HAMBLEDON MINING PLC

Interim results to 30 June 2012

14 September 2012

Hambledon Mining Plc ("Hambledon" or the "Company"), the AIM quoted gold mining company based in Kazakhstan, announces its unaudited results for the six months to 30 June 2012.

Highlights:

- Gold production from Sekisovskoye was 10,710 ounces (six months to 30 June 2011: 9,769 ounces).
- Operating loss was $ 2.1m (six months to 30 June 2011: $2.3m).
- Cash costs for gold production were $1,262 per ounce including royalty payments;
- $10m loan drawn from European Bank for Reconstruction and Development (EBRD)
- $11.5m net of costs raised from placing to institutions and EBRD.
- Gross cash of $10.6m at 30 June 2012 and net cash after borrowing of $0.6m (31 December 2011: $1.8m and $0.8m respectively).
- Capital expenditure in the period was $4.8m.
- Sabine Anderson appointed as new non-executive director.
- The acquisition of Akmola Gold is still awaiting a waiver from the Kazakhstan authorities.

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CHAIRMAN'S STATEMENT

I am pleased to report to shareholders for the six months to 30 June 2012.

Review of 2012 to date

The period under review has been challenging for your Company both within Kazakhstan and from a mining perspective. The operations were certainly buffeted by the tailings dam leak at the end of 2011 and the consequent drain of our cash resources from fines, penalties and rehabilitation work which could have been better spent elsewhere. Nevertheless, we have faced up to these challenges and these results are still marginally better than the corresponding period last year. The fall-out from the tailings dam leak has also taken up an incredible amount of management time and it is a credit to the Sekisovskoye management that it has coped as well as it has. Indeed, from an operational point of view, there has been much to cheer as the open pit grades have been edging higher and we completed the removal early in the period of the excess overburden of waste ore that impacted on costs and limited throughput last year.

We remain determined to improve the recoveries from the plant which hover below the 80% level and this is one of the key factors that will improve our operational and financial performance in the second half of this year.

Directorate changes

We were delighted to welcome to the board Sabine Anderson in July as a non-executive director. She brings a wealth of talent from her background as a mining engineer working for a wide range of mining companies and as a mining consultant.

Outlook

We recently announced a re-think in the underground development at Sekisovskoye. This has been in reaction to different influences on the Company - operational, administrative, regulatory and financial. We now look forward to a period of consolidation and a build-up of our capital resources which will allow us to move forward not only with Sekisovskoye but our other projects as well.

George Eccles
14 September 2012

CHIEF EXECUTIVE'S REVIEW

SEKISOVSKOYE

Mining

Mining operations in the first half of 2012 performed well and according to plans. The completion of the removal of excess waste in 2011 meant that the waste to ore ratio this year has improved from 7:1 to 4:1. All open pit waste was trucked to the tailings dam construction areas where the waste material is used to construct foundations and embankments for the dams.

Improvements to open pit blasting have been implemented which have improved fragmentation and therefore improved excavator productivity. In addition, the purchase of an additional road grader has seen the haul road surface improved and average haul speeds increased to complement the higher excavator productivity.

Changes in the dewatering systems have reduced the amount of water in the floor of the open pit, thereby reducing maintenance costs for the mine vehicles and lowering the inventory of mining consumables.

The combination of these improvements has reduced the cost per tonne of ore mined from $2.5 in 2011 to around $2.0 currently, despite significant inflation in wages, fuel and consumables.

Processing

Plant throughput in the first half was curtailed by the lack of tailings storage capacity caused by the leak and consequent decommissioning of the third tailings dam as further described below.

The recovery of gold in the process plant at 79% was well below the historical performance of the plant, caused by the treatment of the harder primary ores now being mined which not only reduce recovery but also result in increased wear and tear of the plant and the quantity of consumables used.

Changes in the mineral processing plant to cope with the harder ores are in progress. The seventh CIL tank has been installed and will be commissioned early in the fourth quarter of this year. The installation of process instrumentation is well advanced, and a new cyclone tower and crushing screens are also envisaged for the fourth quarter.

