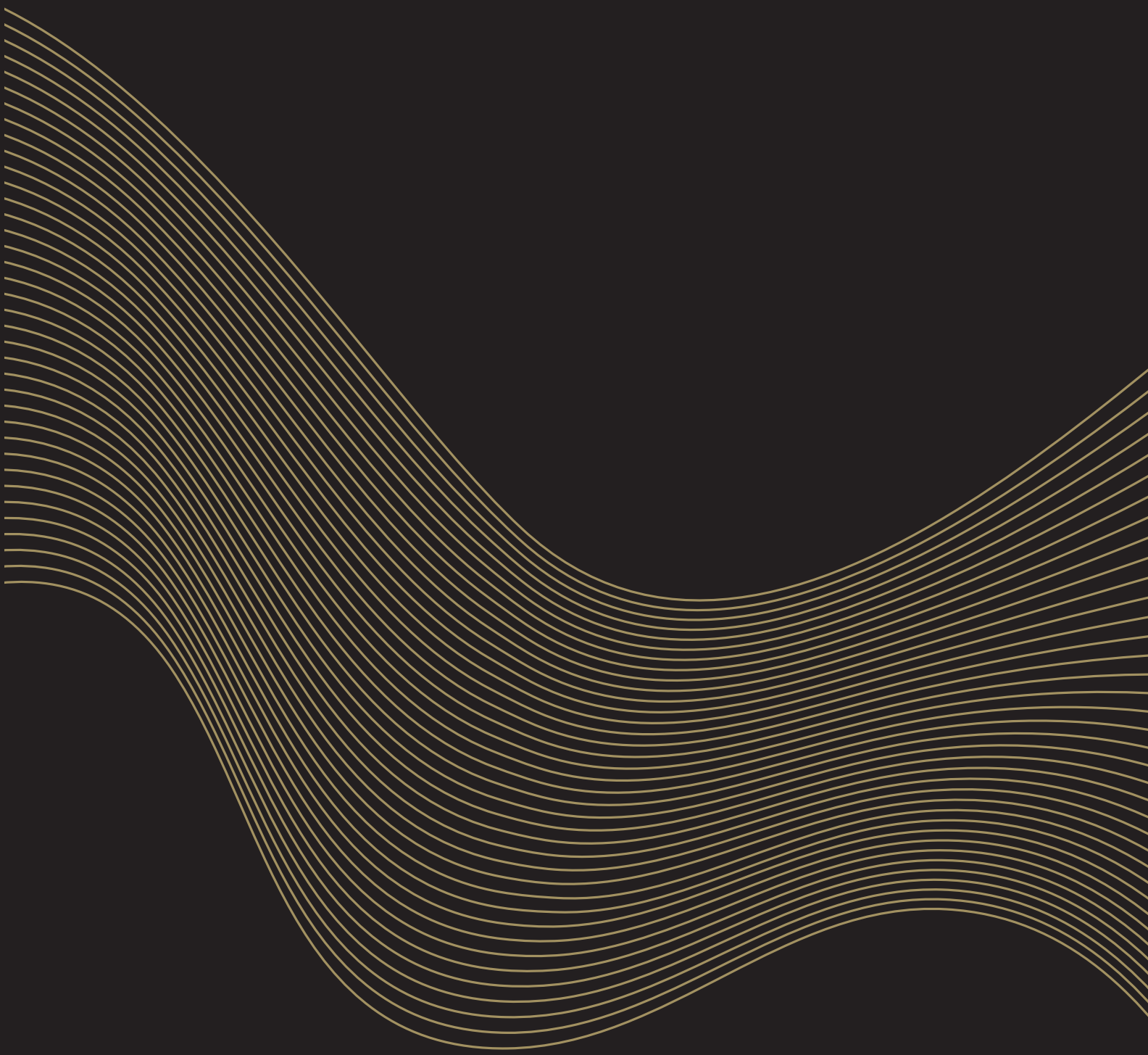
Hambledon Mining plc



Annual Report & Accounts 2008

Contents

Hambledon Mining plc

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

At Sekisovskoye, the Company is mining from an open pit and is operating an 850,000 tonnes per year treatment plant. Production over the life of the open pit will average over 40,000 ounces per year. As soon as steady production has been achieved, the Company plans to develop the much larger underground resource that is expected to lead to a combined production rate of around 100,000 ounces per year.

The Ognevka plant has many potential uses for treating primary base and precious metal ores. The plant is currently on care and maintenance until production can be economically restarted.

Chairman's statement

Review of 2008 and 2009 to date

Sekisovskoye

Production in 2008 suffered from a number of significant disruptions. A boiler explosion in February put the plant out of action for three months while a new boiler was installed and new safety procedures put in place. Subsequently, a number of problems, mainly concerning the crushing circuit, continued to hinder our efforts to increase production towards design levels. As a result, production levels during 2008 were far lower than planned. However, I am pleased to report that following the installation of new equipment earlier this year, the plant can now operate at a throughput some 33 per cent. above the originally anticipated level.

Having achieved this improvement in performance, our task is now to ensure that the many advantages of Sekisovskoye – including the simple metallurgy, proximity to infrastructure and availability of a skilled, low cost workforce – are translated into financial benefits.

Ognevka

The combination of low metallurgical recoveries and the very severe drop in metal prices caused us to abandon our initial plan to treat the small quantity of copper-gold-silver bearing clinkers that were on-site at the time of acquisition. We have carried out test work into the possibility of treating the large quantities of existing tailings to produce a saleable feldspar concentrate, and other uses for this process plant are being considered, but for the present, the plant has been placed on care and maintenance.

Outlook

Although the major causes of bottlenecks in production have been resolved, we still have many things to achieve. Our process plant has proven to be capable of operating satisfactorily at 33 per cent. higher throughput rates than initially planned, but it remains to be demonstrated that this can be done on a consistent basis. Metallurgical recoveries have recently risen close to the anticipated level, but we need to achieve this over a longer time-frame. The Group's mining team is working to increase mine production to cater for the increased milling capacity, but equipment failures and long time-lines for the procurement of spares have impeded us. We have reviewed and augmented the list of spares which we carry on site, but there is further work to be done to improve general efficiency. The geological model on which our resource estimate is based, and the associated open pit mine plan, show that the stripping ratio will fall and the ore grade will increase as the pit deepens. These factors, combined with the greater efficiencies now becoming apparent, should enable us to reach higher levels of production from the open pit over the next few years.

We have employed an underground mine manager to oversee the permitting processes for the start of underground mining. Although this project is behind schedule, we need to ensure we have sufficient cash resources before the equipment is ordered. Work on securing the necessary permits has already started, and we see no reason why mining work should not commence in the next twelve months.

We have studied various opportunities for expansion of the Group, either using the Ognevka facility or additional gold opportunities which could stand-alone or provide additional feed for our plant at Sekisovskoye. The legal process whereby we may apply for suitable licences is slow, but we have already held preliminary discussions with the appropriate authorities.

We have spent considerable time and effort in making the business a more efficient and productive operation. This has been at times frustrating, none more so than for you as shareholders, but I believe we are at last about to see the rewards of our labour.

I thank all shareholders for their considerable patience and the management and staff for their efforts over the year.

George Eccles

George Eccles
Chairman
8 June 2009

Review of operations

Sekisovskoye

Mining operations

Open pit

Mining operations at the Sekisovskoye open pit progressed well during 2008. With the commencement of processing in December 2007, the focus of the mining operation was to provide a steady supply of ore to the processing plant while also continuing the construction of the tailings storage facilities with the waste material mined from the pit.

Mining operations were suspended from mid February 2008 until the end of April 2008 as a result of the plant shut down following the boiler accident. There was a sufficient stockpile of ore for the process operation so this did not impact gold production after the restart.

The construction of the second stage tailings storage facility with the installation of the plastic lining was completed in August. This will have sufficient capacity until around the end of 2009. Construction of the third stage, with capacity for around 1½ years of tailings, commenced in late 2008 and is expected to be completed in July 2009. Construction of the final and largest stage will commence after the completion of the third stage in late 2009.

A second Atlas Copco L7 blasthole drilling rig was purchased and commissioned in May 2008. This machine was required to allow mining of the high volume of waste material planned to be mined in 2008 and 2009. In addition, we purchased a Hitachi Zaxis ZX200 fitted with a Montabert 900 rock breaker in June. While the main task of this machine is to break the oversize ore generated from mining operations to a size that can be fed to the jaw crusher, it will also be used for small scale trenching operations.

Analysis of the mining operations at Sekisovskoye shows that the costs associated with the operation of the mining fleet are lower than initially projected, helped by the devaluation of the Kazakh tenge in January 2009.

The characteristics of the pit design are such that the requirement for waste stripping is currently at its highest, so the mine fleet cannot easily provide the increased tonnage that the upgraded process plant can now treat. The shortfall will be made up with lower grade marginal ore that will nevertheless provide a useful contribution to profits. In future years, this stripping requirement will fall, enabling a greater tonnage of ore to be mined. The ore grade is also expected to rise slightly with depth, giving a further boost to annual gold production.

Underground

The Company has started to develop the required documentation to be presented to the Kazakhstan regulatory authorities for approval to commence underground mining. This involves our team of planning engineers and geologists converting the current design into a format acceptable to the local authorities. We currently expect to commence mine development with the construction of a surface decline from within the existing open pit to intersect the old exploration level at an elevation of 320 metre level (120 metres below surface).

Discussions have been ongoing with suppliers to source the required underground equipment to start development of the surface decline. Previously indicated lead times of 9 to 12 months for the supply of this equipment appear to have been significantly reduced.

The Company is working on a development schedule that will proceed in stages to suit the approvals system operating in Kazakhstan and will use more Russian and Chinese equipment. The likely up-front investment for the first stage, including working capital, will be just US$3 million, which we anticipate financing from internally generated resources.

Processing operations

Processing operations were carried out from January 2008 until mid February when the eluate boiler in the gold recovery circuit suffered catastrophic failure. The process plant was immediately shut down while we carried out investigations and repairs.

The processing plant restarted operations in late April 2008 following the installation and commissioning of a new boiler and heat exchanger. Initial throughput was affected by the spring rains on the clay-like material that had been mined from near-surface ore-zones, which hampered the material's flow through the conveyor systems and tended to clog the sizing screens of the crushing plant. In winter, when temperatures frequently reach -40 C, freezing of the natural moisture in the ore caused further blockages and the widely fluctuating temperatures of spring and autumn caused freezing of rain-soaked dust to further slow down production. We attempted to modify the circuit to resolve these issues but were only partially successful until in late 2008 we decided to carry out a major upgrade of the crushing plant. Equipment was ordered and arrived on site in early 2009. In February 2009 we suspended the plant's operations for a period so that all the new crusher equipment could be installed. Commissioning problems encountered in the start-up of the equipment in February and early March were quickly resolved and the crushing circuit is now operating well, with production consistently over 200 tonnes per hour, more than sufficient to supply the process plant with the required feed.

The failure of the crushing plant to produce sufficient quantities of material at an appropriate size limited milling operations throughout 2008. However, since the crusher upgrade in February 2009, we have gradually increased the tonnage feed through the process plant to the point where it is now able to operate satisfactorily at 140 tonne per hour, some 33 per cent. above the design capacity, making possible an annual throughput of in excess of 1 million tonnes. Output will now be limited by the amount and grade of ore that the mine can supply.

Review of operations

The current annualised production rate is around 30,000 ounces per year, but the average from the open pit is expected to average over 40,000 ounces per year over the pit life, while combined open pit and underground production is expected to reach around 100,000 ounces per year.

Gold recovery in the leaching circuit during 2008 at 73 per cent. was lower than budgeted. The principal cause of this was the failure to achieve the planned performance in the gravity and intensive leaching circuit. During the February 2009 plant shut down the manufacturer overhauled and upgraded the Falcon gravity concentrator. As a result, gold recovery is much improved and there are indications that this will tend to increase with increasing ore grade, as is expected as the pit deepens. We are therefore on track to achieve the predicted recovery of 92 per cent. over the life of the pit.

All other areas of the processing plant are functioning according to the design parameters.

Production statistics

Production statistics for the year ended 31 December 2008 are as follows:

Mining

Ore mined	587,514	t
Gold grade	1.24	g/t
Silver grade	2.34	g/t
Contained gold	23,422	oz
Contained silver	44,200	oz
Waste mined	1,507,212	t

Processing

Crushing	417,990	t
Milling	392,485	t
Gold grade	1.37	g/t
Silver grade	2.58	g/t
Gold recovery	75.1	per cent.
Silver recovery	69.7	per cent.
Gold poured	11,939	oz
Silver poured	21,644	oz

t – tonnes
g/t – grammes per tonne
oz – troy ounce

Ognevka

The Ognevka processing facility restarted in early December 2007 and operated through to the middle of 2008. During this time, copper / gold and silver concentrate and a separate carbon concentrate were produced but at a lower grade than is acceptable in current market conditions. With the collapse in the copper price in late 2008, following a review of the economics of the operation, management halted operations. In light of this suspension, it was decided to make an impairment provision in the consolidated financial statements of £1.7 million against the assets of the business.

The Company undertook metallurgical testwork to determine the viability of reprocessing the tailings of the pegmatite material which were produced from previous operations at Ognevka until the late 1990's. There currently exists approximately 9.7 million tonnes of tailings in the storage facility containing potentially economic quantities of lithium, beryllium and feldspar. The testwork demonstrated that it is technically feasible to extract a feldspar concentrate as well as a concentrate containing lithium and beryllium. However, in the current recessionary conditions prices would be inadequate.

There are a number of other potential uses of the Ognevka facility in treating many types of primary base and precious metal ores, and these are currently being examined.

Exploration

The priority given to resolving production issues at Sekisovskoye restrained exploration activity in 2008 but a limited amount of exploration was carried out at Tserkovka. Though no significant discoveries were made, we plan to undertake bulk sampling of the surface exposure of its ore zones. By extracting and processing a total of 2,200 tonnes of ore at an expected grade of 2.45 grammes per tonne, we will determine the grade more accurately than is possible from sampling in this highly variable deposit. Former Soviet assessments showed higher grades and tonnes. If the bulk sampling exercise proves successful, further exploration will be carried out. In accordance with the terms of the subsoil use licence 30 per cent. of the 29 square kilometres of licensed territory at Tserkovka has been relinquished.

