



PRESS INFORMATION

5th June 2007

## HAMBLEDON MINING PLC

### Final Results

(All references to “£” are to the British Pound and “ounces” are to troy ounces)

Hambleton Mining plc (“Hambleton” or the “Group” or the “Company”), an AIM-listed mining and exploration company developing precious metal deposits in Kazakhstan, announces its results for the year ended 31 December 2006.

#### Highlights

- **Processing facility nearing completion**
- **Initial annual planned production 40,000oz**
- **Gold content 18% higher than predicted from geological model**
- **Total Inferred & Indicated Resource as at Sept. 2006: Au 2.5m ozs; Ag 3.6m ozs**
- **Exploration activity continues**
- **Ognevka processing plant acquired January 2007, expected on line late 2007**
- **£9m fundraising completed January 2007 – project now fully funded**

#### Nicholas Bridgen, Chief Executive of Hambleton Mining plc, commented:

*“We have made excellent progress towards completion of the processing facilities at Sekisovskoye and we are now on the brink of joining the ranks of gold producing companies. It is gratifying that, in spite of the well publicised levels of inflation affecting the world’s mining industry, the capital costs are expected to be within the budget set in June 2006.*”

*“Evidence from grade control sampling shows that the contained gold being encountered is some 18% higher than that predicted from the geological model and this obviously impacts on our projected profitability.*”

*“The acquisition of the Ognevka processing plant gives the Company diversity of operations and a more robust financial future. Several options for the further development of Ognevka are being studied and we believe that it has the potential to become a highly significant contributor to Group profits.”*

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#### Note to editors

Hambleton Mining plc is an AIM-listed gold mining and exploration company which is developing the Sekisovskoye gold deposit and owns the Ognevka processing plant, both of which are close to Ust Kamenogorsk in East Kazakhstan.

At Sekisovskoye, the Company is mining from an open pit and constructing an 850,000 tonnes per year treatment plant. Production from the open pit will average over 40,000 ounces per annum. After the start of open pit processing, the Company plans to develop the much larger underground resource which is expected to lead to a combined production rate of around 100,000 ounces per year.

The Ognevka processing plant is being refurbished and will produce concentrates containing gold, silver, copper, iron and coke from the retreatment of zinc smelter residues.

## **CHAIRMAN'S STATEMENT**

### **Review**

Since my last report on 20 June 2006, we have made excellent progress towards completion of the processing facilities at Sekisovskoye, and we are now on the brink of joining the ranks of gold producing companies.

Mining started in June 2006, focused initially on the mining of waste for use in the construction of the tailings dam but now including the creation of a pre-start up stockpile of ore. This part of the operation is performing well and generally exceeds the planned mining rates. At the time of writing, over 1.1 million cubic metres of material had been moved.

We are now commissioning the crushing plant and the remainder of the process plant is nearing completion. The construction team has overcome considerable delays in the delivery of some of the major equipment, including the two main ball mills, the first of which arrived on site nine months late and the second of which is now expected in mid June. However, it is gratifying that in spite of the well publicised levels of inflation affecting the world's mining industry, the capital costs are expected to be within the budget set in June 2006. This has been achieved partly by bringing a substantial portion of the work in house rather than using subcontractors.

Of major significance to the Company was the further evidence that the contained gold is some 18% higher than that predicted from the geological model. Equally important has been the verification of the style of mineralisation contained in the model by the much closer spaced sampling of the grade control drilling compared with the previous exploration. The verification of the model allows us to be more confident in our mine planning and, of course, the higher gold content impacts considerably on our projected profitability.

We acquired TOO Ognevka, owner of the Ognevka processing facility, in January 2007. This facility has two main production lines. The first is a 350,000 tonnes per year crushing, grinding and flotation circuit which has been adapted for the treatment of residues from zinc smelters which contain high values of copper, gold, silver, iron and carbon. The rehabilitation of this operation, which is currently shut-down, is ongoing. The second line is a 200,000 tonnes per year gravity concentrator formerly used to treat tantalum ore from a now-closed mine which used to operate at the site. Several options for the further development of Ognevka are being studied including the expansion of the zinc residues treatment facility and the re-treatment of existing tailings which still contain commercial quantities of feldspar, lithium and beryllium as well as other by-products. This acquisition now gives the Group diversity of operations and a more robust financial future than could be guaranteed from any single operation

In April this year, we welcomed Baurzhan Yerkeyev to the board as an Executive Director in charge of operations. Baurzhan has been playing an increasingly important role in the management of the Group, having originally been our Chief Geologist and more recently the Director of all the Sekisovskoye operations. He is a Kazakh national, with long experience of working with western companies. Meanwhile, Alzhan Shomaev has decided to step down in order to pursue other business opportunities. Alzhan was a founding partner in the original company in 1998 and has provided invaluable help in a non-executive capacity since the Company's flotation in June 2004. We wish him every success for the future.