These CIL and crushing plant improvements, along with the optimisation of the new cyclones to improve the classification of the ground ores, should enable the Company to improve its gold recovery from 79% to 80% in the short term and to higher levels in 2013.

Tailings dam No. 3 (TD3)

The remedial works for TD3 are well advanced with all foundation works complete and the lining of the dam approximately 75% complete. It is expected that completion of the dam will be during late September with approval to commence using the dam issued by the authorities in mid-October, 2012.

Once the tailings dam is in operation there will be no restriction on mineral processing throughput as there will be adequate storage capacity for the processing plant effluent.

As announced on 29 August 2012, Hambledon and its Kazakh legal advisers consider the resolution of the Court on 16 August 2012 unlawful, unjustified and that they violate the legal and procedural norms of the Republic of Kazakhstan. The Company has prepared an appeal against this resolution to a higher level court, the Regional Court of East Kazakhstan. In the event that the hearing of this appeal is not satisfactory, Sekisovskoye Mining Company LLP retains the right to appeal to various higher intermediary Kazakhstan courts including the Supreme Court of Kazakhstan.

Hambledon continues to have confidence that the amount of the fines and penalties which the Company has already paid are unjustifiable and the Company continues its appeal process with the aim of obtaining at least partial repayment of the fines paid to the Kazakh Government.

The issue is unlikely to be resolved before the end of the year.

Underground project

The underground mine has produced 21,405 tonnes of ores at a grade of 2.68g/t Au during the first six months of operation. This tonnage includes both ore and marginal low grade waste mined during the development process.

The Company has recently started work on test bulk mining and the results so far of this mining programme have shown that bulk mining is practicable and planned grades are close to actual grades mined. However, further development of the underground mine requires the construction of substantial infrastructure. At the same time other capital expenditures, together with the fines recently paid in respect of the failure of the tailings dam in Q1 2012, impose a considerable funding burden on the Company. Furthermore, the regulatory process for developing the underground mine is bureaucratic and convoluted, with recent changes to this process requiring significant additional technical studies and submission of plans which will be based on the final results of the initial on-going bulk mining test programme.

For these reasons, the Company has decided that instead of continuing the mining of the ore zones concurrently with progressing the next stage of feasibility study, underground production should be paused following extraction of the currently accessible zones. The on-going programme of diamond drilling will continue so that the geological knowledge of the underground mine is continuously developed and the future development of underground mining optimised. It is envisaged that underground mining will resume in H2 2013.

In the meantime, the Company intends to build up its cash resources by deferring the proposed underground capital expenditure programme. The cash generation from the on-going open pit operations is expected to increase markedly in 2013 as a result of the scheduled reduction of the stripping ratio of waste to ore, the completion of the remedial works to tailings dam 3 and the ability to dump waste rock from the main pit into the depleted North pit, reducing the average waste haulage distance from around 5km to 500 metres.

This more cautious approach to the mine development will ensure that the business builds up its capital from internally generated cash flow from continuing mining operations, has sufficient time to optimise the underground development and ensure full compliance with the Kazakhstan administrative approval processes for underground mining.

The Company has revised its forecast for gold production in Q4 2012 and hence its overall 2012 forecast is reduced to 21,000oz Au. This figure takes into consideration the reduction in underground mining volumes and the restraint on gold production caused by the tailings dam remediation works.

Safety and training

The Company's sound safety performance during 2012 continued with no significant accidents or incidents reported. Training of personnel through in-house and external trainers continues with a focus of improved maintenance of mining machinery and plant equipment.

The implementation of the ISO 180001 programme for safety management supports the on-going safety systems and has enabled a reduction in minor injuries.

Environmental

No significant incidents were reported during the period. With the construction of the fourth tailings dam well advanced, significant quantities of good quality topsoil and clay have being stockpiled in readiness for rehabilitation works of the overall tailings dam complex.

Work is now underway to complete the excavation of the north zone of the open pit, which will then be used as a storage area for open pit waste and therefore an important milestone in ensuring the site rehabilitation is undertaken as appropriate during normal operations.

