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 10(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 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 \$86,165;

these authorisations to expire on 30 June 2012 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2012, (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).

BY ORDER OF THE BOARD

Tony Hunter
Secretary

15 April 2011

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 25 May 2011, having been returned by one of the following methods: either 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 25 May 2011 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 15 April 2011 (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 \$0.01 each, each such share carrying one vote. Accordingly, the total voting rights in the Company as at 15 April 2011 are 86,165,934.

