

04 October 2013

**Hambledon Mining plc**  
("Hambledon", the "Company" or the "Group")

**Karasuyskoye Ore Fields Transaction**

Hambledon Mining plc (AIM: HMB), the gold mining and development company, announces today that it has entered into an agreement with Hydrogeology LLP, a Kazakh corporation active in exploration and geological research ("Hydrogeology"), to acquire certain historic geological information pertaining to the Karasuyskoye ore fields (the "Karasuyskoye Ore Fields") for a total consideration of US\$27.5 million (the "Consideration") (the "Transaction").

**Highlights**

- The Karasuyskoye Ore Fields cover an area of approximately 198 km<sup>2</sup> adjacent to the Company's current concessions and production facilities and offer the potential for both open pit and underground mining.
- Exploration drilling and testing by Hydrogeology, which has been reviewed by Hambledon's technical team, indicates estimated resources of approximately nine million ounces of gold and in excess of sixteen million ounces of silver, with considerable up-side potential after further drilling.
- Information acquired will also form the basis of the Company's application to Kazakhstan's Ministry of Industry and New Technologies ("MINT") for a production license covering the enlarged mining area.
  - Assuming this is obtained, the Company intends to progress further exploration work on the assets in order to prepare a JORC-compliant competent person's report ("CPR") and from there move to production.
- Proximity of the Karasuyskoye Ore Fields to the Company's existing assets offers the potential to exploit economies of scale and utilise, at least in the initial stages of production, its existing plant and mining equipment.
- The total consideration payable to Hydrogeology is US\$27.5 million (c. £17 million) which is being fully funded through the issue of an unsecured convertible loan note by the Company to African Resources Limited ("African Resources"), the Company's current 50.9 per cent shareholder.

Aidar Assaubayev, CEO of Hambledon, commented: *"The acquisition is a perfect fit for Hambledon and, assuming the production licence is obtained, will allow the Company to significantly expand its operations and move into its next stage of development."*

## **Transaction Overview**

Hambledon has entered into an information transfer and sale agreement with Hydrogeology (the "Information Transfer and Sale Agreement") to acquire certain historical geological information pertaining to the Karasuyskoye Ore Fields which are located adjacent to the Company's current operations in Kazakhstan.

The Karasuyskoye Ore Fields are an advanced exploration project covering an area of approximately 198 km<sup>2</sup>. Exploration drilling and testing by Hydrogeology, which has been reviewed by Hambledon's technical team, indicates estimated resources of approximately nine million ounces of gold and in excess of sixteen million ounces of silver.

The Company expects first to use the information acquired as the basis for an application for the extension of its existing mining licenses, to cover the Karasuyskoye Ore Fields, from MINT. Assuming this extension is granted, and following the completion of limited additional verification work, the Company then expects to engage an external mining consultant to complete a JORC-compliant CPR on the Karasuyskoye Ore Fields.

Following the completion of the CPR, the Company expects to announce its strategy for bringing the Karasuyskoye Ore Fields into production using the cash generated by its existing operations. Initially, this is expected to involve the utilisation of the Company's existing mining fleet and processing facilities, while the Company completes its medium-term investment programme to expand both fleet and plant.

A presentation providing details relating to Karasuyskoye Ore Fields, including a map of the area, will shortly be available on the Company's website: [www.hambledon-mining.com](http://www.hambledon-mining.com)

## **Consideration**

The total Consideration payable under the Transaction is US\$27.5 million (approximately £17 million). Completion of the Transaction ("Completion") occurred immediately on execution of the Information Transfer and Sale Agreement and the Consideration will be paid shortly following Completion. Hambledon has entered into an agreement with its 50.9 per cent shareholder, African Resources, to finance this amount (and related expenses) through the issue to African Resources of five year convertible loan notes of £17.25 million (the "Convertible Loan Notes").