The business was audited by an accredited International Cyanide Management Institute (ICMI) auditor who found the business to comply with all international standards for the storage and handling of cyanide. A number of minor improvements have been agreed, to be implemented before the next audit and accreditation of the company to the ICMI standard.

Community

The Company has made strenuous efforts to rebuild its relationships with the local village. The results of this effort have been rewarded with a resumption of excellent community relations which have been enhanced with recent media coverage of the Company's business. This media coverage showed to the people of Kazakhstan that despite the minor leak from tailings dam, the Company has met all obligations to the authorities, has an enviable employment record and makes a positive contribution to the economy in the Sekisovskoye region.

The Company has completed the construction in the local region of a playing field for school children, assisted with local village beautification and street lighting, provided an excavator for municipal drainage works, provided a new and expanded village water reticulation system and recently completed a village community centre with gymnasium, mothers' room and teenager activity room.

The Company plans to continue to support community projects to benefit the local municipality and enhance life for all who work for the Company and live within the environs of the business.

AKMOLA GOLD

The acquisition of Akmola Gold LLP is progressing slowly. The Company has continued to respond to numerous queries from the authorities and, having resubmitted various documents with required changes, is hopeful that a waiver of the government's right to pre-emption will be issued later this year, clearing the way for completion of the acquisition.

At this stage, no work has commenced onsite and, with the approach of winter, no work is scheduled to take place until Q2, 2013.

FINANCIAL

Sekisovskoye poured 10,710 ounces of gold in the six months to 30 June 2012. Due to the time lag in shipping and selling gold to the refiner, a total of 10,532 ounces was sold in the period at an average price of $1,656 per ounce. Sales of silver totalled $354,000. Total revenue for the six months to 30 June 2012 was $18.2m (30 June 2011: $12.8m). There were no other material sources of revenue.

The cash cost per ounce of gold (including royalty payments) was $1,262. This higher than average cost in the six months ended 30 June 2011 was due to lower recoveries, tailings dam construction and high cost, 'selective' underground mining, as well as inflation in prices of consumables for mining and processing. In the six month period to 30 June 2012, the waste to ore stripping ratio was 4:1 and gold recovery was 79 per cent. The Group's accounting policy is to directly expense stripping costs to cost of sales where the stripping ratio exceeds the long term waste to ore ratio included in the Sekisovskoye mine plan. As the stripping ratio was below this in the period, there were no stripping costs directly expensed in the period. The cost of sales included $2.3 million in respect of underground mining costs.

Sekisovskoye's administration costs in the period were $1.1 million and capital expenditure was $4.8 million. The main item of capital expenditure in the period was the development of the underground mine.

At 1 January 2012, the Group had a provision in its balance sheet for $7.4 million which was established in the year ended 31 December 2011 in respect of the leak from a tailings dam in October 2011. Expenditure of $4.8 million was incurred in the period in respect of repairs, fines and penalties and social obligations. This was charged against the provision, with $2.6m remaining to cover further costs in the second half of the year.

Corporate administration costs in the six months to 30 June 2012 were $1.5 million. These comprised directors' and other staff salaries, professional fees and the cost of maintaining the Group's quote on the AIM market, including investor relations. They also included $0.3 million of consultancy for management support of the Sekisovskoye operation.

The Group has loaned funds to Akmola Gold to finance its business affairs whilst the Company completes its acquisition and, as at 30 June 2012, this loan stood at $1.7 million. This loan together with other acquisition related costs of $1.5 million has been included within debtors in the Group balance sheet at 30 June 2012.

The Group was financed by a secured $2 million working capital facility from a local bank in Kazakhstan at the start of 2012. During the period, a $15 million secured facility was obtained from the European Bank of Reconstruction and Development ("EBRD"). Simultaneously, the working capital facility with the local bank was cancelled. The Group had drawn down $10 million of the EBRD facility at 30 June 2012. The loan from EBRD is included in the Group's balance sheet at 30 June 2012 at its fair value of $9.6 million. This is the amount of the loan offset by the costs of obtaining the loan which will be amortised to profit and loss over the life of the loan.