At Sekisovskoye, once we have established the initial underground decline, we plan to drill 183 holes totaling 24,000 metres from the 320m, 240m and 120m levels in order to upgrade the reliability of the resource estimate and as part of the project approval process. Test-mining will take place on orebody 11 from level 240m up to level 400m.

Our geologists have been researching other potential deposits which might be available in Kazakhstan, either by taking new licences from government or by contract with existing owners. Several potential targets have been identified and initial discussions have been held with the appropriate authorities. For the present, the government of Kazakhstan has suspended such negotiations generally, although we expect them to restart later this year.

Risks, uncertainties and performance indicators

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

1 The risk of production being affected by failures of vital equipment.
2 The risk of failing to mine the tonnes and grades of ore predicted by the geological model.
3 The risk of failing to obtain the metallurgical recoveries predicted by test-work.
4 The risk of operating costs being significantly different from those predicted.
5 The risk of operations being affected by events outside the control of the Company such as major infrastructure failures or political upheaval.
6 Gold and silver prices.

Risks one to four are reducing at Sekisovskoye as, over time, the operation's performance is monitored against plan. An analysis of equipment performance has been carried out and defects rectified and critical spares identified and procured. The implementation of a detailed costing system has allowed the monitoring and assessment of costs to be undertaken. The grade of ore mined is constantly compared to the geological model and differences investigated.

The key performance indicators used to monitor the performance of the operations are:

1 Tonnes and grade of ore mined.
2 Tonnes processed.
3 Metallurgical recovery.
4 Gold and silver produced.
5 Cost per unit of production.
6 Safety of the Group's employees.

Key performance indicators one to four are set out in the tables of production statistics.

The Ognevka plant is currently on care and maintenance due to the current low world metal prices. It is not possible to predict if and when economic conditions will be sufficiently favourable for it to be reopened.

The Group is monitoring the environmental impact of its operations in compliance with an agreed monitoring programme.

Employee safety is of paramount concern to the Group and the board of directors receives regular updates on safety matters.

Sekisovskoye gold mine

1 Processing plant
The processing plant restarted operations in late April 2008 following the installation and commissioning of a new boiler and heat exchanger.

2 Gold and silver production
Production statistics
processing:

Gold poured	11,939 ounces
Silver poured	21,644 ounces

(year ended 31 December 2008)

3 Atlas Copco drill rig
A second Atlas Copco L7 blasthole drilling rig was purchased and commissioned in May 2008.

4 Exploration
Our geologists have been researching other potential deposits which might be available in Kazakhstan, either by taking new licences from government or by contract with existing owners.

5 Falcon gravity concentrator
During the February 2009 plant shut down the manufacturer overhauled and upgraded the Falcon gravity concentrator.

6 Hitachi Zaxis ZX200
We purchased a Hitachi Zaxis ZX200 fitted with a Montabert 900 rock breaker in June. While the main task of this machine is to break the oversize ore generated from mining operations to a size that can be fed to the jaw crusher, it will also be used for small scale trenching operations.

7 Third stage tailings dam
Construction of the third stage (tailings dam), with capacity for around 1½ years of tailings, commenced in late 2008 and is expected to be completed in July 2009.

8 New crusher circuit
Since the crusher upgrade in February 2009, we have gradually increased the tonnage feed through the process plant to the point where it is now able to operate satisfactorily at 140 tonne per hour, some 33 per cent. above the design capacity.

Directors and senior management

1 George Eccles
Chairman (non-executive)
George graduated with a law degree from the London School of Economics and then trained as a chartered accountant. He became a partner in the London office of Deloitte Haskins & Sells before moving to Moscow where he was a partner in Coopers & Lybrand and later in Deloitte & Touche. More recently, he has worked in Kazakhstan as chief operating officer of the Central Asian-American Enterprise Fund, a US government sponsored development fund.

2 Nicholas Bridgen
Chief executive
Nicholas trained in London with Peat Marwick Mitchell & Co. (now KPMG) as a chartered accountant and then spent 14 years with Rio Tinto plc in group accounting, business evaluation and group planning. Since then, he has spent 15 years in companies operating in the FSU. In 1997 he formed Hambledon Mining Company (the forerunner of Hambledon Mining plc). He speaks Russian.

3 Baurzhan Yerkeyev
Executive director
General director, TOO Altai Ken-Bayitu
Baurzhan has a degree from the Tomsk Polytechnic Institute, Geological Faculty (Russia). He is an experienced exploration geologist, with extensive knowledge of Kazakhstan, the CIS and the Altai Region (where Sekisovskoye is located). He has managed projects for the State Geophysical-Geochemical Expedition and the State Exploration Expedition. More recently, he has been a director of CRS, the Company's geological consultants. Baurzhan is experienced in working with the various State bodies responsible for approving the Company's development plans, and has worked with many western and local companies. He has received specialist training in the UK from Datamine International and is a qualified Datamine trainer.

4 Christopher Thomas
Non-executive director
Chris has been a Non-Executive Director of Hambledon Mining Company since its formation in 1997, and subsequently of Hambledon Mining plc since the reorganisation. He has had a successful career in the advertising industry, having been a Director of Abbott Mead Vickers BBDO, Managing Director of Ammirati Puris Lintas and Managing Director of Lowe Lintas. In 2002 he became CEO of Proximity London, one of the largest integrated communications companies in the UK. In 2006 Chris took on the role of Chairman and CEO of BBDO and Proximity in Asia. He is married with four children and is based in Singapore.

5 Neil Stevenson
Technical director
Neil is a mining engineer with a post graduate diploma in business administration from the University of Queensland. He has more than 25 years of experience of both underground and open pit operations in Australia, Africa, the FSU and Kazakhstan. He lives in Ust Kamenogorsk with his family. Neil is a Fellow of the Australasian Institute of Mining and Metallurgy.

6 William Morgan
Chief financial officer and company secretary
Bill is a UK Chartered Accountant with over 30 years accountancy and financial management experience. He has worked in the UK, Russia, the Far East, Africa and previously in Kazakhstan between 1994 and 1997. He has been instrumental in several successful start-ups and restructuring of companies, in the telecoms and mining industries.

Mineral resources

Resource statement

This mineral resource estimate for the Sekisovskoye deposit has been prepared under the JORC Code. Mining operations commenced in mid 2006. Ore has been mined during 2007 and 2008. The following resource table reflects the depletion of the resource due to open pit mining activities.

The underground resource is unchanged since the update reported in September 2006.

Location	Resource category	Tonnes (million)	Au g/t	Contained metal Au oz*	Ag g/t	Contained metal Ag oz*	Au g/t Cut-off
Open pit area	Indicated	8.91	1.8	521,999	3.0	859,360	0.5
	Inferred[a]	6.06	1.8	350,700	2.0	389,667	
Underground	Indicated	2.21	5.1	362,371	6.2	440,529	2.0
	Inferred[a]	7.16	5.2	1,197,036	7.1	1,634,415	
Marginal underground[b]	Indicated	3.40	0.7	76,519	1.4	153,037	0.5
	Inferred	0.96	0.6	18,519	1.2	37,038	
Totals	Indicated	14.52	2.0	960,889	3.1	1,452,926	
	Inferred	14.18	3.4	1,566,255	4.5	2,061,120	
Total	**Indicated & Inferred**	**28.70**	**2.7**	**2,527,144**	**3.8**	**3,514,046**	

*Troy oz = 31.10348 grammes

(a) includes resources that have been defined beyond the current limits of the grade model. "Inferred" resources cannot be used for ore reserves until they have been upgraded.

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

Reserve estimate

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

Location	Reserve category	Tonnes (million)	Au g/t	Contained metal Au oz*	Ag g/t	Contained metal Ag oz*	Au g/t Cut-off
Open pit area	Probable	3.54	1.61	183,447	2.52	286,500	0.5
Underground	Probable	1.77	4.4	247,908	7.4	421,556	2.0
Total				**431,355**		**708,056**	

*Troy oz = 31.10348 grammes

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

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

The Sekisovskoye underground ore reserve has been determined from the mine design work carried out as a part of the evaluation on the development of the underground project using a 2.0 grammes per tonne cut-off.
The General Resource Estimate covered both the open pit resource and underground resource. Mine designs were therefore required for both the open pit and the underground areas.

Mineral resources

The underground reserve estimate is calculated by applying mining costs, mining dilution (8 per cent.) and recoveries (96 per cent.) to that portion of the Indicated Resource falling entirely within the stope design. The area of this underground reserve is contained within the underground mineral resource as reported above.

Reconciliation

Mining of ore is carried out following the completion of grade control drilling. This is carried out using the Atlas Copco L7 CR drill rigs. The resulting assays are modeled using Datamine software to produce a grade control model. This grade control model is reconciled back to the JORC model prior to mining to determine the accuracy of the original model. A reconciliation of the comparison of the grade control model to the JORC model reveals the following.

Model Type	Tonnes	Au g/t	Contained metal Au oz*	Ag g/t	Contained metal Ag oz*	Au g/t Cut-off
Grade – actual[(a)(b)]	751,200	1.52	37,710	–	–	0.5
JORC – depleted	644,600	1.48	30,672	2.98	30,721	0.5

*Troy oz = 31.10348 grammes

(a) The in-situ grade control model result is based on vertical rotary drill-hole sample data, for 2007 to end December 2008, and grade model blocks are 2.5m^3 using a bulk density of 2.83. "Nearest Neighbour" grade interpolation was used for assigning grades to the model blocks.

(b) The actual grade for silver is not given in the above table as the Company does not assay silver.

The above grade control results are based on 23,000 samples, so statistically the results are significant. Overall, the JORC model shows a reasonably good spatial correlation with the grade control resource model and, as expected, "actual" tonnes and grade are higher than the JORC resource.

Glossary of technical terms

Term	Explanation
Grade	The tenor or concentration by weight of a metal in a mineral deposit or ore.
Indicated Resource	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.
Inferred Resource	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.
JORC Code	Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (Joint Ore Reserves Committee). See www.jorc.org/main.php.
Kriging	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.
Mineral Resource	An estimated tonnage and grade of mineralisation in the ground determined as prescribed by the JORC Code.
Ore Resource	That part of a Mineral Resource which can be demonstrated to be worked profitabily when all modifying factors are taken into account.
Tonne	A metric tonne of 1000 kilograms.

Qualified persons

These resource estimates have been prepared by Roger Rhodes B.Sc., M.Sc., MIMMM, independent geological consultant with Computer Resource Services. He has over 35 years of relevant experience and is a qualified person for the purpose of reporting resources under the JORC Code and the AIM Rules. Roger 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 reserve estimate has been prepared by Neil Stevenson FAusIMM. He is a full-time director of the Company and has sufficient experience which is relevant 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 reserves and resources does not comprise part of the audited financial statements, which have been audited by Deloitte LLP.

Directors' reports and financial statements

Directors' report

Annual report and financial statements

The directors present their annual report together with the audited financial statements on pages 22 to 45 and pages 48 to 57.

Principal activities

The Group's principal activities during the year were the production of gold doré from the Sekisovskoye gold and silver deposit and refurbishment and rehabilitation of the Ognevka processing plant.

Business review

A review of the activities of the business throughout the year and up to 8 June 2009 is set out in the chairman's statement on page 2 and review of operations on pages 3 to 5 which includes information on the Group's risks, uncertainties and performance indicators. These sections are incorporated in this directors' report by reference.

Dividends

The directors do not recommended a dividend for the year (2007: nil) and the loss for the year has been added to accumulated losses.

Capital structure

Details of the Company's authorised and issued share capital, together with the movements for the years ended 31 December 2007 and 2008 are set out in note 23 – ''Called-up equity share capital" of the Group financial statements. The Company has one class of ordinary share and they carry no right to fixed income. Each ordinary share carries the right to one vote at general meetings of the Company. All issued ordinary shares are fully paid.

There are no specific restrictions on the size of a holding or on the transfer of the ordinary shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's ordinary shares that may result in restrictions on the transfer of securities or on voting rights.

Certain directors own ordinary shares in the Company and certain parties own 3 per cent. or more of the ordinary shares in the Company. These holdings are set out in the ''Directors' interests" and ''Substantial shareholders" sections of this directors' report. No person has any special rights of control over the Company's share capital.

There is no scheme in place for employees to acquire ordinary shares in the Company. Certain employees and directors have been granted options to acquire ordinary shares. Details of the share options granted are set out in note 26 – ''Share based payment" of the Group financial statements.

With regard to the appointment and replacement of directors, the Company is governed by its articles of association, the Companies Acts and related legislation. It also complies with the combined code as far as practicable. The articles of association themselves may be amended by special resolution of the shareholders. The powers of the directors are described in the corporate governance statement on page 16.

Under its articles of association the Company has authority to issue 950 million ordinary shares.

There are no agreements to which the Company is a party that take effect, alter or terminate upon a change of control of the Company following a takeover bid. There are also no agreements to which the Company is a party which provide for compensation for loss of office or employment that occurs because of a takeover bid.

Donations

The Group has not made any charitable or political donations during the year.

Directors' insurance

The Company has entered into an insurance policy to indemnify the directors of the Company against liability when acting for the Company.

Directors

The following directors served throughout the year and up to 8 June 2009.

George Eccles	Non-executive chairman, re-appointed 22 July 2008
Nicholas Bridgen	Chief executive
Randall Pyper	Technical director, resigned 16 January 2008
Neil Stevenson	Technical director, appointed 16 January 2008, re-appointed 22 July 2008
Christopher Thomas	Non-executive director
Baurzhan Yerkeyev	Executive director

Nicholas Bridgen and Baurzhan Yerkeyev retire by rotation at the next annual general meeting and, being eligible, offer themselves for re-election.

Secretary and registered office

William Morgan ACA.
The registered office is at Daws House, 33 – 35 Daws Lane, London, NW7 4SD.