### **Outlook**

Commissioning of the Sekisovskoye process plant has started with the crushing facility this June and will progress through the milling and gold recovery sections throughout July. Legislation in Kazakhstan requires certain reagent handling storage and mixing equipment to have been built and inspected before applications can be made for the appropriate licences. Whilst no delay is expected, it is impossible to be exact about the date of first production.

Once production starts, it is expected that the design capacity of 850,000 tonnes per annum will be reached fairly quickly. The grade of gold to be treated in the first year is slightly lower than the predicted average for the whole open pit, but this is likely to be compensated by the higher gold grades which are now being encountered in the grade control sampling. Production is therefore likely to be around the predicted average annualised rate of 40,000 ounces per year. As the open pit deepens, the grade will rise so that by the second and third year, production from the open pit is likely to be around 50,000 ounces per annum on the same basis.

Development of plans for the underground mine have also been progressed. Underground production is likely to start later next year and increase progressively to substitute for the lower grade open pit feed, thereby extending the open pit life. Detailed design and scheduling has not yet been completed but conceptual plans indicate that production is expected to rise to around 100,000 ounces from the existing plant, although some addition to milling and leach capacity is likely to be required. Output may rise to 150,000 ounces per year after suitable plant upgrading and mine development. Further increases may be possible given successful exploration in the surrounding areas.

We expect Ognevka to start production before the end of the year. Whilst we hope for a very fast recovery of our investment, the operating performance is not yet proven and it would be safer to wait for actual results before making any predictions. Nonetheless, the many opportunities for future development that we are currently studying lead us to believe that Ognevka has the potential to become a highly significant contributor to Group profits.

It was unfortunate that the negotiations for the proposed acquisition of a second gold mining company that were in progress in the early part of this year could not be completed. However, the Company's current commitments are now fully funded and we will be able to utilise our strong financial position together with our broad experience of Kazakhstan to acquire new expansion opportunities and further enhance shareholder value.

I would like to thank all of our employees for their hard work and commitment in progressing the development of Hambledon's first mine. We look forward to the next twelve months with great optimism.

**George Eccles**  
**Chairman**

## **REVIEW OF OPERATIONS**

### **Sekisovskoye**

#### ***Group structure***

In mid-2006 the Group formed a new local company, TOO Altai Ken-Bayitu (“AKB”), to conduct the ore processing activities at the Sekisovskoye minesite. This further allows the facilities at Sekisovskoye to be used for custom processing of ores sourced externally while providing some longer term tax benefits for the Group. AKB owns the mill processing facilities and related infrastructure, while Sekisovskoye Mining Company (“SMC”) holds the mining rights and owns the mining fleet, the main powerline and substation, the tailings facility and the laboratory. Exploration activities are also carried out by SMC.

#### ***Permitting***

Following negotiations with the Kazakhstan Ministry of Energy and Mineral Resources in October and November 2006 and payment of the Commercial Discovery Bonus in December 2006, SMC received a supplement to our subsoil use agreement which allows exploitation of the Sekisovskoye deposit through open pit and underground mining and processing activities. The licence fixed our royalty payment at 1% of revenue.

SMC has received numerous additional licences and permits for surface land access and use, ecological clearances, water supply, mine planning and design, blasting, as well as a licence to conduct design and construction activities using SMC in-house personnel and resources. The latter has become very important for both time and cost savings.

AKB has received licences and permits from the East Kazakhstan Water Authority, Land Control Department, Emergency Situations Department, Fire Authority, and Sanitation & Disease Control Department and has submitted an overall Safety Declaration which was recently approved by all departments.

Outstanding licences and permits include: 1) Overall Environmental Approval after submission of final, life of mine, tailings storage facility (TSF) design, 2) the mineral processing licence for AKB and 3) approvals for use of hazardous and poisonous materials.