The Group raised $11.5 million net of costs through a placing in February 2012 and from an equity subscription by EBRD in the period. As part of its equity investment, EBRD were also granted warrants over 30 million ordinary shares of the Group. The warrants are exercisable at any time before the earlier of (i) 21 February 2014 and (ii) if the closing price per ordinary share exceeds 6.5325 pence for a period of 20 consecutive trading days during that two year period. The exercise price of the warrants is 4.875 pence per ordinary share. A reserve has been included in the balance sheet for the fair value of the warrants which has been calculated using the Black Scholes method. The share premium on the issue of the ordinary shares to EBRD has been reduced by the amount of the warrant reserve.

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

	6 months ended 30 June 2012		**Year ended 31 December 2011**		**6 months ended 30 June 2011**	
	Closing	***Average***	***Closing***	***Average***	***Closing***	***Average***
US$ = £	1.56	1.57	1.54	1.60	1.60	1.62
US$ = KZT	147.00	148.16	145.58	146.65	146.12	146.05
£ = KZT	233.37	233.65	224.96	235.22	234.08	236.04

Condensed group income statement
Six months ended 30 June 2012

	Note	Six months to 30 June 2012 (unaudited) $000	Six months to 30 June 2011 restated* (unaudited) $000	Year ended 31 December 2011 (audited) $000
Continuing operations				
Revenue		18,195	12,844	33,325
Cost of sales		(16,957)	(12,543)	(29,892)
Gross profit		1,238	301	3,433
Administrative expenses		(3,352)	(2,613)	(5,886)
Tailings dam leak		-	-	(7,757)
Operating loss		(2,114)	(2,312)	(10,210)
Investment revenues		10	10	25
Other gains / (losses)		88	207	(77)
Finance costs		(141)	(137)	(317)
Loss before taxation		(2,157)	(2,232)	(10,579)
Taxation(charge) / benefit		(69)	(108)	1,157
Loss from continuing operations		(2,226)	(2,340)	(9,422)
Discontinued operations				
Profit for the period		-	-	1,500
Loss attributable to equity shareholders	4	(2,226)	(2,340)	(7,922)
Loss per ordinary share				
Continuing operations				
Basic	5	(0.25)c	(0.10)c	(1.37)c
Diluted	5	(0.25)c	(0.10)c	(1.37)c
From continuing and discontinued operations				
Basic	5	(0.25)c	(0.10)c	(1.15)c
Diluted	5	(0.25)c	(0.10)c	(1.15)c

* see note 3

Condensed group statement of comprehensive income
Six months ended 30 June 2012

	Six months to 30 June 2012 (unaudited) $000	Six months to 30 June 2011 restated* (unaudited) $000	Year ended 31 December 2011 (audited) $000
(Loss) for the period	(2,226)	(2,340)	(7,922)
Currency translation differences on foreign currency net investments	480	1,596	98
Total comprehensive (loss) for the period attributable to equity shareholders	(1,746)	(744)	(7,824)

* see note 3

Condensed group balance sheet
30 June 2012

	30 June 2012 (unaudited) $000	30 June 2011 restated* (unaudited) $000	31 December 2011 (audited) $000
Non-current assets			
Property, plant and equipment	34,130	28,520	31,793
Inventories	4,881	6,066	4,177
Trade and other receivables	-	-	399
Deferred tax asset	978	-	978
Restricted cash	333	246	239
	40,322	34,832	37,586
Current assets			
Inventories	11,898	10,390	11,061
Trade and other receivables	9,738	5,702	8,404
Cash and cash equivalents	10,586	6,510	1,763
	32,222	22,602	21,228
Total assets	72,544	57,434	58,814
Current liabilities			
Trade and other payables	(6,088)	(5,475)	(5,994)
Other financial liabilities	(282)	(278)	(282)
Provisions	(2,883)	(275)	(7,640)
Borrowings	-	-	(1,000)
	(9,253)	(6,028)	(14,916)
Net current assets	22,969	16,574	6,312
Non-current liabilities			
Other financial liabilities	(1,388)	(1,585)	(1,501)
Deferred taxation	-	(508)	-
Provisions	(1,460)	(1,330)	(1,400)
Borrowings	(9,610)	-	-
	(12,458)	(3,423)	(2,901)
Total liabilities	(21,711)	(9,451)	(17,817)
Net assets	50,833	47,983	40,997

