This document comprises a Prospectus relating to Peter Hambro Mining Plc (the **Company**) and has been prepared in accordance with the Prospectus Rules of the Financial Services Authority (**FSA**) made under section 73A of FSMA, has been filed with the FSA and has been made available to the public as required by the Prospectus Rules.

This Prospectus is being made available to Shareholders for information purposes only and does not require any action to be taken by Shareholders of the Company. This Prospectus does not constitute an offer or invitation to any person to subscribe for or purchase any securities in the Company or any other entity.

Application has been made to (i) the FSA for all of the Ordinary Shares issued, and to be issued pursuant to the Aricom Acquisition (the New Ordinary Shares), and the Warrants to be issued pursuant to the Warrant Offer (together, the PHM Securities), to be admitted to the Official List of the FSA (Official List) and (ii) the London Stock Exchange plc (London Stock Exchange) for the PHM Securities to be admitted to trading on its Main Market for listed securities (together Admission). Admission is conditional on the Scheme becoming effective which is expected to take place on 22 April 2009. Admission to trading on the London Stock Exchange constitutes admission to trading on a regulated market. It is expected that Admission of the PHM Securities will become effective and that dealings will commence in the PHM Securities on the London Stock Exchange, at 8.00 a.m. (London time) on 22 April 2009. The Ordinary Shares are currently admitted to trading on the AIM Market of the London Stock Exchange (AIM). Upon Admission, trading of the Ordinary Shares on AIM will be cancelled.

The Company and its Directors, including those Directors to be appointed at Admission, (whose names appear on page 32 of this Prospectus) accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors, including those Directors to be appointed at Admission, (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Your attention is drawn to the risk factors in relation to the Enlarged Group on pages 13 to 31 of this Prospectus.

PETER HAMBRO MINING PLC

(Incorporated in England and Wales with Registered No. 4343841)

Prospectus
Admission to the Official List and to trading on the Main Market of the London Stock Exchange in connection with the acquisition of Aricom Plc

J.P. Morgan Cazenove Limited	*Canaccord Adams Limited*
Financial Adviser and Joint Sponsor	***Joint Sponsor***

Expected share capital immediately following Admission[1]

Ordinary Shares of £0.01 each

Authorised		*Issued and fully paid*	
Number	*Amount*	*Number*	*Amount*
350,000,000	£3,500,000	171,084,037	£1,710,840

Number of Warrants in issue immediately following Admission: 8,312,500

1 Assumes no exercise of the Convertible Bonds. The number of issued Ordinary Shares may be lower as any fractional entitlements of Aricom shareholders who receive New Ordinary Shares will be disregarded under the terms of the Aricom Acquisition.

On Admission, all the Ordinary Shares in issue will rank *pari passu* in all respects including for all dividends declared, made or paid on the Ordinary Shares after Admission (other than those dividends which are made or paid after Admission but declared prior to Admission to which holders of the New Ordinary Shares are not entitled). The Ordinary Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended, (the **Securities Act**) or under the securities laws of any state, district or other jurisdiction of the United States, Canada, Japan, Russia or Australia, or any other jurisdiction and no regulatory clearances in respect of the Ordinary Shares have been, or will be, applied for in any jurisdiction other than the United Kingdom.

J.P. Morgan Cazenove is acting as financial adviser for the Company and J.P. Morgan Cazenove and Canaccord Adams, both of which are authorised and regulated by the FSA in the United Kingdom, are jointly acting as sponsors for the Company and no-one else in connection with Admission and, in each case, will not be responsible to anyone other than the Company for providing protections afforded to clients of J.P. Morgan Cazenove and Canaccord Adams respectively or providing advice in relation to Admission or any other matters described in this Prospectus.

Apart from responsibilities and liabilities, if any, which may be imposed on J.P. Morgan Cazenove or Canaccord Adams by the FSMA or the regulatory regime established thereunder, neither J.P. Morgan Cazenove nor Canaccord Adams accept any responsibility whatsoever, and make no representation or warranty express or implied, for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by either of them, or on behalf of either of them, in connection with the Company, the PHM Securities or Admission. J.P. Morgan Cazenove and Canaccord Adams accordingly disclaim to the fullest extent permitted by law all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above) which either of them might otherwise have in respect of this document or any such statement.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult their own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

None of the US Securities and Exchange Commission, any other US federal or state securities commission or any US regulatory authority has approved or disapproved of the PHM Securities nor have such authorities reviewed or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

TABLE OF CONTENTS

SUMMARY

This summary should be read as an introduction to the Prospectus. Investors should read the whole of this Prospectus and not just rely upon key or summarised information. Any decision to invest in the Company should be based on the consideration of this Prospectus as a whole by the investor and not just this summary. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for the summary including any translations of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus.

1. Introduction

On 6 February 2009, the independent board committees of Aricom and the Company announced that they had reached agreement on the terms of a recommended all-share offer for Aricom by the Company under which all of the issued share capital of Aricom would be acquired by the Company. The Aricom Acquisition is being implemented by means of a scheme of arrangement of Aricom pursuant to Part 26 of the 2006 Act and Aricom will become a wholly-owned subsidiary of the Company on completion of the Scheme which is expected to take place on 22 April 2009.

2. Summary description of the Enlarged Group

The Enlarged Group will be focused on the acquisition, exploration, development and production of mineral deposits with a current focus on the precious metal deposits of the Peter Hambro Mining Group in Russia and the development of the iron ore assets of the Aricom Group as and when the iron ore market and project finance markets recover. The Enlarged Group's principal operations will be located in the Amur Region in the Far East of Russia, where the Peter Hambro Mining Group has operated since 1994. The Enlarged Group will be active (itself or through joint ventures) in other areas of Russia including the Evreyskaya Avtonomnaya Oblast (**EAO**) and the Yamal, Buryatia, Magadan, Chita, Irkutsk and Sakha regions.

The Enlarged Group's gold operations will be focussed on its Pokrovskiy and Pioneer producing mines, Malomir (a development project), and its exploration projects at the Pokrovskiy Satellite Deposits area and the Albyn, Tokur and Osipkan deposits, all of which are in the Amur Region, and the Novogodnee Monto and Petropavlovskoye deposits in the Yamal Region. Its primary iron ore assets will be Kuranakh and Garinskoye in the Amur Region and the Kimkanskoye and Sutarskoye iron ore deposits (**K&S**) in the EAO.

Enlarged Group's principal assets

Peter Hambro Mining Group principal assets

Project	*Description*	*Region*	*Status*	*Interest*
Pokrovskiy	Gold deposit & silver bi-product	Amur	In production	98.61%
Pokrovskiy Satellite Deposits	Gold deposit & silver bi-product	Amur	Expected to be in production in 2012	98.61%
Pioneer	Gold deposit & silver bi-product	Amur	In production	98.61%
Malomir	Gold deposit	Amur	Expected to be in production in second half of 2010	98.61%
Albyn	Gold deposit	Amur	Expected to be in production in 2011/2012	100%
Tokur/Osipkan	Gold deposit	Amur	Expected to be in production in 2009	100%

Aricom Group principal assets

Principal asset	*Description*	*Region*	*Status*	*Interest*
Kuranakh	Titanomagnetite and ilmenite deposits	Amur	Advanced development	100%
K&S	Iron ore; direct reduced iron	EAO	In development	100%
Garinskoye	Iron ore	Amur	In development	99.58%
Garinskoye Flanks	Iron ore	Amur	Pre-drilling stage	100%
Kostenginskoye	Iron ore	EAO	Pre-drilling stage	100%
Bolshoi Seym	Titanomagnetite deposit	Amur	In exploration	49 %
Titanium Sponge JV	Titanium sponge	Jiamusi City, China	In development	65%

3. Key strengths

The Directors believe that the Enlarged Group will have a number of key strengths. These include:

- Regional and management experience;
- Established portfolio of production and exploration assets;
- Location in the Amur Region and the EAO;
- Geology – the majority of the assets are located on and around a geological belt along the Mongol-Okhotsk line in the Amur Region and the Malokhingansky iron ore belt in the EAO;
- Established revenue of the Peter Hambro Mining Group;
- Low operating costs;
- Infrastructure; and
- Diverse asset base.

4. Strategy

The Enlarged Group's strategy will be to create shareholder value through participation in the full development cycle of mining projects, from greenfield site to production, and thereafter through continued profitable operation. The Directors intend to maintain and build on the position of the Peter Hambro Mining Group as a leading gold producer, developer and explorer in Russia. In the near term, the Enlarged Group will pursue growth of gold production while continuing to evaluate opportunities to finance the development of its large iron ore assets once project finance and iron ore markets recover.

5. Summary financial information

The tables below provide summary financial information in relation to the Peter Hambro Mining Group and the Aricom Group.

Peter Hambro Mining Group
Summary consolidated income statement data

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Group revenue	381,688	226,397	157,807
Net operating expenses	(294,577)	(144,962)	(106,892)
Fair value change on derivatives	(18,307)	(12,100)	–
Share of results of joint ventures	(1,261)	(1,821)	(173)
Operating profit	67,543	67,514	50,742
Financial income	7,709	3,776	6,137
Financial expenses	(34,864)	(16,105)	(11,764)
Taxation	(17,643)	(15,560)	(12,742)
Profit for the year	22,745	39,625	32,373

Summary consolidated balance sheet data

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Total non-current assets	655,581	474,348	363,147
Total current assets	183,551	278,927	142,787
Total assets	839,132	753,275	505,934
Total current liabilities	(306,202)	(66,405)	(38,829)
Total non-current liabilities	(190,604)	(344,014)	(157,051)
Total liabilities	(496,806)	(410,419)	(195,880)
Net assets	342,326	342,856	310,054
Total equity	(342,326)	(342,856)	(310,054)
Total equity and liabilities	(839,132)	(753,275)	(505,934)
Minority interest	(6,412)	(5,950)	(11,815)
Net debt	(388,680)	(175,427)	(79,469)

Summary consolidated cash flow statement data

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Net cash from operating activities	22,553	40,108	34,465
Net cash used in investing activities	(193,234)	(122,799)	(134,213)
Net cash from financing activities	22,243	195,503	15,034
Net (decrease)/increase in cash and cash equivalents	(148,438)	112,812	(84,714)

Aricom Group
Summary income statement data

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Revenue	9,674	4,938	–
Cost of sales	(6,009)	(3,153)	–
Impairment	(386,450)	–	–
Gross (loss)/profit	(382,785)	1,785	–
Net administrative expenses	(30,947)	(24,462)	(7,476)
Share of associates and joint ventures	406	(59)	–
Operating loss	(413,326)	(22,736)	(7,476)
Investment revenues	15,532	21,453	5,043
Finance costs	(23,224)	(602)	(122)
Tax (charge)/benefit	(5,582)	1,996	(135)
Net (Loss)/profit from ordinary activities	(426,600)	111	(2,690)

Summary balance sheet data

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Total non-current assets	468,189	569,768	424,122
Total current assets	310,493	594,681	115,195
Total assets	778,682	1,164,449	539,317
Total current liabilities	(16,175)	(13,174)	(11,813)
Total non-current liabilities	(4,641)	(8,879)	(99)
Total liabilities	(20,816)	(22,053)	(11,912)
Net assets	757,866	1,142,396	527,405
Total equity	(757,866)	(1,142,396)	(527,405)
Total equity and liabilities	(778,682)	(1,164,449)	(539,317)
Minority interest	(4,326)	(15,927)	(178,762)
Net debt/(cash)	257,822	406,687	89,668

Summary cash flow statement data

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Net cash outflow from operating activities	(51,948)	(12,866)	(8,457)
Net cash outflow from investing activities	(70,023)	(281,759)	(65,017)
Net cash inflows from financing activities	73	610,038	153,015
Net increase/(decrease) in cash	(121,898)	315,413	79,541

6. Reasons for moving to the Main Market

The Directors consider the Main Market to be the most appropriate platform for the continued growth of the Enlarged Group following the completion of the Aricom Acquisition. Specifically, the Directors anticipate that trading on the Main Market may raise the Enlarged Group's profile, increase the liquidity in its Ordinary Shares and enable the Ordinary Shares and the Warrants to be acquired by a wider group of investors.

7. Current trading and prospects

On 20 April 2009, the Company released its preliminary results for the year ended 31 December 2008 in which it reported underlying EBITDA for the year ended 31 December 2008 of US$136 million, an increase of 53 per cent. compared to the previous year. Operating profit increased by 7 per cent. to US$87 million over the same period. In addition, production increases of gold demonstrated the strength of the Group's economic success and supported the likelihood of achieving the target production growth for 2009. The global economic uncertainty has driven demand for physical gold and this has propelled the price of gold in most markets. Against this backdrop, the Company's success in bringing new production on-stream and in finding additional gold makes the Company's prospects good for 2009.

On 6 March 2009, the Company released its annual production plan update. Gold production is expected to grow strongly in 2009 to between 460,000 oz and 510,000 oz. Drivers of future production growth are expected to be: the ramp-up of the high grade Pioneer project, with produced grades at Andreevskaya; Malomir phasing to be optimised to maximise value, with the high-grade non-refractory Quartzitovoye zone scheduled for early development; Albyn expected to start full production in 2012 and five additional projects (Zeltunak, Tokur, Aprelskaya, Yamal and Osipkan) to be in production within three to five years.

The Company is currently benefiting from the strengthened gold price and recent Rouble devaluation, falling input costs and increasing production are expected to offset the effects of Russian inflation.

On 6 March 2009, Aricom announced its results for the year ended 31 December 2008. The Aricom Group, which is currently in its development phase, recognised revenue from operations of US$9.7 million (2007: US$4.9 million) and operating losses of US$413.3 million (2007: US$22.7 million). Due to the current world economic crisis, as with many other mining companies, the board of Aricom reviewed Aricom's portfolio of assets and provided for impairment where it considered it prudent to do so. Consequently, an impairment provision of US$386.4 million was recognised by the Aricom Group for the year ended 31 December 2008.

The Aricom Group expects to have fully commissioned the Kuranakh and Olekma plants and to commence production and sales of concentrate during 2009. The Aricom Group also expects to incur expenditure on its iron ore projects at a level that allows for a later development of the K&S and Garinskoye assets while observing commercial and legal requirements for the preservation of the licences. The rationale for this strategy is to preserve the inherent value in, and the ability to accelerate development of, these projects once the project finance and iron ore markets recover.

8. Significant change

Save for the issue of 16 million Shares (the net proceeds of which were US$100.0 million) and purchase of US$87.0 million Exchangeable Bonds on 10 February 2009, there has been no significant change to the financial or trading position of the Peter Hambro Mining Group since 31 December 2008, being the latest period for which audited financial information in relation to the Peter Hambro Mining Group was published.

The Aricom Acquisition when it completes (which is expected to take place on 22 April 2009) will constitute a significant change for the Peter Hambro Mining Group.

There has been no significant change to the financial or trading position of the Aricom Group since 31 December 2008, being the latest period for which audited financial information in relation to the Aricom Group was published.

9. Working Capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of this Prospectus.

10. Risk factors

The following is a list of the material risks known to the Directors as at the date of this Prospectus relating to the Enlarged Group and to an investment in the PHM Securities (for further details please refer to the section entitled "Risk Factors" on pages 13 to 31 of this Prospectus).

Risks relating to the Company as enlarged by the Aricom Acquisition

Legal and regulatory risks

- Russian foreign investment legislation may impact transactions by, and investments in, the Enlarged Group
- New foreign investment legislation may prevent the exploration and development of new or existing projects of the Peter Hambro Mining Group
- Risks relating to the legal and regulatory environment in general
- Risks associated with litigation
- Risks relating to the Russian legal system and Russian legislation

Country–specific risks

- Risks relating to the jurisdictions in which the Peter Hambro Mining Group and Aricom Group operate
- External perceptions of Russia relating to foreign policy and of crime and corruption
- Economic instability in Russia
- Fluctuations in the global economy may adversely affect Russia's economy
- Risks relating to social instability in Russia
- Risks associated with international operations of the Enlarged Group
- Risks relating to the Aricom Group's operations in China

Financial risks

- The Enlarged Group is dependent on revenue from key mines of the Peter Hambro Mining Group
- The Enlarged Group may not be able to finance its future planned capital expenditure in the longer term
- The profitability of the Enlarged Group's operations and the cash flows generated by its operations will be affected by changes in the market price for relevant metals and related products
- Currency risk

Operational risks

- The Enlarged Group's future profitability is dependent on changes in its technology for gold extraction
- The Enlarged Group's operations are subject to the inherent hazards and risks associated with the exploration for and development of mineral deposits
- Risks relating to mine construction and operation

- If the Enlarged Group fails to acquire or find and develop additional reserves, its reserves and production will decline materially from their current levels
- Risks relating to making, integrating and financing of potential future acquisitions
- Risks relating to successful future acquisitions, acquisition of new licences and development of properties and assets
- The Enlarged Group may not be able to manage the expansion of its operations or have the resources to support its operations
- Risks and uncertainties associated with the implementation of new projects and obtaining third party and governmental consents
- The Enlarged Group's joint venture arrangements may not be successful
- Reserves and resources may be subject to restatement
- Payment and other obligations under licences (and related agreements) and contracts may not be complied with which may lead to, at worst, loss of mineral licences
- From time to time some of the Russian group companies may have negative net assets (as defined under Russian accounting standards)
- The Enlarged Group may not be able to recruit personnel or the costs could increase significantly and labour disputes and disruptions could affect the Enlarged Group
- Risks associated with obtaining access rights to mining tenements, land rights and third party rights
- Risks relating to prior reorganisations may lead to litigation or financial burdens for the Enlarged Group
- Operational failures, the impact of climatic conditions and other unscheduled interruptions
- Lack of infrastructure or difficulties with state-owned infrastructure
- Labour risks including health and safety issues
- Dependence on certain key personnel
- Insurance may be inadequate
- Costs of environmental compliance and rehabilitation
- Risks relating to deposits held in banks

Risks in relation to licences, permitting and environmental issues

- Risks relating to the licensing regime and extensions of existing licences
- The Enlarged Group's mineral licences may be challenged
- The Enlarged Group's operations depend on the Enlarged Group's ability to obtain necessary permits
- Environmental risks and compliance with environmental regulations and permitting requirements

Risks relating to the mining industry

- Exploration is highly speculative and involves commercial risks
- Adverse publicity from consumer and environmental groups may damage the Enlarged Group's reputation
- Competition for mineral interests

Risks relating to the shareholder structure

- The Company's largest shareholders will have significant influence over the Enlarged Group's affairs

General risks

- Risks associated with equity securities may lead to investors not realising their investment
- Pre-emption rights may not be exercisable by United States and other non-UK holders of Ordinary Shares
- Shareholdings in the Enlarged Group may be diluted
- Lack of liquidity in Ordinary Shares
- General economic conditions may affect the performance of Ordinary Shares
- Taxation risks

11. Directors

Directors

Name	*Position*
Peter Hambro	Chairman
Dr. Pavel Maslovskiy	Chief Executive
Brian Egan[1]	Chief Financial Officer
Sir Rudolph Agnew	Senior Non-Executive Director
Sir Malcolm Field[1]	Non-Executive Director
Sir Roderic Lyne[1]	Non-Executive Director
Lord Guthrie of Craigiebank	Non-Executive Director
Peter Hill-Wood	Non-Executive Director

1 To be appointed upon Admission. Each existing Director and those to be appointed on Admission accepts responsibility for the information contained in this Prospectus.

RISK FACTORS

The exploration for and development of metals and mineral resources is a speculative activity that involves a high degree of risk. The Directors believe that, in particular, prospective investors should carefully consider the following risks which represent the material risks known to the Directors as at the date of this Prospectus relating to the Enlarged Group and to an investment in the PHM Securities. If any of these risks, which the Directors consider to be the material risks as at the date of this Prospectus, together with possible additional risks of which the Directors are currently unaware or which they consider not to be material in relation to the Company's business, actually occur, the Company's business, financial position or operating results could be materially and adversely affected. It should be noted that this list is not exhaustive and that certain other risk factors of which the Board is not currently aware may apply. The PHM Securities carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade.

1. Introduction

The risks identified below are set out in the following categories:

- risks relating to the Company as enlarged by the Aricom Acquisition (see paragraph 2);
- general risks (see paragraph 3).

2. Risks relating to the Company as enlarged by the Aricom Acquisition

Legal and regulatory risks

Russian foreign investment legislation may impact transactions by, and investments in, the Enlarged Group

On 7 May 2008, legislation was introduced in the Russian Federation regulating foreign investment into strategic sectors of the Russian economy – the Federal Law No. 57-FZ of 29 April 2008 "On the manner of conducting foreign investments into companies having strategic significance for securing the defence of the country and the security of the State" (**New Law**) and Federal Law No 58-FZ dated 29 April 2008 "On introducing amendments in certain legal acts of the Russian Federation and declaring null and void certain provisions of legal acts of the Russian Federation in connection with the adoption of the Federal Law on the manner of conducting of foreign investments into companies having strategic significance for securing the defence of the country and the security of the State" (**Amendment Law** and together with the New Law, the **Laws**). The New Law imposes restrictions on the acquisition by foreign investors of direct or indirect interests in strategic sectors of the Russian economy, including in respect of gold reserves in excess of a specified amount or any occurrences of platinum group metals (**PGMs**).

At the present time, none of the assets of the Peter Hambro Mining Group or the Aricom Group have been included on the inaugural list of Strategic Areas published by the Russian Government. However, on the basis of the Amendment Law, each of the licence areas in which the Pioneer and Malomir deposits are located could, at some point in the future, be classified as a subsoil area of federal significance (a **Strategic Area**). If either is so classified, then OAO Pokrovskiy Rudnik (**Pokrovskiy Rudnik**), as the company owning the main Pokrovskiy and Pioneer deposit licences, and ZAO Malomirskiy Rudnik (**Malomirskiy Rudnik**), as the company owning the Malomir deposit licence, would be considered Strategic Entities.

At the present time, some of the effects of the Laws are difficult to predict, but the Laws may, depending on the circumstances, adversely affect investment transactions in Russia including those made historically by the Peter Hambro Mining Group or the Aricom Group or to be made by the Enlarged Group. The impact of the Laws could adversely affect the Enlarged Group and its business, in particular, as set out in the remainder of this risk factor.

The New Law could adversely affect the amount of Ordinary Shares that an investor may acquire without obtaining the consent of the Russian strategic commission if such acquisition would lead to an investor (or its group) directly or indirectly acquiring control of a member of the Enlarged Group which is classified as a Strategic Entity. In relation to such categories of acquisitions, the New Law includes a fairly broad and, in some cases, unclear definition of what amounts to control and so the degree of control which would require the obtaining of consent is, in some cases, uncertain. Any ancillary legislation which may clarify this has not yet been brought into force.

Although the New Law does not specifically impose a notification obligation where a foreign investor holds a five per cent. or more interest in a licence-holder which was not a Strategic Entity on the date on which the New Law was brought into force, it may be the case that the Company is required or advised to notify the relevant authorities in any event. This would particularly be the case if a member of the Enlarged Group (e.g. Pokrovskiy Rudnik in relation to the Pioneer deposit and/or Malomirskiy Rudnik in relation to the Malomir (central deposit) deposit) becomes newly regarded as a Strategic Entity where that was previously not the case. The anticipated ancillary regulations are expected to clarify this matter.

The New Law regulates transactions in respect of interests in Strategic Entities. Certain officials from the Russian authorities have informally argued that the consent mechanisms in the New Law may also apply if an entity becomes a Strategic Entity due to the implementation of new provisions relating to, or the amendment of existing provisions of, the Laws. It is not clear whether these views reflect those of the relevant authorities, but they may suggest that proposals could be made to amend the New Law in this way. If that was to be the case, an existing foreign shareholder may then be required to obtain the necessary consents in respect of its prior investment in that entity despite there being no "transaction" as defined by the New Law. Given the fact that in the foreseeable future the Pioneer and/or Malomir (central deposit) licence areas might be classified as Strategic Areas, this may become an issue for Pokrovskiy Rudnik and/or Malomirskiy Rudnik. Whilst those assets may become subject to the Laws or consent provisions thereunder, the Company is not aware of any specific material threat to these assets or to any of the Enlarged Group's other assets from the Russian foreign investment legislation. As at 1 January 2009, Pioneer had 117 tonnes of Class C_2 reserves and Malomir and flanks had 115 tonnes of Class C_2 reserves out of a total of 300 tonnes Class C_2 reserves held by the Peter Hambro Mining Group. These figures will be filed on the State Balance during the course of 2009 and 2010 whereupon each of the Pioneer and/or Malomir licence areas may become Strategic Areas if they exceed the requisite size.

As outlined above, the provisions of the Laws are likely to impact upon the Enlarged Group in the future and, depending upon the circumstances, the impact could adversely affect the Enlarged Group and its business, in particular by affecting any programme of acquisitions or disposals of the Enlarged Group and/or by affecting the acquisition of control of the Enlarged Group.

The new foreign investment legislation may prevent the exploration and development of new or existing projects of the Peter Hambro Mining Group

The new legislation relating to foreign investment permits the Russian Government to prevent the exploitation of a Strategic Area with a deposit which contains reserves of vein gold of 50 tonnes or more (a **Strategic Gold Deposit**), or the occurrence of a platinum-group metal deposit, each as in the context of the Law of the Russian Federation No. 2395-1, "On Subsoil", dated 21 February 1992, as reissued and amended (the **Subsoil Law**), on the grounds of a threat to state security. Where the relevant mineral licence is a combined licence, the Russian Government has power to terminate such licence. Where the relevant mineral licence is an exploration (prospecting) only licence, the authorities can refuse to issue an extraction or "exploration and development licence" to the relevant company. The New Law does not apply to exploration and extraction licences which were issued before the Commencement Date.

In relation to its principal assets on which production has not yet commenced, the Peter Hambro Mining Group currently holds: (a) an exploration and extraction licence for Malomir (central deposit); (b) combined licences for the Albyn and Yamalzoloto (Novogodnee Monto) projects and (c) exploration (prospecting) licences for the occurrences of gold mineralization around the Pokrovskiy mine, Malomir and Yamalzoloto (Petropavlovskoye) projects. Any compensation payable under the new Russian legislation as a consequence of preventing the Peter Hambro Mining Group from exploiting a newly discovered deposit may not adequately reflect the value of the asset and may take considerable time to obtain. Whilst those licences may become subject to the foregoing provisions of the Subsoil Law, the Company is not aware of any specific material threat to these licences or any of the Enlarged Group's other licences from the Subsoil Law.

Risks relating to the legal and regulatory environment in general

The exploration and extraction activities of the Peter Hambro Mining Group and Aricom Group are subject to various laws governing prospecting, development, production taxes, labour standards, occupational health, site safety, toxic substances and other matters. Although the Directors believe that the exploration, development and production activities of the Peter Hambro Mining Group and Aricom Group are currently carried out in accordance with all applicable rules and regulations relevant to the current stage of development and that they hold all necessary approvals, licences and permits under those laws and regulations for their current activities, no assurance can be given that new rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development. Amendments to current laws and regulations governing operations and activities of exploration for and extraction of mineral resources, or more stringent implementation thereof, could have a material adverse impact on the business, operations and the financial performance of the Enlarged Group.

Risks associated with litigation

Legal proceedings may arise from time to time in the course of the Enlarged Group's business. The Directors cannot prevent litigation being brought against the Enlarged Group or any of its subsidiaries in the future. There have been occasions in Russia where litigation has been used as a means of creating difficulties for companies operating in the natural resources sector including by environmental activists and persons with competing business interests.

For details of litigation currently involving the Aricom Group see paragraph 14 of Part XII – "Additional Information" of this Prospectus.

Risks relating to the Russian legal system and Russian legislation

Weaknesses in the Russian legal system and Russian legislation could create an uncertain environment for investment and for business activity. Russia is still developing the legal framework typically required by a market economy. Several fundamental Russian laws have only recently become effective. The recent implementation of much of Russian legislation and the rapid evolution of the Russian legal system place the enforceability and underlying constitutionality of some laws in doubt and result in ambiguities, inconsistencies and anomalies. In addition, Russian legislation often leaves substantial gaps in the regulatory infrastructure and delays may occur in the production of necessary ancillary or subordinate legislation.

