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This document is an admission document in relation to AIM. Whilst it has been drawn up in accordance with the Public Offers of Securities Regulations 1995 (the "POS Regulations"), it does not comprise a prospectus for the purpose of the POS Regulations.

Application has been made for the Existing Ordinary Shares and New Ordinary Shares to be admitted to trading on the AIM market of the London Stock Exchange ("AIM"). It is expected that admission will become effective and that trading in the Existing Ordinary Shares and New Ordinary Shares will commence on AIM on 10 June 2004.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority ("the Official List"). A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List and it is emphasised that no application is being made for admission of the Existing Ordinary Shares or New Ordinary Shares to the Official List. Furthermore, neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. The Existing Ordinary Shares are not dealt on any other recognised investment exchange and no other application has been made in respect of either the Existing Ordinary Shares and/or the New Ordinary Shares to be admitted to any such exchange.

The Existing Ordinary Shares and New Ordinary Shares have not been, and will not be registered under the United States Securities Act of 1933, as amended or under the securities legislation of any state of the United States of America, Australia, Canada, Japan or the Republic of Ireland. Accordingly, subject to certain exceptions, the Existing Ordinary Shares and New Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Australia, Canada, Japan or the Republic of Ireland or to or for the account or benefit of any national, resident or citizen of Australia, Canada, Japan or the Republic of Ireland or any person located in the United States. This document does not constitute an offer, or the solicitation of an offer to subscribe or buy, any of the Existing Ordinary Shares or New Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Your attention is drawn to Part II of this document entitled Risk Factors. All statements regarding the Company's business should be read in the light of these risk factors.

HAMBLEDON MINING PLC

(Incorporated and registered in England and Wales with Registered No. 5048549)

Placing of 50,000,000 New Ordinary Shares of 0.1p each at 5p per share

Admission to trading on the AIM market

**Nominated Adviser and Broker
Seymour Pierce Limited**

ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING PLACING AND ADMISSION

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Number of</i>		<i>Number of</i>	
<i>Ordinary Shares</i>	<i>Amount</i>	<i>Ordinary Shares</i>	<i>Amount</i>
950,000,000	£950,000	ordinary shares of 0.1p each	199,765,328 £199,765.33

All the New Ordinary Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

The Directors of Hambleton Mining Plc ("the Company"), whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts, and there is no other material information the omission of which is likely to affect the import of such information.

Seymour Pierce Limited ("Seymour Pierce") is acting exclusively for the Company and for no one else in connection with matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Seymour Pierce or for advising any other person on the contents of this document or any matter referred to herein. Seymour Pierce's responsibilities as the Nominated Adviser and Broker to the Company are owed solely to the London Stock Exchange Plc and are not owed to the Company or to any Director or to any other person, whether in respect of any decision to acquire New Ordinary Shares in reliance on any part of this document or otherwise. No representation or warranty, express or implied, is made by Seymour Pierce as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued) and Seymour Pierce has not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations.

Copies of this document will be available during normal business hours on any day (except Sundays and public holidays) free of charge to the public at the offices of Seymour Pierce, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL for one month from the date of Admission.

CONTENTS

	<i>Page</i>
Directors, secretary and advisers	3
Definitions	4
Placing statistics	7
Expected timetable of principal events	7
Glossary	8
PART I Information on the Group	11
PART II Risk factors	20
PART III Competent Persons' Report	25
PART IV Accountants' report on the Company	80
PART V Accountants' report on Hambledon B.V.I.	84
PART VI Additional information	97

DIRECTORS, SECRETARY AND ADVISERS

Directors	George William O’Neale Eccles, <i>Non-executive Chairman</i> Nicholas John Bridgen, <i>Chief Executive</i> Randall Alan Pyper, <i>Technical Director</i> Christopher James Thomas, <i>Non-executive Director</i> Alzhan Aytimbetovich Shomaev, <i>Non-executive Director</i> all of 179 Great Portland Street, London W1W 5LS
Secretary	Nicholas John Bridgen, F.C.A.
Registered Office	179 Great Portland Street London W1W 5LS
Nominated Adviser and Broker	Seymour Pierce Limited Bucklersbury House 3 Queen Victoria Street London EC4N 8EL
Auditors to the Company and Reporting Accountants	Deloitte & Touche 180 Strand London WC2R 1BL Deloitte & Touche 81 Abylai Khan ave. 4th Floor Almaty, 480091 Kazakhstan
Solicitors to the Company	Finers Stephens Innocent 179 Great Portland Street London W1W 5LS
Kazak Legal Counsel to the Company	White & Jones LLP 53 Davies Street London W1K 5JH Zhakenov & Partners 531 Seyfullin Prospect Suite 800 Almaty 480091 Kazakhstan
Solicitors to Seymour Pierce Limited	McGrigors 1-2 Dorset Rise London EC4Y 8EN
Competent Persons	ACA Howe International Limited 254 High Street Berkhamstead Hertfordshire HP4 1AQ
Registrars	Neville Registrars 18 Laurel Lane Halesowen West Midlands B63 3DA
Bankers	HSBC Bank plc 11 Cranford Lane Westbury-on-Trym Bristol BS9 3DE

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires.

“ACA Howe” or “Howe”	ACA Howe International Limited, a company incorporated in England and Wales with company number 136028
“Act”	the Companies Act 1985 (as amended)
“Admission”	admission of the Existing Ordinary Shares and the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to and continuing obligations for AIM companies
“Akim”	chief executive officer of the Sekisovskoye Rural District Authority of Kazakhstan
“Articles of Association” or “Articles”	the Articles of Association of the Company
“Board” or “Directors”	the Directors of the Company as set out in the section entitled “Directors, Secretary and Advisers”, further details of whom are set out in the section entitled “Directors, management and employees” in Part I of this document
“Business Day”	a day (other than a Saturday or Sunday) on which banks are generally open in London for the transaction of normal business
“CIS”	Commonwealth of Independent States
“Combined Code”	the Combined Code on Corporate Governance and Code of Best Practice, as set out in an appendix to the Listing Rules of the UK Listing Authority
“Company” or “Hambleton”	Hambleton Mining Plc
“Competent Persons’ Report”	the report prepared by ACA Howe a copy of which is reproduced in Part III of this document
“CREST”	the systems for paperless settlement of trades and holdings of uncertificated shares administered by CRESTCo
“CRESTCo”	CRESTCo Limited
“CREST Member”	a person who has been admitted by CRESTCo as a system member (as defined in the Regulations)
“CREST Participant”	a person who is, in relation to CREST, a system participant (as defined in the Regulations)
“CRS”	TOO Computer Resource Services, a company incorporated and registered in Kazakhstan
“Decree 1408”	the decree of the Government of Kazakhstan dated 18 September 2000, which provided for an extension to engage in exploration under the Licence until 20 October 2004
“Deposit”	an area of land and adjacent and contiguous exploration holdings covered by the Mining Lease

“DToo Sekisovskoye”	Docherneye Tovarischestvo s Ogranichennoy Otvetsvennostyu “Gornorudnoe Predpriatie Sekisovskoye” Kompanii Hambledon Mining Company Limited, which is a wholly owned entity of the Company, registered in Kazakhstan
“Existing Ordinary Shares”	the Ordinary Shares in issue at the date of this document
“FSU”	those countries formerly members of the Soviet Union
“Group”	the Company, Hambledon B.V.I. and DToo Sekisovskoye
“Hambledon B.V.I.”	Hambledon Mining Company Limited, a company incorporated in the British Virgin Islands with registered number IBC 230758
“Kazakhstan” or “RK”	the Republic of Kazakhstan
“Licence”	the licence to explore for and extract gold and silver at the Deposit until further details of which are set out in paragraph 7 of Part VI of this document
“London Gold Price Fix”	the price set twice on each Business Day by delegates of major bullion dealers in the City of London
“London Stock Exchange”	London Stock Exchange plc
“Mining Lease”	the area of land extending to approximately 85.5 hectares adjacent to the village of Sekisovka over which DToo Sekisovskoye holds the mining rights set out in the Subsoil Use Contract, as modified by Supplement Number 1
“New Ordinary Shares”	the 50,000,000 new Ordinary Shares proposed to be issued pursuant to the Placing at the Placing Price which, when issued, will rank <i>pari passu</i> in all respects with the Existing Ordinary Shares
“OAO Poisk”	The Cooperative of Prospectors, a workers cooperative registered in Kazakhstan
“Official List”	the Official List of the UK Listing Authority
“Operating Companies”	DToo Sekisovskoye
“Ordinary Shares”	ordinary shares of 0.1 pence each in the capital of the Company
“Overseas Shareholders”	persons who are resident in, or citizens of, countries other than the UK
“Placing”	the placing by Seymour Pierce of the New Ordinary Shares at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	the agreement dated • 2004 between (1) Seymour Pierce (2) the Company (3) the Directors and (4) Salix, as described in paragraph 8.2 of Part VI of this document
“Placing Price”	5 pence per New Ordinary Share
“POS Regulations”	the Public Offers of Securities Regulations 1995, as amended
“Redeemable Shares”	redeemable shares of £1 each in the capital of the Company
“Regulations”	the Uncertificated Securities Regulations 2001
“Salix”	Salix Limited, a company incorporated in the British Virgin Islands with registered number 263461

“Sekisovka”	a village in Kazakhstan
“Seymour Pierce”	Seymour Pierce Limited
“Shareholder(s)”	holder(s) of Existing Ordinary Shares
“Soviet Union”	the Union of Soviet Socialist Republics
“Subsoil Use Contract”	the contract for the exploration of and the subsequent extraction of gold and silver ore at the Deposit between the Investment Agency of Kazakhstan and DTOO Sekisovskoye Number 555 dated 20 October 2002, further details of which are set out in paragraph 7 of Part VI of this document
“Subsurface Law”	presidential edict number 2828 of 27 January 1996 having the force of law of the president of Kazakhstan, on the subsurface and its utilisation
“Supplement Number 1”	the supplement, numbered 1, to the Subsoil Use Contract between the Ministry of Energy and Mineral Resources of Kazakhstan and DTOO Sekisovskoye dated 24 October 2003, further details of which are set out in paragraph 7 of Part VI of this document
“UK Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 of the United Kingdom
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“uncertificated” or “in uncertificated form”	a share or security recorded on the relevant register as being held in uncertificated form in CREST and entitlement to which, by virtue of the Regulations, may be transferred by means of CREST

Notes

In this document, the symbols “£” and “p” refer to pounds and pence sterling respectively and the symbols “US\$” or “\$” refer to United States dollars.

Unless otherwise stated, the following illustrative exchange rates are used: £1 = USD\$ 1.80

Any reference to any provision of any legislation in any jurisdiction shall include any amendment, modification, re-enactment or extension thereof.

Unless otherwise stated, all references to legislation refer to the laws of the United Kingdom.

Words importing the singular shall include the plural and *vice versa* and words importing the masculine gender shall include the feminine or neutral gender.

PLACING STATISTICS

Placing Price	5p
Number of Existing Ordinary Shares	149,765,328
Number of New Ordinary Shares	50,000,000
Number of Ordinary Shares in issue following the Placing and Admission	199,765,328
Estimated net proceeds of the Placing	£1.98 million
Percentage of the enlarged issued ordinary share capital represented by the New Ordinary Shares	25 per cent.
Market capitalisation at the Placing Price on Admission	£10 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	4 June 2004
Admission and commencement of dealings in the Existing Ordinary Shares and New Ordinary Shares on AIM	10 June 2004
CREST accounts to be credited	10 June 2004
Despatch of definitive share certificates (where applicable)	10 June 2004

GLOSSARY

“adsorbed”	a process through which chemical species in a solution have accumulated on the surface of a solid
“alimak development systems”	a method of developing raises using Alimak proprietary equipment
“auriferous”	gold bearing
“backfill”	material used to fill the space in a mine after ore has been extracted
“ball mill”	a rotating horizontal cylinder in which non-metallic materials are ground using various types of grinding media
“Carbon-in-leach” or “CIL”	a recovery process in which a slurry of gold ore, activated carbon granules and cyanide are mixed together. The cyanide dissolves the gold, which is then adsorbed onto the carbon as a gold-cyanide complex. The carbon is subsequently separated from the slurry for gold recovery
“calcined”	heated to a temperature at which substances disassociate
“cathode”	the electrode where electrons enter or current leaves an operating system
“cut and fill stoping”	a stoping method in which the ore is excavated by successive flat or inclined slices, working upward from the level, as in shrinkage stoping. However, after each slice is blasted down, all broken ore is removed, and the stope is filled with waste up to within a few feet of the back before the next slice is taken out, just enough room being left between the top of the waste pile and the back of the slope to provide working space. The term cut and fill stoping implies a definite and characteristic sequence of operations: (1) breaking a slice of ore from the back (2) removing the broken ore; and (3) introducing the fill
“cyanidation”	a process of dissolving gold and silver in cyanide solution, (dilute solutions of potassium cyanide or sodium cyanide)
“desliming”	the removal of fine particles produced in the processing of ore or rock
“electrowinning”	an electrochemical process in which a metal dissolved within an electrolyte is plated onto an electrode
“eluate”	the gold/silver-bearing solution generated during the process of elution (or removal) of precious metals from activated carbon
“elution column”	the vessel holding activated carbon during the process of removal/recovery of precious metals
“free milling”	applied to ores that contain free gold or silver, which can be released by conventional crushing and grinding without roasting or other chemical treatment
“g/t”	gramme per metric tonne

“geochemical”	prospecting techniques which measure the content of specified metals in soils and rocks to define anomalies for further testing
“geophysical”	prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc) of rocks to define anomalies for further testing
“heap leaching”	a process used for the recovery of precious metals from low grade ore. The crushed ore is laid out on a slightly sloping, impervious pad and leached by the percolation and re-circulation of the leach liquor through the ore. The metals are recovered by conventional methods from the solution
“JORC categories”	categories of resource and reserve as defined in the Australasian Code for Reporting of Mineral Resources and Ore Reserves drawn up by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia
“hydrocarbon”	a compound of hydrogen and carbon
“hydrocyclones”	an apparatus which separates materials of different specific gravity
“Knelson concentrator”	a centrifugal gravity concentration device
“km(s)”	kilometres
“km ² ”	square kilometres
“loaded carbon”	the term applied to activated carbon which has adsorbed high values of gold/silver prior to elution for precious metal recovery
“mesothermal”	mineral deposits formed at medium depths and moderate temperatures (up to 200 degrees Celsius)
“metallurgical”	describing the science concerned with the production, purification and properties of metals and their applications
“mucking”	the operation of loading broken rock by hand or machine, usually in shafts or tunnels
“ore”	the naturally occurring material from which a mineral or minerals of economic value are extracted
“oz”	troy ounce (=31.1035 grammes)
“oz/yr”	troy ounces of production per year
“P1 category resource”	a category of ore resource used in the former Soviet Union in which the drilling has been carried out on a wide spaced grid of at least 320m by 320m and where a preliminary economic assessment has been made. It may be broadly compared to an inferred resource under the JORC classification system
“polymetallic”	a resource containing both precious and base metal mineralisation
“porphyry”	a massive igneous rock with fine grained disseminated mineralisation

“raise development”	a vertical or inclined opening in a mine driven upward from a level to connect with the level above, or to explore the ground for a limited distance above one level
“shrinkage stoping”	an underground mining method whereby most of the broken ore remains in the stope to form a working floor for miners and also to provide wall support until the stope is ready for drawdown. Stopes are mined upward in horizontal slices with part of the ore derived from the stope cuts drawn off as mining progresses. Consequently, much of the ore must remain in the stope until the stope is completed, whereupon it is drawn off from chutes at the base of the stope
“stope”	a section of an ore body in an underground mine that is currently being developed or mined
“tailings”	material that remains after all metals or minerals considered economic to recover have been removed from ore

PART I

Information on the Group

Introduction

Hambledon is the ultimate holding company of the Group, the principal activity of which is the development of certain gold mining interests in Kazakhstan. The Group's principal asset is the exclusive right to explore and extract gold and silver ore from the Deposit in accordance with the terms of the Licence.

The principal activity of DTOO Sekisovskoye, a member of the Group, is the development of the Deposit in the Glubokovsky District of East Kazakhstan Region. The Deposit is located approximately 40 kilometers north of the regional capital Ust Kamenogorsk, which is itself situated in a productive mining area of Kazakhstan. The Deposit is accessible by a good paved road which passes through the village of Sekisovka.

As envisaged by the Licence, DTOO Sekisovskoye entered into the Subsoil Use Contract and the Supplement Number 1 which permits the exploration of the Deposit until 20 October 2004. Prior to that date, if DTOO Sekisovskoye declares a commercial discovery it will be permitted to enter into additional contracts with the Government of Kazakhstan to commercially extract gold and silver from the Deposit until 18 July 2020. The Directors believe that DTOO Sekisovskoye is currently able to declare a commercial discovery.

The Company is proposing to raise £2.5 million before expenses by way of the Placing to, *inter alia*, complete a feasibility study for a mine and processing plant at the Deposit (which should enable the Group to secure project finance and other sources of funding in the future), extend the Group's mineral exploration territory and fund further mineral exploration.

Group Strategy

The Directors will seek to demonstrate the potential of the wider area around Sekisovka which they believe might provide a significant increase in the Group's gold resources. The Directors intend that this expansion will come from three sources.

First, on the existing territory of the Licence, it is intended to progressively upgrade the Soviet P1 category resource of approximately 1.1 million ounces to JORC standard, and to expand the resource estimates within the existing ore zones by further exploration and other studies aimed at obtaining a better understanding of the geology of the Deposit.

Secondly, application has been made by tender to acquire the licence to territory north of and surrounding the Deposit which, owing to its proximity and likely similar mineralogy, may be able to supply additional ore for treatment at the proposed process plant. An extensive exploration effort was expended on this territory in Soviet times and a deposit has already been identified.

Thirdly, application has been made to extend the Deposit territory to the North and the North-West, where there are two areas in which former Soviet exploration has shown anomalous features which would, in the opinion of the Directors, justify further exploration. The Group has received favourable correspondence regarding this application from the Ministry of Energy and Mineral Resources of Kazakhstan and is now awaiting a formal decision.

The Company also plans to search the existing geological data on other precious metal deposits in Kazakhstan, concentrating on the Rudny Altai belt where the Deposit is situated. The aim will be to use the experience of the Group's staff to acquire the mining rights to deposits which have already been explored in Soviet times and which, the Directors believe, have the potential to contain additional resources.

The Deposit

History

The Deposit has been known since the 19th Century and has been worked on a small scale since then by prospectors. Soviet era exploration began in the mid 20th Century but significant work was only started in 1976. In 1978, mining was carried out from an open pit, producing approximately 190,000 tonnes of ore at an average grade of approximately 18 grammes per tonne. Further exploration, metallurgical and other studies were carried out over the years from 1979 until 1994. Following the break-up of the Soviet Union, the mining rights were acquired by OAO Poisk and in 1999, the mining rights were re-granted for the benefit of DTOO Sekisovskoye by virtue of the Licence. In the same year, Hambledon B.V.I. acquired 100 per cent. ownership of DTOO Sekisovskoye.

The mining rights

The mining rights are set out in the Subsoil Use Contract, signed by DTOO Sekisovskoye with the Government of Kazakhstan in 2000 and subsequently modified by Supplement Number 1, signed in 2003, summaries of which are set out in paragraph 7 of Part VI of this document. The area covered by the Subsoil Use Contract occupies approximately 85.5 hectares adjacent to the village of Sekisovka, approximately 40 kilometres from Ust Kamenogorsk, the capital of the East Kazakhstan Region. The Subsoil Use Contract provides that once DTOO Sekisovskoye declares a commercial discovery, the exclusive right to commercially extract gold and silver is valid until 18 July 2020 so long as the appropriate supplementary agreements to the Subsoil Use Contract are entered into. The Subsoil Use Contract in conjunction with the Supplement Number 1 permits DTOO Sekisovskoye to declare a commercial discovery as late as 20 October 2004. Certain tax conditions are set out in the Subsoil Use Contract and Supplement Number 1 and include provisions to preserve the original economic balance of the parties to the contract. The agreements also require a work programme, to be approved by the competent Kazakhstan authorities.

Resources

The Soviet era exploration of the Deposit was extensive, involving approximately 240 surface drillholes, approximately 80 underground drillholes, surface trenching and underground channelling. Data resulting from this activity was acquired by DTOO Sekisovskoye from the Kazakhstan state archives. Independent consultants CRS were commissioned to complete the digitisation and validation of the data using mine modelling software, and to estimate the resources.

A summary of the results from the report of CRS is as follows:

Table 1: Underground resource statement

	<i>Indicated</i>	<i>Inferred</i>	<i>Total/Weighted Average</i>
Tonnes – millions	4.4	0.6	5.0
Gold grade g/tonne	5.2	4.9	5.2
Gold kg	22,800	2,940	25,740
Gold troy oz	735,609	94,523	830,132
Silver grade g/tonne	6.7	9.0	7.0
Silver kg	29,480	5,400	34,880
Silver troy oz	947,804	173,614	1,121,418

Troy oz = 31.10348g. Cut-off grade: Au2.0g/t. Based on JORC classification

Note: the modelled orebodies contain an additional estimated 55,000 ounces of gold within 0.3 million tonnes, grading at Au 5.7g/t and Ag 11.9g/t, but which fall outside the classification parameters for this project.

An additional low grade resource has been defined for zones within an optimised ultimate open pit, but which lie outside the modelled mineral zones.

Table 2: Open pit resource statement

	<i>Indicated</i>	<i>Inferred</i>	<i>Total/Weighted Average</i>
Tonnes – millions	1.5	0.7	2.2
Gold grade g/tonne	1.8	0.9	1.5
Gold kg	2,700	630	3,330
Gold troy oz	86,807	20,255	107,062
Silver grade g/tonne	3.5	1.8	3.0
Silver kg	5,250	1,260	6,510
Silver troy oz	168,791	40,510	209,301

Troy oz = 31.10348g. Cut-off grade: Au0.5g/t. Based on JORC classification

The Directors believe that the grades have probably been understated for several reasons. First, gold may have been lost as a result of poor drill core recovery. Underground drilling, from which much higher core recovery was obtained, produced grades approximately 24 per cent. higher from similar ore zones. Second, the limited due diligence drilling carried out by DTOO Sekisovskoye produced approximately a 17 per cent. increase in grade compared with comparable Soviet intersections. Thirdly, Soviet assaying techniques may have resulted in losses of the coarse gold known to be prevalent in the Deposit's ore.

Additional potential at Sekisovskoye

There are additional zones that have been intersected by drill holes from the Soviet period but have not been addressed in this document. A speculative resource has been updated by CRS for these areas according to the former Soviet format and classified as P1 (the highest category of Soviet prognosticated resource which also extends to P2 and P3). This P1 resource has been estimated by CRS at 7.1 million tonnes with a grade of Au5.1g/t (1.1 million ounces of gold). Whilst it has not been classified according to a Western system, such as JORC, the Directors believe that it provides a useful indication of the additional potential in areas where known gold mineralisation has been intersected by drilling. The Soviet P resource classifications are quoted by several other AIM gold mining and mineral exploration companies to report resources and reserves.

Future Development Plans

Subject to the outcome of the feasibility study which the Company will be undertaking, set out below are the Directors' future intentions regarding the development of the Deposit. It should be stressed that these development intentions cannot be financed from the proceeds of the Placing and are dependant upon completion of a satisfactory feasibility study and upon the Company raising further funds. It is the current intention of the Directors to pursue further fundraising by way of a future placing of Ordinary Shares and through the raising of project finance.

Production potential

The Directors believe it would be possible to develop an underground operation to mine 500,000 tonnes per year of ore and build a process plant capable of treating this tonnage, with the potential capacity to produce approximately 73,000 ounces of gold in the form of doré per year. In addition, CRS have identified some lower grade material accessible by open pit mining which can be treated by expansion of the treatment plant or by heap leaching. The Directors believe that a treatment plant can initially be fed from the open pit to allow early production, and then replaced by higher grade underground ore once the underground mine is in production. The Directors believe that a treatment plant is likely to produce approximately 22,000 ounces of doré per year from the low grade open pit resource. The Directors envisage later expansion of the treatment plant to enable production from both underground and open pit simultaneously.

Mining

A preliminary mine plan has been prepared by consultant mining engineers Adam Wheeler and Robert Dowdell. In order to simplify the analysis, they studied only the ten largest ore bodies that include approximately 68 per cent. of the Deposit resource model. The plan included the development of two access ramps and the development of main levels every 80 vertical metres. Cut and fill stopping can be used for the wider stopes and shrinkage methods for the narrower.

Cut and fill stopes accounted for approximately 69 per cent. of the ore to be mined under the plan. Drilling and mucking can be mechanized, and should enable relatively high productivity as compared to more labour intensive methods. In shrinkage stopes, making up approximately 30 per cent. of the Deposit, mining, drilling and blasting can be undertaken using more labour intensive methods with hand-held drills.

Owing to the lack of well defined geological features that allow differentiation of the mineralized zones, the plan provided for stope definition drilling to provide intercepts on about 10m × 10m centres.

Ore can be hauled to surface by underground trucks, using two ramps in a one way traffic system, with a view to minimising traffic congestion and increasing safety. Ramp haulage was also planned down to a depth of 240 metres, after which shaft haulage can be used.

Stope fill would be by a combination of waste rock from development and deslimed tailings produced in a purpose built backfill plant on surface. Deslimed tailings can be pumped or gravity fed to the stopes to fill the waste rock voids.

Raise development was planned using high advance rates that can be achieved using Alimak development systems.

The plan envisaged a two year development period before full production from underground could begin. Some high grade ore can be accessed earlier, but this would delay the start of full and continuous production later. The Directors believe that any delay in the production build-up can be met by increasing ore to be mined from the open pit.

Mining capital and operating costs were estimated on two different bases. The plan was initially costed on the basis of assumed, “international” costs, resulting in a mining cost per tonne of in the region of \$22, including mine services and overheads, but excluding amortization. The same plan was then examined by a local contracting company which estimated the stoping costs to be approximately 30 per cent. lower. Mine capital costs during the first two years up to the start of underground production were estimated by the consultants to be approximately \$14.5 million, of which approximately \$9.6million was for mobile equipment. On a local basis, using more local or Russian made equipment where available, the cost was estimated by the Directors to fall significantly.

Processing

Metallurgical testwork has indicated that the ore from the Deposit is free milling and should be amenable to treatment in a conventional CIL circuit providing an estimated recovery of approximately 94 per cent. Ore from the mine can be crushed in a three-stage crushing circuit. The fine crushed ore can then be fed by front-end loader to a primary ball mill operating in closed circuit with a cluster of hydrocyclones. The coarse material from the hydrocyclones would then pass through Knelson concentrators to remove free gold before passing back into the mill. Fine material would pass through into the CIL tanks for cyanidation with a residence time of approximately 32.5 hours. Gold would be adsorbed onto carbon which would be removed from the first tank and gravitate to the elution column where the gold could be stripped from loaded carbon. The eluate would be pumped through electrowinning cells to recover the gold and the cathodes then dried, calcined, and smelted to bullion, which would be stored in a safe prior to shipment.

A report was commissioned by the Group which estimated the capital costs of the process plant in the region of \$4.5 million, reflecting the simplicity of the plant and existing high level of infrastructure. Operating costs have been estimated at approximately \$6 per tonne, benefiting from low power and local labour costs.

Infrastructure

The Deposit lies alongside the village of Sekisovka, immediately adjacent to a good paved road from Ust Kamenogorsk to Ridder (formerly Leninogorsk). The Directors believe that labour would be available from Sekisovka village, or from Ust Kamenogorsk, the regional capital, approximately 40 kilometres away. An existing high voltage power line crosses the site of the Deposit.

Resource and Reserve Definition in the FSU

The resource and reserve definition system that was used in the USSR during the time of the Soviet exploration of Sekisovskoye characterises deposits on three levels; firstly into one of four categories based on geological complexity, then five further groups based upon the shape of an orebody and finally seven additional resource and reserve classifications. The table below is for illustrative purposes only and shows the approximate equivalent categorisations under the JORC system.

	A	B	C ₁	C ₂	P ₁	P ₂	P ₃
USSR	Reserves				Resources		
Group I							
Group II							
Group III							
Group IV							
JORC Reserves	Proven		Probable		Not Classified		
JORC Resources	Measured		Indicated		Inferred	Not Classified	

The first measure within the system is geological complexity, which is rated on a scale between I and IV, with IV representing the most complex. To be categorized as a Group I deposit an ore body would need to be uniform in grade and thickness, such as a typical coal or iron ore deposit. A Group IV deposit would be both structurally complex and with a heterogeneous grade, such as a shear hosted gold system.

The five orebody shape Groups, 1-5, describe several different styles of mineralization. These are classified as:

Group 1 Large, tabular, orebodies;

Group 2 Stockworks or other massive deposits;

Group 3 Medium sized vein and lense hosted deposits;

Group 4 Small veins, pipes or dykes;

Group 5 Isolated lenses or veins of mineralization.

These measures are then fed into the main classification system itself, through which a deposit or mines' resources and reserves are measured. The lowest level of mineralized material is classified as P₃, where a resource may be inferred from limited non-systematic testing using a method such as geochemical sampling. There is no analogous classification under any of the other established systems, such as those adopted in Canada and Australia.

The P₂ classification requires some more detailed testing, such as a drill intercept or a trench, however it does not require sampling to have been carried out on a grid. This classification would also not be recognized under other international classification systems.

The first point at which the systems used in the FSU becomes roughly analogous with the other global classification systems is at the P₁ level which requires drilling to be carried out on a wide spaced grid of at least 320m × 320m and subjects a deposit to a preliminary economic assessment. This category may be compared with an inferred resource under the JORC system.

The lowest of the reserve categories, C₂, is termed an explored resource which is similar to a measured resource as classified under JORC. To be classified as C₂ a deposit needs to be subjected to a prefeasibility study that includes the classification of all ore styles present, mineralogy, a bulk sample of up to 500Kg and with drilling that is carried out on a spacing of no more than 80m × 80m.

The C₁ classification and those above it are similar to the proven reserve classification under JORC and requires detailed drilling on a 40m × 40m grid. It also requires the sinking of 1.5m × 3.0m test shafts and some underground sampling. There also needs to be a full hydrogeological, geotechnical and mineralogical appraisal of a deposit, including the completion of a bulk sample to process at least 350t of material. Upon completion of this process a full economic assessment of the project needs to be completed.

The final element of the classification system is an estimation of the coefficient of variation, or level of grade homogeneity across it. For a type A deposit this would need to be 90 per cent., falling to 75 per cent. for a type B deposit and 50 per cent. for a type C. Because of the inherent geological and mineralogical complexity of gold deposits they may never be categorized as either A or B reserves and indeed the most complex deposits where ore is hosted in isolated lenses within a structurally complex region.

Directors

George Eccles, aged 53, *Non-executive Chairman*

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.

Nicholas Bridgen, aged 51, *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. He has also spent 11 years in companies operating in the FSU, first as the finance director of Bakyrchik plc, then as a director of KazMinCo and Arian Resources. In 1997 he formed Hambledon B.V.I.

Randall Pyper, aged 52, *Technical Director*

Randall has a B.Sc. in Chemical Engineering and an M.Sc. in Metallurgical Engineering from the University of Nevada and is a Fellow of the Australasian Institute of Mining and Metallurgy. He is the general manager of the Australian office of Kappes, Cassiday & Associates, and has had approximately 30 years of experience in carrying out feasibility studies and project and operating management in the mining sector. Previously, he worked on Celtic Resources plc's successful Suzdal and Zherek mining operations and several other Kazakhstan mining operations.

Chris Thomas, aged 41, *Non-executive Director*

Chris has been a non-executive director of Hambledon B.V.I. since its formation and he was instrumental in putting together the original finance for Hambledon B.V.I. 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, managing director of Lowe Lintas and he is now a member of the world-wide board of Proximity London Limited.

Alzhan Shomaev, aged 51, *Non-executive Director*

Alzhan is a Director of Kasean Services, a Kazakhstan property company which he partially owns. He was formerly a medical doctor, jointly formed Hambledon B.V.I. in 1997 and has been a non-executive director since then. Alzhan is a Kazakhstan citizen and provides the Company with a range of useful local business contacts and knowledge.

Details of the Placing

The Company is issuing 50,000,000 Placing Shares, representing 25 per cent. of the issued share capital of the Company on Admission, at 5p per New Ordinary Share. The gross proceeds of the Placing will be £2.5 million and net of expenses will be approximately £1.98 million. Seymour Pierce, as agent of the Company, has agreed to use its reasonable endeavours to procure subscribers for the New Ordinary Shares or failing which itself to subscribe for such shares.

The New Ordinary Shares will be issued credited as fully paid and will, when issued, rank *pari passu* with the Existing Ordinary Shares including the right to receive all dividends and other distributions thereafter declared, made or paid.

The Placing has been underwritten by Seymour Pierce and is conditional, *inter alia*, on:

- (a) the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- (b) Admission becoming effective no later than 1 June 2004, or such later date as Seymour Pierce and the Company may agree, being not later than 15 June 2004.

Further details of the Placing Agreement are set out in paragraph 8.2 of Part VI of this document.

Reasons for the Placing and use of proceeds

The Company is proposing to raise approximately £1.98 million net of expenses and intends to use the funds as follows (all figures approximate):

- £0.3 million on completion of a feasibility study for the development of commercial extraction from the Deposit;
- £0.37 million on geological studies and further exploration of territory surrounding the Deposit;
- £0.12 million to repay loans from Salix (a company wholly owned by Nicholas Bridgen, the Chief Executive) which are owed by the Group;
- £0.16 million on commercial discovery bonus and approvals;
- £1.03 million for working capital; and
- £0.52 million of costs relating to the Placing and Admission.

Lock-in arrangements

Under the terms of the Placing Agreement, each of the Directors and Salix have undertaken that, save in limited circumstances, they will not (and that they will procure, in so far as they are able, that any person with whom they are connected for the purposes of section 346 of the Act will not):

- during the period of 12 months following Admission (“the First Period”), dispose of any interest in any Existing Ordinary Shares or New Ordinary Shares held by him or his connected persons (as appropriate) at Admission; or
- during the 12 months following the First Period, dispose of more than 50 per cent. of the Existing Ordinary Shares or New Ordinary Shares held by him or his connected persons (as appropriate) at Admission and then only following consultation with the Company’s nominated adviser and through the Company’s broker.

