

HAMBLEDON MINING PLC
(AIM:HMB)

Final results

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

Hambledon Mining plc (“Hambledon” or the “Group” or the “Company”), the gold mining, exploration and development company based in Kazakhstan, today announces its final audited results for the year ended 31 December 2010. A copy of this announcement will be available on the Company’s website - www.hambledon-mining.com.

FINANCIAL

- Profit before tax of £2.1 million (2009: loss of £0.2 million).
- First significant net attributable profit of £1.9 million (2009: £nil).
- Capital expenditure of £3.2 million (2009: £2.4 million).
- Cash of £0.6 million (2009: £1.5 million) at year end with loan facility of \$2.0 million still available for use.
- Raised £8.6 million (net of expenses) in March 2011 through firm placing and open offer to upgrade site infrastructure, improve efficiency of operations and reduce operating costs by an estimated US\$120 per ounce.

OPERATIONS AND DEVELOPMENT

- Produced 22,678 oz gold (2009: 19,575 oz gold) despite severe winter weather in quarter one of 2010.
- Underground development proceeding to plan with mining start up scheduled for December 2011.
- 25,000 metre drilling programme commenced with encouraging initial results on underground resource.
- Phase one of winterisation programme successfully completed – quarter one of 2011 gold production improved by over 70 per cent. over the same period in 2010.

Tim Daffern, chief executive of Hambledon Mining commented:

“These are welcome results as they show improvement on all fronts. With mining from underground at Sekisovskoye expected to start at the end of the year, results from our drilling campaign and a continuing steady performance from open pit operations, we face the future with increasing confidence. Hambledon is a company with exciting prospects which I look forward to sharing with our shareholders”.

The annual general meeting of the Company will be held at the Institute of Materials, Minerals and Mining, One Carlton House Terrace, London, SW1Y 5DB, United Kingdom on Tuesday 21 June, 2011 at 11.00 a.m. The annual report of the Company for the year ended 31 December 2010 will be posted to shareholders on or before 31 May 2011 and will then be available on the Company's website.

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Chairman's statement

I am pleased to announce our financial results for the twelve months to 31 December 2010.

Review of 2010 and 2011 to date

In the twelve months to 31 December 2010, the Group recorded a profit before taxation of £2.1 million (2009: loss £0.2 million) with revenue of £18.8 million (2009: £12.8 million). This was achieved despite the very poor start to the year when production was severely impacted by the coldest winter weather experienced in Kazakhstan in recent memory. As I stated in last year's annual report, it was pleasing to note the improvement in production thereafter and that this improvement continued throughout the year. This enabled us to report a record number of ounces of gold produced (22,678 oz). This was achieved in parallel with other improvements being made to the operations. The average gold price received for our gold in 2010 was \$1,295 per ounce (2009: \$974 per ounce).

Among other highlights, we welcomed Tim Daffern as our new chief executive officer in November 2010. Tim is a mining engineer with over 20 years experience in minerals engineering and operational management. His arrival has led to considerable change in many aspects of the business. Your board was pleased that Nick Bridgen, the former chief executive officer and founder of the Group, remains as a non-executive director. The Group will continue to benefit from his intimate knowledge of the operation and the intricacies of operating in Kazakhstan.

We were very pleased to see the support of shareholders for our firm placing and open offer announced in February 2011, both of which were oversubscribed. Net receipts were £8.6 million which will be used to upgrade the site infrastructure, improve overall efficiency and reduce operating costs by an estimated US\$120 per ounce.

Operations

Sekisovskoye has enjoyed more consistent production thanks to improvements in both the mining operation and our processing plant. We acquired some ore from third parties during the year and although this turned out to be small tonnage, it was worthwhile in terms of profitability. Phase one of the winterisation programme has been a success, as witnessed by our improved first quarter 2011 results. The chief executive's review comments more fully on specific aspects but we are now well placed to realise the potential at Sekisovskoye. The underground development is proceeding and we are currently conducting a large drilling programme to delineate and prove the underground deposit. The first results of this have been announced and we look forward to releasing regular results as we proceed throughout this year.

Outlook

There is undoubtedly much about which to be optimistic as we look forward to the rest of this year and beyond. Kazakhstan remains a good place to do business and the re-election of president Nursultan Nazarbayev in March, 2011 has helped to ensure continued stability. With an experienced and almost wholly local workforce, we are able to exploit opportunities to expand our business by acquiring or developing other Kazakh gold mining assets – something which we referred to in our circular to shareholders in March this year. In the short term, we look forward to continuing the progress of the underground development whilst the open pit provides us with good cash flow at a steady production rate. The high gold price is, of course, helpful but it will be our ability to reduce costs and develop our resources and, ultimately, reserves which will determine the true value of your company.

This is the last year that we will be reporting in pounds sterling. In future, we will report in United States dollars, the currency in which the Group receives its revenue and which is more stable against the Kazakhstan tenge. This will reduce the effects of currency exchange rate movements on our accounts and simplify our reporting. It is also the reporting currency of many of our peers. I hope that shareholders will welcome this change.

Finally, I wish to pay tribute to the hard work of the staff, management and my colleagues on the board for their unstinting efforts to help improve the business in all aspects. I look forward to reporting further progress over the months to come.