The risks of the current Russian legal system include:

- legal norms, at times, overlapping and contradicting one another;
- lack of independence in the judicial system, judicial precedents not having binding effect on subsequent decisions and court decisions not being readily available to the public;
- limited judicial and administrative guidance on interpreting Russian legislation;
- conflicting views and judgments as regards the interpretation of and the effect of Russian law in a number of key areas which affect investment in Russia, including in relation to joint ventures and legal relationships between participants in joint ventures;
- difficulties in enforcing arbitral awards under the 1958 Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the New York Convention) (arbitral awards under this convention, while enforceable in Russia, can be subjected to procedural delays and re-examination of the subject matter);
- the relative inexperience of judges in interpreting new Russian business legislation, particularly relating to capital markets, companies, corporate governance and investor protection;
- a high degree of discretion on the part of governmental authorities; and
- bankruptcy procedures that are not well developed and are subject to abuse.

All of these weaknesses could affect the Enlarged Group's ability to enforce its rights under contracts or statutes, or to defend itself against claims by others.

These uncertainties also extend to property rights. During Russia's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property and investments made by a foreign investor against expropriation and nationalisation. However, it is possible that due to the lack of experience in enforcing these provisions and due to political changes, these protections would not be enforced by a Russian court in the event of an attempted or actual expropriation or nationalisation.

Expropriation or nationalisation of, the Enlarged Group's assets or portions thereof, potentially with inadequate or no compensation, could have a material adverse effect on the Enlarged Group. In such a scenario, the Enlarged Group might have no remedy under protections afforded to a foreign investor by customary international law or relevant international treaties or, if it had a remedy, might not be able or willing to enforce its rights or might not be able to enforce any award that it obtained.

The Russian companies in the Enlarged Group are required by Russian law and their constituent documents to obtain the approval of disinterested directors or shareholders for certain transactions with "interested parties". Under Russian law, the definition of an "interested party" is widely drawn and rules for transactions with interested parties can extend to intra-group transactions, with shareholders in a group potentially being disenfranchised from voting. This could on occasion result in minority shareholders being able to preclude Enlarged Group companies from carrying on activities which they would otherwise wish to undertake. In addition, the concept of "interested parties" is defined by reference to the concepts of "affiliated persons" and "group of persons" under Russian law, which are subject to different interpretations. Moreover, the provisions of Russian law defining which transactions must be approved as "interested party" transactions are subject to different interpretations. In view of this uncertainty, the Enlarged Group cannot be certain that its application of these concepts will not be subject to challenge. Any such challenge could result in the invalidation of transactions that are important to the Enlarged Group's business. High-profile cases against or involving major multinational companies (including major foreign companies or joint ventures involving such companies operating in the natural resources sectors) and their employees have caused concern in relation to the investment climate in Russia and no assurances can be given that these cases will not affect the public perception both of investment in Russia and foreign investment into Russia.

Country–specific risks

Risks relating to the jurisdictions in which the Peter Hambro Mining Group and Aricom Group operate

The Enlarged Group may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors or foreign policy in the areas in which the Peter Hambro Mining Group and Aricom Group operate or will operate and hold or will hold their major assets, as well as other unforeseen matters. The jurisdictions in which the Peter Hambro Mining Group and Aricom Group operate may in some cases have less established judicial systems, a more volatile political environment and/or more challenging trading conditions than in some other parts of the world. Unlawful, selective, discriminatory or arbitrary government action could have a material adverse effect on the Enlarged Group's business and prospects. The Peter Hambro Mining Group and Aricom Group are subject to a broad range of taxes payable at federal, regional and local levels, including but not limited to income tax, mineral extraction taxes, royalty tax, sales tax, property tax, social taxes and road use tax. Laws related to these taxes, such as the Russian Tax Code, have been in force for a short period relative to tax laws in more developed market economies; therefore, the implementation of these tax laws by different tax authorities and courts is often unclear and/or inconsistent. Accordingly, few precedents with regard to the interpretation of these laws have been established. The Peter Hambro Mining Group and Aricom Group have sought, and the Enlarged Group will seek, legal and tax advice and to comply with all the relevant tax laws and regulations to the best of their abilities. However, no assurances can be made that tax authorities and/or courts will apply various tax laws and regulations in a manner which is consistent with that taken by companies in the Enlarged Group. If the tax authorities and/or courts adopt a different interpretation of various tax laws and regulations, the Enlarged Group may have to pay significantly higher taxes or may suffer from the imposition of additional burdens and costs on the Enlarged Group's operations, including on management resources, which could have a material adverse effect on the Enlarged Group's business.

The principal assets of the Peter Hambro Mining Group and Aricom Group are located in Russia, a country which is still developing from a command to a market-driven economy. While this process of change is establishing in Russia a business environment which is influenced by the western-style business environment, there are still substantial differences between the Russian economy and the market-driven economies which are found in other countries with long histories and experience of such an economy. These differences include the development in Russia of a model often described as "state capitalism", business sentiments referred to as "Russian nationalism", a lack of transparency and the apparent use of state power in relation to commercial businesses and relations between such businesses. In the past, but less so recently, Russia has suffered from a volatile financial system and political and economic instability. All these factors could adversely affect the Enlarged Group and its operations. Ethnic, religious, historical, social and other divisions have, on occasion, given rise to tensions, armed conflict and terrorist activity.

Any spread of violence or terrorism, or political measures taken to counter them, could hinder the operation and the expansion of the Enlarged Group's business. Various recent developments in Russia, including the tightening of state control over the economy, have caused some concern in relation to the investment climate in the country (particularly as regards foreign investment) and no assurances can be given that various steps taken or being debated in the Russian Government will not affect foreign investment into Russia or the public perception thereof.

External perceptions of Russia relating to foreign policy and of crime and corruption

External perceptions of Russia with respect to the treatment of non-Russian businesses and media coverage of matters of foreign policy and of crime and corruption could affect the Enlarged Group's ability to raise finance in the longer term and otherwise affect its business.

Economic instability in Russia

Since the Russian banking sector crisis in 1998, the economic environment in Russia has improved but there can be no assurance that recent improvements in the Russian economy, such as the increase in the gross domestic product, will not be abruptly reversed. Moreover, the recent fluctuations in international gold prices and iron ore prices, the fluctuation of the Rouble against the US Dollar and the consequences of a relaxation in monetary policy, or other factors, could adversely affect Russia's economy and the Enlarged Group's business in the future.

Fluctuations in the global economy may adversely affect Russia's economy

Russia's economy has recently become increasingly dependent on global economic trends and is more vulnerable to market downturns and economic slowdowns elsewhere in the world, as well as to reductions and fluctuations in the prices of hydrocarbons and minerals. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy and the Enlarged Group's business.

Risks relating to social instability in Russia

There is a growing polarisation of wealth in Russian society which could lead to labour and social unrest and may have adverse political, social and economic consequences. Any of these could restrict the Enlarged Group's operations and lead to the loss of revenue and/or value of the Enlarged Group's securities.

Risks associated with international operations of the Enlarged Group

The Peter Hambro Mining Group has made investments outside Russia, primarily in Venezuela, and the Aricom Group has made investments outside Russia, primarily in China. The Enlarged Group may make further international investments in the future. There are a number of potential risks inherent in doing business in markets outside Russia, including the following:

- unfavourable or unfamiliar political or economic factors (including political or economic instability);
- currency controls;
- fluctuations in foreign currency exchange rates;
- potentially adverse tax consequences;

- unexpected legal or regulatory changes;
- difficulties in recruiting and retaining personnel, and managing international operations; and
- less developed infrastructure.

Any inability of the Enlarged Group to manage successfully the risks in its international activities could adversely affect its business, financial condition and operating results. In addition, while the Enlarged Group may expand its business worldwide as and when opportunities arise and increase sales, because of the risks associated with conducting an international operation (including the risks listed above), there can be no assurance that any expansion will be successful or have a positive effect on its financial results and condition.

Risks relating to the Aricom Group's operations in China

Aricom is targeting the Chinese market for a significant proportion of its future sales. A decline in Chinese demand, and/or an increase in Chinese domestic production or other competition, could adversely affect the Enlarged Group's performance and prospects. Similarly the imposition of export controls in Russia or import controls in China could adversely affect the Enlarged Group's operations. The Enlarged Group will also be exposed to the state of diplomatic relations between Russia and China.

Financial risks

The Enlarged Group is dependent on revenue from key mines of the Peter Hambro Mining Group

In 2007, 2008 and to date in 2009, a substantial portion of the Peter Hambro Mining Group's revenues and cash flows were derived from sales of gold mined at Pokrovskiy and Pioneer, and the Directors expect that these mines will continue to provide a substantial portion of the Enlarged Group's operating revenues and cash flows in at least the short-to-medium-term. Consequently, the Enlarged Group's results of operations, cash flows and financial condition could be materially and adversely affected by fluctuations in the price of gold realised by Pokrovskiy Rudnik or the Enlarged Group or by the failure of Pokrovskiy and Pioneer to produce the expected amounts of gold.

The development plan at Pioneer is gradual and the ramp-up of production may take longer to reach its designed capacity than is currently expected.

Gold production from the Pioneer mine commenced in April 2008. Work is continuing on the addition of the second circuit at Pioneer, which is expected to commence production in the second half of 2009. Construction of infrastructure is currently continuing as planned. However, the Directors cannot guarantee that the project will continue to develop on time and on budget. If the project experiences any delays or cost overruns, this could have a material adverse effect on the Enlarged Group's business, financial condition or results of operations.

Malomir is the next project of the Peter Hambro Mining Group to be put into production and it is expected that the commissioning of the Malomir mine will take place in the second half of 2010. It is intended that the Malomir project will commence works processing non-refractory material similar to Pokrovskiy ore for three and a half years after the mine commissioning; this material is later expected to be substituted by refractory material from the main deposit. This will require in 2012 the introduction of pressure oxidisation processing methods. The Directors cannot make any guarantees that production will commence on time and on budget. If the project experiences any delays or cost overruns, this could have a material adverse effect on the Enlarged Group's business, financial condition or results of operations.

The Enlarged Group may not be able to finance its future planned capital expenditure in the longer term

In addition to operating expenses, the Enlarged Group's business will, in the longer term, require significant capital expenditure, including in relation to exploration and development, production, transport and meeting the Enlarged Group's obligations under environmental laws and regulations.

The Enlarged Group may finance a substantial part of this longer term capital expenditure through equity financing and/or from external borrowings subject to the negative pledge restrictions in the Convertible Bonds and the Exchangeable Bonds. However, no assurance can be given that the Enlarged Group will be able to raise the financing required for the Enlarged Group's planned capital expenditure in the longer term, on a secured basis or otherwise, on acceptable terms or at all. If the Enlarged Group is unable to raise the necessary financing, the Enlarged Group will have to reduce its long term planned capital expenditure. Any such reduction could adversely affect the Enlarged Group's ability to carry out long term mineral exploration programmes and/or to appraise or develop any of its mineral resources. If the reductions are severe enough, the Enlarged Group may not be able to commence or continue operations at one or more of its licensed territories.

The Enlarged Group's ability to obtain outside financing in the longer term will depend in part upon the price of minerals and the industry's perception of the minerals' (including gold, iron ore and related products) future price and other factors outside the Enlarged Group's control.

The profitability of the Enlarged Group's operations and the cash flows generated by its operations will be affected by changes in the market price for relevant metals and related products, which in the past have fluctuated significantly

Although the Enlarged Group's anticipated GIS cash operating costs, GIS total cash costs and GIS total production costs at Pokrovskiy are each expected to be relatively low by world standards, the Enlarged Group's ability to achieve or maintain earnings, pay dividends in the future and undertake capital expenditure may be affected in the event of a sustained material fall in the price of gold and/or related products. There can also be no assurance that the Enlarged Group's actual costs (including GIS cash operating costs, GIS total cash costs and GIS total production costs) will not be higher than currently anticipated.

The majority of the Peter Hambro Mining Group's revenues and cash flows have historically come from the sale of gold. Traditionally, the market price for gold has fluctuated significantly and has been affected by numerous factors, over which the Peter Hambro Mining Group has no control, including:

- the demand for gold for industrial uses and for use in jewellery;
- international or regional political and economic trends;
- the strength of the US Dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- speculative activities;
- price and availability of new technology;
- actual or expected purchases and sales of gold bullion holdings by central banks or other large gold bullion holders or dealers;
- hedging activities by gold producers; and
- the production and cost levels for gold in major gold-producing nations.

In addition, the current demand for, and supply of, gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has tended to retain its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions, and individuals hold large amounts of gold as a store of value, and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price.

If gold prices should fall below and remain below the Enlarged Group's cost of production for any sustained period, the Enlarged Group may experience losses and may be forced to curtail or suspend some or all of its mining operations. In addition, the Enlarged Group would also have to assess the economic impact of low gold prices on its ability to recover any losses it may incur during that period and on its ability to maintain adequate reserves.

Under Russian law, the Peter Hambro Mining Group has the right to export freely its refined product in exchange for hard currency payment. There is no developed system for sales of gold produced by Russian producers directly onto the international markets and should any of the Russian banks purchasing the gold terminate current gold sales arrangements with the Peter Hambro Mining Group for any reason whatsoever the Enlarged Group will have a short period of uncertainty until new gold sales arrangements are put in place and, accordingly, the Enlarged Group's financial performance could suffer. There is no guarantee that the Enlarged Group will be able to make new arrangements for sales of gold on similar or equivalent terms.

The Enlarged Group's revenues could also be materially affected should the Government or the Central Bank of Russia (**CBR**) re-impose price regulation for precious metals. Should this happen, there is no guarantee that the prices set by the CBR for such sales will not be lower than the market price of gold.

The Aricom Group's earnings are intended to be principally derived from the mining and processing of metal bearing ores and are therefore related to the market prices of such metals and related products. Iron, iron ore and titanium dioxide are currently trading at levels that are significantly lower than during recent years, and there is no certainty that these prices will be maintained or increase back to previous levels. Although the Aricom Group's anticipated costs of mining and production are expected to be relatively low by world standards, the Enlarged Group's ability to achieve or maintain earnings, pay dividends in the future and undertake capital expenditure may be affected if the price of iron, iron ore and titanium dioxide remain at current levels.

As a result of this sustained fall in price of the relevant metals and/or related products, the Aricom Group has already suspended sales of pre-concentrate at its Kuranakh operations and is assessing the timing for the development of its other projects.

Currency risk

The Company reports in US Dollars, being the currency in which gold is principally traded and therefore in which most of its revenue is generated. A large part of the Enlarged Group's operating expenses will be denominated in Roubles and a substantial portion will also be denominated in pounds Sterling. The Rouble has depreciated against the US Dollar over the last nine months. The same period has also seen a decline in the value of Sterling relative to the US Dollar. The Company's financial condition and results of operations could be adversely affected by changes in the exchange rates between the currencies in which it operates.

Operational risks

The Enlarged Group's future profitability is dependent on changes in its technology for gold extraction

Historically, the Peter Hambro Mining Group has used heap leach and resin-in-pulp (**RIP**) recovery routes at Pokrovskiy to extract gold from mined ore. The Enlarged Group's level of profitability, results of operations and financial condition are dependent on the continued ability satisfactorily to operate the RIP plant. The consistency of the head grade of ore processed through the mill and heap leach operations can affect the productivity and profitability of that process. It is expected that both the Pioneer and Malomir mines will, by 2014 and 2012 respectively, need to switch to pressure oxidation methods for gold recovery. Technical failure or delays in their implementation could have a material adverse effect on the Enlarged Group's profitability at these mines.

The Enlarged Group's operations are subject to the inherent hazards and risks associated with the exploration for and development of mineral deposits

Any metals exploration programme entails risks relating to the location of economically viable ore bodies or gold deposits, the development of appropriate metallurgical processes, the receipt of necessary governmental permits and the construction of mining and processing facilities. The geology in which vein gold occurs can make evaluations of the potential size of deposits especially difficult to determine, as the veins in which they occur have inherently unpredictable characteristics. No assurance can be given that any minerals exploration programme will result in any new commercial mining operation or in the discovery of new resources.

Other hazards and risks include unusual and unexpected geological formations, rock falls, flooding and other climatic conditions, any one of which could result in damage to, or destruction of, the Enlarged Group's facilities, damage to life or property, environmental damage or pollution and legal liability which could have a material adverse impact on the business, operations and financial performance of the Enlarged Group. Although precautions to minimise risk will be taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks.

As is common with all exploration ventures, there will also be uncertainty and therefore risk associated with the Enlarged Group's operating parameters and costs. These can be difficult to predict and will often be affected by factors outside the Enlarged Group's control. With all metal and mineral operations there is uncertainty and, therefore, risk associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Metal and mineral exploration is speculative in nature and there can be no assurance that any potential deposits discovered will result in an increase in the Enlarged Group's mineable resource base. In addition, it may take many years from the initial phase of exploration and drilling before production is possible. During this time, the economic feasibility of exploiting a discovery may change as a result of changes in metal and/or mineral market prices.

Risks relating to mine construction and operation

Mine construction work can involve considerable cost and raises a range of environmental issues. Costs associated with rehabilitation of areas which have been mined, disturbed land and addressing environmental, health and community issues upon closure of operations are estimated and provided for based on the most current information available. Estimates may, however, be insufficient and/or further issues may be identified. Any underestimated or unidentified closure costs will reduce earnings and could have a material adverse effect on the company's business, results of operations, financial condition and prospects.

For example, in relation to the construction of the mine at the Malomir deposit, the siting of project infrastructure may require the construction of a diversionary channel. Notwithstanding the Sukonir river's reported 'disturbed' status, it will be important to ensure that water quality does not deteriorate as a result of the Enlarged Group's operations. Failure to prevent the deterioration of the water quality may have adverse consequences for the Enlarged Group, particularly with respect to Rosprirodnadzor, the Russian environmental agency. In addition, WAI and the relevant feasibility study recommend that an Environmental and Social Impact Assessment be conducted to ensure compliance with the Equator Principles and IFC Performance Standards, which, if and when implemented, may have cost implications for the Enlarged Group's development of the Malomir deposit and therefore potentially affect the financial performance of the Enlarged Group.

If the Enlarged Group fails to acquire or find and develop additional reserves, its reserves and production will decline materially from their current levels

Except to the extent that the Enlarged Group conducts successful exploration and development activities or acquires further licences and/or properties containing reserves or both, the Enlarged Group's reserves will decline as gold and iron ore are produced. In addition, the volume of production from the properties generally declines as reserves are depleted. The Enlarged Group's future production growth is dependent upon its success in finding or acquiring and developing additional reserves. If the Enlarged Group is unsuccessful in this, the Enlarged Group's total reserves and production will decline, which would adversely affect the Enlarged Group's results of operations and financial condition.

Risks relating to making, integrating and financing potential future acquisitions

The Peter Hambro Mining Group and Aricom Group have expanded operations in Russia significantly through development and acquisitions since (in the case of the Peter Hambro Mining Group) the first gold was extracted from the Pokrovskiy mine in 1999, and it expects to continue to do so in the future. To the extent that the making of future acquisitions relates to the acquisition, directly or indirectly, of voting shares in entities which hold mineral licences in respect of Strategic Areas and such acquisition is dependent upon obtaining the consent of the Russian Federal Anti-Monopoly Service as the competent authority in relation to the New Law and the Amendment Law (**FAS** or the **Competent Authority**), the Enlarged Group's rate of expansion could slow and the Enlarged Group's results of operations and financial condition could suffer.

Moreover, regardless of any legal impediments, the Enlarged Group may, in relation to the process, encounter serious delays and costs due to any procedural and other administrative difficulties. Additionally, the ability of the Enlarged Group to participate in licence tenders or auctions could be restricted in the future if the Russian Government decides to exercise certain of the new powers it has been given under the new foreign investment legislation to restrict the participation of companies under foreign control in such tenders or auctions. In addition, the integration of businesses and operations acquired in the past, and of businesses that the Enlarged Group may acquire in the future, requires significant time and effort of senior management, who are also responsible for managing existing operations. Some of the businesses or licences that the Peter Hambro Mining Group and Aricom Group have acquired and may in future acquire, require or may require substantial capital investments to be made in order to maximise their economic potential to Shareholders.

The Enlarged Group may not be able to manage the expansion of its operations or have the resources to support its operations

There can be no assurance that the Enlarged Group will be able to manage effectively the expansion of its mining operations or that the current personnel, systems, procedures and controls of the Peter Hambro Mining Group and Aricom Group will be adequate to support the Enlarged Group's mining operations. Any failure of management to manage effectively the Enlarged Group's growth and development could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Risks and uncertainties associated with the implementation of new projects and obtaining third party and governmental consents

Implementation of the projects outlined in this Prospectus will in most cases require, *inter alia*, conclusion of agreements with third parties and government consents. There is no certainty that any of these will be achieved. In addition a number of risks and uncertainties are associated with the development of these types of projects, including political, regulatory, design, construction, labour, operating, technical and technological risks, uncertainties relating to capital and other costs.

Thus, there is no certainty that these projects can be implemented or that they will be successful if they were to be implemented. In pursuing the proposed projects, the Enlarged Group may find itself in competition with companies with more substantial resources or with Russian-owned companies which are not subject to the constraints of the new foreign investment legislation. This risk is especially relevant to the Aricom Group, which has had limited business activity to date and whose mining interests have not yet been fully developed into commercial production.

Any failure or delay in the implementation of any of these projects could have a material adverse effect on the Enlarged Group's business, financial condition or results of operations.

The Enlarged Group's joint venture arrangements may not be successful

The Peter Hambro Mining Group and Aricom Group are involved in a number of joint ventures. There are special risks involved in joint ventures by their nature, in particular that relevant counterparties may:

- have different economic or business goals;
- take action contrary to the policies or objectives of the other party with respect to its investments, for example by vetoing proposals on operations; or
- as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations.

Any of these may have a material adverse effect on the results of operations, financial condition or prospects of the Enlarged Group through operational issues arising or the delay or non-completion of joint venture development projects. Also, the termination of any or all of the joint venture arrangements could have a material adverse effect on the results of operations, financial condition or prospects of the Enlarged Group.

Reserves and resources may be subject to restatement

The reserve and resource estimates of the Peter Hambro Mining Group and the Aricom Group are estimates of the reserves and resources in the ground and stockpiles within their existing licence areas. The ore reserve and resource estimates are based on many factors, including:

- the results of exploratory drilling and an ongoing sampling of the ore bodies;
- past experience with mining properties; and
- the experience of the person making the reserve estimates.

Because the ore reserve and resource estimates are calculated based on current estimates of production costs and product prices, they should not be interpreted as assurances of the economic life of the deposits or the profitability of the Enlarged Group's future operations. Reserve and resource estimates may require revisions based on definitive exploration figures and actual production experience. Furthermore, a sustained decline in relevant market prices could render ore reserves and resources containing lower grades and/or mineralisation uneconomic to recover and ultimately require a restatement of reserves and resources.

Any failure of the reserves and resources to meet recovery expectations may have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Payment and other obligations under licences (and related agreements) and contracts may not be complied with which may lead to, at worst, loss of mineral licences

Licences: under the mineral licences (and related agreements) which are held by the relevant companies in the Peter Hambro Mining Group and Aricom Group or which may be held by them in the future, such companies are or may become subject to payment and other obligations. If such obligations are not complied with when due to be performed, in addition to any other remedies which may be available to the state authorities, this could result in the loss of such mineral licences.

Contracts: there are contractual agreements to which the companies in the Peter Hambro Mining Group and Aricom Group are, or may in the future become, parties and which relate to direct or indirect interests held by such companies in or in respect of such mineral licences. If the relevant company does not comply with its payment or other obligations under such agreements when they are due to be performed, in addition to any other remedies which may be available to other parties, this could result in dilution or forfeiture of interests held by such companies.

From time to time some of the Russian group companies may have negative net assets (as defined under Russian accounting standards)

There are certain requirements under both the Federal law "On Limited Liability Companies" and the Federal Law "On Joint Stock Companies" that require companies to have net assets that are equal to or more than their charter capital. In common with a number of other groups in the Russian mining and exploration sector, a number of the subsidiaries of the Company and Aricom may have negative net assets, especially those in the early stages of exploration and which are prior to the development, mining and/or production stage and those subsidiaries may voluntarily decide not to rectify the situation. If a company has negative net assets, there is a risk that the Russian tax authorities and other interested parties may bring a claim to liquidate such a company, but there are a number of examples where Russian courts have not upheld such claims, on the grounds that the relevant company has paid its debts as they fell due, and/or has subsequently become profitable and/or has received a capital contribution to render that company's negative net assets positive (under Russian law). However, there is no guarantee that Russian Courts will continue to decide in this way, in which event one or more of the members of the Enlarged Group could be the subject of a court order to be liquidated which would, among other matters, result in the loss of any mineral licence held by such company and result in adverse consequences for the rest of the Enlarged Group. Even if the Enlarged Group does take any necessary steps available to it to remedy this situation to the extent permissible under Russian Law, there can be no certainty that the Russian tax authorities will not seek to bring a claim in any event.

An additional risk exists in respect of any of the joint venture participations of the Peter Hambro Mining Group and Aricom Group, or any other investment which is less than a 100 per cent. subsidiary, which has negative net assets, since there can be no assurance that the partner(s) or the other shareholder(s) in such joint ventures will take the same steps as the Enlarged Group to remedy a deficiency in such joint venture entity's negative net assets in which case their share might have to be funded by the Enlarged Group.

The Enlarged Group may not be able to recruit personnel or the costs could increase significantly and labour disputes and disruptions could affect the Enlarged Group

If the Enlarged Group is unable to recruit the required personnel with the required skills, this could adversely affect the Enlarged Group's investment plans and/or operations, which could in turn adversely affect the Enlarged Group. Significant increases in labour costs could also adversely affect the Enlarged Group.

A substantial number of the Peter Hambro Mining Group's employees are members of the independent trade union for the Peter Hambro Mining Group's subsidiary, Pokrovskiy Rudnik, which is unaligned with any national trade union. The Peter Hambro Mining Group is at risk of having its mining and exploration operations stopped for indefinite periods due to strikes and other labour disputes. Should any labour disruptions occur, the Enlarged Group's operational and financial performance could be materially and adversely affected.

The current collective labour agreement in relation to Pokrovskiy Rudnik is due to expire this year and it is not yet known what the revised terms will be. There can be no guarantee that the agreement will not be renewed on terms which are less favourable than the current agreement or that the agreement will be renewed at all.

Risks associated with obtaining access rights to mining tenements, land rights and third party rights

There may be cases where the Enlarged Group requires additional rights to access or to exploit future mining projects.

In accordance with the Russian legislation and terms commonly included in licence agreements, a licence holder is obliged to obtain rights to the part of the licensed area where certain geological works are carried out. This requires the licence holder to obtain lease agreements and mine allotment acts in respect of those areas to ensure it has all of the required land rights (together, **Land Rights**). The lease agreements must also be registered with the state to be enforceable. If the Land Rights are not obtained, fines can be imposed on licence holders.

Obtaining the required Land Rights can be a long, drawn-out and bureaucratic process for licence holders for reasons beyond their control. The Enlarged Group and its subsidiaries may not always have the required Land Rights at the time of commencing their mining operations or for periods of time where agreements expire in relation to Land Rights.

A failure to obtain Land Rights and any resulting fines may adversely affect the Enlarged Group's operations.

Risks relating to prior reorganisations may lead to litigation or financial burdens for the Enlarged Group

In accordance with Russian legislation, a company may be voluntarily reorganised through the procedure provided for by the law governing Russian limited liability companies and joint stock companies. A reorganisation of a company can be effected in the form of consolidation, merger, division, spin-off or transformation. Members of the Peter Hambro Mining Group and Aricom Group have effected reorganisations by way of merger where the rights and obligations of one company are transferred to another company.

There is often a delay between the time the decision is made by the participant to the time all of the relevant assets (including licences) are transferred to the reorganised company. There is a risk that if the subsidiaries subject to the reorganisation continue to operate there may be certain tax burdens.

There is also a risk that third parties, the participant or creditors may bring a claim based on the non-observance of the merger procedure. The time limitations for each of these are different but can be up to 3 years from the date of the decision. There is a risk that such actions may be brought in the future in relation to reorganisations carried out in the past by members of the Peter Hambro Mining Group and Aricom Group.

Operational failures, the impact of climatic conditions and other unscheduled interruptions

The achievement of the Enlarged Group's operational targets will be subject to the completion of planned operational goals on time and according to budget, and will be dependent on the effective support of the Enlarged Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Enlarged Group.

The location of the deposits of the Peter Hambro Mining Group and Aricom Group means that climatic conditions have an impact on operations and, in particular, severe weather could disrupt operations, including the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and extraction activity levels may fall as a result of meteorological factors.

Unscheduled interruptions in the Enlarged Group's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services may occur and could have a material adverse impact on the financial performance of those operations.