#### ***Status of plant construction***

The AKB 850,000 tonnes per annum carbon-in-pulp process plant and related facilities are nearing completion after 3 years of planning, design and construction. Site works began in earnest in June 2006. Delays have been encountered mainly in mill building construction due to the poor performance of local contractors and in the receipt of the two 1.2 MW ball mills which were fabricated in Russia. These delays added 2 to 3 months to the start-up schedule.

Over the period, site access roads were constructed and area roads were upgraded. A 5.5km 110 kV high voltage powerline and a 16 MW substation have been built and connected. A long-term electricity supply contract has been negotiated with Kazakhmys Corporation. The site office building purchased in 2005 was upgraded and fitted out for our mining, survey, geology, process, engineering, maintenance, exploration and administration personnel. We also set up an analytical laboratory which is now in operation on exploration and grade control samples.

At the initial phase of construction, the site area was cleared and over 320,000 m<sup>3</sup> of topsoil was stockpiled. This was no mean feat as the area at the minesite has topsoil over 2 metres thick in places. Several contracts were let for the various construction activities. The crushing plant is a 220 tonne per hour, 3-stage plant that will be commissioned very shortly. It was built mainly by a local group from nearby Semipalatinsk using crushing and screening equipment sourced from China.

The main mill building construction contract was awarded to a local building contractor. At this time, all equipment foundations have been completed and the mill building itself is nearing completion. The main leach tanks have been installed and structural steel work platforms, pipe racks, etc. are being fabricated. All process equipment items have been ordered, with all major and the majority of minor equipment items received or currently in transit. The main stores building has been completed and is now being filled with new equipment, spare parts and other consumables. All other buildings are in an advanced construction phase. Overall, the mill facility is expected to be ready for an August start-up.

At the TSF, the first cell earthworks are complete and ready for geomembrane lining in early July. Preparations for the second cell, including clearing of topsoil, excavation of underdrain trenches, and initial wall construction are also well advanced.

Process equipment has been sourced from a mix of Western and local suppliers. Key items include a Falcon concentrator (Canada), Kemix agitators and inter-tank screens (South Africa), Warman slurry pumps (South Africa), Grundfos solution pumps (Germany), Symons crushers (Chinese manufacture), Ramsey belt weigh scales (supplied from Holland), Weir cyclones (UK), Schenck vibrating screens (Australia), TyazhMash ball mills (Russia), PromSnabComplekt blowers (Russia), Danfoss vari-speed controllers (Denmark), and ABB and Schneider electrical switchgear (Italy and France). All fabrication for tanks and structural steel has been conducted by local groups. In addition, supply contracts for reagents, grinding balls and other consumables have all been finalised.

### ***Mining operations***

The mining department has accomplished much over the last 12 months, including developing the open pit mine and related control systems, providing assistance in obtaining key licences and approvals, preparing and submitting numerous open pit mine design documents and short- mid-, and long-term mine plans while providing key assistance in plant construction and earthworks. In addition, they have prepared plans and designs for rapid development of the initial phases of underground mining to access the near-surface, high grade Orebody 11 at the west side of Sedukha Hill (the main deposit).

The initial mine plan was based on an orebody model, developed in Datamine in 2005, which was optimised using Whittle4D software to produce an optimum pit shell. A 4,000 metre underground drilling programme was completed in early 2006 which resulted in the development of a new orebody model. In order to maintain use of existing underground development, the pit depth was restricted to the 340 level. Optimisation on this basis produced a pit shell from which the current mine design was developed. The design is for an open pit containing 4.2 million tonnes of ore at an average grade of 1.59 g/t Au and 2.58 g/t Ag, for a total of 213,000 contained ounces of gold (equivalent). The mine strip ratio is 4.7 to 1. At an ore processing rate of 850,000 tonnes per year, this gives a mine life of 5 years. However, development of the higher grade underground mine begins in 2008 and should allow substitution of this material on an increasing basis for the following years.

A study was carried out in 2005 to determine the best way for mining to proceed. Quotes were obtained from local mining contractors while a “first principles” estimate of the unit mining cost was conducted. This study showed that there were significant cost savings to be generated by purchasing the mining fleet and carrying out the mining on an owner-operator basis. The decision to purchase our own mine fleet was made in November 2005 and orders were placed immediately.