Further details of these arrangements are set out in paragraph 8.2 of Part VI of this document.

Share options

Following Admission, the Company intends to establish a share option scheme for the benefit of Directors and employees of the Company. The Company intends to have no more than 5 per cent. of its issued ordinary share capital under option at any time.

The Company has agreed to grant an option to subscribe for 1,200,000 Ordinary Shares at the Placing Price to Randall Pyper, the Technical Director, details of which are set out at paragraph 4.8 of Part VI of this document.

Current trading and prospects

The Company and its subsidiaries have principally been engaged in exploration for gold and silver at the Deposit and in work related to the development of mining at the Deposit. Accordingly, the Company has earned no revenues to date.

Dividend Policy

The Company is at a pre revenue development stage and it is not expected that the Company will be in a position to pay dividends for the foreseeable future. Any earnings that do arise will be reinvested in developing the business of the Group for the foreseeable future.

Admission, settlement and Dealings

Application has been made to the London Stock Exchange for all of the Existing Ordinary Shares and the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on 10 June 2004.

No temporary documents of title will be issued. All documents sent to a placee, or at his direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument.

The Articles permit the Company to issue shares in uncertificated form in accordance with the Regulations. Application has been made for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Corporate Governance

The Directors intend, in so far as is practicable given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice derived from a review of the role and effectiveness of non-executive directors by Derek Higgs and a review of audit committees by a group led by Sir Robert Smith.

The Directors have established an audit committee and a remuneration committee. The remuneration committee, consisting of Christopher Thomas as chairman and George Eccles, will determine the terms and conditions of service of the executive Directors, including their remuneration. The remuneration committee will also determine the allocation of share options to employees and directors. The audit committee, consisting of George Eccles as chairman and Christopher Thomas, has primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls, in all cases having due regard to the interests of Shareholders.

The Directors intend to comply with Rule 19 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees.

The finance function of the Company will initially be the responsibility of Nicholas Bridgen, the Chief Executive, who is a chartered accountant. The Company intends to appoint a part time finance director for the Company, once the Group has grown sufficiently that the Directors deem it appropriate to make such appointment.

Additional Information

Your attention is drawn to Part II of this document, which contains risk factors relating to any investment in the Company, and to Parts III to VI of this document which contain further information on the Group.

PART II

Risk Factors

The exploration and development of natural resources is a highly speculative activity that involves a high degree of financial risk. The risk factors which should be taken into account in assessing the Group's activities and investment in the Company include, but are not necessarily limited to, those set out below. Any one or more of these risks could have a material effect on the value of any investment in the Company and should be taken into account in assessing the Group's activities. The information set out below does not purport to be an exclusive summary of the risks affecting the Group.

Exploration and mining risks

The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The mineral deposits to be assessed by the Group may not contain economically recoverable volumes of precious or base metals. Should the mineral deposits contain economically recoverable resources then delays in the construction and commissioning of mining projects or other technical difficulties may result in the Group's current or future projected target dates for production being delayed or further capital expenditure being required.

The operations of the Group may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological, geotechnical and seismic factors, environmental hazards, industrial accidents, occupational and health hazards, technical failures, labour disputes, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and other acts of God. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. No assurance can be given that the Company will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

The occurrence of any of these hazards can delay activities of the Company and may result in liability. The Group may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

Mineral exploration is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that any mineralisation discovered will result in proven and probable reserves being attributed to the Group. If reserves are developed, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish ore reserves through drilling, to determine metallurgical processes to extract metals from ore and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

Specific additional risks are noted by ACA Howe in Part III of this document.

Expansion targets and operational delays

The Company plans to develop and expand its mining assets. However, there can be no assurance that it will be able to complete these expansions on time or to budget, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Failure of management to identify problems at an early stage could have an adverse impact on the Company's financial performance.

Volatility of metal prices and exchange rates

Historically, metal prices have displayed wide ranges and are affected by numerous factors over which the Group does not have any control. These include world production levels, international economic trends,

currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. In the case of gold, purchases and sales of bullion holdings by central banks or other large holders or dealers may also have an impact on the market and price. The aggregate effect of these factors is impossible to predict.

There is also uncertainty as to the possibility of increases in world production both from existing mines and as a result of mines currently closed being reopened in the future, if price increases make such projects economically viable.

Consequently as a result of the above factors, price forecasting is difficult.

Any future Group income from its product sales will be subject to exchange rate fluctuations and could become subject to exchange controls or similar restrictions. Currency conversion may have an adverse impact on income or asset values.

Governmental regulations and processing licences

Governmental approvals, licences, easements, permits and other agreements are, as a practical manner, subject to the discretion of the applicable governments or governmental offices. The Company must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the Company's results of operations and financial condition.

The Group's exploration, mining and processing activities are dependent upon the grant of appropriate licences, concessions, easements, leases, permits and regulatory consents which may be withdrawn, require extensions or made subject to limitations. There can also be no assurance that they will be granted, renewed or extended or, if so, on satisfactory terms.

The Licence relating to the Deposit is due to expire in July 2020 subject to compliance with the terms of the Subsoil Use Agreement and the Supplementary Agreement. There is no certainty that the exploration and extraction periods for these agreements will be extended or if they are extended, that unforeseen restrictions, conditions or costs might be imposed on the current operations or subsequent extensions which could not have an adverse effect on the value of the Company's business.

These agreements contain a range of past, current and future obligations on DTOO Sekisovskoye, including minimum expenditure requirements. In some cases there could be adverse consequences of breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the agreements or related contracts.

The Subsoil Use Contract provides that the historical costs reimbursement required to be made to the Government of Kazakhstan is US\$3,278,484 and the scheduling of repayments is to be agreed with the competent authority of the Government of Kazakhstan.

Development projects

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns may differ from those currently estimated.

Limited operating history

The Group has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Group has not earned profits to date and there is no assurance that it will do so in the future. A portion of the Group's activities will be directed to the search for and the development of new mineral deposits. Significant capital investment will be required to achieve commercial production from the Group's existing projects and from successful exploration efforts. There is no assurance that the Group will be able to raise the required funds to continue these activities.

Financing

The successful extraction of precious metals will require significant capital investment. In addition, delays in the construction and commissioning of any of the Group's mining projects or drilling projects or other technical difficulties may result in projected target dates for related production being delayed and/or further capital expenditure being required. In common with all mining and drilling operations, there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in laboratory conditions. Hambledon's ability to raise further funds (which may be sought partially from Shareholders) will depend on the success of existing and acquired operations. Hambledon may not be successful in procuring the requisite funds and, if such funding is unavailable, the Company may be required to reduce the scope of its operations or anticipated expansion.

Resource estimates

The Company has derived the ore resource figures presented in this document from the calculations and estimates prepared by consultants and/or reported in the Competent Persons' Report set out in Part III of this document. Resource figures are estimates and there can be no assurances that they will be converted into mineable reserves and recovered or that they can be brought into profitable production. Resource estimates may require revisions based on actual production experience. Furthermore, a decline in the market price of gold, silver, or other metals that the Company may discover could render ore reserves containing relatively lower grades of these minerals uneconomic to recover and may ultimately result in a restatement of reserves.

The estimates of potential reserves are undeveloped. These reserves require further capital expenditure in order to bring them into production. No guarantee can be given as to the success of drilling programmes in which the Group may acquire an interest. In addition, drilling, development and production may be delayed or adversely effected by factors outside the control of the Company and the companies operating those drilling programmes.

Environmental factors

The Group's operations are subject to environmental regulation (including regular environmental impact assessments and permitting) in all the jurisdictions in which it operates. Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Company may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of the Group's properties or which may be produced as a result of its operations. Environmental legislation and permitting are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Political risks

Although political conditions in the countries in which the Group operates are generally stable, changes may occur in their political, fiscal and legal systems which might affect the ownership or operation of the Group's interests, including *inter alia*, changes in exchange control regulations, expropriation of mining rights, changes in government and in legislative and regulatory regimes.

Limitations on foreign control of mining companies

There are no restrictions on the foreign ownership of mining companies in any of the jurisdictions in which Hambledon is currently operating. However, there can be no assurance that the requirements of the various governments as to the foreign ownership and control of mining companies will not change.

Uninsured risks

The Group, as a participant in exploration and mining programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The Group may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

Dependence on management and key personnel

The Group is dependent upon its current executive management team and key personnel. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management or key personnel of the Group may have an adverse effect on the future of the Group's business. The Group competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and contractors.

Taxation

The local and national tax environment in the Republic of Kazakhstan has changed extensively in recent years and has been subject to inconsistent application, interpretation and enforcement. They included many new tax and foreign currency laws and related regulations which have not always been clearly written and whose interpretation and application is subject to the opinions of the local tax inspectorate. Non-compliance with Kazakhstan laws and regulations can lead to the imposition of punitive damages in the form of penalties and interest. To the extent that future tax investigations or inquiries raise issues or assessments, which the Operating Companies in Kazakhstan believe they are not subject to, or have complied with, and therefore have not provided for in their financial statements, such assessments could include taxes, penalties and interest, and those amounts could be material.

Legal environment

The views of the Directors expressed in this document assume that the relevant Kazakhstan authorities will act consistently, in good faith, reasonably and for proper purposes in arriving at decisions relating to the substantial fines, rights and privileges of the company and the Licence, the agreements and related permits associated with the Deposit. However, the legal system in the Republic of Kazakhstan does not incorporate any system of precedent nor a system of judicial review similar to that contained within many Western legal systems, whereby decisions of governmental bodies may be subjected to legal review by the courts according to specified guidelines intended to ensure that such bodies act consistently, in good faith, reasonably and for proper purposes in arriving at their decisions.

Currency risk

Currency fluctuations may affect the cash flow that the Group will realise from its operations. The Group's costs are incurred primarily in United States dollars, British pounds sterling and in Kazakh Tenge. Fluctuations in exchange rates between currencies in which the Company operates may cause fluctuations in its financial results which are not necessarily related to the Group's underlying operations.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Group competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Group, in the search for and the acquisition of exploration and development rights on attractive mineral properties. The Group's ability to acquire exploration and development rights on properties

in the future will depend not only on its ability to develop the property on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties or prospects for exploration and development. There is no assurance that the Group will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties or prospects.

Areas of investment risk

The Shares will be quoted on AIM rather than the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. On any disposal investors may realise less than the original amount invested.

The risks above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

The investment offered in this Prospectus may not be suitable for all of its recipients. Investors are accordingly advised to consult an investment adviser, who is authorised under the Financial Services and Markets Act 2000 and who or which specialises in investments of this kind before making a decision to apply for New Ordinary Shares.

PART III
Competent Persons' Report

**TECHNICAL REVIEW OF
SEKISOVSKOYE GOLD PROJECT
IN KAZAKHSTAN**

for

HAMBLEDON MINING PLC

and

SEYMOUR PIERCE LIMITED

by

A C A HOWE INTERNATIONAL LIMITED

February 2004

**Berkhamsted
Herts, UK**



A C A HOWE INTERNATIONAL LIMITED

Geological and Mining Consultants

254 High Street, Berkhamsted, Hertfordshire, HP4 1AQ, UK

Tel: (01442) 873398

Fax: (01442) 865710

E-mail: howe@easynet.co.uk

The Directors

Hambledon Mining Plc

Registered office:

179 Great Portland Street

London W1W 5LS

and

Seymour Pierce Limited

Registered office:

Bucklersbury House

3 Queen Victoria Street

London EC4N 8EL

4 June 2004

Dear Sirs,

COMPETENT PERSONS' REPORT ON THE SEKISOVSKOYE PROPERTY OF HAMBLEDON MINING PLC

At the request of the Directors of Hambledon Mining Plc, A C A Howe International Ltd have prepared a competent persons' report on the DTOO Sekisovskoye property in Kazakhstan for inclusion in a pre-listing statement in support of an AIM listing.

This report is based on the findings of a due diligence review of the properties carried out by Howe following a visit to the offices of DTOO Sekisovskoye and its local geological consultants and the Sekisovskoye property made during September 2003.

Yours faithfully,

CW Armstrong

Managing Director

A C A Howe International Ltd

EXECUTIVE SUMMARY

ACA Howe International Limited has prepared an independent technical report on Hambledon's Sekisovskoye gold project in East Kazakhstan following a field visit in September 2003 and based on information received to 30th January 2004.

Licence and location

Hambledon owns a 100 per cent. interest in the Sekisovskoye mining licence of 85.5 hectares with exclusive rights to extend, valid until 2025. The licence includes the majority of the known mineralisation and a large proportion of the favourable geology. The deposit is 40 kilometres north of Ust Kamenogorsk, immediately northeast of the semi-agricultural village of Sekisovka, with good communications and services. The climate is continental with hot summers and cold winters. An Environmental Impact Assessment is to be carried out as part of a feasibility study.

Geology and mineralisation

The deposit is in the Rudny Altai metallogenic belt and is one of seven gold fields in East Kazakhstan. Folded and faulted Palaeozoic formations strike northwestwards and are intruded by Upper Devonian and Upper Triassic granitic rocks. The host rocks are very coarse grained, altered, igneous breccia zones of variable composition within granitoid intrusives of late Devonian age intruding volcano-sedimentary formations of the Upper Devonian. In plan view the breccias range up to 700 by 160 metres with steep northeasterly dips and extend to drilled depths greater than 950m. The breccias are cut by mostly concordant dykes of various compositions and a system of cross-cutting faults. Gold mineralisation is restricted to the igneous breccias between barren igneous dykes dipping northeast. The mineralised zones are defined by an assay cut-off, mostly without confirmatory coincident geological structures. As delineated, zones of mineralisation show wide variation in thickness from 0.35m to 30.0m with an average of 2.2m and localised pinch and swell structure, with variable gold and silver content. Structural interpretation has favoured long range, stratiform continuity which has been demonstrated in the upper levels by closer spaced drilling and by Soviet era experimental mining and to some extent by down-hole geophysical surveys. However, this model may not be valid for all the mineralisation in this extensive but complex geological environment.

The 118 gold-bearing mineralised zones defined by Hambledon's consultants, CRS, using a sample cut-off grade of 2 ppm Au and Datamine software, have been classified into five groups in four different breccia bodies comprising mineralised zones prefixed 1, 2, 3, 5, 6, 8, 10, 11, 12 and 13. The western boundary of the licence cuts mineralised zones prefixed 10 and 11 at depth and proportions of these zones lie outside the present licence area which Hambledon has the right to extend. In addition, more than 50 separate mineralised locations based on one or two intercepts have not been formally delineated. The strike of the mineralised zones is generally northwestwards, with steep northeast dips. The main gold mineralisation in the largest breccia body occurs in numerous planar zones over a maximum strike length of 400 metres and a maximum drilled dip length of 665 metres.

Coarse gold is closely associated with pyritic, polymetallic, disseminated and localised veinlet sulphides and tellurides in the matrix of the breccias with 50 to 60 per cent. of the gangue as quartz. Quartz-carbonate sulphide veins with free gold are subordinate and a final hydrothermal phase occurs as carbonate veins with sparse gold mineralisation. The metals of economic interest are gold and silver. Impurities such as arsenic and antimony are absent.

History and recent work

The deposit has been known since 1833 and quartz veins were mined on a small scale by prospectors at times until 1956. Official Soviet prospecting and evaluation work was carried out and, from 1978 to 1983, a workers co-operative mined oxidised gold ore from the Sekisovskoye North pit. Major Soviet drilling, trenching and underground exploration and resource and reserve estimation were carried out from 1976 to 1987. After independence, the "Poisk" miners' co-operative took over, selling their interest to Hambledon in 1998. Small scale open pit and underground trial mining took place and in 2000 the mining licence was transferred to "D TOO Sekisovskoye", 100 per cent. owned by Hambledon. In 2001-2002 metallurgical testing was carried out as part of a feasibility study with satisfactory results. By 2003 Hambledon and their

consultants had carried out various work including database creation and resource modelling using Datamine software, 440 metres of core drilling in three angle holes for verification purposes, underground mine planning studies, conceptual open pit resource modelling and pit modelling, initial heap leach operation design, preliminary mill design and identification of other deposits and prospects for future operational expansion.

Verification drilling 2003

Comparison of the Hambledon drill data of 2003 with Soviet drill and underground channel sample data and the Datamine deposit model has been carried out by CRS and Howe with favourable results. Examination by Howe of the Hambledon drill cores and records of 2003 indicated that everything was in good order and executed to high standards. The 2003 drilling results have tested part of the CRS Datamine model based on the Soviet drilling data, with favourable results.

Independent visit and sampling

The Howe geologist inspected the official Department catalogue of reports, visited the deposit and planned, executed and supervised underground and surface verification rock sampling. Chip and channel sampling has partially verified the Soviet channel sampling data. However, additional sampling underground on the 441m adit level is desirable for a statistically significant test of the Soviet channel sample assay database.

Sample preparation and assaying

Soviet protocols covering all laboratory procedures would have been scrupulously followed and Howe concludes that the sample preparation methods and reproducibility standards could have led to an underestimation of gold contents due to the loss of some coarse gold. Internationally accredited Alex Stewart Assayers in Kyrgyzstan were appointed to assay all recent project samples. Although Howe has not visited the laboratory we have received official assay certificates directly and we are confident that the results are dependable. Sample preparation, assay and quality control procedures at the laboratory are described in detail in the body of the report below.

Survey control

Soviet topographic and underground surveys are likely to be accurate and the Soviet reports contain chapters on topographic and geodesic survey work. Soviet surveys have not been formally verified by Howe or CRS. The precise location of the licence area remains to be accurately defined in terms of the CRS mine grid. Topographic and underground survey verification should be addressed in the next stage of project development.

Soviet style resources estimation

The assumptions defining intercepts, ore zones and resource blocks in the Soviet resource estimation are described below. Soviet style C1 and C2 resources as at 1 January 1994 were reported as follows for 13 zones: 1, 3, 5, 5/1, 5/3, 6, 6/1, 6/2, 8, 8/2, 10/1, 11, 11/1.

Category _1	0.5 million tonnes	6.36 g/t Au	9.16 g/t Ag
Category _2	2.3 million tonnes	5.75 g/t Au	6.83 g/t Ag

A Datamine check by CRS based on the same criteria produced a similar result.

Computerised resource estimation

Sample and assay data of several hundred drillholes, trenches and underground channels from the official archives were used by CRS to generate a verified electronic database of 160 core holes, 29 surface trenches and 320 underground channels defining the modelled resource. Reported Soviet core recovery from surface drilling was 83 per cent. and about 95 per cent. from underground drilling. CRS have reported substantially higher gold grades in cores from underground holes, possibly indicating that gold bearing core was lost in the surface holes.

Using Datamine software, CRS has modelled the deposit as 118 individual mineralised zones, using similar criteria as in the Soviet style studies, classified in the internationally recognised JORC system as indicated and inferred resources. Methodology, including data manipulation, cut-off and other intercept criteria, envelope definition, block modelling and grade interpolation and extrapolation and resource classification is described below. The methodology is generally acceptable for this early stage in the study of the deposit. A review is recommended in order to refine the resource model for the purposes of a feasibility study.

The total high grade (2 g/t Au cut-off) resources estimated from surface are as follows:

- indicated: 4.9 million tonnes @ 5.1 g/t Au, inferred: 0.6 million tonnes @ 4.9 g/t Au.

Additional low grade (0.5 g/t Au cut-off) open pit type resources are as follows:

- indicated: 1.1 million tonnes @ 0.9 g/t Au, inferred: 0.7 million tonnes @ 0.9 g/t Au

CRS has separately estimated open pit total resources above a modelled pit floor at the 390m level and underground gold resources.

The open pit total resources combined from high grade zones and low grade resources are as follows:

- indicated: 1.5 million tonnes @ 1.8 g/t Au, inferred: 0.7 million tonnes @ 0.9 g/t Au

The underground high grade resources are as follows:

- indicated: 4.4 million tonnes @ 5.2 g/t Au, inferred: 0.6 million tonnes @ 4.9g/t Au

Associated silver resources with grades of 1.7 to 9.0 g/t Ag are presented in the report below.

Additional potential

There are numerous gold-bearing drill intercepts which have not been included in the resource model. CRS has reviewed a recently declassified 1984 Soviet report on P1 type additional potential. A Datamine based estimation of P1 type additional potential by CRS in 2003 was 7.1 million tonnes at 5.1 g/t Au and 7.0 g/t Ag. "DToo Sekisovskoye" has made application to extend its licence into the surrounding areas.

Open pit planning

Formal open pit mine planning has not yet been undertaken. A preliminary evaluation has indicated the potential extent of the proposed open pit and the underground mine. The economic assumptions were valid when made but should be reviewed to reflect increased metal prices and local costs. The present model is a 100 metre deep pit with an overall slope angle of 50 degrees. There is an opportunity to consider a larger initial open pit mining project. A more rigorous study will be included in the formal feasibility study.

Underground mine planning

The underground mine plan considers the 10 major orebodies between the 360 m and the -200 m elevation, which account for some 67 per cent. of the total underground resource. Two access ramps are planned with main levels every 80 m connecting the ramps and providing access to the stopes. Three stoping areas have been defined based on the mineralised width and two mining methods are proposed for these areas: shrinkage stoping for the central area of narrow zones up to 1 metre thick and cut and fill stoping for the east and west areas. The central area representing 31 per cent. of the total requires at least 10 stopes in full production to provide 480 tonnes per day. The east and west areas representing 69 per cent. of the total are required to produce 1200 tonnes per day. Stope fill will be a combination of waste rock from development and deslimed tailings produced by a purpose-built backfill plant on surface. Initially, ore will be hauled to surface by ramp using 25 tonne underground trucks. Later, ore will be moved by level haulage from the draw point to the shaft ore pass system for hoisting.

Layout and construction and extraction schedules are realistic for the underground mining of the resources as delineated. Considering only the 10 major mineralised zones provides confidence that the planned production can be achieved. However, the build up to full production is ambitious and re-examination of this

aspect is considered necessary. Clear definition of the ore zones and gold grades are seen as crucial to the economic development of the mine. The use of modern, rapid methods of sampling and assaying for stope definition and grade control is regarded as essential.

Cost estimates for mining have been prepared using internationally derived capital and operating expenditures. Lower, local contracting rates have also been obtained. However, international rates are considered more appropriate at this stage of the study, for conservative reasons.

Metallurgy

Extensive test work has been carried out over the last twenty years by various Soviet institutions, which indicates that the ore is non-refractory and free-milling. Test work has been carried out in Australia from 2001 on samples from two underground locations and one surface location on mineralised zone 3. Results indicate that the material will be relatively simple to process using a recovery route with preliminary gravity separation followed by cyanidation with carbon-in-leach (CIL). Based on these results, it should be possible to obtain the preliminary design gold recoveries of 94 per cent. However, there is a requirement for thorough, detailed metallurgical testwork to provide essential representative data for final design and costing as part of the formal feasibility study.

The mill feed is planned at 2.2 million tonnes of open pit ore at 1.41 g/t Au and 4.0 million tonnes of underground ore at 4.85 g/t Au. The favoured route is gravity pre-treatment and conventional leaching using CIL. The production schedule calls for 0.5 million tpy of mill feed from open pit and underground in years 1 and 2; mill expansion to 1.0 million tpy from open pit and underground in years 3 to 5; 0.7 million tonnes in year 6 during which the modelled open pit resources are depleted and 0.5 million tpy from underground in years 7 to 9 when the modelled underground resources are depleted. A proportion of the inferred resource will be re-categorised as indicated as mine development takes place thereby increasing the life of mine. Additional potential from within the licence and from exploration prospects under negotiation, is expected to be converted to indicated resources with which to further extend mine life.

Details of processing, services, reagents and tailings management are described in the report. An Environmental Impact Analysis (EIA) has not yet been carried out but it has been indicated to Hambleton that the authorities will have no objection to processing, including heap leaching, taking place at or near the site.

Capital and operating costs

Capital costs of the initial process plant and infrastructure are estimated as US\$4.5 million, including 12 per cent. EPCM (engineering process construction management) and 15 per cent. contingency. The capital cost seems low for an operation of this size but there is a high level of infrastructure and services available in close proximity to the project site.

The project schedule envisages that it will take 17.5 months from the beginning of sample collection for detailed metallurgical testwork to the pouring of bullion. The testwork programme and process engineering accounts for six months of this.

Operating costs of US\$3.0 million per annum or US\$6.07 per ROM tonne are estimated using local costs wherever possible or known costs for other Kazakhstan operations. The labour costs are for a total of 50 persons in the process department and 17 in maintenance, which seems conservative. The total annual power cost is low due to the presently low local tariff. The operating cost estimate seems reasonable.

Closure and rehabilitation costs have been assumed to be covered by the residual value of the mine at the end of its planned life.

Heap leach option

It was previously proposed to process the open pit material by heap leaching. This option is reviewed in the report but is no longer the favoured route because treatment in an expanded mill appears to provide a more attractive alternative.

Financial summary

Capital and operating costs and other costs including administration, local taxes and charges as described in the report have been used to develop a discounted cash flow model. In addition there will be a Royalty cost expected to be at the minimum achievable level of 0.5 per cent. of the combined revenue from gold and silver sales.

The base case assumptions, including mining the 10 best zones representing 67 per cent. of the CRS 2003 modelled resources over a 9 year mine life, local costs, a gold price of US\$400/oz and a silver price of US\$6.00/oz, produce robust economics. Payback is rapid and is achieved during the second year of production. The Net Present Value (NPV) at 10 per cent. discount is US\$41.9 million. The Internal Rate of Return (IRR) is 126 per cent. The average overall cost is US\$172 per ounce of gold.

It is likely that additional production potential can be identified from within the currently modelled indicated resources, from conversion of the inferred resources and from exploration of the adjacent and nearby resource potential. Additional production would extend the life and improve the economic indicators significantly.

The project is very sensitive to gold price, recovery and head grade, only moderately sensitive to operating cost and relatively insensitive to capital costs. The original international underground mine capital and operating costs of US\$52.2 million and US\$22/tonne respectively produce an NPV(10 per cent.) of US\$24.5 million and an IRR of 51 per cent. It is important to be able to achieve the locally sourced costs.

Other targets

Hambledon is actively seeking to acquire additional gold deposits and prospects in the area with which to augment resources and potential in order to extend the life of the project.

Proposed work programme and budget

Hambledon have proposed a comprehensive, 15 point, budgeted work programme for the next stage of project development and feasibility study. The proposals are budgeted at US\$1.3 million in total and are detailed in the report. Howe believes that implementation of the work programme will test the interpretations and assumptions on which the present study is based and will make a significant contribution to a detailed feasibility study.

Hambledon acknowledges that environmental work is also required including a baseline study, an environmental impact assessment, an action plan and a monitoring programme. In addition, formal verification of topographic and underground survey control is recommended prior to implementation of the work programme.

TABLE OF CONTENTS

1.	INTRODUCTION.....	
2.	QUALIFICATION OF CONSULTANTS	
3.	DECLARATION OF INTERESTS	
3.1.	PRINCIPALS.....	
3.2.	ACA HOWE INTERNATIONAL LIMITED	
4.	KAZAKHSTAN BACKGROUND.....	
4.1.	MINING LEGISLATION	
5.	REGIONAL GEOLOGY AND GOLD MINERALISATION.....	
6.	SEKISOVSKOYE GOLD PROJECT	
6.1.	LICENCE AND OWNERSHIP	
6.2.	LOCATION, ACCESS, TOPOGRAPHY, VEGETATION AND CLIMATE	
6.3.	ENVIRONMENTAL ISSUES	
6.4.	LOCAL GEOLOGICAL SETTING AND MINERALISATION	
6.5.	HISTORY AND PREVIOUS WORK	
6.6.	WORK DONE BY HAMBLEDON.....	
6.7.	SEKISOVSKOYE SURFACE DRILLING PROGRAMME OF 2003.....	
6.8.	INDEPENDENT EXAMINATION OF DRILL CORE AND LOGS.....	
6.9.	INDEPENDENT FIELD VISIT TO SEKISOVSKOYE PROPERTY.....	
6.9.1.	INDEPENDENT ROCK SAMPLING	
6.9.1.1.	UNDERGROUND ROCK SAMPLING	
6.9.1.2.	SURFACE ROCK SAMPLING.....	
6.9.2.	INSPECTION OF UNDERGROUND TREATMENT PLANT	
6.10.	SAMPLE PREPARATION AND ASSAYING.....	
6.10.1.	SOVIET SAMPLE PREPARATION AND ASSAYING.....	
6.10.2.	METALLURGICAL SAMPLING AND ASSAYING.....	
6.10.3.	ROCK SAMPLE PREPARATION AND ASSAYING OF 2003.....	
6.11.	SURVEY CONTROL	
6.11.1.	SOVIET SURVEY CONTROL	
6.11.2.	CURRENT PROJECT SURVEY CONTROL	
6.12.	RESOURCE ESTIMATION	
6.12.1.	SOVIET STYLE RESOURCE ESTIMATION.....	
6.12.2.	CRS 2003 COMPUTERISED RESOURCE ESTIMATION	
6.12.2.1.	RESOURCE STATEMENT.....	
6.12.2.2.	DATA ACQUISITION, CHECKING AND DATABASE CREATION	
6.12.2.3.	DEPOSIT MODELLING USING DATAMINE SOFTWARE	
6.12.2.4.	GRADE ESTIMATION AND RESOURCE CLASSIFICATION.....	
6.12.2.5.	LOW GRADE OPEN PIT RESOURCE MODEL	
6.12.2.6.	GENERAL COMMENTS AND CONCLUSIONS BY HOWE ...	
6.13.	CONCEPTUAL OPEN PIT MINE PLANNING AND COSTS	
6.14.	UNDERGROUND MINE PLANNING AND COSTS.....	
6.14.1.	MINING METHOD AND SEQUENCE	
6.14.2.	ORE ZONE DEFINITION AND GRADE CONTROL	
6.14.3.	COST ESTIMATION	
6.15.	METALLURGICAL TESTWORK.....	
6.15.1.	INTRODUCTION	
6.15.2.	GRAVITY TESTWORK	
6.15.3.	CYANIDATION TESTWORK	
6.15.4.	METALLURGICAL TESTWORK RECOVERIES	

6.15.5.	HOWE COMMENT ON METALLURGICAL TESTWORK.....	
6.16.	PRELIMINARY MILL DESIGN AND COSTS	
6.16.1.	PROCESS DESIGN	
6.16.2	PRODUCTION SCHEDULE.....	
6.16.2.	PROCESS DESCRIPTION.....	
6.16.3.	SERVICES AND REAGENTS.....	
6.16.4.	TAILINGS MANAGEMENT FACILITIES	
6.16.5.	ENVIRONMENTAL ASPECTS AND PERMITTING	
6.16.6.	CAPITAL COSTS	
6.16.7.	OPERATING COSTS.....	
6.16.8.	HOWE COMMENT	
6.17.	HEAP LEACH OPTION.....	
6.17.1.	HEAP LEACH PRODUCTION SCHEDULE	
6.17.2.	HEAP LEACH ENGINEERING DESIGN	
6.17.3.	HEAP LEACH CAPITAL AND OPERATING COSTS	
6.17.4.	HEAP LEACH ECONOMICS	
6.17.5.	HEAP LEACH COMMENT BY HOWE	
6.18.	OVERALL FINANCIAL SUMMARY OF SEKISOVSKOYE PROJECT.....	
6.18.1.	BASE CASE ECONOMIC MODEL.....	
6.18.2.	ECONOMIC INDICATORS.....	
6.18.3.	SENSITIVITY ANALYSIS	
6.18.4.	HOWE COMMENT	
7.	OTHER TARGETS OUTSIDE SEKISOVSKOYE LICENCE	
8.	HAMBLEDON PROPOSED WORK PROGRAMME AND BUDGET	
9.	CONCLUSIONS	
9.1.	LICENCE.....	
9.2.	GEOLOGY	
9.3.	RESOURCES	
9.4.	MINING ENGINEERING	
9.5.	METALLURGY	
9.6.	FINANCIAL	
9.7.	GENERAL	

LIST OF TABLES

TABLE 1.	SEKISOVSKOYE DEPOSIT. BRECCIA BODIES AT SURFACE
TABLE 2.	INDEPENDENT ROCK SAMPLES AND ASSAYS OF SEPTEMBER 2003 COMPARED WITH EQUIVALENT SOVIET DATA FROM CRS DATABASE
TABLE 3.	CRS UG 441M LEVEL CHANNEL SAMPLES AND ASSAYS OF DECEMBER 2003 COMPARED WITH EQUIVALENT SOVIET DATA FROM CRS DATABASE.....
TABLE 4.	SEKISOVSKOYE OFFICIAL RESOURCES AS AT 1 JANUARY 1994
TABLE 5.	SEKISOVSKOYE RESOURCE ESTIMATE BY CRS 2003.....
TABLE 6.	SEKISOVSKOYE OPTIMISED OPEN PIT ADDITIONAL LOW GRADE RESOURCES BY CRS 2003.....
TABLE 7.	OPEN PIT TOTAL RESOURCES MODELLED BY CRS
TABLE 8.	UNDERGROUND RESOURCES MODELLED BY CRS
TABLE 9.	SUMMARY OF DATA TYPES FOR TOTAL INVENTORY
TABLE 10.	INVENTORY OF SAMPLING USED FOR THE 2003 RESOURCE ESTIMATE .
TABLE 11.	GEOMETRIES OF THE INDIVIDUAL MINERALISED ENVELOPES
TABLE 12.	ULTIMATE PIT DESIGN PARAMETERS.....
TABLE 13.	GOLD HEAD GRADES OF COMPOSITE SAMPLES FOR METALLURGICAL TESTWORK.....
TABLE 14.	CALCULATED GOLD RECOVERIES FROM COMPOSITE SAMPLE TESTWORK.....
TABLE 15.	PRELIMINARY PRODUCTION SCHEDULE.....
TABLE 16.	SUMMARY OF CAPITAL COST ESTIMATES
TABLE 17.	OPERATING COST SUMMARY
TABLE 18.	HEAP LEACH OPERATING COST SUMMARY
TABLE 19.	HEAP LEACH CAPITAL COST SUMMARY
TABLE 20.	SEKISOVSKOYE ADMINISTRATION COSTS
TABLE 21.	ECONOMIC INDICATORS.....
TABLE 22.	SENSITIVITY ANALYSIS VARIABLES.....
TABLE 23.	HAMBLEDON PROPOSED WORK PROGRAMME AND BUDGET

LIST OF FIGURES

FIGURE 1.	LOCATION MAP OF SEKISOVSKOYE PROJECT.....
FIGURE 2.	REGIONAL GEOLOGICAL MAP OF SEKISOVSKOYE PROJECT AREA
FIGURE 3.	LOCAL GEOLOGICAL MAP OF SEKISOVSKOYE.....
FIGURE 4.	PLAN SHOWING DRILLHOLES AND MINE WORKINGS AT SEKISOVSKOYE AND THE EXTENT OF THE MODELLED DEPOSIT
FIGURE 5.	CROSS-SECTION VIII, SEKISOVSKOYE PROJECT
FIGURE 6.	SENSITIVITY ANALYSIS FOR THE SEKISOVSKOYE PROJECT

1. INTRODUCTION

At the request of Seymour Pierce Limited (Seymour Pierce) and Hambledon Mining Plc (Hambledon) ACA Howe International Limited (Howe) have prepared the following independent technical report on Hambledon's gold exploration projects in Kazakhstan (Figures 1, 2 and 3). The report forms part of the documentation for a proposed listing on the London Alternative Investment Market (AIM). John Langlands, a Howe Senior Geologist, visited Almaty and the project area near Ust Kamenogorsk during the period 20th to 28th September 2003. Data acquired by Hambledon was reviewed and the project was discussed in detail with Hambledon and their geological and resource estimation consultants CRS of the UK (CRS).