George Eccles

3 May 2011

Chief executive's review

Sekisovskoye operations

After the disruptions caused by the severely cold weather in the first quarter, operations at Sekisovskoye maintained a steady output from May until December 2010, with production for the year of 22,678 ounces. The harsh Kazakh winter of 2009/2010 prompted the urgent execution of phase one of additional winterisation of the external crushing and screening infrastructure. Although conditions this winter were less severe, the programme underpinned an increase in production of some 70 per cent. in the first quarter of 2011, leading to an expectation of slightly raised production this year of some 26,000 ounces.

The operational statistics for 2010 and 2009 were as follows.

Mining

		2010	2009
Ore mined	t	579,579	573,206
Gold grade	g/t	1.19	1.28
Silver grade	g/t	2.20	2.39
Contained gold	oz	22,176	23,598
Contained silver	oz	41,031	43,995
Waste mined	t	3,082,000	3,165,735

Mineral processing

		2010	2009
Crushing	t	713,088	679,714
Milling	t	712,112	676,609
Gold grade	g/t	1.18	1.15
Silver grade	g/t	2.39	2.41
Contained gold	oz	27,129	25,016
Contained silver	oz	54,713	52,425
Gold recovery	per cent.	83.6	80.1
Silver recovery	per cent.	84.7	87.7
Gold poured	oz	22,678	19,575
Silver poured	oz	46,321	46,927

Note: the difference between mined ore tonnage and the mineral crushed tonnage was material taken from the low grade stockpile and third party ore treatment.

Mining activity - open pit mine

The severe cold in the first quarter of 2010 constrained the utilisation of machinery and equipment and hence impacted on production. To combat this, we undertook what is seen as phase one of a winterisation programme of the external crushing and screening infrastructure. During the first quarter of 2011, this has allowed an increase of some 70 per cent. in gold production.

The mining fleet of three excavators and eight trucks was refurbished in the fourth quarter of 2010 as the open pit reached the mid-way point in its operational life. The harsh Kazakh winters inhibit

machinery operation such that, at temperatures below minus 37 centigrade, the majority of mobile equipment is stood down as part of standard operating and safety procedures. A decision to expand the mining fleet was taken in the fourth quarter of 2010. A third Hitachi excavator was delivered to site early in the second quarter of 2011 to ensure that the maintenance of the machinery can be undertaken in line with the planned budget for extraction. In addition, two new Belaz 30-tonne trucks will also be purchased; these will be used for the associated activity of waste removal from the open pit and tailings dam construction works.

Tailings dam number 3 is now 80 per cent. full and construction of tailings dam number 4 is almost complete. A decision to construct the final tailings dam number 5 has been made and application for the land and permission to develop this infrastructure is underway. In the fourth quarter of 2010 it was decided to change from the current slurry deposition of tailings waste to a paste methodology. The benefits of this system are that the scale of the tailings storage facilities is greatly reduced and that all water is re-circulated within the processing plant instead of being sent to the dams. The new system will also provide paste waste for use in the underground mine as part of strata control.

Mineral processing plant

The processing facility is being developed in 2011 and 2012 to improve gold recovery, plant availability and to handle a consistent throughput of 1 million tonnes per annum. This is being achieved by the following actions:

- Reduce downtime caused by electrical disruption by installing a second high voltage transmission line, independent of third party influence.
- Replace and upgrade Chinese crushing and screening equipment with that from western sources. In addition the specification of the crushing equipment is being optimised to ensure that the particle size of the material matches the requirement of the grinding mill.
- Install equipment and instrumentation which optimises the grinding slurry density and particle size. The key to liberating the gold particles from the barren rock is to grind them to a small enough particle size, sufficient to optimise the cyanidation process.
- Change the current manual cyanide control system to an automated system, thereby reducing the volatility in the cyanidation chemical process.
- Expand the elution (electrowinning) circuit and gold smelting furnace capacity.
- Expand the dissolved oxygen system to augment the cyanide control system and in readiness for the underground mineralised material which consumes additional oxygen, due in part to its higher gold grade and different mineralogical characteristics.

In 2013 and 2014, as the operation moves more fully into the underground phase, the mineral processing plant will be further developed to meet the specification of the underground gold bearing material. This will be achieved by:

- Adding a flotation plant between the grinding mills and the cyanide tanks, so that barren material can be removed, thus homogenising the material being treated by cyanidation and effectively increasing the plant capacity to 1.2 million tonnes per annum. The rationale for this process facility change is related to the complex geometry of the mineralised zones at Sekisovskoye which when mined using bulk mining methods will incur high levels of dilution from barren rock (waste).
- Optimising and adjusting the grinding mills to enable efficient grinding of the harder underground material.
- Transferring the ore from the underground mine to the mineral processing plant by an underground and covered conveyor system, thereby reducing ore transport costs and minimising the effects of the harsh Kazakh winter. A series of adjustments to the plant will be made to cater for this new equipment, including a series of day bins, to provide

dry, covered storage for the crushed material, prior to a controlled feed system to the grinding mills.

Underground mine - developments so far

The development of the underground mine to date has been substantial with the following steps being completed in 2010.

- Refurbishment and commissioning of the '320' shaft (extending to a depth of some 120m from the surrounding ground level at 440m),
- Refurbishment and utilisation of the 320 exploration drift,
- Initiation of the 25,000 metre diamond drill programme from the 320 exploration drift, of which some 2,500 metres has been completed to date,
- Installation of ventilation equipment to allow daily working in the mine,
- Construction of mine offices, medical facilities and minor engineering workshops at the '320' shaft collar, allowing around the clock operations,
- Completion of the main decline portal and some 800 metre of decline, with attendant electrical infrastructure, explosive magazines, ventilation raise, pump station and ventilation machinery.

