

Regulatory Announcement

Company	Hambledon Mining PLC
TIDM	HMB
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HAMBLEDON MINING PLC Final Results

Mining operations commenced

Hambledon Mining plc ("Hambledon" 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 2005 and that mining operations have commenced at Sekisovskoye.

Highlights:

- Mining operations commenced in June 2006 with pre-stripping and stockpiling of ore from North Pit
- JORC resource estimate has doubled to 2.7 million oz of gold
- Recent underground drilling shows numerous new gold zones
- Comparison of recent drilling results with earlier Soviet samples shows a 19% increase in gold content; confirming evidence of consistent underestimation of resource
- Updated geological and mine model of open pit areas being finalised
- Initial production to be around 40,000 oz per annum rising to over 100,000 oz when underground ore is treated

Nicholas Bridgen, Chief Executive of Hambledon Mining plc, commented:

"During the year the Group has made excellent progress. The gold JORC resource estimate has increased significantly, to 2.7 million oz, and mining operations have commenced.

"The outlook for the Group, which was already good, has been improved enormously by the additional resource identified. This has allowed us to increase the planned capacity of the plant which will lower the unit costs and take advantage of the increased gold price".

ENQUIRIES:

22 June 2006

Hambledon Mining plc
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About Hambledon Mining plc

Hambledon Mining plc is an AIM listed mining and exploration company developing precious metal deposits in the mineral-rich Altai region of East Kazakhstan. Its subsidiary TOO Sekisovskoye holds two adjacent licence areas, Sekisovskoye and Tserkovka, with JORC gold resources estimated at 2.7 million ounces and additional non-compliant Soviet classified resources of 0.7 million ounces. TOO Sekisovskoye has also been informed that it will be awarded two more adjacent territories known as Glinka and Krugliachka. Mine preparation has commenced and construction of an 850,000 tpy treatment plant has started. New exploration areas are being evaluated and an updated mine model is being prepared.

Chairman's Statement

Review

Since 1 January 2005 we have made excellent progress and this has continued into the current financial year.

Following good early results from the drilling programme and feasibility study the board approved the fast-track development of the open pit project in March 2005. Since then, equity finance totalling £15 million has been raised to fund the development and we can now announce that mine preparation and pre-stripping have commenced.

In June 2005 we announced that analysis of the early 2005 surface drilling programme had resulted in a 45% increase in the JORC resource estimate at Sekisovskoye. Over the following months further drilling from surface and underground has encountered many new gold-bearing zones. Although the full re-modelling of the resource, necessitated by the more recent underground drilling programme, has not yet been completed, two early conclusions have been drawn.

First, the additional confidence in the extension zones of Sekisovskoye, which were formerly reflected only in the Soviet resource category P1, has enabled our geological consultants to re-classify this within our JORC resource estimate. This means that our JORC resource at Sekisovskoye is now estimated to stand at 2.7 million ounces of gold plus 4.4 million ounces of silver, a further 100% increase over the June 2005 level.

Second, the statistical basis has now been established to confirm previous evidence that the former Soviet drill samples were some 19% lower than the equivalent grades obtained by our own drilling programmes, suggesting the likelihood that an uplift of this factor could be applied globally to former Soviet drill sample results.

Progress with the permitting of the project has been excellent, the highlights of which were the approval of our technical process and our General Resource Estimate in April 2006.

In February 2006 the decision was taken to expand the design capacity of the plant to 850,000 tonnes per year, enabling the output of over 40,000 ounces of gold per year at the open pit stage, rising to over 100,000 ounces per year once the underground ore, which is of higher grade, is substituted in the same process plant.

In view of the longer projected pit life, the decision was also made to purchase our own mining fleet rather than rely on subcontractors. This fleet has been procured and is now operational. Initially, it is being used for site preparation and the pre-stripping of the open pit areas, with the additional benefit that the waste material can be used in construction of the tailings dam.

Procurement of the major equipment for the process plant has already begun. The crushing plant equipment is being manufactured in China and will be delivered shortly. A local construction firm is building the conveyors and support structure, to be ready for assembly on site later this year. This will initially be used to crush waste to produce aggregates for use in construction before commencing normal production when the process plant is started.

The gold price has been volatile and after rising strongly to exceptional levels, has recently fallen back to a level which is still some 30% above the level a year ago and remains very profitable for the company.