The majority of the mining fleet was delivered over the period of May to September 2006, including an Atlas Copco ROC L7CR blasthole drill rig, two Hitachi Zaxis 850H excavators, six 45-tonne Belaz haul trucks, a Dressta 534C front-end loader, a XCGM TY 320B dozer (larger than a Cat D-8R), a Xuzhou GR215 grader plus various support vehicles including a water truck, service truck, sheepsfoot compactor, and 25-tonne crane. Two additional Belaz trucks and another dozer were received in early 2007.

Mining activities were initiated in June 2006 and have continued throughout the winter months, with mining targets exceeded in all but one month to May 2007. Blasting was initiated in November 2006 using a local contract blasting group and is continuing as required.

In addition to providing support for the construction of the mill facilities, mining-related activities over the period included construction of the main mine haul roads, the ROM pad for ore storage (100,000 tonne ore storage capacity), sedimentation control dams, and foundations for the main waste dump. Current activities include construction of the main TSF walls.

The majority of the mining so far has been waste material for construction, although mining of ore for stockpiling ahead of commissioning of the process plant has now started. The North Pit cutback is nearing completion and the main access road to the top of Sedukha Hill (the Main Pit) was completed in preparation for ore mining in this area which began in June 2006. Both areas will be mined simultaneously until early 2008, whereupon North Pit mining activity will be suspended until mining at Sedukha reaches the same level and the two pits will combine to the ultimate depth.

Up to the end of May 2007, 0.73 million m<sup>3</sup> of waste rock have been mined plus another 0.41 m<sup>3</sup> of in situ materials were moved as part of construction activities (mainly topsoil and subsoils). Ore mined to the end of May 2007 totals some 35,000 tonnes, with additional small stockpiles of various grades left over from previous trial mining and underground exploration activities.

The formal mine workshop and related facilities are nearing completion adjacent to the mill facilities. Fuel and other mining supplies and maintenance contracts have been put in place. Additional fleet items were recently ordered, including a second blasthole drill rig and a small civil earthworks fleet for on-going tailings dam construction. This fleet is expected to save some \$3 million in contractor fees over the life of the open pit operation.

During the course of setting up the on-going mining activities, our geology team have collected trench samples and analysed blast hole drill cuttings to develop an effective grade control strategy. The results of the sampling were put into the mining and orebody models with a perhaps not surprising result: the gold content in the ore zones examined are showing an 18% increase as compared to the previous geological model. This is consistent with previous drilling programmes where recent drilling has revealed increases in contained gold of 17% to 21% compared with results based on Soviet drilling. Our independent geological consultant has verified the result and believes it is now likely that the increase will apply to the entire deposit

## **EXPLORATION**

Exploration activities continued throughout the year. After completion of a contract drilling programme in September 2006, our Diamec underground drill rig was converted to a surface rig and continued drilling throughout winter. In total some 3,300 metres of diamond core were drilled from 1 May 2006 to 30 April 2007. This represents 35 drill holes, 26 of which were drilled in the area of the Tserkovka deposit. The remaining holes were drilled around the base of Sedukha Hill as part of an investigation into extensions of the known ore zones - in particular around Orebody 11 which is the initial target for underground mining.

At the time of writing, 189 sample results have been received from the surface Diamec drilling programme that is targeting updip extensions of modelled ore zones along the upper western fringes of the Sekisovskoye deposit. Initial assessment of the gold grades with the modelled resource supports the integrity of the model with a number of zones showing updip extensions, including Orebody 11. So far, a total of 872m of Diamec drilling has been completed and any remodelling will be undertaken after the conclusion of the drilling and the assessment of the results.

Overall, the Tserkovka drilling has been less encouraging. The last batch of results, just received, represent five inclined drillholes with grades ranging from 0.01g/t to 3.04g/t Au. The best intersection is seen in Z184 with drilled thickness of 2.1m grading at 2.1g/t Au. The continuity of

this zone remains open and a full assessment is required. It is possible that this mineralisation is an upper expression of deeper mineralised breccias and a follow-up drilling programme may be warranted to target potential at depth. There are several prospective targets for exploration within the lease planned for this current season. Currently, there is one contract drill rig on site plus the Company's Diamec unit. This coming season's drilling target is 2,000 metres.

## MINERAL RESOURCES

### Resource statement

This mineral resource estimate for the Sekisovskoye deposit has been prepared under the JORC Code and is unchanged since the update reported in September 2006.