Directors' interests

The beneficial interests of the directors and their connected parties in the share capital of the Company at 31 December and on 8 June 2009 were as follows:

	8 June 2009		2008		2007	
	Number of ordinary shares	per cent	Number of ordinary shares	per cent	Number of ordinary shares	per cent
Nicholas Bridgen	90,198,936	19.22	90,198,936	19.22	89,814,320	20.05
George Eccles	144,750	0.03	144,750	0.03	144,750	0.03
Neil Stevenson	1,009,543	0.22	1,009,543	0.22	–	–
Christopher Thomas	3,347,366	0.71	2,997,366	0.64	2,743,520	0.61
Baurzhan Yerkeyev	–	–	–	–	–	–

All directors' interests are beneficially held.

Substantial shareholders

The Company has been notified of the following interests of 3 per cent. or more in its issued share capital as at 31 December 2008 and 1 June 2009.

	1 June 2009		31 December 2008	
	Number of ordinary shares	per cent	Number of ordinary shares	per cent
Nicholas Bridgen	90,198,936	19.22	90,198,936	19.22
Blackrock Investment Management	51,765,855	11.03	51,765,855	11.03
Alzhan Shomaev	21,521,232	4.59	21,521,232	4.59
Hermes Pensions Management	17,909,955	3.82	17,909,955	3.82
Majedie Asset Management	17,463,700	3.72	17,150,000	3.66
AXA Framlington Investment Management	16,321,326	3.48	17,321,326	3.69

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the relevant matters affecting the performance of the Group. This is mainly achieved through informal meetings which the directors believe is the most appropriate method given the current number of Group employees.

Directors' report

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

1 so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
2 the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

On 1 December 2008, Deloitte & Touche LLP changed their name to Deloitte LLP. Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Listing

The Company's ordinary shares have been traded on London's Alternative Investment Market (AIM) since 10 June 2004. Fairfax I.S. PLC are the Company's Nominated Advisor and Broker. The closing mid-market share price at 31 December 2008 was 3.88p (31 December 2007: 20.75p).

Relations with shareholders

Communications with shareholders are considered important by the directors. The directors regularly speak to investors and analysts during the year. Press releases have been issued throughout the year and since the balance sheet date in relation to the progress of the Group. A website www.hambledon-mining.com is regularly updated and contains a wide range of information about the Group.

Internal controls

The board acknowledges that it is responsible for establishing and maintaining the Group's system of internal controls and for reviewing its effectiveness. The procedures which include, inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis. The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss. The directors do not believe an internal audit function is practicable in a company of this size.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the review of operations and exploration. In addition, the financial risk management section below and note 27 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives, and its exposure to commodity price risk, credit risk and liquidity risk. The major risks and uncertainties which could impact on the Group's ability to generate cash in the next 12 months are its level of production and gold prices.

Mining operations at Sekisovskoye is the Group's only source of revenue. The directors believe that production at or above the levels achieved from April 2009 and up to the date of this report are sustainable following the major improvements made to the processing operations and measures to guard against significant production interruptions introduced in the first quarter of 2009 as discussed in the review of operations and exploration.

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 of reasonably likely changes in the level of production and gold prices show that the Group will now be cash generative for the foreseeable future and its borrowing can be repaid before it falls due at the end of 2009. 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 consolidated 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.

Financial risk management

The Group's operations expose it to financial risks that include liquidity risk, foreign exchange risk and interest rate risk.

The Group does not enter into any derivative transactions, and it is the Group's policy that no trading in such financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are liquidity risk, foreign exchange risk and interest rate risk. Further details are provided in note 27 of the Group financial statements and note 11 of the Company financial statements.

Supplier payment policy

It is Group policy to agree and clearly communicate the terms of payment as part of the commercial arrangement negotiated with suppliers and then to pay according to those terms. The Company is a holding company and therefore has few suppliers.

Credit facilities are rarely available in Kazakhstan and other countries from which the Group purchases supplies and services. The Group's subsidiaries in Kazakhstan are therefore frequently obliged to pre-pay or make advance and stage payments for supplies and services. Therefore, it is not appropriate to ascertain the average days of credit.

By order of the board

William R Morgan
Company Secretary

8 June 2009

Corporate governance

The directors are aware of the Combined Code applicable to listed companies. As a company which is listed on AIM, the Company is not required to comply with the Combined Code, but the directors intend to comply with its main provisions as far as is practicable having regard to the size of the Group.

Board structure, the chairman and its committees

The board comprises the non-executive chairman, three executive directors, being the chief executive, technical director, and executive director and one non-executive director. The board meets regularly throughout the year and as issues arise which require board attention.

The chairman conducts board and shareholder meetings and ensures that all directors are properly briefed. The directors are responsible for formulating, reviewing and approving the Group's strategy, budgets, major items of capital expenditure and senior personnel appointments. The directors have access to independent professional advice at the Company's expense and to the company secretary.

At each annual general meeting, one third of the directors must retire by rotation, whereupon they can offer themselves for re-election if eligible.

The Company has established an audit committee and a remuneration committee. In view of the Company's size, the directors do not consider the Combined Code recommendation for a Nominations Committee to be appropriate.

Audit committee

The audit committee comprises George Eccles (chairman) and Christopher Thomas. The committee, which meets at least twice a year, is responsible for considering the appointment and fees of external auditors, their cost effectiveness, independence and objectivity and for ensuring that the financial performance of the Group is properly reported and monitored.

The committee liaises with the auditors and reviews the reports from the auditors relating to the financial statements and internal controls.

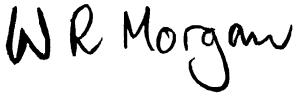
Remuneration committee

The remuneration committee comprises Christopher Thomas (chairman) and George Eccles. The committee, which meets at least once per year, is responsible for determining the contract terms, remuneration and other benefits of the executive directors. The remuneration of non-executive directors is determined by the board within the limits set out in the articles of association.

None of the committee members has any personal financial interest in the matters to be decided (other than as shareholders), potential conflicts of interest arising from cross-directorships, or any day-to-day involvement in running the business.

The committee consults the chief executive about its proposals and has access to professional advice from inside and outside the Company at the Company's expense.

By order of the board



William R Morgan
Company Secretary

8 June 2009

Report on directors' remuneration

Unaudited information

Policy on executive directors' remuneration

The Company operates within a competitive environment and its performance depends on the individual contributions of the directors and employees.

Executive remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to manage the Group's operations and to reward them for enhancing shareholder value. The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the remuneration committee.

The executive directors' remuneration packages may include:

i) basic annual salary
ii) health insurance for the executive and his family
iii) share options
iv) bonuses

Each executive director's remuneration is reviewed once per year. In deciding upon appropriate levels of remuneration the remuneration committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance. Executive directors' basic salaries were last reviewed with effect from 1 February 2008.

The remuneration committee establishes the objectives which must be met for a bonus to be paid or share options to be exercisable. The remuneration committee believes that the award of any bonuses should be tied to the interests of the Company's shareholders.

The executive directors may participate in share incentive schemes recommended by the remuneration committee.

Audited information

Share option scheme

The Group has initiated a share options scheme for its employees. This was set up in order to reward employees for the performance of the Company on a long term basis and to enable the Company to continue to attract a high calibre of management and operational personnel. Details of share options issued under the scheme are set out in note 26 – "Share based payment" of the Group financial statements.

Baurzhan Yerkeyev and Neil Stevenson were the only two directors who held share options during the year as follows:

	Date of grant	Exercise price (p)	Number of shares	Period during which exercisable
Baurzhan Yerkeyev	29 March 2007	14.75	1,000,000	29 March 2009 to 29 March 2011
	29 January 2008	18.50	1,250,000	29 January 2011 to 29 January 2013
	29 September 2008	5.88	3,000,000	26 September 2010 to 25 September 2012
Neil Stevenson	7 August 2005	8.50	1,500,000	7 August 2007 to 7 August 2009
	29 March 2007	14.75	250,000	29 March 2009 to 29 March 2011
	29 January 2008	18.50	500,000	29 January 2011 to 29 January 2013
	29 September 2008	5.88	3,000,000	26 September 2010 to 25 September 2012

All of the above options can only be exercised if certain performance conditions are met including commencing production from the Altai Ken-Bayitu plant, gold production targets and profitable operation. The performance conditions for the exercise of the 1,500,000 options held by Neil Stevenson exercisable from 7 August 2007 were met during the year ended 31 December 2008 and the options were exercisable at 31 December 2008.

No share options were exercised by the directors in the year ended 31 December 2008.

The Company's share price has ranged from 20.75p at 31 December 2007 to a high of 21.25p and a low of 2.38p during the year with a closing price of 3.88p at 31 December 2008.

Report on directors' remuneration

Directors' emoluments

Amounts paid by the Group in respect of directors' services.

	2008			2007
	Basic £	Health insurance £	Total £	Total £
Executive directors				
Nicholas Bridgen	160,250	4,742	164,992	112,490
Randall Pyper*	7,492	–	7,492	68,510
Neil Stevenson**	160,225	1,278	161,503	–
Baurzhan Yerkeyev	83,213	–	83,213	60,780
Non-executive directors				
George Eccles	38,076	–	38,076	30,250
Alzhan Shomaev***	–	–	–	11,000
Christopher Thomas	27,042	–	27,042	22,000
Total	476,298	6,020	482,318	305,030

* Randall Pyper resigned on 16 January 2008.
** Neil Stevenson was appointed on 16 January 2008.
*** Alzhan Shomaev resigned on 2 April 2007.

Included in the amount paid to Mr Bridgen in 2007 is an amount of £94,800 paid to Salix Limited, a company of which Mr Bridgen was both a director and a shareholder.

Directors' contracts

Executive directors currently have employment contracts which may be terminated by the Company with up to six months notice. No other payments are made in compensation for loss of office.

The remuneration of the non-executive directors is determined by the board within the limits set out in the articles of association. Non-executive directors currently have employment contracts which may be terminated by the director or the Company with three months notice. No other payments are made in compensation for loss of office.

By order of the board

William R Morgan
Company Secretary

8 June 2009

Statement of the directors' responsibilities

The directors are responsible for preparing the annual report, directors' remuneration report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required by the IAS Regulation to prepare the Group financial statements under International Financial Reporting Standards ("IFRSs") as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRSs as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. However, directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

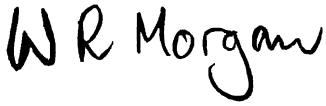
We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the board

Nicholas Bridgen
Chief Executive

8 June 2009



William R Morgan
Chief Financial Officer

8 June 2009

Independent auditors' report to the members of Hambledon Mining plc

We have audited the Group financial statements of Hambledon Mining plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group Balance Sheet, the Group Cash Flow Statement and the related notes 1 to 28. These Group financial statements have been prepared under the Accounting Policies set out therein. We have also audited the information in the directors' remuneration report that is described as having been audited.

We have reported separately on the parent company financial statements of Hambledon Mining plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, and the Group financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view, whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Review of Operations and Exploration that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited Group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements and the part of the directors' remuneration report described as having been audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements and the part of the Directors' remuneration report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the directors' remuneration report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

8 June 2009

Group income statement
year ended 31 December 2008

	Notes	2008 £000	2007 £000
Revenue	4	5,553	–
Cost of sales		(7,727)	–
Gross loss		(2,174)	–
Administrative expenses		(3,154)	(4,150)
Other operating expenses:			
Impairment of intangible assets	13	–	(227)
Impairment of TOO Ognevka	7	(1,679)	–
Operating loss		(7,007)	(4,377)
Investment revenues	8	42	222
Other gains and losses	8	3	(42)
Finance costs	8	(101)	(186)
Loss before taxation	9	(7,063)	(4,383)
Taxation	10	(561)	–
Loss attributable to equity shareholders	24	(7,624)	(4,383)
Loss per ordinary share			
Basic	11	(1.65)p	(1.04)p
Diluted	11	(1.65)p	(1.04)p

All results are derived from continuing activities.

Group statement of recognised income and expense
year ended 31 December 2008

	2008 £000	2007 £000
Currency translation differences on foreign currency net investments	4,751	(15)
Net profit/(loss) recognised directly in equity	4,751	(15)
Loss for the year	(7,624)	(4,383)
Total recognised expense for the year attributable to equity shareholders	(2,873)	(4,398)

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

Group balance sheet
31 December 2008

	Notes	2008 £000	2007 £000
Non-current assets			
Intangible assets	13	–	–
Property, plant and equipment	14	20,361	17,424
Current assets			
Inventories	16	3,393	2,395
Trade and other receivables	17	1,638	822
Cash and cash equivalents		536	3,176
		5,567	6,393
Total assets		25,928	23,817
Current liabilities			
Trade and other payables	18	(1,626)	(723)
Provisions	20	(161)	(117)
Borrowings	21	(356)	–
		(2,143)	(840)
Net current assets		3,424	5,553
Non-current liabilities			
Trade and other payables	18	(629)	(453)
Deferred taxation	22	(561)	–
Provisions	20	(1,004)	(774)
		(2,194)	(1,227)
Total liabilities		(4,337)	(2,067)
Net assets		21,591	21,750
Equity			
Called-up share capital	23	469	448
Share premium	24	31,317	28,707
Merger reserve	24	(148)	(148)
Other reserves	24	170	87
Currency translation reserve	24	3,629	(1,122)
Accumulated losses	24	(13,846)	(6,222)
Total equity		21,591	21,750

These financial statements were approved by the board of directors on 8 June 2009 and signed on its behalf by

Nicholas Bridgen
Chief Executive

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

Group cash flow statement
year ended 31 December 2008

	Notes	2008 £000	2007 £000
Net cash outflow from operating activities	25	(3,895)	(5,387)
Investing activities			
Interest received		42	222
Proceeds on disposal of property, plant and equipment		61	–
Purchase of intangible exploration assets		–	(75)
Purchase of property, plant and equipment		(2,123)	(7,705)
Net cash used in investing activities		(2,020)	(7,558)
Financing activities			
Proceeds on issue of shares		2,631	12,099
Interest paid		–	(18)
New bank loans raised		356	–
Repayment of related party loan		–	(290)
Net cash inflow from financing activities		2,987	11,791
Decrease in cash and cash equivalents		(2,928)	(1,154)
Cash and cash equivalents at beginning of the year		3,176	4,352
Effect of foreign exchange rate changes		288	(22)
Cash and cash equivalents at end of the year		536	3,176

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

Notes to the group financial statements
year ended 31 December 2008

1 General Information

Hambledon Mining plc (the "Company") is a company incorporated in England and Wales under the Companies Act 1985. The address of its registered office is set out in Company information on page 65 of this annual report. The Company is a holding company. The principal activities and place of business of the Company and its subsidiaries (the "Group") are set out in note 15 and the chairman's statement and review of operations within this annual report.