I am pleased to report that the hard work of the Group's employees, together with help from the gold price, has been rewarded with a significant rise in the share price.

Outlook

Our future prospects have benefited from several factors. Of most significance, the JORC resource base, from which future production will be drawn, has increased substantially. The expansion of the design capacity of the plant has not only increased the potential design output but also reduced the anticipated unit costs by the use of bigger, more cost effective, self owned and operated equipment.

All of these factors make a future expansion of the process plant more likely. Expansion from the current design capacity of 850,000 tonnes per year to around one million tonnes per year could be carried out relatively simply by adding further milling and leach tank capacity. This would open up the possibility of producing from both open pit and underground concurrently, and the treatment of any mineralisation which may be developed from exploration of Tserkovka and other new territories.

The most important task facing the Company is now to complete the construction of the process plant. Operating in Kazakhstan carries risks and uncertainties that make accurate predictions as to timing and costs difficult, and a shortage of engineering capacity has caused some delays, but the project team has made consistent progress and I look forward to the start of operations with increased confidence.

George Eccles

20 June 2006

Review of Projects – Sekisovskoye

Summary

- The JORC-based gold resource has doubled since our last update in June 2005 (which was, itself, 45% higher than at the start of 2005). This is attributable to the upgrading of the former Soviet prognosticated resource at Sekisovskoye. A further update to reflect the recent underground drilling is being prepared.
- Underground drilling conducted in late 2005 shows numerous new gold zones and these results are now being evaluated.
- An external mining feasibility study was completed for the open pit project in October 2005. Detailed pit design was completed by our in-house mining team but is currently being updated in respect of the new resource model and current gold prices.
- Comparison of the now significant number of recent drill-hole samples with former Soviet drill-hole sampling in the same zones shows an overall increase of 19% in gold content, confirming previous evidence that the Soviet drilling underestimated the Sekisovskoye resource by this magnitude.
- The conceptual milling facility design was completed in Australia and detailed engineering and initial construction are now underway for an 850,000 tonnes per annum treatment facility.
- The Sekisovskoye ore resource and feasibility study was approved by the State Committee on Ore Resources, putting 25 tonnes of gold and 37 tonnes of silver onto the State Balance record.
- Mining licences have been received, allowing the start of mining operations.
- A complete mining fleet has been purchased and mining operations have commenced. Initial mining will focus on pre-stripping waste material from the North Pit which is required for the configuration of the tailings dam and ore stockpile area.
- Feasibility work continues on the underground mine design, with the expectation of accessing high grade material from Ore Zone 11 in 2007 via a decline access roadway.

Introduction

The Sekisovskoye deposit was selected for further development for a number of reasons. The deposit had undergone substantial development during Soviet times and had significant Soviet classified resources. The main gold zones outcrop in a low hill, providing easy initial access, but gold-bearing mineralisation continues to a depth of at least 950 metres. The mineralisation is mainly free-milling and therefore simple to treat via carbon-in-leach cyanidation technology with gravity recovery of coarse gold. It has a low sulphide content with no arsenic or other deleterious elements, giving relatively few environmental concerns.

The project site is located near Sekisovka village which is only some 40 kilometres from the major regional city of Ust Kamenogorsk (capital of East Kazakhstan Oblast) on a well-maintained sealed road. Ust Kamenogorsk has an international airport as well as connections to both major highway and rail links (including the Trans-Siberian Railway). Several high voltage power lines run through the area, providing cheap electricity. Sekisovka village has telephone and internet services while the area in general is home to several major mining enterprises, ensuring a supply of experienced and relatively low-cost labour.

The mineral rights to the Sekisovskoye deposit are held by the 100% owned subsidiary TOO Sekisovskoye.

Geology and mineralisation

The deposit occurs in the northwest marginal zone of the 40 thousand km² Rudny Altai Palaeozoic metallogenic belt that occupies the eastern border of Kazakhstan and the Altaisky region of Russia. The mineral hosting intrusives are of late Devonian age.

Gold is associated with hydrothermal alteration of the breccia zone matrix and also with hydrothermal sulphide veining. A high percentage of the gold occurs as intergrowths and free grains, with only a minor percentage locked within sulphides. Gold particles can be coarse, up to 0.4 mm, and this contributes to an erratic grade distribution, in addition to the effect of unmineralised breccia fragments.