Location	Resource Category	Tonnes (millions)	Au g/t	Contained Metal Au oz *	Ag g/t	Contained Metal Ag oz *	Au g/t Cut-off
Open pit area	Indicated	9.55	1.8	552,671	3.0	921,119	0.5
	Inferred (b)	6.06	1.8	350,700	2.0	389,667	
Underground	Indicated	2.21	5.1	362,371	6.2	440,529	2.0
	Inferred (b)	7.16	5.2	1,197,036	7.1	1,634,415	
Marginal underground (a)	Indicated	3.40	0.7	76,519	1.4	153,037	0.5
	Inferred	0.96	0.6	18,519	1.2	37,038	
Totals	Indicated	15.16	2.0	991,561	3.1	1,514,685	
	Inferred	14.18	3.4	1,566,255	4.5	2,061,120	
<b>Total</b>	<b>Indicated &amp; Inferred</b>	<b>29.34</b>	<b>2.7</b>	<b>2,557,816</b>	<b>3.8</b>	<b>3,575,805</b>	

\*Troy oz = 31.10348grammes

(a) underground low grade material associated with high grade gold zones.

(b) includes resources that have been defined beyond the current limits of the grade model.

Note: "Inferred" resources cannot be used for ore reserves until they have been upgraded.

The updating of the resource estimate (announced in September 2006) was based upon the analysis of the Diamec drilling results from the underground 441m level and the remodelling at that time was confined to the open pit area at +250m elevation. There was a slight increase in contained gold within the "indicated" category but lower in the "inferred" low confidence category. The Diamec drilling supported a better understanding of the gold distribution trends and continuity, and the model reflected this greater confidence. This model update contained 244 separate gold zones indicating the complexity of the gold distributions above the 0.5g/t Au cut-off level. This complexity was also exhibited by the occurrence of additional gold intersections that could not be modelled because of limited continuity problems and which could be expected to add an additional 6% of contained gold within the planned open pit.

Current ongoing assessment of the grade control sampling basically confirms the overall spatial distribution style of the mineralised zones, as delineated in the resource model. It also confirms that gold distributions can be quite complex locally. An initial blast-hole grade sample model showed a contained gold increase of 18% compared with the resource model and supports earlier statistical indications. In light of this result, and from a recent graphical interactive assessment of additional grade control sample results, we should anticipate that this positive trend would continue for the resource as a whole. This increase in gold is believed to be associated with the relatively poor core recoveries from the historical Soviet drilling, compared with the results from Hambleton's drilling using modern hydraulic drill rigs.

The resource model was last updated in September 2006. It would be premature at this stage to further update the model in respect of the additional information being assessed from the grade control sampling due to the relatively small tonnage and, therefore, its negligible impact on the overall model.

Results so far from the exploration of the Tserkovka licence area have been discouraging, but it is quite possible that some of the declared Soviet-based resources totalling 740,000 ounces of gold in the C2 and P1 categories could be categorised under the JORC Code after additional target results and assessment.

### Reserve estimate

This ore reserve estimate for the Sekisovskoye open pit deposit has been prepared under the JORC Code.

Location	Reserve Category	Tonnes (million)	Au g/t	Contained		Au g/t Cut-off
				Metal Au oz	Metal Ag g/t	
Open pit area	Probable	4.19	1.6	213,352	2.6	0.5
Underground	Probable	0.83	5.1	13,384	7.4	0.2
<b>Total</b>				<b>226,736</b>		<b>366,280</b>

\*Troy oz = 31.10348grammes

The Sekisovskoye Open Pit ore reserve model is based on the ordinary kriging of the mineral resource model using a 0.5grammes per tonne cut-off, taking into consideration the expected dilution and losses. In the absence of underground mining considerations, Whittle optimisations would have resulted in a pit shell containing 7.25 million tonnes of ore representing a conversion of 76 per cent of the indicated resource to probable reserve in this area. However, development of this pit shell would have resulted in the loss of the existing underground infrastructure and made the process of bringing the underground operation into production much more difficult and on a much longer timeframe. It has therefore been decided to leave the existing 320 level intact and access this level from a decline developed from outside the pit limit. This will allow the western ore bodies to be mined from underground concurrent with the open pit and other ore zones below the pit bottom at the 340 level, which might otherwise have been included in the open pit mine plan.

The resultant reserve estimate is calculated by applying mining costs, mining dilution (4 per cent) and recoveries (97.5 per cent) to that portion of the Indicated Resource falling entirely within the optimised open pit design. The area of this open pit reserve is contained within the mineral resource as reported above.

