

# HAMBLEDON MINING PLC

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 JULY 2004

### CHAIRMAN'S STATEMENT

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#### *Introduction*

On 10 June 2004 Hambledon Mining Plc ("Hambledon" or "the Company") listed on the AIM market, raising UK £2.5 million (before expenses) from institutional and other investors to allow us to complete the feasibility study into the development of the Sekisovskoye gold deposit in East Kazakhstan.

#### *Results for the half year to 31 July 2004*

With commercial production yet to commence at Sekisovskoye, no revenue was earned during this period. Direct project-related expenditure amounting to US \$78,000 was capitalised as development and exploration expenditure and the Company prepaid an additional US \$91,000 for mobilisation of the drilling contractors. Additional expenditure of US \$1,080,000, including US \$784,000 relating to the flotation and public offering, was charged as an expense. No profits taxes were payable over the period.

#### *Developments*

The Company has enhanced its technical and administrative capability to keep pace with the greater level of activity and the Company's listed status. I have joined the board as Non-executive Chairman and Randall Pyper has joined as Technical Director. Matthew Fletcher has been recruited as Group Financial Controller. Baurzhan Yerkeyev has been appointed to the position of Project Director for the operating company in Kazakhstan, TOO Sekisovskoye.

We have enhanced the Almaty office consistent with our intention that it should become the main headquarters for the group. Modern low-cost telephone switching from a UK telephone number and the use of contracted services will enable us to operate without a UK office, saving both on cost and management. Since all managers will be in-country, we expect to reap benefits from the greater understanding and involvement of all staff in our business.

Our operating company, TOO Sekisovskoye, has been granted the extension of the licence area so that it now covers the entire surface area of the currently evaluated mineralised zones. The authorities have also granted an extension of the exploration period of the licence so that the steps necessary to move to the production period of the licence can now be carried out in pace with the feasibility study.

The tender for an extension into approximately 30 square kilometres adjacent to the current licence area is drawing to a close and negotiations concerning the acquisition of certain other areas are also taking place.

#### *Feasibility study*

Immediately following the Company's flotation, work started on the feasibility study. The study has to balance the objectives of local regulatory agencies (who, in some cases, will not accept work done outside the country) with the need to satisfy western investors. Where possible, a team approach has been adopted in which western consultants are working in conjunction with local organisations.

All phases of a final feasibility study have been initiated, including ecology, mining, milling, infrastructure and tailings dam design. Reputable and experienced Western consulting groups have been contracted to develop design, engineering and cost information for use in the final study. Initial site visits have been completed for all areas. Local firms were contracted for an environmental baseline study (which has been completed and submitted to the authorities for approval), geotechnical investigations, site surveys and a hydrogeological assessment. We will prepare the final feasibility study documents in-house, incorporating reports and information from all participants.

As part of the design process, multiple bulk samples will be mined from existing underground workings and submitted to the Vnitsvetmet laboratory in Ust Kamenogorsk for pilot metallurgical testing. At the same time, core samples from the current drilling programme will be composited and submitted for optimisation testing at Vnitsvetmet as well as at an Australian laboratory. Examination of recently drilled core samples supports the conclusions of our previous test-work, that the ores are free-milling with low sulphide content and amenable to treatment in a "standard" CIL plant with a gravity circuit. The capital and operating costs of such a circuit will be low and the metallurgical recovery high, with little technological risk.

We have instituted steps toward the acquisition of land around the planned mine, mill and tailings facilities. This will in all probability involve land “swaps” with the support of local government authorities who are keen to see industrial development in the area.

All aspects of the study are progressing satisfactorily. Initial feedback from the consultants’ site visits was positive in all cases. All were impressed with the level of local engineering and fabrication capabilities, the suitability of mining and processing equipment available, and the attitude and skills levels of the local workforce.

### *Drilling*

Drilling commenced on 29 July 2004 with a single HQ diamond core drill rig on site. There are currently three diamond core drill rigs and a percussion rig on site. The latter is conducting sterilisation drilling in the areas of tailings dam, waste dumps, stockpiles and the mill facilities.