2 Basis of preparation

The Group's annual report is for the year ended 31 December 2008 and includes the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The Group financial statements have been prepared using accounting policies set out in note 3 which are consistent with all applicable IFRSs and with those parts of the Companies Act 1985 applicable to companies reporting under IFRSs. For these purposes, IFRSs comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that have been endorsed by the European Union.

The Group financial statements have been prepared under the historical cost convention except for the treatment of share based payments. The Group has adopted IFRIC 11, which made certain amendments to IFRS 2 – Group and Treasury Share Transactions. There is no effect on the Group of adopting the Standard; however, the Company financial statements are affected. See notes 1 and 2 of the Company financial statements for details of the change.

As set out in the report of the directors on page 14, the board of directors assessed the ability of the Group to continue as a going concern and these financial statements have been prepared on a going concern basis.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1	"Presentation of Financial Statements (amended September 2007)"
IAS 23	"Borrowing Costs (amended March 2007)"
IAS 27	"Consolidated and Separate Financial Statements (amended January 2008)"
IAS 32 and IAS 1	"Puttable financial instruments and obligations arising on liquidation (amended February 2008)"
IAS 39	"Financial instruments: Recognition and Measurement: Eligible Hedged Items (amended July 2008)"
IAS 39	"Reclassification of Financial Assets: Effective Date and Transition (amended November 2008)"
IFRS 1	"First Time Adoption of IFRS (revised November 2008)"
IFRS 1 and IAS 27	"Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate (amended May 2008)"
IFRS 2	"Share based Payment: Vesting Conditions and Cancellations (amended January 2008)"
IFRS 3	"Business Combinations (revised January 2008)"
IFRS 8	"Operating Segments"
IFRSs 2008	"Improvements to IFRSs 2008 (amended May 2008)"
IFRIC 12	"Service Concession Arrangements"
IFRIC 13	"Customer Loyalty Programmes"
IFRIC 15	"Agreements for the Construction of Real Estate"
IFRIC 16	"Hedges of a Net Investment in a Foreign Operation"
IFRIC 17	"Distributions of Non-cash Assets to Owners"
IFRIC 18	"Transfers of Assets from Customers"

3 Accounting policies

Basis of consolidation

The Group financial statements comprise the financial statements of the Company and all its subsidiary undertakings. All intra-Group transactions, balances, income and expenses are eliminated on consolidation. The results of subsidiaries acquired or disposed of are consolidated for the periods from or to the date on which control passed. Control is achieved where the Company has the power to govern the financial and operating policies of an entity in which it has invested so as to obtain benefits from its activities.

The acquisition of subsidiaries which meet the definition of a business are accounted for using the acquisition method of accounting for business combinations in accordance with IFRS 3 – "Business Combinations". Where an acquired subsidiary is not trading and is dormant, the transaction is outside the scope of IFRS 3 and is accounted for by allocating the consideration paid to the assets and liabilities acquired by reference to their relative fair values.

Notes to the group financial statements
year ended 31 December 2008

3 Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received for goods provided in the normal course of business, net of VAT and any other sales related taxes.

The Group's sales are the sale of the gold and silver content of gold doré. Title of the precious metal contained within the doré only passes upon a sale instruction from the Group following delivery and refining of the doré. Sales of doré are only recognised when the sale instruction has been given and title for the precious metal has accordingly passed.

The Company does not hedge or otherwise enter into any derivatives in respect of its sales of gold doré. Sales are recorded at the actual selling price of the gold doré which is based on current market prices.

Foreign currencies

The Group financial statements are presented in United Kingdom pounds ("Sterling").

The functional and presentational currency of Hambledon Mining plc and Hambledon Mining Company Limited is Sterling. The functional currency of the Group's subsidiaries in Kazakhstan is the Kazakh tenge. The financial statements of the Group's subsidiaries in Kazakhstan are translated into Sterling whereby their income statements are translated at the average rate of exchange for the year and their balance sheets at the closing rates of exchange at the balance sheet date. Currency translation adjustments arising on the restatement of opening net assets, together with adjustments arising from the retranslation of intergroup, long term foreign currency loans to subsidiaries, are taken direct to reserves.

Transactions denominated in currencies other than the functional currency of a company are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities are translated into Sterling at the closing rates of exchange at the balance sheet date. Exchange differences arising from the restatement of monetary assets and liabilities at the closing rate of exchange at the balance sheet date or from the settlement of monetary transactions at a rate different from that at which the asset or liability was recorded are dealt with through the income statement.

Intangible assets: exploration and evaluation

Exploration and evaluation includes the cost of acquiring mining and exploration rights, associated exploration and evaluation costs and other directly attributable costs. These costs are capitalised as intangible assets until the decision is made to proceed to development, whereupon the related expenditures are transferred to tangible fixed assets as mining properties and leases, or until the mining properties are determined not to be commercially viable, whereupon the related costs are written off through the income statement.

Property, plant and equipment: mining properties and leases

Once a decision has been made to proceed with development of a mining project, expenditure other than that on buildings and plant and equipment is capitalised under property, plant and equipment as mining properties and leases, together with any amount transferred from exploration and evaluation.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight line or units of production basis, as appropriate. Assets are fully depreciated over their economic lives, or over the remaining life of the mine if shorter.

Depreciation rates for the principal assets of the Group are as follows:

Buildings	8 per cent. per annum
Equipment, fixtures and fittings	10-20 per cent. per annum
Plant machinery and vehicles	7-30 per cent. per annum

Impairment of non-current assets

Non-current assets are assessed for impairment at each balance sheet date and when events or a change in circumstances suggest that the carrying amount of an asset may exceed the recoverable amount.

Where there has been an indication of a possible impairment, management assesses the recoverability of the carrying value of the asset by comparing it with the estimated discounted future net cash flows generated by the asset based on management's expectation of future production and selling prices. Any identified impairment is charged to the income statement.

Notes to the group financial statements
year ended 31 December 2008

3 Accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised as income immediately, unless the relevant asset is carried at revalued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Consumable stores and spares:	purchase costs on a first in first out basis.
Concentrate and ore stockpiles:	cost of direct materials, power, labour and a proportion of site overhead.

Trade receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these approximates their fair value.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at proceeds received, net of direct issue costs.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognigition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt within equity.

Notes to the group financial statements
year ended 31 December 2008

3 Accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities carried in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as finance costs or investment revenue. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other payables

Trade payables are not interest bearing and restated at their nominal value. Long term other payables are initially recorded at fair value and subsequently measured at amortised cost.

Bank borrowings

Interest-bearing bank borrowings are recorded at the proceeds received, net of direct issue costs. Finance charges including any premiums payable on settlement and direct issue costs are accounted for on an accrual basis in the income statement using the effective interest rate method and are added to the carrying value of the instrument to the extent that they are not settled in the period in which they arise.

Provision for commitments and contingencies

Provisions are recognised when the Group has a present obligation at the balance sheet date, which occurred as a result of a past event, it is probable that the Group will be required to settle that obligation and the amount of the obligation can be reliably estimated.

Possible obligations that are less than probable, and commitments to make purchases and incur expenditures in future periods, are not recognised as provisions but are disclosed as commitments and contingencies.

Provisions for historic cost and restoration and abandonment are recognised on the bases as set out in note 20 – "Provisions".

Share based payment

All share based payments are accounted for in accordance with IFRS 2 – "Share-based payments".

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

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

Any profit and loss charge in a period in respect of share-based payments is taken to the Group's other reserves.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the directors have made judgments that may have a significant effect on the amount recognised in the financial statements. These include:

- Carrying value of property, plant and equipment (note 14).
- Carrying value of provisions (note 20).
- Recognition of deferred taxation assets (note 22).

4 Revenue

An analysis of the Group's revenue is as follows:

Continuing operations	2008 £000	2007 £000
Sale of goods	5,553	–
Investment income	42	222
	5,595	222

Notes to the group financial statements
year ended 31 December 2008

5 Segmental information

The Group's business is organised into two divisions for management purposes. These two divisions are the basis on which the Group reports its primary segment information. The two divisions are as follows:

- Gold ore mining and processing at the Sekisovkoye site ("Gold production")
- Metal reprocessing at the Ognevka production facility ("Metal processing")

The Group's two divisions are both located close to the city of Ust Kamenogorsk in the Eastern region of the Republic of Kazakhstan. Accordingly, management considers that both divisions are located in the same geographical segment.

Segment information about the Group's two divisions is presented below:

Year ended 31 December 2008

Income Statement

	Gold Production £000	Metal Processing £000	Consolidated £000
Revenue	5,553	–	5,553
Cost of sales	(7,018)	(709)	(7,727)
Gross loss	(1,465)	(709)	(2,174)
Administrative expenses	(1,314)	(796)	(2,110)
Impairment of TOO Ognevka	–	(1,679)	(1,679)
Segment result	(2,779)	(3,184)	(5,963)
Unallocated corporate expenses			(1,044)
Operating loss			(7,007)
Investment revenues			42
Other gains and losses			3
Finance costs			(101)
Loss before taxation			(7,063)
Taxation			(561)
Loss attributable to equity shareholders			(7,624)

Other Information

Capital additions	1,935	188	2,123
Depreciation	2,462	20	2,482
Impairment losses of property, plant and equipment recognised in income	–	1,066	1,066

Balance Sheet

Assets			
Segment assets	23,428	1,007	24,435
Unallocated corporate assets			1,493
Consolidated total assets			25,928
Liabilities			
Segment liabilities	3,136	1,089	4,225
Unallocated corporate liabilities			112
Consolidated total liabilities			4,337

During the year ended 31 December 2008, the directors made a provision for impairment of the net assets of TOO Ognevka so as to reduce their carrying amount to £100,000 as set out in note 7 – "Impairment of TOO Ognevka"

Notes to the group financial statements
year ended 31 December 2008

5 Segmental information (continued)

Year ended 31 December 2007

Income Statement

	Gold Production £000	Metal Processing £000	Consolidated £000
Administrative expenses	(2,273)	(1,017)	(3,290)
Other operating expenses:			
Impairment losses on intangible assets recognised in income	(227)	–	(227)
Segment result	(2,500)	(1,017)	(3,517)
Unallocated corporate expenses			(860)
Operating loss			(4,377)
Investment revenues			222
Other gains and losses			(42)
Finance costs			(186)
Loss before taxation			(4,383)
Taxation			–
Loss attributable to equity shareholders			(4,383)

Other Information

Capital additions	5,349	1,994	7,343
Depreciation	581	15	596
Impairment losses recognised in income	227	–	227

Balance Sheet

Assets			
Segment assets	17,530	2,519	20,049
Unallocated corporate assets			3,768
Consolidated total assets			23,817
Liabilities			
Segment liabilities	1,182	789	1,971
Unallocated corporate liabilities			96
Consolidated total liabilities			2,067

Notes to the group financial statements
year ended 31 December 2008

6 Staff costs

The average monthly number of employees (including executive directors) was:

	2008	2007
Production	483	–
Administration	107	373
	590	373

In 2007, all staff were classified as administration as the Group was in pre-production.

Their aggregate remuneration comprised:

	2008 £000	2007 £000
Directors' emoluments	543	324
Employee wages and salaries	2,257	1,657
Employer social tax and national insurance	212	173
	3,012	2,154
Less: project staff costs capitalised	–	(517)
	3,012	1,637

The emoluments paid in respect of the highest paid director for the year to 31 December 2008 were £164,992 (2007: £112,490) including health insurance costs. Further details are set out in the report on directors' remuneration on pages 17 and 18.

The Company operates a share options scheme for certain of its employees. During the year ended 31 December 2008, participating employees were awarded 11,100,000 (2007: 1,800,000) options to buy ordinary shares at the market price prevailing at the date of the award. The amounts above include the expense for share options as set out in note 26 – "Share based payment".

The Group does not operate any pension schemes for any of its employees or directors.

7 Impairment of TOO Ognevka

A provision for impairment against the assets of TOO Ognevka ("Ognevka") has been made in the year ended 31 December 2008.

	Asset/(liability) before impairment 31 December 2008 £000	Impairment provision £000	Carrying amount asset/(liability) 31 December 2008 £000
Property, plant and equipment	2,055	(1,066)	989
Inventory	154	(154)	–
Trade and other receivables	459	(459)	–
Cash	18	–	18
Trade and other payables	(1,089)	–	(1,089)
	1,597	(1,679)	(82)

During the year ended 31 December 2008, Ognevka ceased production of copper and other metal concentrates at its plant in North Eastern Kazakhstan. This was due to the low metallurgical recoveries being achieved and the substantial decline in selling prices experienced during the year. Given the current economic climate, it is uncertain when and whether production at its plant can profitably recommence. In the light of this uncertainty, the directors have decided to partially provide against the assets of Ognevka in the year ended 31 December 2008.

The majority of Ognevka's liabilities were incurred prior to Ognevka's rehabilitation under court protection. No other Group company has any obligation to settle these liabilities. The directors are therefore of the opinion that these creditors will only be paid out of any future profits generated by production at Ognevka's plant.

Notes to the group financial statements
year ended 31 December 2008

8 Investment revenues, finance costs and other gains and losses

	2008 £000	2007 £000
Investment revenues		
Bank interest receivable	42	222
Other gains and losses		
Foreign exchange gain/(loss)	3	(42)
Finance costs		
Interest payable to a related party	–	(6)
Interest payable on bank loan	(1)	–
Unwinding of discount on provisions	(100)	(180)
	(101)	(186)

9 Loss before taxation

The loss on ordinary activities before taxation is stated after charging:

	2008 £000	2007 £000
Staff costs (note 6)	3,012	1,637
Depreciation of tangible assets	2,482	596
Impairment of intangible assets	–	227
Impairment of TOO Ognevka	1,679	–
Fees payable to the Company's auditors for the audit of the Company's annual accounts	42	41
Fees payable to the Company's auditors and their associates for other services to the Group		
IFRS transition work	–	8
The audit of the Company's subsidiaries pursuant to legislation	54	40
Total audit fees	96	89

There were no fees payable to the Company's auditors in 2008 in respect of non-audit services (2007: nil).