The drilling programme has been carried out by Company employees but the majority of the underground mine development work has been carried out by contractors. In 2011, the number of company employees will expand as we switch away from contractor-orientated development works to in-house teams and our own machinery.

Underground mine - planning

A substantial review of the underground project was undertaken in the fourth quarter of 2010. This included preliminary design work which showed that the forecast mine production rate of 500 thousand tonnes per annum could be expanded to 850 thousand tonnes per annum by use of an integrated shaft, 100 per cent. bulk mining methods and paste backfill systems.

The shaft is a key feature of the underground project infrastructure, linking the main access decline, the existing 320 mrl shaft and an ore handling system to the mineral processing plant. This provides three egress points, optimises ventilation and maximises flexibility to deploy men and machinery.

The initial mine engineering studies undertaken by AMC, Australia in 2008 are being augmented by studies undertaken by Golder Paste Technology (Europe) Limited ("Golder"). Golder have advised on the integrated waste systems, paste backfill and detailed mine engineering studies discussed above. This higher reliance on external technical consultants reduces the reliance on expatriate staff onsite.

An important aspect of the underground project is to manage the complicated geological architecture of the mineralised zones. It is anticipated that, much as occurs in the open pit operation, high levels of dilution will be commonplace. Although the majority of the mining methods selected offer operational standardisation, low costs and an ability to extract 850 thousand tonnes per annum means some dilution will be unavoidable. As such the mineral processing plant will be modified to pre-concentrate the material and sort as much waste as possible from the material fed to the cyanide plant.

It is envisaged that the underground mining machinery will be sourced from a single supplier, thereby aiming for standardisation for spare parts and developing the opportunity for lowest cost maintenance. The plan is to utilise a main European supplier and associated spare parts vendors.

Strategic planning

The open pit operation at Sekisovskoye is designed to operate until the third quarter of 2014. The current mining fleet will then be used to carry out certain mine rehabilitation tasks in line with the open pit mine closure plan. The Group business strategy of developing additional gold based mineral projects in Kazakhstan is likely to require a combination of surface civil engineering or open pit mining activities and it is envisaged that after refurbishment the fleet will be transferred to a new mining location in 2015.

Mineral project operations create substantial quantities of waste. At Sekisovskoye, this waste is generally environmentally benign. An integrated waste system is being introduced in 2011, so that the waste from the open pit is used for construction or is placed in a manner so as to add value to the landscape as part of the mine closure plan. The waste from the mineral processing plant will be transformed into a paste, so that it can be used in the underground project as a construction material for backfilling voids and controlling the ground conditions. The remainder will be stored in the current process plant tailings impoundment dams. The deposition of the mineral process plant waste will be in such a manner as to simplify and augment open pit mine closure and eventual mine closure.

At present a large stockpile of material is being created which has an average grade of gold of 0.73 grammes per tonne. This is below what is considered the economic cut-off grade to maximise the net present value of the project. This material will be fed to the mineral processing plant once the underground mine commences production, both to ensure continuity of production, but also to augment the increase in plant production to 1.2 million tonnes per annum which is seen as optimal for the duration of the Sekisovskoye project.

Corporate social responsibility (“CSR”)

We believe that we have an obligation to be sensitive to the needs of all our direct and indirect stakeholders and should make decisions based not just on financial results but also on the social and environmental consequences of our activities. Our CSR reporting sets out a basic road map for transparent environmental and social sustainability and compliance.

Our present position and future plans

We believe that our operations fully comply with the laws and regulations of Kazakhstan, which include environmental, licensing, employment, health and safety and social obligations. We regard these standards as a minimum and recognise that higher standards can be achieved as we seek to ensure that our business is environmentally and socially sustainable in the long term. In 2011, we will carry out full social and environmental impact assessments which will identify both the negative and positive impacts, and will lead to recommendations for the implementation of measures to minimise and mitigate negatives while accentuating the positives.

We will review our health and safety policies and take any further steps necessary to ensure a ‘Zero Accident’ safety culture, so that safety at work and personal safety becomes second nature. Our risk analyses will be reviewed and we will monitor all workplaces to minimise the risk of occupational health issues. We will design and operate an occupational health and safety management system (“OHSMS”) as part of our risk management strategy to address changing legislation and protect our workforce. As part of our employee skills programme, we will increase environmental awareness and encourage the growth of occupational skills by providing relevant on-the-job and other training. We will continue to employ the majority of our workforce from the local communities and to utilise local suppliers and businesses wherever possible.

In addition to the OHSMS we intend to initiate the design of Environmental and Quality Management Systems (EMS and QMS) and put in place appropriate audit systems to ensure

compliance and provide a continuous focus on improvement in our performance in those areas. We are confident that our progress in this task will be substantial during the next and following years and will positively impact on the success of the Group in the long term.

Our community

During the past year we have effectively supported our local communities in a number of ways. We have continued to carry out winter maintenance to the roads of Sekisovskoye under the terms of our community agreements; supported a number of local organisations with a donation for the improvement of the regional social environment and infrastructure; installed doors and generally refurbished the Sekisovskoye kindergarten; supplied dairy products to the local orphanage; provided financial aid for Sekisovskoye pensioners in honour of "Aged People Day"; renovated Sekisovskoye's World War II memorial; and provided sponsorship of several local and district groups including the amateur theatrical group and a trip to the local district 'Olympics'. In 2011, we are developing a local community athletics club, establishing a football field and inaugurating academic prizes at the local high school. Over the coming years, we intend to maintain our contribution to local community sponsorship.