To date, some 4,000 metres of core has been drilled, almost completing this year’s programme. Drilling has been focused on obtaining geotechnical data for the design of the open pit and underground mining, infill drilling in areas of low drill density, drilling of three holes into known ore zones (both near surface and at depth) to obtain metallurgical samples, orebody extension holes along strike and a short programme of “continuity” drilling to assist in assessment of the controlling factors for mineralisation within the orebodies. Although the drilling is not necessarily aimed at new exploration, some increase in the resource is likely to result. Assaying of core samples is now underway.

### *Open pit project*

It has always been envisaged that ore from the open pit would be treated as part of an integrated open pit and underground project. However, the option of moving forward with the open pit alone is now being considered. The advantage is that this project can be put into production on an accelerated timescale, using finance from local sources whose requirements in terms of a feasibility study and other due diligence procedures are much less onerous than those required for Western banks. Local engineering and design of all aspects of the project would be acceptable to these institutions, thus saving considerable time and money. The profitability of such an operation would be lower than that of the main project because the ore grade will be lower, but a fast-track route to production would be extremely attractive. The open pit life will be short; ore from the underground mine would eventually be substituted when this larger scale project is put into operation.

A decision on whether to go ahead with the separate open pit project will be taken early in 2005 in the light of drilling results and other studies at that time.

### *Outlook*

The Company now looks forward to several exciting developments. The acquisition of the surrounding territory will open up the possibility that the resource may be significantly expanded.

At Sekisovskoye, the current drilling programme is being carried out for feasibility study purposes rather than primarily for exploration, but we nevertheless expect to find additional ore bodies and further evidence of the grade increase that was indicated by the limited due diligence drilling carried out in 2003. We believe that there will be much more to come as the project develops.

We look forward to the completion of the feasibility study in mid 2005 allowing us to move forward to the development phase at Sekisovskoye.

Signed

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George Eccles  
Chairman

# HAMBLEDON MINING PLC

## SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE SIX MONTH PERIOD ENDED 31 JULY 2004

*(in thousands of US Dollars)*

	Notes	6 months ended 31 July 2004 (unaudited)	6 months ended 31 January 2004 (unaudited)	12 months ended 31 July 2003 (unaudited)
ADMINISTRATIVE EXPENSES:				
Exceptional expenditure: Initial Public Offering expenses	6	784	193	-
Administrative expenses		287	96	173
		<hr/>	<hr/>	<hr/>
OPERATING LOSS		1,071	289	173
		<hr/>	<hr/>	<hr/>
Interest income		(11)	-	-
Interest expense		26	17	-
Foreign currency translation (gain)/loss		(6)	29	21
		<hr/>	<hr/>	<hr/>
LOSS FOR THE FINANCIAL PERIOD		1,080	335	194
		<hr/>	<hr/>	<hr/>
Loss per ordinary share (US \$ per share)	9	(0.02)	(1.64)	(2.23)
Diluted loss per share (US \$ per share)	9	(0.02)	(1.64)	(2.23)

There are no recognised gains and losses other than those included in the profit and loss account.

The accompanying notes are an integral part of these interim financial statements.

# HAMBLEDON MINING PLC

## SUMMARISED CONSOLIDATED BALANCE SHEET

AS AT 31 JULY 2004

(in thousands of US Dollars)

	Notes	31 July 2004 (unaudited)	31 January 2004 (unaudited)	31 July 2003 (unaudited)
<b>FIXED ASSETS:</b>				
Tangible Assets				
Fixtures, fittings and equipment		8	3	2
Intangible Assets				
Capitalised development and exploration expenditure		402	324	153
Mineral properties		98	98	98
		<u>508</u>	<u>425</u>	<u>253</u>
<b>CURRENT ASSETS:</b>				
Debtors				
Prepayments and accrued income		91	12	44
Other debtors		28	10	9
Cash at bank and in hand		3,294	26	38
		<u>3,413</u>	<u>48</u>	<u>91</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Trade accounts payable		-	168	5
Advances received from related parties		529	632	325
Other payables		254	14	19
Taxes payable	7	15	1	2
		<u>798</u>	<u>815</u>	<u>351</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<u>2,615</u>	<u>(767)</u>	<u>(260)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,123</u>	<u>(342)</u>	<u>(7)</u>
<b>CAPITAL AND RESERVES:</b>				
Called up share capital	4	363	4	1
Share premium account	4	5,583	1,129	1,132
Merger reserve	4	(268)	-	-
Profit and loss account	4	(2,555)	(1,475)	(1,140)
		<u>3,123</u>	<u>(342)</u>	<u>(7)</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>		<u>3,123</u>	<u>(342)</u>	<u>(7)</u>