10 Taxation

	2008 £000	2007 £000
Current taxation	–	–
Deferred taxation (note 22)	561	–
	561	–

There was no current taxation payable for the year ended 31 December 2008 (2007: nil) since the Company and its subsidiaries incurred taxable losses in both years. The Group does not anticipate a corporation tax charge for the year due to losses of the Company and each of its subsidiaries.

A reconciliation between the accounting loss and the total taxation charge is as follows:

	2008 £000	2007 £000
Loss before taxation	(7,063)	(4,383)
Loss for the year multiplied by the standard rate of corporation tax of 28.5 per cent. (2007: 30 per cent.)	(2,013)	(1,315)
Expenses not deductible for tax purposes	363	615
Deferred tax assets not recognised	1,060	700
Effect of different tax rates of subsidiaries operating in other jurisdictions	(353)	–
Prior year deferred tax charge	1,504	–
Total taxation charge	561	–

The taxation rate used for taxation on loss on ordinary activities is the standard rate for UK corporation tax, currently 28.5 per cent. (2007: 30 per cent.), being the applicable rate for the parent company.

Notes to the group financial statements
year ended 31 December 2008

11 Loss per ordinary share

The calculation of basic and diluted earnings per share is based upon the retained loss for the financial year of £7,624,000 (2007: £4,383,000).

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

	2008	2007
Basic and diluted	461,031,025	422,403,465

12 Dividends

The directors do not recommend the payment of a dividend (2007: nil).

13 Intangible assets: exploration and evaluation

	2008 £000	2007 £000
Cost		
1 January	–	152
Additions	–	75
Amounts written off	–	(227)
31 December	–	–
Accumulated amortisation		
1 January and 31 December	–	–
Net book value		
31 December	–	–

Exploration and evaluation include the costs of acquiring mining and exploration rights, associated exploration and evaluation costs and other directly attributable project costs. This includes project staff costs, drilling and sample analysis costs, and the purchase and analysis of geological information.

Exploration and evaluation costs are expensed to the income statement as exploration costs unless a commercial exploitable reserve or resource is established or the determination process is not completed and there are no indications of impairment. The outcome of ongoing exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

Notes to the group financial statements
year ended 31 December 2008

14 Property, plant and equipment

	Mining properties and leases £000	Freehold land and buildings £000	Equipment, fixtures and fittings £000	Plant, machinery and vehicles £000	Assets under Construction £000	Total £000
Cost						
1 January 2007	2,911	295	568	3,692	3,198	10,664
Change in estimate of historic costs	(69)	–	–	–	–	(69)
Transfers	–	214	(457)	3,006	(2,763)	–
Additions:						
– Acquisition of TOO Ognevka	–	1,282	221	–	–	1,503
– Other	370	142	14	619	4,695	5,840
Currency translation adjustment	–	100	17	107	138	362
1 January 2008	3,212	2,033	363	7,424	5,268	18,300
Change in estimate of historic costs	(14)	–	–	–	–	(14)
Transfers	–	2,972	–	1,188	(4,160)	–
Additions	–	73	52	1,233	765	2,123
Disposals	–	(36)	–	(86)	–	(122)
Currency translation adjustment	253	1,284	61	3,177	565	5,340
31 December 2008	3,451	6,326	476	12,936	2,438	25,627
Accumulated depreciation						
1 January 2007	–	9	13	226	–	248
Charge for the year	5	10	10	571	–	596
Currency translation adjustment	–	1	1	30	–	32
1 January 2008	5	20	24	827	–	876
Charge for the year	475	263	28	1,716	–	2,482
Disposals	–	–	–	(61)	–	(61)
Impairment loss on TOO Ognevka	–	393	221	452	–	1,066
Currency translation adjustment	72	78	20	733	–	903
31 December 2008	552	754	293	3,667	–	5,266
Net book value						
31 December 2007	3,207	2,013	339	6,597	5,268	17,424
31 December 2008	2,899	5,572	183	9,269	2,438	20,361

Capitalised cost of mining property and leases are amortised over the life of the licence from commencement of production on a unit of production basis. This basis uses the ratio of production in the period compared to the mineral resource at the end of the period plus production in the period. Mineral resource estimates are based on a number of underlying assumptions which are inherently uncertain. Mineral resource estimates are based on an estimate by an independent geological consultant. However, the amount of mineral that will ultimately be recovered cannot be known until the end of the life of the mine.

Change in estimate of historic costs

The discounted value of the estimated liability for historic costs has been capitalised as mining property. This liability for historic costs is denominated in United States dollars as set out in note 20 – "Provisions".

Ognevka processing plant

During the year ended 31 December 2008, the directors made a provision for impairment of the written down value of the property, plant and equipment of TOO Ognevka so as to reduce its carrying amount to £989,000 as set out in note 7 – "Impairment of TOO Ognevka".

Notes to the group financial statements
year ended 31 December 2008

15 Subsidiaries

Name	Percentage held	Country and registration and operation
Directly held		
Hambledon Mining Company Limited	100	British Virgin Islands
TOO Altai Ken-Bayitu	100	Kazakhstan
Indirectly held		
TOO Gornorudnoe Predpriatie Sekisovskoye	100	Kazakhstan
TOO Ognevka	100	Kazakhstan

The principal activity of all companies relates to gold and other metals mining, production and processing with the exception of Hambledon Mining Company Limited which is an investment holding company.

16 Inventories

	2008 £000	2007 £000
Spare parts and consumables	1,562	1,203
Work in progress	1,552	1,192
Finished goods	279	–
	3,393	2,395

The value of Inventories above is stated after impairment for obsolescence and write downs to net realisable value of £274,000 (2007: nil). The value of the inventories of TOO Ognevka of £154,000 (2007: nil) have been fully provided for in the year as set out in note 7 – "Impairment of TOO Ognevka".

17 Trade and other receivables

	2008		2007	
	£000	£000	£000	£000
Trade receivables		97		–
VAT debtor	643		1,542	
Less VAT provision	–	643	(1,436)	106
Other debtors	496		31	
Less other debtors provision	(459)	37	–	31
Prepayments		861		685
		1,638		822

For the year ended 31 December 2007, full provision was made against VAT recoverable from the Government of Kazakhstan by TOO Sekisovskoye and TOO Altai Ken-Bayitu. There is no requirement to levy VAT on export sales of gold and therefore recovery of input VAT by offset against output VAT is not possible. It was therefore uncertain whether this VAT could be recovered. During the year ended 31 December 2008, the Group commenced exporting gold doré. Since these sales of gold doré commenced, input VAT of TOO Altai Ken-Bayitu has been recovered by repayment by the Government of Kazakhstan. No provision has accordingly been made for VAT receivable at 31 December 2008.

During the year ended 31 December 2008, the directors made a provision for impairment of the value of other debtors of TOO Ognevka so as to reduce their carrying amount to nil as set out in note 7 – "Impairment of TOO Ognevka".

The trade debtors are stated at full carrying value and their ageing is less than 30 days old.

Notes to the group financial statements
year ended 31 December 2008

18 Trade and other payables

Current liabilities

	2008 £000	2007 £000
Amount due to related party (note 19)	–	–
Trade creditors	966	296
Other payables and accruals	660	427
	1,626	723

Non-current liabilities

	2008 £000	2007 £000
Trade creditors	–	63
Other payables and accruals	629	390
	629	453

Trade creditors and accruals principally comprise amounts outstanding for trade purchases of goods and services. The majority of the trade creditors relate to the Group's trading subsidiaries in Kazakhstan. It is not practical to calculate the average credit period taken for trade purchases for these creditors due to current business practices in the former Soviet Union. For most suppliers, interest is not charged on these trade payables. The Group regularly reviews all outstanding payables to ensure they are paid within the appropriate timeframe.

Non-current liabilities are liabilities of TOO Ognevka incurred prior to Ognevka's rehabilitation process under court protection.

The directors consider that the carrying amount of trade payables approximates to their fair value.

19 Related party transactions

Loan from related party

The amount due to related party was due to Salix Limited, a company of which Mr. Brigden was both a director and a shareholder. The liability arose prior to the Company's admission to AIM in June 2004. Interest was charged on the outstanding amount at a rate of 8 per cent. per annum.

	2008 £000	2007 £000
1 January	–	302
Interest charge for the year	–	6
Cash interest paid	–	(18)
Repayment	–	(290)
31 December	–	–

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 – "Related Party Disclosures". Further information about the remuneration of individual directors is set out in the audited section of the report on directors' remuneration on pages 17 and 18.

	2008 £	2007 £
Short term employee benefits	482,318	305,030
Share based payment	61,127	18,987
	543,445	324,017

During the year ended 31 December 2007, an amount of £94,800 was paid to Salix Limited for the provision of the services of Mr Bridgen to Hambledon Mining plc. This is included in the total remuneration of Mr Bridgen for the year ended 31 December 2007 of £112,490 as set out in the report on directors' remuneration on pages 17 and 18. There were no amounts paid to Salix Limited for the provision of the services of Mr Bridgen in the year ended 31 December 2008.

Notes to the group financial statements
year ended 31 December 2008

20 Provisions

	Historic costs £000	Abandonment and restoration £000	Holiday pay £000	Total £000
1 January 2007	774	–	15	789
Capitalised as mine development	–	85	–	85
Additions	–	–	23	23
Change in estimate of provision	(69)	–	–	(69)
Unwinding of discount	175	5	–	180
Paid during the year	(117)	–	–	(117)
1 January 2008	763	90	38	891
Additions	–	–	37	37
Change in estimate of provision	(14)	–	–	(14)
Unwinding of discount	96	11	–	107
Paid during the year	(156)	–	–	(156)
Currency translation adjustment	300	–	–	300
31 December 2008	989	101	75	1,165
31 December 2007				
Current	117	–	–	117
Non-current	646	90	38	774
	763	90	38	891
31 December 2008				
Current	161	–	–	161
Non-current	828	101	75	1,004
	989	101	75	1,165

Historic costs

Basis of provision

The subsoil use contract (the "Contract"), under which TOO Sekisovskoye holds the exploration and mining rights to the Sekisovskoye deposit stipulates that it must pay a total of US$3,312,000 (£2,287,000) to the Kazakhstan Government for historic costs, of which US$33,000 (£22,000) was paid in the year 2000. The balance will be paid during the period of production according to the terms of an additional contract supplementary to the Contract.

Following the decision to start development of the Sekisovskoye deposit, the historic cost liability has been recognised. The future costs have been converted into United Kingdom sterling at the year end rate and discounted. A provision has been established for this amount. The discounted value of historic costs has been capitalised as Property, plant and equipment (note 14) and will be amortised over the productive period.

Notes to the group financial statements
year ended 31 December 2008

20 Provisions (continued)

Calculation of discounted value of historic costs and change in estimate

The future historic costs have been translated at 31 December 2008 into United Kingdom sterling using an exchange rate of £1 = US$1.45 (2007: £1 = US$2.00) and discounted to its net present value.

Abandonment and restoration costs

In accordance with the provisions of the subsoil use contract (the "Contract"), TOO Sekisovskoye is liable for site restoration costs upon completion of production activities. It is not possible to predict accurately the amount which might ultimately be payable for site restoration as it includes assumptions such as inflation in Kazakhstan over the life of the Contract which are inherently uncertain. However, an estimate for the cost of restoration which will be spent over the final year of the life of the mine has been made at £0.6 million. This future cost of restoration has been discounted and a provision recognised. The discounted amount for cost of restoration has been capitalised as a tangible fixed asset (note 14) and will be amortised over the productive period.

In accordance with the subsoil use agreement, TOO Sekisovskoye has established a cash fund to pay for the cost of restoration. The cash fund is maintained in a separate bank account in the name of TOO Sekisovskoye. TOO Sekisovskoye is required to contribute each year an amount equal to 1 per cent. of its operating expenses to this fund. Any transfers from the bank account require the authorisation of the Government of Kazakhstan. This fund will be used to pay for the costs of restoration as they become due. If the funds in the account are insufficient to pay for the costs, TOO Sekisovskoye will be required to pay any deficit. Any funds in the account surplus to those required for restoration will be returned to TOO Sekisovskoye. At 31 December 2008 there was £23,000 (2007: £17,000) on deposit in the bank account maintained for restoration costs.

21 Borrowings

Secured borrowings at amortised cost

	2008 £000	2007 £000
Bank loan	356	–

The Group contracted for the loan in December 2008 upon the following significant terms:

(i) It is a revolving credit facility which commenced on 23 December 2008 with repayment in full due on 23 December 2009.

(ii) It is denominated in Kazakhstan tenge ("TG") with a maximum drawdown of TG360 million (£2.0 million). TG63.8 million (£0.4 million) was drawn down under the facility at 31 December 2008 (2007: nil). TG296.2 million (£1.6 million) was undrawn and available at 31 December 2008 (2007: nil).

(iii) Following the devaluation of the Kazakhstan tenge against the US dollar in February 2009, certain terms of the loan were varied. The loan was re-denominated into US dollars and the amount of loan outstanding was converted into US dollars at the rate ruling on the day of conversion. The maximum amount of drawdown of the loan was reduced to US$2.4 million (£1.7 million).

(iv) Amounts may be drawn down in tranches under the facility with maturity periods of either 3 or 6 months. The tranches bear an annual interest rate of 15.4 per cent. and 16.4 per cent. respectively.

(v) It is secured against certain assets of the Group situated in Kazakhstan. The carrying amount of these assets was approximately £1.6 million.

The interest rate on the loan during the period was 16.4 per cent.

Notes to the group financial statements
year ended 31 December 2008

22 Deferred taxation

Deferred taxation liability

	Taxation losses £000	Accelerated taxation depreciation £000	Total £000
1 January 2007 and 2008	–	–	–
(Credit)/charge to income	(263)	824	561
31 December 2008	(263)	824	561

The tax losses and accelerated taxation depreciation have been offset as they arise within one subsidiary in Kazakhstan.