The future

The above proposals will act as a benchmark to measure our progress over the coming year and we will audit our CSR procedures on a regular basis to achieve continual improvement. We believe that we will achieve significant improvements in our CSR based performance in the coming year in all sections especially in the areas of environmental and social issues.

Hambledon – growth strategy

The Hambledon plan is to develop multiple gold based mineral projects in Kazakhstan. In recognition of this, the Group has discontinued the development of the Ognevka mineral processing plant which is currently in bankruptcy. Hambledon is the senior creditor and as such will seek to maximise its financial return from the bankruptcy which is expected to be concluded in the second quarter of 2011.

The Group is currently reviewing a number of opportunities in Kazakhstan that meet the Group's development strategy.

Financial

Sekisovskoye produced 22,678 ounces of gold in 2010 which was sold at an average of £825 per ounce. There were no other material items of revenue. The cost of production (including depreciation and royalty payments) was £583 per ounce (2009: £513 per ounce).

Sekisovskoye's administration costs were £1.2 million (2009: £1.4 million) and capital expenditure was £3.2 million in 2010 (2009: £2.4 million). The main item of capital expenditure was the development of the underground mine.

TOO Ognevka was placed into bankruptcy in the year and this has been treated in the financial statements as a discontinued operation. The net assets of the company had previously been written down to nil value and therefore the disposal of TOO Ognevka did not give rise to any profit or loss. The Group is a major secured creditor and should any proceeds be realised from the bankruptcy, they will be recorded within the income statement.

Corporate administration costs in 2010 were £1.7 million (2009: £1.3 million). These were mainly director and other staff salaries, professional fees and the cost of maintaining the Group's quote on the AIM Market including investor relations.

The Group prepares its financial statements in pounds sterling but the functional currency of the companies in Kazakhstan is the Kazakhstan tenge ("KZT"). The rates used to convert Kazakhstan Tenge and United States dollars into pounds sterling in these financial statements are as follows:

	2010	2009
£ = US\$	1.59	1.59
£ = KZT	231.44	240.15
US1 = KZT	149.60	150.00

The pound sterling depreciated by approximately 4 per cent. against the Kazakhstan tenge in the year. This resulted in a currency translation gain on the Group's net investment in its subsidiaries in Kazakhstan of £0.5 million which has been taken to reserves.

Principal risks, uncertainties and key performance indicators

The principal risks and uncertainties facing the Sekisovskoye operation include the following:

- 1 Failing to obtain the metallurgical recoveries predicted by test-work.
- 2 Operating costs being significantly higher than those predicted.
- 3 Operations being affected by events outside the control of the company such as major infrastructure failures or political upheaval.
- 4 Uncertainty over the timing of receipt and terms of the operating permits for the underground operation.
- 5 Production being affected by failures of vital equipment.
- 6 Tonnes and grades of ore mined differing from those predicted from the geological model.
- 7 Plant breakdowns affecting the ability to extract the the metalliferous material,
- 8 The risk that key staff may be absent from the operation for prolonged periods for maternity or sickness,
- 9 Fluctuating gold and silver prices as their volatility affects the Group's revenue.

Mitigation of risk and uncertainty

The Company's management has analysed the risks and uncertainties and has in place control systems which monitor daily the performance of the business via key performance indicators.

In addition, following a review of staff resources, we will engage supplementary staff to augment the chief financial officer function, chief engineering role and financial administration.

The Group budget for 2011 includes provision for enhancements to site loss control (security and site access control), infrastructure enhancement and hence long term operating cost reduction. Investments in machinery and instrumentation are being made to improve the metallurgical plant performance and there are work programmes to develop alternate links to national infrastructure.

The board, as outlined in the CSR discussion, monitors the impact of the operation of the environment and community in compliance with an agreed monitoring programme.

The Group receives regular updates on all safety and welfare matters related to its employees. The key performance indicators used to monitor the performance of the operations are:

- Tonnes and grade of ore and waste mined.

- Tonnes processed.
- Metallurgical recovery.
- Gold and silver produced.
- Cost per unit of production.
- Safety of the Group's employees.

Mineral resources

Resource statement

The mineral resource statement for the Sekisovskoye deposit has been prepared under the Australasian JORC Code. Open pit mining operations commenced in mid-2006, ore mining commenced in 2007. The open pit mine has a planned mine life extending until the third quarter of 2014.

The basis of the resource statement is as set out in previous annual reports, specifically that of 2009, where the boundary of the open pit and underground mine was modified reflecting increased knowledge of the boundary between the two extraction operations.

The resource model has been updated to reflect the drilling in the open pit by use of rotary air blast ("RAB") for drilling and blasting activities. This grade control information is used daily to control the extraction of ore for mineral processing, low grade stockpiling or allocation to waste deposition. Additionally, depletion of the open pit resource due to mining activities is also reflected in the mineral resource table 1 below.

The open pit activities in 2009 and 2010 have led to the creation of a stockpile of some 0.6 million tonnes at a gold grade of 0.73 grammes per tonne. This is marginally below the cut-off grade that is used to define the ore that is processed for dore production.