Drilling and resource estimate

The evaluation of the drilling data obtained in the 2004 drilling programme resulted in a change in the development philosophy of Sekisovskoye. The results of updated mine modelling and design indicated that an initial open pit project would be a highly profitable precursor to the development of the higher grade underground ore-zones. For this reason, the upper levels (to a maximum depth of 240 m) of the Sekisovskoye deposit have been modelled to a cut-off of 0.5 grammes per tonne, suitable for open pit mining, and the lower levels to 2 grammes per tonne, reflecting the higher cost of underground mining. The modelled zones within the proposed open pit currently make up only some 7% of the total Sekisovskoye/Tserkovka resource, the majority of which will be mined from underground.

Hambledon's extensive diamond drilling programmes have intersected many new gold bearing horizons and continual evaluation and modelling of the favourable gold-hosting breccia pipe has resulted in a much larger structure, with a 10% volume increase since June 2005. As a result of the above encouraging trends, Computer Resource Services (CRS) evaluated the Soviet P1 resource situated along strike and down-dip of the modelled gold zones and has judged that a sufficient understanding of the gold occurrences has allowed this resource to be added to the "inferred" JORC resource category. It is from this category that further drillhole sampling may allow upgrading to the "indicated" class for ore reserve assessment. The resource statement reflects this change but does not yet reflect the remodelling which is currently taking place as a result of the latest underground drilling results.

A new update of the orebody model is being prepared, following which an update of the resource statement for the open pit area will be released.

Whilst the full analysis of the results of the underground drilling programme has not yet been completed, preliminary results demonstrate noteworthy increases in gold occurrences and confirm previous observations that Hambledon's sample gold grades are statistically 19% higher, at a gold cut-off grade of 0.5g/t, than the old Soviet surface drillhole results in the same area. CRS, the Group's independent geological consultants, now conclude that a global increase in gold grade of about 20%, vis-à-vis the Soviet resource is likely.

Highlighted gold intersections from the recent underground drilling programme using 0.5g/t Au cut-off:

Drillhole	Distance (m)		Length (m)	Au g/t
	From	To		
D46	15.0	19.2	4.2	13.8
D47	37.5	57.0	19.5	3.0
D50	13.1	32.0	18.9	3.0
D52	77.7	98.6	20.9	3.5
D54	28.0	38.5	10.5	5.9

Project approvals

As part of the approval process for the project, a General Resource Estimate for Sekisovskoye was submitted and has recently been approved by the State Commission for Mineral Reserves of the Republic of Kazakhstan. The Kazakhstan approval process requires that an estimate of resources be submitted, together with mining, processing and other information, broadly equivalent to a western style feasibility study. This estimate is reviewed by experts appointed by VosKazNedra, the regulatory body in East Kazakhstan oblast, and by the Ministry of Energy and Mineral Resources. The approved resource is based on a smaller part of the resource base than is used for the overall JORC statement contained in the Annual Report.

The effect of the approval is that the resources have been entered into the State Balance, which allows the progression to the mining stage of the subsoil use contract. This is a fundamental step that

represents the most significant and time-consuming hurdle in the process by which mining operations in Kazakhstan are approved.

Following this, an official "licence to mine" has been granted thus amending the Subsoil Use Agreement to include mining activities as well as exploration. Further approvals are still required, principally concerning the final environmental impact and the tailings dam design, but these are well in hand.

Infrastructure

Infrastructure requirements will be minor as the deposit is located close to a main road, giving easy access to Ust Kamenogorsk from where staff, supplies and equipment can be obtained. An adequate power supply exists from a nearby power grid and only a short overhead power line to the project site and related substation must be installed. Water and telephone connections are available. An existing building has been acquired and renovated for use as the mine office to cover mining and milling operations, engineering support, accounting, procurement, human resources and exploration functions as well as a temporary laboratory.

Project infrastructure will involve the aforementioned power line and upgrading of existing roads. Water for operations will come from dewatering of open pit and underground mines. Groundwater in the area is of potable quality and requires no treatment other than standard chlorination for drinking water purposes.