The Convertible Loan Notes, which are transferable, will bear interest at a rate equal to three (3) month LIBOR plus seven per cent (7%) margin, which is the same margin as that borne by the Company under its current facility provided by the European Bank for Reconstruction and Development ("EBRD"). Interest will accrue on a daily basis and be payable on redemption or, in shares, on conversion. The Convertible Loan Notes can be redeemed early by the Company at a premium of 3 per cent plus accrued interest. The Company will be entitled to convert or redeem the Convertible Loan Notes at the maturity date.

The Convertible Loan Notes are convertible into new ordinary shares of 0.1 pence each ("Ordinary Shares") in the Company at a conversion price of 3p per share, a premium of approximately 58 per

cent to yesterday's closing price. The Convertible Loan Notes will be subject to customary anti-dilution protections, for example, on further equity raises. Conversion of the Convertible Loan Notes is subject to the granting of shareholder approval at a general meeting of the Company to be convened on 23 October 2013.

### **Related Party Transaction**

As noted above, African Resources currently has a 50.9 per cent interest in the existing issued share capital of the Company. African Resources is beneficially owned by certain members of the Assaubayev family, including Aidar Assaubayev, who is a director and the Chief Executive Officer of Hambledon.

Accordingly, the issue of the Convertible Loan Notes to African Resources constitutes a related party transaction in accordance with the AIM Rules for Companies. The independent directors, being Bill Trew and Ashar Qureshi, consider having consulted the Company's nominated adviser, Strand Hanson Limited, that the terms on which the Convertible Loan Notes are proposed to be issued to African Resources are fair and reasonable insofar as its Shareholders are concerned.

### **Effect of conversion of the Convertible Loan Notes on existing Shareholders**

Assuming no further issues of Ordinary Shares, if the Convertible Loan Notes were to be converted immediately upon granting of shareholder approval, the Company would have an enlarged share capital comprising approximately 1,556,972,000 Ordinary Shares (the "Enlarged Share Capital"). On this basis, approximately 577,250,000 new Ordinary Shares (the "CLN Shares") would be issued to African Resources and would represent approximately 37 per cent of the Company's Enlarged Share Capital, following which African Resources would be interested in approximately 1,075,505,000 Ordinary Shares in aggregate, representing approximately 69 per cent of the Company's Enlarged Share Capital. The interests of the remaining Shareholders would be diluted by approximately 37 per cent.

### **The Takeover Code**

Until 30 September 2013, the Company was not subject to the City Code on Takeovers and Mergers (the "City Code"). However, as a result of recent changes in respect of the definition of companies to which the City Code applies, the Company became subject to the City Code, with effect from 30 September 2013.

Under Rule 9 of the City Code, where any person acquires, whether by a single transaction or a series of transactions over a period of time, interests in securities which (taken together with securities in which persons acting in concert with him are interested) carry 30 per cent or more of the voting rights of a company which is subject to the City Code, that person is normally required by The Panel on Takeovers and Mergers (the "Panel") to make a general offer to the shareholders of that company to acquire their shares. Further, when any person individually, or a group of persons

acting in concert, already holds interests in securities which carry between 30 and 50 per cent of the voting rights of a company which is subject to the City Code, that person may not normally acquire further securities without making a general offer to the shareholders of that company to acquire their shares.

As a result of the partial offer by African Resources for the Company (“the Partial Offer”) which was declared unconditional on 23 November 2012, a concert party (as defined in the Partial Offer Document) came into existence comprising African Resources and Blackwill Trade Limited (“Blackwill Trade”) (together the “Concert Party”). African Resources is a company incorporated in the British Virgin Islands and is associated with Aidar Assaubayev. Blackwill Trade is a company incorporated in New Zealand and is connected with African Resources.

African Resources and Blackwill Trade are considered to be persons acting in concert for the purposes of the City Code in relation to the Company.