Lack of infrastructure or difficulties with state-owned infrastructure

Although a number of the deposits of the Peter Hambro Mining Group and Aricom Group are in regions with well-developed state infrastructure, some of their assets which are not currently in production are situated in areas lacking some of the necessary infrastructure, which must be developed. The Enlarged Group must invest heavily in the construction of the required mining and auxiliary infrastructure (such as roads, loading terminals, railways connecting to the BAM Railway and/or Trans-Siberian railways and staff living quarters) if the Enlarged Group decides to proceed with the development of these deposits. Construction and operation of this infrastructure will require substantial capital expenditure by the Enlarged Group and no assurance can be given that market conditions will continue to make such investments financially viable.

Kuranakh and Bolshoi Seym are located in close proximity to the BAM Railway, which is operated by a state-owned company, OAO Russian Railways. State-owned infrastructure in Russia largely dates back to Soviet times and much has not been adequately funded and maintained over the last 15-20 years. Particularly affected are the rail and road networks, building stocks and power generation and transmission. Currently, the Russian Government sets rail tariffs and may further increase these tariffs as it has done in the past. The Enlarged Group could be adversely affected by insufficient capacity on the BAM Railway. Although the construction of a cross-border rail bridge in close proximity to K&S may be beneficial to the Enlarged Group's operations, there is no certainty that the necessary funding will be forthcoming for such a bridge to be constructed.

Labour risks including health and safety issues

Certain of the operations of the Peter Hambro Mining Group and Aricom Group are carried out under potentially hazardous conditions. Whilst the Directors intend to continue to operate in accordance with relevant health and safety regulations and requirements, the Enlarged Group remains susceptible to the possibility that liabilities might arise as a result of accidents, fatalities or other workforce-related misfortunes, some of which may be beyond the Enlarged Group's control. The occurrence of any accidents could delay production, increase production costs and/or result in liability for the Enlarged Group.

Dependence on certain key personnel

The Enlarged Group's growth and future success will depend in significant part upon the continued contributions of a number of the Enlarged Group's key senior management and personnel, in particular the Enlarged Group's Chairman and member of the Board of Directors, Peter Hambro, and the Enlarged Group's Chief Executive, Pavel Maslovskiy.

There is no certainty that the services of these key persons will continue to be available to the Enlarged Group and, if the Enlarged Group is not successful in retaining or attracting highly qualified individuals in key management positions, its business may be harmed. The Peter Hambro Mining Group and Aricom Group do not currently maintain "key man" insurance, and, due to the risks associated with doing business in Russia, no assurances can be made that, if the Enlarged Group seeks to obtain such cover in future, it will be able to do so at acceptable rates or at all.

Insurance may be inadequate

The Enlarged Group's insurance coverage may prove inadequate to satisfy future claims against the Enlarged Group or to protect the Enlarged Group against natural disasters or operational catastrophes.

The exploration for and production of metals and minerals including gold and iron ore is hazardous. Natural disasters, operator error or other occurrences can result in spills of hazardous chemicals, explosions, leakage, leaching, cratering, fires and equipment failure, which can injure or kill people, damage or destroy pits, mines or equipment and production facilities, and damage property and the environment. Operations are subject to governmental regulations as well as interruptions or termination by governmental authorities based on environmental and other considerations.

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

The insurance industry in Russia is in a relatively early stage of development and, accordingly, the available cover is relatively limited. Many forms of insurance designed to protect against hazards, common in other parts of the world, are not yet generally available in some of the areas where the Enlarged Group will operate. The Peter Hambro Mining Group and the Aricom Group do not have full coverage for all of their plant and facilities, for business interruption, for third-party liability in respect of property, and for environmental damage arising from accidents on its property or relating to its operations. Until the Enlarged Group is able, or decides, to obtain more comprehensive insurance coverage, there is a risk that losses and liabilities arising from such events could significantly increase its costs and have a material adverse effect on its business, results of operations and financial condition. The Peter Hambro Mining Group and the Aricom Group do not hold any title insurance for their properties. Please also see the risk factor below entitled "The Enlarged Group's mineral licences may be challenged".

Costs of environmental compliance and rehabilitation

The Peter Hambro Mining Group and Aricom Group accrue estimated rehabilitation costs over the operating life of a mine. Estimates of ultimate rehabilitation costs are subject to revision as a result of future changes in regulations and cost estimates. The costs associated with compliance with laws and government regulations may ultimately be material and adversely affect the Enlarged Group's business.

Risks relating to deposits held in banks

Although the majority of the cash and cash equivalents held by the Aricom Group and Peter Hambro Mining Group are deposited with major UK financial institutions with credit ratings of Ba1 or above, for operational reasons, they hold, and the Enlarged Group will continue to hold, deposits with banks in Russia, one of which, a related party, has no official credit rating. Of the US$257 million held by the Aricom Group in deposit and cash accounts as at 31 December 2008, US$19.3 million was held in Asia Pacific Bank, a Russian bank with no credit rating. Of the US$26.4 million held by the Peter Hambro Mining Group in deposit and cash accounts as at 31 December 2008, US$22.4 million was held in Russian banks and of that amount US$4.4 million was held in Asia Pacific Bank.

Risks in relation to licences, permitting and environmental issues

Risks relating to the licensing regime and extensions of existing licences

The Peter Hambro Mining Group's production licences are granted for a defined period as specified in the terms of the relevant licence.

Currently, the Subsoil Law does not provide for an automatic extension of a mining licence to its current holder, but allows the current holder to apply to the licensing authority for the extension of an existing licence provided that it has complied with the terms and conditions of the licence. While the Peter Hambro Mining Group has been successful in renewing and/or extending several of its gold extraction licences in the past, no assurances can be given that the Enlarged Group's licences will be in a position to achieve renewal by way of extension.

While ZAO ZRK Omchak (**Omchak**), in which the Peter Hambro Mining Group has a 50 per cent. interest, has been successful in renewing and/or extending several of its alluvial gold extraction licences in the past, no assurances can be given that Omchak will be able to renew/extend all of its alluvial gold extraction licences in the future.

In connection with any deposit which could become classified as a Strategic Gold Deposit, see also the risk factor above headed "The new foreign investment legislation may prevent the exploration and development of new or existing projects of the Peter Hambro Mining Group" relating to the potential impact of the new foreign investment laws in relation to the award of an extraction/production licence or the continuation of a combined licence.

The Enlarged Group would be adversely affected if any extension or renewal applied for was not granted.

The Enlarged Group's mineral licences may be challenged

Title to some of the properties (including mineral rights) of the Peter Hambro Mining Group and the Aricom Group may be challenged or impugned, and insurance for these rights may not be available or sufficient. The Peter Hambro Mining Group and the Aricom Group do not hold any title insurance for their properties. Each sovereign state is the sole authority able to grant mineral property rights, and the Enlarged Group's ability to maintain extraction rights on some of the Enlarged Group's properties will be dependent on Government policy and rules for use of subsoil. Some of the properties that the Peter Hambro Mining Group and Aricom Group have acquired may be subject to prior claims, and title may be affected by, among other things, undetected defects.

The licensing regime in Russia for the exploration, extraction and production of minerals is governed primarily by the Subsoil Law and regulations promulgated thereunder and the Federal Law on Precious Metals and Precious Stones No.41-FZ dated 26 March 1998 (as amended). The licences of the Peter Hambro Mining Group and Aricom Group provide that they may be revoked if the relevant licence holder fails to comply with any of the licence requirements, such as minimum work commitments or completing work to be carried out by specified milestones, if the relevant licence holder does not make timely payments of levies and taxes for the use of the subsoil, if the relevant licence holder systematically fails to provide information, if the immediate licence holders go bankrupt or are liquidated, or if the relevant licence holder fails to fulfil any capital expenditure or production obligations or both.

The Enlarged Group's operations depend on the Enlarged Group's ability to obtain necessary permits

Generally, compliance with various government regulations will require the Enlarged Group to obtain permits issued by Russian governmental agencies. The Directors cannot predict whether the Enlarged Group will be able to obtain those permits. At Kuranakh, certain permits remain to be obtained. Some permits require periodic renewal or review of their conditions. The Directors cannot predict whether the Enlarged Group will be able to renew these permits or whether material changes in permit conditions will be imposed. Non-renewal of a permit may cause the Enlarged Group to discontinue the operations requiring the permit, and the imposition of additional conditions on a permit may cause the Enlarged Group to incur additional compliance costs, either of which could have a material adverse effect on the Enlarged Group's financial condition and results of operations.

Additionally, the Enlarged Group may not be able to, or may voluntarily decide not to, comply, or may not have complied in all respects, with the licence requirements for some or all of the licences. If the Enlarged Group fails to fulfil the specific terms of any of its licences or if the Enlarged Group operates in the licence areas in a manner that violates Russian law, regulators may impose fines on the Enlarged Group or suspend or withdraw or not renew its licences, any of which could have a material adverse effect on the operational and financial position of the Enlarged Group.

Both ahead of the commencement of certain operations by Enlarged Group companies, including at Kuranakh where certain permits remain to be obtained, and during the conduct of operations, a further range of permits is required to be obtained from different authorities including the Environmental Impact Assessment Study which must be approved by the state environmental experts. Additionally certain activity must be discussed in advance with local communities and other interested persons.

Any failure to obtain, or delay in obtaining, any permits or approvals could adversely affect the Enlarged Group's investment plans and/or operations, which could in turn adversely affect the Enlarged Group.

Environmental risks and issues arising from compliance with environmental regulations and permitting requirements

The Enlarged Group's operations will be subject to the extensive environmental risks inherent in the mining and processing industry. Although the Directors believe that the relevant subsidiaries of the Company and Aricom are in compliance in all material respects with applicable environmental laws and regulations and hold all necessary approvals, licences and permits under those laws and regulations, there are certain risks inherent in their activities and those which the Enlarged Group will undertake in the future, such as risks of accidental spills, leakages or other unforeseen circumstances, that could subject the Enlarged Group to considerable liability. In addition, the Enlarged Group is subject to checks, including spot checks, by various regulators including the Russian environmental regulator, Rosprirodnadzor. Environmental legislation and permitting requirements and the manner in which these are enforced are likely to evolve in a manner which will require higher and more demanding standards and stricter enforcement, as well as increased fines and penalties for non-compliance. However, the Directors are unable to predict the extent and effect of additional environmental laws and regulations which may be adopted in the future, including whether any such laws or regulations would materially increase the Enlarged Group's cost of doing business or affect its operations in any area.

During the conduct of its operations, the Enlarged Group is subject to regular inspections and reporting requirements for a range of issues relating to environmental pollution, and must comply with maximum acceptable concentrations, determined by state authorities, for air quality, water quality, soils and sediments. Any issues identified in such inspections or reporting processes and/or any breach of these requirements could have adverse consequences for the Enlarged Group. The Enlarged Group may be subject to investigations by Rosprirodnadzor, which may make announcements relating to such investigations when they are at a very preliminary stage and in advance of any findings, which could have an adverse impact on the Enlarged Group.

Risks relating to the mining industry

Exploration is highly speculative and involves commercial risks

Exploration is highly speculative and involves numerous risks, including the risk that the Enlarged Group will encounter no commercially productive viable deposits. The Enlarged Group's future growth and profitability will depend, in part, on its ability to identify and acquire additional mineral rights, and on the costs and results of its continued exploration and development programs. The subsoil areas over which the Enlarged Group's mineral exploration rights relate may not contain commercially exploitable reserves of metals and minerals including gold and iron ore or may contain quantities which qualify them as Strategic Areas (in the case of gold). Uncertainties as to the metallurgical recovery of any minerals discovered may mean that it does not warrant processing on the basis of available technology.

If the Enlarged Group discovers a viable deposit, it will usually take several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. Moreover, the Enlarged Group will use the evaluation work of professional geologists, geophysicists, and engineers for estimates in determining whether to commence or continue mining. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralisation.

If management determines that capitalised costs associated with any of the Enlarged Group's mineral interests are not likely to be recovered, the Enlarged Group would incur a writedown on its investment in that interest. All of these factors may result in losses in relation to amounts spent which are not recoverable.

The Peter Hambro Mining Group and Aricom Group are conducting exploration programmes in various regions, including the Amur Region, the Northern Urals and the Magadan region. In some of these regions, environmental and weather conditions are challenging, resulting in exploration costs (and ultimately production costs) which may be higher than originally budgeted for.

Adverse publicity from consumer and environmental groups

There is an increasing level of consumer awareness relating to the effect of mining production on its surroundings, communities and environment. Consumer groups therefore exist to encourage participants in the mining industry to employ practices which minimise any adverse impact that mining may have on communities, workers and the environment. Whilst the Peter Hambro Mining Group and Aricom Group seek to operate in a socially responsible manner, adverse publicity generated by such consumer groups which relates either to the gold mining industry as a whole, the iron ore mining industry as a whole or to the Enlarged Group in particular, could have an adverse effect on the reputation and financial position of the Enlarged Group.

The Enlarged Group intends to work towards bringing its operations in line with the International Cyanide Management Code's guidelines, compliance with which is voluntary. In relation to the Peter Hambro Mining Group, WAI has also recommended that it works to achieve the ISO14001 scheme for Environmental Management, another voluntary standard. The Directors expect the process of bringing the Enlarged Group's gold operations in line with the International Cyanide Management Code's guidelines to take time to be implemented across its local management teams and institutions. Until such time as those guidelines are implemented in full, and/or the Peter Hambro Mining Group achieves the ISO14001 scheme for Environmental Management, the Enlarged Group may receive adverse publicity, which may damage the Enlarged Group's reputation and business.

Competition for mineral interests

The Enlarged Group will face competition from other mining companies in all areas of its operations, including the acquisition of mineral licences, exploratory prospects and producing properties. In conducting its exploration activities, the Enlarged Group will compete with other mining companies in connection with the search for and acquisition of properties producing or possessing the potential to produce gold. Some of these companies may have significantly greater resources than those of the Enlarged Group. Other companies may have a competitive advantage as a result of legislation which regulates foreign investment in Russia. Existing or future levels of competition in the mining industry could materially and adversely affect the Enlarged Group's prospects for mineral exploration and success in the future.

Risks relating to the shareholder structure

The Company's largest shareholders will have significant influence over the Enlarged Group's affairs

One of the Company's largest shareholders will be Pavel Maslovskiy and/or his associates (the **Maslovskiy Associates**). The Maslovskiy Associates will hold 11.95 per cent. of the issued shared capital of the Company upon Admission.

The Maslovskiy Associates, and any other major Shareholders holding similar percentages of the Company's issued share capital, will have a material influence on the outcome of votes by Shareholders, including in relation to the election of Directors and other decisions affecting the Enlarged Group. They may vote their

Ordinary Shares in a way with which other Shareholders do not agree and this concentration of ownership could adversely affect the trading volume or market price of the Company's shares or delay, deter or prevent transactions that could result in a change of control that could otherwise be beneficial to Shareholders.

3. General risks

Risks associated with equity securities may lead to investors not realising their investment

There are risks associated with any investment in equity securities. Investors should recognise that the trading price of Ordinary Shares may fall as well as rise with movements in the equity capital markets in the United Kingdom, Russia and internationally. The trading price of Ordinary Shares could also be adversely affected as a result of the sale or issue of substantial numbers of the Ordinary Shares in the public market, or by the perception that this could occur. These factors could also make it more difficult to raise capital through equity or equity linked offerings.

In addition, there can be no certainty that the market price of an investment in Ordinary Shares will fully reflect the underlying value of the Enlarged Group. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may be related to the Company and some not. Investors may realise less than the original amount invested.

Pre-emption rights may not be exercisable by United States and other non-UK holders of Ordinary Shares

If the Company were to grant rights to participate in future equity offerings to its Shareholders, non-UK holders of Ordinary Shares might not be able to exercise these rights unless the Company complies with all applicable local laws and regulations. United States holders would not be able to exercise their rights unless the rights and related securities are registered under the Securities Act or an exemption from the registration requirements of the Securities Act was available. While the Enlarged Group will evaluate the indirect benefits of enabling its United States holders to exercise such rights, no assurance can be given that the Enlarged Group would decide to register any such rights and related securities or that an exemption from the registration requirements of the Securities Act would be available to enable such United States holders of Ordinary Shares to exercise such rights or, if available, that the Company would utilise any such exemption.

Shareholdings in the Enlarged Group may be diluted

Any increase in the number of Ordinary Shares in the market arising from issues of Ordinary Shares, the exercise of any of the Convertible Bonds or the exercise of employee options or the IFC Option and the possibility of sales of Ordinary Shares as the result of such exercise may have a negative effect on the market price of the Ordinary Shares as well as diluting the voting power of Shareholders. Should the Warrantholders decide to exercise their Warrants, this would result in a dilution of the interests of the Shareholders at the time of the issue of any further Ordinary Shares pursuant to such exercise.

Lack of liquidity in Ordinary Shares

There can be no guarantee that there will be a liquid market in the Ordinary Shares. An investment in the Ordinary Shares may, therefore, in certain circumstances be difficult to realise.

The Company can give no assurance that, notwithstanding Admission, an active trading market for the Warrants will develop, or if developed, can be sustained.

General economic conditions may affect the performance of Ordinary Shares

A number of factors outside the control of the Company may impact significantly on the Company, the Enlarged Group, their operating and financial performance and the price of the Ordinary Shares, including:

- economic conditions in the United Kingdom, Russia and internationally;
- general movements in the local and international stock markets;
- investor sentiment;
- changes in interest rates, exchange rates and the rate of inflation;

- changes in fiscal, monetary or regulatory policies; or
- international hostilities.

Prolonged deterioration in general economic conditions, including an increase in interest rates or decrease in consumer and business demand, could be expected ultimately to have an adverse impact on the Enlarged Group's operating and financial performance. This impact might not be immediate.

Taxation risks

The attention of Shareholders is drawn to paragraph 16 of Part XII – "Taxation" of this Prospectus. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and reliefs from, taxation may also change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of the investors. Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this Prospectus concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change.

DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Peter Charles Percival Hambro	*Chairman*
	Dr. Pavel Alexeivich Maslovskiy	*Chief Executive*
	Joseph Brian Egan[1]	*Chief Financial Officer*
	Sir Rudolph Ion Joseph Agnew	*Senior Non-Executive Director*
	Sir Malcolm David Field[1]	*Non-Executive Director*
	Sir Roderic Michael John Lyne[1]	*Non-Executive Director*
	Lord Charles Ronald Llewelyn Guthrie of Craigiebank	*Non-Executive Director*
	Peter Denis Hill-Wood	*Non-Executive Director*
Company Secretary	Heather Jane Williams	
Registered Office	11 Grosvenor Place London SW1X 7HH	
Financial Adviser and Joint Sponsor	J.P. Morgan Cazenove Limited 20 Moorgate London EC2R 6DA	
Joint Sponsor	Canaccord Adams Limited 7th Floor, Cardinal Place 80 Victoria Street London SW1E 5JL	
Legal Adviser to the Company as to English law	Norton Rose LLP 3 More London Riverside London SE1 2AQ	
Legal Adviser to the Company as to Russian law	Norton Rose (Central Europe) LLP Bolshoi Sukharevsky Pereulok 26 Moscow 127051 Russian Federation	
Legal Adviser to the Company as to Cypriot law	Chrysses Demetriades & Co Fortuna Court 284 Makarios 111 Avenue Limassol 3105 Cyprus	
Legal Adviser to the Company as to Guernsey law	Ozannes P.O. Box 186, 1 Le Marchant Street, St. Peter Port, Guernsey, Channel Islands, GY1 4HP	
Legal Adviser to the Financial Adviser and Joint Sponsors	Charles Russell LLP 5 Fleet Place London EC4M 7RD	
Auditors and Joint Reporting Accountants	Moore Stephens LLP St. Paul's House, Warwick Lane London EC4M 7BP	

1 To be appointed upon Admission. Each existing Director and those to be appointed on Admission accepts responsibility for the information contained in this Prospectus.

Joint Reporting Accountants	Deloitte LLP 2 New Street Square London EC4A 3BZ
Technical Consultants	Wardell Armstrong International Limited Wheal Jane Baldhu Truro Cornwall TR3 6EH
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA

IMPORTANT INFORMATION

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by the Company, the Directors or the Joint Sponsors or any of them. No representation or warranty, express or implied, is made by either or both of the Joint Sponsors as to the accuracy or completeness of such information. Without prejudice to any obligation of the Company to publish a supplementary prospectus, the publication of this Prospectus shall not, under any circumstances, create any implication that there has been no change in the affairs of the Enlarged Group since the date hereof.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice.

Statistical data and other information appearing in this Prospectus relating to the Company has, unless otherwise stated, been extracted from documents and other publications released by the Company. In the case of the presented statistical information, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source.

Where third-party information has been used in this Prospectus such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this Prospectus, the source of such information has been identified.

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetical totals of such data.

The contents of the Company's website do not form part of this Prospectus.

All references in this Prospectus to laws and regulations are to English laws and regulations, unless otherwise stated, or as the context otherwise requires. Unless otherwise stated, references to categories of reserves and resources are to Russian categories of reserves and resources.

All references to reserves and resources, capital expenditure, loans and valuations in this Prospectus are to 100 per cent. thereof, unless otherwise stated, notwithstanding that in certain cases the percentage interest attributable to the Enlarged Group may be less than this.

Certain terms used in this Prospectus are defined in Part XIV of this Prospectus.

Available information

The Company has agreed that, for so long as any Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, on the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

Enforceability of US judgements and service of process

The Company is incorporated in England and Wales and substantially all of its assets are located in Russia. None of the Directors are residents of the United States and all or a substantial portion of the assets of those persons are located outside the United States. As a result, it may not be possible for a US investor to effect service of process within the United States upon those persons or to enforce against them judgements of US courts based upon the civil liability provisions of the federal securities laws of the United States. The Company has been advised by Norton Rose LLP, its English solicitors, that if an original action is brought in England that is predicated solely upon US federal securities laws, or if it is sought to enforce a judgement obtained in a United States tribunal, predicated solely upon United States federal securities laws, English courts may not have the requisite jurisdiction to grant the remedies sought or to allow enforcement of all or part of the United States judgement.

Taxation

Certain limited information on United Kingdom taxation with regard to the Ordinary Shares is set out in paragraph 16 of Part XII of this Prospectus. If you are in any doubt as to your tax position or otherwise about the contents of this document, or you are resident or subject to tax in any jurisdiction other than the United Kingdom, you should contact your professional adviser, without delay.

Presentation of financial information for the Peter Hambro Mining Group

This Prospectus includes the Peter Hambro Mining Group's audited consolidated financial statements (including notes thereto) as at and for the years ended 31 December 2006, 2007 and 2008, which have been prepared in accordance with IFRS as adopted by the EU. The reporting currency of the Peter Hambro Mining Group is the US Dollar. The underlying financial information stated in local currency has been translated into US Dollars on the basis set out in the paragraph entitled "Currencies" below.

Presentation of financial information for the Aricom Group

This Prospectus incorporates by reference the Aricom Group's audited consolidated financial statements (including notes thereto) as at and for the years ended 31 December 2006, 2007 and 2008 from pages 124 to 167 of the Aricom Prospectus, pages 65 to 110 of the Aricom 2007 Annual Report and pages 62 to 94 of the Aricom 2008 Annual Report respectively. The Aricom Group's audited financial statements have been prepared in accordance with IFRS as adopted by the EU. The reporting currency of the Aricom Group is the US Dollar. The underlying financial information stated in local currency has been translated into US Dollars on the basis set out in the paragraph entitled "Currencies" below.

Pro forma financial information

In this Prospectus, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited statement of net assets contained in "Pro Forma Financial Information" in Part VIII of this Prospectus. The pro forma statement of net assets is based upon the audited consolidated financial information of the Peter Hambro Mining Group and the Aricom Group for the year ended 31 December 2008 and has been extracted without material adjustment from audited balance sheets of the Peter Hambro Mining Group and the Aricom Group as at 31 December 2008. The unaudited pro forma financial information is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position.

Use of financial measures not recognised under IFRS

This Prospectus presents financial items such as "cash operating cost", "total cash cost" and "total production cost" that have been determined using industry standards as specified by the Gold Institute and are not measures under IFRS. An investor should not consider these items in isolation or as alternatives to any measure of financial performance presented in accordance with IFRS in this Prospectus.

While the Gold Institute has provided definitions for the calculation of "cash operating cost", "total cash cost" and "total production cost", the application and precise definition of these measurements and the definitions of certain other non-IFRS financial measures as utilised by the Enlarged Group and included herein may vary significantly from those utilised by other gold mining companies, and as such may not necessarily provide a basis for comparison with other gold mining companies. However, the Directors believe that total cash cost and total production cost by mine and per ounce by mine are useful indicators to investors and management of a mine's performance because they provide a useful indication of a mine's profitability, efficiency and cash flows. They also show the trend in costs as the mine matures over time and on a consistent basis. These costs can also be used as a benchmark of performance to allow for comparison against mines belonging to other gold mining companies.

Currencies

In this Prospectus, references to "pounds Sterling", "pence", "£" or "p" are to the lawful currency of the United Kingdom, references to "US Dollars", "$", "US$", "cents" or "¢" are to the lawful currency of the United States, references to "Roubles" or "RUR" are to the lawful currency of Russia, references to "RMB" or "Renminbi" are to the lawful currency of China and references to "C$" or "CAD" are to the lawful currency of Canada. References to "Euro" or "€" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended.

Unless otherwise indicated, the financial information contained in this Prospectus has been expressed in US Dollars. The presentational and functional currency of the Enlarged Group is the US Dollar. Balance sheet items are translated into US Dollars at period end exchange rates. These translations should not be construed as representations that the relevant currency could be converted into US Dollars at the rate indicated or at any other rate.

On 20 April 2009 (being the latest practicable date prior to the publication of this Prospectus):

- £1.00 = $1.454;
- $1.00 = RUR33.92; and
- £1.00 = RUR49.32

in each case based on data provided by Reuters at 4.00 p.m. (London time) on 20 April 2009.

Save as otherwise stated in this Prospectus, the exchange rates above have been applied in this Prospectus for all comparisons between pounds Sterling, US Dollars and Roubles.

The basis of translation of foreign currency transactions and amounts in the financial information set out in Part IX – "Historical Financial Information" of this Prospectus is described in Part IX.

Ore reserve and mineral resource reporting – basis of preparation

The Peter Hambro Mining Group and Aricom Group report their reserves and resources estimates according to the Russian Standard Classification System and in addition, in respect of their most developed assets, in accordance with the JORC Code (2004). Certain reserve and resource estimates in this Prospectus have been previously reviewed and reported on by WAI in accordance with the JORC Code (2004). For the JORC Code (2004) resources, mineral resources are based on mineral occurrences quantified on the basis of geological data and an assumed cut-off grade, and are divided into measured, indicated and inferred categories reflecting decreasing confidence in geological and/or grade continuity. No allowances are included for dilution and losses during mining, but the reporting of resource estimates carries the implication that there are reasonable prospects for eventual economic exploitation. Resources may therefore be viewed as the estimation stage prior to the application of more stringent economic criteria for reserve definition, such as a rigorously defined cut-off grade and mine design outlines, along with allowances for dilution and losses during mining. Ore reserves as defined by the JORC Code (2004) are designated as proved and probable and are derived from the corresponding measured and indicated resource estimates by including allowances for dilution and losses during mining. The measured and indicated mineral resources can be reported as either being inclusive of those mineral resources modified to produce the ore reserves or additional to the ore reserves. The JORC Code (2004) reserve and resource estimates provided in this Prospectus comply with the reserve and resource definitions in the JORC Code (2004).

In this Prospectus, references to Category C_1 and C_2 reserves and P_1 and P_2 resources are references to the Russian Standard Classification System (See "Glossary" for further details).

Apart from the resource/reserve categories, there is also a Russian economic viability classification. This applies only when there is sufficient information (including geological and metallurgical testwork) to define reserves (categories C_2 and higher).

Balansovye (**balance**) ore is ore that is considered as economic, above a defined cut-off grade and considered as exploitable under currently available technology. By definition, a Russian official C_1, B, or A category reserve is considered to consist of balance ore and is included in the State Balance. In international reporting terms such material would usually be considered as proven or probable reserves.

Zabalansovye (**out-of-balance** or **off-balance**) resources are uneconomic or marginal under present economic circumstances or with currently available technology. For example, they may consist of low-grade material, which may still be mined, but is not officially considered suitable for commercial exploitation, and is not included in the State Balance. In international reporting terms these may or may not be considered to be measured or indicated resources. If unlikely to be economically exploitable in the foreseeable future, they would not even be considered as resources.