The accompanying notes are an integral part of these interim financial statements.

# HAMBLEDON MINING PLC

## SUMMARISED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTH PERIOD ENDED 31 JULY 2004

*(in thousands of US Dollars)*

	Notes	6 months ended 31 July 2004 (unaudited)	6 months ended 31 January 2004 (unaudited)	12 months ended 31 July 2003 (unaudited)
<b>Net cash (outflow)/inflow from operating activities</b>	8	<u>(1,179)</u>	<u>177</u>	<u>(13)</u>
<b>Returns on investments and servicing of finance</b>				
Interest received		11	-	-
Interest paid		<u>(26)</u>	<u>(17)</u>	<u>-</u>
<b>Net cash used in investing and financing activities</b>		<u>(15)</u>	<u>(17)</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>				
Purchase of fixed assets		<u>(83)</u>	<u>(172)</u>	<u>(78)</u>
<b>Net cash outflow before management of liquid resources and financing</b>		<u>(1,277)</u>	<u>(12)</u>	<u>(91)</u>
<b>Financing</b>				
Issue of ordinary share capital	4	4,545	-	100
Issue of redeemable preference shares		91	-	-
Redemption of redeemable preference shares		<u>(91)</u>	<u>-</u>	<u>-</u>
<b>Increase / (decrease) in net cash in the period</b>		<u>3,268</u>	<u>(12)</u>	<u>9</u>

The accompanying notes are an integral part of these interim financial statements.

# HAMBLEDON MINING PLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE 6 MONTHS ENDED 31 JULY 2004 (in thousand of US Dollars)

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### 1. GROUP STRUCTURE

The Group comprises the following companies:

**Hambledon Mining Plc** (the “Company”) was incorporated in England and Wales on 18 February 2004 as a public company with the name Finlaw One Plc. On 16 April 2004, the Company’s name was changed to Hambledon Mining Plc. Hambledon was formed to act as the new holding company for the Hambledon group. Under a share-for-share reorganization effected on 3 June 2004, the Company acquired the entire issued share capital of Hambledon Mining Company Limited (see note 5).

**Hambledon Mining Company Limited** was formed in 1997 in the British Virgin Islands and was formerly the holding company of the Group. It is now an intermediate holding company, which owns the entire issued share capital of TOO Gornorudnoe Predpriatie Sekisovskoye.

**TOO Gornorudnoe Predpriatie Sekisovskoye** was registered in the Republic of Kazakhstan. Its principal activity is the development of the Sekisovskoye gold mine in East Kazakhstan region.

### 2. ACCOUNTING REFERENCE DATE

The accounting reference date for the Company is March 31. The accounting reference date of Hambledon Mining Company Limited is July 31 and that for TOO Gornorudnoe Predpriatie Sekisovskoye is December 31. The Company intends to change its own accounting reference date, and cause the accounting reference date of Hambledon Mining Company Limited also to be changed, to 31 December in order to synchronise its financial reporting with tax reporting requirements of the Republic of Kazakhstan.