An extensive underground drilling resource delineation programme has been implemented in 2011. This programme is delineating the resources above and below the 300mrl. The initial results from this drilling have been positive and confirm the Soviet drill results. They have not been included in the 2010 resource update.

Table 1
Geological resources remaining within the open pit mine only

Resource category	Tonnes (millions)	Au (g/t)	Contained metal (oz)	Ag (g/t)	Contained metal (oz)	Au cut-off (g/t)
Measured	-	-	-	-	-	0.5
Indicated	2.1	1.55	99,667	2.37	152,395	0.5
Inferred	0.5	1.39	22,345	2.39	38,420	0.5
Total	2.6	1.52	122,012	2.38	190,815	0.5

Note: The resource estimation process has identified that due to the erratic and nuggety nature of the mineralisation, the use of the term 'measured' for JORC classification for resources is erroneous.

There has been a substantial increase in the tonnage included in the inferred category, as more information has been gained in 2010 about the nature of the ore geometry and mineralisation. This increase in resources derives from the reconciliation of the actual excavation of high grade

ores and material which is classified for stacking on to the low grade stockpile for processing at a later date.

Table 2
Geological resources within the underground project area

Resource category	Tonnes (millions)	Au (g/t)	Contained metal (oz)	Ag (g/t)	Contained metal (oz)	Au cut-off (g/t)
Measured	-	-	-	-	-	2.0
Indicated ¹	2.70	5.2	451,396	6.4	555,565	2.0
Inferred ¹	7.22	5.2	1,207,068	7.1	1,648,111	2.0
Indicated ²	4.83	0.8	124,230	1.5	232,932	0.5
Inferred ²	1.14	0.6	21,991	1.2	43,982	0.5
Total	15.89	3.53	1,804,685	4.86	2,480,590	0.5 + 2.0

Note 1: The resource estimation process has identified that due to the erratic and nuggety nature of the mineralisation the use of the measured classification for resources is erroneous.

Note 2: During the first quarter of 2011 the exploration geological model for the underground project area will be re-modelled at 1.0 gramme per tonne to reflect the changes in operating methodology for extraction of mineralised zones and the commensurate decrease in operating costs.

Note 3: The inferred resources contain resources which are classified 'inferred' due to their complex geometry, erratic and nuggety gold distribution and have limited sample data, which complies with the descriptions as set out in the JORC code. However, their nature or tenor is subject to the detailed geological knowledge of the Soviet geologist in 2003 who advised on their inclusion as a basis for future delineation. The correlation between the Soviet resource classification system and that of JORC has not evolved in tandem since 2003 and as such these resources may be subject to reclassification once additional resource delineation drilling is completed.

Note 4: Two sets of Indicated¹⁺² and Inferred¹⁺² have been included showing the resource above 2.0 grammes per tonne Au and between 0.5 gramme per tonne Au and 2.0 grammes per tonne Au.

Mineable reserves

Table 3
Open pit mineable reserves at 31 December 2010.

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)	Ag (g/t)	Contained metal (oz)	Au cut-off (g/t)
Probable	2.77	1.3	90,472	1.9	133,683	0.8

The ore reserve estimate of Sekisovskoye deposit has been prepared under the Australasian JORC Code.

The open pit mineable reserves have been estimated by applying project operating economics, a mining dilution tonnage factor of 23.3 per cent. and a mining dilution grade factor of 0.8. These factors allow a realistic reconciliation between the geological resource model and the actual 2010 mineral process plant feed tonnes and grade. The high dilution reflects the numerous small ore

zones and their geometry. The open pit reserve is that portion of the indicated resource falling entirely within the optimised open pit design.

Within the JORC reporting guidelines, stockpiled materials can also be treated similarly to the in-situ mineralised material for the classification of a mineral resource or reserve. The stockpiled material at Sekisovskoye is set out below.

Table 4
Open pit stockpile reserves at 31 December 2010.

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)	Ag (g/t)	Contained metal (oz)	Au cut-off (g/t)
Probable	0.6	0.73	14,082	1.47	28,357	0.5 to <0.8

The Sekisovskoye underground mineable reserve calculations are based on consultancy work undertaken in 2007 and 2008 by AMC, Australia and internally by the Hambledon underground project team, comprising engineers, geologists and metallurgical staff. Mr. T Daffern has scrutinised these calculations and considers the validity of the 2009 mineable reserves to be legitimate.

Since the consultancy work was completed, parameters have changed and as such the efficacy of the mineable reserves is liable to change in 2011 dependent upon various modifying and economic factors related to the revised mine design and related engineering studies for the Sekisovskoye project. The figures set out below were determined from the mine design work undertaken in 2007 and 2008 as part of the evaluation and design work for the development of the underground project using 2.0 grammes per tonne gold cut-off grade. The 2009 mineable reserve figures were determined by the then technical director of Hambledon Mining plc, Mr. N Stevenson. On the basis of that work, additional checks have been made which using the same basis of derivation show that the current 'mineable reserves' are as set out in table 5.