The Sekisovskoye underground ore reserve has been determined from the mine design work carried out as a part of the approval of the General Resource Estimate by the Kazakh authorities using a 2.0grammes per tonne cut-off. The General Resource Estimate covered both the open pit resource and underground resource. Mine designs were therefore required for both the open pit and the underground areas. The underground design was carried out in detail on the resources from Elevation 250 up and in less detail in the lower areas. The design on some of the orebodies, notably Orebody 11, included stope design down to detailed stope blast ring design. This level of design and financial analysis has allowed for the ore tonnages in these orebodies to be classified as a probable reserve. It is anticipated that as further detailed design and financial evaluation is carried out on the indicated resources in these areas then these too will be convertible to reserves.

The underground reserve estimate is calculated by applying mining costs, mining dilution (8 per cent) and recoveries (96 per cent) to that portion of the Indicated Resource falling entirely within

the stope design. The area of this underground reserve is contained within the underground mineral resource as reported above.

***Qualified Person***

*These resource and reserve estimates have been prepared by Roger Rhodes BSc, MSc, MIMMM, independent geological consultant with Computer Resource Services. He has over 35 years of relevant experience and is a qualified person for the purpose of reporting resources under the JORC Code and the AIM rules.*

**Consolidated profit and loss account**  
**For the year ended 31 December 2006**

		<b>2006</b>	<b>2005</b>
	<b>Notes</b>	<b>£000</b>	<b>restated £000</b>
Administrative expenses		(774)	(846)
<b>Operating loss</b>		(774)	(846)
Net interest and similar items		94	249
<b>Loss on ordinary activities before and after taxation retained for the year</b>		<b>(680)</b>	<b>(597)</b>
Loss per ordinary share (UK pence per share)			
Basic	3	(0.19)p	(0.24)p
Diluted	3	(0.19)p	(0.24)p

All results are derived from continuing activities.

The Company has taken advantage of Section 230 of the Companies Act 1985 not to publish its individual profit and loss account.

**Consolidated balance sheet  
31 December 2006**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>restated £000</b>
<b>Fixed assets</b>	152	52
Intangible assets	10,416	3,060
Tangible assets	<u>10,568</u>	<u>3,112</u>
<b>Current assets</b>		
Stock	201	-
Debtors	165	213
Cash at bank and in hand	4,352	4,021
	<u>4,718</u>	<u>4,234</u>
<b>Creditors: amounts falling due within one year</b>	(503)	(444)
<b>Net current assets</b>	<u>4,215</u>	<u>3,790</u>
<b>Provisions for liabilities</b>	(789)	(1,127)
<b>Net assets</b>	<u>13,994</u>	<u>5,775</u>
<b>Capital and reserves</b>		
Called up equity share capital	366	262
Share premium account	16,690	6,820
Merger reserve	(148)	(148)
Accumulated losses	(2,914)	(1,159)
<b>Equity shareholders' funds</b>	<u>13,994</u>	<u>5,775</u>

These financial statements were approved by the board of directors on 4 June 2007 and signed on its behalf by

Nicholas Bridgen  
Chief Executive

**Consolidated cash flow statement**  
**For the year ended 31 December 2006**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
<b>Net cash outflow from continuing operating activities</b>	(1,311)	(889)
<b>Return on investments and servicing of finance</b>		
Interest received	280	150
Interest paid	(24)	(21)
Miscellaneous non-operating income	-	17
	<u>256</u>	<u>146</u>
<b>Capital expenditure and financial investment</b>		
Payments to acquire intangible fixed assets	(100)	(988)
Payments to acquire tangible fixed assets	(8,487)	(277)
	<u>(8,587)</u>	<u>(1,265)</u>
<b>Net cash outflow before financing</b>	<u>(9,642)</u>	<u>(2,008)</u>
<b>Financing</b>		
Issue of ordinary share capital in the year (net of share issue expenses)	9,974	4,813
Share issue expenses relating to previous years	-	(47)
	<u>9,974</u>	<u>4,766</u>
<b>Increase in net cash in the year</b>	<u>332</u>	<u>2,758</u>