For information purposes, summaries of WAI reports previously prepared in respect of certain deposits of the Peter Hambro Mining Group and the Aricom Group have been included in Part XVI of this Prospectus. These reports have not been prepared in accordance with CESR 133 but have been included as voluntary additional disclosure. None of these reports has been updated for the purpose of inclusion in this Prospectus.

Forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include, but are not limited to, statements regarding the Enlarged Group's intentions, beliefs or current expectations concerning, among other things, the Enlarged Group's results of operations, prospects, growth, strategies and expectations of the industry.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance and the development of the markets and the industry in which the Enlarged Group operates may differ materially from those described in, or suggested by, the forward-looking statements contained in this Prospectus. In addition, even if the development of the markets and the industry in which the Enlarged Group operates are consistent with the forward-looking statements contained in this Prospectus, those developments may not be indicative of developments in subsequent periods. A number of factors could cause developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, general economic and business conditions, industry trends, competition, commodity prices, changes in law or regulation, currency fluctuations (including fluctuations in the US Dollar or Rouble), the Enlarged Group's ability to recover its reserves or develop new reserves, changes in its business strategy, political and economic uncertainty and other factors discussed in the sections "Risk Factors", Part I – "Information on the Enlarged Group" and Part VI – "Operating and Financial Reviews" of this Prospectus.

Any forward-looking statements in this Prospectus reflect the Enlarged Group's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Enlarged Group's operations and growth strategy. Investors should specifically consider the factors identified in this Prospectus which could cause results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Disclosure and Transparency Rules, the AIM Rules (up to Admission) and the Listing Rules (from Admission), the Enlarged Group undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this Prospectus that may occur due to any change in the Company's expectations or to reflect events or circumstances after the date of this Prospectus. Investors should note that the contents of these paragraphs relating to forward-looking statements do not qualify the statements made as to sufficiency of working capital in paragraph 13 of Part XII – "Additional Information" of this Prospectus.

PART I

INFORMATION ON THE ENLARGED GROUP

1. Introduction

On 6 February 2009, the independent board committees of Aricom and the Company announced that they had reached agreement on the terms of a recommended all-share offer for Aricom by the Company under which all of the issued share capital of Aricom would be acquired by the Company. The Aricom Acquisition is being implemented by means of a scheme of arrangement of Aricom pursuant to Part 26 of the 2006 Act and Aricom will become a wholly-owned subsidiary of the Company on completion of the Scheme which is expected to take place on 22 April 2009. The implementation of the Scheme will create a mining industry leader in the Far East of Russia with both gold and iron ore operations.

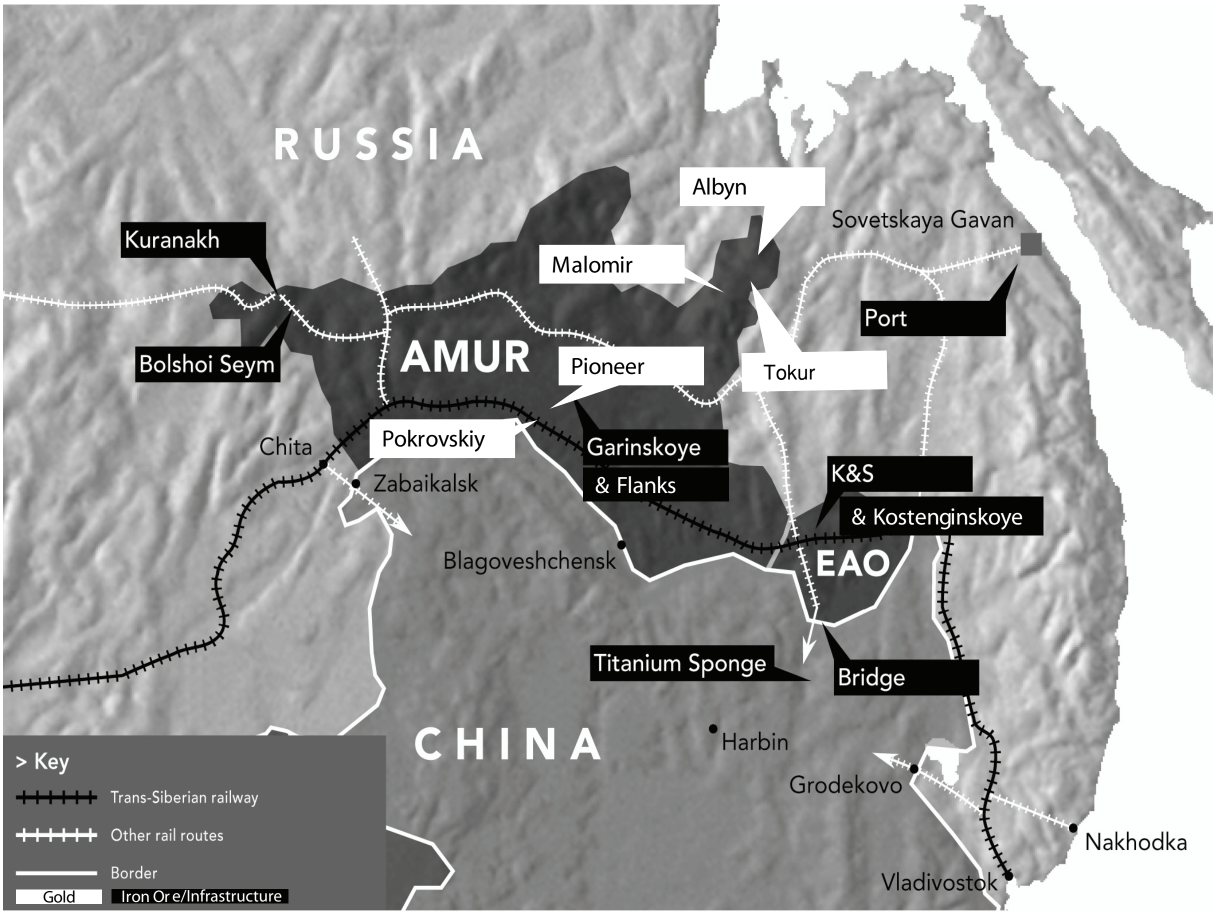
The Enlarged Group will be focused on the acquisition, exploration, development and production of mineral deposits with a current focus on the precious metal deposits of the Peter Hambro Mining Group in Russia and the development of the iron ore assets of the Aricom Group as and when the iron ore market and project finance markets recover. The Enlarged Group's principal operations will be located in the Amur Region in the Far East of Russia, where the Peter Hambro Mining Group has operated since 1994. The Enlarged Group will be active (itself or through joint ventures) in other areas of Russia including the EAO and the Yamal, Buryatia, Magadan, Chita, Irkutsk and Sakha regions.

The Enlarged Group's gold operations will be focused on its Pokrovskiy and Pioneer producing mines, Malomir (a development project) and its exploration projects at the Pokrovskiy Satellite Deposits area and Albyn, Tokur and Osipkan deposits, all of which are in the Amur Region, and the Novogodnee Monto and Petropavlovskoye deposits in the Yamal Region. Its primary iron ore assets will be Kuranakh and Garinskoye in the Amur Region and K&S in the EAO.

The Pokrovskiy and Pioneer mines will be the key producing assets of the Enlarged Group. Gold production at the Pokrovskiy mine has increased since commissioning in 1999 to 267,100 oz in 2008, an increase of 13 per cent. compared to 2007 and exceeding the Peter Hambro Mining Group's production target for 2008 by 19 per cent. The mine is open pit and gold is processed using RIP and heap-leach operations. In April 2008, gold production from the Pioneer mine commenced, yielding 72,900 oz by the end of the year, above the Peter Hambro Mining Group's 2008 target of 72,000 oz. Based on production volume, the Company is the third largest gold producer in Russia and the GIS total cash costs for its Pokrovskiy mine are in the lowest quartile for gold producers worldwide.

The key iron ore assets of the Enlarged Group will be Kuranakh, K&S and Garinskoye. Kuranakh is a medium-sized titanomagnetite iron ore and ilmenite deposit at the advanced development stage. Mining has commenced and the first sales of pre-concentrate were achieved in 2008. Completion of the mine is expected to be achieved in the second half of 2009. K&S is a large magnetite iron ore deposit also at the development stage. Garinskoye is a large magnetite iron ore deposit at the development stage. A combined feasibility study for K&S and Garinskoye (the **K&S and Garinskoye Feasibility Study**) was completed in October 2008. Both assets have the potential to beneficiate iron ore concentrate to pig iron.

The following map shows the Enlarged Group's principal assets:



The Enlarged Group will include various in-house services companies and contractors that currently meet the majority of the geological, exploration and construction needs of the Peter Hambro Mining Group and Aricom Group. These companies and contractors will help to ensure that the Enlarged Group's projects are well supported and will also provide some services under contract to third parties.

Historically, the majority of the assets, employees and operations of both the Company and Aricom have been in Russia and the Directors believe that this gives the Enlarged Group a competitive advantage over other companies in the identification, acquisition, management and development of mining projects in Russia. In addition, the Directors believe that the Company's Russian background was beneficial in enabling it to make the investment in Rusoro in Venezuela, a country which has strong ties with Russia. The Enlarged Group may consider making further investments outside Russia.

The Enlarged Group will continue to review a varied range of mining opportunities in other commodity and geographic areas and intends to invest when projects meet specific economic criteria and when financial markets allow.

The Company has grown significantly since its admission to AIM in 2002, whilst Aricom has been listed on the Main Market since October 2007. The Directors, therefore, consider the Main Market to be the most appropriate platform for the continued growth of the Enlarged Group, following the completion of the Aricom Acquisition. Specifically, the Directors anticipate that trading on the Main Market may raise the Enlarged Group's profile, increase the liquidity in its Ordinary Shares and enable the Ordinary Shares and the Warrants to be acquired by a wider group of investors. The Directors are confident about the positioning and strategy of the Enlarged Group and believe that the Enlarged Group will be well placed to continue to achieve substantial production growth during its next stage of development on the Main Market.

2. History of the Enlarged Group

2.1 *The Peter Hambro Mining Group*

The Peter Hambro Mining Group was founded in 1994 when Pokrovskiy Rudnik was formed and a combined licence for the exploration and exploitation of the Pokrovskiy mine was obtained.

Key events in the Peter Hambro Mining Group's history include:

1999-2001

In 1999, the first gold was recovered from the Pokrovskiy mine through heap-leach operations. On 15 January 2001 a licence for the Pioneer deposit and satellite areas was issued.

2002

On 29 April 2002, the Ordinary Shares were admitted to trading on AIM. On 20 July 2002, a RIP plant at Pokrovskiy was commissioned and the first gold from this plant was produced in September 2002.

2003

In February 2003, the Company signed heads of agreement with Susumanzoloto and Shkolnoye to establish Omchak, a joint venture gold mining company in the Magadan Region of Russia. Omchak was subsequently established in July 2003. In April 2003, the Company completed a placing and open offer, raising approximately £16.8 million which was in part applied to fund the cash consideration for the acquisition of OOO Tokurskiy Rudnik (**Tokurskiy Rudnik**) and the Peter Hambro Mining Group's interest in Omchak. In December 2003, the Peter Hambro Mining Group divested its titanium interests to Aricom.

2004

In April 2004, Pokrovskiy Rudnik acquired 90 per cent. of the issued share capital of Yamalzoloto, which holds the licences for the Peter Hambro Mining Group's assets in the Yamal Region and in October 2004, the capacity of the RIP plant at Pokrovskiy was upgraded, allowing it to process 1.5 million tonnes of ore on an annualised basis.

2005

In February 2005, the Peter Hambro Mining Group was successful in the tender for the licence for the Malomir deposit.

In 2005, IFC invested US$15.0 million in the Company by subscribing for 1,448,545 new Ordinary Shares and was granted an option to apply for a matching amount of additional new Ordinary Shares. IFC invested a further US$17.4 million in the Company in 2006 when it exercised this option.

In the same year, US$140.0 million was raised through the issue of the Convertible Bonds by the Company's wholly-owned subsidiary, PHMGFL, which are guaranteed by the Company and due in August 2010.

In September 2005, the Company acquired 74.9 per cent. of the shares of OAO Yamalskaya Gornaya Company (**YGK**) which owned a number of assets in the Yamal Region as well as the 10 per cent. of Yamalzoloto not already owned by the Peter Hambro Mining Group.

2006

In 2006, the Peter Hambro Mining Group received the Queen's Award for Enterprise.

In the same year, the Peter Hambro Mining Group acquired OAO Irgiredmet (**Irgiredmet**), one of the best-known laboratory, research and scientific consulting companies in Russia, for a consideration of US$40.2 million.

2007

In 2007, Pioneer's first stage production facility was completed and the Peter Hambro Mining Group delivered positive results from its exploration of the prospective Andreevskaya ore zone at this deposit.

The Peter Hambro Mining Group obtained US$180.0 million of financing (before expenses) through the issue of the Exchangeable Bonds by PHMGFL which are guaranteed by the Company and due in October 2012.

2008

In April 2008, production started at the Pioneer mine and 72,900 oz of gold was produced from that mine during the three quarters ended 31 December 2008.

The Peter Hambro Mining Group invested US$20.0 million in Rusoro, a TSX Venture Exchange listed gold production and exploration business based in Venezuela, through a secured exchangeable loan as a participant in a syndicate investing US$80.0 million in total. The Company has an option agreement with the other lenders which gives the Company the right to acquire from them the number of shares in Rusoro which they receive upon exchange of their loan.

2009

On 5 February, the Company completed a placing of Ordinary Shares to raise US$105.0 million (before expenses). On 6 February, the Peter Hambro Mining Group agreed to purchase a total of US$87.0 million nominal value of the Exchangable Bonds.

On 6 February, the Company announced its firm intention to pursue a recommended merger with Aricom to create a mining industry leader in the Far East of Russia.

On 25 March and 31 March 2009, respectively, the shareholders of the Company and Aricom passed the resolutions necessary to implement the Scheme. The Aricom Acquisition, which is conditional *inter alia* on Admission, is expected to be completed on 22 April 2009.

2.2 ***The Aricom Group***

Aricom was incorporated on 12 September 2003. Since incorporation, key events in the Aricom Group's history include:

2003

In December 2003, the Aricom Shares were admitted to trading on AIM and the Aricom Group acquired from the Company an indirect 74 per cent. interest in OOO Olekminsky Rudnik through the acquisition of RTC, which holds an exploration and mining licence to develop the titanium deposit at Kuranakh. The Aricom Group acquired the remaining 26 per cent. in OOO Olekminsky Rudnik on 11 January 2007. This acquisition gave the Aricom Group 100 per cent. ownership and control of the asset and the project cashflows.

2005

On 21 January 2005, Aricom entered into two offtake agreements with a Chinese counterparty in order to provide for the sale of up to 100 per cent. of the titanomagnetite and ilmenite which it is estimated will be produced at Kuranakh during the first seven years of the mine's operations.

2006

On 17 March 2006, the Aricom Group acquired a 49 per cent. interest in OOO Uralmining, a Russian company holding the licence for the development of the Bolshoi Seym iron ore deposit in the Amur Region in Russia's Far East. The remaining 51 per cent. is beneficially owned by a company belonging to the Onexim Group, a Russian private investment group and Aricom is currently negotiating possible terms of cooperation for the project with the 51 per cent. shareholder.

On 18 April 2006, Aricom acquired an option to purchase an indirect 50 per cent. interest in KS GOK which holds the licences to develop the K&S deposits in the EAO region in Russia's Far East, close to the border with China. Following the receipt of a valuation report prepared by WAI in April 2007, Aricom gave notice to exercise this option conditional upon the receipt of FAS consent. That consent was given in August 2007, the option was exercised and the acquisition was then completed. In June 2006, Aricom acquired the remaining 50 per cent. indirect interest in KS GOK.

On 19 April 2006, Aricom completed a placing of 200,000,000 Aricom Shares at a price of 45 pence per Aricom Share, raising US$152.0 million net of expenses.

Aricom entered a non-binding memorandum of understanding dated 18 June 2006 with the Aluminium Corporation of China (**Chinalco**), the largest non-ferrous metals company in China, in relation to proposed co-operation in the design and development of a titanium sponge production plant in China.

2007

In June 2007, Aricom acquired a 68.5 per cent. interest in OAO Giproruda (**Giproruda**), one of Russia's most respected mining design institutes specialising in the analysis and design of mining projects. Giproruda is based in St. Petersburg. Aricom's holding has since increased to 70.3 per cent.

On 4 June 2007, Aricom issued 17,076,372 Aricom Shares to IFC for a total of US$20.0 million and also granted IFC an option to subscribe, subject to adjustment, for a matching amount of additional new Aricom Shares.

On 5 June 2007, Aricom completed the placing of 133 million units, each consisting of three Aricom Shares and one warrant giving the right to subscribe for one Aricom Share at a price of £0.80 per share (subject to adjustment), thereby raising approximately US$555.0 million (US$532 million net of expenses).

On 17 September 2007, Aricom entered into a cooperation agreement with OOO "OboronImpex" (an investment and managing company in the Rosoboronexport Group) agreeing to assist each other in reviewing opportunities in strategic raw materials, establishing new production facilities and developing new technologies, especially in titanium production.

In September 2007, pursuant to an agreement concluded in March 2007, the Aricom Group acquired a controlling 70.2 per cent. interest in the Garinskoye deposit, via an acquisition of 60 per cent. of Lapwing Limited (**Lapwing**), the company which holds the licence for this deposit.

Aricom Shares were admitted to the Official List and to trading on the Main Market on 29 October 2007. In December 2007 Aricom became included in the FTSE 250 index.

2008

On 10 January 2008, Aricom announced the completion of a feasibility study for the development of a titanium sponge production plant and the execution of a binding memorandum of understanding with Chinalco in respect of this project further to the non-binding memorandum of understanding signed in June 2006.

In February 2008, the Aricom Group completed the acquisition from Olis Constructions Limited of a further 29.26 per cent. interest in Lapwing, the company holding the licence for the Garinskoye deposit, in addition to the interest the Aricom Group already owned, giving the Aricom Group a total 99.6 per cent. interest in Lapwing.

On 25 March 2008, Aricom announced the acquisition of options to purchase the companies holding the Garinskoye Flanks and Kostenginskoye licenses, providing significant natural expansion potential to the existing K&S and Garinskoye projects respectively.

On 19 June 2008, Aricom announced that it had completed the first sales of pre-concentrate from the Kuranakh project and received its first revenue from iron ore sales.

On 12 August 2008, Aricom signed the titanium sponge joint venture agreement with Chinalco for the construction of a titanium sponge plant in North East China.

In September 2008, Aricom exercised the options to acquire the Cypriot companies which indirectly hold the Garinskoye Flanks licence and the Kostenginskoye licence.

On 8 October 2008, Aricom announced the completion of the K&S and Garinskoye Feasibility Study which was independently reviewed by industry leading consultants and which confirmed the viability of both projects.

On 13 November 2008, Aricom announced the signing of a Memorandum of Understanding with China Metallurgical Group Corporation (**CMGC**) relating to the construction of a beneficiation plant at K&S.

2009

On 11 February 2009, the Aricom Group entered into a joint venture agreement with Heilongjiang Jianlong Steel Company Limited and Kuranakii Investments Co., Limited to develop a processing plant in North East China for the production of vanadium pentoxides and other vanadium products. The joint venture has not yet been established pending registration with the Chinese authorities.

2.3 ***The Aricom Acquisition***

On 6 February 2009 the Company and Aricom announced the firm intention of the Company to pursue a recommended merger with Aricom to create a mining industry leader in the Far East of Russia.

On 25 March and 31 March 2009, respectively, the shareholders of the Company and Aricom passed the resolutions necessary to implement the Scheme. The Aricom Acquisition is expected to be completed on 22 April 2009.

3. Key strengths

The Directors believe that the Enlarged Group will have a number of key strengths. These include:

3.1 ***Regional and management experience***

The Peter Hambro Mining Group has been operating in Russia for 15 years and the Company was one of the first mining companies with solely Russian assets to achieve admission of its shares to trading on AIM. It is now one of the largest gold producers in the Amur Region and the third largest in Russia by production volume. The Peter Hambro Mining Group is one of the largest employers in the Amur Region. Aricom has also been operating in the same regions of Russia for over five years.

The Enlarged Group will have a very experienced management team headed by Peter Hambro and Pavel Maslovskiy, the Peter Hambro Mining Group's founders, who remain actively involved in its management. The Peter Hambro Mining Group and Aricom Group have each built up a group of experienced specialists for the development of mineral projects from early geological prospecting to the production stage. The majority of their exploration and development work is undertaken in-house by highly-qualified personnel using advanced technologies.

3.2 ***Established portfolio of production and exploration assets***

The Enlarged Group will have an extensive portfolio of licences relating to gold deposits and exploration opportunities in several well-known gold mining regions of Russia and major development stage iron ore deposits also located in Russia.

The Enlarged Group's principal mining and exploration assets will comprise (i) the assets held by the Peter Hambro Mining Group prior to the Aricom Acquisition, within the Pokrovskiy and Pioneer Division which includes the Pokrovskiy and Pioneer mines; the North East Amur Division, which includes the Malomir, Tokur and Albyn deposits and other prospective exploration projects around the Amur Region and (ii) the Aricom Group iron ore assets acquired through the Aricom Acquisition. The first gold was produced from the Pokrovskiy mine in 1999 and from the Pioneer mine at the end of 2004 and the first sales of iron ore pre-concentrate from Kuranakh occurred in June 2008.

The Enlarged Group will also own the Petropavlovskoye and Novogodnee Monto deposits in the Yamal Region, an interest in the assets of a number of joint ventures in such areas of Russia as Magadan, Amur, Chita and Irkutsk and in China and, exploration operations in Buryatia and Sakha.

Initially the Enlarged Group's production is expected to be principally derived from the operating assets of the Peter Hambro Mining Group, namely the mines at Pokrovskiy, Pioneer and the Omchak joint venture.

3.3 ***Location***

The principal mining and exploration assets of the Peter Hambro Mining Group and the Aricom Group are located in the Amur Region and the EAO. Both regions are particularly rich in mineral resources and positioned close to the Chinese market. A well developed infrastructure and a strong presence in the Amur Region and the EAO will give the Enlarged Group a strong position to exploit or develop other licence interests which it may acquire in Russia.

3.4 ***Geology***

The majority of the assets of the Peter Hambro Mining Group and the Aricom Group in the Amur Region are located on and around a geological belt, formed by a collision of tectonic plates during the late Jurassic/early Cretaceous period, along the Mongol-Okhotsk line, the ancient boundary between the Eurasian and Amur plates. This collision has created favourable geological conditions for the formation of hydrothermal mineralisation associated with volcanism in the belt.

The majority of the assets of the Aricom Group in the EAO are located on and around a geological feature known as the Malokhingansky iron ore belt. Geological exploration has identified seventeen deposits in the Malokhingansky area, of which the key deposits are Kimkan, Sutara and Kosteinginskoye.

3.5 ***Established revenue of the Peter Hambro Mining Group***

The Peter Hambro Mining Group has a history of increasing revenue year-on-year through its production operations. In 2008, the Peter Hambro Mining Group's revenue was US$381.7 million compared to US$226.4 million for 2007 and US$157.8 million for 2006.

3.6 ***Low operating costs***

The Peter Hambro Mining Group's operations at the Pokrovskiy mine have GIS total cash costs (at US$249/oz in 2008) which are in the lowest quartile for gold producers in Russia and worldwide, according to production volume. The Pioneer mine's GIS total cash costs are also low at US$293/oz in 2008.

3.7 ***Infrastructure***

The Enlarged Group's principal assets are located in the Amur Region and the EAO, prospective gold and iron ore mining regions of Russia both of which have well-developed infrastructure including railroads, roads, power lines and a pool of highly qualified workers.

Transport – two major Russian railways, namely the Trans-Siberian and BAM Railways, pass through the Amur Region, and the Trans-Siberian Railway also runs through the EAO. The Enlarged Group's Amur assets are, in most cases, located close to one or both of these railways and are connected to them by good quality roads.

Power – there are two large hydro-electric power stations in the Amur Region and the Amur Region is a net surplus producer of electricity. These power stations provide reliable and sustainable supplies of power to the Amur operations of both the Peter Hambro Mining Group and Aricom Group through the national grid, which also provides power to their other Russian operations. The power supply in the EAO, much of which is derived from the Amur Region, has also been able to adequately support the existing operations of the Peter Hambro Mining Group and Aricom Group and the Directors believe will also adequately support the new mine operations at K&S.

Human resources and facilities – the Amur Region, in particular, has a long-standing history of mining operations and a strong mining culture. As a result, there is currently a pool of qualified workers from which the Enlarged Group can recruit. Specialists working for the Peter Hambro Mining Group and Aricom Group cover a wide spectrum and include geologists, laboratory technicians and engineers. The Peter Hambro Mining Group and Aricom Group each have a long-term and comprehensive educational and training policy to encourage their mining experts to fulfil their potential and to attract new employees for the Enlarged Group's projects. These education policies cover internal seminars and conferences plus sponsorships to attend key academic institutions. The Peter Hambro Mining Group also has its own technical college at Pokrovskiy which trains operations specialists.

Some of the Peter Hambro Mining Group's other assets are located in the Yamal Region, which is one of the most prominent oil and gas provinces of Russia and as such the Enlarged Group will benefit from a very well-developed infrastructure in that region.

3.8 ***Diverse asset base***

The Enlarged Group's operations will be focused on the acquisition, exploration, development and production both of precious metals and iron ore deposits. The differences between the demand and pricing dynamics, as well as the cycle, of the gold market and the markets for commodities, such as iron ore, should provide the Enlarged Group with greater resilience to a wider variety of macroeconomic conditions, than if its focus was restricted to the development and production of a single commodity or a group of other commodities whose exposure to economic cycles was similar.

4. Strategy

The Enlarged Group's strategy will be to create shareholder value through participation in the full development cycle of mining projects, from greenfield site to production, and thereafter through continued profitable operation. The Directors intend to maintain and build on the position of the Peter Hambro Mining Group as a leading gold producer, developer and explorer in Russia. In the near term, the Enlarged Group will pursue growth of gold production while continuing to evaluate opportunities to finance the development of its large iron ore assets once project finance and iron ore markets recover.

In particular, the Directors intend to:

- continue the development of the Peter Hambro Mining Group's Pioneer and Malomir assets;
- complete the construction of the Kuranakh beneficiation plant and to commence production and sales of fully beneficiated iron ore and titanomagnetite concentrates during 2009; and
- incur expenditure on the Aricom Group's iron ore projects maintaining positive progress for the later development of the K&S and Garinskoye assets. The rationale for this strategy is to preserve the inherent value in, and the ability to accelerate development of, these projects once the finance and commodity markets support the start of full scale construction.

The Directors will continue to review a varied range of mining opportunities in other commodity and geographic areas and to invest when projects meet specific economic criteria and when financial markets allow.

5. Organisational structure of the Enlarged Group

5.1 *Organisational Structure*

The Enlarged Group's corporate headquarters will be in London, with its Russian headquarters in Moscow. In the Amur Region, the Enlarged Group will have its operational headquarters in the capital of Blagoveschensk, with local management and operational teams for each of its Pokrovskiy, Pioneer and North East Amur Divisions. Each Division will have its own management and technical teams and will be supported by teams from the Enlarged Group's services divisions, including engineering, construction and laboratory services. In each case, these will provide personnel and services to the individual mines or other operations forming part of the respective Division, providing cost and operational efficiencies. The Enlarged Group's main laboratories at Blagoveschensk will provide centralised strategic and methodological support to the Enlarged Group's laboratories in the Amur Region.

The Enlarged Group will have management and technical teams for its Yamal and Buryatia operations. Assets in Omchak will be managed by either the joint venture management or by the Enlarged Group's joint venture partners.

The Enlarged Group's management and administrative structure will be vertically integrated and can be summarised as follows:

- **London** – the Enlarged Group corporate headquarters; treasury functions; investor relations; UK legal and accounting functions; the Enlarged Group's Board of Directors and Board Committees;
- **Moscow** – federal regulatory and licensing and Government liaison; Russian treasury, legal and accounting functions; operational headquarters; the Enlarged Group's environmental, construction, exploration and design engineering consultancy; Executive Committee;
- **Blagoveschensk** – Amur Regional headquarters; operational headquarters; regional regulatory and licensing and local Government liaison; regional laboratory services and environmental, construction and exploration consultancy for the Amur Region. The Enlarged Group's operations, including those previously within the Aricom Group, in the Amur and EAO regions will be run from Blagoveschensk.