Unrecognised deferred taxation asset

The unrecognised deferred taxation asset is as follows:

	2008 £000	2007 £000
Temporary differences	2,046	727
Taxation losses	1,289	1,548
	3,335	2,275

Certain subsidiaries of the Group have incurred losses which will be available for offset against future profits of those subsidiaries. A subsidiary in Kazakhstan has also incurred accumulated depreciation in excess of capital allowances. No deferred taxation asset has been recognised in respect of timing differences relating to these items. The realisation of this deferred taxation asset is dependent on suitable taxable profits being made in future periods and there is insufficient evidence that this asset will be recoverable.

23 Called-up equity share capital

	2008 £	2007 £
Authorised		
950,000,000 Ordinary Shares of UK pence 0.1 each	950,000	950,000

Issued and fully paid

	Number	£
1 January 2007	366,265,328	366,265
Issued during the year		
Exercise of share options	1,664,684	1,665
Share placements	79,989,606	79,990
1 January 2008	447,919,618	447,920
Issued during the year		
Share placement	21,269,615	21,269
31 December 2008	469,189,233	469,189

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

On 19 November 2007, a placing of 22,967,606 new ordinary shares at 17.75p per share raised £4.1 million before expenses of £0.2 million. The funds were for the development of the Sekisovskoye and Ognevka projects.

On 21 May 2008, a placing of 21,269,615 new ordinary shares at 13p per share raised £2.8 million before expenses of £0.1 million. The funds were for the development of the Sekisovskoye and Ognevka projects.

The share options exercised during 2007 are set out in note 26 – "Share based payment".

Notes to the group financial statements
year ended 31 December 2008

24 Movements in equity

	Share capital £000	Share premium £000	Merger reserve £000	Other reserves £000	Currency translation reserve £000	Accumulated losses £000	Total £000
1 January 2007	366	16,690	(148)	32	(1,107)	(1,839)	13,994
Share based payment	–	–	–	55	–	–	55
Currency translation differences on foreign currency net investments	–	–	–	–	(15)	–	(15)
Shares issued (note 23)	82	12,634	–	–	–	–	12,716
Issue costs offset against share premium	–	(617)	–	–	–	–	(617)
Retained loss for the year	–	–		–	–	(4,383)	(4,383)
1 January 2008	448	28,707	(148)	87	(1,122)	(6,222)	21,750
Share based payment	–	–	–	83	–	–	83
Currency translation differences on foreign currency net investments	–	–	–	–	4,751	–	4,751
Shares issued (note 23)	21	2,744	–	–	–	–	2,765
Issue costs offset against share premium	–	(134)	–	–	–	–	(134)
Retained loss for the year	–	–	–	–	–	(7,624)	(7,624)
31 December 2008	469	31,317	(148)	170	3,629	(13,846)	21,591

25 Notes to the cash flow statement

Net cash outflow from operating activities

	2008 £000	2007 £000
Loss before taxation	(7,063)	(4,383)
Adjusted for:		
Investment revenues	(42)	(222)
Finance costs	101	186
Impairment of intangible assets	–	227
Impairment of TOO Ognevka	1,679	–
Provision on obsolescence and holiday pay	157	–
Share based payment	83	55
Depreciation of tangible fixed assets	2,482	596
Decrease in provisions	(156)	(8)
Increase in inventories	(788)	(2,194)
Increase in other receivables	(1,275)	(658)
Increase in trade and other payables	903	975
Foreign currency translation gain	24	39
	(3,895)	(5,387)

During the year ended 31 December 2008, the directors made a provision for impairment of the written down value of the property, plant and equipment of TOO Ognevka so as to reduce its carrying amount to £989,000 as set out in note 7 – "Impairment of TOO Ognevka".

Notes to the group financial statements
year ended 31 December 2008

26 Share based payment

The Company has a share option scheme for its senior employees. The scheme does not permit the issue of share options over more than 5 per cent. of the Company's issued share capital. Options given to employees only become exercisable following the second or third anniversary of the date of grant of the options. Options are exercisable at a price equal to the mid market price of the Company's shares on the close of business on the date of grant. If the options remain unexercised after a period of four or five years from the date of grant the options expire unless their exercise period is extended by the board of directors. Options are forfeited if the employee leaves the Group. Certain of the options awarded to employees can only be exercised if certain performance conditions are met including the commencement of production from the Sekisovskoye mine and profitable operation.

The number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year were as follows:

	2008		2007	
	Number	WAEP pence	Number	WAEP pence
1 January	3,800,000	12.62	3,664,684	7.81
Granted during the year	11,100,000	8.27	1,800,000	15.47
Cancelled during the year	(400,000)	18.00	–	–
Exercised during the year	–	–	(1,664,684)	5.11
31 December	14,500,000	9.14	3,800,000	12.62

There were no share options exercised during the year ended 31 December 2008. The following share options were exercised during the year ended 31 December 2007:

Number	Exercise price pence
464,684	5.38
1,200,000	5.00
1,664,684	

The following options were outstanding at 31 December 2008.

	Exercisable dates			
Date of grant	From	To	Number of shares	Exercise price pence
7 August 2005	7 August 2007	7 August 2009	1,500,000	8.50
26 June 2006	22 June 2008	22 June 2010	500,000	14.75
29 March 2007	29 March 2009	29 March 2011	1,400,000	14.75
29 January 2008	29 January 2011	29 January 2013	2,100,000	18.50
29 September 2008	29 September 2010	29 September 2012	9,000,000	5.88
			14,500,000	

The following options were exercisable at 31 December.

2008		2007	
Number	WAEP pence	Number	WAEP pence
1,500,000	8.50	–	–

The 1,500,000 options exercisable from 7 August 2007 were only exercisable if certain performance conditions were met. These conditions were not met, and the options were not exercisable, at 31 December 2007. These performance conditions were met during the year ended 31 December 2008 and the options were exercisable at that date. The 500,000 options exercisable from 22 June 2008 were only exercisable if certain performance conditions were met. These conditions were not met and the options were not exercisable at 31 December 2008. The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 3.3 years (2007: 2.5 years).

Notes to the group financial statements
year ended 31 December 2008

26 Share based payment (continued)

The principal assumptions of the options valuation model were:

Risk free interest rate	4.2 per cent. to 5.75 per cent. per annum
Expected volatility	50 per cent. per annum
Dividend yield	0 per cent.
Early exercise	At rate dependent upon potential gain from exercise

The historical share price volatility was computed for several comparable United Kingdom listed companies for the 10 year period from 1996 (or since their flotation if later). The volatility for these companies, in conjunction with the volatility of the share price of Hambledon Mining plc since its flotation in 2004, was used to determine the share price volatility.

The fair values at the date of issue and expected lives of the options valued in accordance with IFRS 2 were:

Award year	Exercise Price pence	Fair value pence	Life from grant date years
2005	8.50	3.35	4
2006	14.75	5.88	4
2007	14.75	6.98	4
2008	18.50	8.35	5
2008	5.88	2.27	4

The Group recognised a total expense of £83,000 (2007: £55,000) in respect of the share options awarded to its senior employees.

27 Financial Instruments

Policy on financial risk management

The Group's principal financial instruments comprise cash and cash equivalents, trade debtors and other receivables, trade and other payables, certain provisions and borrowings. The Group's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in note 3 – "accounting policies". The Group does not use financial instruments for speculative purposes.

Capital risk management

The Group was financed by equity and debt in the year ended 31 December 2008. It is the intention of the directors' that the Group should continue to be financed by a mixture of debt and equity as appropriate to maintain a robust balance sheet to support its business and maximise shareholders value. Details of additional equity raised in the year is set out in note 23 – "Called-up equity share capital".

Derivatives, financial instruments and risk management

The Group does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk management

The Group has transactional currency exposures. Such exposures arise from sales or purchases by its three subsidiaries in Kazakhstan in currencies other than the company's functional currency. The functional currency of TOO Altai Ken-Bayitu, TOO Gornorudnoe Predpriatie Sekisovskoye and TOO Ognevka is the Kazakhstan tenge. Hambledon Mining plc and Hambledon Mining Company Limited have a United Kingdom Pounds ("Sterling") functional currency. The currency transactions giving rise to this foreign currency risk are primarily the future US dollar denominated revenues and certain US dollar, Russian rouble and Euro denominated trade payables. The Group does not enter into hedging positions in respect of its exposure to foreign currency risk.

Notes to the group financial statements
year ended 31 December 2008

27 Financial Instruments (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December, are as follows:

	Liabilities		Assets	
	2008 £000	2007 £000	2008 £000	2007 £000
US dollars	1,596	853	131	768
Russian roubles	89	159	–	–
Euro	7	–	–	–
	1,692	1,012	131	768

Sensitivity analysis

A 10 per cent. strengthening, or weakening, of any one of the above currencies against either the US dollar or Sterling, which the directors consider to be a reasonably possible change for the purpose of sensitivity analysis, would not have a material effect on both the Group's equity and loss on ordinary activities after tax for the years ended 31 December 2007 and 2008. This assumes that all other variables remained constant.

Commodity price risk

The Group is exposed to the effect of fluctuations in the price of gold, silver, copper and other metals which are quoted in US dollars on the international markets. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of prices of these metals. The Group did not generate any revenues in the year ended 31 December 2007 and therefore fluctuations in the price of these metals did not effect the Group's financial performance for that year.

The Group's only significant sales during the year ended 31 December 2008 were sales of gold doré containing gold and silver. The sales proceeds for gold doré is fixed by reference to the gold and silver prices on the day of sale. The Group does not plan in the future to hedge its exposure to the risk of fluctuations in the price of gold, silver and copper and other metals and therefore it held no financial instruments that are sensitive to commodity price changes at either balance sheet date.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are monitored by the board of directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Group's principal financial assets are cash and cash equivalents, trade debtors and other accounts receivables. Cash equivalents include amounts held on deposit with financial institutions.

The credit risk on liquid funds held in current accounts and available on demand is limited because the Group's counterparties are mainly banks with high credit-ratings assigned by international credit-rating agencies.

Trade debtors comprise amounts receivable from a refinery in respect of sales of gold doré.

Notes to the group financial statements
year ended 31 December 2008

27 Financial Instruments (continued)

Other accounts receivable consist mostly of prepayments for goods and services by subsidiaries in Kazakhstan. It is often impractical in Kazakhstan to carry out a check of credit worthiness of suppliers before making the contracted prepayments. There were no significant balances at 31 December 2008 and 2007 in respect of which suppliers had defaulted on their obligations.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recorded in the financial statements.

Liquidity risk

The Group was in a pre-production, start up phase of its development until 2008 and financed its operations by periodically raising equity finance. In the year ended 31 December 2008, the Group commissioned its gold production plant and commenced production. During this year, the Group has been financed from internally generated funds and equity finance. In addition, the Group also entered into a one year working capital facility of £2 million of which £0.4 million was drawn down at 31 December 2008. Funds raised surplus to immediate requirements are held as cash deposits in Sterling. The maturities of the cash deposits are selected to maximise the investment return whilst ensuring that funds will be available as required to maintain the Group's operations with a maximum maturity of 3 months.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flow.

	Borrowings £000	Trade and other payables £000	Provisions £000	Total £000
31 December 2008				
From five to twenty years	–	–	1,700	1,700
From two to five years	–	–	649	649
For one to two years	–	629	161	790
Due after more than one year	–	629	2,510	3,139
Due within one year	414	1,626	161	2,201
	414	2,255	2,671	5,340
31 December 2007				
From five to twenty years	–	–	939	939
From two to five years	–	–	351	351
For one to two years	–	453	117	570
Due after more than one year	–	453	1,407	1,860
Due within one year	–	723	117	840
	–	1,176	1,524	2,700

Borrowings and interest rate risk

The Group entered into a one year revolving working capital facility during the year ended 31 December 2008. The significant terms of this borrowing are set out in note 21 – "Borrowings". The facility is at a fixed interest rate and short term which is local commercial practice in Kazakhstan. It is therefore only used for working capital purposes.

The Group places surplus funds on short term deposit (maximum 3 months) in Sterling with an interest rate fixed at the prevailing market rate.

The Group's exposure to interest rate risk is not material.

Notes to the group financial statements
year ended 31 December 2008

28 Commitments and contingencies

General conditions

In recent years, the Republic of Kazakhstan has undergone substantial political and economic change. As an emerging market, the Republic of Kazakhstan does not possess a well-developed business infrastructure such as generally exists in a more mature free market economy. As a result, operations carried out in the Republic of Kazakhstan can involve risks which are not typically associated with those in developed markets. Significant identified risks have been provided for or disclosed in these financial statements as appropriate.

Tax liabilities

The local and national tax environment in the Republic of Kazakhstan is subject to regular change and inconsistent application, interpretation and enforcement. Non-compliance with Kazakhstan laws and regulations, as interpreted by the Kazakh authorities, can lead to the imposition of fines, penalties and interest.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations and that its tax affairs are appropriately disclosed in these financial statements. However, the taxation authorities could take differing positions with regards to interpretative issues.

Capital commitments

The Group had contractual payments outstanding at 31 December 2008 of £30,000 (2007: £123,000). These amounts relate to future periods and have not been provided for in these financial statements.