The Howe geologist visited the Almaty offices of Hambledon and CRS who are retained to create and maintain the computerised resource database, conduct and manage the field exploration and are responsible for the resource estimation using Datamine software. In Almaty, he examined drill logs and drill core from the three hole Hambledon drilling programme of June 2003. In Ust Kamenogorsk the Howe geologist visited the East Kazakhstan Department of the Academy of Mineral Resources (Department) and noted the catalogued project documentation from 1952 to 2002. He visited the Sekisovskoye field project area and the accessible underground and surface workings of the current project on and below Sedukha Hill.

Written translations and spoken interpretation from Russian into English and English to Russian have been provided by CRS and Hambledon and their associates and sub-contractors in Almaty, Ust Kamenogorsk and at the Sekisovskoye deposit.

This report is based on information received as of 30th January 2004.

2. QUALIFICATION OF CONSULTANTS

John Langlands, BSc(Hons), FIMM, CEng., prepared this report with the assistance of other Howe staff and Associates. Mr Langlands, a Senior Geologist with ACA Howe International Limited (Howe), has more than 30 years of professional experience in the exploration, assessment and evaluation of a wide range of mineral prospects, deposits and mines.

Jonathan Wallington, MSc, a Geological Data Analyst with Howe, has 8 years of relevant professional experience in the evaluation of gold and base metal deposits at both exploration and production levels of development.

Stewart A. Cale, BSc (Eng), CEng, FICE, FIMMM, an Associate mining engineer with Scott Wilson Mining (SWM) has more than 37 years broad international experience in the management of a range of engineering projects involving multi-discipline teams in the mining sector. He has been responsible for the study, design and implementation of many mining, geotechnical and process structure projects for the mining industry and been engaged in a specialist role in tailings management and heap leaching worldwide.

Tony Jackson BSc(Eng), ARSM, FIMMM, CEng, an Associate metallurgical engineer, has some 23 years experience in the area of mineral processing. He has contributed to several ACA Howe International Ltd reports in connection with listings on the London Stock Exchange.

3. DECLARATION OF INTERESTS

3.1 PRINCIPALS

Hambledon is registered in the United Kingdom and its Kazakhstan operations are managed from offices in Almaty. Hambledon have a 100 per cent. interest in the Kazakh company "D TOO Sekisovskoye" to which the Sekisovskoye mining licence was transferred in 2000.

3.2 ACA HOWE INTERNATIONAL LIMITED

ACA Howe International Ltd is an internationally recognised, independent geology and mining consultancy with offices in Canada, where it was established in 1961, and the United Kingdom where it has operated since 1978.

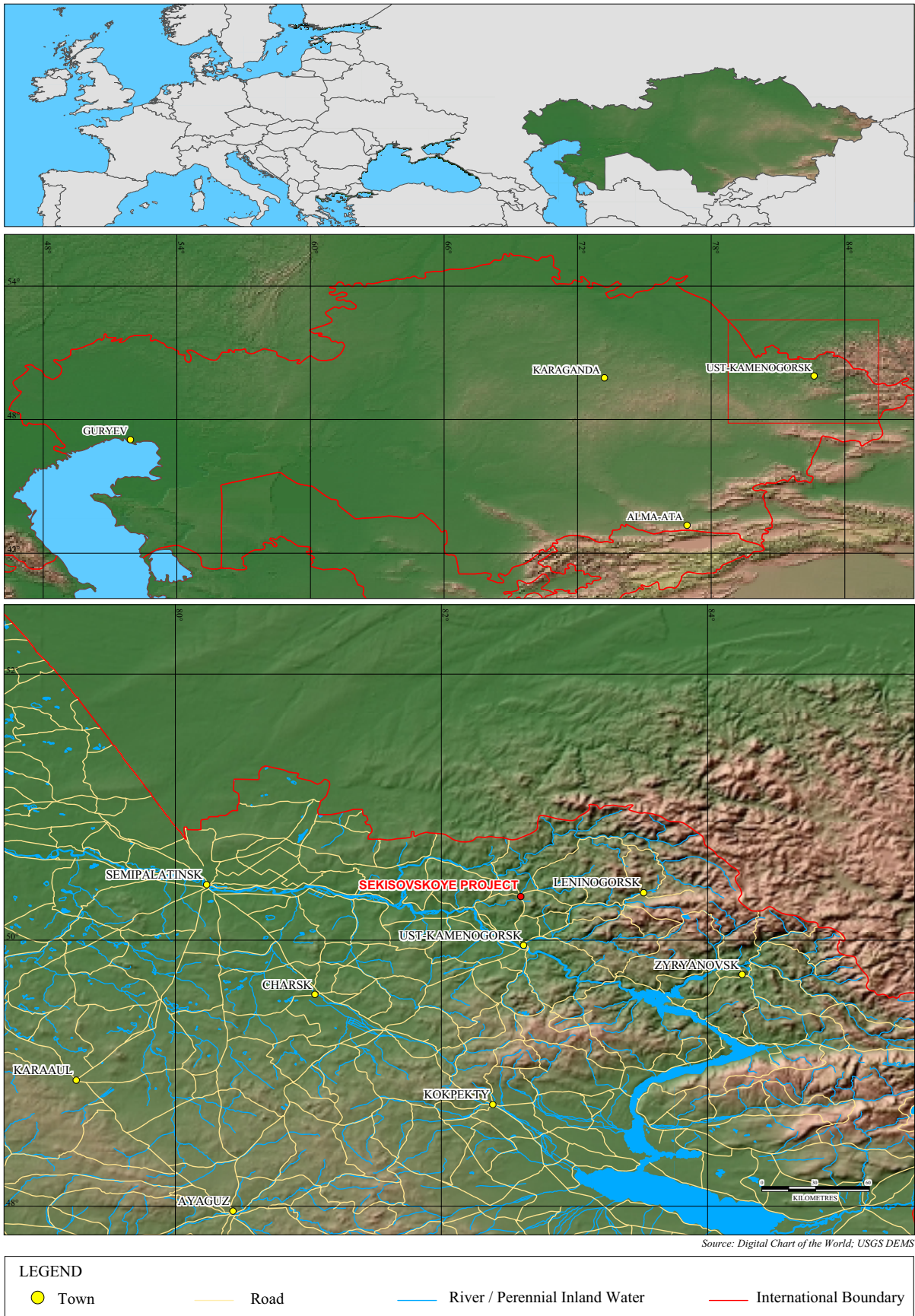


FIGURE 1: Location Map of Sekisovskoye Project



A C A HOWE INTERNATIONAL LIMITED

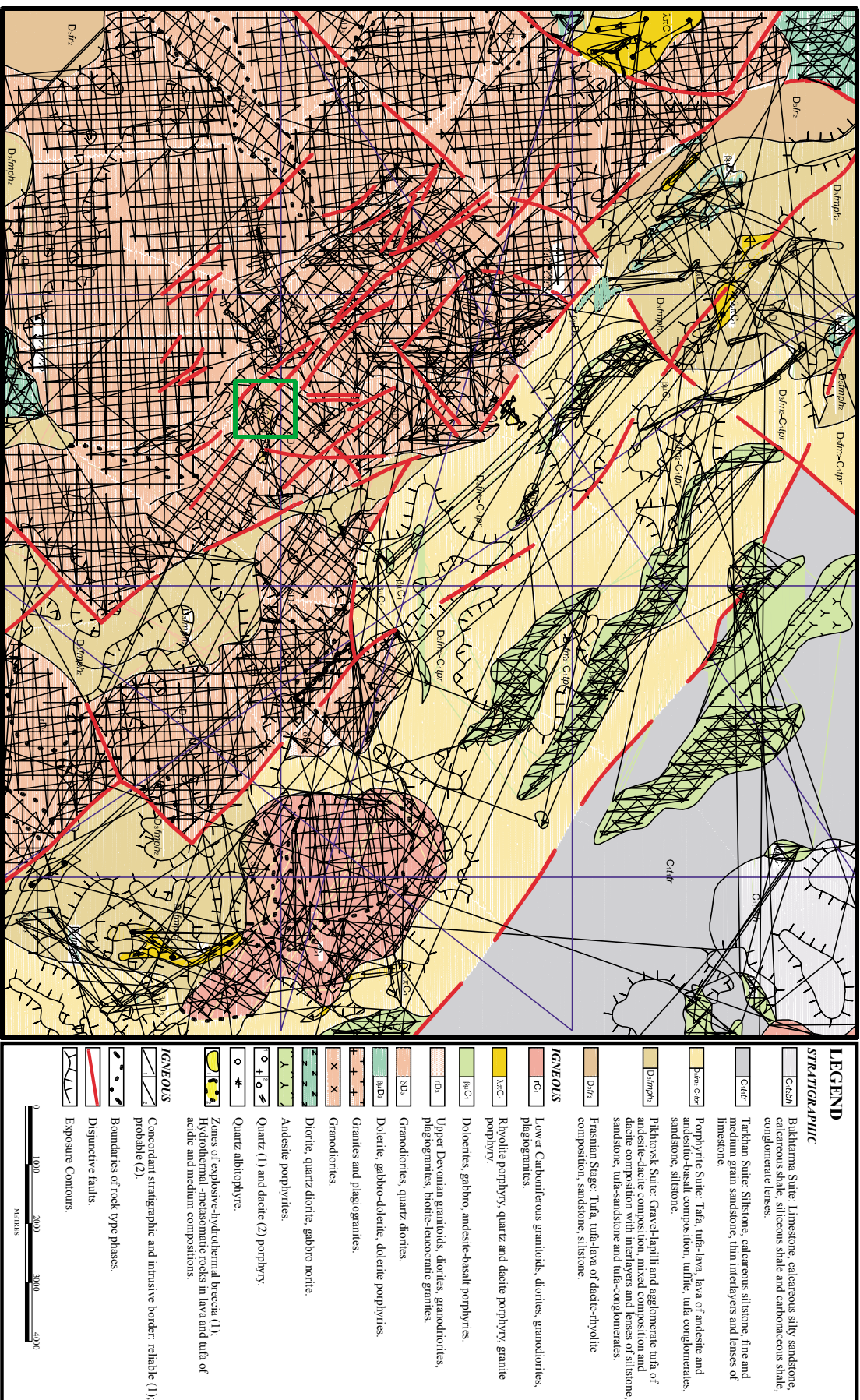
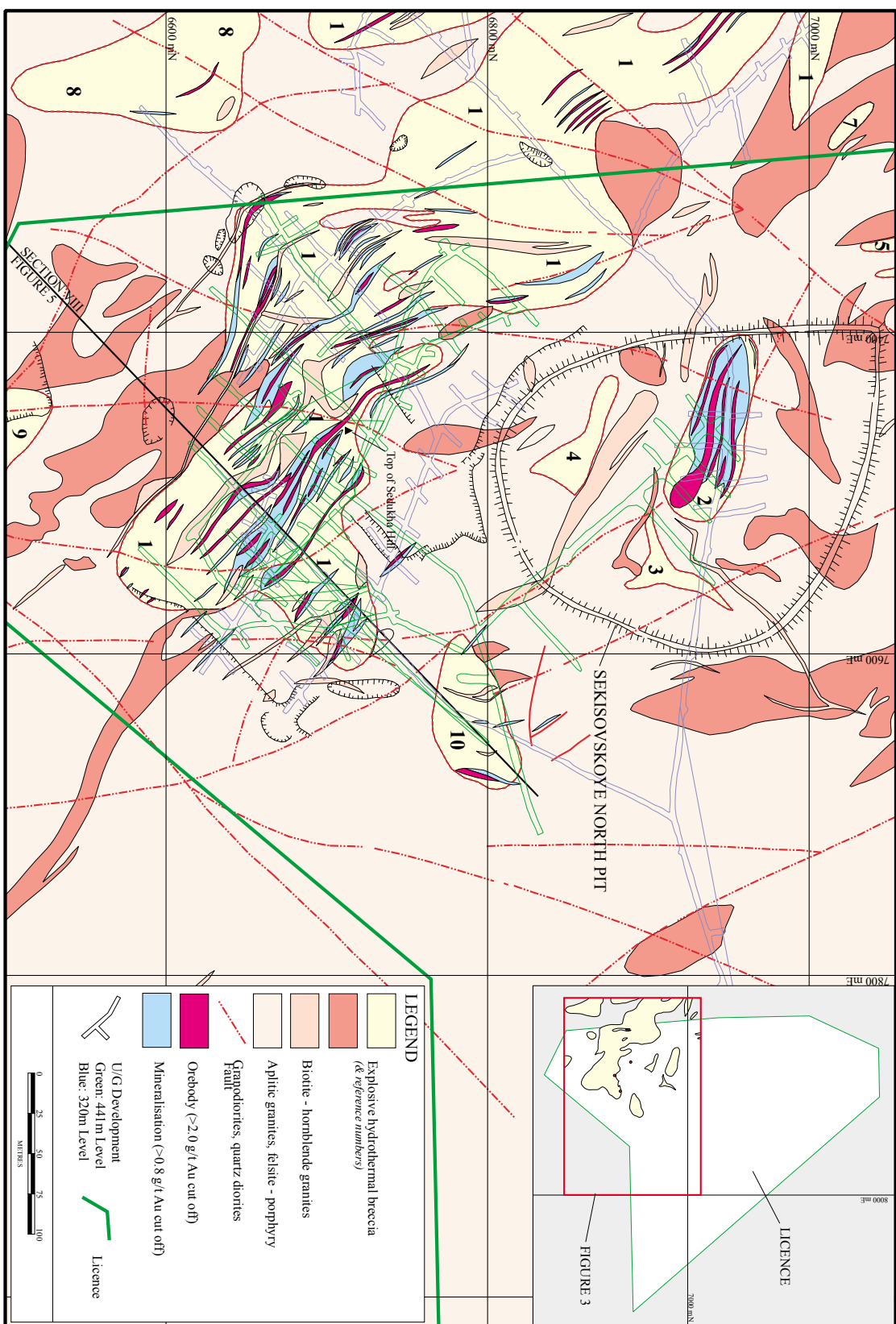


FIGURE 2. Regional Geology Map of Sekisovskoye Project Area



A C A HOWE INTERNATIONAL LIMITED

Source: Digital file Geofplan5000.dwg supplied by CRS.



Howe, its company directors and Associates neither have nor hold:

- any rights to subscribe to Hambledon either now or in the future;
- any vested interests in any concessions held by Hambledon;
- any rights to subscribe to any interests in any of the concessions held by Hambledon, either now or in the future;
- any vested interests in either any concessions held by Hambledon or any holders of any adjacent concessions; and
- any rights to subscribe to any interests or concessions adjacent to those held by Hambledon, either now or in the future.

The only commercial interest Howe has is the right to charge professional fees at normal commercial rates, plus normal overhead costs, for work carried out in connection with the investigations reported here. Payment of professional fees is not dependent either on project success or project financing.

4. KAZAKHSTAN BACKGROUND

The CIA World Factbook 2003 entry for Kazakhstan and the Mbendi country profile for Kazakhstan provide the following information.

The area was subsumed by Russia in the 18th century and Kazakhstan became a Soviet Republic in 1936. The Soviet era ended on 16th December 1991 when the Republic of Kazakhstan, the largest of the former Soviet republics in area, excluding Russia itself, became independent.

Kazakhstan is situated in Central Asia, bordered to the north by Russia, on its east is China, south is Kyrgyzstan, Uzbekistan, and Turkmenistan and to its west is Russia and the Caspian Sea. It is the ninth largest country in the world with a population of only 16.7 million. The capital city is Astana. Other major cities include the largest: Almaty with 1.3 million people, which was the capital until 1998. The official language is Kazakh but Russian is the most widely spoken language.

Kazakhstan has major deposits of oil and natural gas and the oil industry is significant as it is the second largest oil producer among former Soviet republics, after Russia and produces over half a million barrels of oil a day.

Kazakhstan contains large quantities of coal, iron ore, manganese, chrome ore, nickel, cobalt, copper, molybdenum, lead, zinc, tungsten, bauxite, gold and uranium. The mining industry is the second largest earner for the country. Kazakhstan is a major coal producer, consumer, and exporter.

Kazakhstan is also a large agricultural producer of livestock and grain. Kazakhstan's industrial sector depends on the extraction and processing of natural resources and also on a growing machine-building sector specialising in construction equipment, tractors, agricultural machinery, and some defence items. The break-up of the USSR in December 1991 and the collapse in demand for Kazakhstan's traditional heavy industry products resulted in a short-term contraction of the economy. But in 1995-97, the pace of the government program of economic reform and privatisation quickened, resulting in a substantial shifting of assets into the private sector. Kazakhstan enjoyed double-digit growth in 2000-01 and 9.5 per cent. in 2002 due largely to its booming energy sector, but also to economic reform, good harvests, and foreign investment. The country has embarked upon an industrial policy designed to diversify the economy away from over-dependence on the oil sector by developing light industry. Additionally, the policy aims to reduce the influence of foreign investment and foreign personnel. Kazakhstan is developing trade with the Central Asia countries and Turkey.

4.1 MINING LEGISLATION

On 13th December 2000, the President of Kazakhstan abolished the Ministry of Energy, Industry, and Trade and the Ministry of Natural Resources and Environmental Protection and transferred many functions of the defunct ministries to the new Ministry of Energy and Mineral Resources.

In 2001 the World Bank carried out a study for the Kazakhstan government entitled, “Strategic Review of the Mining and Metallurgy Sector”. In 2002 the Government was reviewing the recommendations of the World Bank and was exploring ways to support the mining industry.

Howe is not qualified to verify legal aspects of the project and has not reviewed the particular conditions and the financial implications of the Subsoil Use Contract agreed between the government and “DToo Sekisovskoye” in 2000. The reader is referred to the legal due diligence reports.

5. REGIONAL GEOLOGY AND GOLD MINERALISATION

The regional geology map published in the review of Kazakhstan by Mining Journal in 1994 shows the geology of East Kazakhstan. Cambro-Ordovician, Ordovician, Devonian and Carboniferous formations strike north-westwards, generally younging south-westwards, and are affected by westerly and north-westerly trending tectonic structures and faults, in an area 450 by 280 kilometres with the long axis in the strike direction. The Cambro-Ordovician is intruded by Upper Devonian granitic rocks. The Ordovician formations occur in three relatively small areas; two in the northwest and one in the southeast. About 90 per cent. of the area is underlain by Devonian and Carboniferous rocks: in places undifferentiated, intruded by Upper Devonian and Upper Triassic age granitic rocks and alkaline intrusives of unknown age. In the southwest extensive tracts of Carboniferous rocks contain tectonic inliers of Devonian volcanics associated with major bodies of ultrabasic rocks.

A July 2003 report on the Kazakhstan Gold Mining Industry by Kazkommerts Securities identifies seven gold fields in East Kazakhstan, namely Bakyrchik, Bolshevik, Vasilyevskoye, Ridder-Sokolnoye, Suzdalskoye, Zhanan and the subject of the present report: Sekisovskoye.

According to the CRS report of 2003, the Sekisovskoye deposit is located in the Palaeozoic Rudny Altai metallogenic belt of eastern Kazakhstan and the Altai region of Russia. The local geology and mineralisation are described below in Section 6.

6. SEKISOVSKOYE GOLD PROJECT

6.1 LICENCE AND OWNERSHIP

Howe is not qualified to verify legal title but has viewed licence and charter documents and has relied on Hambledon for assurance of title legality and its 100 per cent. beneficial interest.

The Sekisovskoye mining licence, No. 374 D, extending to 0.855 square kilometres or 85.5 hectares was transferred to a newly formed Kazakh company “DToo Sekisovskoye” on 18th September 2000 with a 25 year term and a new Subsoil Use Contract was agreed with the government. Hambledon has a 100 per cent. beneficial interest in the licence through the ownership of “DToo Sekisovskoye” which is confirmed in a charter document.

Howe has not reviewed licence commitments and expenditures nor the status of permits and required approvals.

The official coordinates of the vertices of the licence area in the local VKGU system are as follows:

<i>No. of reference point</i>	<i>Latitude</i>	<i>Longitude</i>
1	50° 20' 15"	82° 35' 45"
2	50° 20' 15"	82° 35' 55"
3	50° 19' 42"	82° 36' 38"
4	50° 19' 42"	82° 36' 04"
5	50° 19' 31"	82° 35' 49"
6	50° 19' 34"	82° 35' 40"
7	50° 19' 54"	82° 35' 38"
8	50° 20' 06"	82° 35' 38"

The equivalent positions of the licence vertices in the CRS mine grid system which is the same as the Gauss-Kruger (Pulkovo 1942) coordinate system except for an eastings adjustment of 7000 metres, are as follows:

<i>Point</i>	<i>Northing</i>	<i>Easting</i>
1	7775.5	7404.1
2	7779.5	7602.1
3	6778.5	8474.1
4	6763.5	7802.1
5	6417.5	7512.1
6	6506.5	7332.1
7	7123.5	7280.1
8	7494.5	7272.1

The local VKGU system may be another name for the Gauss-Kruger (Pulkovo 1942) coordinate system.

The approximate location of the licence boundary is shown in Figures 3 and 4, plotted in relation to the CRS mine grid positions. The shape and position have been independently confirmed by Howe using GPS determined latitude and longitude positions (WGS 84 datum) of the collars of drillholes DD-1, 2 and 3 of 2003, converted to the Gauss-Kruger (Pulkovo 1942) – GK Zone 14 system (see below, section 6.7).

The western boundary of the licence cuts some of the host breccia bodies and the upper parts of mineralised zones prefixed 10 and 11. However, Hambledon has indicated it has the right to extend the licence area to include contiguous extensions of the ore zones. Hambledon has reported that its local subsidiary company, “DToo Sekisovskoye”, has applied to extend its licence into the surrounding areas.

6.2 LOCATION, ACCESS, TOPOGRAPHY, VEGETATION AND CLIMATE

The Sekisovskoye property is located in East Kazakhstan Oblast approximately 40 kilometres north of the regional capital Ust Kamenogorsk (Figures 1 and 2). The deposit is located immediately northeast of the village of Sekisovka (Figures 3 and 4). The fields of agricultural small holdings which are part of the village adjoin the licence area on the south and west and overlie the westernmost mineralised zones.

The area is served by a good paved road which passes through Sekisovka village. Driving time from the centre of Ust Kamenogorsk to the property is 1 hour. There are daily scheduled flight connections with Almaty 865 kilometres and 1.5 to 2.5 hours to the south-southwest, depending on aircraft.

Sekisovka village is served by the local, second transformation, 6000 volt power grid and a cable of this system crosses the property on timber poles.

The area is part of the foothills of the Irtyshkovo mountains. Elevations within the licence area range from the level of the agricultural land at about 430m to 490m at the present summit of Sedukha Hill. Old maps indicate a height of 495m on Sedukha, possibly indicating reduction by open pit gold mining. Drainage from the licence area flows generally northwards and westwards off Sedukha Hill to the northward flowing Sekisovka River.

The property is devoid of mature trees probably due to felling so close to the village and is covered by grass and scrub where not recently disturbed by exploration and mining activities.

The climate is markedly continental with temperature ranging from +50 to -45°C. Winter conditions last from October to April. Average annual precipitation is 450 to 500mm, with prevailing winds from northeast to northwest.

6.3 ENVIRONMENTAL ISSUES

The close proximity of Sekisovka village to the Sekisovskoye gold deposit and the proposed open pit and underground development could possibly pose environmental problems with regard to public interest, safety, dust, noise, vibration and the quality of surface water and groundwater. It is understood that an Environmental Impact Assessment (EIA) has not yet been carried out at this early stage of the project, but this will be done and all of the above matters addressed and costed during the proposed detailed feasibility study.

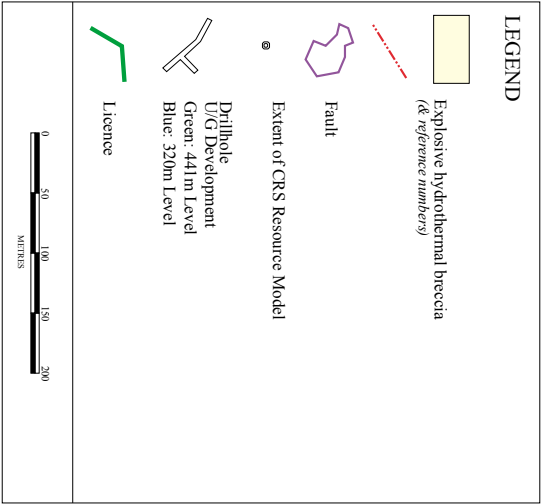
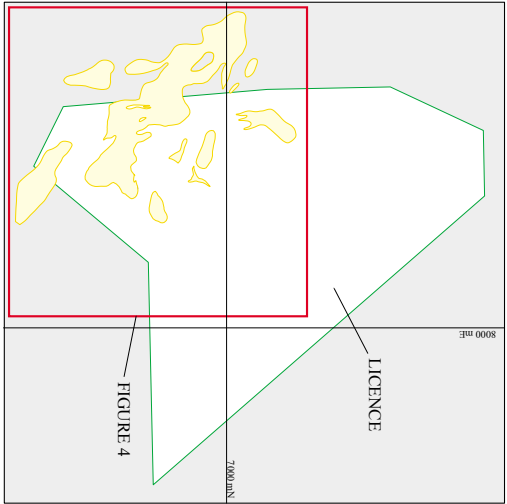
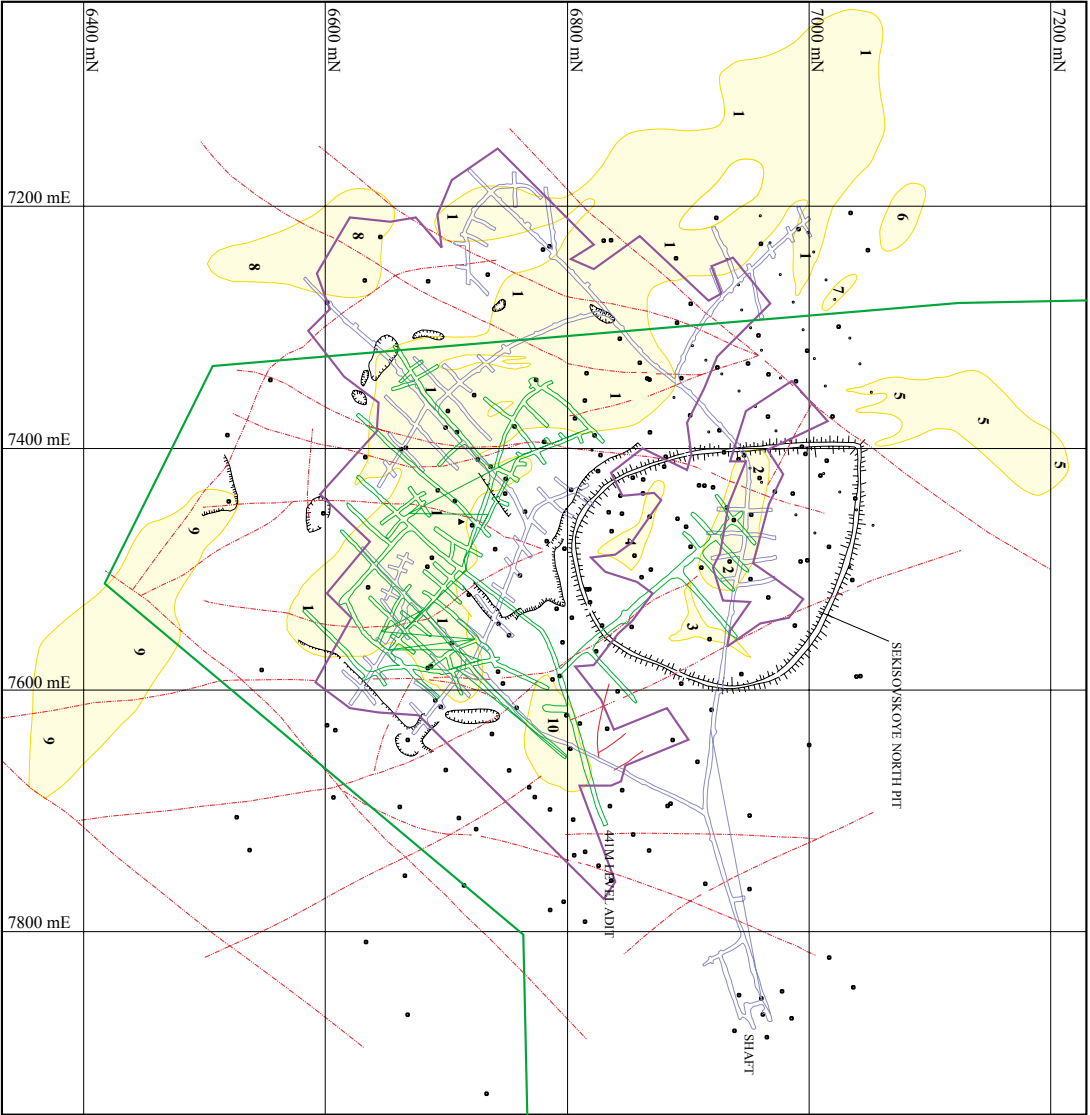


FIGURE 4. Plan showing Drillholes and Mine Workings at Sekisovskoye and the Extent of the Modelled Deposits.



A C A HOWE INTERNATIONAL LIMITED

Source: Digital/Ge CoalPlan/000.dwg: New Licence_Screen.dwg/jpg supplied by CRS.

Hambledon's consultant's informal discussions with the environmental and other authorities have not indicated any objection to processing, including heap leaching, being carried on at or near the site.

The heap leaching option, if implemented, will require a number of special environmental issues to be addressed in relation to permitted water quality of effluent, monitoring for potential groundwater contamination and isolation of toxic or acid generating components in the leached ore following abandonment. These issues are a normal part of the heap leach design and approval process.

6.4 LOCAL GEOLOGICAL SETTING AND MINERALISATION

The following description is based on the report by CRS of 2003 supplemented by Howe's field observations and analysis of Soviet drawings.

General

The Sekisovskoye project area lies in the Palaeozoic Rudny Altai metallogenic belt of eastern Kazakhstan and the Altai region of Russia, within the Aleisky anticlinorium, at the junction of a deep-seated northwest trending fault system and an eastward trending fault linking to the Leninogorsk mining district to the east. The host rocks of the mineralisation are igneous breccia zones within granitoid intrusives of late Devonian age intruding the volcano-sedimentary formations of the Frasnian and Famennian stages of the Upper Devonian, associated with the Tournaisian and Visean stages of the Lower Carboniferous.

Stratigraphy

The oldest Devonian rocks are Frasnian stage lavas and tuffs of andesitic and basaltic composition, siliceous clays, siltstones and limestones, 600 to 700 metres thick. Top Frasnian occurs in the west and northwest of the area as tuffaceous sandstones, tuffs, lavas of rhyolite-dacite composition, tuffite, sandstone and siltstones, 400 to 500 metres thick.

The overlying Famennian stage of the Devonian is well developed in the southwest, represented by basic to intermediate volcanics with acid volcanics at the top, with tuffaceous sandstones, siltstones and limestones in places. Maximum thickness is 1100m. Uppermost Famennian has well developed andesitic and basaltic porphyries, tuffs, tuffaceous lavas with interlayered tuffaceous sandstones, siltstones and limestones.

The Tournaisian stage of the Lower Carboniferous is represented at a few sites by siltstones, argillites and interbeds of limestones, with a maximum thickness of 800m.

The Visean stage caps the Lower Devonian in the northeast of the area and is represented by calcareous clays, clayey siltstones and sandstones, with thicknesses from 500 to 700m.

Tectonics

The Sekisovskoye deposit lies within the regional scale Aleisky Rudnoaltayskoy structural province. On a local scale, the deposit lies largely within the Alesiky anticlinorium to the southwest and the Bustrusninsky synclinorium to the northeast, on the Shemonaiho-Narymskovo tectonic lineament based on satellite imagery interpretation. This lineament forms the northwest part of the Sekisovskoye ring structure.

Intrusive igneous rocks

The 1:50,000 scale geological map on which Figure 2 is based shows two ages of intrusive igneous complexes: Upper Devonian and Lower Carboniferous.

Within the Upper Devonian complex there are sub-volcanic and hypabyssal intrusions and granitoids. The sub-volcanic intrusives comprise dolerites, gabbro-dolerites, dolerite-porphyries, dacitic and rhyolite porphyries, quartz porphyries and granite-porphyries. In the northeast part of the complex the granitoids are affected by regional tectonic structures with a northwesterly trend in which pipe-shaped and lens-shaped zones of explosive hydrothermal breccia are located. The Sekisovskoye deposits are located entirely within two closely adjacent breccia bodies which cut granodiorites of the granitoid complex.