African Resources and Blackwill Trade hold 498,254,976 and 88,448,936 Ordinary Shares respectively representing approximately 50.9 per cent. and 9.0 per cent. respectively, and 59.9 per cent. in aggregate, of the existing share capital of the Company. Assuming full conversion at maturity, African Resources would become interested in up to 1,289,383,101 Ordinary Shares and Blackwill Trade would continue to be interested in 88,448,936 Ordinary Shares representing up to 73 per cent and 5 per cent respectively, and up to 78 per cent in aggregate, of the Enlarged Share Capital (assuming conversion occurs upon loan maturity on 4 October 2018 and LIBOR remains constant at 0.52 per cent).

As a result of its existing and potentially enlarged holdings in the Company, the Concert Party will have the ability to exert a significant degree of control over the future conduct of the Company. **Shareholders should be aware that the members of the Concert Party already hold more than 50 per cent of the Company’s voting rights and for so long as they continue to be treated as acting in concert may accordingly increase their aggregate shareholding without incurring an obligation under Rule 9 of the City Code to make a general offer to all Shareholders, although individual members of the Concert Party will not be able to increase their percentage holdings through a Rule 9 threshold or between the two Rule 9 thresholds without Panel consent.**

### **General Meeting**

Shareholder approval will be required in order for Hambledon to be able to issue and allot shares in the Company arising from the partial or full conversion of the Convertible Loan Notes. A circular to Shareholders of the Company, including a notice convening a general meeting, will be posted later today at which resolutions will be proposed seeking shareholder approval for the issue and allotment, on a non pre-emptive basis, of such number of new Ordinary Shares in the Company as would be required to satisfy full conversion of the Convertible Loan Notes at maturity (the “Resolutions”). The general meeting has been convened at 11:00 a.m. on 23 October 2013 and will be held at the offices of Gowlings (UK) LLP, 125 Old Broad Street, London, EC2N 1AR.

## **Irrevocable Undertakings**

The Company has received an irrevocable undertaking from African Resources to vote (or procure the voting) in favour of the Resolutions in respect of a total of 498,254,976 existing Ordinary Shares, representing 50.9 per cent of the existing issued ordinary share capital of the Company.

## **Key Risks**

### **Mint Approvals**

Whilst the Company is confident that it will obtain the necessary regulatory approvals from MINT to commence further exploratory work on the Karasuyskoye Ore Fields, there is no guarantee of this approval being forthcoming. Failure to obtain the approvals from MINT might result in the Company not being able to proceed with the development work on the Karasuyskoye Ore Fields.

### **Financing**

Initially, Hambleton intends to utilise its existing mining fleet and processing facilities to commence small-scale production at the Karasuyskoye Ore Fields. However, further investment will be required by the Company in order to increase production to commercial levels and this investment may require further equity or debt funding which may or may not be forthcoming.

### **Technical breach of EBRD loan conditions**

In 2012, two of the Group's subsidiary companies entered into a loan agreement for an amount of \$10,000,000 with the EBRD. Under the terms of the loan, the Group is required to comply with a number of financial and non-financial covenants. As at 31 December 2012, the Group was in breach of its debt to equity covenant and an application for a waiver has been made. Although no waiver has yet been received, the Directors remain in active dialogue with EBRD regarding the loan and a potential waiver, including the effect of the Convertible Loan Notes. In the event of a waiver not being obtained, the EBRD may, at its option, by notice to the borrowers declare all, or any portion, of the principal and accrued interest on the loan to be either due and payable on demand, or payable without any further notice.

## **Review by Qualified Person**

Viktor Redazubov-Gorsky, senior consultant, has reviewed and approved the technical information contained within this announcement in his capacity as a qualified person under the AIM Rules. Mr. Redazubov-Gorsky holds a Ph.D. in geological and mineralogical sciences, is a member of the Association of Geological Organizations, is a member of the Russian Academy of Science (Geological and Mineralogical Division) and has over 30 years of relevant mining industry experience.

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