Independent auditors' report to the members of Hambledon Mining plc

We have audited the parent company financial statements of Hambledon Mining plc for the year ended 31 December 2008 which comprise the Statement of Changes in Equity, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 11. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Hambledon Mining plc for the year ended 31 December 2008 and on the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and the Review of Operations and Exploration that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
United Kingdom

8 June 2009

Company statement of changes in equity
year ended 31 December 2008

	Notes	Share capital £000	Share premium £000	Accumulated Losses £000	Total £000
1 January 2007		366	16,690	(189)	16,867
Shares issued	7	82	12,634	–	12,716
Issue costs offset against share premium	8	–	(617)	–	(617)
Share based payment		–	–	55	55
Retained profit for the year		–	–	11	11
1 January 2008 – restated	4	448	28,707	(123)	29,032
Shares issued	7	21	2,744	–	2,765
Issue costs offset against share premium	8	–	(134)	–	(134)
Share based payment		–	–	83	83
Retained loss for the year		–	–	(450)	(450)
31 December 2008		469	31,317	(490)	31,296

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

Company balance sheet
31 December 2008

	Notes	2008 £000	2007 restated £000
Non-current assets			
Investments	4	321	238
Loans to subsidiaries	4	30,791	26,449
		31,112	26,687
Current assets			
Other receivables	5	16	19
Cash and cash equivalents		270	2,400
		286	2,419
Total assets		31,398	29,106
Current liabilities			
Trade and other payables	6	(102)	(74)
Net current assets		184	2,345
Net assets		31,296	29,032
Shareholders' equity			
Called-up share capital	7	469	448
Share premium	8	31,317	28,707
Accumulated losses	8	(490)	(123)
Total equity		31,296	29,032

These financial statements were approved by the board of directors on 8 June 2009 and signed on its behalf by

Nicholas Bridgen
Chief Executive

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

Company cash flow statement
year ended 31 December 2008

	Notes	2008 £000	2007 £000
Net cash outflow from operating activities	10	(471)	(279)
Investing activities			
Investment revenue		42	221
Loans to subsidiaries		(4,333)	(12,738)
Net cash used in investing activities		(4,291)	(12,517)
Financing activities			
Proceeds on issue of shares		2,632	12,099
Net cash inflow from financing activities		2,632	12,099
Decrease in cash and cash equivalents		(2,130)	(697)
Cash and cash equivalents at beginning of the year		2,400	3,097
Cash and cash equivalents at end of the year		270	2,400

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

Notes to the company financial statements
year ended 31 December 2008

1 Basis of preparation

The financial statements of Hambledon Mining plc for the year ended 31 December 2008 are prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union and therefore the Company financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared using accounting policies set out in note 2 which are consistent with all applicable IFRSs and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. For these purposes, IFRS comprises the standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee that have been endorsed by the European Union.

The financial statements have been prepared under the historical cost convention except for the treatment of share based payments. The Company has adopted IFRIC 11, which made certain amendments to IFRS 2 – "Group and Treasury Share Transactions". The Company makes equity settled share based payments to certain employees of certain subsidiary undertakings. Equity settled share based payments that are made to the employees of the Company's subsidiaries are treated as equity over the vesting period of the award, with a corresponding increase in the Company's investment in subsidiaries, based on an estimate of the number of shares that will vest. The adoption of IFRIC 11 has been treated as a prior year adjustment and the comparative figures restated accordingly as set out in note 4 – "Investments and loans to subsidiaries".

As set out in the report of the directors on page 14, the board of directors assessed the ability of the Company to continue as a going concern and these financial statements have been prepared on a going concern basis.

In accordance with the Provisions of Section 230 of the Companies Act 1985 the profit and loss account of Hambledon Mining pic is not presented.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IAS 1	"Presentation of Financial Statements (amended September 2007)"
IAS 23	"Borrowing Costs (amended March 2007)"
IAS 27	"Consolidated and Separate Financial Statements (amended January 2008)"
IAS 32 and IAS 1	"Puttable financial instruments and obligations arising on liquidation (amended February 2008)"
IAS 39	"Financial instruments: Recognition and Measurement: Eligible Hedged Items (amended July 2008)"
IAS 39	"Reclassification of Financial Assets: Effective Date and Transition (amended November 2008)"
IFRS 1	"First Time Adoption of IFRS (revised November 2008)"
IFRS 1 and IAS 27	"Cost of Investment in a Subsidiary, Jointly Controlled Entity or Associate (amended May 2008)"
IFRS 2	"Share based Payment: Vesting Conditions and Cancellations (amended January 2008)"
IFRS 3	"Business Combinations (revised January 2008)"
IFRS 8	"Operating Segments"
IFRSs 2008	"Improvements to IFRSs 2008 (amended May 2008)"
IFRIC 12	"Service Concession Arrangements"
IFRIC 13	"Customer Loyalty Programmes"
IFRIC 15	"Agreements for the Construction of Real Estate"
IFRIC 16	"Hedges of a Net Investment in a Foreign Operation"
IFRIC 17	"Distributions of Non-cash Assets to Owners"
IFRIC 18	"Transfers of Assets from Customers"

2 Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of these approximates to their fair value.

Financial liabilities and equity instruments

Financial liabilities are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at proceeds received, net of direct issue costs.

Investments and loans to subsidiaries

Investments in subsidiaries are included at cost less amounts written off. Loans to subsidiaries are initially recognised at fair value and subsequently measured at amortised cost.

Notes to the company financial statements
year ended 31 December 2008

Foreign currencies

The functional currency of Hambledon Mining plc is United Kingdom Pounds ("Sterling").

Transactions denominated in currencies other than the functional currency of Hambledon Mining pic are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities are translated into Sterling at the closing rates of exchange at the balance sheet date. Exchange differences arising from the restatement of monetary assets and liabilities at the closing rate of exchange at the balance sheet date or from the settlement of monetary transactions at a rate different from that at which the asset or liability was recorded are dealt with through the income statement.

Taxation

Current taxation is provided at amounts expected to be paid (or recovered) by using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided in accordance with IAS 12 – "Income Taxes", on temporary differences which are represented by a difference between the carrying value of an asset or liability and its tax base. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the surplus management charges of previous years can be utilised.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities carried in the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as financial expense or revenue. Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Trade and other payables

Trade payables are not interest bearing and are not restated at their nominal value. Long term other payables are initially recorded at fair value and subsequently measured at amortised cost.

Share based payment

All share based payments are accounted for in accordance with IFRS 2 "Share based payments".

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

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

Any charge accrued in respect of share options is treated as a capital contribution to the subsidiary company with a corresponding credit to reserves. Any profit or loss charge resulting from the exercise of share options is taken to the Company's profit and loss account in the year.

Notes to the company financial statements
year ended 31 December 2008

3 Taxation

There was no taxation payable for the years ended 31 December 2008 and 2007 as follows:

	2008 £000	2007 £000 restated
(Loss)/profit before taxation	(450)	11
(Loss)/profit for the year multiplied by the standard rate of corporation tax of 28.5 per cent. (2007: 30 per cent.)	(128)	3
Surplus management charges for the year	128	–
Management charges brought forward from previous years	–	(3)
Total taxation charge	–	–

The Company did not recognise any deferred tax assets or liabilities at 31 December 2008 or 31 December 2007. The Company had an unrecognised deferred taxation asset at 31 December 2008 in respect of excess management charges carried forward of £189,000 (2007: £61,000).

4 Investments and loans to subsidiaries

	Investments £000	Loans to subsidiaries £000
1 January 2007	151	13,659
Advances	–	12,790
Prior year adjustment – capital contributions	87	–
1 January 2008 – restated	238	26,449
Advances	–	4,342
Capital contribution	83	–
31 December 2008	321	30,791

A prior year adjustment was applied relating to the adoption of IFRIC 11, IFRS 2 Group and Treasury Share Transactions. The effect of the adjustment is to increase prior year investments in subsidiary undertakings by £87,000 and retained earnings by £87,000. The current year effect of the revised accounting policy is to increase investments in subsidiary companies and decrease accumulated losses by £83,000.

The loans to subsidiaries are interest free and with no fixed date for repayment.

At 31 December 2008, the Company's subsidiaries were:

Name	Percentage held	Country of registration and operation
Directly held		
Hambledon Mining Company Limited	100	British Virgin Islands
TOO Altai Ken-Bayitu	100	Kazakhstan
Indirectly held		
TOO Gornorudnoe Predprietie Sekisovskoye	100	Kazakhstan
TOO Ognevka	100	Kazakhstan

The principal activity of all companies relates to gold and other metals mining, production and processing with the exception of Hambledon Mining Company Limited which is an investment holding company.

Notes to the company financial statements
year ended 31 December 2008

5 Other receivables

	2008 £000	2007 £000
Prepayments and accrued income	16	19

The carrying amount of the other receivables approximates their fair value.

6 Trade and other payables

	2008 £000	2007 £000
Trade creditors	14	–
Other payables and accruals	88	74
	102	74

The carrying amount of trade and other payables approximates their fair value.

7 Called-up equity share capital

	2008 £	2007 £
Authorised		
950,000,000 Ordinary Shares of UK pence 0.1 each	950,000	950,000

Issued and fully paid

	Number	£
1 January 2007	366,265,328	366,265
Issued during the year		
Exercise of share options	1,664,684	1,665
Share placements	79,989,606	79,990
1 January 2008	447,919,618	447,920
Issued during the year		
Share placement	21,269,615	21,269
31 December 2008	469,189,233	469,189

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

On 19 November 2007, a placing of 22,967,606 new ordinary shares at 17.75p per share raised £4.1 million before expenses of £0.2 million. The funds were for the development of the Sekisovskoye and Ognevka projects.

On 21 May 2008, a placing of 21,269,615 new ordinary shares at 13p per share raised £2.8 million before expenses of £0.1 million. The funds were for the development of the Sekisovskoye and Ognevka projects.

The share options exercised during 2007 are set out in note 9 – "Share based payment".

Notes to the company financial statements
year ended 31 December 2008

8 Share premium account and accumulated losses

	Share premium £000	Accumulated losses £000
1 January 2007	16,690	(221)
Shares issued (note 7)	12,634	–
Issue costs offset against share premium	(617)	–
Share based payment	–	55
Retained loss for the year	–	(44)
31 December 2007	28,707	(210)
Restatement (note 4)	–	87
1 January 2008 – restated	28,707	(123)
Shares issued (note 7)	2,744	–
Issue costs offset against share premium	(134)	–
Share based payment	–	83
Retained loss for the year	–	(450)
31 December 2008	31,317	(490)

9 Share based payment

The Company has a share option scheme for its senior employees. The scheme does not permit the issue of share options over more than 5 per cent. of the Company's issued share capital. Options given to employees only become exercisable following the second or third anniversary of the date of grant of the options. Options are exercisable at a price equal to the mid market price of the Company's shares on the close of business on the date of grant. If the options remain unexercised after a period of four or five years from the date of grant the options expire unless their exercise period is extended by the board of directors. Options are forfeited if the employee leaves the Group. Certain of the options awarded to employees can only be exercised if certain performance conditions are met including the commencement of production from the Sekisovskoye mine and profitable operation.

The number and weighted average exercise prices ("WAEP") of, and movements in, share options during the year were as follows:

	2008		2007	
	Number	WAEP pence	Number	WAEP pence
1 January	3,800,000	12.62	3,664,684	7.81
Granted during the year	11,100,000	8.27	1,800,000	15.47
Cancelled during the year	(400,000)	18.00	–	–
Exercised during the year	–	–	(1,664,684)	5.11
31 December	14,500,000	9.14	3,800,000	12.62

There were no share options exercised during the year ended 31 December 2008. The following share options were exercised during the year ended 31 December 2007:

Number	Exercise price pence
464,684	5.38
1,200,000	5.00
1,664,684	

Notes to the company financial statements
year ended 31 December 2008

9 Share based payment (continued)

The following options were outstanding at 31 December 2008.

Date of grant	Exercisable dates From	Exercisable dates To	Number of shares	Exercise price pence
7 August 2005	7 August 2007	7 August 2009	1,500,000	8.50
26 June 2006	22 June 2008	22 June 2010	500,000	14.75
29 March 2007	29 March 2009	29 March 2011	1,400,000	14.75
29 January 2008	29 January 2011	29 January 2013	2,100,000	18.50
29 September 2008	29 September 2010	29 September 2012	9,000,000	5.88
			14,500,000	

The following options were exercisable at 31 December.

2008 Number	2008 WAEP pence	2007 Number	2007 WAEP pence
1,500,000	8.50	–	–

The 1,500,000 options exercisable from 7 August 2007 were only exercisable if certain performance conditions were met. These conditions were not met, and the options were not exercisable, at 31 December 2007. These performance conditions were met during the year ended 31 December 2008 and the options were exercisable at that date. The 500,000 options exercisable from 22 June 2008 were only exercisable if certain performance conditions were met. These conditions were not met and the options were not exercisable at 31 December 2008. The options outstanding at 31 December 2008 had a weighted average remaining contractual life of 3.3 years (2007: 2.5 years).

The principal assumptions of the options valuation model were:

Risk free interest rate	4.2 per cent. to 5.75 per cent. per annum
Expected volatility	50 per cent. per annum
Dividend yield	0 per cent.
Early exercise	At rate dependent upon potential gain from exercise

The historical share price volatility was computed for several comparable United Kingdom listed companies for the 10 year period from 1996 (or since their flotation if later). The volatility for these companies, in conjunction with the volatility of the share price of Hambledon Mining plc since its flotation in 2004, was used to determine the share price volatility.

The fair values at the date of issue and expected lives of the options valued in accordance with IFRS 2 were:

Award year	Exercise Price pence	Fair value pence	Life from grant date years
2005	8.50	3.35	4
2006	14.75	5.88	4
2007	14.75	6.98	4
2008	18.50	8.35	5
2008	5.88	2.27	4

There was a total expense of £83,000 (2007: £55,000) in subsidiaries of the Company in respect of the share options awarded to senior employees. This expense has been accounted for as a capital contribution to the cost of investment in those subsidiaries with a corresponding increase in opening reserves as set out in note 4 – "Investments and loans to subsidiaries".

Notes to the company financial statements
year ended 31 December 2008

10 Notes to the cash flow statement

Net cash outflow from operating activities

	2008 £000	2007 £000 restated
(Loss)/profit before and after taxation	(450)	11
Adjusted for:		
Investment revenues	(42)	(221)
Decrease/(increase) in other receivables	3	(5)
Increase/(decrease) in trade and other payables	27	(10)
Foreign currency translation loss	(9)	(54)
	(471)	(279)

The amounts for 2007 have been restated due to the prior year adjustment as set out in note 4 – "Investment and loans to subsidiaries".

11 Financial instruments

General

The Company is a holding company for investments and does not trade. The Company's accounting policies with regard to financial instruments are detailed in note 2. The Company does not use financial instruments for speculative purposes. Details of the Group's policies on financial risk management, certain of which are also relevant to the Company, are included in note 27 to the Group financial statements, except where detailed below.