Table 5
Mineable reserves using the 2007 and 2008 mine design criteria and economic basis

Mineable reserve category	Tonnes (millions)	Au (g/t)	Contained metal (oz)	Ag (g/t)	Contained metal (oz)	Au cut-off (g/t)
Probable	1.9	5.29	332,212	7.6	477,260	2.0

The mineable reserves have been derived in accordance with the discipline of JORC to classify underground mineable reserves. Some of the engineering calculation has been undertaken in house and some by the use of external consultant over a period of 4 years. A comprehensive set of detailed engineering studies have been commissioned with Golder Associates (UK) Limited and these engineering studies are not yet fully complete. It is expected that these detailed engineering studies will be complete in the fourth quarter of 2011.

Mineral resource and mineable reserve and mineral process plant feed reconciliation

Mining of the ore in the open pit is carried out by hydraulic excavators following grade control drilling. The grade control drilling is carried out by using Atlas Copco CR (RAB) drill rigs. The laboratory analysis is carried out in the Sekisovskoye site laboratory. The resulting assays are modelled using Datamine software to produce a grade control model.

The grade control data is used to define the excavation boundaries post blasting of the rock. The grade control model results are based on vertical rotary drill hole sampling data, versus the diamond drill core sampling (sub-vertical and sub-orthogonal to the mineralised rock for the exploration (JORC) resource model for the year ended 31 December 2010. A polygonal approach was used for grade interpolation, in assigning gold grades to the delineated ore zones prior to mining. For grade control the Company does not assay silver.

The grade control geological model is reconciled back to the original exploration derived geological block model (JORC) prior to mining to determine the accuracy of the original model. A comparison of the grade control geological model and the original exploration geological model indicated that there was a more appropriate method of accounting for the complex geometry in determining the mineable reserves or mineral processing plant feed.

The exploration (JORC) geological resource model continues to show a reasonably good spatial correlation with the grade control resource model, which is consistent with the resource evaluations undertaken in 2009. However, as in 2009 the exploration (JORC) geological resource model shows a higher contained gold content. The reason for this variation was investigated in 2010 and was found to be as a result of (a) the erratic nature of the gold distribution; (b) the difference between RAB and diamond core drilling; and (c) the vertical nature of the grade control drilling which at times assays mineralised material and barren material indiscriminately. In 2009 it was found that the overestimation of the geological resource in the area between 460mrl to the 420mrl was due to the Soviet channel sampling data. This data has been removed from the resource estimation models.

The channel sampling data used from the main underground adit (320mrl) has been maintained within the geological model, as the gold grades and percentage of overall samples is statistically much lower than the gold values found from the diamond drill data in the area. As such it is believed that there is no further overestimation in the underground geological model.

Underground drilling undertaken from the 320mrl adit so far in 2011 has confirmed this geological understanding. Further progress reports will be released during 2011,

The mining activities in 2010 involved the excavation of ore from the 435mrl to the 400mrl.

Glossary of technical terms used

Grade	<i>The tenor or concentration by weight of a metal in a mineral deposit or ore.</i>
Indicated resource	<i>A category of mineral resource of higher confidence than an Inferred Resource, the estimation of which is prescribed by the JORC Code. This is the minimum level of resource classification required for ore reserve estimation under the JORC Code.</i>
Inferred resource	<i>A category of mineral resource the estimation of which is prescribed by the JORC Code. Inferred resources cannot be used as a basis for ore reserve estimation.</i>
JORC code	<i>Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (Joint Ore Reserves Committee). See www.jorc.org/main.php</i>
Kriging	<i>A class of methods of estimating mathematically the distribution of a metal in three dimensions within the earth, together with the confidence of the estimate</i>
Mineral resource	<i>An estimated tonnage and grade of mineralisation in the ground determined as prescribed by the JORC Code</i>
Mineable reserve	<i>That part of a mineral resource which can be demonstrated to be exploited profitably when all modifying factors are taken into account, as prescribed by the JORC code.</i>
Mineral inventory	<i>A term used to describe mineral resources and mineable reserves which are not static as additional resource delineation is not yet complete, and engineering calculations are pending. As such what might be a mineral resource today may be a mineable reserve tomorrow.</i>
Ore reserve	<i>That part of a mineral resource which can be demonstrated to be worked profitably when all modifying factors are taken into account.</i>
M.R.L.(R.L.)	<i>Reduced Level. Measurement of elevation as measured relative to Baltic Sea standard datum.</i>
Tonne	<i>A metric tonne of 1000 kilograms</i>
oz	<i>Troy ounce</i>
g/t	<i>Grammes per tonne of mineralised rock</i>

Qualified person

The Sekisovskoye resource estimates have been prepared by Mr. R Rhodes B.Sc., M.Sc., MIMMM, an independent geologist 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 London Stock Exchange (“LSE”) AIM Rules. The mineral resources have been reviewed by Golder Associates (UK) Limited (“Golder Associates”) as part of on-going engineering studies relevant to the development of the Sekisovskoye underground mine project. The review by Golder Associates has determined that the mineral resource estimate is reasonable. Mr. R Rhodes has reviewed the resource information given in this annual report and consents to its inclusion in the form and context in which it appears.

The mineable reserve estimate has been prepared by Mr. T Daffern, B. Eng. (Mining), MBA, C Eng., MAusIMM, MCIM, FIMMM. The material which has been reviewed in preparation of the mineable reserves estimates is that of Mr. R Rhodes, Golder Associates and the in house site staff at Sekisovskoye. The underground project mineable reserves are based on material from Mr. R Rhodes, Golder Associates and AMC Australia and the in house site staff at Sekisovskoye. Mr. T Daffern is a full time director of the Company and has sufficient experience which is relevant to the operational parameters used now and to the style of mining that is planned, and is a qualified person for the purpose of reporting resources under the JORC Code and the AIM Rules.