MC Petropavlovsk (operating from both Moscow and Blagoveschensk) will co-ordinate the provision of services to entities in the Enlarged Group by various in-house service companies namely OOO Regis Exploration Company (**Regis**) (a specialist geological exploration company), ZAO PHM Engineering (**PHM Engineering**) (a specialist engineering company), Irgiredmet (a research institute), OOO Kapstroi (**Kapstroi**) (a specialist construction company) and Giproruda (a mining design institute). These specialist companies will be deployed in each of the regions in which the Enlarged Group operates, namely Amur, Yamal, Buraytia and the EAO, save for Kapstroi which, at present, only has operations in the Amur Region, and Giproruda. The chart in Appendix 3 of this Prospectus shows the organisation of these in-house service companies.

In relation to the Omchak Joint Venture and Rudnoye Joint Venture, only certain engineering and research services are currently provided by the Peter Hambro Mining Group to each joint venture and will be provided by the Enlarged Group going forward.

5.2 *Integration Process*

The common use of the various Enlarged Group specialist companies and resources, the co-location of the technical and legal staff for both the Peter Hambro Mining Group and the Aricom Group and the fact that each operates under the same regulatory regime should minimise the disruptive effect of integration of the Enlarged Group's operations following the implementation of the Scheme. As such, it is not anticipated that the integration process will have any material adverse effect on the Enlarged Group's short-term or longer-term operations.

6. Reserves and resources of the Enlarged Group

6.1 *Principal Gold Stated Reserves and Resources*

The Peter Hambro Mining Group reports its reserves and resources estimates according to the Russian Standard Classification System, and in addition, in respect of its most developed assets (currently Pokrovskiy, Pioneer and Malomir), in accordance with the JORC Code (2004). In July 2008, WAI reviewed the Peter Hambro Mining Group's principal gold stated reserves and resources and reported on them in accordance with the guidelines of the JORC Code (2004). An executive summary of the WAI report is set out in Part A of Part XVI of this Prospectus[1]. The key reserves and resources information, as derived from this report, is included in the tables below:

1 The executive summary in Part A of Part XVI is included for information purposes only as voluntary additional disclosure and does not purport to comply with CESR 133. The executive summary has not been updated for the purpose of inclusion in this Prospectus.

PHM Proven and Probable Mineral Reserves[1]

Classified in accordance with the guidelines of the JORC Code (2004)

	Ore	*Grade*	*Contained Gold*		*Stripping Ratio (t Waste: t Ore)*
	(Mt)	*(g/t)*	*(kg)*	*(oz)*	
Pokrovskiy	5.6	2.05	11,500	369,733	4.2:1
Andreevskaya[2]	2.8	3.66	10,400	334,368	11.7:1
Bakhmut, Yuzhnaya and Promezhutochnaya[3]	24.7	1.03	25,500	819,843	4.8:1
Malomir	50.8	1.26	64,000	2,057,646	3.6:1
Total PHM Reserve	83.9	1.33	111,400	3,581,590	4.3:1

Source: WAI report, July 2008

Note:

1 The figures have been based on 100 per cent. ownership however the Peter Hambro Mining Group's interest in these deposits is only 98.61 per cent.

2 The Andreevskaya zone is located 13 km to the south east of the Pioneer structure.

3 Bakhmut, Yuzhnaya and Promezhutochnaya form the Pioneer structure.

PHM Mineral Resources[1]

Classified in accordance with the guidelines of the JORC Code (2004)

		Pokrovka-1[3 4]				*Pokrovka-3[3 4]*				*Andreevskaya[3]*			
			Grade	*Metal*			*Grade*	*Metal*			*Grade*	*Metal*	
Type	*Category*	*Tonnage (kt)*	*(g/t Au)*	*(kg Au)*	*koz Au)*	*Tonnage (kt)*	*(g/t Au)*	*(kg Au)*	*koz Au)*	*Tonnage (kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*
Oxide (0.4g/t Au COG)	Measured	51	2.11	108	3	–	–	–	–	327	7.44	2,429	78
	Indicated	478	1.74	832	27	–	–	–	–	73	4.54	330	11
	Measured + Indicated	529	1.78	940	30	–	–	–	–	399	6.91	2,759	89
	Inferred	5,707	1.11	6,335	204	–	–	–	–	21	5.13	109	3.5
Sulphide (0.4g/t Au COG)	Measured	1,905	2.14	4,077	131	1,463	1.36	1,987	64	2,294	2.33	5,344	101
	Indicated	3,469	2.01	6,969	224	1,012	0.73	738	23	1,576	2.00	3,153	172
	Measured + Indicated	5,374	2.06	11,046	355	2,474	1.10	2,725	87	3,869	2.20	8,498	273
	Inferred	7,267	1.3	10,050	323	991	0.58	570	18	3,271	1.70	5,575	179
TOTAL[2]	Measured	1,956	2.13	4,185	134	1,463	1.36	1,987	64	2,621	2.97	7,773	250
	Indicated	3,947	1.98	7,801	251	1,012	0.73	738	23	1,649	2.11	3,483	112
	Measured + Indicated	5,903	2.03	11,986	385	2,474	1.10	2,725	87	4,270	2.64	11,256	362
	Inferred	12,974	1.26	16,385	527	991	0.58	570	18	3,292	1.73	5,684	183

Source: WAI report, July 2008

Note:

1 The figures have been based on 100 per cent. ownership however the Peter Hambro Mining Group's interest in these deposits is only 98.61 per cent.

2 Total includes Oxide at 0.4g/t Au COG and Sulphide at 0.4g/t Au COG.

3 WAI audit of PHM Micromine® resource models. Updated resource figures, as at January 2009, based on a more recent Micromine® resource model, are set out below.

4 Pokrovka - 1 and Pokrovka - 2 are the two deposits which together constitute the Pokrovskiy deposit.

PHM Mineral Resources (continued)[1]
Classified in accordance with the guidelines of the JORC Code (2004)

		Pioneer[3]				*Malomir*[4]			
			Grade	*Metal*			*Grade*	*Metal*	
Type	*Category*	*Tonnage (kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*	*Tonnage (kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*
Oxide	Measured	5,210	0.94	4,921	158	–	–	–	–
(0.4g/t Au COG)	Indicated	3,842	0.82	3,147	101	–	–	–	–
	Measured + Indicated	9,052	0.89	8,068	259	–	–	–	–
	Inferred	11,688	0.73	9,253	276				
Sulphide	Measured	9,750	1.19	11,638	374	7,239	1.31	9,501	305
(0.6g/t Au COG)	Indicated	11,012	1.15	12,715	408	57,156	1.19	68,115	2,190
	Measured + Indicated	20,762	1.17	24,353	782	64,395	1.21	77,616	2,495
	Inferred	26,676	1.00	26,767	859	87,549	0.94	82,262	2,645
TOTAL[2]	Measured	14,960	1.11	16,559	532	7,239	1.31	9,501	305
Oxide	Indicated	14,854	1.07	15,862	510	57,156	1.19	68,115	2,190
(0.4g/t Au COG) + Sulphide (0.6g/t Au COG)	Measured + Indicated	29,814	1.09	32,421	1,042	64,395	1.21	77,616	2,495
	Inferred	38,364	0.92	35,355	1,137	87,549	0.94	82,262	2,645

Source: WAI report, July 2008

Note:

1 The figures have been based on 100 per cent. ownership however the Peter Hambro Mining Group's interest in these deposits is 98.61 per cent.

2 Total includes Oxide at 0.4g/t Au COG and Sulphide at 0.6g/t Au COG.

3 WAI audit of PHM Micromine® resource models.

4 WAI Datamine® estimate based on PHM sample database. Excludes new Quartzitovoye area discovered in 2008 and discussed below.

The mineral resources for the Andreevskaya zone set out above are based on a Micromine® preliminary resource model prepared in July 2008. As a result of subsequent exploration work undertaken on the zone (including, in particular, drill and blast sample data from several benches), a new model for the Andreevskaya zone was prepared by WAI in January 2009. This new model also provides for depletion from the deposit. An executive summary of the WAI report on Andreevskaya as at January 2009 is set out in Part B of Part XVI of this Prospectus.[1] The January 2009 resource estimate for the Andreevskaya zone is provided in the table below:

1 The executive summary in Part B of Part XVI is included for information purposes only as voluntary additional disclosure and does not purport to comply with CESR 133. The executive summary has not been updated for the purpose of inclusion in this Prospectus.

Andreevskaya Mineral Resource classified in accordance with the guidelines of the JORC Code (2004) at 0.4g Au COG[1]

		Gold Resource			*Silver Resource*		
Resource Category	*Tonnage (kt)*	*Grade (g/t Au)*	*Contained Metal (kg Au)*	*(oz Au)*	*Grade (g/t Ag)*	*Contained Metal (kg Ag)*	*(oz Ag)*
Measured	223.7	11.99	2,681.4	86,211	32.0	7155.7	230,062
Indicated	2,340.1	4.34	10,145.4	326,183	11.8	27,689.8	890,247
Measured+ Indicated	2,563.8	5.00	12,826.9	412,393	13.6	34,845.5	1,120,309
Inferred	3,866.9	1.15	4,429.5	142,412	4.2	16,403.3	527,377

Source: WAI report, January 2009

Note:

1 The figures have been based on 100 per cent. ownership however the Peter Hambro Mining Group's interest in these deposits is 98.61 per cent.

In February 2009, WAI also assessed the new Quartzitovoye area at the Malomir deposit. This area was only discovered in 2008 and had not been previously modelled or classified in accordance with internationally recognised methods. The current established JORC Code (2004) resources for Quartzitovoye as set out below, in addition to the resources for the main Malomir area set out above, together constitute the Peter Hambro Mining Group's reserves and resources base for the Malomir deposit. An executive summary of the WAI report on Quartzitovoye as at January 2009 is set out in Part C of Part XVI of this Prospectus[1]. The January 2009 resource estimate for the Quartzitovoye zone of the Malomir deposit is provided in the table below:

1 The executive summary in Part C of Part XVI is included for information purposes only as voluntary additional disclosure and does not purport to comply with CESR 133. The executive summary has not been updated for the purpose of inclusion in this Prospectus.

Quartzitovoye (Zone 1-3) Mineral Resource classified in accordance with the guidelines of the JORC Code (2004) at COG of 1.10g/t Au[1]

JORC Classification	*Volume (m^3)*	*Density (t/m^3)*	*Tonnage (t)*	*Grade (g/t Au)*	*Contained Metal (kg)*	*(oz)*
ZONE 1						
Inferred	349,171	2.60	907,845	1.82	1,649.5	53,033
ZONE 2						
Measured	8,188	2.60	21,289	3.07	65.3	2,099
Indicated	34,611	2.60	89,988	2.72	245.2	7,883
Inferred	195,285	2.60	507,742	10.65	5,408.6	173,890
ZONE 3						
Inferred	32,283	2.60	83,935	2.12	178.2	5,729

Source: WAI report, January 2009

Note:

1 The figures have been based on 100 per cent. ownership however the Peter Hambro Mining Group's interest in these deposits is 98.61 per cent.

The following table summarises the Peter Hambro Mining Group's principal estimated gold stated reserves and resources as at 1 January 2009, as prepared by the Peter Hambro Mining Group's geologists and reported in accordance with the Russian Standard Classification System:

Resources And Reserves Summary – Russian Standard Classification System[1 2]

		$B + C_1$			C_2			P_1		
		Au, kg	*Ore, '000oz*	*Au, g/t*	*Au, kg*	*Ore, '000oz*	*Au, g/t*	*Au, kg*	*Ore, '000oz*	*Au, g/t*
Pokrovskoye and flanks[1]	balance	18,353	590	2.45	679	22	4.2	17,200	553	1.9
	off-balance	14,985	482	0.74	16,841	541	1.1	6,700	215	1.3
Pioneer[1]	balance	–	–	–	117,126	3,766	1.6	35,455	1,140	1.6
	off-balance									
Malomir and flanks[1]	balance	–	–	–	115,430	3,711	2.0	40,500	1,320	1.35
	off-balance									
Albyn	balance	–	–	–	20,767	688	2.0	30,150	969	2.9
	off-balance									
Tokur and flanks	balance	4,898	158	11.8	6,150	198	5.3	50,941	1,638	3.4
	off-balance	7,873	253	2.2	14,778	475	1.9			
Saguro-Semertakskaya	balance	–	–	–	–	–	–	7,300	235	7.3
	off-balance									
Taldanskaya area	balance	–	–	–	–	–	–	7,500	241	5.0
	off-balance									
Solovyevskiy area[1]	balance	–	–	–	6,423	206	6.6	10,895	350	4.6
	off-balance									
Odolgo[1]	balance	–	–	–	313	10	4.1	145	5	3.9
	off-balance									
Gar II	balance	–	–	–	–	–	–	1,790	58	2.3
	off-balance									
Toupugol-	balance	13,789	443	1.31	3,169	102	1.98	12,862	414	7.84
Khanmeishorskaya	off-balance	–	–	–	2,738	88	0.61	12,982	417	1.93
Voikaro- Schuchinskaya	balance									
	off-balance	–	–	–	–	–	–	22,370[3]	719[3]	1.15
TOTAL	balance	37,040	1,190	2.01	270,057	8,682	1.44	214,738	6,903	2.29
	off-balance	22,858	734	0.96	34,357	1,104	1.30	19,682	633	1.64

Source: Company's estimates, as set out in the annual report and accounts for the year ended 31 December 2008

Note:

1 The figures have been based on 100 per cent. ownership however the Peter Hambro Mining Group's interest in certain of these deposits is only 98.61 per cent., or in the case of Odolgo and Solovyevskiy (which are deposits forming part of the Rudnoye Joint Venture) 50 per cent., as described in paragraph 7.1 below.

2 These figures are inclusive of the JORC Code (2004) estimates by WAI as at July 2008 set out above for Pokrovskiy, Pioneer and Malomir.

3 These figures are recorded as palladium equivalent so although they include precious metals (PGM and Au), they have not been included in the totals for this table.

6.2 ***Principal Iron Ore Stated Reserves and Resources***

The Aricom Group's principal estimated iron ore stated resources as at 31 December 2008 are reported in accordance with the guidelines of the JORC Code (2004). WAI has reviewed the iron ore stated resources in the K&S and Garinskoye deposits. An executive summary of the WAI report for the K&S and Garinskoye iron ore deposits is set out in Part D of Part XVI of this Prospectus[1]. The key resources information for the principal deposits is included in the table below[1]:

1 The executive summary in Part C of Part XVI is included for information purposes only as voluntary additional disclosure and does not purport to comply with CESR 133. The executive summary has not been updated for the purpose of inclusion in this Prospectus.

Deposit	*Tonnage(kt)*	*Indicated Grade (% Fe Total)*	*Metal(kt)*	*Tonnage(kt)*	*Inferred Grade (% Fe Total)*	*Metal(kt)*
Kuranakh[2]	37,940	32.13	12,190	–	–	–
K&S[2]	413,830	32.08	132,762	141,320	32.11	45,373
Garinskoye[3]	219,858	32.03	70,421	155,936	29.29	45,674
Garinskoye Flanks[4]	–	–	–	6,300	41.29	2,600
Kostenginskoye[4]	–	–	–	163,900	31.60	51,790
Bolshoi Seym[4]	–	–	–	270,000	18.00	48,600

Note:

1 The figures have been based on 100 per cent. ownership, however the Aricom Group's interest in the Garinskoye deposit is only 99.6 per cent. and, in the case of Bolshoi Seym, 49 per cent.

2 Resources reported in accordance with the guidelines of the JORC Code (2004) independently verified by WAI.

3 Resources reported in accordance with the Russian Standard Classification System independently verified by RJC Consulting St. Petersburg and converted to JORC by WAI.

4 Where no independent verification of resources has taken place, the Aricom Group has converted Russian Standard Classification System numbers to JORC using C_1+C_2 as Inferred Resources – as agreed with WAI.

The Aricom Group's principal stated iron ore reserves and resources reported in accordance with the Russian Standard Classification System as at 31 December 2008 are set out below based on the figures specified in the relevant mineral licences[1]:

Deposit	*Tonnage (kt)*	*A +B + C_1 Grade (% Fe Total)*	*Metal (kt)*	*Tonnage (kt)*	*C_2 Grade (% Fe Total)*	*Metal (kt)*	*Tonnage (kt)*	*P_1 Grade (% Fe Total)*	*Metal (kt)*
Kuranakh	24,410	32.20	7,860	11,830	32.89	3,890	–	–	–
K&S	558,690	33.67	188,120	32,300	35.22	11,380	–	–	–
Garinskoye	211,500	41.70	88,190	177,300	40.80	72,340	–	–	–
Garinskoye Flanks	6,300	41.29	2,600	–	–	–	275,000	41.29	113,540
Kostenginskoye	163,900	31.60	51,790	–	–	–	100,000	31.60	31,600
Bolshoi Seym	–	–	–	270,000	18.00	48,600	430,000	17.80	76,540
TOTAL	964,800	35.09	338,560	491,430	27.72	136,210	805,000	27.54	221,680

Source: GKZ figures, as specified in Aricom Group's mineral licences

Note:

1 The figures have been based on 100 per cent. ownership, however the Aricom Group's interest in the Garinskoye deposit is only 99.6 per cent. and, in the case of Bolshoi Seym, 49 per cent.

7. Principal Assets

7.1 ***Principal precious metal assets***

The Enlarged Group's principal precious metal-related mining, exploration and development assets, being Pokrovskiy, Pioneer, Malomir and Albyn, are located in the Amur Region. Initially, the Enlarged Group's production will be derived mainly from the Pokrovskiy mine, the Pioneer mine and the operating assets of the Omchak joint venture. A chart showing the organisation of the relevant subsidiaries is set out in Appendix 1 of this Prospectus.

In addition, the Enlarged Group will hold a number of other gold mining and exploration licences in the Amur Region and Yamal, and be active, either as principal or through its joint ventures, in such regions of Russia as Buryatia, Magadan, Sakha, Chita and Irkutsk.

The following is a summary of the status, ownership and deposits of the Enlarged Group's principal current and proposed precious metal mining operations and assets and its gold-related joint ventures:

Enlarged Group gold operations

Project	*Status*	*Interest %*	*Control*	*Description*
Amur – Pokrovskiy and Pioneer Division				
Pokrovskiy	In production	98.61[1]	Yes	Gold deposit, silver bi-product
Pokrovskiy Satellite Deposits	Expected to be in production in 2012	98.61[1]	Yes	Gold deposit, silver bi-product
Pioneer	In production	98.61[1]	Yes	Gold deposit, silver bi-product
Amur – North East Amur Division				
Malomir	Expected to be in production second half of 2010	98.61[1]	Yes	Gold deposit
Albyn	Expected to be in production in 2011/2012	100	Yes	Gold deposit
Tokur/Osipkan	Expected to be in production in 2009	100	Yes	Gold deposit
Joint venture operations				
Omchak	In production	50	No	Alluvial and gold underground deposit
Rudnoye	In production	50	No	Gold deposit
Other divisions				
Alluvials (Amur Doré, Elga and Koboldo)	In production	100[2]	Yes	Alluvial gold deposits

1 The remaining interest is held by or is attributable to the Amur Region Property Fund, a Russian state entity, through its holding in Pokrovskiy Rudnik.

2 Except for Koboldo in which the Peter Hambro Mining Group has a 95.7 per cent. interest.

7.1.1 *Amur Region*

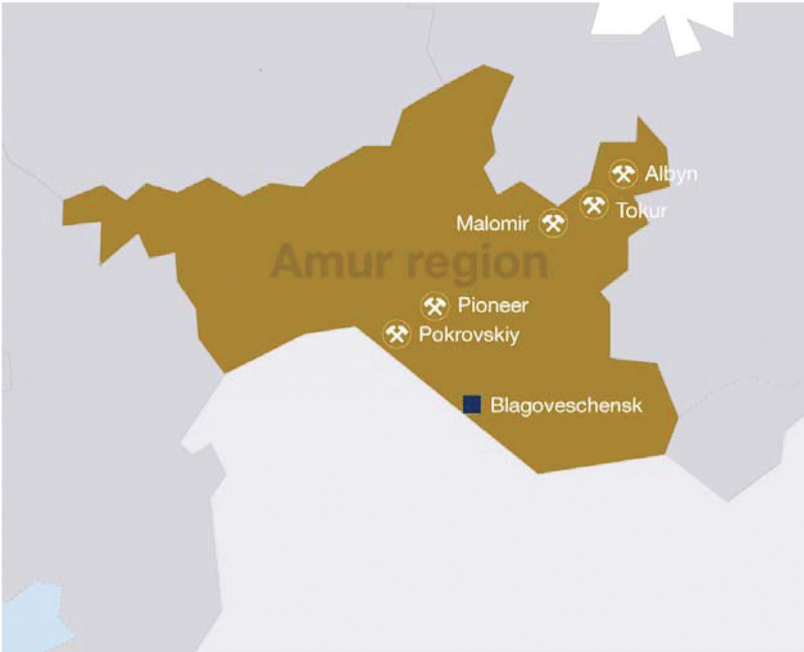
Pokrovskiy and Pioneer Division

Pokrovskiy Rudnik was formed in 1994 and is held as to 98.6 per cent. by the Peter Hambro Mining Group and 1.4 per cent. by the Amur Region Property Fund, a Russian state entity. Pokrovskiy Rudnik holds a number of licences including the licences for the Pokrovskiy and Pioneer deposits.

The combined licence for the extraction of the Pokrovskiy deposit was originally issued on 16 May 1994 to Pokrovskiy Rudnik by the State Geology Committee of Russia. The extraction licence was re-issued to Pokrovskiy Rudnik in 1997 and 1998. The licence is due to expire on 1 June 2014 and may thereafter be extended with the consent of the licensing authority.

Pokrovskiy Rudnik also holds a combined licence for the survey, exploration and extraction of the Pioneer deposit. The licence was issued on 15 January 2001 by the Natural Resources Committee of the Amur Region to Pokrovskiy Rudnik and is due to expire on 31 December 2013 and may thereafter be extended with the consent of the licensing authority.

The following map shows the Peter Hambro Mining Group's deposits in the Amur Region:



Pokrovskiy

Introduction

The Pokrovskiy mine is one of the largest producing gold mines (by annual production value) in the Amur Region and has been in operation for ten years, with the first gold having been recovered from the mine in 1999. The Pokrovskiy mine is currently one of the key producing assets of the Peter Hambro Mining Group.

Geology and reserves

The Pokrovskiy deposit is located on the south side of the Mongolo-Okhotsk fold/thrust line but well within the broad zone of mineralisation associated with this plate junction. The Pokrovskiy deposit consists of a set of five large, irregular, but mostly flat-lying ore bodies within a sequence of volcanic and sedimentary rocks of Mesozoic age, lying above a thick dacite sill, and results from hydrothermal activity associated with the Mesozoic volcanism.

Mineralisation extends to at least 240 metres in depth and two distinct deposits are recognised: Pokrovka 1 (the main area of current production) and Pokrovka 3, which is located 400 metres to the northeast of Pokrovka 1. The Pokrovka 1 deposit comprises four separate mineralised zones, namely Glavnoye, Zeyskoye, Novoye and Ozernoye.

Exploration in 2008 continued within the operating pit boundaries and has identified extensions to the ore bodies on the north and south sides. In the north, economic ore of 9,099 oz at 2.6g/t of oxide ore has been identified and is as yet unbounded. On the south side of the pit, ore has also been followed at depth identifying material at 8g/t, which is also expected to increase reserves of the deposit.

A summary of Pokrovskiy's mineral resources[1], evaluated in accordance with the guidelines of the JORC Code (2004) as at July 2008, is set out below:

Pokrovka 1[2]

	Tonnage	*Grade*	*Gold*	
Resource category	*(kt)*	*(g/t of gold)*	*kg*	*koz*
Measured	1,956	2.13	4,185	134
Indicated	3,947	1.98	7,801	251
Measured + indicated	5,903	2.03	11,986	385
Inferred	12,974	1.26	16,385	527

Pokrovka 3[2]

	Tonnage	*Grade*	*Gold*	
Resource category	*(kt)*	*(g/t of gold)*	*kg*	*koz*
Measured	1,463	1.36	1,987	64
Indicated	1,012	0.73	738	23
Measured + indicated	2,474	1.10	2,725	87
Inferred	991	0.58	570	18

Source: WAI report, July 2008

Note:

1 The figures have been based on 100 per cent. ownership, however the Peter Hambro Mining Group's interest in these deposits is only 98.61 per cent.

The JORC Code (2004) reserve estimation

As at 5 November 2008, the proven and probable reserves at Pokrovskiy based on the US$650/oz gold price were 5.6 million tonnes of ore at an average grade of 2.05g/t of gold requiring 23.4 million tonnes of waste to be removed to access the ore body at a stripping ratio of 4.17:1. WAI is of the opinion that significant further inferred resource exists within the deposit.

Russian Standard Classification System reserves and resources estimates

Total Category A, B, C_1, C_2 and P_1 reserves and resources for the Pokrovskiy deposit and the Pokrovskiy Satellite Deposits were calculated as being 2,403,525 oz as at 1 January 2009.

Processing methods

The mine is open pit and gold is currently produced at the mine using two main routes: the RIP plant and the heap-leach operations, with the latter contributing approximately 5 per cent. of the Pokrovskiy mine's production. The RIP plant works all year round and the heap-leach process operates during eight months of the year and is used to treat low-grade material (less than 0.8g/t).

The RIP technology used at the Pokrovskiy mine involves crushing and grinding of the ore, RIP absorption and electro-winning to produce doré bullion. The barren tailings are treated by a cyanide destruction process (in accordance with Russian regulations) before being pumped to a tailings dam.

The RIP plant was originally commissioned in 2002 with a design capacity of 0.75 million tonnes of ore per year. Since then, it has been gradually expanded without causing material disruption to production. In 2006, the next stage of the RIP plant's expansion was successfully accomplished, which included the optimisation of the grinding circuits and classifiers. The plant's annual capacity is now 1.7 million tonnes of primary ore.

Production

Mining operations at Pokrovskiy are performed entirely utilising a mining fleet owned by the Peter Hambro Mining Group. Most of the equipment is of Russian origin and, according to the original feasibility study, it is appropriate in terms of size and capacity. The fleet includes 45 tonne capacity BelAZ trucks, EKG-5 excavators and Caterpillar bulldozers. Roads have been constructed to bear the weight of this machinery.

The annualised capacity of the RIP plant has increased from 0.75 million tonnes of oxidised ore in 2002 to 2.2 million tonnes in 2006. This productivity increase was principally accomplished through the expansion of the RIP plant's circuit. Plant recovery has varied significantly over the period from 1999 to 2008. The plant recovery was 90 per cent. in 2007 and in 2008 it was 87 per cent. Currently the plant is treating 1.7 million tonnes of primary ore per year, which is lower than the plant's design capacity due to the additional crushing and grinding required for hard primary ore. At present there are no plans for future expansion works to increase the capacity of the RIP plant and Pokrovskiy ore bodies are scheduled to supply material for the plant until the end of 2012. Some high grade material from the Pioneer deposit is used to produce an optimal blended mix to be processed through the Pokrovskiy mill. It is expected that the Pokrovskiy Satellite Deposits will contribute ore for the plant from 2012.

The annual tonnage of ore treated through the heap-leach operations has increased from 81,000 tonnes in 2002 to 785,000 tonnes in 2008. After construction of more efficient RIP operations at the Pokrovskiy mine, high grade ore is being treated through the RIP plant and, as a result, the average head grade of ore processed through the heap-leach process has reduced from 7.5g/t of gold in 1999 to 0.8g/t in 2008. Optimisation of the heap-leach in previous years has allowed relatively high gold recoveries (64.7 per cent. in 2008) even on low grade material (0.8g/t). Gold production at the Pokrovskiy mine has increased since commissioning in 1999 to 267,100 oz per annum in 2008, out of the Peter Hambro Mining Group's total attributable production of approximately 393,600 oz. The production figure in 2008 of 267,100 oz, represented an increase of 13 per cent. compared to 2007 and exceeded the Company's production target for 2008 (225,000 oz) by 19 per cent. This was achieved against a 14 per cent. drop in average grade produced by the Pokrovskiy pit in 2008, which led to a 19 per cent. reduction in gold produced from the pit compared to 2007, although this remained in line with the Group's mining plan. This was compensated by the addition of some high grade material from the Pioneer deposit to produce an optimal mix for the RIP plant. It is currently expected that, with ongoing maintenance, similar levels of production from the heap-leach operations could be maintained until at least 2012 but it is currently expected that production from the RIP plant will be reduced in 2009 with gold production from the mine decreasing to approximately 177,000 oz in 2009.