Foreign currency risk management

The Company's functional currency is United Kingdom pounds ("Sterling"). All material assets and liabilities are denominated in Sterling. The Company has been financed by sales of shares denominated in Sterling and its income and expenses are also denominated in Sterling.

Loans to subsidiaries

The Company has made United States dollar loans to its subsidiaries which are interest free and with no fixed term for repayment. At 31 December 2008, its trading subsidiaries were incurring losses. The recoverability of these loans is dependent on the future ability of each relevant subsidiary to generate sufficient funds to repay its loan. Alternatively, these loans may also be repaid out of the proceeds of any future sale of each relevant subsidiary. At the balance sheet date there were amounts receivable from subsidiary companies of £30,791,000 (2007: £26,449,000). The carrying amount of these assets approximates to their fair value. There are no past due or impaired receivable balances (2007: £nil).

Notice of AGM and Company information

Notice of annual general meeting

NOTICE IS GIVEN that an annual general meeting of HAMBLEDON MINING PLC (the "Company") will be held at the offices of Fairfax I.S. PLC at 46 Berkeley Square, Mayfair, London W1J 5AT on Friday 17 July 2009 at 2.30 p.m. for the purposes of considering and, if thought fit, passing the following resolutions:

1 To consider the audited accounts of the Company for the year ended 31 December 2008 and the directors' report and auditors' report on them.

2 To approve the directors' remuneration report for the year ended 31 December 2008.

3 To reappoint Nicholas Bridgen, who retires by rotation at the meeting, as a director of the Company.

The biography of Nicholas Bridgen appears on page 8.

4 To reappoint Baurzhan Yerkeyev, who retires by rotation at the meeting, as a director of the Company.

The biography of Baurzhan Yerkeyev appears on page 8.

5 To reappoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting before which accounts are laid and to authorise the directors of the Company to determine the auditors' remuneration.

6 To authorise the directors of the Company (the "Directors") generally and unconditionally to exercise all powers of the Company to allot, grant options over, offer or otherwise deal with or dispose of relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £156,396.41 provided that this authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the earlier of the date falling fifteen (15) months from the passing of this resolution and the date of the next annual general meeting of the Company after the passing of this resolution, save that the Directors may before the expiry of the authority granted by this resolution make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

7 To empower the directors of the Company (the "Directors") (subject to the passing of resolution 6) pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority conferred upon them by resolution 6 as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

7.1 the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive issue or offer in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or any other matter whatever; and

7.2 the allotment (otherwise than pursuant to sub-paragraph 7.1 above) of equity securities up to an aggregate nominal amount of £46,918.92,

and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) on the earlier of the date falling fifteen (15) months from the passing of this resolution and the date of the next annual general meeting of the Company after the passing of this resolution, save that the Directors may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

8 To ratify the holding of this meeting on a date other than one in the period of six months beginning with the day after the Company's accounting reference date.

By order of the board

William R Morgan
Company Secretary

18 June 2009

Registered office:
Daws House
33-35 Daws Lane
London
NW7 4SD

Notice of annual general meeting

NOTES

1 General

This notice is the formal notification to shareholders of the Company's annual general meeting (the "Meeting"), its date, time and place, and the matters to be considered. If you are in doubt as to what action to take you should consult an independent adviser.

Resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions. Resolutions 7 and 8 will be proposed as special resolutions. Resolutions 2 and 8 are items of special business.

2 Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend, speak and vote at the Meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the Company's register of members at 6.00 p.m. on 15 July 2009; or if the Meeting is adjourned, at 6.00 p.m. two days prior to the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the Meeting.

3 Appointment of proxies

If you are a member of the Company at the time set out in note 2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

A proxy does not need to be a member of the Company but will need to attend the Meeting in order to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman of the Meeting) and give your instructions directly to them.

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A vote withheld is not a vote in law, which means that any such vote will not be counted in the calculation of votes for or against the particular resolution. If no voting indication is given on the proxy form, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote or abstain from voting as he or she thinks fit in relation to any other matter which is put before the Meeting.

The return of a proxy form will not prevent you from attending the Meeting, speaking or voting in person if you so wish.

4 Appointment of proxy using the proxy form

The notes to the proxy form explain how to direct your proxy to vote on each resolution or to withhold their vote. To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA; and
- received by Neville Registrars no later than 2.30 p.m. on 15 July 2009.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company, stating their capacity (e.g. director, secretary).

Any power of attorney or other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

5 Appointment of a proxy by joint members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

6 Corporate representatives

In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:

Notice of annual general meeting

- if a corporate member has appointed the Chairman of the Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
- if more than one corporate representative for the same corporate member attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in first bullet in this note 6.

7 Communication
You may not use any electronic address (within the meaning of section 333(4) of the Companies Act 2006) provided in this Notice of Meeting (or in any related document) to communicate with the Company for any purposes other than those expressly stated.

8 Documents on display
Copies of the letters of appointment of the non-executive directors of the Company will be available for inspection at the Company's registered office at Daws House, 33-35 Daws Lane, London NW7 4SD during normal business hours on any weekday (Saturdays and English public holidays excepted) from the date of this notice until the close of the Meeting and at the place of that Meeting for at least 15 minutes prior to and during the Meeting.

EXPLANATIONS OF RESOLUTIONS

Resolution number 1 – Accounts
The directors of the Company are obliged to present to shareholders the report of the directors and the accounts for the Company for the year ended 31 December 2008 and the auditors' report on those items. That report and those accounts, and the report of the Company's auditors on those accounts, are set out on pages 20 to 57 of this document.

Resolution number 2 – approval of the directors' remuneration report
The shareholders are being asked to vote on the remuneration report relating to directors. This report is set out on pages 17 and 18 of this document. The vote is advisory and the directors' entitlement to remuneration is not conditional upon the resolution being passed.

Resolutions 3 and 4 – Re-election of directors
At each annual general meeting one third of the directors for the time being (other than those appointed since the latest annual general meeting) are required to retire. If the number of relevant directors is not a multiple of three, the number nearest to but not exceeding one third of directors are obliged to retire. Directors due to retire by rotation are those who have been longest in office since their election or last re-election and as between persons who become or were last re-elected on the same day those due to retire shall (unless they otherwise agree among themselves) be determined by lot.

A retiring director is eligible for re-election. Nicholas Bridgen and Baurzhan Yerkeyev retire by rotation and are offering themselves for re-election.

Resolution 5 – reappointment of auditors
The Company is required to appoint auditors at each general meeting at which accounts are laid, to hold office until the next such general meeting.

The present auditors, Deloitte LLP, have indicated their willingness to stand for reappointment. This resolution, in accordance with standard practice, also authorises the directors to determine the level of the auditors' remuneration.

Resolution number 6 – authority to allot shares
The resolution grants the directors authority to allot relevant securities up to an aggregate nominal amount of £156,396.41 (representing approximately one third of the Company's ordinary share capital in issue at 18 June 2009).

It is not the directors' current intention to allot relevant securities pursuant to this resolution. This authority replaces the existing authority to allot relevant securities and expires at the conclusion of the next annual general meeting of the Company or 15 months from the date of passing the resolution, whichever is earlier.

Notice of annual general meeting

Resolution number 7 – disapplication of statutory pre-emption rights
This resolution disapplies the statutory pre-emption rights which would otherwise apply on an issue of shares for cash and is limited to allotments in connection with rights issues and certain other pre-emptive issues, and otherwise up to an aggregate nominal amount of £46,918.92 (representing approximately 10 per cent. of the Company's ordinary share capital in issue at 18 June 2009). This power replaces the existing disapplication of pre-emption rights and expires at the conclusion of the next annual general meeting of the Company or 15 months from the date of passing of the resolution, whichever is the earlier.

Resolution 8 – Ratification of meeting
The Company's articles of association provide for annual general meetings to be held within six months of the Company's year end. That provision reflects the requirements of the Companies Act 2006 (the "2006 Act") save that the requirement of the 2006 Act only applies once a company has laid its accounts before a general meeting in respect of the last financial year of the relevant company beginning before 6 April 2008. The accounts of the Company to be laid before the annual general meeting convened by this notice relate to the financial year beginning on 1 January 2008 and, as such, under the 2006 Act, there is no requirement to hold the annual general meeting within six months of the financial year end (instead the Company has seven months).

Given that historically the Company has held its annual general meeting in July each year, the directors have resolved to do so again. Although this is permitted by the Companies Act 2006, as noted above, the Company's articles impose a shorter period. Accordingly, it is necessary to obtain shareholders' ratification of this technical breach of the Company's articles of association. This resolution seeks such ratification. Next year's annual general meeting will be held within the six month period referred to in the Company's articles of association.

Form of Proxy

For use at the Annual General Meeting of Hambledon Mining plc (the "Company") convened for Friday 17 July 2009 at 2.30 p.m. at the offices of Fairfax I.S. PLC at 46 Berkeley Square, Mayfair, London W1J 5AT.

I/We.....(see note 3)
(BLOCK LETTERS PLEASE)

of.....
being a member of the Company, hereby appoint the Chairman of the meeting, or (see notes 4 and 5)

.....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the offices of Fairfax I.S. PLC at 46 Berkeley Square, Mayfair, London W1J 5AT on 17 July 2009 at 2.30 p.m. on the following resolutions, to be submitted to the meeting and at any adjournment of the meeting, and any other business which may properly come before the meeting and any adjournment of the meeting.

Please tick this box if you are appointing more than one proxy (see note 5):

I/We request such proxy to vote on the following resolutions as mentioned below (see note 6).

		For	Against	Withheld
1	To consider the audited accounts of the Company for the year ended 31 December 2008 and the directors' report and auditors' report on them.			
2	To approve the directors' remuneration report for the year ended 31 December 2008.			
3	To reappoint Nicholas Bridgen, who retires by rotation at the meeting, as a director of the Company.			
4	To reappoint Baurzhan Yerkeyev, who retires by rotation at the meeting, as a director of the Company.			
5	To reappoint Deloitte LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which accounts are laid and to authorise the directors to determine the auditors' remuneration.			
6	To authorise the directors to allot relevant securities up to an aggregate nominal amount of £156,396.41.			
7	Subject to the passing of resolution 6, to empower the directors to allot equity securities for cash on a pre-emptive basis and otherwise up to a maximum of £46,918.92.			
8	To ratify the holding of the 2009 annual general meeting other than on a date during the period of six months beginning with the day after the Company's accounting reference date.			

Resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions. Resolutions 7 and 8 will be proposed as special resolutions. Resolutions 2 and 8 are items of special business.

Signature.....(see note 7) Dated .....day of.....2009

Joint holders (if any) .....

Name ..... Name .....

Name ..... Name .....

Notes:

1 A member of the Company at the time set out in note 9 below is entitled to appoint a proxy to exercise all or any of his/her/its rights to attend, speak and vote at the meeting. Such a member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. If you are considering appointing more than one proxy, please refer to notes 4 and 5 below. A proxy does not need to be a member of the Company.

2 To be valid, this form of proxy must be lodged with the Company's Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA, not later than 48 hours before the time of the meeting, or any adjournment of the meeting at which it is to be used, together, if appropriate, with any power of attorney or other authority under which it is signed (or a notarially certified copy of such power) or, where the proxy form has been signed by an officer on behalf of a corporation a notarially certified copy of the authority under which it is signed.

3 Please complete in BLOCK CAPITALS with your full name and address. Completion and return of the form of proxy will not preclude a member from attending or voting in person at the meeting (in substitution for the proxy), if they so wish.

4 You may, if you wish, in the space provided insert the name(s) of the person(s) of your choice to attend and vote at the meeting on your behalf. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the chairman of the meeting) and give your instructions directly to them. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this form of proxy has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account).

5 To appoint more than one proxy (an) additional proxy form(s) may be obtained by photocopying this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms of proxy must be signed and should be returned together in the same envelope.

6 Please indicate with an 'X' in the appropriate space how you wish your votes to be cast. Unless otherwise instructed the proxy will exercise his/her discretion as to whether, and if so how, he/she/it will vote. A vote "Withheld" is not a vote in law and will not be counted in the calculation of votes "For" and "Against" and the member concerned will not be taken to have given his/her/its discretion to the proxy/proxies, on how to vote.

7 Signatures need not be witnessed. In the case of a joint holding, a form of proxy need only be signed by one joint holder. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior). In the case of a member which is a company, this form of proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company, stating their capacity (e.g. director, secretary).

8 Any alterations made in this proxy should be initialled by the person who signed or executed this form of proxy.

9 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend, speak and vote at the meeting (and also for the purpose of determining how many votes a person entitled to attend and vote may cast), a person must be entered on the Company's register of members at 6.00 p.m. on 15 July 2009; or if the meeting is adjourned, at 6.00 p.m. two days prior to the day of the adjourned meeting. Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting.

Third Fold and tuck in

BUSINESS REPLY SERVICE
License No. BM3865

1

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

First Fold

Second Fold

Company Information

Directors	George Eccles, non-executive chairman Nicholas Bridgen, Chief executive Neil Stevenson, Technical director Christopher Thomas, Non-executive director Baurzhan Yerkeyev, Executive director
Secretary	William Roy Morgan
Registered office	Daws House 33 – 35 Daws Lane London NW7 4SD Telephone: +44 (0) 870 111 8778
Web	www.hambledon-mining.com
Kazakhstan office	4th Floor 83 Protozanova Street Ust Kamenogorsk Kazakhstan Telephone: +7 (0) 72331 27928 Fax: +7 (0) 72331 27933
Nominated adviser and broker	Fairfax I.S. PLC 46 Berkeley Square Mayfair London W1J 5AT Telephone: +44 (0) 207 598 5368
Investor relations	Charles Zorab Telephone: +44 (0) 207 233 1462
Auditors to the Group	Deloitte LLP 2 New Street Square London EC4A 3BZ Deloitte LLP Almaty Financial District Building B 36 Al Farabi Avenue Almaty, 050059 Kazakhstan
Registrars	Neville Registrars 18 Laurel Lane Halesowen West Midlands B63 3DA Telephone: +44 (0) 121 585 1131
Bankers	Natwest Bank plc London City Commercial Business Centre 7th Floor, 280 Bishopsgate London EC2M 4RB

Designed and produced by Sterling

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www.hambledon-mining.com

Registration number 5048549