Mine planning

The initial mine plan was based on an ore-body model, developed in Datamine, which was optimised using Whittle4D software to produce an optimum pit shell. This shell was used as the basis for the development of a mine design. At a processing rate of 850,000 tonnes per annum this would give an open pit life of between 4 and 5 years. Since then, numerous further optimisation studies using higher gold prices and updated ore-body models have resulted in pit shells of up to 260,000 ounces, though some of these ounces may be more efficiently mined from underground.

During the winter season of 2005/2006, over 4,000 metres of core have been drilled from underground and further significant mineralisation was intersected. A revised open pit model is being prepared based on the new data while on-going optimisation studies are routinely carried out at the currently prevailing gold price.

A study was carried out to determine the best way in which the mining should 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 mining fleet, consisting of all new equipment, was ordered in early 2006. Two Hitachi Zaxis 850H hydraulic excavators from Japan and four (out of an eventual total of seven) 45-tonne Belaz haul trucks have already been delivered. Prestripping at the east end of the North Pit and site preparation have begun. The remainder of the mining fleet, including an Atlas Copco ROC L7 CR drill rig, a Dressta front end loader, bulldozers and ancillary equipment will be delivered later in June 2006. All mining activities will be conducted and supervised by Group personnel.

Mining will incorporate standard drill and blast techniques. Ore grade material will be mined and hauled to a storage area adjacent to the mill crushing plant. Lower grade material will be stockpiled for later treatment while waste material will be used for tailings dam construction or otherwise placed in dumps.

Processing

Metallurgical testwork was carried out in Australia and Kazakhstan. The results support the very high recoveries encountered in previous testing and an average recovery of 92% is expected using a conventional Carbon In Leach (CIL) circuit. The ore contains no environmentally deleterious components and environmental testing supports the expectation that there will be no acid rock drainage issues.

The circuit consists of a 3-stage crushing plant followed by primary and secondary grinding with gravity recovery and fine grinding of the gravity concentrate. The gravity concentrate will be leached in a small, dedicated intensive cyanidation circuit. A 6-stage CIL cyanidation leach system will recover the gold and silver from the ore and concentrate through adsorption onto activated carbon.

The carbon is eventually "stripped" and the precious metals are electrodeposited onto cathodes. The cathodes are ultimately smelted into doré bullion for shipment to a refinery. Tailings will be detoxified prior to placement in a tailings storage facility. Processing costs are expected to be a little over US \$6 per tonne.

The planned ore throughput for the open pit ore is 850,000 tonnes per annum to produce approximately 40,000 ounces of gold per annum. The same plant will be capable of treating underground ore which, being of higher grade, will result in production of over 100,000 ounces of gold per annum, although there is the ability to further increase the throughput of underground ore with the addition of extra grinding and leaching capacity.

Engineering

Definitive metallurgical testwork and process design was completed in Australia in late 2005. Completion of conceptual design has enabled orders to be placed for the major long lead process plant items: crushing plant, grinding mills, gravity concentrator, slurry pumps and agitators. The crushing equipment will be delivered to site in July 2006 and crushing is expected to begin in autumn. The remaining process equipment is now being manufactured for delivery to site in the second half of 2006.

After initially experiencing problems locating experienced design engineers TOO Sekisovskoye has recruited a team of engineers in Ust-Kamenogorsk to complete the final detailed design and to supervise and manage the construction of the processing facility. Construction of the process plant will be undertaken by local Kazakhstan engineering companies. Processing equipment has been sourced from Russia, China, Canada, South Africa, Australia and Kazakhstan depending on quality, reliability and relative cost factors.

Ongoing feasibility of the underground

The feasibility study into the development of the underground ore zones is continuing. Based on an earlier prefeasibility study, a mining cash cost of US \$22 per tonne (including mining overheads) was envisaged for a combination of cut and fill and shrinkage methods at typical international prices. The cost was some 30% less when local equipment, labour, fuel and power costs were applied. Since then, the Group's own exploration programmes have contributed further to understanding the deposit and cheaper open-stopping methods are now being considered. Even at the higher cut and fill costs, the start-up of underground mining is likely to greatly increase the gold production rate and lower the cash cost of production compared with those of the open pit.