Within the Lower Carboniferous intrusive complex, sub-volcanic and hypabyssal intrusives are directly related to volcanic activity and include gabbro, dolerite, andesite and andesite-basalt porphyries.

Structure of igneous breccias

At and in the vicinity of the Sekisovskoye deposit there are ten discrete igneous breccia bodies mapped at 1/1000 scale as shown in Figures 3 and 4 and labelled 1 to 10. The known mineralisation is located within a number of these breccia bodies which vary considerably in size. In plan view at surface the bodies range from 40 by 10 metres to 700 by 160 metres. The breccia bodies are steep and extend to depths greater than 950m as indicated by Soviet drilling. These breccias are summarised in Table 1, following.

TABLE 1. SEKISOVSKOYE DEPOSIT. BRECCIA BODIES AT SURFACE

<i>Ref. no.</i>	<i>Easting</i>	<i>Northing</i>	<i>Long axis, m</i>	<i>Short axis, m</i>	<i>Remarks</i>
1	7300	6800	700	160	Major gold mineralisation; main subject of this report. Sedukha drilling, UG development and small open pit are located in southeastern half of this breccia body.
2	7460	6945	120	40	Major gold mineralisation in old Sekisovskoye North open pit
3	7545	6910	75	30	Mined in old Sekisovskoye North open pit
4	7475	6855	75	20	Mined in old Sekisovskoye North open pit
5	7360	7135	195	55	Minor drilling and trenching
6	7205	7080	60	30	Minor drilling
7	7270	7025	40	10	Smallest mapped breccia lens
8	7240	6595	160	80	Minor drilling
9	7560	6420	290	100	Minor drilling and trenching
10	7635	6790	95	45	Drilled and trenched

The breccias are subdivided into 4 types: gabbroic, mixed composition with propylitisation of the matrix, mixed composition with beresitisation of the matrix and acidic composition with weak beresitisation of the matrix. The breccia clasts range up to metre-scale dimensions. The breccias are cut by mostly concordant dykes of various compositions.

The surface expressions of breccia bodies 2, 3, 4, 5 and 10 lie inside the licence area and the southeasterly part of the surface expression of breccia body 1 and the northwesterly part of the surface expression of breccia body 9 lie inside the licence area.. Breccia bodies 2, 3, 4 and the southeasterly part of the surface expression of breccia body 1 contain the bulk of the known mineralisation. The surface expressions of breccia bodies 6, 7 and 8 lie outside the licence area. The northwesterly half of the surface expression of breccia body 1 lies outside the licence area. Parts of those breccia bodies outside the licence at surface probably extend into the licence at depth due to the northeasterly dip.

Mineralisation

Gold mineralisation is restricted to the igneous breccias. The coarse, bouldery breccias are cut by approximately planar, approximately parallel, mostly approximately concordant, barren igneous dykes dipping steeply to the northeast with some dykes discordant to the breccia bodies. The Sedukha mineralised zones are defined by an assay cut-off within the breccias, mostly without confirmatory geological structures. The structure is illustrated in Figure 5 which presents small scale and large scale vertical cross-sections along the Soviet and CRS section line eight trending northeastwards through the southeastern part of the deposit.

The delineated zones of mineralisation show wide variation in thickness and localised pinch and swell structure. Gold distribution can be erratic because of coarse gold particles, barren breccia fragments and barren intrusive dykes. Some gold appears to be concentrated at geological boundaries between the breccia types and between the breccias and the igneous intrusive rocks.

Interpretations of the morphology of the mineralised zones have favoured long range, stratiform continuity between sample intercepts, which is reasonable in view of the morphology and structure of the breccia bodies and the majority of the contained dykes.

This stratiform continuity model has been demonstrated for some of the major zones by closer spaced drilling and by Soviet era experimental mining on two levels, with some raise mining which did not hole through to the upper level. Confirmation of continuity by down-hole geophysical surveys in the Soviet era is also reported. However, this model may not be valid for all the mineralisation in this extensive but complex geological environment. Irregular, localised gold distributions occur which are capable of alternative interpretation such as en echelon structure. Likewise, those zones based only on widely spaced drill intercepts are open to alternative interpretations.

The gold-bearing mineralised zones as defined have been classified into five groups in four different breccia bodies labelled in the above tabulation as breccia bodies 1, 2, 5 and 8:

1. Central Group with two subgroups: a northeast subgroup comprising mineralised zones prefixed 3, 5, 6, and 8 and a southwest subgroup comprising mineralised zones prefixed 1 in breccia body 1.
2. Western Group comprising mineralised zones prefixed 11 in an almost disconnected lobe of breccia body 1.
3. Northern Group comprising mineralised zones prefixed 2 in breccia body 2 mined in the Sekisovskoye North open pit.
4. Southwest Group comprising mineralised zones prefixed 10 in breccia body 8.
5. Northwest Group comprising mineralised zones prefixed 12 and 13 and Soviet drillhole C 253 in breccia body 5.

It should be noted that the western boundary of the licence cuts mineralised zones prefixed 10 and 11 at depth and that significant proportions of zones prefixed 10 and 11 lie outside the present licence area. However, Hambleton has indicated it has the right to extend the licence area to include contiguous extensions of the ore zones.

Using Datamine software, CRS have delineated within these groups, excluding the Northwest Group, 118 separate mineralised zones based on three or more contiguous intercepts defined by a sample cut-off grade of 2 ppm Au. In addition, more than 50 separate mineralised lenses based on one or two intercepts have not been formally demarcated.

Based on Soviet drill intersections, CRS reports that the true thickness of mineralised zones ranges from 0.35m to 30.0m with an average of 2.2m. This maximum true thickness of 30.0m is localised in mineralised zone 5 as defined by an intercept in Soviet hole 142 on cross-section 8 (Figure 5). As indicated by Soviet drilling, the 2003 drilling and Soviet channel sampling, mineralised zone 5 shows marked pinch and swell structure between extremes of about 1 metre and 30 metres.

The strike of the mineralised zones is generally northwestwards, with azimuths ranging from 280 to 350 degrees. Dips are to the northeast ranging from 45 to 85 degrees with an average of 75 degrees. The main gold mineralisation occurs in breccia body 1 in numerous planar zones of mineralisation prefixed 3, 5, 6, 8, and 1 over a maximum strike length of 400 metres and a maximum drilled dip length of 665 metres covered by cross-sections 0 to 10.

The breccia matrix is hydrothermally altered by beresitisation, listwaenitisation and propylitisation, with sulphides. Gold is closely associated with the sulphides. A later phase of mineralisation is represented by quartz-carbonate sulphide veins with free gold. A final hydrothermal phase occurs as carbonate veins with only sparse gold mineralization.

Gold distribution in small samples is erratic due to free gold particles ranging from 0.001mm to 0.4mm or more and the presence of large barren breccia fragments. Examination of core samples from the recent

Hambledon drilling has indicated that gold may be associated with irregularly shaped intrusive felsites within the breccias.

Two types of mineralisation are recognised: disseminated and hydrothermal veins.

The disseminated mineralisation is associated with hydrothermal alteration as beresitisation and listwaenitisation of the breccia matrix. Auriferous sulphides include pyrite, chalcopyrite, sphalerite and galena. Rarer minerals include altaite, petzite, native gold, tennantite and argentite. The metals of economic interest are gold and silver, but with some tellurium and bismuth. Impurities such as arsenic and antimony are absent. Pyrite typically represents 12-15 per cent. of the sulphides and quartz makes up 50 to 60 per cent. of the gangue.

The hydrothermal vein mineralization is genetically connected with the processes of beresitisation and listwaenitisation of the breccias and later hydrothermal-metamorphic processes. The early alteration processes are associated with chalcopyrite-sphalerite-pyrite-quartz and the later process with gold-telluride-sulphide-quartz mineralisation which is the main source of precious metals in the veins. Distribution of this vein mineralisation is erratic, but concentrations tend to occur at the contacts between the different breccias and between breccias and intrusives and late acid dykes where the maximum gold mineralization occurs. The mineral assemblage is pyrite, sphalerite, chalcopyrite, galena, altaite, petzite, krennerite, argentite and native gold.

6.5 HISTORY AND PREVIOUS WORK

The following history has been compiled by Howe from information provided by Hambledon and from the catalogue of official Department reports and other sources as indicated. Further detail is available in the CRS 203 report.

- 1833-1956.** As reported by Hambledon, the deposit has been known since 1833. Quartz veins were mined on a small scale by prospectors.
- 1952-2002.** Soviet and post-Soviet geological prospecting and evaluation work is recorded in the Department catalogue card index of official reports as noted below.
- 1952-53.** Official geological reports filed.
- 1958.** Official prospecting report on gold ore in the Irtushkaya fold belt and Sekisovskoye localities.
- 1976.** According to Hambledon, major Soviet style drilling, trenching and underground exploration commenced in 1976. Two levels were developed: the adit level at +441m from the foot of Sedukha Hill on its northeastern side and the +320 m level 120 m below, accessed by a shaft about 400m northeast of the adit.
- 1976-78.** Official report of results of exploration of Sekisovskoye deposit.
- 1978-83.** "Altayzoloto" a workers co-operative, mined oxidised gold ore from the North pit to a depth of 35m producing 190,000 tonnes with 3.4 tonnes of gold and the same quantity of silver, at an average grade of 18.0 g/t Au and 18.1 g/t Ag.
- 1979-80.** Official report of study of technological properties of minerals and estimation of gold ores from Kazakhstan including Sekisovskoye.
- 1981.** Official research and hydrometallurgical processing options report for ore from new gold deposits in Kazakhstan including Sekisovskoye.
- 1983.** Official report on geology, structure, geochemistry, mineralogy of gold ore fields of Kazakhstan and official report of comparison of results of exploration and commercial mining of Orebody 2 of Sekisovskoye (North open pit).
- 1984.** Official report of detailed exploration in flanks and deep levels of Sekisovskoye deposit including Volume 2 drawings classified as secret (due to more than 50 tonnes of gold in P1 resources, according to Hambledon). Official techno-economic report on detailed exploration and estimation of ore. Official isotope temperature study for estimation of potential.
- 1985.** Official report of results of exploration 1978 to 1985 in two volumes.

- 1986.** Official report of exploration and ore estimation of west flank of deposit.
- 1987.** Official techno-economic report on exploration and estimation of reserves and Protocol No. 568 of Ore Reserve Committee.
- 1991.** After Kazakhstan independence, the deposit was taken over by the “Poisk” miners’ co-operative.
- 1992.** Official report of results of exploration of waste dumps.
- 1998.** “Poisk” was acquired by Hambledon Mining Company Limited. A small gravity gold recovery plant, built with second-hand equipment, was installed underground on the 441m adit level, operated for three months and now lies derelict. It is verbally reported to have processed surface ore from the Sedukha quarry via a surface primary crusher. A limited amount of mining was carried out in order to prepare the underground workings for production and there is evidence of minor stoping above the 441 level and underground stockpiling in drivage adjacent to the derelict plant.
- 2000.** The mining licence was transferred to a newly formed company, “DToo Sekisovskoye”, 100 per cent. owned by Hambledon. A new Subsoil Use Contract was signed with the Government of Kazakhstan on favourable terms and a feasibility study was commenced.
- 2001-2002.** In August 2001 Nelson Resources Limited (Nelson) entered into an agreement with an entitlement to earn 50 per cent. of the project and carried out some metallurgical testing and started to digitise the geological database. Despite satisfactory results from metallurgical testing, it is reported that the agreement was relinquished for reasons unconnected with the project after Nelson was reorganised as part of an oil company.#
- 2002.** Official protocol of meeting regarding estimation of reserves and official report of sampling for estimation of reserves.

6.6 WORK DONE BY HAMBLEDON

Work done by Hambledon and their consultants is listed here and described in more detail in other sections of this report below.

- Database creation and resource modelling using Datamine software, carried out by CRS of the UK (CRS).
- Core drilling of three angle holes for verification purposes, managed by CRS.
- Conceptual mine planning studies by Adam Wheeler and Bob Dowdell (Wheeler and Dowdell) of the UK.
- Conceptual open pit resource modelling and pit modelling by CRS and initial heap leach operation design & cost study by Kappes, Cassiday & Associates Australia Pty Ltd (KCAA).
- Preliminary mill design and costing by KCAA.
- Identification of other deposits and prospects for future operational expansion.

6.7 SEKISOVSKOYE SURFACE DRILLING PROGRAMME OF 2003

Field operations

In June 2003 Hambledon drilled three cored holes DD-1 to DD-3 from the surface of Sedukha Hill (Figure 3) as a test of part of the Datamine computerised resource model of CRS, which is based very largely on the Soviet drill sample data acquired up to 1985. Additional objectives were sampling and assaying outside the Soviet ore envelopes, sampling for screen fire assays for comparison with fire assays, sampling for ore petrology, bulk density determinations, geotechnical core logging for open pit and underground mine design and metallurgical sampling,

A total of 440m was drilled using HQ wireline equipment to provide 63mm diameter core samples. The original plan and contract was for two 220m holes at an angle of 45 degrees to intersect a variety of major and minor mineralised zones.

Drilling at 45 degrees was not practical and the first hole was drilled southwestwards at a collar angle of 62 degrees from horizontal. Unfortunately, this hole was abandoned in a cavity at 101m depth, apparently in a raise from underground workings on the 320m level Overall core recovery of 96 per cent. is recorded. The expected positions of Soviet ore zones prefixed 5 were drilled by DD-1 on cross-section 8.

Hole DD-2 was drilled southwestwards at a collar angle of 60 degrees to a depth of 219m. Overall core recovery of 94 per cent. is recorded. The expected positions of Soviet ore zones prefixed 3, 6, 8 and 1 were drilled by DD-2 on cross-section 5.

Hole DD-3 was drilled southwestwards at a collar angle of 60 degrees to a depth of 120m. Overall core recovery of 97 per cent. is recorded. The expected positions of Soviet ore zones prefixed 3, 6 and 8 were drilled by DD-3 a few metres southeast of cross-section 7.

An independent local geologist, subcontracted by CRS, controlled drilling operations in the field and surveyed accurate locations, azimuths and inclinations of the collars. He carried out down-hole surveys of angles and azimuths every 10 metres using a Tropari-like instrument, measured core recovery, geologically logged the core and marked it up in geologically determined intervals of up to 1 metre or a little more for sampling, all in compliance with the usual high standards of the former-Soviet system to satisfy local regulations. The details are recorded in Russian in manuscript notebooks which were examined by the visiting Howe geologist. The geotechnical logging was recorded in a western format.

The collar positions surveyed and logged by CRS and the GPS determined latitude and longitude positions to the WGS 84 datum, surveyed by the visiting Howe geologist are as follows:

DD-1, CRS mine grid 7578.09E 6726.12N, elevation 464.85m, azimuth 227, collar angle 62, 101m abandoned, section 8

DD-1, lat-long 50.32848 N , 082.59744 E, WGS 84

DD-2, CRS mine grid 7459.62E 6768.33N, elevation 483.67m, azimuth 227, collar angle 60, 219m, Section 5

DD-2, lat-long 50.32889 N , 082.59581 E, WGS 84

DD-3, CRS mine grid 7514.11E 6702.92N, elevation 488.07m, azimuth 227, collar angle 60, 120m, Section 7 (offset 9m SE)

DD-3, lat-long 50.32829 N , 082.59652 E, WGS 84

The WGS 84 latitudes and longitudes should be converted to the values of the Gauss-Kruger (Pulkovo 1942) – GK Zone 14 system and adjusted by the CRS mine grid easting difference of 7000 metres for compatibility with local CRS maps.

Core sampling and analysis

All cores, stored in proper, waxed corrugated cardboard core boxes, were transported by road to Almaty. CRS geologists photographed all the core and then split all the marked up core, except for the first 8 metres of DD-2, longitudinally into geologically equivalent halves using a diamond saw. The half core samples in intervals ranging from 0.25m to 1.30m but mostly 1.00m, were sent for preparation and assay to the internationally accredited laboratory of Alex Stewart Assayers in Kyrgyzstan who were warned to expect coarse gold and to take precautions to minimise its loss during sample preparation.

At the laboratory core samples were prepared as follows. Half cores were reduced by two stages of jaw crushing to minus 2mm material and then split through a riffle box to provide about 10 per cent. for pulverisation and about 90 per cent. as minus 2mm material. The type of pulveriser used was an Australian Lab Technics single puck and ring mill designed to flatten and not smear metallic gold particles during

pulverisation. The 10 per cent. as rock powder (pulp) was split to provide about 100g for control sieving to ensure 95 per cent. passing 75 microns and 30g for a standard fire assay.

For the screen fire assay preparation, the minus 2mm split representing 90 per cent. of the original sample was split as to 15 per cent. for pulverisation and 85 per cent. for storage of coarse jaw crushings. The pulp was split 50:50 to provide material for the screen fire assay procedure and a duplicate sample of pulp.

The standard gold analysis was by fire assay using 30g aliquots of rock pulp with an Atomic Absorption finish. Silver was analysed using aqua regia digestion and an Atomic Absorption finish.

In preparation for the screen fire assays a 250g sample of rock pulp was sieved through a 75 micron (200 Mesh) screen. The oversize fraction and two 30g aliquots of the undersize were fire assayed with an Atomic Absorption finish. The mean of the two gold assays of the undersize and the gold assay of the oversize were combined to produce a weighted average assay representing the gold grade of the original rock sample.

CRS personnel visited the Alex Stewart Assayers laboratory during sample preparation for quality control purposes. They randomly renumbered the sample pulps and introduced quality control pulps. For each batch of 21 pulps, 4 quality control standards, including one blank, were added randomly. The total number of samples was 558 including 88 standards. This total included three preliminary screen fire assays. Subsequently a further forty samples were selected for reanalysis by screen fire assay.

As reported by CRS, the inserted standard samples assayed within acceptable limits of variation, except for one sample which is the subject of an enquiry and which has been omitted from the following summary of assay quality control.

Inserted samples of standard ore G997-5 (with a published mean value of 7.31g/t Au and Standard Deviation of SD 0.33) gave assays with maximum variations of + 0.05 g/t Au and – 0.03 g/t Au from the standard value. Inserted samples of standard ore G995-1 (2.74g/t Au, SD 0.18) gave assays with maximum variations + 0.60 g/t Au and – 0.45 g/t Au from the standard value. Inserted samples of standard G901-10 (0.50 g/t Au, SD 0.03) gave assays with maximum variations of +0.06 g/t Au and – 0.03g/t Au from the standard value. All blank standard results were below detection limits.

Graphical comparison by CRS of the results of the primary standard fire assays and the repeat screen fire assays concluded that standard fire assays gave similar results to the screen fire assay method up to values of about 14 g/t Au, indicating that coarse gold was not being lost during the standard fire assay procedure. One richly auriferous sample with 63.2g/t and 85.0g/t by the two methods plotted off the trend but this result is not of concern due to the high gold value and the fact that the two values were obtained from separate sub-samples of coarse crushed rock.

Bulk density determinations

CRS sent 30 core samples of mineralised breccia from the three Hambledon holes to a local technical institute in Almaty for bulk density determinations by the method of weighing wax coated samples in air and water. A range of values from 2690 to 2930 with an average of 2770 kg/m³ were obtained. This value is only 2.2 per cent. less than the former Soviet average density of 2832 kg/m³ which is based on much more data.. Accordingly, CRS has accepted the Soviet value for the present resource estimation.

Drilling results compared with computer modelled gold zones and Soviet intercepts

Comparison of the Hambledon drill data and Soviet drill and underground channel sample data and the Datamine wireframe deposit model derived only from the Soviet data, has been carried out by CRS and Howe with favourable results.

CRS has compared the results from the actual Hambledon holes with modelled holes through the wire frame deposit model generated before the Hambledon results were known. In Hambledon hole DD-1 three gold bearing intercepts were made approximately where the Datamine model predicted ore zones 5.3, 5.1 and 5.0, correlated with the old Soviet ore zones, at progressively greater down-hole positions. In hole DD-2 five gold bearing intercepts were made approximately where the Datamine model predicted ore zones 3.0, 8.0, 1.6, 1.5

and 1.3 and three additional gold intercepts. In hole DD-3 six gold bearing intercepts were made approximately where the Datamine model predicted ore zones 3.0, 3.1, 3.2 (three discrete intercepts) and 8.0 and two additional gold intercepts. These relationships have been graphically illustrated by three Datamine generated cross-section which are not all reproduced here.

Considering only the Hambledon intercepts which could be correlated with the model based on Soviet data, these show a 17.5 per cent. increase in gold grade and a 5.8 per cent. reduction in contained metal. Considering all the Hambledon drill intercepts, the average weighted drill grade is 10 per cent. higher than the model and the contained gold is 8 per cent. higher because of the contribution from additional zones of mineralisation.

Although perfect correspondence of position, length and grade of the actual and modelled intercepts was not demonstrated, the Hambledon drilling results indicate that, where it has been tested, the Datamine deposit model based on the Soviet data predicts the approximate location of gold intercepts and that the gold grades are higher than predicted by the model and that the contained gold is greater than in the model.

Howe has produced a tabulated analysis of Hambledon drill data of 2003 showing intercepts containing gold values greater than 1 ppm Au, prior to receipt of more recent screen fire assay data, showing correlations with the mineralised zones depicted on the Soviet drill sections. Howe used a manual graphical method by plotting the new holes on the old Soviet drill sections. This produced favourable results broadly similar to those of CRS who used the Datamine model for the comparison. However, the holes of 2003 did not replicate the trajectories of any of the Soviet holes and the correlations of the mineralised zones are approximate and open to alternative interpretation in some cases.

It has been noted by CRS and Howe that there is a tendency for higher gold values to be associated with small intrusive dykes within the breccias, especially irregularly shaped felsites intrusives seen in Hambledon drillhole DD-1. In DD-2 and DD-3 the average gold grades are about 2.4g/t lower than in DD-1 and the intrusive dykes are rare and composed of dolerite. The small felsite bodies may be of genetic significance and may be a gold pathfinder in this environment.

6.8 INDEPENDENT EXAMINATION OF DRILL CORE AND LOGS

The cores of the three Hambledon core holes DD-1, DD-2 and DD-3 are stored in the basement of the building where Hambledon's Almaty office is located.

The visiting Howe geologist noted that the cores were well stored and labelled to industry standards in purpose-made waxed fibre board core boxes with lids. The original manuscript Russian logs were provided together with provisional English translations and a complete photographic record of the boxed core prior to splitting by diamond saw. All the records including collar locations, downhole surveys, geological logs, core recoveries and sample intervals appeared to be in good order.

Check logging and checking of core recovery and comparison of assay results and the photographic records of hole DD-1 were carried out by Howe. The results of this examination indicated that everything was in good order and executed to high standards.

Close examination of the gold mineralised intervals indicated that the gold is not related to any major structures such as large scale, regular veining, fracturing or shearing. The higher gold values are apparently associated with subtle carbonate alteration and irregular, small scale quartz-carbonate-pyrite veining and disseminations and an irregular fracture texture. It was noted that there is a close association of high gold values and small irregular bodies of pale brown, fine-grained, pyritic felsite, which may be of genetic significance. These felsites and other dyke-like intrusives may be pathfinders for gold in this geological environment.

6.9 INDEPENDENT FIELD VISIT TO SEKISOVSKOYE PROPERTY

On 23rd and 24th September, the Howe geologist inspected the official Department catalogue of reports on the Sekisovskoye deposit in Ust Kamenogorsk. and visited the deposit with Roger Rhodes of CRS and

Giorgi Duducalov of GEOS to plan, execute and supervise a limited programme of underground and surface verification rock sampling. A full inspection tour was not undertaken due to time limitations.

6.9.1 INDEPENDENT ROCK SAMPLING

The independent rock chip sampling was planned and supervised by the visiting Howe geologist in September 2003. Due to unfavourable discrepancies in the results from underground sites 1 and 3, the retained coarse fractions of all underground chip samples were re-split and assayed. In addition, sites 1 and 3 were resampled by CRS in November 2003 as saw-cut channel samples the results of which were reported in December.

Limited surface sampling was carried out as continuous chips at two sites and grab samples at two sites on the top of Sedukha Hill.

6.9.1.1 Underground rock sampling

The Howe geologist selected three sample sites for verification sampling from 1/200 scale assay level plans which had been produced by CRS from the primary Russian data. At one of these sites (Site 2, Zone 3, cross-cut 12) recent stoping had taken place and an alternative was chosen (Site 4 below). Underground rock chip samples were collected from the 441m Level as indicated in Table 2 below.

TABLE 2. INDEPENDENT ROCK SAMPLES AND ASSAYS OF SEPTEMBER 2003 COMPARED WITH EQUIVALENT SOVIET DATA FROM CRS DATABASE

Serial no.	Location No., UG Level/Surface, Drive, Crosscut, Project coordinates of 0m, etc	From m	To m	Fire assays of primary samples, (re-splits of retained coarse material) = mean Au ppm	Soviet ore zone ID	Equivalent Soviet gold value in CRS database Au ppm	Remarks
1	3, UG 441m Level, Drive 2, NW wall of Crosscut 22, 0m = 7523E 6691N, 4m SE of Cross Section 7A	0	1 SW	1.13, (1.36) = 1.25	out	1.8	Composite manual chip samples, few kg each from ledge of diamond sawn channel. Visible coarse pyrite throughout. Sep 2003 results are very low (<1.26 ppm) and there is no correlation with Soviet Ore Zone 3.0 values. Sep 2003 intercept has only 17 per cent. of gold of Soviet Zone 3.0 average over 5m.
2	3, UG	1 SW	2 SW	0.57, 0.49, (0.57) = 0.55	out	1.2	
3	3, UG	2 SW	3 SW	0.62, (0.65, 0.68) = 0.64	3.0	2.6	
4	3, UG	3 SW	4 SW	1.14, (1.38) = 1.26	3.0	1.0	
5	3, UG	4 SW	5 SW	0.56, (0.56) = 0.56	3.0	6.2	
6	3, UG	5 SW	6 SW	0.33, (0.40) = 0.37	3.0	8.4	
7	3, UG	6 SW	7 SW	0.66, (0.67) = 0.67	3.0	2.2	
8	3, UG	7 SW	8 SW	0.85, (0.71) = 0.78 Avge all 0.76	out	0.6	25 per cent.
9	1, UG 441m Level, Drive 17, NW wall of Crosscut 16, 0m = 7566E 6711N, 1.5m NW of Cross Section 8, 4m SE of DD1 pierce point	0	1 NE	0.79, (0.94) = 0.87	5.3	0.7	Composite manual chip samples, few kg each in 1m intervals with some gaps of 20 to 25 cm due to massive, tough, more basic rock than elsewhere. Dissem. pyrite throughout. 2003 results are low (< 1.94 ppm) and there is no correlation with Soviet Ore Zone 3.0 values. Sept 2003 intercept has only 35 per cent. of gold of Soviet Zone 5.3 average over 8m.
10	1, UG	1 NE	2 NE	1.70, (1.64) = 1.67	5.3	4.4	
11	1, UG	2 NE	3 NE	1.76, (1.54) = 1.65	5.3	1.2	
12	1, UG	3 NE	4 NE	0.51, (0.45) = 0.48	5.3	7.8	
13	1, UG	4 NE	5 NE	0.35, (0.39) = 0.37	5.3	0.7	
14	1, UG	5 NE	6 NE	2.25, (1.65, 1.60) = 1.94	5.3	1.7	
15	1, UG	6 NE	7 NE	0.17, (0.16) = 0.17	5.3	3.0	
16	1, UG	7 NE	8 NE	0.23, (0.16) = 0.20	5.3	1.6	
17	1, UG	8 NE	9 NE	1.03, 1.02, (1.05) = 1.04	out	0.7	

Serial no.	Location No., UG Level/Surface, Drive, Crosscut, Project coordinates of 0m, etc	From m	To m	Fire assays of primary samples, (re-splits of retained coarse material) = mean Au ppm	Soviet ore zone ID	Equivalent Soviet gold value in CRS database Au ppm	Remarks
18	1, UG 4, UG 441m Level, Drive 8, SE wall of Crosscut 4, 0m = 7384E 6818N	9 NE	10 NE	0.53, (0.49, 0.53) =0.52 Avge all 8.91/10 = 0.89	out	0.6 Avge all 2.2	40 per cent.
19	4, UG	18 SW	19 SW	0.21, (0.21) =0.21	out	0.3 1.0 over~0.5m	Composite manual chip samples of few kg each in 1m intervals of pyritic breccia . 2003 results correlate well with Soviet Ore Zone 3.0 values. Sept 2003 intercept (offset 1m to NE) has 136 per cent. of gold of Soviet Zone 3.0 average over 3m. Alternative to sample Location No. 2 which had been stoped.
20	4, UG	19 SW	20 SW	0.22, (0.15) =0.19	out	0.2	
21	4, UG	20 SW	21 SW	3.81, (4.10) =3.96	out	0.6	
22	4, UG	21 SW	22 SW	9.39, (9.33) =9.36	3.0	3.6	
23	4, UG	22 SW	23 SW	6.31, (9.34) =7.83	3.0	8.8	
24	4, UG	23 SW	24 SW	1.30, 1.37, (1.26) =1.30	3.0	3.2	
25	4, UG	24 SW	25 SW	0.17, (0.19) =0.18	out	0.8 over~0.5m 0.3	
26	4, UG	25 SW	26 SW	0.49, (0.50) =0.50 Avge all 2.94	out	0.1 Avge all 2.21	133 per cent.
27	5, Surface, Sedukha Hill, small rock cut 60m NW of centre of Sedukha Quarry, GPS waypoint SEKSA5, approx. Project coords 0m = 7438E 6742N	0	1 SW	0.77	3 area	Original trenches removed	Composite manual chip samples of few kg each in 1m intervals of partially oxidised breccia with irregular bodies of felsite.
28	5, Surface	1 SW	2 SW	0.65, 0.69 = 0.67	3 area	ditto	Composite manual chip samples of few kg each in 1m intervals of coarse breccia with metre scale fragments of granite -diorite and dolerite with coarse dissem. oxidised sulphides. Original Soviet trenches apparently mined through.
29	5, Surface	2 SW	3 SW	0.71	3 area	ditto	
30	5, Surface	3 SW	4 SW	0.79	3 area	ditto	
31	5, Surface	4 SW	5 SW	1.39 Avge all 0.87	3 area	ditto	
32	6, Surface, Sedukha Quarry W face just S of entrance, GPS waypoint SEKSA6, approx. Project coords 0m = 7469E 6715N	0	1 SW	2.55	3 area	Original trenches removed	Grab sample of few kg of purplish-brown brecciated felsitic porphyry boulder from S face of quarry with oxidised sulphides
33	6, Surface	1 SW	2 SW	3.15 Avge all 2.85	3 area	ditto	
34	7, Surface, Sedukha Quarry boulder from mid S face, GPS waypoint SEKSA7, approx. Project coords 7479E 6702N			49.0	3 area	Original trenches removed	
35	8, Surface, Sedukha Quarry outcrop in mid quarry floor, GPS waypoint SEKSA8, approx. Project coords 7489E 6707N			18.3	3 area	ditto	Grab sample of about 1 kg of pale green altered rock with quartz, sphalerite and pyrite in cm scale crystals from outcrop in floor of quarry.

Sites 1 and 3 were resampled by CRS in November 2003 as saw-cut channel samples the results of which were reported in December and are presented in Table 3 below.

**TABLE 3. CRS UG 441M LEVEL CHANNEL SAMPLES AND ASSAYS OF DECEMBER 2003
COMPARED WITH EQUIVALENT SOVIET DATA FROM CRS DATABASE**

Serial Sample	Location No., UG Level /Surface, Drive, Crosscut, ID Project coordinates	From m	To m	Fire assays, (Screen fire assays) of Dec 2003 Averages use screen fire assay if available Au ppm	Soviet ore zone ID	Equivalent Soviet gold value in CRS database Au ppm	Remarks
1, ch36	3, UG, 441m Level, Drive 2, NW wall of Crosscut 22, 0 = 9m SW of corner near 7523E 6691N, 4m SE of Cross Section 7A	0	1 NE	0.77, 0.76 (0.69)	out	0.6	Channel samples by diamond saw in 1m intervals. Visible coarse pyrite throughout. Dec 2003 results are low with a narrow 1m Zone No.3.0
2, ch37	3, UG	1 NE	2 NE	0.49	out	0.6	intercept above 2g/t Au
3, ch38	3, UG	2 NE	3 NE	0.79 (0.73)	3.0	2.2	COG. Dec 2003 intercept
4, ch39	3, UG	3 NE	4 NE	4.64 (3.62)	3.0	8.4 (0.7m)	has only 38 per cent. of
5, ch40	3, UG	4 NE	5 NE	0.38	3.0	6.2	Soviet average over 5m.
6, ch41	3, UG	5 NE	6 NE	1.15 (1.33)	3.0	1.0	
7, ch42	3, UG	6 NE	7 NE	1.11 (1.26)	3.0	2.6	
8, ch43	3, UG	7 NE	8 NE	1.73 (1.58) {0.7m} Avge all 1.3	out	1.2 Avge all 2.6	50 per cent. of Soviet gold overall
9, ch44	1, UG, 441m Level, Drive 17, NW wall of Crosscut 16, 0m = 1m NE of corner near 7566E 6711N, 1.5m NW of Cross Section 8, 4m SE of DD1 pierce point	0	1 NE	0.64	5.3	2.8	Channel samples by diamond saw in 1m intervals. Dissem. pyrite throughout. Dec 2003 results are low with a narrow 1m Zone No.5.3 intercept above 2g/t Au COG. Dec 2003 intercept has only 45 per cent. of Soviet average over 7m.
10, ch45	1, UG	1 NE	2 NE	3.03 (3.00)	5.3	4.5	
11, ch46	1, UG	2 NE	3 NE	1.61 (1.52)	5.3	4.25	
12, ch47	1, UG	3 NE	4 NE	0.37	5.3	1.2	
13, ch48	1, UG	4 NE	5 NE	0.24	5.3	2.35	
14, ch49	1, UG	5 NE	6 NE	1.50, 1.57=1.535	5.3	2.3	
15, ch50	1, UG	6 NE	7 NE	0.93 (0.97)	5.3	1.15	
16, ch51	1, UG	7 NE	8 NE	0.25	out	0.65	
17, ch52	1, UG	8 NE	9 NE	0.28	out	0.45	
				Avge all 0.98		calculated Avge all 2.2	Also 45 per cent. of Soviet gold overall

Perfect replication of the Soviet assay data in recent underground chip sampling and channel sampling results from three locations on the 441m adit level was not expected due to the geological nature of the deposit. Two zones of mineralisation 5 metres wide and 7 metres wide in the model based on the Soviet data have been confirmed by recent verification re-sampling in saw-cut channels as 1 metre each at reduced grades. However, continuous chip sampling at a third location confirmed a 3 metre wide zone of mineralisation with a higher average grade than the 3 metre Soviet intercept; although offset by one metre. It must be acknowledged that the recent chip and channel sampling programme was very limited in that only three intercepts were tested.