It is planned that the 2009 rate of production within the Pokrovskiy mine as a whole will continue until 2011 and then drop further in 2012 when the main Pokrovskiy pit is expected to be exhausted. The Company is carrying on exploration works at the edges of the main pit to add further reserves and resources, which may allow for production from the main pit beyond 2012. In 2008, exploration works both on the northern and southern edges of the pit indicated additional high-grade oxidized reserves for Pokrovskiy. It is currently planned that after 2012, production will move to a series of smaller open pits termed the "Pokrovskiy Satellite Deposits," which are currently estimated to have 558 koz of gold reserves in Categories C_1 and C_2 and 646 koz of gold resources in Category P_1. The average grade of the Pokrovskiy Satellite Deposits is lower than the current Pokrovskiy mine. Further exploration works are being carried out at a number of prospective areas within the Pokrovskiy Satellite Deposits with a view to increasing the reserves and resources base to replenish the Pokrovskiy mine main pit reserves.

Infrastructure

The Pokrovskiy mine has a well developed infrastructure, including electricity supply, water supply and a road network. It also has a heating plant, laboratory, accommodation, a canteen and offices.

Power – power at 220kv for the site is taken from the national grid from hydroelectric power lines located close to the mine. The power required for the mine itself and primary crushing and separation operations is supplied via two 35kv overhead transmission lines to the mine's substation. Oil fired boilers are used to provide heating at the mine and process plant sites.

Transport – the Pokrovskiy mine benefits from well developed transport links, allowing it to be a base for the Enlarged Group's expansion and development in the region. The Pokrovskiy mine is located approximately 600km from the capital of the Amur Region, Blagoveschensk. Blagoveschensk has an airport that connects it with regular flights to Moscow and other destinations. The Pokrovskiy mine's nearest airport however is at Zeya, approximately 90km from the mine. The Pokrovskiy mine is also easily reached by rail as it is situated approximately 10km from the Trans-Siberian Railway station at Tygda (which takes 18 hours from Khabarovsk where there is also a regional airport). Good quality road networks connect the Pokrovskiy mine with Zeya, Tygda and Blagoveschensk, with a journey from the latter to the mine taking approximately seven hours by road. A specially-constructed road connects the mine with the Tygda station on the Trans-Siberian Railway.

Human resources – around 2,000 workers (including contractors) are employed by Pokrovskiy Rudnik. Approximately 1,800 of these employees work at Pokrovskiy on a "15 days on, 15 days off" per month shift basis. Approximately 200 of those work at either Pokrovskiy or Pioneer depending on the business needs of each site at any one time. Most of the employees are recruited from the Amur Region and the majority of them live in the accommodation constructed by the Peter Hambro Mining Group.

Cash costs

The Pokrovskiy mine has historically been one of the lowest GIS total cash cost per unit producers in Russia. Due to deeper levels of the pit being worked in 2008, a decrease in the Pokrovskiy grades mined, lower recoveries through the plant (ore from Andreevskaya processed through the Pokrovskiy RIP process had only a small positive effect on the average grades and recoveries) and high inflation, GIS total cash costs at the Pokrovskiy mine increased by 29 per cent. to US$249/oz in 2008, compared to US$193/oz in 2007.

Pokrovskiy Satellite Deposits

The occurrences of gold mineralisation around the Pokrovskiy mine have been termed the Pokrovskiy Satellite Deposits. The Pokrovskiy Satellite Deposits are located at distances ranging from several hundred metres to up to 15km from the main site and are at different stages of exploration. These areas have been termed the 'inner' and 'outer' satellite deposits. The inner satellite deposits are covered by the licence for the main Pokrovskiy deposit.

Exploration on the inner flanks of Pokrovskiy has been completed at the Pokrovka 2 and Bazoviy sites. Reserves in Categories C_1 and C_2 of 558 koz will be submitted for GKZ approval in the second quarter of 2009. It is planned that after depletion of gold bearing ore from the main Pokrovskiy pit at the end of 2012, the Pokrovskiy RIP plant will treat material from Pokrovka 2 and Bazoviy.

The Pokrovskiy outer satellite deposits comprise four separate sites covered by the Zeltunak licence and are located at a distance ranging from 1km to 15km from Pokrovskiy and include: Velikie Luzhki, Anatolevskiy, Proletarskiy and Zeltunak. The most prospective outer satellite deposits are the Luzhki and Zeltunak sites.

At Luzhki, the total length of mineralisation traced is 3.5km, with further westward extensions discovered and explored in the second half of 2008. The pre-stripped area shows a continuous east-west ore structure, but its thickness and grade are both very variable. At Zeltunak the sub-horizontal mineralised thrust zone area of 5km in length identified in the spring/ summer of 2008 has been confirmed locally in mapping holes and trenching, though the nature of the mineralisation remains uncertain. The gold appears to be associated with fragments of vein quartz. From the grades which have been found, it is clear that there is an ore body of some significance at this area.

It is planned that from 2013 to 2019 2.0 mt per annum of ore at an average grade of 1.1g/t of gold will be processed through the RIP plant and 0.6 million tonnes per annum of ore, also at an average grade of 1.1g/t of gold, will be processed through the heap-leach facility feeding from the Pokrovskiy Satellite Deposits.

It is the Enlarged Group's intention to explore the Pokrovskiy Satellite Deposits in greater detail in the coming years and gradually bring them into production as the main Pokrovskiy deposit becomes exhausted. Operations at the Pokrovskiy Satellite Deposits should benefit from the established infrastructure at the main Pokrovskiy deposit.

Pioneer

Introduction

The Pioneer mine is located in the Amur Region, approximately 35km from the Pokrovskiy mine. The Pioneer licence was acquired by Pokrovskiy Rudnik in 2001 and since then an extensive exploration programme has been carried out at this deposit. As a result of this, Pioneer's first stage production facility came into production in April 2008.

After the successful ramping up of the first milling line at Pioneer and having exceeded the Company's production forecast for the deposit in 2008, the second milling line is under construction and due for commissioning in the second half of 2009. It is expected that the mill will ramp up to 3.2 million tonnes of annual capacity by the end of 2009. The construction of the third line is also ongoing and it is expected to be commissioned in the second half of 2010. It is expected that the plant will achieve its full designed capacity of 5.4 million tonnes of oxide material in 2011 and will be converted in 2014 to treat refractory material.

Geology and reserves

The Pioneer mine is located on the Amur tectonic plate on the south side of the Mongolo-Okhotsk fold/thrust line, but well within the broad zone of mineralisation associated with this plate junction. Mineralisation at Pioneer is hosted by extrusive and intrusive rocks of Mesozoic age, and results from hydrothermal activity with Mesozoic volcanisim.

The deposit comprises the three ore zones – Yuzhnaya, Promezhutochnaya and Bakhmut – that form the Pioneer structure. In addition, the higher grade Andreevskaya zone is located 1.3km to the southeast of the Pioneer structure, whilst there are also a number of other small ore structures nearby, including Zvezdochka, Eastern, Western, Nickolayevskaya and Babayevskaya.

A summary of the Pioneer mine's mineral resources[1], evaluated in accordance with the guidelines of the JORC Code (2004), as at July 2008, is set out below:

Pioneer

Resource category	*Tonnage (kt)*	*Grade (g/t of gold)*	*Gold kg*	*Gold koz*
Measured	14,960	1.11	16,559	532
Indicated	14,854	1.07	15,826	510
Measured + indicated	29,814	1.09	32,421	1,042
Inferred	38,364	0.92	35,355	1,137

Source: WAI report, July 2008

Andreevskaya

Resource category	*Tonnage (kt)*	*Grade (g/t of gold)*	*Gold kg*	*Gold koz*
Measured	2,621	2.97	7,773	250
Indicated	1,649	2.11	3,483	112
Measured + indicated	4,270	2.64	11,256	362
Inferred	3,292	1.73	5,684	183

Source: WAI report, July 2008

Note:

1 The figures have been based on 100 per cent. ownership, however the Peter Hambro Mining Group's interest in these deposits is only 98.61 per cent.

As noted above, a new Micromine® model for the Andreevskaya zone was prepared by WAI in January 2009 incorporating the original exploration data as well as the results from the new drilling and depletion from the deposit. The January 2009 resource estimate for the Andreevskaya area is provided in the table below:

Andreevskaya Mineral Resource classified in accordance with the guidelines of the JORC Code (2004) at 0.4g Au COG[1]

		Gold Resource			*Silver Resource*		
Resource Category	*Tonnage (kt)*	*Grade (g/t Au)*	*Contained Metal (kg Au)*	*Contained Metal (oz Au)*	*Grade (g/t Ag)*	*Contained Metal (kg Ag)*	*Contained Metal (oz Ag)*
Measured	223.7	11.99	2,681.4	86,211	32.0	7155.7	230,062
Indicated	2,340.1	4.34	10,145.4	326,183	11.8	27,689.8	890,247
Measured+Indicated	2,563.8	5.00	12,826.9	412,393	13.6	34,845.5	1,120,309
Inferred	3,866.9	1.15	4,429.5	142,412	4.2	16,403.3	527,377

Source: WAI report, January 2009

Note:

1 The figures have been based on 100 per cent. ownership, however the Peter Hambro Mining Group's interest in this deposit is only 98.61 per cent.

JORC Code (2004) reserve estimation

The Pioneer reserves, as estimated by WAI are based on a US$650/oz gold price, which gives combined proven and probable reserves, as at July 2008, of 27.5 million tonnes of ore at an average grade of 1.30g/t of gold and requiring 151.2 million tonnes of waste to be removed to access the ore bodies.

Russian system reserves and resource estimates

Total Category C_2 and P_1 reserves and resources for Pioneer were calculated as being 4,910,000 oz as at 1 January 2009. There has been a 300 per cent. increase in the overall evaluated reserves and resources at Pioneer since its acquisition by the Peter Hambro Mining Group.

Exploration

Bakhmut

The extension of the Bakhmut zone to the east of the Ulunga river has been proven with many intersections at greater than 10 g/t grade, confirming a new ore column on three section lines, and on many intervals in each hole, similar to the larger ore columns originally discovered further west. After 1000 metres, however, the zone disappears below neogene sands. It is likely to continue further, but exploration would be difficult and exploitation problematic below a deep layer of unconsolidated overburden.

Vostochnaya

Results from a trench and three drillholes near the mill, and immediately to the south of the Vostochnaya ore zone itself indicate that mineralisation has been discovered.

Nikolaevskaya

Trench intersections indicate a north-east/south-west trend of this zone, sub-parallel to Andreevskaya, and possibly continuous with the Babayevskaya zone which was found to the south of the mill site. There are good gold intersections with gold grades of up to 17.6g/t near the southern end of the explored length. The regional geology of Pioneer suggests that this is the location of a major mineralised zone; also, within the diorite complex, large pieces of quartz with gold grades up to 100g/t (and coarse gold) have been found.

Babayevskaya

There are now a total of six trenches 80 metres apart, and a continuous zone has been demonstrated over a 400 metres strike length. In one trench, good grades have been found: 5.77g/t over 3 metres in thickness. One drill hole has also intersected this zone. In one of the trenches, visible gold has been noted.

Andreevskaya

Exploration at Andreevskaya continues, with preliminary evaluation of the south-western and north-eastern enriched zones, and further drilling and trenching to the south-west in the area between the “south-west interval” ore column and to the north-east beyond the “north-east interval” ore column, indicating the likelihood of further ore columns. Sampling has identified in places extremely high bonanza grades of gold, with one assay recently recording 3500g/t.

The Andreevskaya zone has now been followed to the eastern bank of the river Ulunga, giving a total length of 3.5km from the junction with the Yuzhnaya zone. On one line of drill holes here, an intersection with 7.7g/t gold grade has been found; this needs confirmation with infill drilling as the section spacing here is 400 metres.

The Andreevskaya ore also contains substantial quantities of silver which must be taken into account in the design and operation of the ore processing circuit.

Preliminary evaluation of the south-west zone (not yet included in the reserve and resource tables) gives a Category C_2 estimate of 137,283 oz of contained gold at a grade of 9.58g/t. The north-east zone, also not yet in the reserve and resource tables, has an estimated 72,660 oz of contained gold at a grade of 12.13g/t. These are preliminary indications and at this stage have not been included with other reserves/resources figures.

A sparse grid of trenches and drill holes follows the zone westwards beyond the south-west interval towards the junction with the Yuzhnaya zone. Patches of high-grade gold have been noted, which require confirmation with infill drilling, which could possibly reveal additional ore columns. At the intersection with Yuzhnaya itself, only low gold grades have been found to date, but there is significant silver – in one intersection an average of 74.9g/t over a thickness of 49.3 metres.

Importance of high grade ore zones

The Pioneer deposit is characterised by the presence of numerous high grade ore zones. Seven ore zones have been identified at Yuzhnaya, two at Promezhutochnaya and several at Bakhmut.

The geometry of these structures is highly variable, as are the grades, but as a general rule they are relatively small (a few metres wide) with high gold grades (approximately tens of hundreds of g/t of gold).

WAI is of the opinion that it is not possible from an economic standpoint to drill on a tight enough grid spacing to properly define these narrow enriched zones. However, a significant uplift in gold contained at Andreevskaya, is supported by the first results of exploitation at this deposit. A programme of blast hole drilling on a tighter grid has identified a 45 per cent. uplift against the original wireframe model. Reconciliation of the JORC Code (2004) reserves and resources against production carried out by WAI showed a c. 30 per cent. increase in the gold produced compared to the initial JORC Code (2004) estimates.

Processing methods

The Pioneer mine consists of four main open pits: Bakhmut, Yuzhnaya, Promezhutochnaya and Andreevskaya. The mine is planned to be developed gradually through four main stages with a target peak production of 337,000 oz per year of gold production and with a mine life expected to last until 2018.

Three types of ore have been identified at the deposits: oxidised, mixed and primary ore, for which two types of processing technology will be employed. Oxidised and some mixed ores are treated first, using direct cyanidation technology through RIP and heap-leach operations, then the remainder of the mixed ore and primary ore will be treated by flotation and a high pressure oxidation process. The latter process is a technology that has not yet been utilised by the Peter Hambro Mining Group. Separate treatment of different types of ore is expected to cut operating costs and allow for higher recovery rates.

It is planned that the Pioneer mine will operate in both summer and winter, with low grade material processed through the heap-leach operations during the summer and high grade material via the RIP plant in the winter.

Production

The Pioneer mine is currently in the first stage of development. Pioneer's first stage production facility commenced production in April 2008, comprising crushing units, grinding mills, sorption and desorption units, a heap-leach pad and tailings storage. Throughout 2008, the first line of the Pioneer plant was ramping up to its full capacity of 1 million tonnes per annum, and construction of a second processing line in the Pioneer plant was ongoing with work on initial preparation for the crushing, grinding and sorption buildings, among other works. These works also include expansion of the tailings storage and completion of infrastructure development. In 2008, the mining works at Pioneer were in line with the mining plan for increasing the capacity of the mine, including advanced stripping works. These works are aimed at providing access to the ore planned to be treated through the Pioneer mill during the first phase of the plant's development and further preparation of the deposit for the second and third phases of the development and processing complex. Construction of the second and third lines of the Pioneer plant is progressing, with the second line at Pioneer planned to commence production in the second half of 2009 and the third line in the second half of 2010. The current plan provides for modification and expansion of the mill to treat primary ore from 2014 with all equipment being used at the flotation-cyanidation plant.

From late April 2008, the plant started operating on a "summer regime" and yielded 72,900 oz by the end of the year, higher than the Company's 2008 target of 72,000 oz. The second phase of mine development is continuing, including work on the construction of the production facilities (including the crushing/grinding plant and sorption circuits) and is due to be completed in the second half of 2009 when the second line will be commissioned.

In total 528,000 tonnes of material was processed through the mill in 2008, yielding gold production of 72,900 oz. Currently the mill is working in line with its design capacity for this stage of the ramp up and at the planned processing volumes for gold extraction. The overall gold recovery for the year was 74 per cent. which is 8 per cent. lower than planned. Given the higher than expected grades produced by the Pioneer pit and in order to optimise cash flows from the Pioneer mine, the Company has taken a decision to process in 2009 all material produced by the mine through the Pioneer plant together with the remaining material from the Pioneer heap leach pads.

Infrastructure

Transport – The Pioneer mine is approximately 40km from the Tygda station on the Trans-Siberian Railway and approximately 60km from the nearest airport in Zeya. The mine also has excellent road connections with the Pokrovskiy mine; its close proximity to the Pokrovskiy mine allows it to share much of that mine's infrastructure.

Human Resources – Around 550 employees work at Pioneer. As set out above, some of the employees of Pokrovskiy may transfer temporarily to Pioneer depending on the business needs at any one time. These employees are recruited from the Amur Region and some of them live in accommodation constructed by the Peter Hambro Mining Group.

Cash Costs – For the period ended 31 December 2008, GIS total cash costs for the Pioneer mine were US$293/oz which is in line with the Directors' expectation as the mine has only been in operation since late April 2008 and was in the ramping up phase.

7.1.2 *North-East Amur Division*

Along the major thrust zone close to the Mongolo-Okhotsk fault/thrust line, a north-eastern group of assets are located comprising Malomir, Tokur, Albyn and Osipkan located between 60km to 80km away from each other. All are at different stages of exploration with Malomir being in the advanced development stage (finalising feasibility study) and Osipkan being a prospective licence acquired by OOO Osipkan.

This division is served by the Peter Hambro Mining Group's local assay laboratory located at Tokur and is operated by a local team and a management team from MC Petropavlovsk. In addition to the technological synergies which can be achieved from being located in the same geological zone, it is the Enlarged Group's intention that the North-East Amur Division assets will benefit from shared infrastructure, management and other synergies.

Malomir

Introduction

Malomirskiy Rudnik holds a combined licence for the exploration and extraction of the Malomir deposit, which is located in the Selemdja area of the Amur Region, approximately 80km to the west of the area's capital, Ekimchan, approximately 35km to the north of Stoyba, the closest settlement, and approximately 360km east of Pokrovskiy. The acquisition of the licence for the Malomir deposit was part of a long-term development strategy of the Peter Hambro Mining Group. An exploration licence for the Malomir surrounding area (satellite deposits) was obtained in 2003, at which time exploration on this area began. The exploration licence is due to expire on 31 December 2009, unless extended by the licence authority. In May 2005, following an auction process, Pokrovskiy Rudnik was awarded the combined licence for the exploration and extraction of gold over the central part of the Malomir deposit. The licence for the central part of the deposit covers an area of 40km^2 and is due to expire in 2030.

Malomir is at an advanced stage of development. The geological exploration work carried out at the Malomir licence area indicated that it consists of three separate deposits: the Malomir deposit, the Ozhidaemoye deposit and the Quartzitovoye deposit.

In 2008, the discovery of high-grade non-refractory ore at the Quartzitovoye deposit caused the Company to review its development plans for Malomir to allow this area to be explored further during the remainder of 2008 and early 2009. This discovery has significantly changed the economics of Malomir. The structure and mineralisation of the Quartzitovoye deposit are now fairly well understood and exploration will continue for further similar high-grade zones in the Malomir licence area.

The Company's revised plans, reflecting the new results from Quartzitovoye, provide for Malomir to be commissioned in the second half of 2010 with expected production in that year of between 136,000 oz and 181,000 oz. This production is expected to increase to 187,000 oz in 2011 and between 193,000 oz and 240,000 oz in 2012. The Malomir mine is proposed to be mined by the open pit method and brought into production in the same "modular" fashion that the Peter Hambro Mining Group used to develop Pokrovskiy and is currently using at Pioneer. This gradual phasing in of production lines allows for optimal capital expenditure as revenues from the first line's production (from Quartzitovoye) can be used to expand the plant.

Preparations for the commencement of production at Malomir were undertaken in 2008, with all pre-design work being completed as well as the delivery of mining equipment. Construction of the accommodation camp began and the necessary permits for the construction of the plant, roads, tailings and pit were received. A 110 kw power line and an electricity substation are currently under construction, with all equipment and components in place. A pre-feasibility study, including a preliminary open pit design, has been completed by PHM Engineering and is expected to be approved by GKZ by the end of 2009.

Geology and resources

The Malomir deposit is situated along and above a major thrust zone close to the Mongolo-Okhotsk fold and thrust system and is hosted by upper Palaeozoic meta-sediments, mainly carbonaceous shales, affected by low-grade regional metamorphism and locally intense metasomatic alteration (mainly silification) with associated hydrothermal mineralisation.

The flat-dipping tectonic zone "Diagonal" has a thickness of between 100 to 300 metres, extends for more than 6km and appears to have a major ore controlling influence. This zone, which appears fairly continuous, has been traced along its strike by drilling for more than 1,500 metres and to a depth of 350 metres.

The three separate deposits at Malomir (Malomir, Quartzitovoye and Ozhidaemoye) are believed to form part of a single, faulted mineralised structure. The Malomir and Ozhidaemoye deposits are related to the "Diagonal" thrust zone, while the Quartzitovoye deposit is a north-eastern extension of this structure, north of the Malomir river.

The main Malomir deposit consists of multiple thick zones of metasomatised and crushed rock lying mostly above the major "Diagonal" thrust zone. For pit designing purposes, these separate zones are expected to merge into a single thick ore body to be mined by the large open pit method.

A summary of Malomir's mineral resources[1], evaluated in accordance with the guidelines of the JORC Code (2004) as at July 2008, is set out below:

Resource category	*Tonnage (kt)*	*Grade (g/t of gold)*	*Gold kg*	*Gold koz*
Measured	7,239	1.31	9,501	305
Indicated	57,156	1.19	68,115	2,190
Measured + indicated	64,395	1.21	77,616	2,495
Inferred	87,549	0.94	82,262	2,645

Source: WAI report, July 2008

Note:

1 The figures have been based on 100 per cent. ownership, however the Peter Hambro Mining Group's interest in this deposit is only 98.61 per cent.

In February 2009, WAI assessed the Quartzitivoye area using the JORC Code (2004) model. The January 2009 resource estimate for the Quartzitivoye zone of the Malomir deposit is provided in the table below:

Quartzitovoye (Zone 1-3) Mineral Resource classified in accordance with the guidelines of the JORC Code (2004) at COG of 1.10g/t Au[1]

JORC Classification	*Volume (m^3)*	*Density (t/m^3)*	*Tonnage (t)*	*Grade (g/t Au)*	*Contained Metal (kg)*	*Contained Metal (oz)*
ZONE 1						
Inferred	349,171	2.60	907,845	1.82	1,649.5	53,033
ZONE 2						
Measured	8,188	2.60	21,289	3.07	65.3	2,099
Indicated	34,611	2.60	89,988	2.72	245.2	7,883
Inferred	195,285	2.60	507,742	10.65	5,408.6	173,890
ZONE 3						
Inferred	32,283	2.60	83,935	2.12	178.2	5,729

Source: WAI report, January 2009

Note:

1 The figures have been based on 100 per cent. ownership, however the Peter Hambro Mining Group's interest in this deposit is only 98.61 per cent.

JORC Code (2004) reserve estimation

The proposed mining schedule for Malomir based on measured and indicated resources uses a US$650/oz gold price. This gives proven and probable ore reserves at Malomir of 50.7 million tonnes of ore at an average grade of 1.26g/t of gold and requiring 181 million tonnes of waste to be removed to access the ore body at a stripping ratio of 3.57:1.

Optimisation of the Malomir deposit including inferred resources yields proven and probable reserves of 60 million tonnes at an average grade of 1.24g/t of gold. An increase in the gold price and hence in economic cut-off grade has a large impact on the preliminary reserves.

Russian system reserves and resources estimates

Total Category C_2 and P_1 reserves and resources for Malomir were calculated as being 5,013,266 oz as at 1 January 2009 of which 800,535 oz of C_2 resources with an average grade of 4.6g/t and 115,740 oz of P_1 resources with an average grade of 2.0g/t are located at the Quartzitivoye deposit.

Processing methods

The Malomir deposit design provides for three open pits, Malomir, Ozhidayemoye and Quartzitivoye. It is planned that Malomir will be mined using conventional open-pit mining techniques and will employ a mixture of Russian and western built mining equipment. The principal mining equipment will consist of electric powered rotary drills for drilling in blast-holes; electric powered rope shovels for ore and waste excavation; and diesel dump trucks for hauling ore to the crushing plant and taking waste to surface stockpiles.

According to WAI, Malomir represents a significant open pit reserve that has considerable potential to become a profitable operation in the near future.

The Malomir ores are known to be predominantly refractory and have been subjected to several detailed metallurgical test programmes. Various processing options were considered to treat the flotation concentrates and pressure oxidation was determined to be the most suitable method. The development plan, reflecting the new results from the Quartzitovoye deposit, provides for Malomir to be treated initially by direct cyanidation, postponing the capital intensive autoclave oxidation investment needed for the treatment of refractory ore, and instead focusing on more cost effective short term expenditure on the non-refractory material. This is possible because the Quartzite ores are metallurgically quite distinct from the other refractory ores of the Malomir deposit. Irrespective of their oxidation state they are easily processed by cyanidation (recovering 90 to 95 per cent.). There is a large proportion (76.2 per cent.) of free (amalgamable) gold in them. Metallurgical studies at Quartzitovoye have also indicated that gravity separation recovers 80 per cent. of the contained gold. The gold within this ore body is visible in the form of coarse single grains.

These results have been obtained from the study of 10 small laboratory samples (10 to 20kg) and one large metallurgical sample (530kg). Based on current estimates of reserves and resources using the Russian Standard Classification System (including Category P_1 resource) the Company expects three and a half years of production from non-refractory material which is later expected to be substituted by refractory material from the main deposit. Processing costs of non refractory material are expected to be significantly lower than anticipated by the feasibility study for the main refractory ore body. As mentioned with respect to Pioneer, the pressure oxidation process is a technology not yet utilised by the Peter Hambro Mining Group.

Exploration and production

Exploration (to Categories C_1 and C_2) has been completed on the central part of the deposit (1.7km). All historic resource and reserve data for the main Malomir deposit has been reassessed by the Company's geologists, and the reserves and resources re-estimated. Approximately 1km of the strike length is now evaluated to Category C_1, with a further 1km to Category C_2 (as far as the river Malomir and the boundary with the Ozhidaemoye deposit).

Three ore zones have been identified within the Quartzitovoye deposit. The east-west ore zones (with 1.0 to 2.8 g/t grades) of the Quartzitovoye deposit have been explored on a 80-40 metre x 60-40 metre grid for a length of 1.2 km. It would appear to be continuous with the mineralisation of the Ozhidzemoye deposit, with the same geological and mineralised characteristics. A new type of gold mineralisation, not previously identified at this deposit, has been established at north-south ore-bearing cross-courses. The length of these cross-courses at surface level is 440 metres, with a thickness of 2.3 metres to 34.8 metres. Mineralisation has been explored on a 60-40 metre x 60-40 metre grid and by two pre-strip pits. Gold grades are generally high with separate samples reaching 100-500g/t on 1 metre intervals. The mineralisation remains unbound in all directions. Within the zone there is a collection of veinlets at grades of more than 50g/t, with individual veinlets generally around 1cm thick and containing visible gold. The ore contains free gold and is easily processed by cyanidation. This ore zone is continuous in depths of 300 to 350 metres and has sub-parallel branches.

Apart from this initial cross-course found on the Quartzite block, another three are expected by the Company's geologists; they are 180 metres to 200 metres apart. Exploration here has recently commenced. The Company's geologists expect controlling structures not only on the Quartzite block but also further to the north-eastern part of the deposit which could significantly change the prospects for the whole deposit.

Hydrogeological and engineering geological studies on the deposit have been completed. Together with geological data they have been taken as the basis for preparation of a pre-feasibility study which is expected to be submitted to GKZ in the second half of 2009. In preparation for mill construction, a deposit of building stone has been located and evaluated, as has a deposit of carbonate rock for autoclave leaching. Exploration for sources of clay and sand is continuing.

Infrastructure

Current infrastructure at Malomir includes "all weather" roads and a residential area for workers. Further infrastructure construction is expected to start in the second half of 2009 and will include the following elements: haulage, roads, power supply, workshops and maintenance facilities, explosives magazine, primary crusher, blending stockpiles and waste dumps. General infrastructure will include staff accommodation, a canteen, a heating plant and communication facilities. Much of the general infrastructure equipment is on order and deliveries commenced in late 2008.

Power – the nearest direct power supply is from a 110kv line, which runs parallel to the Ekimchan-Svobodniy road. A 35kv line and substation to provide power to the mine complex is due to be finished in the second half of 2009.