### 3. BASIS OF PREPARATION

The interim consolidated financial statements of the Group for the six months ended July 31, 2004 have been prepared in accordance with accounting standards in the UK (“UK GAAP”), consistent with those expected to be applied at 31 December 2004. The results of the Group have been presented under the merger accounting rules of FRS 6 “Acquisitions and Mergers”. Therefore, the financial statements of Hambledon Mining Plc and those of its wholly owned subsidiary Hambledon Mining Company Limited have been aggregated and presented as if the two companies had always been in the same group. Accordingly, the results of both companies are reflected in the consolidated group financial statements for the period ended 31 July 2004. The corresponding amounts represent the accounts of Hambledon Mining Company Limited alone since these relate to periods prior to the formation of Hambledon Mining Plc.

The figures for the six month period ended 31 July 2004 have not been audited. Figures for the six months to 31 January 2004 and for the year to 31 July 2003 were prepared, and audited, in accordance with International Financial Reporting Standards (“IFRS”). These were published in the Hambledon Mining Plc listing particulars for admission to the AIM market (pages 90 to 92). The Directors believe that the IFRS accounting policies are consistent in all significant respects with the UK GAAP accounting policies now adopted by the Group. Accordingly, no adjustments have been made to make the figures conform to UK GAAP. However, this change from IFRS to UK GAAP has not been audited.

The exchange rate used between UK Sterling and US Dollars was UK £1 to US \$1.8183.

#### 4. SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' FUNDS

In thousands of US Dollars, unaudited

	Share capital	Share Premium	Merger Reserve	Accumulated deficit	Total
<b>Balance as at 31 July 2002</b>	1	1,032	-	(946)	87
Additional paid-in capital	-	100	-	-	100
Net loss for 2003	-	-	-	(194)	(194)
<b>Balance as at 31 July 2003</b>	1	1,132	-	(1,140)	(7)
Shares issued	3	(3)	-	-	-
Net loss for 6 month ended 31 January 2004	-	-	-	(335)	(335)
<b>Balance as at 31 January 2004</b>	4	1,129	-	(1,475)	(342)
Net loss for 6 month ended 31 July 2004	-	-	-	(1,080)	(1,080)
Shares issued for the acquisition of the share capital of Hambleton Mining Company Limited (note 5)	272	-	-	-	272
Movements arising upon reorganisation	(4)	-	(268)	-	(272)
Shares issued (note 5)	91	4,454	-	-	4,545
<b>Balance as at 31 July 2004</b>	<b>363</b>	<b>5,583</b>	<b>(268)</b>	<b>(2,555)</b>	<b>3,123</b>

#### 5. SHARE CAPITAL

Ordinary shares in Hambleton Mining Plc of UK 0.1p each (for prior periods, ordinary shares in Hambleton Mining Company Limited of US \$0.01 each).

	31 July 2004 (unaudited)	31 January 2004 (unaudited)	31 July 2003 (unaudited)
<b>Authorised</b>			
Nominal value	UK £950,000	US \$50,000	US \$50,000
US \$ equivalent	US \$1,727,385		
Number	950,000,000	5,000,000	5,000,000
<b>Allocated, called-up and fully-paid</b>			
Nominal value	UK £199,765	US \$3,600	US \$875
US \$ equivalent	US \$363,233		
Number	199,765,328	360,008	87,495

## Share Issues

Hambledon Mining Plc was originally formed with two ordinary shares of UK £1 each, which were subsequently split into 2,000 ordinary shares (nominal value UK 0.1p each).

On 16 April 2004, 50,000 Redeemable Shares (nominal value UK £1.00 each) were issued fully paid to Salix Limited, in order to enable the Group to meet the requirements of the Companies Act 1985 as regards minimum paid up share capital. These shares were redeemed at par on 3 June 2004.

On 3 June 2004, 149,763,328 Ordinary shares were issued to the shareholders of Hambledon Mining Company Limited in consideration for the transfer to Hambledon Mining Plc of the entire issued ordinary share capital of Hambledon Mining Company Limited, such shares being issued and fully-paid, thereby making Hambledon Mining Company Limited a wholly owned subsidiary of Hambledon Mining Plc. Hambledon Mining Plc has applied the merger relief provisions of the Companies Act 1985 section 131 and recorded the issue of these shares at their par value.