This estimate of the mineral resources and reserves does not comprise part of the audited financial statements, which have been audited by Deloitte LLP.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. The major risks and uncertainties which could impact on the Group's ability to generate cash in the next twelve months are its level of production and gold prices.

Mining and processing operations at Sekisovskoye are the Group's only source of revenue. The directors believe that production at or above the levels achieved from the start of 2011 to the date of this report are sustainable. The levels of production in 2011 are currently running approximately ten per cent. above the levels of production achieved in the same period of 2010 on an annualised basis. The Group also reported its first significant profit and net cash flow from operating activities for the year ended 31 December 2010.

The Group's forecasts and projections based on the assumption that the current level of production at Sekisovskoye can be sustained and on the prevailing outlook for the gold price and taking into account reasonably possible changes in the level of production and gold prices show that the Group now expects be cash generative from operations for the foreseeable future. The Group has various sources of finance available in addition to those generated from operations to enable it to meet its capital expenditure plans. The Group has a US\$2 million working capital borrowing facility contracted until December 2012. In March 2011, the Group raised £8.6 million net of expenses by issuing new shares by way of a firm placing and open offer. The directors believe that the Group's low level of gearing relative to the value of its assets would put it in a strong position, were any additional funding to be required.

Accordingly, at the time of approving the Group financial statements, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

**Group income statement
year ended 31 December 2010**

	Notes	2010 £000	2009 £000
Continuing operations			
Revenue		18,795	12,810
Cost of sales		(13,230)	(10,042)
Gross profit		<u>5,565</u>	<u>2,768</u>
Administrative expenses		(2,963)	(2,670)
Operating profit		<u>2,602</u>	<u>98</u>
Investment revenues		8	3
Other losses		(124)	(41)
Finance costs		(339)	(249)
Profit / (loss) before taxation		<u>2,147</u>	<u>(189)</u>
Taxation (charge) / benefit	3	(181)	292
Profit from continuing operations		<u>1,966</u>	<u>103</u>
Discontinued operations			
Loss for the year	4	(48)	(56)
Profit attributable to equity shareholders		<u>1,918</u>	<u>47</u>
Profit per ordinary share			
Continuing operations			
Basic	6	<u>0.38p</u>	<u>0.02p</u>
Diluted	6	<u>0.38p</u>	<u>0.02p</u>
From continuing and discontinuing operations			
Basic	6	<u>0.37p</u>	<u>0.01p</u>
Diluted	6	<u>0.37p</u>	<u>0.01p</u>

**Group statement of comprehensive income
year ended 31 December 2010**

	2010	2009
	£000	£000
Profit for the year	1,918	47
Currency translation differences on foreign currency net investments	535	(4,608)
Total comprehensive profit / (loss) for the year attributable to equity shareholders	2,453	(4,561)

**Group balance sheet
31 December 2010**

	Notes	2010 £000	2009 £000
Non-current assets			
Property, plant and equipment		15,231	15,376
Inventories		3,776	-
Restricted cash		104	41
		<u>19,111</u>	<u>15,417</u>
Current assets			
Inventories		3,763	4,980
Trade and other receivables		3,066	1,833
Cash and cash equivalents		620	1,462
		<u>7,449</u>	<u>8,275</u>
Total assets		<u>26,560</u>	<u>23,692</u>
Current liabilities			
Trade and other payables		(1,518)	(1,425)
Other financial liabilities	7	(182)	(176)
Provisions	7	(126)	-
		<u>(1,826)</u>	<u>(1,601)</u>
Net current assets		<u>5,623</u>	<u>6,674</u>
Non-current liabilities			
Trade and other payables		-	(470)
Other financial liabilities	7	(1,107)	(774)
Deferred taxation		(318)	(137)
Provisions	7	(833)	(821)
		<u>(2,258)</u>	<u>(2,202)</u>
Total liabilities		<u>(4,084)</u>	<u>(3,803)</u>
Net assets		<u>22,476</u>	<u>19,889</u>
Equity			
Called – up share capital		516	516
Share premium		33,996	33,996
Merger reserve		(148)	(148)
Other reserves		329	253
Currency translation reserve		(506)	(1,041)
Accumulated losses		(11,711)	(13,687)
Total equity		<u>22,476</u>	<u>19,889</u>

**Group cash flow statement
year ended 31 December 2010**

	2010	2009
	£000	£000
Net cash inflow from operating activities	2,386	779
Investing activities		
Interest received	8	3
Proceeds on disposal of property, plant and equipment	2	104
Purchase of property, plant and equipment	(3,180)	(2,354)
Restricted cash	(63)	(18)
Net cash used in investing activities	<u>(3,233)</u>	<u>(2,265)</u>
Financing activities		
Proceeds on issue of shares	-	2,726
Repayment of bank loans	-	(356)
Net cash inflow from financing activities	<u>-</u>	<u>2,370</u>
(Decrease)/increase in cash and cash equivalents	<u>(847)</u>	<u>884</u>
Cash and cash equivalents at beginning of the year	1,462	513
Effect of foreign exchange rates changes	5	65
Cash and cash equivalents at end of the year	<u><u>620</u></u>	<u><u>1,462</u></u>

Notes

1 *General information*

Hambledon Mining plc (the “Company”) is a company incorporated in England and Wales. The address of the registered office is Daws House, 33-35 Daws Lane, London, NW7 4SD. The principal activities and place of business of the Company and its subsidiaries (“the Group”) are set out in the Chairman’s statement and the Chief executive’s review above.