*** see note 3.**

Condensed group balance sheet
30 June 2012
(continued)

	30 June 2012 (unaudited) $000	30 June 2011 restated* (unaudited) $000	31 December 2011 (audited) $000
Equity			
Called-up share capital	1,682	1,310	1,310
Share premium	87,587	76,914	76,914
Warrant reserve	488	-	-
Merger reserve	(282)	(282)	(282)
Other reserves	586	682	535
Currency translation reserve	(6,344)	(5,323)	(6,821)
Accumulated losses	(32,884)	(25,318)	(30,659)
Total equity	50,833	47,983	40,997

*** see note 3**

Condensed group cash flow statement
Six months ended 30 June 2012

	Six months to 30 June 2012 (unaudited) $000	Six months to 30 June 2011 restated* (unaudited) $000	Year ended 31 December 2011 (audited) $000
Net cash (outflow) / inflow from operating activities	(6,557)	(1,389)	2,729
Investing activities			
Interest received	10	10	25
Proceeds on disposal of property, plant and equipment	50	11	18
Purchase of property, plant and equipment	(4,836)	(6,832)	(13,426)
Prepayment for non-current assets	-	-	(399)
Akmola Gold advances	(228)	-	(1,462)
Akmola Gold prepayment of fees	(53)	-	(1,452)
Restricted cash	(94)	(81)	(78)
Net cash used in investing activities	(5,151)	(6,892)	(16,774)
Financing activities			
Proceeds on issue of shares	11,533	13,849	13,849
Repayment of bank loan	(1,000)	-	-
Drawdown of bank loans	10,000	-	1,000
Net cash inflow from financing activities	20,533	13,849	14,849
Increase / (decrease) in cash and cash equivalents	8,825	5,568	(804)
Cash and cash equivalents at beginning of the period	1,763	959	959
Effect of foreign exchange rate movements	(2)	(17)	-
Cash and cash equivalents at end of the period	10,586	6,510	1,763

* see note 3

Notes to the interim condensed group financial statements
Six months ended 30 June 2012

1 *General information*

These interim group financial statements are for the six months ended 30 June 2012 and are unaudited. The information for the year ended 31 December 2011 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

The financial information for the year ended 31 December 2011has been extracted from the statutory accounts of Hambledon Mining plc ("the Group") for that year that were prepared under United Kingdom Law and International Financial Reporting Standards (IFRS) adopted by use by the European Union. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

2 *Accounting policies*

The interim group financial statements have been prepared using the accounting policies set out in the statutory accounts for Hambledon Mining plc for the year ended 31 December 2011. These accounting policies comply with International Financial Reporting Standards (IFRS) adopted by use by the European Union.

3 *Restatement of comparatives*

Prior to the year ended 31 December 2011, the Group prepared its financial statements in United Kingdom pounds. For the year ended 31 December 2011, the Group prepared its financial statements using United States dollars as the presentational currency instead of United Kingdom pounds as in previous years. Accordingly the comparative information for the 6 months ended 30 June 2011 has been restated into United States dollars.

4 *Dividend*

The directors do not recommend the payment of a dividend.

5 *(Loss) / profit per ordinary share*

The calculation of basic and diluted earnings per share from continuing and discontinued operations is based upon the retained (loss) /profit for the financial period.

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

	Six months to 30 June 2012 (unaudited)	**Six months to 30 June 2011 (unaudited)**	**Year ended 31 December 2011 (audited)**
Basic and diluted	898,221,596	630,382,153	687,365,165

6 *Approval of interim group financial statements*

The interim group financial statements for the six months to 30 June 2012 were approved by the directors on 14 September 2012.

Company Information

Directors	George Eccles *Non-executive chairman* Timothy Daffern *Chief executive* Baurzhan Yerkeyev *Executive director* Nicholas Bridgen *Non-executive director* Sabine Anderson *Non-executive director*
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