Initial underground mining will focus on accessing the near-surface, high grade Ore-body 11. This ore-body extends under the Sekisovskoye river so is not easily accessible via open pit mining. A decline access roadway will be constructed to access the upper part of the ore-body in late 2007 or early 2008. Although underground mine production will start at relatively low rates, the higher average grade will greatly increase the profitability of the project.

When the existing decline access roadway and related facilities have been upgraded, the Group can access Ore-body 11 from below while working to tie in with the new decline. At that point, full-scale underground mining can begin.

Exploration

In June of 2005 the Group was granted a 3-year exploration licence for the Tserkovka territory which surrounds the original Sekisovskoye lease area and adds some 29 km² to the total licence area. In addition, in November 2005, we received notification that the additional areas of Krugliachka and Glinka will be added to the overall Tserkovka licence area by formal extension. We are still awaiting the formal documentation, but planning for evaluation of the properties is underway for the 2006 season.

Limited exploration drilling was conducted by the Group at Tserkovka during 2005 with additional drilling planned for 2006 at both Tserkovka and the additional areas.

Tserkovka

The territory immediately surrounds the Company's existing deposit, Sekisovskoye, and contains four known mineralised deposits named Tserkovka, Feodulikha, and two areas designated only as Area 4 and Area 5. All these areas were ostensibly similar to the Sekisovskoye deposit, indicating that any mineralisation from them is likely to be free-milling and treatable in the same plant as Sekisovskoye.

Each of the deposits lies within a maximum distance of 4 kilometres from Sekisovskoye, close to the main road between Ust Kamenogorsk and Ridder, so infrastructure requirements for any future development would be relatively low.

At Tserkovka itself, previous Soviet-era exploration revealed nine mineralised bodies as identified by mapping-drilling, trenching, pitting and underground exploration from over a kilometre of underground tunnels. Records from the conclusion of the Soviet exploration in 1980 showed the resources only in contained metal terms which cannot be converted to tonnes and grades until additional supportive archives have been retrieved.

The non-compliant resource amounted to:

Category C2:	4.5 tonnes (145,000 ounces)
Category P1 (prognosticated):	7.5 tonnes (241,000 ounces)
Total C2 + P1:	12 tonnes (386,000 ounces)

The Tserkovka deposit is essentially “on strike” with the Sekisovskoye orebodies and favourable breccia styles host both the Sekisovskoye and Tserkovka deposits. It has been maintained by both former Soviet and the Group’s geologists that additional ore-zones may subcrop between the two deposits. Therefore, the potential for more discoveries along this five kilometre strike distance is hopefully high.

Only limited drilling appears to have been carried out at the other sites during Soviet times. The Soviet estimated resources, on a non-compliant resource totalled:

Category P1 (prognosticated):	10–12 tonnes (322,000–386,000 ounces)
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In 2005 the Group evaluated available documentation and selected drill targets in Area 5 and at the Tserkovka prospect. The data review suggested that Area 4 and Feodulika were unlikely to contain sufficient mineralisation to justify drilling at this stage. This was confirmed to a depth of 100 metres in Area 4 by sterilisation drilling conducted as part of the project’s tailings storage facility site evaluation.

In 2005, the Group drilled 18 holes from surface at Tserkovka and one hole in Area 5 representing 1,963 metres and 273 metres respectively. All holes were either NQ or HQ diamond core. Nothing of significant interest was intersected in Area 5, so additional drilling in that area has been postponed.

At Tserkovka, mineralisation similar to Sekisovskoye was intersected together with some interesting near-surface silver mineralisation. Based on the data obtained from the 2005 programme and a review of additional Soviet exploration results, a programme of 12 holes for a total of 1,800 metres is planned for the 2006 season.

Krugliachka and Glinka

As mentioned, the Group has sought to expand its exploration base into nearby prospects that are similar to Sekisovskoye and may be treated in the same or an expanded treatment plant. Two mineralised areas in the vicinity, known as Krugliachka and Glinka, cover a combined area of approximately 10 square kilometres. After submitting a formal application to the authorities, the Group has been informed by the Ministry of Energy and Mineral Resources that these areas can be considered to be part of the Sekisovskoye-Tserkovka ore trend and therefore will be granted as an extension of the Tserkovka exploration area without a tender. Formal authorisation of the extensions has yet to be received.

Both Krugliachka and Glinka prospect areas are in agricultural/pastoral countryside near to surface infrastructure (roads and power lines).