On 10 June 2004, the Company allotted 50,000,000 ordinary shares of UK 0.1p each at UK 5p per share for cash consideration of UK £2.5 million (US \$4.5 million) and was admitted to the Alternative Investment Market in order to provide funds for the further development of the Sekisovskoye project and for working capital.

## 6. EXCEPTIONAL EXPENDITURES

Initial public offering costs represent exceptional expenses for the Group relating to legal and professional fees and commissions incurred pursuant to the Group's admission to the AIM market on 10 June 2004.

## 7. INCOME TAX

The Group did not recognize any deferred tax assets or liabilities as at 31 July 2004.

## 8. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	31 July 2004 (unaudited)	31 January 2004 (unaudited)	31 July 2003 (unaudited)
Operating loss	(1,071)	(289)	(173)
(Increase)/decrease in debtors	(97)	31	(29)
(Decrease)/ increase in creditors	(17)	464	210
Foreign exchange gain/(loss)	6	(29)	(21)
<b>Net cash outflow from continuing operating activities</b>	<b>(1,179)</b>	<b>177</b>	<b>(13)</b>

## 9. EARNINGS PER ORDINARY SHARE

	31 July 2004 (unaudited)	31 January 2004 (unaudited)	31 July 2003 (unaudited)
Loss for the period	1,080	335	194
Weighted average number of ordinary shares	61,739,566	204,286	87,167
Loss per ordinary share	(0.02)	(1.64)	(2.23)
Diluted loss per share	(0.02)	(1.64)	(2.23)

## 10. DIVIDENDS

The Directors are not recommending the payment of a dividend for the six months ended 31 July 2004.

# HAMBLEDON MINING PLC

## RESOURCE STATEMENT

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The following is a summary of the results of the report by independent consultants CRS who were commissioned to estimate the resources based on the JORC classifications prior to the Company's listing on the AIM market.

The tables do not reflect the results of the ongoing 2004 drilling programme.

*Table 1: Underground resource statement*

	<b>Indicated</b>	<b>Inferred</b>	<b>Total</b>
Tonnes – millions	4.4	0.6	5.0
Gold grade g/tonne	5.2	4.9	5.2
Gold kg	22,800	2,940	25,740
Gold troy oz	735,609	94,523	830,132
Silver grade g/tonne	6.7	9.0	7.0
Silver kg	29,480	5,400	34,880
Silver troy oz	947,804	173,614	1,121,418

*Troy oz = 31.10348g. Cut-off grade: Au 2.0g/t.*

Note: the modelled orebodies contain an additional estimated 55,000 ounces of gold within 0.3 million tonnes, grading Au 5.7 grammes per tonne and Ag 11.9 grammes per tonne, but which fall outside the classification parameters for this project. An additional low grade resource has been defined for zones within the optimized ultimate open pit, but which lie outside the modelled mineral zones.

*Table 2: Open pit resource statement*

	<b>Indicated</b>	<b>Inferred</b>	<b>Total</b>
Tonnes – millions	1.5	0.7	2.2
Gold grade g/tonne	1.8	0.9	1.5
Gold kg	2,700	630	3,330
Gold troy oz	86,807	20,255	107,062
Silver grade g/tonne	3.5	1.8	3.0
Silver kg	5,250	1,260	6,510
Silver troy oz	168,791	40,510	209,301

*Troy oz = 31.10348g. Cut-off grade: Au0.5g/t. Based on JORC classification*

### **Additional Potential at Sekisovskoye**

There are additional zones that have been intersected by drill holes from the Soviet period but have not been addressed in this document. A speculative resource has been updated by CRS for these areas according to the former Soviet format and classified as P1 (the highest category of Soviet prognosticated resource which also extends to P2 and P3). This P1 resource has been estimated by CRS at 7.1 million tonnes with a grade of Au 5.1 grammes per tonne (1.1 million ounces of gold).

Whilst it has not been classified according to a Western system such as JORC, the Directors believe that it provides a useful indication of the additional potential in areas where known gold mineralization has been intersected by drilling. The Soviet P classifications are quoted by several other AIM gold mining and mineral exploration companies to report resources and reserves.