The recent limited programme of chip and channel sampling has partially verified the Soviet channel sampling data. However, additional sampling underground on the 441m adit level is desirable at a sufficient number of sites for a statistically significant test of the Soviet channel sample assay database. This will be required for the purpose of a more rigorous re-estimation of open pit type resources as part of a feasibility study.

6.9.1.2 Surface rock sampling

The Howe geologist selected surface locations based on trench sample gold assay plots from the Soviet data digitised by CRS. It was found that the old trenches had been mined through by more recent, small scale open pit operations on Sedukha Hill or back-filled during the course of this activity.

As an alternative, surface chip samples and grab samples were collected as indicated in Table 3 above. The assay results confirmed the presence of both low grade gold mineralisation in the chip samples and high grade gold mineralisation in the selective grab samples.

6.9.2 INSPECTION OF UNDERGROUND TREATMENT PLANT

The visiting Howe geologist inspected a small derelict underground treatment plant located a few tens of metres inside and southeast of the 441m level adit.

According to Hambledon, the small underground treatment plant was built by Poisk from second hand equipment and was operated for only three months in 1998 including assembly time. It is verbally reported to have processed surface ore from the Sedukha quarry via a surface primary crusher. However, mineralised zone 3 has been stoped in places for a few metres above the 441m level underground development, presumably by Poisk. Howe's geologist first noted this stoping at an intended verification sample site which thereby rendered it inaccessible. Broken ore was seen stockpiled in underground cross-cuts and drives below and adjacent to stopes and in a sub-level drive above the 441m level adjacent to the underground treatment plant.

The plant comprises two 1m diameter by 2 m long ball mills fed from a hopper set in the inaccessible sub-level above, 2 agitation/classification cells and a 4m by 2m double deck shaking table, complete with three underground tailings dams made with railway sleepers. The capacity and actual throughput and sources of feed for this plant are not known.

6.10. SAMPLE PREPARATION AND ASSAYING.

6.10.1 SOVIET SAMPLE PREPARATION AND ASSAYING

Based on experience elsewhere, and descriptions provided by CRS, Howe believes the Soviet protocols covering all laboratory procedures would have been scrupulously followed. Disc mills were used which can remove coarse gold during the pulverisation process, thereby reducing the incidence of anomalously high gold values and unacceptably high check assay variance. Clearly this could have led to underestimation of the contained gold in original samples.

As reported by CRS, former Soviet methods of sample preparation and analysis were highly prescriptive including those used at the central Vostkazgeology Laboratory, Ust-Kamenogorsk, where the samples from Sekisovskoye were assayed. For samples that were visibly mineralised, fire assay for both gold and silver was mandatory. Otherwise, semi-quantitative spectral analyses greater than or equal to 0.3g/t Au were used to select samples for routine gold and silver fire assay and multi-element spectral assay and base metal atomic absorption checks. Internal and external quality control assaying was performed according to rigorous protocols using the "Southkazgeology" Laboratory and strict criteria applied with regard to the acceptability of assay results or assays were "condemned" and samples re-prepared and re-assayed.

Due to the sheer volume of the available Soviet assay database on the deposit, an analysis of the quality control assays has not been carried out by Hambledon.

Howe concludes that the sample preparation methods and reproducibility standards set by the Soviet protocols have probably led to an underestimation of gold contents in the Soviet assay data.

(CRS have reported that surface drilling core recoveries were relatively low and underground core recoveries on the 320m level were noticeably higher, resulting in an overall increase in gold content of 24 per cent. vis-à-vis average surface core drilling results).

6.10.2 METALLURGICAL SAMPLING AND ASSAYING

Metallurgical sampling and recovery studies carried out by consultants KCAA are described below under the section on metallurgical testwork.

6.10.3 ROCK SAMPLE PREPARATION AND ASSAYING OF 2003

Because of the lack of an internationally accredited laboratory in Kazakhstan, Alex Stewart Assayers in Kyrgyzstan were appointed by Hambledon to assay all project samples. Although Howe has not visited the laboratory we have received official assay certificates directly from the laboratory and we are confident that its results are dependable. Sample preparation, assay and quality control procedures at the laboratory are described above in the section describing the Sekisovskoye surface drilling programme of 2003.

The independent rock chip and grab samples planned, executed and supervised by the visiting Howe geologist and the underground channel re-samples collected later by CRS were prepared and assayed by Alex Stewart Assayers in Kyrgyzstan by the same methods as for drill core described above.

6.11. SURVEY CONTROL

6.11.1 SOVIET SURVEY CONTROL

Soviet topographic and underground surveys are likely to be accurate. The Soviet reports (Selifonov, 1984; Freiman, 1978; Selifonov, 1985) contain chapters on topographic and geodesic survey work.

6.11.2 CURRENT PROJECT SURVEY CONTROL

Soviet topographic and underground surveys are likely to be accurate but have not been formally verified by Howe or CRS. Underground and surface plans based on the Soviet surveys and used during the Howe field visit were noted to fairly represent the actual underground workings on the 441m level but did not include the trial stoping or the small scale gold quarry on the top of Sedukha Hill.

CRS has confirmed that surface surveying was carried out to locate the collars and direct the trajectories of the three cored holes drilled in June 2003. Since the Howe visit, the previously unrecorded minor opencast gold workings on the surface of Sedukha Hill have been surveyed for the purposes of depletion of the Datamine resource model. Surface trenches used in the model appear to have been mined through and the top of Sedukha Hill is 5m lower on the CRS plans of September 2003 than on the Soviet topographic maps.

CRS has not carried out a formal verification survey of the accessible underground workings. However, following the Howe visit, a text description and survey information of newly discovered test stoping above the 441m adit level was used to deplete the original CRS resource model.

The location of the licence area which is defined by the latitude and longitude coordinates of its vertices has been defined in terms of the CRS mine grid (Figures 3 and 4).

The topic of topographic and underground survey verification can be addressed in the next stage of project development.

6.12. RESOURCE ESTIMATION

The resource estimation section is presented with the Soviet style resource estimation first, followed by the CRS 2003 resource estimation which is based on assumptions defining intercepts and mineralised zones similar to those in the earlier Soviet estimation. However, the CRS 2003 estimation is a computerised estimation using Datamine software and the JORC resource classification system.

6.12.1 SOVIET STYLE RESOURCE ESTIMATION

Definition of gold equivalent, intercepts and cut-off grades

CRS has reported on the official former Soviet rules applied to sample data for the calculation of resources dated 27th August 1987.

All assay results $\leq 0.2\text{g/t Au}$ and $\leq 1.3\text{g/t Ag}$ were set to zero. The official gold equivalent was defined as the gold assay plus 0.04 times the silver assay. Internal mineralised zone intercepts were defined on the basis of a 2.0g/t gold equivalent sample cut-off grade and intercepts at the down-dip and along-strike edges of these zones were defined on the basis of a 3.5g/t gold equivalent sample cut-off grade. The minimum thickness of a mineralised zone was 1m unless the minimum permissible product of thickness and gold equivalent was

maintained over lesser thicknesses. Maximum permissible internal waste was 3m. A minimum block grade of 5g/t gold equivalent had to be maintained for intercepts to qualify.

Estimation of Soviet style resources

CRS has reviewed in English the Russian language report of 1993 translated as “Operational Calculation of Reserves of the Sekisovsky Gold-ore Deposit” by A.M. Kudriashov. Reserves were reported as of 1st January 1994. The following text summarises the CRS report on this topic.

Mineralised blocks as defined above for 13 zones: 1, 3, 5, 5/1, 5/3, 6, 6/1, 6/2, 8, 8/2, 10/1, 11, 11/1, were plotted on vertical longitudinal projections (VLPs) with horizontal thicknesses calculated as the arithmetic average of the intercepts. Block areas in VLP were planimeted and results checked graphically. Volumes thus calculated were converted to tonnes using a rock density of 2.832 t/m³.

Intercept grades exceeding three times the average grade of a block were replaced with the average. Supplementary to the 1985 report by Selifonov, all the blocks defined by the 320m and 441m level underground development and the surface were assigned to category C1, where the intersecting grid cover is at least 40 to 60m along strike, with a minimum of 5 intersections and the maximum projection to mine workings along dip is 60m.

The resource defined by drillholes, with or without mine development, and which allow the geometry of the orebodies to be defined, is classed as category C2. Limited extrapolation at the extremities of the mineralised zones was allowed as a quarter of the distance between crosscuts, but no more than 10m along strike for category C1 and no more than 20m for C2. Extrapolation along dip is no more than 15m for C1 and 60m for C2.

Table 4 summarises the official C1 and C2 resources as at 1st January 1994.

TABLE 4. SEKISOVSKOYE OFFICIAL RESOURCES AS AT 1ST JANUARY 1994

No.	Zone No.	Block No.	Ore Tonnage	Grade g/t	
				Au	Ag
1	1	1-1-2	21319	6.0	16.8
		1-2-2	29750	5.2	9.3
2	3	3-1-1	51031	5.1	7.0
		3-2-1	70547	5.5	4.6
		3-3-2	138561	6.6	6.8
3	5	5-1-1	127617	6.3	10.7
		5-2-2	454476	5.8	3.2
4	5/1	5/1-1-C2	30905	6.9	10.4
5	5/3	5/3-1-C2	101923	6.3	11.4
6	6	6-1-C2	16657	6.2	14.1
		6-2-C2	26760	5.6	4.8
		6-3-C2	1977	4.5	14.2
7	6/1	6/1-1-C2	31202	15.5	1.8
		6/1-2-C2	17572	4.8	8.3
8	6/2	6/2-1-C2	17491	9.7	10.2
9	8	8-1-C2	54577	5.6	12.8
		8-2-C2	52069	7.2	7.3
10	8/2	8/2-1-C2	15674	6.7	4.7
		8/2-2-C2	20142	6.4	8.2
11	10/1	10/1-1-C2	34875	4.8	13.7
12	11	11-1-C1	248391	7.7	10.6
		11-2-C2	1106828	5.2	7.2
13	11/1	11/1-1-C2	129928	11.6	11.7
	Total:	category _1	497587	6.36	9.16
		category _2	2302684	5.75	6.83
		categories _1+_2	2800270	5.86	7.24

The Kudriashov 1994 estimate and the CRS 2002 resource model based on the same 13 mineralised zones are very similar. The CRS result was 2,471,334 tonnes with 5.64 g/t Au and 7.39 g/t Ag.

Additional potential

CRS, reviewing a recently declassified 1984 Soviet report by P. V. Ermolaev, report additional drilled mineralisation beyond the Soviet C1 and C2 resources (equivalent to the CRS indicated and inferred resources described below). As an illustration of the significance, the C1 and C2 resources identified above are based on approx. 2.9 kilometres of samples with an average of 5.0 g/t Au with an intercept cut-off grade of 2 g/t Au. The additional mineralisation not included in the CRS model is defined by 1.2 kilometres of sampling averaging 4.7 g/t Au with similar cut-off criteria.

In 1984, the Soviet workers estimated an additional P1 (prognosticated) potential based on a combination of drill sample data, geology, geophysics and geochemistry and analogy with the more secure C1 and C2 resource. The P1 potential thus estimated was 12.7 million tonnes at 5.7 g/t Au and 8.0 g/t Ag.

Using similar criteria, CRS have carried out a Datamine based estimation of the P1 potential in December 2003 and estimated 7.1 million tonnes at 5.1 g/t Au and 7.0 g/t Ag.

Howe has not checked either the Soviet work nor the CRS work on the P1 type potential. However, it is clear that significant potential exists adjoining and close to the Soviet C1 and C2 resources and the equivalent CRS indicated and inferred resources which are open along strike to the northwest and at depth, with additional nearby potential in other discrete zones of mineralisation.

6.12.2 CRS 2003 COMPUTERISED RESOURCE ESTIMATION

6.12.2.1. Resource statement

The Sekisovskoye resources as estimated by CRS using Datamine software and stated by CRS in the 8th December 2003 draft report are summarised in Tables 5 and 6 below. The resources have been categorised using the JORC code. Table 5 presents open pit and underground high grade resources defined by a 2 g/t Au cut-off. Table 6 presents additional open pit low grade resources defined by a 0.5 g/t Au cut-off. Figure 4 indicates approximately the vertical projection to surface of the volume within which the CRS deposit has been modelled.

TABLE 5. SEKISOVSKOYE RESOURCE ESTIMATE BY CRS 2003 (OPEN PIT AND UNDERGROUND HIGH GRADE RESOURCES)

	<i>Indicated</i>	<i>Inferred</i>
Tonnes – millions	4.9	0.6
Gold grade g/tonne	5.1	4.9
	(*IPD 5.2)	(*IPD 5.1)
Gold kg	24,990	2,940
Gold troy oz	803,447	94,523
Silver grade g/tonne	6.7	9.0
Silver kg	32,830	5,400
Silver troy oz	1,055,509	173,614

Troy oz = 31.10348g. Cut-off grade: Au 2.0g/t. Based on JORC classification

* IPD – inverse power of distance cubed result for comparison with indicator kriging

Note: the modelled orebodies contain an additional estimated 55,000 ounces of gold within 0.3 million tonnes, grading at Au 5.7g/t and Ag 11.9g/t, but which fall outside the classification parameters for this project. This additional resource can be designated as “prognosticated”, but this is not an official Western resource category and can be described as a more speculative resource.

TABLE 6. SEKISOVSKOYE OPTIMISED OPEN PIT ADDITIONAL LOW GRADE RESOURCES BY CRS 2003 (LOW GRADE OPEN PIT RESOURCES ADDITIONAL TO HIGH GRADE OPEN PIT RESOURCES INCLUDE IN TABLE 5)

	<i>Indicated</i>	<i>Inferred</i>
Tonnes – millions	1.1	0.7
Gold grade g/tonne	0.9	0.9
Gold kg	990	630
Gold troy oz	31,829	20,255
Silver grade g/tonne	2.1	1.7
Silver kg	2,310	1,190
Silver troy oz	74,268	38,259

Troy oz = 31.10348g. Cut-off grade: Au 0.5g/t. Based on JORC classification

CRS has estimated open pit resources above a modelled pit floor at the 390m level in Table 7 and underground resources in Table 8. Total contained metal is slightly lower in these Tables than in Tables 5 and 6 since all the resources above the 390m level are not within the modelled pit.

TABLE 7. OPEN PIT TOTAL RESOURCES MODELLED BY CRS

	<i>Indicated</i>	<i>Inferred</i>
Tonnes – millions	1.5	0.7
Gold grade g/tonne	1.8	0.9
Gold kg	2,700	630
Gold troy oz	86,807	20,255
Silver grade g/tonne	3.5	1.8
Silver kg	5,250	1,260
Silver troy oz	168,791	40,510

Troy oz = 31.10348g Cut-off grade: Au 0.5g/t. Based on JORC classification

TABLE 8. UNDERGROUND RESOURCES MODELLED BY CRS

	<i>Indicated</i>	<i>Inferred</i>
Tonnes – millions	4.4	0.6
Gold grade g/tonne	5.2	4.9
Gold kg	22,800	2,940
Gold troy oz	735,609	94,523
Silver grade g/tonne	6.7	9.0
Silver kg	29,480	5,400
Silver troy oz	947,804	173,614

Troy oz = 31.10348g. Cut-off grade: Au 2.0g/t. Based on JORC classification

6.12.2.2. Data acquisition, checking and database creation

Hambledon borrowed the official primary written records of trench, drill and underground sample and assay data of the Sekisovskoye deposit from the archives of the Department in Ust Kamenogorsk. It was attempted but it was not possible in the time available during the Howe visit to obtain a list of this data independently.

A pre-existing electronic database was checked and corrected against the primary data by Hambledon's consultant CRS Ltd (CRS) in the offices of Hambledon in Almaty, Kazakhstan.

CRS have summarised the total resource data inventory as in Table 9 below.

TABLE 9. SUMMARY OF DATA TYPES FOR TOTAL INVENTORY

<i>Data Type</i>	<i>No. holes, etc</i>	<i>No. samples</i>	<i>Metres sampled</i>	<i>Collar, start</i>	<i>Survey Points</i>	<i>No. Assays</i>
Surface core	237	59605	94141	237	4968	57721
Underground core	83	5388	5940	83	74	3127
Surface trench	71	2412	2751	–	–	2030
Underground channels	950	9111	8928	–	–	8080
Totals	1341	76516	111760	320	5042	70958

The Soviet data inventory used in the modelling and interpolation of the CRS 2003 resource is presented in Table 10 below. The locations of the data are indicated in the maps of Figures 3 and 4. Figure 5 presents cross-sections of Section VIII which illustrate the depth extent of the underground development and drill sample data.

TABLE 10. INVENTORY OF SAMPLING USED FOR THE 2003 RESOURCE ESTIMATE

	<i>Count</i>	<i>Sampled Metres</i>	<i>Sample Count</i>	<i>Sample Length Range</i>	
				<i>Min</i>	<i>Max</i>
Surface Diamond Drilling	105	1624	1591	0.03	4.7
Underground Diamond Drilling	55	346	346	0.15	4.70
Surface Trenching	29	95	91	0.40	4.50
Underground Channel Sampling	320	867	912	0.50	3.00

(See CRS report for details; statistics within resource envelope)

Average overall Soviet core recovery of surface drilling reported by CRS was only 83 per cent. Core recovery from underground drilling was noticeably better than from surface drilling and averaged about 95 per cent. The average gold grade of underground core samples was 24 per cent. higher than the average of surface core drilling samples, possibly indicating that gold bearing core was lost in the surface holes.

6.12.2.3. Deposit modelling using Datamine software

CRS has modelled the Sekisovskoye deposit using the 2003 validated database. In addition to the 18 mineralised zones modelled by the 2002 CRS resource, a further 100 subordinate zones were defined. During the modelling process silver assays were converted to their gold equivalent values based on the transformation $Au+(Ag*0.04)$. A mineralised indicator grade of 2 g/t Au metal equivalent was used to model strings defining contacts between ore and waste on section. Minor internal dilution was allowed to ensure reasonable continuity along strike and down dip of the model while isolated grades greater than 2 g/t Au were excluded from the model if their continuity did not exceed two section lines. No geological or structural domains were defined.

CRS has produced histograms and log probability plots of gold and silver assays with summary distribution statistics for each data type used in the resource. The data was not composited to equal lengths and no top grade cut or filtering of outliers was undertaken prior to the analysis. It is concluded that a bimodal distribution exists within the gold population which CRS attribute to the intermixing of barren/low grade dykes within the mineralised model.

A top cut analysis was undertaken for both gold and silver at the percentile within the 90 to 100 decile range where the increase in metal content exceeded 10 per cent. This procedure resulted in a top cut for gold at 50 g/t and silver at 70 g/t both approximating to the 99th percentile bin. Decile tables were presented showing top cut distribution statistics.

Spatial analyses were undertaken on the global gold dataset and directional experimental indicator variograms were produced at the median indicator cut off grade of 3 g/t Au. Nested spherical models were fitted to each of the major axes resulting in the following geometric anisotropic ranges: down dip (50m);

along strike (37m); across strike (15m). A uniformly high nugget effect of 82 per cent. was modelled from the semi-variogram.

Howe has studied the mineralised model on paper sections and has reviewed the statistics presented in the 2003 CRS resource document. While it is understood that the metal equivalent methodology used by CRS conforms with the prescribed Soviet formula, Howe would recommend the use of metal equivalents linked to prevailing metal prices. While the majority of mineralisation is constrained by the breccia unit, further geological domain definition should be attempted to define barren porphyritic dykes within the mineralised model. However, it is acknowledged by CRS that this may be difficult due to intimate intermixing of dykes within the mineralised zones as confirmed by the 2003 drilling. The proposed work program outlined in Section 8 should address these points.

Howe has viewed and examined the mineralised model in three dimensions using Micromine Software. The various geometries of the individual mineralised envelopes are summarised in Table 11 below.

TABLE 11. GEOMETRIES OF THE INDIVIDUAL MINERALISED ENVELOPES

<i>Geometry</i>	<i>Max</i>	<i>Min</i>	<i>Average</i>
Down Dip	500 m	10 m	100 m
Along Strike	250 m	25 m	60 m
Across Strike	–	–	2 m

While Howe concurs that the global mineralised domain demonstrates good overall continuity in down-dip and strike directions, the modelled continuity of some of the 118 mineralised envelopes is questionable. In particular, those envelopes with the greatest continuity in strike and down dip directions are sinuous and have been modelled with folding that in places effectively reverses strike and dip direction. Envelopes with less continuity generally do not display these characteristics. While this may be a reflection of reality, Howe is concerned that there is not enough structural information to define or infer all the delineated mineralisation zones.

The stratiform continuity model has been demonstrated for some of the major zones by closer spaced drilling and by Soviet era experimental mining on two levels, with some raise mining which did not hole through to the upper level. Confirmation of continuity by down-hole geophysical surveys in the Soviet era is also reported. However, this model may not be valid for all the mineralisation in this extensive but complex geological environment. Irregular, localised gold distributions occur which are capable of alternative interpretation such as an echelon structure. Likewise, those zones based only on widely spaced drill intercepts are open to alternative interpretations.

Howe has reviewed the experimental and modelled variography used for interpolation. The semi-variograms for each of the three major axes are highly erratic making the modelling of nugget effect, sill and respective ranges difficult. However, Howe believes this is a true indication of the complex nature of the deposit.

6.12.2.4. Grade Estimation and Resource Classification.

Separate three dimensional block models were generated for gold and silver which allowed the identification of worked areas to be excluded from the final resource inventory. A surface terrain model was used to trim blocks at outcrop. Gold (with no upper cut applied) was interpolated using median indicator kriging. Kriged indicator block estimates were converted to grades using a Datamine macro developed by CRS. Howe has not tested the macro. Silver with an upper cut of 70 g/t was interpolated using inverse distance weighting cubed with the same search parameters as for gold. Several interpolations at increasing search radii were required to assign a grade to all blocks in the mineralised model.

The global resource was classified into indicated and inferred categories based on the density of the sample data, geological and grade continuity and the size of the search radii for each grade interpolation:

- The Indicated resource is limited to blocks receiving an estimated grade from the first interpolation stage with an anisotropic search radii of 70m down dip, 50m along strike and 20 m across strike.

- The Inferred resource is assigned to blocks adjoining the indicated resource using a search ellipse twice that used in the first interpolation: 140m down dip, 100m along strike and 40 across strike.

CRS increased the initial search radii defined by their variographic study by 20m down dip, 13m along strike and 5m across strike. Howe would recommend a more conservative approach for the indicated resource category, given the uncertainty of grade continuity in the mineralised envelopes.

6.12.2.5. Low Grade Open Pit Resource Model

CRS have calculated a preliminary open pit resource model to a depth of 100m from surface for Sekisovskoye, which combines the high grade resources reported above with additional interpolation of low grade mineralisation.

The low grade model is essentially unconstrained, and comprises the interpolation of all previously unmodelled assays with gold cut to 5g/t and silver uncut. The orientation of the search ellipse was set equal to that defined for the high grade envelopes with modified search radii of 5m along strike, 7m down dip and 1m across strike. An open pit resource, comprising blocks from the low and high grade ore models, was optimised using MaxiPit Software using the parameters summarised in Table 12 below in the mine planning section.

The optimised open pit resource is classified according to JORC guidelines. For the low grade model an indicated resource category is applied to blocks enclosed by a search ellipse 10m along strike, 14m down dip and 2m across strike. An inferred category is assigned to blocks adjacent to indicated blocks and enclosed by a search ellipse 15m along strike, 21m down dip, and 3m across strike. The high grade model is classified as described above.

6.12.2.6. General comments and conclusions by Howe

In reviewing the 2003 resource methodology adopted by CRS, Howe would highlight the following points:

- The mineralised model is presently undomained within the igneous breccias by any geological controls or associations. Further research including close inspection of the drill logs may provide information on controls and associations with which to domain the model.
- In the case of those thin (2m) zones of mineralisation delineated on the basis of only a few widely spaced drill intercepts, geological and/or structural evidence is desirable to support their strike and dip continuity.
- Statistical analysis should be performed on composited data and should compare cut and uncut statistics for each data type used. The effects, if any, of sample clustering need to be investigated.
- The experimental semi-variography used to guide the ranges of the search ellipse in interpolation is very erratic. No attempt was made to model silver.
- Median indicator kriging does not allow the definition of successively smaller search ellipses for interpolation of high grade assays. Using a cut gold database may be more appropriate to reduce the extrapolation of high grade outliers into blocks outside their zone of influence.

Howe has not conducted a new resource estimate at Sekisovskoye but the CRS resource estimation methodology has been reviewed. Howe's study finds that the resource modelling and estimation by CRS is generally acceptable for a project at this early stage of development but revision and refinement are required as part of a feasibility study.

6.13. CONCEPTUAL OPEN PIT MINE PLANNING AND COSTS

As part of the ore resource estimation for Sekisovskoye by CRS (CRS), a preliminary definition of the optimal final pit limits was undertaken using Earthworks Maxipit software (Datamine). Table 12 below presents the basic modelling parameters used by CRS to determine the economic ultimate pit for the deposit.

TABLE 12. ULTIMATE PIT DESIGN PARAMETERS

<i>Parameter</i>	<i>Explanation</i>
Gold Price	\$320/ounce
Silver Price	\$4.50/ounce
Overall Slope Angle	50 degrees
Mining Costs	\$1.00/tonne
Mining Dilution	5 per cent.
Mining Recovery	95 per cent.
Waste Grade	Au 0.0 to 0.5 g/t
Leach Dump Grade	Au 0.5 to 2.5 g/t
Leach Crushed Dump Grade	Au 2.5 g/t + for blocks above 425m level
Mill Grade	Au 2.5 g/t + for blocks below 425m level
Leach Process Costs	\$1.75/tonne & recovery 0.6
Leach Crushed Process Costs	\$2.25/tonne & recovery 0.7
Mill Processing	\$4.50/tonne & recovery 0.9

CRS reported that although the ultimate pit based on these assumptions was still economically viable to the 300m level (base of input model), the economic returns were only slightly better than those from a pit that was no deeper than the 390m level. Accordingly, the CRS open pit resource model is based on a 100 metre open pit from the surface of Sedukha hill at 490 m elevation down to the 390m level.

Assumed metal prices were appropriate at the date of the CRS study but are now considered to be low. Therefore, there is scope to consider a bigger open pit.

Although no relevant geotechnical information was available at the time of this review, high RQD values have been reported and, therefore, the assumption of an overall slope angle for the open pit at 50 degrees is considered appropriate.

Estimated mining costs as shown in Table 12 above are considered low and a higher price of \$1.30 per tonne, based on actual contractor costs elsewhere, has been used in a subsequent modelling of the heap leach project option. The open pit model may also be affected by this change. Most costs, including heavy equipment, tyres, etc (made in Russia for Russian equipment) are low by international standards. The orebody at Sekisovskoye has been defined as a number of narrow zones with no clear structure between the mineralised rock and the rock surrounding the zones. Based on this, it is considered that the estimated mining dilution value of 5 per cent. although near the industry standard, may be underestimated. On the other hand, it is reported that many drill intersections were not included in the modelled resource and new intersections are understood to have arisen in the due diligence drilling, which could result in the open pit resource being larger than indicated.

It is also understood that no formal open pit planning has been undertaken for Sekisovskoye and the ultimate pit calculation was only carried out with the objective of defining the maximum extent of the proposed open pit, such that a division between open pit and underground operations could be obtained. In this sense the results from the Maxipit ultimate economic pit definition are considered a good first attempt to indicate open pit mineable resources, but are insufficient to obtain a clear view of reserves, their availability or indeed their financial viability. It is understood that a more rigorous analysis will be included in the formal feasibility study.

6.14. UNDERGROUND MINE PLANNING AND COSTS

Mine planning and costs have been studied in a report entitled, “Sekisovskoye Underground Mine Planning Study” by qualified mining engineers Adam Wheeler and Bob Dowdell, dated September 2003. Their work is based on a resource model and deposit geometry provided by CRS, which assumes planar correlation and continuity of mineralised zones between surface, underground and drill intercepts.

6.14.1 MINING METHOD AND SEQUENCE

The underground mine plan was based on production from a limited number of mineralised zones within the overall resource with the objective of simplifying the analysis and allowing a more detailed review of mineable resources and grades. The resultant plan considers the mining of the 10 major orebodies between the 360 m and the -200 m elevation which accounts for some 67 per cent. of the total resource identified for underground mining. These are referenced as Orebodies 1, 3, 5, 5.1, 5.3, 6, 8, 8.1, 11 and 11.1 in the CRS 2003 resource model and the Wheeler and Dowdell report. These orebodies correspond approximately with the Soviet Ore Zones with the same or similar numbers in section 6.12.1 above: 1, 3, 5, 5/1, 5/3, 6, 8, 8/1, 11 and 11/1.

The plan includes the development of two access ramps to the underground mine and the development of main levels every 80 m vertically connecting the ramps and providing access to the stopes.

Three stoping areas have been defined based on the width of the mineralised zones and two mining methods are proposed for these areas: shrinkage stoping and cut and fill stoping.

The central area, where zones are narrow (up to 1.0 m), will be mined using shrinkage stoping with bottom and top access provided from cross cuts developed from the main levels every 80 metres. Vertical access will be provided by pre-development raises, which will also serve as ventilation and escape routes. This area represents some 31 per cent. of the total planned mining. Drilling and blasting will be undertaken using labour intensive methods with hand held drills. Productivity of the shrinkage stopes has been estimated such that a minimum of 10 stopes will be required to be in full production at any time in order to provide the 480 tonnes per day required from this area.

In the east and west areas, where ore mineralised zones are wider (greater than 1.0 m), cut and fill stopes will be developed with access provided from the main levels and from sublevels established from the main access ramps. The stopes proposed in these areas contain some 69 per cent. of the total planned for mining and therefore will need to produce a similar proportion of the required daily production or 1200 tonnes per day. Drilling and mucking of the cut and fill stopes will be fully mechanised providing greater productivity in these areas of the mine.

Ventilation has been planned with the main access ramps and, eventually, the hoisting shaft as air intakes. All stopes are planned for ducted ventilation inwards with exhaust of contaminated air through the existing mine workings to surface. Allowance has been made for the installation of main and secondary fans. Stope ventilation and access will be provided by raises. Raise development has been planned using high advance rates that will be achieved using Alimak development systems.

Stope fill will be a combination of waste rock from development and deslimed tailings produced by a purpose built backfill plant on surface. Deslimed tailings will be pumped or gravity fed to the stopes to fill the waste rock voids.

Ore will be hauled to surface by 25 tonne underground trucks, using the two ramps in a one way traffic system minimising traffic congestion problems and increasing safety. Ramp haulage is planned down to the 200 m level with the option, depending on economics at the time, to extend this down to the 120 m level. From this point, haulage of ore will be limited to level haulage from the draw point to the shaft ore pass system for hoisting, which is planned to be commissioned in time for mining to take place in the lower levels without ramp haulage to surface being required.

It is our opinion that the proposed mine layout is appropriate for the underground mining of the resources as delineated by CRS. Furthermore, the simplification of the resource model by considering only the 10 major mineralised zones provides a degree of confidence that the production level can be achieved as planned.

Advance rates for main and secondary development are considered appropriate although no allowance has been made for contingencies which could reduce the advance rates from those used to estimate the development and production schedules.

It is therefore considered that the ore production schedule is optimistic. Based on the calculation that a minimum of 10 shrinkage stopes need to be operational at any one time, if full production is to be achieved,

and first production is achieved in the last month of year 2, then a significant number of new stopes need to be brought to full production in a very short period of time such that full production is achieved for year 3. This is considered ambitious and although production levels as planned may be achieved, a slower build up should be planned. A similar analysis is applicable to cut and fill stopes, further justifying the need for a slower production build up.

Another area for comment is the concept of using production waste for backfilling cut and fill stopes. Although an expansion factor of 1.4 is normally achieved when blasting rock, it is uncertain if sufficient quantities of rock will be available for filling. Therefore, additional deslimed tailings may be required which could hamper the productivity of the cut and fill stopes due to a longer filling/drying cycle than planned and due to the handling of backfill pipes. It is understood that a detailed backfilling schedule will be prepared as part of the feasibility study.

6.14.2 ORE ZONE DEFINITION AND GRADE CONTROL

A point to note is the lack of definition, mainly due to the preliminary nature of the underground plans, of the mining sequences, ore zone boundaries and grade control system. It is understood that there are no clear or well-defined geological features that allow the differentiation of footwall and hanging wall from the mineralised zones. Furthermore, it is understood that the mineralised zones are variable in width and may have been subjected to faulting and displacement.

The above points could result in a decrease in mining head grade and an increase in dilution. It is understood that some allowance has been made for this possibility.

6.14.3 COST ESTIMATION

Two sets of costs have been provided as part of the conceptual mine design for the underground operation at Sekisovskoye. Wheeler & Dowdell prepared an estimation for capital and operational costs based on relatively detailed planning to determine development and stoping quantities but also based on experience in similar underground operations. A second cost estimate has been obtained from a local contractor (LLP Vitis) based on current rates in Kazakhstan. This estimation includes a recalculation of costs based on local rates for stoping and development costs but did not address the Wheeler & Dowdell estimation for cost of services.

The estimate of capital and operating costs prepared by Wheeler & Dowdell is considered appropriate for the level of the study. The overall cost estimation undertaken by LLP Vitis results in a cost saving of some 29 per cent. for stoping and development and Hambledon expects a similar level of saving from mine services although a cost estimate, using local rates, has not been completed. The financial model presents both the Wheeler and Dowdell costs and costs including local savings. There is an expectation that cost savings can be achieved by using local rates.