Krugliachka lies 8 km to the northwest of Sekisovskoye and appears to have the potential to be another deposit of the Sekisovskoye type, though exploration is at an early stage. Soviet exploration included surface and trench samples. The gold content of several surface samples indicated grades of up to 5 g/t. The Soviet geologists recommended trenching and shallow drilling in the hope of discovering zones of secondary enrichment below the oxidised cap, similar to the high grade area of Sekisovskoye that was mined in Soviet times. The Group’s exploration team has prepared a programme of diamond core drilling and surface sampling for 2006.

Glinka lies some 8 km north-northwest of Sekisovskoye. The local population has mined kaolin clay from the area and samples taken from the kaolin pit walls indicate the possible presence of payable

gold-polymetallic mineralisation. Based on Soviet exploration including surface sampling, trench samples and relatively deep test pits (up to 15 metres in depth), the deposit appears to be more akin to existing polymetallic deposits in the Ridder area (80 km northeast of Sekisovskoye).

The current plan for 2006 exploration at Glinka includes more surface and trench samples as well as a continuing review of Soviet data.

Mineral resources

This estimate of the mineral resources of the Sekisovskoye deposit has been prepared under the JORC Code and is an update to the resource as reported in November 2005. A fully revised summary will be announced once the analysis of the recent drilling data has been completed.

Location	Resource category	Tonnes million	Gold			Silver	
			g/t cut-off	g/t	Contained metal oz *	g/t	Contained metal oz *
Sekisovskoye upper levels (above 250m level)	Indicated	10.59	0.5	1.6	544,762	3.2	1,086,438
	Inferred (b)	10.56		1.6	543,219	3.0	1,018,536
Sekisovskoye deeper levels	Indicated	2.21	2.0	5.1	362,371	6.2	440,529
	Inferred (b)	7.16		5.2	1,197,036	7.1	1,634,415
Sekisovskoye marginal deeper levels (a)	Indicated	3.40	0.5	0.7	76,519	1.4	153,037
	Inferred	0.96		0.6	18,519	1.2	37,038
Totals	Indicated	16.20		1.9	983,652	3.2	1,680,004
	Inferred	18.68		2.9	1,758,774	4.5	2,689,989
Total	Inf + Ind	34.88		2.4	2,742,426	3.9	4,369,993

* Troy oz = 31.10348

(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:

In addition, resources in our new licence areas of Tserkovka, Feodulikha and Areas 4 & 5 contain former Soviet-based resources of C2 and P1 totalling some 740,000 ounces of gold. It is expected that some of these resources can be categorised under the JORC Code after assessment of the current exploration drilling results.

Qualified person

This estimate of the mineral resources has been prepared by Roger Rhodes B.Sc., M.Sc., MIMMM, independent geological consultant with Computer Resource Services (CRS). 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.

Mr Rhodes has reviewed the resource information given in the annual report and consents to its inclusion in the form and context in which it appears.

This estimate of the mineral resources does not comprise part of the audited financial statements.

Consolidated profit and loss account

For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £000's	Year ended 31 December 2004 £000's
Administrative expenses			
exceptional expenditures		-	(96)
other administrative expenses		(836)	(331)
Operating loss		<hr/> (836)	<hr/> (427)
Net interest and similar items		249	(11)
Loss on ordinary activities before and after taxation and transferred to reserves		<hr/> (587)	<hr/> (438)
Retained loss for the financial period		<hr/> <hr/> (587)	<hr/> <hr/> (438)
Loss per ordinary share (UK pence per share)	3	(0.24)	(0.22)
Diluted loss per share (UK pence per share)	3	(0.24)	(0.22)

All results are derived from ongoing 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

As at 31 December 2005

	Notes	Year ended 31 December 2005 £000's	Year ended 31 December 2004 £000's
Fixed assets			
Intangible assets		52	672
Tangible assets		3,060	19
		<hr/>	<hr/>
		3,112	691
Current assets			
Debtors		213	13
Cash at bank and in hand		4,021	1,263
		<hr/>	<hr/>
		4,234	1,276
Creditors: amounts falling due within one year		(444)	(418)
Provisions for liabilities and charges		<hr/> (1,127) <hr/>	<hr/> - <hr/>
Net current assets		<hr/> 2,663 <hr/>	<hr/> 858 <hr/>
Net assets		<hr/> <u>5,775</u> <hr/>	<hr/> <u>1,549</u> <hr/>
Capital and reserves:			
Called up equity share capital		262	200
Share premium account		6,820	2,069
Merger reserve		(148)	(148)
Profit and loss account		<hr/> (1,159) <hr/>	<hr/> (572) <hr/>
Equity shareholders' funds	4	<hr/> <u>5,775</u> <hr/>	<hr/> <u>1,549</u> <hr/>