**Analysis and reconciliation of net funds**

	<b>1 January 2006</b>	<b>Net</b>	<b>31 December 2006</b>
	<b>£000</b>	<b>Cashflow</b>	<b>£000</b>
		<b>£000</b>	
Cash at bank and in hand	4,021	331	4,352
Debt due within one year	(303)	1	(302)
<b>Net funds</b>	<u>3,718</u>	<u>332</u>	<u>4,050</u>

**Consolidated statement of total recognised gains and losses  
For the year ended 31 December 2006**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>restated £000</b>
Loss for the financial year	(680)	(597)
Share based payment	32	10
Currency translation differences on foreign currency net investments	(1,107)	-
<b>Total recognised losses relating to the year</b>	<u>(1,755)</u>	<u>(587)</u>

**Reconciliation of movements in equity shareholders' funds  
For the year ended 31 December 2006**

	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Total recognised losses	(1,755)	(587)
New capital subscribed (net of costs)	9,974	4,813
<b>Net increase in equity shareholders' funds</b>	<u>8,219</u>	<u>4,226</u>
<b>Equity shareholders' funds – start of year</b>	5,775	1,549
<b>Equity shareholders' funds – end of year</b>	<u>13,994</u>	<u>5,775</u>

## NOTES

### **1 Basis of presentation and statutory accounts**

The financial information presented does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985 as amended. The results have been extracted from the consolidated financial statements of the Company for the year ended 31 December 2006.

The financial information contained herein has been prepared in accordance with all relevant financial reporting standards. The accounting bases and policies are applied on a basis consistent with those set out in notes 1 and 2 in the Annual Report and Accounts for the Group for the year ended 31 December 2005. From 1 January, 2006 the Group has adopted Financial Reporting Standard 20, "Share-based payment" as set out in note 2.

The Company's annual report and audited accounts for the year ended 31 December 2006 are being sent to shareholders and delivered to the Registrar of Companies in due course. The annual report will contain complete notes to the consolidated financial statements.

### **2 Change in accounting policy and comparatives for share based payment.**

The Group has adopted Financial Reporting Standard 20 ("FRS 20"), "Share-based Payment" which is effective for accounting periods commencing on or after 1 January 2006. Prior to the adoption of FRS 20, the Group did not recognise any charge or credit in its profit and loss account in respect of any grant of equity instrument. The Group had not granted any equity instruments prior to 7 November 2002, and therefore FRS 20 has been applied to all grants of equity instruments that had not vested as of 1 January 2006.

The Group issues equity-settled share based payments in the form of share options to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is estimated by an independent third party using a proprietary binomial probability valuation model. The expected life used in the model has been adjusted, on the basis of management's best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

The new accounting policy for share based payment has been adopted retrospectively and the comparative profit and loss account for the year ended 31 December 2005 has been restated. This change in accounting policy has resulted in an increase in administrative expenses and accordingly the loss on ordinary activities for the year ended 31 December 2005 of £10,000.

Any profit and loss charge in a year in respect of share-based payments is taken to the Group's accumulated losses. The change in accounting policy has therefore had no effect on the consolidated balance sheet of the Group at 31 December 2005.

### **3 Basic and diluted loss per share**

The calculation of basic and diluted earnings per share is based on the retained loss for the financial year of £680,000 (2005 as restated - £597,000).

The weighted average number of ordinary shares for calculating the basic loss per share and diluted loss per share after adjusting for the effects of all dilutive potential ordinary shares are as follows:

	<b>2006</b>	<b>2005</b>
Basic and diluted	348,931,995	246,854,369

#### **4 Post Balance sheet events**

##### ***Issue of shares***

On 26 January 2007 a placing of 57,022,000 new ordinary shares at 15p per share raised £8.6 million before expenses of £0.4 million. The funds will be used to develop the Sekisovskoye and Ognevka projects.

##### ***Acquisition of TOO Ognevka***

In January, 2007 the Group announced the acquisition of TOO Ognevka (“Ognevka”). Ognevka owns a processing facility in East Kazakhstan to treat up to 350,000 tonnes per year of copper, gold and silver containing residues (slag) from Zinc smelters. The facility had been closed for two years and Ognevka was undergoing a process of rehabilitation under court protection from creditors which had a total debt outstanding of £1.9 million. The Group acquired the debt of the principal creditor with a nominal value of £1.4 million for a cash payment of £0.9 million and then acquired 100 per cent. of the share capital of Ognevka for a nominal amount.

#### **5 Dividend**

The directors do not recommend the payment of a dividend.