Transport – the Malomir deposit has effective transport links. It is located approximately 120km to the north-east of Fevralsk station on the BAM Railway and approximately 450km north-east of Blagoveschensk airport. There is also a small airport in the village of Ekimchan which has a connection to Blagoveschensk and there is a landing strip for small aircraft in Stoyba.

Human Resources – as with the Enlarged Group's other principal assets in the Amur Region, it is intended that staff will consist primarily of a local workforce working on a "15 days on, 15 days off" shift basis per month. It is expected that the workforce will be housed in a fully equipped residential complex on the mine. It is anticipated that Malomir will employ approximately 110 personnel, of which approximately 13 are expected to be at the management level.

Tokur

Introduction

The Tokur deposit is located in the Amur Region, approximately 70km from Malomir and approximately 450km east of Pokrovskiy. The extraction licence for the Tokur deposit is 100 per cent. indirectly owned by the Company, following the acquisition by the Peter Hambro Mining Group of Tokurskiy Rudnik in June 2003. The Tokur licence, which covers an area of 4.8km^2, was issued on 22 November 2002 by the Amur Region Department of Natural Resources of Russia and is due to expire on 31 December 2013 and may be extended with the consent of the licensing authority.

Tokur, which has been mined previously, is well served by local infrastructure and is located in an area of intensive historic alluvial mining. The exploration and mining licence covers the area surrounding the old Tokur mine and the Innokentevskiy and Taranakh deposits, which are associated with the Glavniy fault that appears to control the gold mineralisation in the vicinity. Tokur has been mined extensively underground to a depth of around 400 metres and to date has produced approximately 35 tonnes of gold.

The Peter Hambro Mining Group has built a fully accredited laboratory at Tokur in order to assay samples from Tokur, Malomir and Albyn, as well as other assets in the Amur Region. Further work is ongoing to develop a regional test plant for gravitational, flotation and cyanidation metallurgical work for the Pioneer, Malomir and Albyn assets.

Geology and reserves

Gold occurs at Tokur in quartz veins cutting Palaeozoic slates and shales, within a thrust-sheet structure related to the Mongolo-Okhotsk mobile belt. A secondary enrichment in the oxide zone is also believed to exist. The principal mineralisation at the old Tokur mine is associated with a silicified zone along a major thrust fault, known as the Glavniy fault.

Economic mineralisation within this zone is concentrated in enriched zones associated with gold-bearing quartz veins. The longest such section (1.5km) is located at the Tokur deposit itself with a typical gold grade of 2.2g/t of gold over a thickness of 8.5 metres. At greater depths the grade gradually increases and is at its highest at 150 metres, where it is 3.6g/t of gold over 5 metres.

The Company's geologists consider it very likely that extensions of Tokur structures, or very similar parallel structures, are present in the Osipkan licence area, where the geology is similar to that at Tokur, and geochemical anomalies with similar trends to those at Tokur have been found. A mineralised fault zone has been found just outside the Tokur licence area, in the valley of the Bolshoi Karaurak river, which lines up with interpreted structures in the Osipkan area. See the section entitled “Osipkan” below for further details.

The total Category B, C_1, C_2 and P_1 reserves and resources under the Russian Standard Classification System for Tokur were calculated by the Company as being 2,721,176 oz as at 1 January 2009.

Processing methods

Processing at Tokur is expected to commence in 2009, through small scale operations yielding 3,000 oz in 2009 and ramping up to approximately 50,000 oz in 2012. The operation will be expanded to treat gold bearing arsenical quartz ores as operations develop. The feasibility of this is currently being investigated by the Peter Hambro Mining Group.

A flow sheet for the treatment of the quartz ore is expected to involve gravity, flotation and intensive leaching of the concentrates. The recovery of gold using this process is expected to be 74.2 per cent. and cyanide leach recoveries of the concentrate is expected to be 93.9 per cent.

Exploration and production

Preliminary geological exploration of the Glavnaya mineralised ore zone has been completed over its entire length (approximately 6km). Exploration trenches and drill holes have confirmed and extended the previous reserves estimates in the central Tokur and Innokentevskiy deposit areas. At the Tokur deposit, gold remains in the previously worked quartz veins above the Glavniy fault, and higher grades than expected (up to 11g/t) were found at the fault itself.

Infrastructure

Some infrastructure at the mine is in place from previous mining operations at the Tokur underground mine.

Power – the deposit benefits from an electric power line at Zlatoustovsk, approximately 2km from the deposit.

Transport – Zlatoustovsk has an airfield and an all-year-round road connecting it with the BAM Railway, which is located approximately 200km away.

Human resources – Tokur has been mined at different stages during the last 60 years and many of the mining specialists who worked at Tokur during this period have remained in the area. Consequently, there is already a skilled workforce available in the vicinity.

Osipkan

The licence area lies just a few kilometres to the south of Tokur, in the north-east of the Amur Region, with very similar geology: a monotonous series of green schists of Paleozoic age. In 2008, the results of geochemical and geophysical surveys carried out in 2007 by the Company were confirmed by four trenches across the south central area where a tectonic zone has been discovered at the contact of Paleozoic green slates with sandstones and siltstones. The thickness of this zone is 300 to 350 metres, and lateral extent 2.7km. From assay data of channel samples in this zone, 20 ore intervals of thickness from 1 to 11.2 metres have been found. Gold grades vary from 0.9 to 8.82g/t. The length of the orebodies has not been determined. According to the characteristics found here, the Company’s geologists expect the discovery of a major gold deposit. From geological indicators this zone is similar to the Glavniy fault zone of the Tokur deposit located 10 to 11km to the north.

Albyn

Introduction

In 2005, the Peter Hambro Mining Group acquired 100 per cent. of Spanch, which holds a combined licence for the survey, exploration and extraction of the Albyn licence area, covering an area of 40km^2. The licence was renewed in February 2006 and is due to expire in December 2030, when it may be extended with the consent of the licensing authority.

The Albyn deposit is located approximately 45km south east of Tokur and approximately 485km from Pokrovskiy, in the Selemdzhinskiy area of the Amur Region along the bank of the river Kharga. Since 1901, gold mineralisation has been known to exist in this area and it was worked until 1955 for gold and scheelite (tungsten). Mineralisation is in quartz veins similar to those at Tokur, which is described above.

Ore at Albyn contains large particles of visible gold, making assay testing, and as a result exploration works, challenging. However, Albyn ores are very easily treatable. Metallurgical studies have shown the following: by gravity separation it is possible to recover between 79.3 per cent. and 95.2 per cent., by sorption cyanidation between 92.0 per cent. and 97.3 per cent. and by heap-leaching between 50.3 per cent. and 89.1 per cent. This has led the Company to plan to construct a 1.5 mtpa RIP plant for gravity separation at Albyn. It is intended to commission this plant in 2011/2012 with initial output of 50,000 oz ramping up to 100,000 oz in the following year.

Geology and reserves

The Albyn deposit is situated within the Paleozoic Mongolo-Okhotskiy fold and thrust-belt. Mineralisation at Albyn consists of metasomatic rocks associated with low-angle fractures. Gold is present in these rocks, sometimes as coarse visible grains up to 2mm in size. The geology of the Albyn mineralised zone is complex and similar in many ways to the Malomir deposit. There are low-angle branching zones of metasomatites associated with shallow-dipping thrust fracture surfaces. These seem to merge at a depth of 50 metres to 100 metres into a single ore zone up to 50 metres thick containing ore intervals up to 18 metres thick.

In WAI's opinion, the gentle dip of Albyn's mineralised units, coupled with moderate topography augurs well for the development of a resource which can be mined by means of an open pit. Moreover, WAI consider that the relatively simple mineralogy and geological continuity make Albyn a project which is worthy of continued exploration and development.

The total Category C_2 and P_1 reserves and resources under the Russian Standard Classification System for Albyn were calculated by the Company as being 1,636,981 oz as at 1 January 2009.

Processing methods

Initial metallurgical works carried out at the Company's laboratories and by Irgiredmet showed that the mineralisation is highly leachable and that higher gold recoveries may be achieved at relatively coarse grind sizes indicating that the ore can be easily processed. Three samples have been taken so far, each approximately 500 kg; one surface sample (84.8 per cent. oxidised) and two at different depths (34 to 35 per cent. oxidised). In all of them, 90 per cent. of the gold is in a size category from 0.74mm to 2mm. All samples are 96 to 99 per cent. cyanidable, and actual recoveries were 95.2 per cent., 91.3 per cent., and 79.3 per cent. with increasing depth (decreasing oxidation state) of sample. Flotation of the 'primary' ore samples yields 95 to 98 per cent. recovery, while gravitation with cyanidation of tailings yields 91 to 97 per cent. recovery for all three samples. Heap leaching recoveries are lower at 50 to 89 per cent.. As a result, the gravitational/cyanidation of tailings processing method has been selected as the most appropriate.

Exploration and production

The Albyn ore zone has been traced for more than 5km in trenches and vertical drill holes on a 320-160 x 80 metre grid. A small part of the zone (160 x 80 metres) has been explored in detail on a 20 x 20 metre grid and the surface outcrop has been examined in a pre-strip pit for 160 metres along the strike length. This work has revealed the complex structure of the ore bodies. To these complexities is added also the problem of coarse gold. Only full analyses of entire samples (of 7 to 15kg) by a complex procedure yields reliable assay results.

There are two such sub-parallel zones, lying 20 to 60 metres apart. Their thickness is 20 to 50 metres, continuous for distances of 5000 metres and 1500 metres respectively. Down dip and along strike the zones remain unbounded. The lower zone simply joins the upper.

So far, a strike length of 1.1 km has been explored to this detail, though some assay data is still awaited. The diagonal fault identified in the pre-strip has been found to be a significant fault, which is used to define two separate Category C_2 estimation blocks. Estimation will be to a distance of between 250 and 400 metres down dip, though the ore continues deeper. Across the whole strike length the ore body is open at depth.

To the west of this zone, a second pre-strip has been excavated. The geology here is more difficult to interpret, though there is a possible south-west/north-east structure.

On the Kharginskoye deposit, to the north of the main Albyn structure, one section has been drilled, and gold-bearing stockwork intervals have been defined, though no assay data has yet been received. Exploration works are ongoing.

Infrastructure

The Albyn deposit benefits from excellent infrastructure due to its strategic location in the centre of gold mining activities in the north-east of the Amur Region. At present, there is a small exploration camp which has been developed on site and which is connected by road to a local settlement called Zlatoustovsk and a helicopter pad.

Power – the deposit can access a 35kv electric power line at Zlatoustovsk. Albyn also obtains power through the national grid.

Transport – Zlatoustovsk has a fully functioning airfield and an all year round road connecting it with the BAM Railway, which is approximately 200km away.

Human Resources – the deposit is located in an area of old alluvial operations and Zlatoustovsk, a settlement of gold miners, is only two hours away by road. There is a local skilled workforce, including a number of specialists who have worked in the industry for a number of years.

7.1.3 *Joint Ventures*

The Company's strategy of organic growth has been pursued not only through exploration of new areas, but also through collaboration with other recognised players in the Russian gold mining industry. This has enabled the Peter Hambro Mining Group to enter prospective regions where it otherwise would have had no presence and which are logistically challenging. Collaboration with appropriate local companies has been very important when the Peter Hambro Mining Group has undertaken projects where it does not have the appropriate engineering or technological expertise.

Omchak

As part of this strategy, Omchak was formed in 2003 with Susumanzoloto and Shkolnoye, which contributed two principal assets to the joint venture, namely Berelekh (an operator of a number of alluvial deposits in the Magadan Region) and Nelkobazoloto (an underground Shkolnoye mine), respectively. The formation of Omchak allowed the Peter Hambro Mining

Group to operate in the Magadan Region, one of the oldest and largest Russian gold provinces. The primary objective of the joint venture is to identify, acquire and develop promising gold deposits in regions of Russia which are new territories for the Peter Hambro Mining Group.

Production attributable to the Peter Hambro Mining Group from Omchak varies between 30,000 to 40,000 oz of gold annually. In 2008, Omchak produced approximately 28,100 oz of gold, an 18 per cent. decrease on 2007 levels that was due to low gold production from the depleting reserves of the Shkolnoye mine, Nelkobazoloto. More than 85 per cent. of the gold was produced from alluvial operations and new alluvial deposits were brought into production to replace depleting assets.

Due to the depletion in reserves and high production costs, the Board is currently considering the closure of the Shkolnoye mine, or disposing of this asset.

Since its incorporation, Omchak has acquired a number of new assets in four different regions of Russia, which it has been actively exploring and developing. In 2008, Omchak carried out gold exploration and production in Magadan, Chita, Amur, Irkutsk and Sakha.

In the Chita Region, Omchak is currently conducting exploration works in three prospective licence areas:

- the Verkhne-Aliinskoye gold deposit – exploration work has now been completed and a pre-feasibility study was approved by the GKZ in April 2009;
- the Bukhtinskaya ore field – an exploration stage project at which initial geological works established prognostic resources of 30 tonnes with 4 to 5 g/t grades. Trenching and drilling is continuing; and
- the Kuliinskoye ore field – an extensive exploration programme to delineate ore bearing zones is being carried out.

In the Irkutsk Region, Omchak is currently conducting exploration works at the Birusinskiy licence area, an early exploration stage project at which initial geological surveying was carried out in 2008.

In the Altay Republic, Omchak acquired a licence in 2008 for the Verkhkanchaksya deposit. The geological exploration works plan for the deposit was prepared in 2008.

Omchak also carries out alluvial gold mining and geological exploration in the Zeya district of the Amur Region through Zeyazoloto. Ore is extracted using open pit methods from three areas.

Rudnoye

Rudnoye was established in 2003 as a 50/50 joint venture company with OAO Priisk Solovyevskiy in order to develop hard rock gold assets belonging to OAO Priisk Solovyevskiy using the Peter Hambro Mining Group's expertise. One of these assets, the Odolgo ore occurrence, was explored by the joint venture's team and prepared for production and, on 30 May 2007, a modular gravity processing plant was commissioned. Concentrate from the Odolgo plant is currently being processed at the Pokrovskiy RIP plant. Rudnoye is in the process of being liquidated and the operations currently conducted through the Rudnoye Joint Venture are to be carried on through OOO GDK Odolgo (the owner of the relevant licences) in which OAO Priisk Solovyevskiy and Peter Hambro Mining Cyprus have a 50/50 interest (though no joint venture agreement has been entered into).

In 2008 attributable gold production from the Rudnoye Joint Venture was 2,660 oz which is 66 per cent. higher than the 1,600 oz produced in 2007.

A new licence area, Solovyevskiy, located 170km north-west of the Pokrovskiy mine was acquired by Rudnoye in 2007. This is a large licence area in the vicinity of the Trans-Siberian railway and geologically straddles the palaeo-plate boundary between the Eurasian tectonic plate to the north and the Amur plate to the south. It comprises three prospective areas:

- Kirovskiy area;
- Glebovskiy area; and
- Nagiminskiy area.

Resource estimate (C_2 + P_1) for this area have more than doubled during 2008 from 264,000 to 556,000 oz of attributable resources. An estimated 300,000 oz of gold reserves in the Kirovskiy mine remain unexploited with the potential for further large resources of gold. The gold is found in veins, stockworks and ore columns above the major plate-boundary thrust. The Enlarged Group's strategy will be to maintain its exploration programme at the deposit to confirm its open pit potential.

7.1.4 *Other Amur Region production – Alluvials*

The Peter Hambro Mining Group's alluvial production in the Amur Region comes from licences held by Amur Doré and Koboldo and three joint venture projects. Amur Doré is 100 per cent. owned by the Peter Hambro Mining Group and Koboldo is 95.7 per cent. owned by the Peter Hambro Mining Group. Total attributed gold production for 2008 from alluvial projects was approximately 22,700 oz, an increase of 38 per cent. compared to 2007. These operations are seasonal and production typically increases in the summer months. Total production from alluvial operations for 2008 was approximately 20,000 oz. It is estimated that these alluvial operations will produce approximately 29,000 oz in each of 2009 and 2010. The Enlarged Group intends to continue to expand these operations through acquisition and exploration expansion opportunities.

7.1.5 *Other mining divisions – Exploration*

The Peter Hambro Mining Group's strategy of development through organic growth in a short period of time has brought it from a single greenfield deposit holder to a producer operating several mines. This was possible due to the Peter Hambro Mining Group's advantageous position in very prospective, but still little-explored, gold provinces of Russia which benefit from long traditions of gold mining and a highly qualified work force. In 2008, the Peter Hambro Mining Group carried out exploration and development works on 25 licences and 22 projects.

This exploration work yielded positive results. Exploration projects in the Amur Region included both areas surrounding existing operations to extend their mine life and new sites, some of which were acquired as recently as 2007 and 2008. The Enlarged Group intends to continue to explore and develop new opportunities within Russia with a view to monitoring its balance of producing, development and exploration assets over the mid to long-term.

Amur Region exploration assets

Adamikha

Exploration on the two mineralised areas in this licence – Adamikha zone and Galenitovaya zone – yielded more promising results from the latter with free gold identified in pan concentrates and assays from an intersection of 3 metres length averaging 19.6 g/t. Gold is found along the contact of tectonic conglomerates and sandstones with pyritisation, transitioning into a quartz breccia. This zone is 23 to 30 m thick, and records an average grade of 2.5 g/t over a thickness of 28 metres. The zone has been traced for 800 metres, with a possible total length, based on geophysical analysis, of 2 to 3 km.

Aprelskaya area

This area lies 15km west from Pioneer. Gold grades are beginning to appear in exploration of this area, and some promising areas for detailed exploration have been identified. A north-west/south-east line of mapping holes has intersected gold mineralisation in several holes on 20 metre spacing over a distance of 100 metres; a core sample from one of these yielded a grade of 8.4 g/t. Within the main belt of ore zones, a number of intersections of higher grades has been identified (grades from 3 to 8 g/t) which needs to be followed up. If heap-leach quality ore can be confirmed, it will be possible to start a pilot-scale pit there in 2009.

Saguro-Semertakskaya

The licence covers an area of 86.3 km^2. It is located midway between Malomir and Albyn, 4 to 5 km south of the Osipkan area. This is a known hard-rock gold area with a deposit previously exploited by underground mining containing an established gold resource which is potentially suitable for open-pit exploitation. The Sagur gold-bearing (quartz-vein) deposit and its flanks lie within this area. In accessing these veins, channel samples were taken. Gold grades in these samples varied from 0.1 to 17 g/t (averaging 1.7 g/t). Gold mineralisation in this area is controlled by thick thrust zones up to 600 metres extending for more than 15 km.

Solovyevskiy exploration assets

Kirovskiy area

Work has been carried out in the northern half of the Kirovskiy area. High grade gold mineralisation has been intersected in trenches and deep drill holes (up to 67 g/t) in several parts of the area around the previously known Kirovskiy area. The area is underlain by Jurassic terrigene sediments, mainly sandstones, cut by acid igneous intrusions.

In the south-west of the Kirovskiy area is a long north-south trench which has intersected 25 metre thickness at 4.6 g/t among many other intersections including some at higher grades (e.g. 2 metres at 18 g/t). Samples from a trench, which is 80 metres to the east, showed further good intersections. There are also multiple high-grade intersections in adjacent drill holes (e.g. 10.4 g/t over a 3.4 metre interval, and up to 67 g/t in individual samples).

Exploration has also been carried out along the Prirazlomnaya ore zone, along a major mineralised east-west fault, marked by strong geophysical (self-potential) anomalies. A preliminary estimate for this zone suggests resources of 109,312 oz of contained gold explored on a grid corresponding with Category C_2.

In the central area of the Kirovskiy area, the Tsentralnaya ore zone has been explored in three trenches, and there are indications of a thick north-east/south-west oriented ore-bearing structure with high grades.

Another north-east/south-west ore structure has been identified from trenches in the far north of the area.

It must be noted that all of these structures lie in an area immediately adjacent to a major tectonic plate boundary, which is marked by large numbers of thrusts and faults: therefore it is to be expected that ore zones and individual ore bodies will have complex structures and in particular will be displaced by faults. Determining their geometry requires careful and detailed analysis of the geological structure and history – and a carefully planned exploration programme of drilling and trenching.

It is planned to start work on the Yankanskoye zone in the southern half of the Kirovakoye block in 2009.

An estimated 300,000 oz of gold reserves at Kirovskiy remain unexploited with the potential for further large resources of gold. The Group's strategy will be to maintain its exploration programme at the deposit to confirm its open pit potential.

Nagiminskiy area

Geophysical surveying is continuing in respect of the Nagiminkiy area. It is planned to drill deep inclined holes to intersect the chalcedonic ores which are recorded in this area, but whose detailed geology is unknown. There is fine gold known in the placer deposits of this area, which may possibly represent post-Cretaceous primary hydrothermal mineralisation processes, or hydrothermal re-mobilisation, overlapping with the period of placer formation.

Solovyevskiy exploration plans in 2009

High grades and thick ore intervals over more than a 3 km strike length are strong indications that there is a major deposit to be delineated, with a large volume of trenching and drilling required. There is also a need to obtain some indications of the potential of the Yankanskaya area to the south of Kirovskoye, with wide-spaced trenching (every 1.5 to 2 km along strike) to estimate the potential.

Taldan

This licence area is located 115 km to the north-west of Pokrovskiy. Two mineralized areas have been identified on this licence territory:

- Burinda – this deposit consists of epithermal gold/silver-bearing quartz veins, with fine-grained gold. The quartz veins are associated with tectonic zones, varying from 1 metre to 20 metres in thickness. A single zone has been traced continuously for 2.7 km in trenches and drill holes; there is a second less continuous zone a few hundred metres to the north-west of it, and a third zone another 500 metres to the north-west. The main ore bodies have been intersected in drill holes and defined in three dimensions: the veins are vertical and traced to a depth of 200 metres. The Company's geologists consider that drilling here is on a close enough grid to justify Category C_2 reserves, meeting the requirements of the Russian Standard System of Classification.

- Topazovskoye – a trench has been excavated, oriented west-north-west/east-south-east to intersect the gold dispersion anomaly. There is a tectonic breccia trending north-east/south-west and gold grades of 2.7 g/t over a single interval 6 metres thick.

Shaman

This area is close to the Mongolo–Okhotsk geological belt. Gold and copper mineralization has been identified here as a result of initial exploration works by the Company. Further exploration is needed to identify its extent and richness in what, geochemically, appears similar to copper porphyry mineralisation.

Sugjar

This area lies to the north-east of the Zeya reservoir in the northern Amur Region. Gold grades have been found on the west bank (11 metres at 0.7 g/t and 1 metre at 15 g/t), and this has been traced for about a kilometre. Gold occurs in a zone of silicification within the Archaean rocks. To the north-west of the river, another ore zone has been discovered.

Yamal Region exploration assets

Toupugol-Khanmeishorskaya area

This area includes the Novogodnee Monto deposit, Petropavlovskoye and four ore occurrences discovered on the flanks.

Novogodnee Monto and Petropavlovskoye

At Novogodnee Monto, all formalities have been completed in preparation for starting mining operations. At Petropavlovskoye, pre-feasibility study parameters have been agreed and reserve and resource estimations are being completed. It is likely that a pilot-scale pit will be started this year or next. Based on current estimates of gold reserves and resources at Petropavlovskoye carried out by the Company's geologists using the Russian Standard Classification System, the Company expects 265,000 oz at 1.46 g/t in Category C_1, 130,900 oz at 0.8g/t in Category C_2 and 542,000 at 2.5g/t at Category P_1. Based on current estimates of gold reserves and resources at Novogodnee Monto carried out by the Company's geologists using the Russian Standard Classification System, the Company expects 179,000 oz at 1.4g/t in Categories A, B and C_1, 59,000 oz at 1.8g/t in Category C_2 and 200,600 at 2.5g/t at Category P_1.

At a distance of 0.8 to 3 km from the deposit, small ore occurrences have been found. Mineralisation in them is similar to that at Petropavlovskoye. Gold grade in quartz zones and veins reaches 21.9g/t on 1 metre intervals; 20.7g/t on 2 metre intervals; with background ore grades of 1.1 to 6.5g/t. Alongside these, an ore occurrence has been established with magnetite mineralisation similar to Novogodnee Monto. Here there has been estimated to be 4.1 million tonnes of ore with magnetite iron grade of 35 per cent. to 40 per cent. and gold up to 2g/t.

Voikaro-Schuchinskaya zone

This includes three separate areas:

Ozerno-Pyatirechenskaya area

Exploration has been completed on the Ozerniy block. Complex gold, platinum and palladium ores were found here, with palladium-equivalent grades of 1.15g/t and Category P_1 resources of about 22.3 tonnes contained metal plus copper at 0.31 per cent. with resources of about 6,000 tonnes.

Schuchinskaya area

Exploration has been completed on three blocks, geologically similar to Novogodnee Monto. Economic magnetite ore resources have been established.

Rudniye Gorki area

Detailed geochemical and geophysical exploration has been carried out on an area of 44km^2. Anomalies of copper, molybdenum, gold and silver have been found and tested by shallow mapping drill holes. A thick (10 to 50 metre) zone of propylitisation with sulphides (up to 10 per cent.) and magnetite-skarn. Copper grades (from an incomplete set of assays received) reach 0.5 per cent., total iron of 36.8 per cent. and gold of 1g/t. Currently analytical work continues as well as interpretation of geological data.

Buryatia

On 19 April 2006, ZAO Region acquired a licence for the prospective Talikitskaya area in the Buryatia Region.

Preliminary geophysical and geochemical surveys have identified two areas of interest in the Talikitskaya area:

- Talikit zone. The existence of four parallel ore zones was proven by initial exploration works: Tsentralnaya, Yuzhnaya, Pravaya, and Zmeinaya. These take the form of tectonic crush zones up to 10 metres thick, along contacts between acid and basic volcanics. Mineralisation is stockwork and disseminated silicification, producing a hard dark-coloured rock with gold grades in the region of 3g/t. The resources estimated here are substantial and exploration is ongoing; and

- Zoltuy zone. This is an area to the south-east of Talikit. Based on the size and quality of mineralisation, it is believed to have greater resource potential than Talikit. It contains quartz veins with pyrite and chalcopyrite, and associated silicification.

The Company's initial resource estimate for the two areas together is approximately 1,929,044 oz of contained gold.

7.2 ***Principal Iron Ore Assets***

The Aricom Group's principal iron ore assets are Kuranakh, Garinskoye, the Garinskoye Flanks and its interest in Bolshoi Seym which are located in the Amur Region, K&S and Kosteningskoye which are located in the EAO and the titanium sponge joint venture which is located in Jianlong in China. A chart showing the organisation of the relevant subsidiaries is set out in Appendix 2 of this Prospectus.

Iron ore operations

Project	*Status*	*Interest %*	*Control*	*Description*
Kuranakh	Advanced development	100	Yes	Titanomagnetite and ilmenite deposits
Garinskoye	In development	99.58	Yes	Iron ore
K&S	In development	100	Yes	Iron ore; direct reduced iron
Bolshoi Seym	In exploration	49	No	Titanomagnetite deposit
Garinskoye Flanks	Pre-drilling stage	100	Yes	Iron ore
Kostenginskoye	Pre-drilling stage	100	Yes	Iron ore
Titanium Sponge JV	In development	65	Yes	Titanium sponge

Kuranakh

Description

Kuranakh is located in the north-west Amur Region. Aricom's interest in this project is 100 per cent. via its indirect subsidiary, OOO Olekminsky Rudnik, which holds the licence for the exploration and development of the Kuranakh ilmenite and titanomagnetite deposit. The Kuranakh licence area is 85km^2 and contains two ore zones, with six more suggesting exploration potential.

Project status

On 19 June 2008, Aricom announced that it had completed the first product sales from Kuranakh. Regular shipments of iron ore pre-concentrate from the crushing and screening plant but before full beneficiation, amounting to 5,864 tonnes, were delivered in October and November 2008. In early December, owing to the rapidly deteriorating market conditions no longer supporting the economic value in selling pre-concentrate, sales were suspended.

The Olekma process plant site at Kuranakh is under construction and commissioning of the beneficiation plant is expected to be completed in the second half of 2009.

Infrastructure and transport

The large majority of the administrative, accommodation and other associated support infrastructure at Kuranakh has been completed. Construction of the final two remaining accommodation blocks at the site and transitional galleries between levels are expected to be completed in the third quarter of 2009 whilst the heating and water treatment systems are operational and the site laboratory and site shop are nearing completion.

The main process plant, which will use wet magnetic separation and electrostatic separation to recover the titanomagnetite and ilmenite, is expected to start production in the second half of 2009. The bulk of the equipment necessary for the plant operation has been received at the site and is being installed. At full capacity the plant will produce annually 900,000 tonnes of titanomagnetite, with an iron content of 62.5 per cent. Fe, and 290,000 tonnes of ilmenite with a titanium dioxide content of 49 per cent. TiO_2.