These financial statements were approved by the board of directors on 20 June 2006 and signed on its behalf by

Nicholas Bridgen
Chief Executive

Consolidated cash flow statement

For the year ended 31 December 2005

	Notes	Year ended 31 December 2005 £000's	Year ended 31 December 2004 £000's
Net cash outflow from continuing operating activities		<u>(889)</u>	<u>(428)</u>
Returns on investments and servicing of finance			
Interest received		150	27
Interest paid		(21)	(16)
Miscellaneous non operating income		<u>17</u>	<u>-</u>
		<u>146</u>	<u>11</u>
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(988)	(435)
Payments to acquire tangible fixed assets		<u>(277)</u>	<u>(18)</u>
		<u>(1,265)</u>	<u>(453)</u>
Net cash outflow before financing		<u>(2,008)</u>	<u>(870)</u>
Financing			
Issue of ordinary share capital in the year (net of share issue expenses)		4,813	2,119
Share issue expenses relating to previous years		<u>(47)</u>	<u>-</u>
Increase in net cash in the period		<u>2,758</u>	<u>1,249</u>

Analysis and reconciliation of net funds

	As at 31 December 2004 £000's	Cash flow £000's	Other non cash changes £000's	As at 31 December 2005 £000's
Cash at bank and in hand	1,263	2,737	21	4,021
Debt due within one year	(274)	21	(50)	(303)
Net funds	<u>989</u>	<u>2,758</u>	<u>(29)</u>	<u>3,718</u>

Statement of total recognised gains and losses

For the year ended 31 December 2005

	31 December 2005 £000's	31 December 2004 £000's
Loss for the financial period	(587)	(438)
Currency translation differences on foreign currency net investments	-	(2)
	<hr/>	<hr/>
Total recognised gains and losses relating to the financial period	<u>(587)</u>	<u>(440)</u>

Reconciliation of movements in equity shareholders' funds

For the year ended 31 December 2005

	31 December 2005 £000's	31 December 2004 £000's
Total recognised gains and losses	(587)	(440)
New capital subscribed (net of costs)	<u>4,813</u>	<u>2,119</u>
Net change in equity shareholders' funds	<u>4,226</u>	<u>1,679</u>
Opening equity shareholders' funds	1,549	(130)
Closing equity shareholders' funds	<u><u>5,775</u></u>	<u><u>1,549</u></u>

Notes

1. Basis of preparation

The consolidated financial information for the Group has been prepared under the historical cost convention in accordance with applicable United Kingdom Law and Accounting Standards. The policies have remained unchanged from the previous year.

2. Revenue

The Group is engaged in the exploration and development of gold and silver deposits in East Kazakhstan and has no trading revenue.

3. Earnings per share

	31 December 2005 <i>Unaudited</i> £000's	31 December 2004 <i>Unaudited</i> £000's
Loss for the period	(587)	(438)
Weighted average number of ordinary shares	<u>246,854,369</u>	<u>199,765,328</u>
Loss per ordinary share (UK pence per share)	(0.24)	(0.22)
Diluted loss per share (UK pence per share)	(0.24)	(0.22)

4. Post balance sheet events

Issue of shares

On 2 March 2006 a placing of 104,000,000 new ordinary shares at 10p per share raised £10.4 million before expenses (expenses £0.4 million). The funds will be applied to develop the Sekisovskoye project.

Construction of processing facilities

The Group has placed orders for key components of the processing facility including crushers and ball mills for delivery in mid June 2006.

5. Dividends

The directors are not proposing to pay a dividend.

The Report and Accounts for the year to 31 December 2005 are being posted to shareholders and are available to the public from the Company's Registered Office: Daws House, 33 – 35 Daws Lane, London, NW7 4SD.

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