6.15. METALLURGICAL TESTWORK

6.15.1 INTRODUCTION

Extensive work has been carried out over the last twenty years by various Soviet institutions. The main recent testwork programme was commissioned in late 2001 and reported in 'Recovery of Gold from Three Sekisovka Ores' by Commonwealth and British Services (CBS), January 2002. Two underground bulk samples were taken from the floors and wall of underground drivage and one surface bulk sample from a trench cut into the top of the ore body. The tests were carried out by Gekko systems in Victoria, Australia and by Lakefield-Oretest in Perth, Australia. Table 13 shows the head assays of the composite samples and highlights the fact that the gold grade of the surface composite is much higher than that of the open pit resource used in this scoping study.

TABLE 13. GOLD HEAD GRADES OF COMPOSITE SAMPLES FOR METALLURGICAL TESTWORK

<i>Laboratory</i>	<i>Comp S3</i>	<i>Comp U3</i>	<i>Comp U6</i>	<i>Average U/G</i>
Lakefield Orestest g/t Au	5.80	2.16	3.83	3.00
Gekko g/t Au	5.68	1.95	3.65	2.80
(Resource – Diluted g/t Au)	(1.41)	(4.85)		

Further details of the probable localities and sizes of these samples has been provided in the form of a fax of manuscript sampling instructions by the project geologist as follows:

“Take samples using sample chipping method ie(?) 3 – 5 cm(?), 4 samples 50 – 60 kgs each and 4 samples by 10 kgs. Ore piece size should be no more than 50 – 60 mm and according to indicated intervals on the attached plan (diagram) of the level + 441.

- 1. On ore body No 3, crosscut no 6, NW wall – 50kgs + 10kgs*
- 2. On ore body No 3, trench no 1, – 50kgs + 10kgs*
- 3. On ore body No 6, crosscut no 14, NW and SE walls – 50kgs + 10kgs*
- 4. On ore body No 2, in the pit – 50kgs + 10kgs*

Note:

- 1. Crush 10 kg of sample down to 2mm and take weighed amount of 0.4gr (probably should be 0.4 kg) from each sample for fire assay.*
- 2. prepare the remainder of samples for shipment:*
 - (4 × 50 kg) – Perth, Australia*
 - (4 × 9.6 kg – Moscow, Russia)*

“Ore body No 3, crosscut no 6, NW wall” and “ ore body No 6, crosscut no 14, NW and SE walls” are taken to be the locations of samples Comp U3 and Comp U6. Crosscut 14 is at the northwest end of the 441m level development and available plans and sections and the Howe underground inspection all indicate that “ore body No 6” is poorly developed and that sample Comp U6 was actually collected from “ore body No 3”.

“Trench No 1” is taken to be the small quarry on the top of Sedukha Hill: the location of sample Comp S3. Orebody No 2 is located in the Sekisovskoye North Pit. The location plan is available in Hambledon’s Almaty office.

Information from Hambledon indicates that the “ore body No 2” North Pit samples were not actually taken and the samples sent to Moscow were abandoned in transit as a result of the recipient laboratory failing to secure an import licence. The required testwork was completed in Australia using the remaining samples.

6.15.2 GRAVITY TESTWORK

The earlier Soviet reports had shown that the Sekisovskoye ores were free-milling and amenable to processing by flotation and gravity methods. The Gekko testwork was designed to investigate these possibilities and the three composite samples from the surface and underground were tested. Tabling testwork indicated that over 50 per cent. of the gold could be recovered to a gravity concentrate which could be further upgraded or the gold recovered by intensive cyanidation. The tailings from these tests were subjected to Knelson Concentrator testwork by Orestest who managed to recover more gold to a gravity concentrate amenable to cyanidation.

The gravity testwork has indicated that the ore is amenable to treatment by Knelson concentrators and subsequent intensive cyanidation but there are no definitive figures for the proportion of gold to be recovered by this stage; Gekko estimate that 94.7 per cent. can be recovered by CIL with a gravity pre-treatment stage but the details are imprecise. Further testwork is required to define this.

6.15.3 CYANIDATION TESTWORK

Standard bottle roll tests on various samples with different head grades from the open pit were ground to minus 75 microns and returned an average gold recovery of 90 per cent. which increased to over 95 per cent. if head samples of <0.7 g/t Au were excluded. However bottle roll tests by Lakefield Oretest on the three composite samples reported lower recoveries of 84 per cent. for the surface and 77 per cent. and 79 per cent. for the underground samples. However, these results were obtained after a leach time of only 24 hours. Leaching was incomplete and these recoveries are lower than ultimate giving further evidence of the importance of a gravity circuit to remove coarse free gold prior to cyanidation.

6.15.4 METALLURGICAL TESTWORK RECOVERIES

The highest recoveries on the composite samples were obtained from the Gekko testwork employing gravity concentration and intensive cyanidation. Assuming that a 100 per cent. gold recovery is obtained from the gravity concentrate the following recoveries are indicated.

TABLE 14. CALCULATED GOLD RECOVERIES FROM COMPOSITE SAMPLE TESTWORK

<i>Laboratory</i>	<i>Test</i>	<i>Comp S3</i>	<i>Comp U3</i>	<i>Comp U6</i>
Lakefield Oretest	Direct Cyanidation (24hr)	84.3 per cent.	77.2 per cent.	78.7 per cent.
Gekko	Gravity/ CIL	92.9 per cent.	93.0 per cent.	93.3 per cent.

Historical data from other sources, mainly the Soviet testwork, is reported to indicate that the ore is non-refractory and free-milling and gives recoveries of 94 per cent. or more by direct cyanidation or gravity concentration followed by cyanidation. For this reason a design recovery of 94 per cent. was used by the firm of mineral process engineering consultants, Kappes, Cassiday & Associates Australia Pty Ltd (KCAA) in their preliminary scoping study.

6.15.5 HOWE COMMENT ON METALLURGICAL TESTWORK

The Western testwork carried out to date has been limited and a more detailed programme is required. In particular, further testwork is required on underground samples and a surface sample more representative of the material to be processed. The testwork to date on the composite samples has returned lower recoveries than the bottle roll tests on individual samples, albeit with shorter, inadequate leach times. Testwork also needs to be designed to be able to more accurately calculate the gold recovery from a gravity/intense cyanidation stage ahead of CIL by designing a test programme to accurately reflect the proposed flowsheet.

6.16. PRELIMINARY MILL DESIGN AND COSTS

Preliminary mill design and costs have been studied in a report entitled, "Sekisovskoye Gold Project Preliminary Mill Design & Cost Study" September 2003, (KCAA). The design philosophy was to incorporate a robust construction with only a moderate degree of automation and to minimise costs.

6.16.1 PROCESS DESIGN

The feed to the processing plant will be from two sources:

- Open pit ore (1.41 g/t Au, 2.2 million tonnes)
- Underground ore (4.85 g/t Au, 4.0 million tonnes)

The option of treating the low grade open pit ore by heap leaching was investigated by KCAA but the economics were not as favourable as the other options. For the high grade underground ore, a flotation/gravity process route as proposed by Gekko was found to be more expensive than the proven CIL route and was also dismissed. The favoured process is to be conventional CIL with a gravity pre-treatment step. Howe considers this to be a prudent step.

6.16.2 PRODUCTION SCHEDULE

The key metallurgical parameters indicated from the testwork to date are incorporated with the mining programme to provide the official production schedule as used in the cash flow model. Table 15 presents the preliminary production schedule.

TABLE 15. PRELIMINARY PRODUCTION SCHEDULE

	<i>Metallurgical</i>	<i>Year of Operation: ROM Tonnage '000s tpa</i>						
<i>Item</i>	<i>Parameter</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7-9</i>
<i>Au Head Grade</i>								
Surface	1.41 g/t Au							
Underground	4.85 g/t Au							
<i>Mill Tonnages</i>								
Surface	2.2 M tonnes	400	100	500	500	500	200	-
Underground	4.0 M tonnes	100	400	500	500	500	500	500
<i>Au Recoveries</i>								
Surface	94 per cent.							
Underground	94 per cent.							
<i>Mill Production</i>								
Gold	Oz./year	31,703	62,891	94,594	94,594	94,594	81,810	73,288
Silver	“	41,282	75,305	112,005	97,055	120,324	98,767	84,396

As stated previously the production schedule is implicit from the Base Case financial model and there are number of comments to be made about the anticipated Sekisovskoye production;

- (i) The current total indicated resource, (both underground and open-pit), is 6.0 million tonnes at 4.37 g/t Au. The total mill feed, according to the above schedule, is 6.2 million tonnes at 3.63 g/t Au. The inference is that allowance has been made for a high degree of dilution and for a mining loss.
- (ii) It is probable that a proportion of the tonnage in the inferred resource will be re-categorised as indicated as mine development takes place thereby increasing the life of mine, (under LSE rules only indicated resource tonnages can be used for cash flow valuations).
- (iii) It is planned that the mill will be expanded in Year 3 to allow the remainder of the open-pit material to be processed in an expanded mill of 1 million tonnes per annum capacity. The costs and feasibility for this expansion have not been identified.
- (iv) The gold recovery of 94 per cent. for both underground and open-pit material may be overstated in view of the reappraisal of the Gekko recoveries above and 93 per cent. is a conservative recovery that can be used until detailed testwork can more accurately estimate recoveries including the recovery from the low grade open pit material.

6.16.2 PROCESS DESCRIPTION

Ore from the Sedukha or North Sekisovka pits will be hauled to the ROM crushing pad. A three-stage crushing circuit, (one primary jaw crusher, two secondary cone crushers and two tertiary cone crushers), will operate at 200 tph to produce a minus 10-mm fine crushed ore which is discharged to a mill feed stockpile. There is no specific provision for cold-weather protection but winter operation is reflected in the crushing schedule which contemplates 8 hours per day on day shift only from October to April. With anticipated minimum winter temperatures of minus 49° Celsius the broken ore storage system which best avoids the problems of frozen mill feed should be carefully selected.

The fine crushed ore is fed by Front End Loader to the primary ball mill operating in close circuit with a cluster of 250-mm hydrocyclones. The 80 per cent. passing 106 micron overflow gravitates to a trash screen to remove wood chips etc. and then to the CIL circuit. A portion of the cyclone underflow will be split to two 30-inch diameter Knelson concentrators for the removal of free gold. The proposal is then to use shaking tables for upgrading prior to smelting. Howe considers that the use of Knelsons to maximise gold recovery by recovering free gold prior to cyanidation is an excellent proposal but not the use of tables for further upgrading. Howe consider that a better route would be to utilise the Knelson Acacia system of intense cyanidation. It is understood this option will be examined in the formal feasibility study.

The CIL circuit comprises five 10-metre x 10-metre leach tanks to provide a total residence time of 32.5 hours. Gold is adsorbed onto carbon which is removed from the first tank and gravitates to the elution columns where gold is stripped from the loaded carbon. The eluate is pumped through electrowinning cells to recover the gold and the cathodes are then dried, calcined and smelted to bullion which is stored in a safe prior to shipment.

6.16.3 SERVICES AND REAGENTS

The main reagents in use will be sodium cyanide, lime, activated carbon, sodium hydroxide and hydrochloric acid. The cyanide will be delivered as solid flakes and will be mixed on-site to a 20 per cent. stock solution which will then be diluted to 2 per cent. as required. Hydrated lime will be delivered by 14-tonne tankers from Ust Kamenogorsk and will be added to the ball mill feed in a solid form by a screw feeder.

Power will be taken from the existing Altai Power grid where a high voltage line feeds the Sekisovskoye village. A new 1,200-meter overhead line from the Sekisovskoye substation will feed a new transformer to be located at the crushing plant.

Raw makeup water is to be supplied from a new pipeline from the existing mineshaft. No details of the quantities available or its suitability for elution are given.

6.16.4 TAILINGS MANAGEMENT FACILITIES

The Tailings Management Facilities (TMF) are provisionally located on the northern side of a low saddle to the north of the plant so as to direct tailings operations and potential drainage away from occupied areas. No other details of the TMF are available.

6.16.5 ENVIRONMENTAL ASPECTS AND PERMITTING

It is understood that an Environmental Impact Analysis (EIA) has not yet been carried out but that informal discussions with the authorities have indicated that they will have no objection to processing, including heap leaching, taking place at or near the site.

6.16.6 CAPITAL COSTS

All costs as estimated by KCAA are quoted as third quarter 2003 US dollars and are considered accurate to + 30 per cent. Table 16 summarises capital cost estimates.

TABLE 16. SUMMARY OF CAPITAL COST ESTIMATES

<i>Item/Area</i>	<i>Capital Cost (US\$)</i>
Crushing Plant	\$617,700
Milling and Gravity	\$1,467,700
Leach and Adsorption	\$394,800
Elution and Smelting	\$79,700
Reagents	\$98,800
Pumps	\$114,300
Water Supply	\$47,400
HV Electrics	\$119,200
Tailings Management Facilities	\$156,500
Buildings, vehicles and Infrastructure	\$438,500
Total Capital Cost	\$3,534,600
EPCM (12 per cent.)	\$486,600
Contingency (15 per cent.)	\$520,700
TOTAL CAPITAL EXPENDITURE	\$4,541,900

Kappes, Cassiday and Associates are renowned for being able to supply low cost modular gold processing units, but even so, the final capital cost appears very competitive even with their stated objective of utilising

local suppliers and fabricators wherever possible. The high level of existing infrastructure and services in close proximity to the site could possibly account, at least in part, for this apparently low estimate. The cost for the tailings management facility appears low. However, it is understood that the quoted figure is based upon a conceptual design which makes provision for the initial hardware installation and starter dam walls only. Routine increases in tailings storage capacity will be achieved by upstream wall lifts the cost of which has been included in operating expenses. Nevertheless, Howe considers it possible that the mill capital costs could increase.

The project schedule envisages that it will take 17.5 months from the beginning of sample collection for detailed metallurgical testwork to the pouring of bullion. The testwork programme and process engineering accounts for six months.

6.16.7 OPERATING COSTS

KCAA estimated the operating costs using local costs wherever possible or utilising known costs for other Kazakhstan operations. There is no specific allowance for closure and rehabilitation costs as it is assumed that these will be covered by residual values of the mine. Table 17 summarises operating costs.

TABLE 17. OPERATING COST SUMMARY

<i>Description</i>	<i>US\$'000s p.a.</i>	<i>US\$/ ROM tonne</i>
Power	\$243.1	\$0.486
Reagents	\$863.52	\$1.727
Consumables	\$823.6	\$1.647
Maintenance Material	\$266.8	\$0.534
Mobile Equipment	\$331.824	\$0.664
Labour and Misc.	\$505.2	\$1.01
TOTAL	\$3,034.0	\$6.07

As for all gold cyanidation operations, labour, reagent consumption and power account for the bulk of the operating cost. The labour costs are for a total of 50 persons in the process department and 17 in maintenance which seems conservative. All supervisors, technicians and operators are local which accounts for the low average net personnel cost of US\$ 5,756/person.

The total annual power cost is only \$243,100 which is due to the low local tariff of US\$0.016/unit. There is a possibility that this unit cost could increase in the future.

All reagent costs are based on actual local delivered costs or on those in use at other Kazakhstan operations.

6.16.8 HOWE COMMENT

- Although there is a need for detailed metallurgical testwork for design work, all the results to date have indicated that the ore is free milling and should be easily processed in a CIL circuit
- Testwork has indicated that an appreciable proportion of gold can be recovered by gravity techniques which will be an important process stage to minimise the required leach time. It is thought that the further processing of the gravity concentrate can be optimised.
- The model has assumed an overall recovery of 94 per cent. for the open pit feed (1.41 g/t Au) and for the underground ROM ore (4.85 g/t Au). Confirmatory testwork for these overall recoveries is required.
- The capital cost seems low for an operation of this size but there is a high level of infrastructure and services available in close proximity to the project site and the project does not appear to be particularly sensitive to mill capital expenditure.
- The operating cost of US\$6.07/tonne is based on local conditions and costs and appears reasonable.

6.17. HEAP LEACH OPTION

In September 2003 KCAA prepared a report investigating an option to use heap leaching; 'Sekisovskoye Gold Project Initial Heap Leach Operation Design and Cost Study'. This took as a basis that a heap leach operation would process 2.2 million tonnes from the open pit prior to the underground operation being developed to provide feed to a newly installed CIL plant.

6.17.1 HEAP LEACH PRODUCTION SCHEDULE

It was proposed to process the 2.2 million tonnes of Sedukha open pit material of 1.4 g/t Au and 3.0 g/t Ag at a rate of 600,000 tpa over 4 years. Using data from the bottle roll tests and some column tests, a gold and silver recovery of 74 per cent. and 25 per cent. after 120 days active leaching was assumed. Total production over a 4.5 year period would be 73,526 oz gold. In year 3 when the leaching rate levelled off the production is estimated at 23,904 oz gold per annum.

Open pit material would be crushed to -8 mm in a four-stage crushing circuit and stacked in heaps by trucks. Crushed ore would be stacked in cells of 200 x 50 metres and contain 106,000 tonnes. Three-stage leaching would be required to achieve the design gold recovery and pregnant solution from the heaps would be pumped to a carbon adsorption system and then to stripping and electrowinning. The gold recovery from the carbon is a similar system to that proposed for the CIL operation.

An overall project schedule of 16 months is indicated which is a similar time to the 17.5 month schedule for the CIL operation.

6.17.2 HEAP LEACH ENGINEERING DESIGN

Preliminary engineering designs for the proposed heap leach pads, ponds and associated works have been developed by KCAA. Should this option be adopted a detailed review of the engineering designs should be undertaken and economically appraised. Of particular importance in this review would be the consideration of alternative solution application systems and reformulation of the leachate management and containment systems.

6.17.3 HEAP LEACH CAPITAL AND OPERATING COSTS

The costs for the operation were estimated for a completely stand alone operation; i.e. without sharing any costs with the proposed CIL operation. Unit costs for labour, reagents and fuel are based on other local mining projects. For this operating cost estimation an allowance has been made for General and Administrative costs. This G & A cost also includes a metal sales cost of US\$0.19/tonne to cover bullion transportation, insurance and refining charges. The rehabilitation costs are based on a cost of US\$8,000/hectare of affected area. The operating costs are considered accurate to +20 per cent. and are summarised in Table 18.

TABLE 18. HEAP LEACH OPERATING COST SUMMARY

<i>Description</i>	<i>US\$/ ROM tonne</i>
Mining	\$3.39
Crushing	\$0.52
Hauling and Stacking	\$0.24
Reagents	\$1.04
Leaching	\$0.28
Carbon adsorption and desorption	\$0.18
Labour	\$1.44
G & A/Sales	\$1.15
Rehabilitation	\$0.19
TOTAL	\$8.43

The total installed capital costs are calculated at US\$2.73 million. Because of the required three month leach time a working capital cost of 4 months operation at US\$8.43/tonne is included. These costs are considered accurate to +30 per cent. Table 19 summarises heap leach capital costs.

TABLE 19. HEAP LEACH CAPITAL COST SUMMARY

<i>Item/Area</i>	<i>Capital Cost (US\$)</i>
Crushing Plant	\$641,000
Leach Pad and Pond	\$280,800
Adsorption and Elution	\$162,500
Reagents and Pumps	\$69,600
Process Solution Lines	\$315,000
Services (Power & Water)	\$166,600
Mobile Fleet	\$182,500
Buildings and Infrastructure	\$304,400
Total Capital Cost	\$2,122,500
EPCM (12 per cent.)	\$292,500
Contingency (15 per cent.)	\$314,700
Total Installed Cost	\$2,729,700
Working Capital	\$1,680,000
TOTAL CAPITAL EXPENDITURE	\$4,409,700

6.17.4 HEAP LEACH ECONOMICS

A simple economic model was developed which showed the operation to have an NPV, discounted at 8 per cent., of US\$3.59 million and an internal rate of return, IRR, of 47 per cent. The gold price used was US\$360/oz. The model was very sensitive to revenue, (driven by gold head grade and recovery and gold price), moderately sensitive to operating costs and much less sensitive to capital costs.

The capital costs are similar to those for the CIL operation, the gold recoveries are significantly lower and the project schedule is similar. The better option therefore seems to be to process the lower grade open pit material in the CIL plant as soon as it is installed and to continue to do so until the underground operations are fully developed. The open pit material would be blended in to the CIL circuit as required. However, should the CIL circuit be operating at full capacity on underground supplies alone, then the heap leach option could be reappraised to operate in parallel to the CIL operation. In this case, the capital costs would be lower as some units would be shared with the CIL operation and there should also be a significant reduction in the operating costs.

6.17.5 HEAP LEACH COMMENT BY HOWE

The simple economic evaluation suggests that heap leaching is a viable option but one that would be less attractive than processing in a CIL circuit. However should production constraints preclude this, the heap leach option exists. Should this option be re-examined in the future, then large scale metallurgical tests would be required as the available data is very limited. The model also indicated that operating costs were important and firm local costs would be required.

It is understood that informal discussions with the authorities have indicated that a heap leach project would be allowed. Heap leach projects have been permitted and are currently operating in other parts of Kazakhstan such as Suzdal, Zherek and Mizek.

6.18. OVERALL FINANCIAL SUMMARY OF SEKISOVSKOYE PROJECT

6.18.1 BASE CASE ECONOMIC MODEL

An economic model of the Sekisovskoye project was reviewed. The base case uses a life of mine of 4 million tonnes underground and 2.2 million tonnes open pit – these parameters are supported by the existing mine

plan which only accounts for 67 per cent. of the existing resource. In practice this can be expected to increase.

The production levels are based on the tonnages outlined in the above schedule and the comments regarding tonnages and recoveries therefore also apply to the cash flow model. The following input data were also used:

Metal Prices

A gold price of US\$400/oz and a silver price of US\$6.00, being the prices current at the time of the analysis, were used throughout.

Operating Costs

The underground mining costs in the Wheeler and Dowdell report were based on typical international costs. These were re-evaluated, on the basis of the same mine plan, by a local company (TOO Vitis) using local costs. This resulted in the underground mining cost being lowered from US\$22/tonne to US\$14.40/tonne. A contractor mining cost of US\$1.30/tonne, as outlined in the KCA report, was used for the open pit.

The processing figure calculated by KCAA of US\$6.1/ ROM tonne was used throughout for both ore-types.

One reason for the operating costs being low is that all the operating manpower is from local sources and there are no expatriate workers on-site except for a mining consultant and the operations director.

Capital Costs

The major capital cost for the project is that for the mine which was calculated by Wheeler and Dowdell on the basis of typical international costs as US\$14.5 million for the two years prior to start up. This was lowered to US\$8.7 million by incorporating some local costs and suppliers.

The mill capital cost of US\$4.5 million, calculated by KCAA, was taken (Section 6.16.6). In Year 3 of operation it is planned that the operation will be doubled to 1 mpta and an arbitrary figure of US\$3 million (being 66 per cent. of the cost of the initial 500,000 tonnes of capacity) is assumed to be sufficient to carry this out.

The total capital cost for the project for the first two years required to reach full capacity (but excluding the expansion mentioned above) including working capital, was US\$19.8 million using the Wheeler and Dowdell figures, reduced to \$14 million on a local cost basis.

Other Costs

Various administration costs are used in the model as follows in Table 20.

TABLE 20. SEKISOVSKOYE ADMINISTRATION COSTS

<i>Area</i>	<i>Cost US\$'000s</i>
Chief Operations Officer	US\$150
TOO Sekisovskoye (Almaty Office)	US\$124
Admin. Labour and other Site Overheads	US\$463
Local Taxes/ Charges	US\$248
TOTAL	US\$985

The annual site administration labour charge is US\$287,000 and does not include any expatriate labour costs.

An historic cost of US\$ 3.3 million, (incurred by the state for exploration), is required to be paid over the life of the deposit which is taken as 11 years. A commercial discovery bonus of 0.1 per cent. of the contained gold value is payable at each declaration of a "commercial discovery" which has been assumed to be in stages, every 4 years. Both these costs are included in Table 20, under 'Local Taxes/ Charges'.

In addition there will be a cost for Royalty, not included in Table 20. This is expected to be at the minimum achievable level of 0.5 per cent. of the combined revenue from gold and silver sales, but this remains to be verified. The costs of transport, insurance and refining of the doré product are included in the mill operating costs at US\$3/oz. gold.

6.18.2 ECONOMIC INDICATORS

Using the base case input data as defined above the Net Present Value (NPV), was calculated over 9 years of operation, by discounting the net cash flows after taxes and other charges. Payback is rapid and is achieved during the second year of production. The economic indicators are presented in Table 21 below.

TABLE 21. ECONOMIC INDICATORS

		<i>Base Case</i>
Tonnes treated per year	Underground	500,000
Ditto	Open pit	500,000
Life of mine tonnes	Underground	4.0 million
Ditto	Open pit	2.2 million
Grade (gold) of ore treated	Underground	4.85 g/t
Ditto	Open pit	1.41 g/t
Metallurgical recovery		94 per cent.
NPV (5 per cent.)		\$57.7m
NPV (10 per cent.)		\$41.9m
NPV (15 per cent.)		\$31.0
IRR		126 per cent.
Overall cost per ounce (average)		\$172

The NPV (10 per cent.) of US\$41.9 million was calculated for a life of mine of nine years treating 6.2 million tonnes. If the indicated resources were increased, the economic indicators would improve significantly.

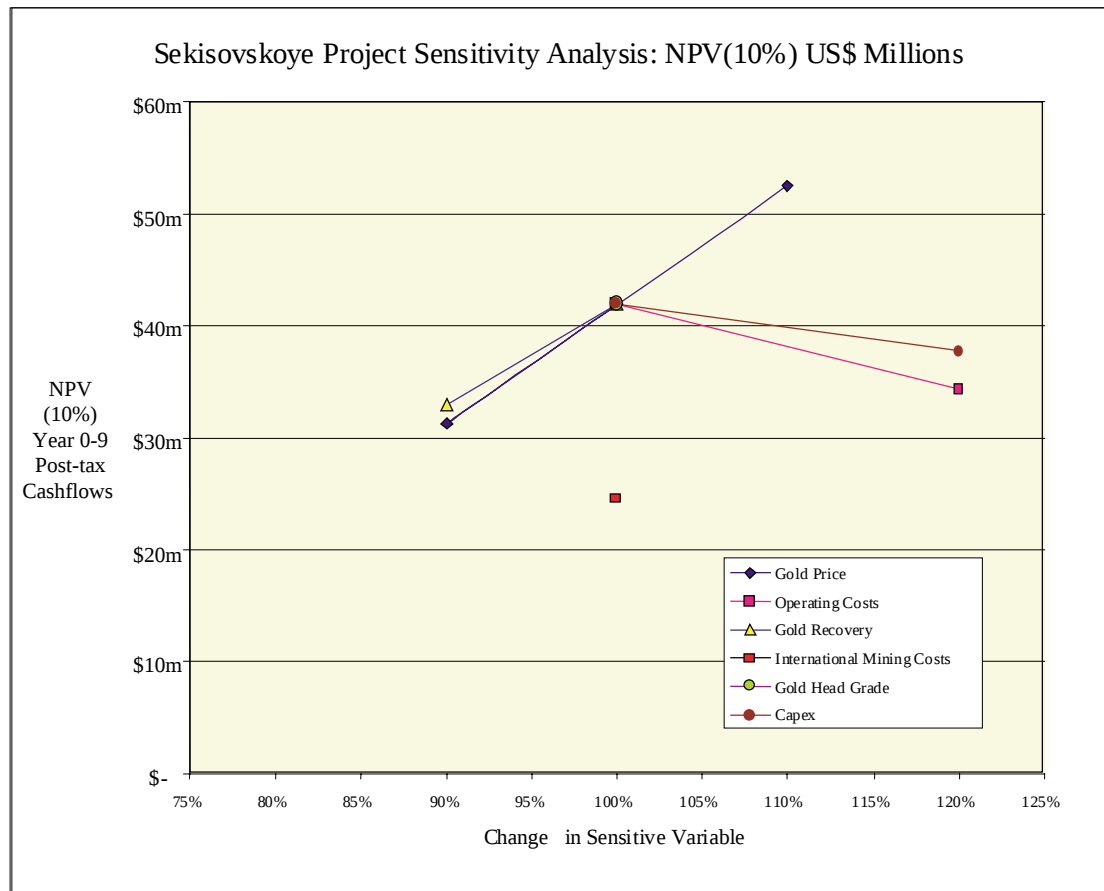
6.18.3 SENSITIVITY ANALYSIS

The sensitivity of the project to key input variables identified in Table 22 below was assessed and plotted in Plot 1, following Table 22.

TABLE 22. SENSITIVITY ANALYSIS VARIABLES

<i>Item</i>	<i>Base Case</i>	<i>Upper (110 per cent.)</i>	<i>Lower (90 per cent.)</i>
Gold Price	US\$400	US\$440	US\$360
Gold Recovery	94 per cent.	84.6 per cent.	
Gold Head Grade	4.85, 1.41 g/t Au	5.34, 1.55 g/t Au	4.37, 1.27 g/t Au
Capex	US\$37.64 million	US\$45.2 (120 per cent.)	
Mine and Plant Opex	\$14.4 & \$6.1/tonne	\$17.3 & \$7.3 (120 per cent.)	

FIGURE 6. SENSITIVITY ANALYSIS FOR THE SEKISOVSKOYE PROJECT.



Unsurprisingly, the project is very sensitive to gold price, gold recovery and head grade. Clearly, any increases that can be achieved in these areas will have a beneficial effect on the economics. The project is only moderately sensitive to operating cost and relatively insensitive to capital costs.

Using the original Wheeler and Dowdell international underground mine capital and operating costs of US\$52.2 million and US\$22/tonne respectively, the NPV(10 per cent.) falls from US\$41.9 million to US\$24.5 million and the IRR from 126 per cent. to 51 per cent. Clearly, it is important to be able to achieve the locally sourced costs.

If all the negative cases were to occur for each key variable in Table 22, then the cumulative effect is that the NPV(10 per cent.) is still positive at US\$2.5 million.

6.18.4 HOWE COMMENT

It can be said that the indicators for the Base Case economic model are very good and the project is relatively insensitive to adverse variations in key variables. However, it must also be said that some possibly optimistic assumptions were used regarding gold price and gold recovery. It is also important to be able to achieve the locally sourced mine costs as indicated by the local mining contractor TOO Vitis. The upside would be from an increased life of mine as the resources were increased.

The base case assumptions, based on mining the 10 best zones representing 67 per cent. of the CRS 2003 modelled resources over a 9 year mine life and a gold price of US\$400/oz produce robust economics.

7. OTHER TARGETS OUTSIDE SEKISOVSKOYE LICENCE

Hambledon is actively seeking to acquire additional gold deposits and prospects in the area with which to augment resources and potential in order to extend the life of the project.

8. HAMBLEDON PROPOSED WORK PROGRAMME AND BUDGET

Hambledon have proposed a comprehensive, 15 point, budgeted work programme for the next stage of project development and feasibility study. The proposals are budgeted at US\$1.3 million in total and are summarised in Table 23 below.

TABLE 23. HAMBLEDON PROPOSED WORK PROGRAMME AND BUDGET

- | | |
|----|--|
| 1 | A study of mineralisation continuity and spatial grade distribution using new underground and surface core drilling and new detailed geological mapping described below. 1,200m core drilling. |
| 2 | Generation of a detailed geological model of the igneous dykes throughout the resource volume and their controls on mineralisation. |
| 3 | Detailed underground geological mapping of the 441m adit level, with special emphasis on igneous dykes. |
| 4 | Completion of geological work with the cores of the 2003 drilling programme including ore petrography and geotechnical analysis for open pit slope engineering. |
| 5 | Revision of the open pit resource model. |
| 6 | Detailed analysis of sample data including new drilling in relation to geological interpretation and improved grade estimation procedures. |
| 7 | Revision of the high grade resource model. |
| 8 | Hydrological studies for open pit and underground mine water control. |
| 9 | Optimised open pit design, mine planning and production scheduling. Also, detailed underground mine design and testwork, cost analysis, scheduling and resource analysis. |
| 10 | Revision of underground mine design especially with regard to the techno-economic aspects of mining the narrower zones and development of a mining dilution model based on sample data. |
| 11 | Representative sampling for metallurgical test work of the 441m adit level, the core of 2003, new core from depth and surface exposures including the Sekisovskoye North open pit. |
| 12 | Translation and summary of former-Soviet archived documents and additional relevant information. |
| 13 | Scoping study to cover the requirements of the former Russian-style feasibility study (TEO) as modified by the Kazakhstan government. |
| 14 | Metallurgical test work and engineering design as described in file MillFeas\$.xls |
| 15 | Exploration drilling along strike and down dip and strategic infill drilling following the revision of the resource model. 13,500m core. |

Hambledon maintain that the individual cost estimates are proprietary and have therefore not been checked by Howe. The unit costs for drilling are low by international standards but are based on the costs from the 2003 programme.

Hambledon acknowledges that environmental work is also required including a baseline study, an environmental impact assessment, an action plan and a monitoring programme.

Unless already completed, Howe recommends that a formal verification of topographic and underground survey control be carried out prior to implementation.

Howe believes that implementation of the above work programme will adequately test the interpretations and assumptions on which the present study is based and will make a significant contribution to a detailed feasibility study.

9. CONCLUSIONS

9.1 LICENCE

The western boundary of the licence excludes and cuts some of the host breccia bodies and the upper parts of modelled mineralised zones prefixed 10 and 11 on the west flanks of Sedukha Hill and below the fields west of the hill. However, Hambledon has indicated it has the right to extend the 85.5 hectare licence area to include contiguous extensions of the ore zones. It is not known to what extent modelled resources close to surface may be sterilised by a safety zone around the mine site.

9.2 GEOLOGY

The known mineralised zones are located within a cluster of igneous breccia bodies which vary in plan view from 40 by 10 metres to 700 by 160 metres in an area 900m northwest-southeast by 550m northeast-southwest. The breccia bodies dip steeply northeastwards and extend to depths greater than 950m. The breccia clasts range up to metre-scale dimensions. The breccias are cut by faults and mostly concordant and some discordant dykes of various compositions.