2 *Basis of preparation of financial information*

The financial information set out above, which was approved by the Board on 3 May 2011, has been compiled in accordance with International Financial Reporting Standards (“IFRS”), but does not contain sufficient information to comply with IFRS. The Company expects to distribute its full financial statements that comply with IFRS in May 2011.

The financial information set out above does not constitute the Company’s statutory accounts for the year ended 31 December 2010 but is extracted from those accounts. The Company’s statutory accounts for the year ended 31 December 2010 will be filed with the Registrar of Companies following the Company’s annual general meeting. The independent auditors’ report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying those accounts and did not contain any statement under section 498(2) or (3) of the Companies Act 2006. The Company’s statutory accounts for the year ended 31 December 2009 have been filed with the Registrar of Companies. The independent auditors’ report on those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying those accounts and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention. The accounting policies are consistent with those adopted and disclosed in the Group’s annual financial statements for the year ended 31 December 2009.

3 *Taxation*

An analysis of the taxation charge is as follows:

	2010	2009
	£000	£000
Current taxation	-	-
Deferred taxation	181	(292)
	-----	-----
Total taxation charge / (benefit)	181	(292)
	-----	-----

4 *Discontinued operations*

During the year ended 31 December 2008, TOO Ognevka ceased production of copper and other metal concentrates at its plant in North Eastern Kazakhstan. Due to the closure of the plant, the government rehabilitation process was deemed to have failed and on 7 December 2010, TOO Ognevka was placed into bankruptcy.

5 *Dividend*

The directors do not recommend the payment of a dividend (2009 – nil).

6 *Profit per ordinary share*

The calculation of basic and diluted earnings per share from continuing and discontinued operations is based upon the retained profit from continuing operations for the financial year of £1,966,000 (2009: £103,000) and the retained loss from discontinued operations of £48,000 (2009: £56,000).

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

	2010	2009
Basic and diluted	516,089,233	481,267,589
	-----	-----

7 *Reclassification of comparative amounts*

The other financial liabilities is the Group's liability to reimburse the Kazakhstan Government for certain historic costs. Prior to 2010, the Group's liability for historic cost was classified in its balance sheet as a provision. From 2010, the liability has been reclassified as other financial liabilities and the comparative amount for 2009 has been reclassified accordingly. The reclassification was as a result of an amendment to the Kazakh tax code in 2009, following which there is no longer any uncertainty as to the timing or amount of the repayment.

8 *Post balance sheet event*

On 14 March 2011, the Company announced that it was proposing to raise up to £9.1 million through the issue of up to 227,329,873 new ordinary shares by way of a firm placing and open offer. The issue price was 4 pence per share. Of the funds raised, £6.6 million were for upgrading the surface infrastructure at the Sekisovskoye mine and the balance for working capital and to accelerate the underground development at the Sekisovskoye mine. The open offer was on the basis of one new share for every ten shares held. The open offer was not underwritten.

As part of the transaction, 1.75 million existing ordinary shares held by Mr. Bridgen (the former chief executive officer and now non-executive director) and his spouse were placed with institutional and other investors conditional on the completion of the firm placing. Other directors subscribed for a total of 525,000 new ordinary shares.

The firm placing and open offer was approved at a general meeting of the Company held on 30 March 2011. Further to the placing and open offer, 227,329,873 new ordinary shares in the Company were allotted raising gross proceeds of £9.1 million and £8.6 million net of expenses of £0.5 million. The shares were admitted for trading on 31 March 2011. Following the firm placing and open offer, the Company had a total of 743,419,106 ordinary shares in issue.

9 *Annual general meeting*

The annual general meeting of the Company will be held at the Institute of Materials, Minerals and Mining, One Carlton House Terrace, London, SW1Y 5DB, United Kingdom on Tuesday 21 June 2011 at 11.00 a.m.

Company Information

<i>Directors</i>	George Eccles <i>Non-executive chairman</i>
	Timothy Daffern <i>Chief executive</i>
	Nicholas John Bridgen <i>Non-executive director</i>
	Christopher Thomas <i>Non-executive director</i>
	Baurzhan Yerkeyev <i>Executive director</i>
<i>Secretary</i>	William Roy Morgan B. Sc. ACA
<i>Registered Office</i>	Daws House 33-35 Daws Lane London NW7 4SD Telephone +44 (0) 870 111 8778
<i>Web</i>	www.hambledon-mining.com
<i>Kazakhstan Office</i>	10 Novostroyevskaya Sekisovskoye Village Kazakhstan Telephone: +7 (0) 72331 27927 Fax: +7 (0) 72331 27933
<i>Nominated Advisor and Broker</i>	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT Telephone: +44 (0) 207 598 5368
<i>Joint Broker</i>	Ambrian Partners Ltd. Old Change House 128 Queen Victoria Street London EC4V 4BJ Telephone +44 (0) 20 7634 4700
<i>Investor relations</i>	Charles Zorab Telephone: +44 (0) 207 233 1462
<i>Registrars</i>	Neville Registrars 18 Laurel Lane Halesowen West Midlands B63 3DA Telephone: +44 (0) 121 585 1131