Several, relatively narrow, steep, stratiform zones of mineralisation in the breccia matrix are presently interpreted based on assay cut-offs, mostly without confirmatory geological structures. The stratiform continuity model has been demonstrated for some of the major zones by closer spaced drilling and experimental mining but this model may not be valid for all the mineralisation in this extensive but complex geological environment.

9.3 RESOURCES

Verification sampling and validity of CRS 2003 resource model

CRS and Howe has compared the 2003 drilling results and the Soviet data in the vicinity of the 2003 holes. CRS compared the Datamine model based on the Soviet assay data with the data from the holes of 2003 with favourable results. Howe used a manual graphical method by plotting the new holes on the old Soviet drill sections, which also produced favourable results broadly similar to those of CRS. However, the holes of 2003 did not replicate the trajectories of any of the Soviet holes and the correlations of the mineralised zones are approximate in some cases.

Underground on the 441m level, two zones of mineralisation 5 metres wide and 7 metres wide in the model based on the Soviet data have been confirmed by recent verification re-sampling in saw-cut channels as 1 metre each at reduced grades. However, continuous chip sampling at a third location confirmed a 3 metre wide zone of mineralisation with a higher average grade than the 3 metre Soviet intercept; although offset by one metre. The recent chip and channel sampling programme was very limited in that only three intercepts were tested.

The 2003 drilling results have tested part of the CRS Datamine model based on the Soviet drilling data, with favourable results. The recent limited programme of chip and channel sampling has partially verified the Soviet channel sampling data. However, additional sampling underground on the 441m adit level is desirable at a sufficient number of sites for a statistically significant test of the Soviet channel sample assay database. This additional sampling will be required for the purpose of a more rigorous re-estimation of open pit type resources as part of a feasibility study.

The CRS 2003 resource estimation methodology has been reviewed by Howe and is generally acceptable for the preliminary study of the deposit. However, a review of the assumptions in the geological model and revision and refinement are required as part of a feasibility study.

Additional potential

Howe has not checked either the Soviet work nor the CRS work on the tonnes and grade estimation of Soviet style P1 type potential. However, it is clear from this work that significant potential exists adjoining and close to the Soviet C1 and C2 resources and the equivalent CRS 2003 indicated and inferred resources which are

open along strike to the northwest and at depth, with additional nearby potential in other discrete zones of mineralisation.

General

Average Soviet core recovery of surface drilling was only 83 per cent. Core recovery from underground drilling averaged about 95 per cent. The average gold grade of underground core samples was 24 per cent. higher than the average of surface core drilling samples, possibly indicating that gold bearing core was lost in the surface holes.

Soviet assay data probably underestimates the actual gold content due to the sample preparation methods and reproducibility standards set by the Soviet protocols and the effects of poor core recovery from surface drilling in the Soviet era.

9.4. MINING ENGINEERING

A formal mine plan for the extraction of open pit resources has not yet been undertaken. However, a preliminary evaluation has been completed in order to define the potential extent of the proposed open pit. Additional design work is therefore required on this aspect to verify that the estimated resources can be mined economically.

For historical reasons, there has been an emphasis on underground production potential. There is an opportunity to consider a larger initial open pit mining project.

A conceptual design for the proposed underground mining operation has been completed. Basic mine layouts and construction and extraction schedules have been developed which Howe considers to be realistic in terms of production level, but re-examination of the build up is considered necessary.

The proposed underground mining method, in narrow stope conditions, could result in significant unplanned head grade dilution unless careful grade control measures are adopted in this challenging geological environment. Clear definition of the spatial variability of the ore zones and in situ gold grades are seen as crucial to the economical development of the underground mine. The use of modern, rapid methods of sampling and assaying is regarded as essential in this type of mining situation.

Cost estimations for mining have been prepared using internationally derived capital and operating expenditures. Lower, local contracting rates have also been obtained. However, international rates are considered more appropriate at this stage of the study, for conservative reasons described above.

9.5. METALLURGY

There is a requirement for thorough, detailed metallurgical testwork to provide essential data for final design and costing as part of the formal feasibility study. However, the results to date from two underground locations and one surface location on mineralised zone No. 3 have indicated that the material will be relatively simple to process using a recovery route with preliminary gravity separation followed by cyanidation with carbon-in-leach. It should be possible to obtain the preliminary design gold recoveries.

The operating cost estimate seems reasonable for a project at this early stage of development. The capital expenditure may increase as winter protection is added and the cost of the Tailings Management Facilities is increased but it is not thought this will significantly affect the viability of the project as the sensitivity analysis showed that mill capex was not critical.

9.6. FINANCIAL

The base case assumptions, based on mining the 10 best zones representing 67 per cent. of the CRS 2003 modelled resources over a 9 year mine life and a gold price of US\$400/oz produce robust economics.

It is likely that additional production potential can be identified from within the currently modelled indicated resources, from conversion of the inferred resources and from exploration of the adjacent and nearby resource potential.

9.7. GENERAL

The underground production potential is based on a preliminary resource model with correlation and continuity of variable width zones of mineralisation with pinch and swell structure in very coarse (bouldery) breccias cut by dykes in various orientations. Correlation and planar continuity of parts of the major zones has been demonstrated by mining and close spaced drilling but those zones based only on widely spaced drill intercepts are open to alternative interpretations.

Open pit resources, mining potential and metallurgy require more rigorous study in order to redress the possible overemphasis in the Hambledon project on underground production potential.

Some of the translations from Russian to English are informal and some are based on computer methods. Howe has not translated the official project documentation.

More data exists on potential extensions to the deposits (Soviet style P1 category) but all of this data has not been obtained because it is still classified as secret by the authorities. A process of de-secretisation is ongoing.

PART IV

Accountants' report on the Company

**Deloitte
& Touche**

Deloitte & Touche LLP
180 Strand
London
WC2R 1BL

The Directors
Hambledon Mining plc
179 Great Portland Street
London
W1W 5SJ

Seymour Pierce Ltd
Bucklersbury House
Queen Victoria Street
London
EC4N 8EL

4 June 2004

Dear Sirs

Hambledon Mining plc ("the Company")

We report on the financial information of the Company set out below. This financial information has been prepared for inclusion in the Admission Document dated 4 June 2004 ("Admission Document") relating to the admission of the Company's shares to trading on the Alternative Investment Market of the London Stock Exchange ("Admission").

Basis of preparation

The financial information set out in this report, which has been prepared on the basis set out below and in accordance with applicable United Kingdom generally accepted accounting principles, is based on the audited financial statements of the Company for the period from incorporation to 31 March 2004. The Company did not trade during this period.

Responsibility

Such financial statements are the responsibility of the directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the Admission Document in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its results and cash flows for the period then ended.

Consent

We hereby give our consent to the inclusion in the Investment Circular of our accountants' report on Hambledon Mining plc and accept responsibility for this report for the purposes of regulation 45(8)(b) of Schedule 1 to the Public Offer of Securities Regulations 1995.

BALANCE SHEET

		<i>At 31 March 2004</i>
	<i>Note</i>	<i>£</i>
Current assets		
Cash at bank and in hand		<u>2</u>
NET ASSETS		<u>2</u>
Capital and reserves		
Called up share capital	2	<u>2</u>
Shareholders' funds		<u>2</u>

STATEMENT OF CASH FLOWS

	<i>Period ending 31 March 2004</i>
	<i>£</i>
Financing	
Issue of shares	<u>2</u>
INCREASE IN CASH	<u>2</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Period ending 31 March 2004</i>
	<i>£</i>
INCREASE IN CASH	
Movement in net debt	<u>2</u>
NET CASH AT THE END OF THE PERIOD	<u>2</u>

NOTES TO THE FINANCIAL INFORMATION

1. ACCOUNTING POLICIES

The financial information set out in this report has been prepared in accordance with UK Generally Accepted Accounting Principles ("UK GAAP").

2. PROFIT AND LOSS ACCOUNT

No profit and loss account is presented with these financial statements because the Company has not received income, incurred expenditure or recognised any gains or losses during the period under review.

3. SHARE CAPITAL

The Company was incorporated with an authorised share capital of £50,000 (consisting of 50,000 ordinary shares of £1 each, of which two ordinary shares were issued and paid).

On 16 March 2004 the authorised share capital was increased from £50,000 to £1 million by a creation of a further 900,000 ordinary shares of £1 each and 50,000 redeemable shares of £1 each.

At this time, all ordinary shares (issued and unissued) were subdivided into 1,000 ordinary shares of 0.1 pence each. Therefore, as at 31 March 2004, the issued share capital of the Company is 2,000 ordinary shares of 0.1 pence each. The issued shares are owned by Salix Limited.

On 16 April Salix Limited was allotted 50,000 redeemable shares having given an undertaking to the Company to pay in cash, on or before 17 March 2009, the sum of £50,000 in consideration of the issue of the 50,000 redeemable shares of £1 each.

Redeemable shares have no voting rights (save in circumstances of failure to redeem or winding up) and shall not be entitled to any dividend.

4. RESERVES

No material contracts or transactions have been entered into. The Company has not traded during the period and has made neither profit or loss nor any other recognised gains or loss during the period. No dividends have been declared or paid.

5. SUBSEQUENT EVENTS

Re-registration of name

On 16 April 2004 the Company changed its name to, Hambledon Mining plc.

Issue of redeemable shares

On 16 April 2004, the Board of Directors accepted the undertaking described above in Note 2 and 50,000 redeemable shares of £1 each were issued to Salix Limited. It is intended that upon Admission, the shares will be fully paid and then redeemed at par out of the net proceeds of the Placing. Upon redemption, the issued redeemable shares will automatically be cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of such shares.

Transfer of Hambledon B.V.I. Limited

Prior to Admission, 149,763,328 ordinary shares of 0.1p each were issued to the shareholders of Hambledon Mining Company Limited in consideration for the transfer to the Company of the entire issued ordinary share capital of Hambledon B.V.I., such ordinary shares being issued and allotted credited as fully paid, thereby making Hambledon B.V.I. a wholly owned subsidiary of the Company.

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants

PART V

Accountants' report on Hambledon B.V.I.

The Directors
Hambledon Mining Company Limited
Office 504
164, Kabanbay Batyr Street
Almaty 480012
Republic of Kazakhstan

The Directors
Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London
EC4N 8EL

4 June 2004

Dear Sirs,

Re: Hambledon Mining Company Limited (the “Company”)

We report on the consolidated financial information of Hambledon Mining Company Limited (the “Company” or “Hambledon”) set out below. This consolidated financial information has been prepared for inclusion in the Admission Document dated 4 June 2004 (“the Admission Document”) relating to the admission of the Company’s entire issued share capital to trading on the AIM market of the London Stock Exchange Plc (“Admission”).

Basis of preparation

The consolidated financial information set out in this Report, which has been prepared in accordance with applicable International Financial Reporting Standards, is based on the audited consolidated financial statements of the Company for the three years ended 31 July 2001, 2002, 2003, and for the six month period ended 31 January 2004 to which no adjustments were considered necessary.

Responsibility

Such consolidated financial statements are the responsibility of the Directors of the Company who approved their issue.

The Directors of the Company are responsible for the contents of the Admission Document in which this Report is included.

It is our responsibility to compile the consolidated financial information set out in our Report from the audited consolidated financial statements, to form an opinion on the consolidated financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the consolidated financial information. The evidence included that previously obtained by us relating to the audit of the consolidated financial statements for the three years ended 31 July 2001, 2002, 2003, and for the six month period ended 31 January 2004 recorded

by the auditors who audited the consolidated financial statements underlying the consolidated financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the consolidated financial statements underlying the consolidated financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 consolidated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the consolidated financial information set out below gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its losses, for the periods then ended.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. The Company incurred a net loss of US\$ 335,000 during the six month period ended 31 January 2004 and, as of that date, the Company's current liabilities exceeded its current assets by US\$ 767,000. The operations of the Company have been financed mainly from funds advanced by its major shareholder. Until production from the mine commences the Company will remain dependent upon funding from its major shareholder or upon funding secured from other sources. Without such funding, the Company may be unable to continue as a going concern.

Without qualifying our opinion we draw attention to Note 6 in the consolidated financial statements. The Company has deferred and carried forward at 31 January 2004 mine exploration and development expenditures of US\$ 422,000. The ultimate recovery of these expenditures is primarily dependent upon the successful development of the mine or realisation by sale. Development of the mine is dependent upon the Company securing additional funding.

We consent to the inclusion in the Admission Document of this Report and accept responsibility for this Report for the purposes of regulation 45(2)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully,

TOO Deloitte & Touche

CONSOLIDATED BALANCE SHEETS
AT 31 JULY 2001, 2002, 2003, and 31 JANUARY 2004
(in thousands of US Dollars)

	<i>Notes</i>	<i>31 July 2001</i>	<i>31 July 2002</i>	<i>31 July 2003</i>	<i>31 January 2004</i>
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	4	3	29	38	26
Advances paid	5	3	10	44	12
Other receivables		–	14	9	10
		<u>6</u>	<u>53</u>	<u>91</u>	<u>48</u>
NON-CURRENT ASSETS:					
Mine exploration and development expenditures	6	136	175	251	422
Property and equipment, net		–	–	2	3
		<u>136</u>	<u>175</u>	<u>253</u>	<u>425</u>
TOTAL ASSETS		<u>142</u>	<u>228</u>	<u>344</u>	<u>473</u>
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY					
CURRENT LIABILITIES:					
Trade accounts payable	7	–	1	5	168
Advances received from related parties	8	389	116	325	632
Other payables		6	22	19	14
Taxes payable		2	2	2	1
		<u>397</u>	<u>141</u>	<u>351</u>	<u>815</u>
SHAREHOLDERS' (DEFICIT) EQUITY:					
Share capital	9	1	1	1	4
Additional paid-in capital	9	482	1,032	1,132	1,129
Accumulated deficit		(738)	(946)	(1,140)	(1,475)
		<u>(255)</u>	<u>87</u>	<u>(7)</u>	<u>(342)</u>
TOTAL LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		<u>142</u>	<u>228</u>	<u>344</u>	<u>473</u>

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 JULY 2001, 2002, 2003, and FOR THE PERIOD OF SIX MONTHS
ENDED 31 JANUARY 2004
(in thousands of US Dollars)

		<i>Year ended</i>	<i>Year ended</i>	<i>Year ended</i>	<i>Six</i>
		<i>31 July</i>	<i>31 July</i>	<i>31 July</i>	<i>months ended</i>
	<i>Notes</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 January</i>
					<i>2004</i>
GENERAL AND					
ADMINISTRATIVE					
EXPENSES:					
Initial public offering expenses	11	–	–	–	193
Management fee	8	144	144	144	72
Salary		13	19	12	10
Office expenses		12	35	8	13
Travel expenses		7	3	3	1
OPERATING LOSS		<u>176</u>	<u>201</u>	<u>167</u>	<u>289</u>
Finance costs	8	–	–	–	17
Foreign currency translation loss		–	1	21	35
Other expenses/(income), net		<u>1</u>	<u>6</u>	<u>6</u>	<u>(6)</u>
NET LOSS		<u>177</u>	<u>208</u>	<u>194</u>	<u>335</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFECIT)/EQUITY
FOR THE YEARS ENDED 31 JULY 2001, 2002, 2003, and FOR THE SIX MONTHS PERIOD
ENDED 31 JANUARY 2004**
(in thousands of US Dollars)

	<i>Share capital</i>	<i>Additional paid in capital</i>	<i>Accumulated deficit</i>	<i>Total</i>
Balance as at 31 July 2000				
(unaudited)	1	482	(561)	(78)
Net loss for 2001	—	—	(177)	(177)
Balance as at 31 July 2001	1	482	(738)	(255)
Additional paid-in capital	—	550	—	550
Net loss for 2002	—	—	(208)	(208)
Balance as at 31 July 2002	1	1,032	(946)	87
Additional paid-in capital	—	100	—	100
Net loss for 2003	—	—	(194)	(194)
Balance as at 31 July 2003	1	1,132	(1,140)	(7)
Issuance of shares	3	(3)	—	—
Net loss for the six months ended 31 January 2004	—	—	(335)	(335)
Balance as at 31 January 2004	4	1,129	(1,475)	(342)

CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEARS ENDED 31 JULY 2001, 2002, 2003, and FOR THE SIX MONTHS PERIOD
ENDED 31 JANUARY 2004
(in thousands of US Dollars)

	<i>Year ended 31 July 2001</i>	<i>Year ended 31 July 2002</i>	<i>Year ended 31 July 2003</i>	<i>Six months ended 31 January 2004</i>
CASH FLOWS FROM				
OPERATING ACTIVITIES:				
Net loss	(177)	(208)	(194)	(335)
Adjustments for:				
Gain on sale of investments	–	–	(2)	–
Unrealized foreign exchange loss	–	4	16	27
Finance costs	–	–	–	17
Other adjustments	–	1	1	–
Operating loss before working capital changes	(177)	(203)	(179)	(291)
(Increase)/decrease in advances paid	(3)	(7)	(34)	32
(Increase)/decrease in other accounts receivable	–	(14)	5	(1)
Increase in accounts payable	–	1	4	163
Increase/(decrease) in other payables	5	15	(4)	(5)
(Decrease) in taxes payable	–	–	–	(1)
Cash used in operations	(175)	(208)	(208)	(103)
Interest paid	–	–	–	–
Income taxes paid	–	–	–	–
Net cash used in operating activities	(175)	(208)	(208)	(103)
CASH FLOWS FROM				
INVESTING ACTIVITIES:				
Mine exploration and development expenditures	(37)	(39)	(76)	(171)
Acquisition of property and equipment	–	–	(2)	(1)
Net cash used in investing activities	(37)	(39)	(78)	(172)
CASH FLOWS FROM				
FINANCING ACTIVITIES:				
Proceeds from related parties	210	262	295	263
Proceeds from issuance of shares	–	11	–	–
Net cash provided by financing activities	210	273	295	263
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2)	26	9	(12)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5	3	29	38
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	3	29	38	26
Significant non-cash transactions:				
Related party payables to additional paid-in capital (see Note 8)	–	539	100	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 JULY 2001, 2002, 2003, and FOR THE SIX MONTHS PERIOD
ENDED 31 JANUARY 2004
(in thousand of US Dollars)

1. GENERAL INFORMATION

The Group consists of Hambledon Mining Company Limited (“Hambledon” or “the Company”) and DTOO Sekisovskoye (the “Subsidiary”), a 100 per cent. owned subsidiary of Hambledon Mining Company Limited (collectively the “Group”).

Hambledon was registered on 9 May 1997 (registration number 230758) in the British Virgin Islands. Hambledon acts as a holding company for the Group.

Legal address of Hambledon: Hambledon Mining Company Limited
Moore Stephens International Capital Services (BVI) Limited
PO Box 3186, Road Town, Tortola, British Virgin Islands

The Subsidiary was registered in the Republic of Kazakhstan and its principal activity is the exploration and development of the Sekisovskoye gold mine (the “Mine”) under the Contract for exploration and extraction of gold-silver ores (the “Contract”).

Legal address of the Company: Republic of Kazakhstan,
East Kazakhstan oblast,
Glubokovskiy region, Sekisovka village

2. GOING CONCERN

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern. The Group is engaged in the exploration and development of a mineral deposit in East Kazakhstan and does not trade. The operations of the Group have been financed from funds advanced by the Group’s major shareholder, Salix Limited (Note 8). Until production from the Mine commences the Group will remain dependent upon funding from its major shareholder or upon funding secured from other sources. No commitment to funding from a source other than the major shareholder exists at 31 January 2004. Management of the Group is actively seeking the additional funding required to complete the exploration and development of the mineral deposit. These consolidated financial statements do not reflect any adjustments in the carrying values of assets and liabilities that might be necessary should management fail to secure financing and thereby make the going concern assumption invalid. Such adjustments, should these be required, could have significant affect on the consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are based on the Group’s accounting records that were appropriately adjusted and reclassified for fair presentation in accordance with International Financial Reporting Standards (“IFRS”), as published by the International Accounting Standards Board, effective as at 31 January 2004. Amounts presented in the following tables are in thousand of US Dollars, unless otherwise indicated.

The interim consolidated financial statements are presented as at, and for the six months ended, 31 January 2004. Audited financial information was not available to provide the comparative information for the six months period ended 31 January 2003.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments. The principal accounting policies adopted are set out below.

Measurement currency - Based on the economic substance of the underlying events and circumstances relevant to the Group, the measurement currency has been determined to be the US Dollar (US\$).

Use of estimates - The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of consolidation - The consolidated financial statements incorporate the financial statements of the Group and enterprises controlled by the Group (its subsidiaries) made up to 31 July 2001, 2002, 2003, and 31 January 2004. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess/(deficiency) of the cost of acquisition over/(below) the fair values of the identifiable net assets acquired is recognised as goodwill/(negative goodwill). The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group. All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

Other receivables - Other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Property and equipment - Property and equipment are stated at historical cost less accumulated depreciation. The historical cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Depreciation of property and equipment is calculated on a straight-line method over their estimated useful lives.

Mine exploration and development expenditures - The decision to develop a mine property within an area of interest is based on an assessment of the commercial viability of the property, the availability of financing and the existence of markets for the product. Once the decision to proceed to development is made, exploration, development and other expenditures relating to the project are capitalized and carried at cost with the intention that these will be depreciated by charges against earnings from future mining operations over the relevant life of mine on units of production basis.

No depreciation is charged against the property until commercial production commences. After a mine property has been brought into commercial production, costs of any additional work on that property are expensed as incurred, except for large development programs, which will be deferred and depreciated over the remaining life of the related assets.

The carrying values of exploration and development expenditures in respect of each area of interest which has not yet reached commercial production is periodically assessed by management and where it is determined that such expenditures cannot be recovered through successful development of the area of interest or by sale the expenditures are written off to the consolidated income statement as incurred.

Income taxes - The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Since October 24, 2003 the Subsidiary has operated under current tax legislation of the Republic of Kazakhstan. Before October 24, 2003 the Subsidiary operated under the 2000 tax legislation that was in force when the Subsidiary signed the Contract for the exploration and subsequent development of

gold and silver deposits at the Sekisovskoye mine with the Government of the Republic of Kazakhstan. Based on this, the Subsidiary has applied a 30 per cent. corporate income tax rate.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the consolidated income statement.

Foreign currency translation - Any currency other than US\$, the Group's measurement currency, is considered a foreign currency. Monetary assets and liabilities denominated in foreign currencies are translated to US\$ using the rates of exchange prevailing at the balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are recorded in the accompanying consolidated balance sheets using the historical exchange rates. Transactions denominated in foreign currencies are recorded at the exchange rates at the date of the transaction. Any gains or losses on assets and liabilities denominated in foreign currencies arising from a change in exchange rates after the date of the transaction are recognized as income or expense from other activities.

Employee benefits - The Subsidiary deducts the lowest from 10 per cent. of each employee's wage or 37,500 Kazakhstani Tenge and pays it into an employee accumulating pension fund. These pension fund payments are included with other salary costs in the consolidated income statement. The Group has no other liabilities related to pensions.

Provisions for commitments and contingencies - Provisions for commitments and contingent liabilities are recognized when the Group has such commitments and contingent liabilities at the balance sheet date, which occurred as a result of a past event and the amount of those commitments and contingent liabilities can be reasonably estimated.

Financial instruments - Financial assets and financial liabilities carried on the consolidated balance sheet include cash and cash equivalents, trade and other accounts receivable and payable. Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as financial expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. 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 realize the asset and settle the liability simultaneously.

4. CASH AND CASH EQUIVALENTS

	31 July 2001	31 July 2002	31 July 2003	31 January 2004
Balances with banks	3	29	26	9
Cash on hand	—	—	12	17
	<u>3</u>	<u>29</u>	<u>38</u>	<u>26</u>

5. ADVANCES PAID

As at 31 January 2004 advances paid represent amounts prepaid to a third party for geological exploration services to be provided to the Subsidiary.

6. MINE EXPLORATION AND DEVELOPMENT EXPENDITURES

	<i>31 July 2001</i>	<i>31 July 2002</i>	<i>31 July 2003</i>	<i>31 January 2004</i>
Mine license cost	98	98	98	98
Exploration works	–	12	41	51
Geological information fee	33	33	33	33
Salary	–	13	26	42
Consulting services	–	2	22	145
Other	5	17	31	53
	<u>136</u>	<u>175</u>	<u>251</u>	<u>422</u>

The Group has deferred and carried forward mine exploration and development expenditures. The ultimate recovery of these expenditures is dependent upon the successful development of the Mine or realization through sale. The successful development of the Mine is dependent upon the Group securing additional funding (see Note 2).

7. TRADE ACCOUNTS PAYABLE

	<i>31 July 2001</i>	<i>31 July 2002</i>	<i>31 July 2003</i>	<i>31 January 2004</i>
For consulting services	–	–	–	154
Other payables	–	1	5	14
	<u>–</u>	<u>1</u>	<u>5</u>	<u>168</u>

8. TRANSACTIONS WITH RELATED PARTIES

Advances received from related parties

Advances received from related parties consist of amounts due to Hambledon's major shareholder, Salix Limited, for management services and administrative expenses which are payable by the Group. Until 31 July 2003 Salix Limited did not charge any interest on amounts owed to it by Hambledon.

From 1 August 2003 interest has been charged on the amounts outstanding at a rate of 8 per cent. per annum. Interest accrued for the six months ended 31 January 2004 amounted to US\$ 17,376 (for the year ended 31 July 2003: nil). The Group will repay its liabilities when funds are available. This is expected to be before 31 July 2004 and amounts payable have been disclosed as current liabilities.

Advances received from Salix Limited in cash during the six months period ended 31 January 2004 was £90,300 (US\$ 153,245).

Purchases from related parties

During years ended 31 July 2001, 2002, 2003, and the six months period ended 31 January 2004 the Group had the following related party transactions:

In accordance with the Agreement between Salix Limited and the Group a monthly management fee of US\$ 12,000 has been charged by Salix Limited in the years ended July 31, 2001, 2002, 2003 and in the six months period ended 31 January 2004.

Salix Limited paid for Hambledon's employees' salaries, certain initial public offering expenses, office expenses, travel and sundry expenses which were then re invoiced to Hambledon for reimbursement. For the six month period ended 31 January 2004 re invoiced expenses totaled US\$ 39,165.

In 2002 and 2003 Salix Limited subscribed for additional share capital in the amount of US\$ 538,975 and US\$ 100,000, respectively. These amounts were offset against amounts due to Salix Limited from Hambledon (see Note 9). In 2003, Hambledon repaid US\$ 2,040 to Salix Limited.

9. SHARE CAPITAL AND ADDITIONAL PAID-IN CAPITAL

The authorized capital of Hambledon is US\$ 50,000 divided into 5,000,000 shares with par value of US\$ 0.01 each comprised of 2,500,000 Ordinary shares and 2,500,000 Bearer shares. No differences exist between the respective rights of each class of shares.

Ordinary shares issued and paid as at 31 July 2001, 2002, 2003, and 31 January 2004 comprised:

	<i>31 July 2001</i>	<i>31 July 2002</i>	<i>31 July 2003</i>	<i>31 January 2004</i>
Ordinary shares (number)	49,953	86,620	87,495	360,008
Amounts in US\$	500	866	875	3,600

Hambledon's majority shareholder (81 per cent.) as at 31 January 2004 is Salix Limited, a company registered in the British Virgin Islands.

On 7 July 1997, a shareholder's agreement approved the subscription of 44,953 ordinary shares for US\$ 483,000. This subscription was paid in cash.

On 15 September 2001, the directors of the Company authorized the subscription for further equity by Salix Limited and other shareholders amounting to US\$ 539,000 and US\$ 11,000, respectively for a subscription of 36,667 ordinary shares. The amount due from Salix Limited was partially paid by offset against amounts due from the Group to Salix Limited (see Note 8).

On 7 April 2003, the directors of the Company authorized the subscription for further equity by Salix Limited in the amount of US\$ 100,000 for 875 ordinary shares. This amount was partially satisfied by offset against amounts due from the Group to Salix Limited (see Note 8).

On 14 November 2003 the Directors authorised an issue of 272,513 shares to existing shareholders as fully paid ordinary shares. Consideration for the shares was settled through a transfer from reserves. The purpose of the issue was to re-adjust the relative shareholdings in accordance with the original shareholders' agreement.

10. INCOME TAX

Hambledon is not subject to taxation in the British Virgin Islands. As the Subsidiary's operations are at a development stage, the Subsidiary has no Kazakhstani corporate income tax expense for the years ended 31 July 2001, 2003, 2003, and for the six month period ended 31 January 2004. The Group did not recognize any deferred tax assets or liabilities as at 31 July 2001, 2002, 2003, and 31 January 2004.

11. INITIAL PUBLIC OFFERING EXPENSES

Initial public offering expenses include services received in connection with proposed listing of the Hambledon's shares on the Alternative Investment Market in the United Kingdom.

For the period of six months ended 31 January 2004 they included the following:

	<i>31 July 2001</i>	<i>31 July 2002</i>	<i>31 July 2003</i>	<i>31 January 2004</i>
Consulting services and due diligence	—	—	—	191
Other expenses	—	—	—	2
	<u>—</u>	<u>—</u>	<u>—</u>	<u>193</u>

12. 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, which generally exists in a more mature free market economy. As a result, operations carried out in the Republic of Kazakhstan can involve significant risks, which are not typically associated with those in developed markets. Management is unable to estimate what changes may occur or the resulting effect of any such changes on the Group's financial condition or future results of operations.

Tax liabilities - Beginning from 24 October 2003 the Subsidiary has calculated its tax liabilities and prepared its tax returns according to the current tax legislation of the Republic of Kazakhstan. Prior to this date the Subsidiary calculated its tax liabilities and prepared tax returns in accordance with tax legislation of the Republic of Kazakhstan valid as at 20 October 2000.

The Republic of Kazakhstan currently has a number of taxes, which accrue to both republican and local budgets. There are often different interpretations of how these taxes should be calculated between taxpayers, local and central tax authorities. There is no developed body of case law or precedent that would give certainty as to how a certain matter or issue might be decided. Judicial methods of dispute resolution in tax matters are largely untried and untested in the Republic of Kazakhstan. These facts, especially when compounded by severe penalties and interest rates, create tax risks in the Republic of Kazakhstan substantially more significant than typically found in more developed economies.

Management believes that the Group is in substantial compliance with the tax laws affecting its operations. However, the risk remains that relevant authorities could take differing positions with regards to interpretative issues.

Minimum work program requirements - In 2000, the Subsidiary entered in a Contract for the exploration and subsequent development of gold and silver deposits at the Sekisovskoye mine in the Glubokovskiy region of the East-Kazakhstan oblast (the "Contract").

In accordance with the Amendment # 1 to Supplement Number 1, the exploration period was extended until 20 October 2004. On expiration of the exploration period the Subsidiary is obliged to submit a reserve report to the Government of the Republic of Kazakhstan.

The Contract also contained a requirement upon the Subsidiary to perform a minimum work program and incur minimum level of expenditures in the calendar years of 31 December 2003 and 31 December 2004. Management believes that the Subsidiary is substantially in compliance with the minimum work program and minimum levels of expenditure requirements.

The Contract requires the Subsidiary to repay the cost of the geological expenditure incurred by the state on the exploration of the Mine. The outstanding balance of US\$ 3,278,484 will be repayable after the submission of the reserve report. The terms of the payment shall be agreed by an additional agreement between the Subsidiary and the Government of the Republic of Kazakhstan.

Future site restoration costs - In accordance with the provisions of the Contract, the Subsidiary is liable for site restoration upon completion of its production cycle. The Contract requires that the Subsidiary creates a liquidation fund of 1 per cent. from its operational expenses. The liquidation fund should be maintained in a separate bank deposit account. The value of this liquidation fund at 31 January 2004 was approximately US\$ 1,800 (31 July 2003: US\$ 1,500).

Environmental liabilities - The Group is required to perform an environmental monitoring of its activities according to the Contract. Any violations of environmental legislation during the Contract should be covered by the Group. Management believes that the Group is substantially in compliance with existing environmental legislation.

Legal actions and claims - In the ordinary course of business, the Group may be subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such

actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group. At 31 July 2001, 2002, 2003, and 31 January 2004 there have been no legal actions threatened or actual against the Group.

13. FINANCIAL INSTRUMENTS

Foreign exchange risk management - The majority of the Group's purchases are made and invoiced in US Dollars. Purchase prices for such contracts are denominated in US Dollars but are payable in Tenge (Kazakhstani currency), indexed to the Tenge/US Dollar exchange rate in effect as of the date of payment. As such, the Group mitigates its foreign exchange risk related to the Tenge/US Dollar exchange rate in respect of its trade accounts payables. The Group has a number of other financial instruments denominated in Tenge. These include amounts in cash accounts. The Group does not follow the practice of entering into foreign exchange contracts to manage its foreign exchange risk resulting from cash flows from (anticipated) business activities and financing arrangements denominated in foreign currencies.

Fair value of financial instruments - Financial instruments held to maturity in the normal course of business are recorded at cost or redemption amount as appropriate. The recorded amount is described below as the carrying amount, otherwise known as book value.

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

Management believes the carrying amounts presented for cash and cash equivalents, other receivables and accounts payable are reasonable estimates of fair-value.

PART VI

Additional Information

1. RESPONSIBILITY

The Directors of the Company whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY

- 2.1 The Company was incorporated in England and Wales on 18 February 2004 as a public company under the Companies Act 1985 with the name Finlaw One plc and with registered number 5048549. On 16 April 2004 by a special resolution, it was resolved that the Company's name be changed to Hambledon Mining Plc.
- 2.2 The Company's registered office is at 179 Great Portland Street, London W1W 5LS.
- 2.3 The Company is subject to the provisions of the Act.
- 2.4 The liability of the members is limited.
- 2.5 On 19 April 2004 the Registrar of Companies issued the Company with a certificate to commence business pursuant to Section 117 of the Act.
- 2.6 The accounting reference date of the Company is 31 December.

3. SHARE CAPITAL OF THE COMPANY

- 3.1 The authorised and issued share capital of the Company at (i) the date of this document, and (ii) at Admission, is/will be as follows:

		<i>Authorised</i>		<i>Issued and to be issued fully paid</i>	
		<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
(i)	950,000	950,000,000	Ordinary Shares	149,765.33	149,765,328
	50,000	50,000	Redeemable Shares	50,000	50,000
(ii)	950,000	950,000,000	Ordinary Shares	199,765.33	199,765,328
	50,000	50,000	Undesignated Shares	—	—

- 3.2 The Company was incorporated with an authorised share capital of £50,000 divided into 50,000 ordinary shares of £1 each of which two were issued as subscriber shares and subsequently transferred to Salix. On 16 March 2004, by a special resolution, it was resolved that:
- 3.2.1. the share capital of the Company be increased from £50,000 to £1,000,000 by the creation of 900,000 ordinary shares of £1 each and 50,000 redeemable shares of £1 each.
- 3.2.2. following such increase, each issued and unissued ordinary share of £1 each in the capital of the Company be sub-divided into 1,000 ordinary shares of 0.1 pence each.
- 3.2.3. the Directors be generally and unconditionally, for the purposes of Section 80 of the Act, authorised to allot relevant securities up to an aggregate nominal amount of £999,998 such authority to expire on 17 March 2009 save that the Company may, at any time before such expiry, 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 such authority had not expired.

- 3.2.4. The Directors be empowered pursuant to Section 95 of the Act to allot equity securities as if statutory rights of pre-emption did not apply to any such allotment provided that such power be limited to the allotment of equity securities in connection with (i) future rights issues and (ii) otherwise than pursuant to the above up to an aggregate nominal amount of £999,998. This authority expires at the conclusion of the next annual general meeting of the Company, or fifteen months after the date of such authority, if earlier, save that the Company may at any time before such expiry make an offer or agreement which would or might require equity securities to be allotted for cash after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred had not expired.
- 3.3 On 3 June 2004, 149,763,328 Ordinary Shares were issued to the shareholders of Hambledon Mining Company Limited in consideration for the transfer to the Company of the entire issued ordinary share capital of Hambledon B.V.I. such Ordinary Shares being issued and allotted credited as fully paid, thereby making Hambledon B.V.I. a wholly owned subsidiary of the Company.
- 3.4 On 16 April 2004, 50,000 Redeemable Shares were issued fully paid to Salix, in order to enable the Company to meet the requirements of the Act as regards minimum paid up share capital. Following the Placing, the Redeemable Shares will be fully paid and then redeemed at par out of the net proceeds of the Placing. Upon redemption, the issued Redeemable Shares will automatically be cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of such shares.
- 3.5 As at the date of this document and on Admission, so far as the Directors are aware, the only persons who are directly or indirectly interested in more than 3 per cent. of the Ordinary Shares are, and will be, as follows:

<i>Name</i>	<i>At the date of this document</i>		<i>At Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>per cent. of issued Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>per cent. of issued Ordinary Shares</i>
Salix	119,962,426	80.1	119,962,426	60.05

- 3.6 Save as disclosed in this document:
- 3.6.1 no share or loan capital of any member of the Group is under option or is agreed conditionally or unconditionally to be put under option;
- 3.6.2 no issue of Ordinary Shares will be made which will effectively alter the control of the Company without the prior approval of the Company in general meeting.
- 3.7 The Company does not have in issue any security not representing share capital and there are no outstanding convertible securities issued by the Company.

4. DIRECTORS' AND OTHER INTERESTS

- 4.1 The names of the Directors and their functions are given below:

George Eccles, *Non-executive Chairman*

Nicholas Bridgen, *Chief Executive*

Randall Pyper, *Technical Director*

Chris Thomas, *Non-executive Director*

Alzhan Shomaev, *Non-executive Director*

all of 179 Great Portland Street, London W1W 5LS.

- 4.2 The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the Act, in the issued share capital of the Company as at 3 June 2004 (being the latest practicable date prior to the posting

of this document) which have been notified to the Company pursuant to section 324 of the Act or are required to be entered into the register of Directors' interests maintained under the provisions of section 325 of the Act, or could with reasonable diligence, be ascertained by the Directors, together with the percentages which such interests represent of the ordinary shares in issue are as follows:

Shareholdings

<i>Name</i>	<i>At the date of this document</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>per cent. of issued Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>per cent. of issued Ordinary Shares</i>
Nicholas Bridgen	89,859,997	60.00	89,859,997	44.98
Alzhan Shomaev	30,102,429	20.10	30,102,429	15.07
Christopher Thomas	2,743,520	1.83	2,743,520	1.37

Note: The beneficial interest of Nicholas Bridgen is derived from his ownership of Salix. The beneficial interest of Alzhan Shomaev is derived from a holding of Existing Ordinary Shares held by Salix on trust for him.

- 4.3 Save as disclosed herein, no Director (or member of his family) has any interest, beneficial or non-beneficial, in the share capital of the Company.
- 4.4 Save as disclosed herein none of the Directors has or has had an interest in any transaction effected by any shareholder of the Company which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which was effecting during the current year or any earlier financial year and remains in any respect outstanding or unperformed.
- 4.5 The aggregate of the remuneration granted to the Directors in respect of the Company's current financial year is estimated, under the arrangements in force at the date of this document, to be approximately £167,000.
- 4.6 There will be no variation in the total emoluments receivable by the Directors as a result of the Placing.
- 4.7 Save as disclosed therein, there are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors.
- 4.8 The services of the Directors are provided to the Company under the following agreements:
 - (i) On 4 June 2004 Salix entered into an agreement with the Company to provide the full time services of Nicholas Bridgen as Chief Executive of the Company. The Company will pay Salix an annual payment (subject to review) of £120,000 plus health insurance for Nicholas Bridgen and his family in consideration of the services of Nicholas Bridgen. In addition, a cash bonus of up to £100,000 is payable on the earlier of 10 June 2006 or upon the Group securing finance of not less than £2 million in cash (before expenses). The agreement is for an initial period of 12 months from the date of Admission and continues thereafter until terminated by either party giving to the other not less than 6 months' notice in writing;
 - (ii) On 4 June 2004 Kappes, Cassiday & Associates, Australia Pty Ltd entered into an agreement with the Company to provide the full time services of Randall Pyper as the Technical Director of the Company. The Company will pay Kappes, Cassiday & Associates Pty Ltd an annual payment (subject to review) of approximately £88,900 plus health insurance for Randall Pyper and his family. A cash bonus of up to approximately £27,800 is payable on the earlier of 10 June 2006 or upon the Group securing finance of not less than £2 million in cash (before expenses). The agreement is for an initial period of 12 months from the date of Admission and continues thereafter until terminated by either party giving the other not less than 6 months' notice in writing. The Company has agreed to grant an option to Randall Pyper to subscribe for 1,200,000 Ordinary Shares at the Placing Price, exercisable on the earlier of 10 June 2006 or upon the Group securing finance of not less than £2 million in cash (before expenses) such option to expire 24 months thereafter. Randall Pyper may not dispose of such option shares prior to the first anniversary of Admission;

- (iii) On 4 June 2004 George Eccles entered into an appointment letter with the Company pursuant to which he is appointed as Non Executive Chairman of the Company for an annual payment (subject to review) of £27,500. The appointment is for an initial period of 6 months from the date of Admission and continues thereafter until terminated by either party giving to the other not less than 3 months' notice in writing;
- (iv) On 4 June 2004 Chris Thomas entered into a letter of appointment with the Company pursuant to which he is appointed as a Non-executive Director of the Company for an annual payment (subject to review) of £20,000. The appointment is for an initial period of 6 months from the date of Admission and continues thereafter until terminated by either party giving to the other not less than 3 months' notice in writing.
- (v) On 4 June 2004 Alzhan Shomaev entered into a letter of appointment with the Company pursuant to which he is appointed as a Non-executive Director of the Company for an annual payment (subject to review) of £20,000. The appointment is for an initial period of 6 months from the date of Admission and continues thereafter until terminated by either party giving to the other not less than 3 months' notice in writing.
- 4.9 In consideration of the Company entering into the arrangements with Salix and Kappes Cassidy referred to above ("the Engagement") Nicholas Bridgen and Randall Pyper respectively have each entered into an agreement with the Company, under which (amongst other things) they undertake obligations of confidentiality and agree not to compete with the Company for 6 months following termination of the Engagement (save in respect of Randall Pyper, who shall nevertheless be entitled to undertake mining consultancy activities).
- 4.10 Save for the Company, the Directors currently hold the following directorships, and have or have held the following directorships within the five years prior to the publication of this document, and are currently partners, or have been partners within the five years prior to the publication of this document, of the following firms or partnerships:

<i>Name</i>	<i>Current Directorships and Partnerships</i>	<i>Past Directorships and Partnerships</i>
George Eccles	None	Deloitte & Touche
Nicholas Bridgen	Hambledon Mining Company Limited Salix Limited Ferro-Alloy Resources Limited	Sylas (UK) Limited
Randall Pyper	Kappes, Cassidy & Associates Australia Pty. Ltd.	None
Chris Thomas	Proximity London Limited The Institute of Practitioners in Advertising	The Marketing Society Limited Lowe & Partners Limited Lintas International Limited Ammirati Puris Lintas Limited APL Group Limited Addition Marketing Group Limited Addition Communications Limited Brilliant Pictures Limited The Line Limited Still Price Court Twivy D'Souza Limited
Alzhan Shomaev	TOO Kasean Hambledon Mining Company Limited Salix Limited	NCH Advisors

4.11 No Director has:

- (i) any unspent convictions in relation to indictable offences;
- (ii) had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- (iii) been a director of a company or a partner in any firm, at the time or within 12 months preceding any of the following events, had a receiver appointed; or went into compulsory liquidation; or creditors voluntary liquidation; or went into administration; or entered into any company or partnership voluntary arrangements; or made any composition or arrangement with its creditors;
- (iv) been a partner in any partnership which has been placed in liquidation, administration or been the subject of a voluntary arrangement whilst he was a partner in that partnership or within the 12 months preceding such events;
- (v) been the owner of any asset which was placed into receivership or a partner in any partnership which had an asset placed in receivership whilst he was a partner in that partnership or within the 12 months preceding such events;
- (vi) had any public criticism against him by any statutory or regulatory authority (including recognised professional bodies); or
- (vii) been disqualified by a court from acting as a director or acting in the management or conduct of the affairs of any company.

5. PREMISES

The head office of DTOO Sekisovskoye is at Office 504, 164 Kabanbay Batyr, Almaty 480012, Kazakhstan.

6. SUBSIDIARIES

The Company's subsidiaries are as follows:

- 6.1 Hambleton Mining Company Limited: This company is a wholly owned subsidiary and was incorporated on 9th May 1997 in the British Virgin Islands with company reference number 230758. The registered office of this company is at the offices of Moore Stephens International Services (BVI) Limited, PO BOX 3186, Road Town, Tortola, British Virgin Islands. The authorised share capital of Hambleton Mining Company Limited is US\$50,000 divided into 5,000,000 ordinary shares with a par value of US\$0.01 per share of which 360,008 are issued and are held by the Company.
- 6.2 DTOO Sekisovskoye, is wholly owned by Hambleton Mining Limited. It was formed as a subsidiary of AOA Poisk and was later re-registered under its present structure on 25 March 1999 under certificate number 7216-1917-Too (IU).

7. LICENCE AND RESOURCE CONTRACTS OF DTOO SEKISOVSKOYE

In accordance with the Constitution of Kazakhstan and the Subsurface Law, the subsurface, including useful minerals, is owned by Kazakhstan. As such, in order to explore, extract and dispose of (sell domestically or internationally) the minerals contained in the Deposit, DTOO Sekisovskoye obtained or will obtain certain permits, licences, and government approvals, the details of which are summarised below.

- 7.1 On 18 July 1995 the Kazakhstan Ministry of Geology and Subsurface Protection issued a licence class MG# 374 to The Cooperative of Prospectors "Poisk" for the geological examination and production of gold and silver ore at the Deposit.
- 7.2 On 11 November 1998, Poisk petitioned the Government to transfer the licence of 18 July 1995 to Mining Enterprise Sekisovskoye Ltd., a Subsidiary of Poisk. In decree number 1392 of 13 December 1998 the Government permitted the re-issuance of the licence class AI number 374D (the "Licence") in favour of Mining Enterprise Sekisovskoye Ltd., a subsidiary of Poisk. The Licence was re-issued on 20 May 1999.

- 7.3 In 1999 Hambleton B.V.I. acquired 100 per cent. ownership of Mining Enterprise Sekisovskoye Ltd. and reregistered the company as DTOO Mining Enterprise Sekovskoye Limited Liability Partnership, Subsidiary of Hambleton B.V.I. The re-registration was effective on 25 March 1999.
- 7.4 The Licence grants DTOO Sekisovskoye the exploration and mining rights to the Deposit. The Licence, which expires on 18 July 2020, identifies the location and specifications of the Deposit, and the spatial boundaries to be exploited. The Deposit occupies approximately 85.5 hectares adjacent to the Village of Sekisovka, approximately 40 kilometres from Ust Kamenogorsk, the capital of the East Kazakhstan. Region

The mining rights are set out in the Subsoil Use Contract, signed by DTOO Sekisovskoye with the Government of Kazakhstan in 2000 and subsequently modified by the “Supplement Number 1 to the Subsoil Use Contract” signed in 2003. The Subsoil Use Contract provides that once DTOO Sekisovskoye declares a commercial discovery the exclusive right to commercially extract gold and silver is valid until 18 July 2020, so long as the appropriate further amendments to the Subsoil Use Contract are consummated. The Subsoil Use Contract permits the Group to declare a commercial discovery as late as 20 October 2004.

The original Subsoil Use Contract provided for the right to explore for gold and silver at the Deposit until 20 October 2002. On 18 September 2000 Kazakhstan issued Decree 1408, which extended the period and right to explore the Deposit until 20 October 2004. Supplement Number 1 to the Subsoil Use Contract confirmed this extension.

Tax conditions are set out in the Subsoil Use Contract and Supplement Number 1 to the Subsoil Use Contract which also include provisions to preserve the original economic balance of the parties to the contract.

The Licence also includes provisions related to the following:

A requirement that the terms and procedures for restitution of the Deposit area as well as requirements for an efficient subsurface utilisation, subsurface and environmental protection, and safety standards. There are further requirements to engage Kazakh mining specialists and local labour and provide organisation skills training. There is also an explicit statement that the period of validity may be prolonged by a determination of an authorised body, provided that licence terms are being fulfilled.

The Licence is not transferable or assignable without the consent of the competent authority designated by the Government of Kazakhstan, however the Licence may be transferred without consent to an affiliate or subsidiary organisation if DTOO Sekisovskoye guarantees the fulfillment of the Licence obligations by the affiliate or subsidiary.

Subsoil Use Contract and Supplement Number 1

The Licence required that DTOO Sekisovskoye enter into a contract concerning the exploration and subsequent extraction of gold and silver ore at the Deposit with a competent authority designated by the Government of Kazakhstan. In satisfaction of that requirement, DTOO Sekisovskoye entered into the Subsoil Use Contract with the Investments Agency of the Republic of Kazakhstan on 20 October 2000. On 24 October 2003, a Supplement Number 1 related to the Subsoil Use Contract was concluded.

The Subsoil Use Contract entitles DTOO Sekisovskoye to perform exploration and subsequent extraction of useful minerals within the geographic area as defined in the Licence and the Subsoil Use Contract. The Subsoil Use Contract does not allow the production of gold or silver ore for commercial purposes. Current extraction of useful minerals is limited to extraction for testing purposes only. The Subsoil Use Contract provides that if DTOO Sekisovskoye discovers gold or silver ore deposits suitable for commercial production, it will immediately inform the Ministry of Energy and Mineral Resources and prepare a work programme for reserves valuation and getting necessary information for determination of the profitability of the Deposit.

The Subsoil Use Contract is valid until 18 July 2020 and may be extended. The Subsoil Use Contract and Supplement Number 1 thereto currently require that DTOO Sekisovskoye complete the exploration phase by 20 October 2004. In the event that DTOO Sekisovskoye fails to declare a commercial discovery prior to

October 2004 it could be determined in material breach of the Subsoil Use Contract and put the Licence at risk.

Once DTOO Sekisovskoye declares a commercial discovery under the Subsoil Use Contract, it has the exclusive right to move to the extraction stage after concluding a supplementary agreement to the Subsoil Use Contract and preparing the necessary work programme.

Under the terms of the Subsoil Use Contract DTOO Sekisovskoye is also obligated to:

Pay royalties for testing, exploration and extraction of gold and silver, pay a commercial discovery bonus, pay taxes and pay fines for any inappropriate use of the subsurface, establish a fund for site restoration subsequent to the development of the Deposit and fund professional training of local employees.

The Subsoil Use Contract provides that the historical costs reimbursement required to be made to the Government of Kazakhstan is US\$3,278,484 and the scheduling of repayments is to be agreed with the competent authority of the Government of Kazakhstan.

The Ministry of Energy & Mineral Resources is entitled to suspend exploration under the Subsoil Use Contract in the event of non-performance, performance which deviates from the terms of work programme specified in the agreement or in the event of systematic violations of provisions in the agreement related to the protection of the subsurface and environment or safety requirements.

The Subsoil Use Contract is governed by the laws of Kazakhstan. Disputes under the contract that cannot be settled by means of negotiations are referred to the national courts of Kazakhstan.

Easement Contract

DTOO Sekisovskoye entered into an easement contract on 17 July 2003 with the Akim of the Sekisovskoye rural district (the “Easement Contract”). The Easement Contract permits the use of the land plot for research works including geological without revoking land plots from private owners and land users and further provides for expansion in accordance with the terms of the Subsoil Use Contract.

Environmental Permits & Approvals

DTOO Sekisovskoye is required to perform environmental monitoring of its activities according to the Subsurface Use Contract and the Law of Kazakhstan.

A minerals user is obliged to provide the state environmental assessor with all pre-project and project documentation containing an evaluation of the impact of planned activities on the environment and documentation together with a specification of the “Environmental Protection” measures planned for the exploration and production periods, including closure of the subsurface operations and conservation of the field development.

Once DTOO Sekisovskoye begins exploitation activities at the Deposit with respect to a commercial discovery, it will need to obtain several permits from various authorities in Kazakhstan including but not limited to:

natural use permit (annual);

licence for special water use;

environmental pollution permits.

8. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business) had been entered into by the Company in the two years immediately preceding the date of this document and are or may be material:

- 8.1 The Licence, Subsoil Use Contract, Supplement Number 1 and the Easement Contract as summarised in paragraph 7.

- 8.2 the placing agreement dated 28 May 2004 between the Seymour Pierce (1), Hambledon (2), the Directors (3) and Salix (4) pursuant to which Seymour Pierce agreed conditionally upon, *inter alia*, Admission taking place by no later than 15 June 2004 (or such later date as the Company and Seymour Pierce may agree) to use its reasonable endeavours to procure placees for the Placing Shares at the Placing Price. Under the terms of the Placing Agreement the Company has agreed to pay Seymour Pierce a corporate finance fee of £125,000 and a commission of 4 per cent. of the value of the New Ordinary Shares subscribed at the Placing Price. The fee and commission payable to Seymour Pierce may be satisfied in whole or in part by the issue of up to 5,000,000 Ordinary Shares treated as fully paid up.

The Placing Agreement contains certain representations, warranties and (in respect only of the Company) an indemnity in favour of Seymour Pierce given by the Company and the Directors together with provisions which enable Seymour Pierce to terminate the Placing Agreement in certain circumstances prior to Admission, including (amongst other matters) circumstances where any warranties are found to be untrue or inaccurate in any material respect.

Under the terms of the Placing Agreement the Directors and Salix have agreed not to dispose of any of their interests in any Ordinary Shares, and to use their reasonable endeavours to procure that persons connected with them within the meaning of the Act do not dispose of any of their interests in Ordinary Shares, (other than with the prior written consent of Seymour Pierce and in certain specified circumstances including the acceptance of a general offer for the Company) held by them before the first anniversary of the date of Admission and for the twelve month period thereafter to only dispose of such interests following consultation with the Company's nominated advisor and through the Company's broker;

- 8.3 a share exchange agreement dated 3 June 2004 made between Salix Limited and the shareholders of Hambledon B.V.I. (1) and the Company (2) pursuant to which the Company acquired the entire issued share capital of Hambledon B.V.I. for a consideration satisfied by the issue and allotment of 149,763,328 new Ordinary Shares, credited as fully paid;
- 8.4 a nominated adviser agreement dated 4 June 2004 made between (1) the Company, (2) the Directors and (3) Seymour Pierce pursuant to which the Company has appointed Seymour Pierce to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay Seymour Pierce an annual fee of £20,000 plus VAT for its services as nominated adviser. The agreement contains certain undertakings and (as regards the Company) indemnities given by (1) the Company and (2) the Directors in respect of, *inter alia*, compliance with applicable laws and regulations. The agreement is for a fixed term of 12 months and subject to termination on 3 months notice by either party thereafter;
- 8.5 a broker agreement dated 4 June 2004 made between (1) the Company, (2) the Directors and (3) Seymour Pierce pursuant to which the Company has appointed Seymour Pierce to act as broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Seymour Pierce an annual fee of £15,000 plus VAT for its services as broker. The agreement contains certain undertakings and (as regards the Company) indemnities given by (1) the Company and (2) the Directors in respect of, *inter alia*, compliance with applicable laws and regulations. The agreement is for a fixed term of 12 months and subject to termination on 3 months notice by either party thereafter.
- 8.6 With a view to creating an orderly market, it is proposed that on or before Admission, the Company and Seymour Pierce enter into a lock-in deed with certain of the existing shareholders of Hambledon under which, conditional upon Admission, such shareholders agree (i) not to dispose of their Ordinary Shares at any time before the first anniversary of Admission (save in certain circumstances) and (ii) for a further period of twelve months following the first anniversary of Admission, such shareholders agree to consult with Seymour Pierce prior to disposing of their Ordinary Shares.

9. MEMORANDUM AND ARTICLES OF ASSOCIATION

- 9.1 The Company's primary object is that of a trading commercial company.

9.2 The Articles of Association of the Company contain provisions *inter alia*, to the following effect:

(a) *Share capital*

The Company may by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate its share capital into shares of larger amounts than its existing shares;
- (iii) cancel any shares which have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (iv) sub-divide its shares, or any of them, into shares of smaller amounts than is fixed by the Memorandum of Association of the Company.

The Company may by special resolution reduce its share capital and any capital redemption reserve and any share premium account in any manner subject to the provisions of the Act. The Company may issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders. Subject to the provisions of the Act and the rights of holders of any class of shares, the Company may purchase its own shares, including redeemable shares.

(b) *Voting*

Subject to any special terms as to voting upon which any shares for the time being may be held, on a show of hands every member who (being an individual) is present in person or by proxy not being himself a member or (being a corporation) is present by its duly appointed representative shall have one vote, and on a poll every member present in person, or by representative, or proxy, shall have one vote for every share in the capital of the Company held by him. A proxy need not be a member of the Company. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice, the shares in question may be disenfranchised.

(c) *Dividends*

The Company may by ordinary resolution in general meeting declare dividends provided that they shall be paid in accordance with the Act and out of profits available for distribution and shall not exceed the amount recommended by the Directors. The Directors may from time to time pay such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Act.

Subject to the rights of persons, if any, holding shares with special dividend rights, and unless the terms of issue otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amount paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is payable. Amounts paid or credited as paid in advance of calls shall not be regarded as paid on shares for this purpose.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years after having been declared shall, if the Directors so resolve, be forfeited and shall revert to the Company.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in the shares of the Company fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may withhold dividends on such shares.

There is no fixed date on which an entitlement to a dividend arises.

(d) *Rights of Redeemable Shares*

Redeemable Shares have no rights to dividends or rights to vote (save in the event of winding-up or failure to redeem) and are redeemable upon notice by the Company, and in any event on the earlier of Admission or 17 March 2009.

(e) *Modification of Rights*

All or any of the special rights for the time being attached to any class of shares for the time being forming part of the capital of the Company may, subject to the provisions of the Act, be varied or abrogated either:

- (i) in such manner (if any) as may be provided by such rights; or
- (ii) in the absence of any such provision, with the consent in writing of the holders of three quarters in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise. To every such meeting all the provisions of the Articles of Association of the Company relating to general meetings or to the proceedings thereat shall, so far as applicable and with the necessary modifications, apply, except that the necessary quorum at any such meeting (other than an adjourned meeting) shall be two persons at least, holding or representing by proxy at least one third in nominal value of the issued shares of the class in question and that any holder of shares of the class in question present in person or by proxy may demand a poll.

(f) *Transferability*

Transfers of Ordinary Shares, which are in registered form, shall be effected in the manner authorised by the Stock Transfer Act 1963. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The Directors may decline to recognise any instrument of transfer unless:

- (i) the instrument of transfer (duly stamped) is deposited at the Company's registered office accompanied by the share certificate for the shares to which it relates and such other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer;
- (ii) the instrument of transfer is in respect of only one class of share;
- (iii) the instrument of transfer is in favour of not more than four transferees; and
- (iv) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid.

Where, in respect of any shares, any registered holder or any person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal value of the issued shares of the relevant class, the Company may prohibit transfers of such shares or agreements to transfer any of such shares.

(g) *Directors of the Company*

Unless otherwise determined by ordinary resolution, the number of directors (other than alternative directors) shall be not less than two and not more than eight. Subject to certain exceptions, a Director shall not vote (or be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest and, if he shall do so, his vote shall not be counted.

Any remuneration paid for the services of the Directors, as fixed by the Company in general meeting, may be divided between the Directors as they shall agree or, failing agreement, equally and shall be deemed to accrue from day to day. The Directors may remunerate a Director who serves on any committee or devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

At each annual general meeting of the Company, one-third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one-third, shall retire. A retiring Director may, if eligible, offer himself for re-election. In addition, any Director who as at the date of the relevant annual general meeting has been in office more than three years since his appointment or last election or who was elected or last elected at the annual general meeting preceding by three years the relevant annual general meeting, and who in either case is not otherwise to retire by reason of the Articles, shall also retire by rotation.

Each Director (other than an alternate director) may appoint another Director or (subject to the approval of a majority of the Directors) any other person to be an alternate director of the Company, and may at any time remove an alternate director so appointed by him from office and, subject to any requisite approval, appoint another person in his place.

The Company may purchase and maintain for any Director insurance against any liability which by virtue of any law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

No person is capable of being appointed a Director of the Company if at the time of the appointment he has attained the age of 70.

(h) *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled share capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the borrowings of the Company and its subsidiaries so as to ensure that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding at any time shall not without previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of either four times the aggregate of the nominal amount of the paid up share capital of the Company and the amount shown as standing to the credit of its capital and revenue reserves as defined in the Articles but excluding certain amounts as defined therein or the sum of £15 million.

(i) *Distribution of assets on liquidation*

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company or any other sanction required by the Act, divide amongst the members *in specie* or in kind the whole or any part of the assets of the Company, those assets to be set at such values as he deems fair. The liquidator may also vest the whole or part of the assets of the Company in trustees on trust for the benefit of the contributories.

(j) *Uncertificated Shares*

The Directors may implement such arrangements as they think fit in order for any class of shares to be held, evidenced and transferred in uncertificated form. The Company will not be required to issue a certificate to any person holding shares in uncertificated form.

10. LITIGATION

Neither the Company nor any of its subsidiaries is or has been engaged in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position nor are any such proceedings pending or threatened.

11. UNITED KINGDOM TAXATION

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the UK for tax purposes, holding Placing Shares as investments and not as securities to be realised in the course of a trade. They do not purport to be comprehensive nor to describe all potential relevant considerations. They are based on current legislation and UK Inland Revenue practice. Any shareholder who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his or her own professional adviser immediately.

UK tax on capital gains

If a shareholder disposes of all or some of his Placing Shares, a liability to tax on chargeable gains may arise, depending on the shareholder's circumstances and available exemptions and reliefs.

UK Stamp duty and duty reserve tax

In general, no stamp duty or stamp duty reserve tax will be payable on the issue of the Placing Shares and their entry into CREST. Any subsequent sale of the Placing Shares and transfer within CREST will be subject to a charge to stamp duty reserve tax of 0.5 per cent. payable by the purchaser.

UK Taxation of dividends

Individual shareholders whose income is within the lower or basic rate bands are liable to tax at 10 per cent. on their gross dividend income. Individual shareholders resident for tax purposes in the UK are entitled to a non-refundable tax credit of an amount equal to 10 per cent. of the aggregate of the dividend and the tax credit. The effect of this is that the tax credit attaching to the dividend will satisfy the income tax liability on UK dividends of an individual shareholder whose income is within the lower or basic rate bands. Shareholders liable to higher rate tax (currently at a rate of 40 per cent.) are liable to tax at 32.5 per cent. on their dividend income and will have further tax to pay equal to 25 per cent. of the net dividend received.

A corporate shareholder resident for tax purposes in the UK will generally not be liable for UK corporation tax on any dividend received from the Company.

UK resident trustees of discretionary or accumulation trusts are liable to income tax on UK company dividends at 32.5 per cent. of the gross dividend. After taking into account the 10 per cent. tax credit, the trustees will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

If you are in any doubt as to our tax position, you should contact your professional adviser without delay.

12. WORKING CAPITAL

The Directors are of the opinion that, having made due and careful enquiry, and taking into account the net proceeds of the Placing and the existing facilities available to the Group, the Group has sufficient working capital for its present requirements, that is for at least 12 months from the date of Admission.

13. GENERAL

13.1 The aggregate expenses of the transfer of shares of Hambledon B.V.I. to the Company, the Placing and Admission, including commissions of £100,000, are estimated at £520,000 including VAT (all of which are payable by the Company).

13.2 The total proceeds expected to be raised by the Placing are £2.5 million. The estimated net proceeds accruing to the Company after deduction of estimated expenses are £1.98 million.

- 13.3 Except as stated in this document, there are no significant investments in progress by the Company.
- 13.4 Except as stated in this document, no exceptional factors have influenced the Company's activities.
- 13.5 Except as stated in this document, the Company is not dependent on any intellectual property rights, licences or particular contracts, where any of these are of fundamental importance to the Company's business.
- 13.6 Deloitte & Touche, Chartered Accountants, have given and not withdrawn their consent to the inclusion in this document of their report and letter and references to their name in the form and context in which they respectively appear.
- 13.7 With reference to regulation 45(8) of Schedule 1 of the POS Regulations and for the purposes of the AIM Rules, Deloitte & Touche accept responsibility in relation to this document for the report set out in Part IV.
- 13.8 With reference to regulation 45(2)(b)(iii) of Schedule 1 of the POS Regulations and for the purposes of the AIM Rules, Deloitte & Touche accept responsibility in relation to this document for the report set out in Part V of this document.
- 13.9 Seymour Pierce has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 13.10 ACA Howe has given and not withdrawn its written consent to the issue of this document with the inclusion in it of their report and letter and references to its name in the form and context in which they respectively appear. With references to and for the purposes of the AIM Rules, ACA Howe accept responsibility in relation to this document for the report set out in Part III.
- 13.11 CRS has given and not withdrawn its written consent to the issue of this document with the inclusion in it of its name and references to its name in the form and context in which it appears.
- 13.12 Adam Wheeler and Robert Dowell have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their names and references to their names in the form and context in which they appear.
- 13.13 Except as disclosed in this document, there has been no significant change in the financial or trading position of the Company since 31 March 2004, the date to which the latest audited financial statements were made up.
- 13.14 Except as disclosed in this document, there has been no significant change in the financial or trading position of Hambledon B.V.I. since 31 January 2004, the date to which the latest unaudited financial statements were made up.
- 13.15 The accounting reference date of the Company is 31 December.
- 13.16 The Placing Price of 5 pence per New Ordinary Share is at a premium of 4.9 pence for each New Ordinary Share above the nominal value of each New Ordinary Share.
- 13.17 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of Section 240 of the Act.
- 13.18 Save as disclosed below, no person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this document) has in the last 12 months received or is contractually entitled to receive, directly or indirectly, from the Company on or after admission of the New Ordinary Shares, any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or entered into contractual arrangements to receive the same from the Company at the date of Admission:
- (i) £115,000 payable to Salix following Admission in respect of loans made to Hambledon B.V.I. and accrued interest;

- 13.19 There is no Director or member of a Director's family who has a related financial product referenced to Ordinary Shares.
- 13.20 There has been no significant change in the financial position of Hambledon BVI since 31 January 2004 which is the date to which the most recent audit results of Hamledon BVI have been prepared.
- 13.21 As the Placing is fully underwritten, there is no minimum amount which must be raised by the Company pursuant to the Placing.
- 13.22 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 15 June 2004 application monies will be returned to the applicants at their risk without interest.
- 13.23 Share Certificates representing the New Ordinary Shares are expected to be despatched to holders who do not wish to receive their New Ordinary Shares in uncertificated form by post at their risk within five business days of Admission, temporary documents of title will not be issued in connection with the Placing.
- 13.24 The Directors will apply for the Existing Ordinary Shares and New Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the Existing Ordinary Shares and New Ordinary Shares will be enabled for settlement in CREST following Admission. Placees who are system members (as defined in the Regulations) may elect to have their New Ordinary Shares allocated to them in uncertificated form through CREST.

14. AVAILABILITY OF THIS DOCUMENT

Copies of this document will be available from the date of this document free of charge to the public on any week day (Saturdays, Sundays and public holidays excepted) at the offices of Seymour Pierce, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL and at the offices of Finers Stephens Innocent, Solicitors, 179 Great Portland Street, London W1W 5LS until at least one month from Admission.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the offices of Finers Stephens Innocent, 179 Great Portland Street, London W1W 5LS during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the period of 14 days from the date of this document:

- (i) the Memorandum and Articles of Association of the Company;
- (ii) the reports by Deloitte & Touche set out in Parts IV and V of this document;
- (iii) the A C A Howe report set out in Part III of this document;
- (iv) the English translations referred to in paragraph 7 in this Part VI and the material contracts referred to in paragraph 8 of this Part VI;
- (v) the letters of consent referred to in paragraph 13 of this Part VI;
- (vi) the Directors' service contracts and appointment letters referred to paragraph 4.8 of this Part VI;
- (vii) each of the agreements between the Company and Nicholas Bridgen and Randall Pyper as referred to in paragraph 4.9; and
- (viii) this document.

Dated: 4 June 2004.