Employees
As at 31 December 2008, the Kuranakh project had a total staff of 576 working at Kuranakh, Tynda and in the Blagoveschensk regional office.

K&S

Description
The K&S deposits are located in the Obluchensky district of the EAO. The Company's interest in this project is 100 per cent., via its indirect subsidiary, KS GOK, which holds the licences for the exploration and development of the K&S deposits. The licence area for Kimkanskoye is 22.4km^2 and for Sutarskoye, is 27km^2; there are seven ore zones at Kimkanskoye and three at Sutarskoye.

Project status
In October 2008, Aricom completed and published the results of its K&S and Garinskoye Feasibility Study. The study envisaged both K&S and Garinskoye being developed by open pit mining methods, both mining ore at the rate of 10 mtpa and both delivering their ore to feed a single optimised processing plant to be located at K&S. The study also included plans to commission a direct reduced iron facility at the K&S project site utilising iron ore concentrate feed from the processing plant to produce iron nuggets.

Geological exploration works have been completed at Kimkanskoye and continue at Sutarskoye, with five exploration borehole drills being used overall. All geological and geotechnical drilling is expected to be completed by mid 2009.

During 2008, six hydrogeological boreholes were drilled, lined and capped ready for pumping. The hydrological works at the Kimkan River and hydrological exploration works at Sutarskoye are ongoing and results are expected during the first half of 2009.

The Aricom Group continues to evaluate the financing alternatives available for this project, which include potential partners, and has been reviewing potential captial and operational expenditure costs of the project.

Infrastructure and transport
Geotechnical exploration for the accommodation camp and the process plant sites and in the area of the tailings management facility was completed in the first quarter of 2008, and site clearance commenced in the areas approved by the Russian federal authorities.

In October 2008, Aricom entered into a non-binding memorandum of understanding with China Metallurgical Group Corporation (**CMGC**), one of the largest equipment manufacturers in China and a leading Chinese contractor to the metals and mining industry. The memorandum of understanding provides the basis for discussions between Aricom and CMGC concerning the signing of an engineering, procurement and construction agreement.

The K&S project is located close to the Trans-Siberian Railway and the road and energy network. The K&S and Garinskoye Feasibility Study proposes that the Aricom Group will construct a short new section of railway connecting the existing station at Izvestkovaya to the process plant and loading/unloading facilities.

By the end of December 2008, construction work had commenced on access roads, haul roads and site clearing for the permanent accommodation camp, which will house 1,100 people.

Reserves and Resources

In September 2008, Aricom completed the conversion of K&S reserve and resource calculations from the Russian Standard Classification System to the internationally accepted JORC Code (2004) classification, as shown below.

Deposit	*Indicated*			*Inferred*		
	Tonnage (kt)	*Grade (% Fe Total)*	*Metal (kt)*	*Tonnage (kt)*	*Grade (% Fe Total)*	*Metal (kt)*
Kimkanskoye[1]	165,820	33.85	56,127	83,120	32.94	27,378
Sutaraskoye[2]	248,010	30.90	76,635	58,200	30.92	17,995
K&S Total	413,830	32.08	132,762	141,320	32.11	45,373

Source: RJC Consulting and WAI

1 Independently verified by RJC Consulting, St. Petersburg.

2 Independently verified by WAI.

Employees

As at 31 December 2008, 118 people were employed in the regional office in Birobidjan and at the K&S project site.

Garinskoye

The Garinskoye deposit is located in the Mazanovsky District in Central Amur. Aricom's interest in this project is 99.58 per cent., via its indirect subsidiary, Lapwing, which holds the licences for the exploration and development of the K&S deposits. The licence area is 12 km^2 and there is one ore zone present.

Project status

Confirmation and geotechnical drilling is in progress at Garinskoye. A geotechnical study of potential pit wall stability is currently being undertaken and the results are expected in April 2009.

Infrastructure and transport

The geotechnical research and work necessary for receiving approvals for the construction of the access roads and other infrastructure commenced in July 2008. It is intended that the survey and design works for the first stage of the construction of the access roads will commence in early 2009.

Employees

As at 31 December 2008, 17 people were employed on the Garinskoye project in Blagoveschensk.

Reserves and resources

Aricom used a Russian contractor, RJC Consulting, St. Petersburg, to independently verify the mineable reserve for both the K&S and Garinskoye projects using both historical geological data as used in the Russian Standard Classification System reserve and resource data and the more recent confirmation drilling that Aricom has undertaken. The following table sets out this information and highlights the good correlation between the historical mineable reserves and the results of redrilling which have been independently audited by WAI in November 2008:

	GKZ Resource Estimate	GKZ Mineable Reserve Estimate[4]	Mineable Reserve Estimate[5]	Estimated Mine Life[6]
Garinskoye[1]	388.8 mt at 41.3%[3]	223 mt at 38.5%[3]	220.2 mt at 37.9%[2]	25 years
K&S	564.5 mt at 33.7%[2]	539.6 mt at 33.7%[2]	377.5 mt at 31.8%[2]	40 years
TOTAL	953.3 mt at 36.7%	762.6 mt at 35.1%	597.7 mt at 34.0%	40 years

Source: K&S and Garinskoye Feasibility Study, November 2008.

Note:

1 The figures have been based on 100 per cent. ownership, however the Aricom Group's interest in Garinskoye is only 99.6 per cent.

2 Confirmed by GKZ in 1956 for Kimkanskoye and calculated, but not confirmed, for Sutarskoye.

3 Confirmed by GKZ in 1956.

4 Mineable reserve estimated as GKZ A + B + C1 categories.

5 Mineable reserve estimate as independently reviewed by WAI.

6 Mine life as estimated by the Aricom Group studies at forecast annual mining capacity and based on reserves before the addition of resources and halo areas.

The maximum capital expenditure requirements for the differing phases of the various projects are detailed below:

	To Concentrate		*On to DRI*	
	K&S	*Garinskoye*	*K&S*	*Total*
		US$ million		
Design & Other	29	37	88	154
Infrastructure	157	549	7	713
Mining	74	47	n/a	121
Beneficiation	276	69	971	1,316
Total	536	702	1,066	2,304

Bolshoi Seym

Description

The Bolshoi Seym deposit is located in the Tyndinski district, 40km to the south of Kuranakh. Aricom has a 49 per cent. interest in this project via its holding in OOO Uralmining, the company that owns the licence to develop the Bolshoi Seym deposit. The remaining 51 per cent. of OOO Uralmining is held by a company belonging to the Onexim Group, a Russian private investment group.

Project status

Preliminary exploration works have been completed and the initial reports and results of sample analyses are expected in mid 2009. The drilling operations have been conducted on a pattern 200 metres long by 100 metres wide. Forty-nine inclined boreholes were drilled, during 2008, on nine cross-sections. Most of the drilling operations were concentrated in the eastern ore zone and one cross-section was drilled that intersected the ore bodies of the western ore zone. Geophysical logging was conducted in all of the boreholes. The drilling results to date indicate that the ore bodies have a thickness of between 10 to 30 metres. The ore bodies have been explored to a depth of 400 metres.

The fieldworks completed in 2008 included:

- Geological-environmental works on analysis of the baseline conditions. Environmental samples were sent to the Center of Hygiene and Epidemiology;
- 37,375 linear metres of drilling works, including four hydrogeological boreholes (852 metres);

- 17,526 core samples were taken and the analytical results of 10,732 samples were received by Urangeo (the subcontractor responsible for sample analysis);
- 7,800 metres^3 of trenching works;
- 3,952 metres^3 of trench samples and analysis results obtained for 498 samples; and
- Two technological samples sent to analytical laboratories – 23 tonnes sent to Apatity and 315 tonnes sent to Udokan.

Kostenginskoye and Garinskoye Flanks Projects

Description
In March 2008, Aricom acquired options to purchase the licences for Kostenginskoye and Garinskoye Flanks, which are located close to the existing K&S and Garinskoye projects and in September 2008 the options were exercised. The Kostenginskoye licence covers an area of 24km^2 located approximately 25 km to the south of K&S. The Garinskoye Flanks licence covers an area of 3,530km^2 immediately surrounding Garinskoye.

Project status
Preliminary site surveying and aerial magnetometer surveys have taken place at Kostenginskoye. Aricom is preparing and reviewing the exploration programme at Garinskoye Flanks.

Titanium Sponge

Description
In order to capture additional profit margins available in the processing of ilmenite to be produced by Kuranakh, in August 2008, Aricom signed a joint venture contract with Chinalco, the largest nonferrous metal company in China and the owner of China's largest titanium metal processing plant, for the design, development and construction of a titanium sponge production plant in Jiamusi City, China. Aricom has an indirect 65 per cent. interest in this project.

Project Status
The basic design of the processing plant and necessary equipment was completed by the State Titanium and Design Institute of Ukraine (**STI**) in June 2008 whilst the preliminary design of the whole plant is expected to be completed by Shenyang Aluminium and Magnesium Institute (**SAMI**) in mid 2009. The full detailed design of the plant is expected to be completed jointly by STI and SAMI in September 2009.

A sub-contractor has been engaged to carry out construction exploration works and a drilling programme and seismic surveys commenced in November 2008 in preparation for the start of the main construction programme which is expected to be in the third quarter of 2009.

The project is currently under review.

7.3 ***Other Activities***

In-house specialist services

The Peter Hambro Mining Group and Aricom Group have a number of in-house service teams that will offer support for the exploration, development and mining needs of the Enlarged Group. A chart showing the organisation of the relevant service companies is set out in Appendix 3 of this Prospectus.

Laboratories
The Peter Hambro Mining Group's first chemical laboratory was constructed at Pokrovskiy in 1999 and has since expanded into a complex comprising five local laboratories and one central laboratory, with additional laboratories near the Tokur deposit and in the Yamal Region. The Peter Hambro Mining Group's laboratories carry out a wide range of analysis of samples taken from the Peter

Hambro Mining Group's own deposits to support exploration and plant construction needs and environmental monitoring. It is planned to expand the Enlarged Group's laboratory network in the future.

Studies
PHM Engineering comprises a team of highly qualified specialists undertaking scientific studies that has supported the Peter Hambro Mining Group in the development of its projects. The team was strengthened in 2006 by the Peter Hambro Mining Group's acquisition of an interest in a leading scientific research company in Irkutsk, Irgiredmet.

Exploration
The Peter Hambro Mining Group acquired an interest in the specialist geological exploration company, Regis, in 2002 and the remainder of the company in 2004. Regis uses computer modelling (Micromine) to develop a clear understanding of the Peter Hambro Mining Group's exploration areas. Almost all the exploration areas of the Peter Hambro Mining Group are equipped with modern computers and satellite communications, making it possible to receive assay data quickly and to input this directly into Micromine software on-site, allowing for greater efficiency. In 2008, Regis also prepared materials for submission to GKZ for the Peter Hambro Mining Group's reserves estimates. In 2007, the Peter Hambro Mining Group set up an additional geological exploration company, ZAO ZRK Dalgeologiya, to replace the Peter Hambro Mining Group's external contractor in performing part of the Peter Hambro Mining Group's exploration work.

Construction
The Peter Hambro Mining Group works closely with its specialist construction company, Kapstroi. Kapstroi was established by the Peter Hambro Mining Group in 2005 and the majority of the Peter Hambro Mining Group's construction work is performed by it. Kapstroi expanded in 2007 largely to meet the increased construction demands at Pioneer and Malomir.

Irgiredmet
In October 2006, the Peter Hambro Mining Group acquired an 80 per cent. equity holding in Irgiredmet for a cash consideration of US$40 million. The holding was increased to 99.85 per cent. in 2007 for an additional consideration of US$9.3 million.

Based in Irkutsk, Irgiredmet is one of the best-known laboratory research and scientific consulting companies in Russia. Established in 1871, it became a leading centre for gold and diamond research during the Soviet period, playing a central role in the development of mining projects.

Irgiredmet currently employs approximately 300 specialist staff and provides the Peter Hambro Mining Group with metallurgical test-work and bulk sampling as well as mine planning and evaluation, infrastructure design, project evaluation and feasibility studies. It has facilities for sample preparation and characterisation, leaching, smelting, flotation and purification.

Giproruda
The Aricom Group has a 70.3 per cent. interest in Giproruda, which is one of Russia's most respected mining design institutes specialising in the analysis and design of both open pit and underground mining projects. Giproruda has considerable experience in extreme mining, geological and climatic conditions. Iron ore is a key area of the institute's expertise. This will be of specific benefit in the analysis and design of a number of the Aricom Group's future and existing development projects. Giproruda continues its work programme for other customers and estimates that it currently has a 60 per cent. market share in the project design services sector in the Russian mining sphere.

All the main key performance indicators for 2008 exceeded the forecast results by between 15 per cent. and 30 per cent. with three of the institute's design projects being approved by the federal authorities. In 2008, Giproruda also introduced new technology for design and cost accounting and an IT modernisation programme including the purchase of the latest mine planning software.

In December 2008, Giproruda opened their new hydrometallurgical laboratory in St. Petersburg. This state-of-the-art laboratory is equipped with the latest hydrometallurgical test equipment from Switzerland. The focal point of this new facility is the installation of three autoclaves for heat and pressure testing of ores. There are two specialised ecological systems in the laboratory, which purify the autoclave emissions and thus allow the laboratory to be sited close to the centre of St. Petersburg. The laboratory has recently become available for third party test work.

Investment in Rusoro

In June 2008, the Company created a syndicate which made a US$80 million strategic investment in Rusoro, a gold production and exploration business based in Venezuela and listed on Canada's TSX Venture Exchange, by way of a secured convertible loan (**Loan**). Rusoro has 12.8 million oz of gold resources classified under the Canadian NI 43-101 mineral resource classification and has a property interest in the Bolivar State region of Venezuela.

The syndicate comprised funds which are managed by BlackRock Investment Management International Limited (**BlackRock**), GLG Partners LP (**GLG**) and Lansdowne Partners Limited (**Lansdowne**), which are investors in both the Company and Rusoro, and Endeavour Mining Capital Corp (**Endeavour** and, together with BlackRock, GLG and Lansdowne, the **Additional Lenders**). The Loan, which has been made to Venezuela Holdings (BVI) Ltd (**Borrower**), a subsidiary of Rusoro, has a 10 per cent. coupon, is convertible into shares of Rusoro at C$1.25 and is guaranteed by Rusoro. The Company, GLG and Lansdowne have each invested US$20 million, whilst BlackRock and Endeavour have each invested US$10.0 million. The final repayment date is 10 June 2010.

The Company has also entered into an option agreement with the Additional Lenders which gives the Company the right to acquire from them, at a price of C$2.20 per share, the number of shares which the Additional Lenders may receive upon exchange of their Loan. Under the option agreement, the Company has been able to exercise this option in whole or in part at any time from 11 June 2008 but as at the date of this Prospectus the option has not yet been exercised.

Exchange of the Company's portion of US$20 million of the Loan into shares would give the Company an interest of approximately 3.4 per cent. of the partially diluted shares of Rusoro, being the aggregate of the common shares currently in issue plus the shares to be issued on exercise of the exchange right by the Company in respect of its Loan participation, but excluding any shares that the Company could receive pursuant to the option agreement between it and the Additional Lenders described above and the Company's interest in Rusoro shares following subscription in an equity placing described below. Full exercise of the option agreement would give the Company an interest of approximately 12.3 per cent. of the partially diluted shares in Rusoro (being calculated on the same basis as above, but allowing for full exercise of the option agreement and the Loan).

On 6 March 2009, the Company paid C$ c.3.7 million for 6,166,666 new shares in Rusoro as part of an equity placing by Rusoro. As a result, the Company has an approximate 1.1 per cent. stake in the share capital of Rusoro as enlarged by the placing.

Infrastructure projects

Amur River bridge

A subsidiary of Aricom is participating in the project management for a bridge over the Amur River. The site is close to the Russian town of Nizhneleninskoye and the Chinese town of Tongjiang. The river at this location has an approximate width of 1km and a maximum depth of between approximately 5 to 6 metres. The Russian railway network has a connection to the town of Nizhneleninskoye from the Trans-Siberian Railway station at the capital of the EAO, Birobidjan. This connects the network to Nizhneleninskoye where there is an established crossing point of the river/border. This crossing is served by a natural ice bridge for approximately three months of the year and a ferry for the remainder of the year.

In the first half of 2008, the location of the bridge and its overall design were finalised. Geodetic, geological and hydrological tests have been carried out at the project site.

During October 2008, all of the necessary approvals were received from the relevant authorities and the documents were submitted by the Ministry of Transport to the Government of the Russian Federation. On 28 October 2008, at the meeting of the Heads of Government of the Russian Federation and China, the framework agreement was signed.

Iron ore transhipment and container terminal
One of Aricom's subsidiaries is examining the feasibility of constructing an iron ore transhipment terminal in Russia's Far East, in the area of the existing Sovetskaya Gavan Sea Port situated in the Sovetsko-Gavanski Municipal District of Khabarovsk Krai.

A preliminary feasibility study for the terminal and the adjacent railway infrastructure was completed by the Russian design institute, NPO Gidroteks, in 2007.

In 2009, the Enlarged Group plans to continue dialogue with potential strategic partners and to also study the possibility of teaming up with other bulk commodity producers to jointly construct and operate the terminal.

8. Competitive environment

The Peter Hambro Mining Group is, and the Enlarged Group upon Admission will be, the third largest gold producer in Russia by production volume.

The Enlarged Group's main competitors in Russia will be ZAO Polyus Gold and Kinross Gold Corporation, currently the largest and second largest gold producers respectively in Russia. The Enlarged Group's other main gold and silver producing/mining competitors in Russia will include Highland Gold Mining Ltd, whose shares are traded on AIM, and OAO Polymetal, whose GDRs are listed on the Main Market of the London Stock Exchange.

Aricom's iron ore assets are not yet in production. The Directors believe there are only a few iron ore producing companies in the Russian Far East. Therefore, when in production in 2009, the Directors anticipate only limited competition for exploration and development opportunities from local players. More broadly, Aricom considers BHP Billiton and Rio Tinto as key international competitors supplying the Chinese iron ore market. However Aricom's iron ore assets are considerably closer to the key Chinese markets than those of its international competitors.

The Enlarged Group, combining the gold assets of the Peter Hambro Mining Group and the Aricom Group's iron ore assets, will create a regional mining company focused on the mineral resources sector of the Russian Far East and as such will continue to face competition for capital, experienced workforce and, particularly in respect of gold assets, exploration and development opportunities from other regional mining companies as well as international competitors.

9. Dividend policy

As the business of the Enlarged Group develops, and subject to the availability of distributable reserves, the Directors intend to pursue a dividend policy which reflects the Enlarged Group's cash flow and earnings, while maintaining an appropriate level of dividend cover and having regard to the need to further fund development of the Enlarged Group's activities. On 1 August 2008, a final dividend of 7.5 pence per share was paid to Shareholders in respect of the financial year ended 31 December 2007. On 31 October 2008, an interim dividend of 7.5 pence per share was paid to Shareholders in respect of the financial year ended 31 December 2008. No further dividend in respect of the financial year ended 31 December 2008 is being paid by the Company in 2009.

10. Securities

10.1 *Ordinary Shares*

As at 20 April 2009, the Company has in issue 97,155,052 Ordinary Shares. Pursuant to the Aricom Acquisition up to 73,928,985 New Ordinary Shares will be issued upon Admission.

10.2 *Warrants*

As part of the arrangements connected with the implementation of the Scheme, under the Warrant Offer, the Company will issue Warrants, entitling the holders, to subscribe for an aggregate of 8,312,500 Ordinary Shares at US$17.72 per Ordinary Share (subject to adjustment). The terms of the Warrants are set out in Part XI of this Prospectus.

10.3 *Bonds*

10.3.1 The Peter Hambro Mining Group is currently debt financed. In August 2005, PHMGFL, a wholly-owned subsidiary of Peter Hambro Mining, issued US$140.0 million in nominal value of Convertible Bonds guaranteed by the Company and convertible into Ordinary Shares. There is currently US$140.0 million in nominal value of the Convertible Bonds outstanding.

10.3.2 In October 2007, in order to fund its development plans, PHMGFL further issued US$180 million in nominal value of Exchangeable Bonds guaranteed by the Company. The Exchangeable Bonds give holders the right, from 19 October 2009, to exchange US$100,000 in principal amount of the Exchangeable Bonds for a cash amount equal to the product of (i) the price of one troy ounce of gold in US Dollars in the gold market and (ii) 100. There is currently US$93.0 million in nominal value of the Exchangeable Bonds outstanding.

10.3.3 The terms and conditions of the Bonds are further described in Part X of this Prospectus.

10.4 *CREST, Admission and settlement*

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 Ordinary Shares will continue to be, and the Warrants will be, transferable by means of the CREST system following Admission.

Application has been made to the FSA for all the PHM Securities to be admitted to the Official List and to trading on the Main Market of the London Stock Exchange. It is expected that Admission will become effective and dealings on the London Stock Exchange in the PHM Securities will commence at 8.00 a.m. on 22 April 2009.

The existing Ordinary Shares are currently traded on AIM. The Company has submitted a request to the London Stock Exchange for the cancellation of the trading of its Ordinary Shares on AIM, and it is anticipated that cancellation of trading in the Ordinary Shares on AIM will occur simultaneously with Admission.

PART II

MANAGEMENT, CORPORATE GOVERNANCE AND EMPLOYEES

1. Directors

The Directors are as follows:

Name	*Position*
Peter Hambro	Chairman
Dr. Pavel Maslovskiy	Chief Executive
Brian Egan[1]	Chief Financial Officer
Sir Rudolph Agnew	Senior Non-Executive Director
Sir Malcolm Field[1]	Non-Executive Director
Sir Roderic Lyne[1]	Non-Executive Director
Lord Guthrie of Craigiebank	Non-Executive Director
Peter Hill-Wood	Non-Executive Director

Note:

1 To be appointed upon Admission. Each existing Director and those to be appointed on Admission accepts responsibility for the information contained in this Prospectus.

Peter Hambro *(Chairman)*

Mr. Hambro is one of the co-founders of the Company and has been Chairman of the Peter Hambro Mining Group since its formation in 1994. In addition to this executive role, Mr. Hambro is a director of many of the subsidiaries of the Enlarged Group and has been a director of Aricom since 2003. He is also co-founder and non-executive director of Russian Timber Group Limited and Non-Executive Chairman of Sundeala Limited and of several family companies. He started his banking career with his family bank and became Joint Managing Director of Smith St. Aubyn Holdings Ltd. before joining the Mocatta Group, the world's largest bullion traders, as Deputy Managing Director of Mocatta & Goldsmid Limited and Group Marketing Director.

Dr. Pavel Maslovskiy *(Chief Executive)*

Dr. Maslovskiy is a founding shareholder and Director of the Company and has been Chairman of Pokrovskiy Rudnik since 1994. He has been a director of Aricom since 2003. Dr. Maslovskiy is also a director of several subsidiary companies of the Enlarged Group. Prior to embarking on his business career, Dr. Maslovskiy was a Professor of Plasticity at the Moscow Aircraft Technology Institute.

Brian Egan *(Chief Financial Officer)*

Brian Egan will be appointed Chief Financial Officer of the Company upon Admission. He has been Finance Director of Aricom since 31 July 2007. Prior to joining the Aricom Group, he was the Group Chief Financial Officer of Gloria-Jeans Corporation, a leading Russian apparel manufacturer and retailer and has over 15 years' experience in senior financial roles. He was previously VP of Finance of the EMEA Region/Ingredients Division with Associated British Foods Plc, Financial Director of Georgia-Pacific Ireland Limited and Chief Financial Officer of Coca-Cola HBC Russia. He is a member of the Institute of Chartered Accountants in Ireland.

Sir Rudolph Agnew *(Senior Non-Executive Director)*

Sir Rudolph Agnew was appointed to the Board on 8 April 2002. He was Group Chief Executive and Chairman of Consolidated Gold Fields, the second largest gold producer in the Western world in the 1980s. He was also a director of Anglo American, Gold Fields of South Africa and Newmont Mining.

Sir Malcolm Field *(Non-Executive Director)*

Sir Malcolm Field will be appointed to the Board upon Admission. He has been a non-executive director of Aricom since 2003. He was formerly CEO of WH Smith PLC and a non-executive director of Scottish & Newcastle, MEPC, The Stationery Office, Evolution Group Plc and a number of private companies. He was most recently Chairman of the Civil Aviation Authority and Tube Lines Ltd. Sir Malcolm is Senior Independent Director of Hochschild Mining PLC.

Sir Roderic Lyne *(Non-Executive Director)*

Sir Roderic Lyne will be appointed to the Board upon Admission. He has been a director of Aricom since October 2006. Sir Roderic served as British Ambassador to Russia from January 2000 until August 2004, when he retired from the Diplomatic Service after 34 years. He now works as a consultant, principally advising businesses on Russia and the CIS. He is an adviser to BP plc and to J.P. Morgan Chase and a member of the board of the Russo-British Chamber of Commerce, the Board of Governors of Kingston University and the Council of the Royal Institute of International Affairs.

Lord Guthrie of Craigiebank *(Non-Executive Director)*

General the Lord Guthrie of Craigiebank GCB LVO OBE DL was appointed to the Board in January 2008. He is also a director of NM Rothschild & Sons Limited, Colt Defense LLC, and an independent member of the House of Lords. He was formerly Chief of the Defence Staff and the Principal Military Adviser to two Prime Ministers and three Secretaries of State for Defence. He retired from the Army in February 2001, although he currently holds the position of Colonel of the Life Guards, Gold Stick to The Queen and Colonel Commander of the SAS. In addition he is a Visiting Professor and Honorary Fellow of King's College London University as well as a board member of the Moscow School of Policy Studies.

Peter Hill-Wood *(Non-Executive Director)*

Mr. Hill-Wood joined the Board in 2003. Mr. Hill-Wood has been Chairman of Arsenal Football Club since 1982 and was formerly Vice-Chairman of Hambros Bank and Chairman of its Investment Division. He is currently on the board of advisors of the Russian Technology Fund.

2. Senior Management

The senior management of the Enlarged Group will comprise Peter Hambro, Pavel Maslovskiy and Brian Egan.

3. Corporate governance

Combined Code

The Company will be led and controlled by the Board, chaired by Peter Hambro. The Board upon Admission will consist of the Chairman, two Executive Directors and five Non-Executive Directors. All five Non-Executive Directors are deemed to be independent under the Combined Code. Sir Rudolph Agnew is the Senior Independent Non-Executive Director. The Board is responsible for the overall management of the Enlarged Group and meets regularly on at least six scheduled occasions during each year, and more frequently if necessary. Certain responsibilities, including carrying on the day-to-day management of the Company, will be delegated to an Executive Committee of the Board. The responsibilities of the Executive Committee are summarised below.

The Board has adopted a formal schedule of matters reserved for decision by the Board. The Board is responsible for the determination and monitoring of the Company's strategic aims, budgets, major items of capital expenditure and senior appointments, the direction and control of the Company and the management of the capital structure. The Board seeks to ensure that the necessary financial and human resources are, and will continue to be, in place to enable the Company to meet its objectives. The Board works closely with the operational management to achieve the Company's objectives. Individual Directors may seek independent advice at the expense of the Company, subject to following an agreed procedure.

The Company is committed to high standards of corporate governance and the Company complies with the Combined Code.

The Board intends to review its composition and may consider the appointment of additional Directors in the future. In this regard, the Board is currently actively seeking to appoint at least one further independent Non-Executive Director with financial experience.

The Board keeps the membership of committees under review to ensure gradual refreshing of skills and experience. The Board is satisfied that all Directors have sufficient time to devote to their roles and that it is not placing undue reliance on key individuals.

The Board has established Audit, Remuneration and Nomination committees with formally delegated duties and responsibilities and written terms of reference. Although not a requirement of the Combined Code, the Board has also established Executive, Risk and HSE committees.

Audit Committee

The Audit Committee is appointed by the Board from the Non-Executive Directors of the Company and has defined terms of reference. The Audit Committee will from Admission be chaired by Sir Malcolm Field and the other members will be Sir Rudolph Agnew and Sir Roderic Lyne. The Board considers that Sir Malcolm Field has recent and relevant financial experience. The Audit Committee will meet at least three times a year and its agenda for future meetings will be linked to events in the Enlarged Group's financial calendar, including a review of the Company's annual and half yearly results, a review of the internal controls of the Enlarged Group and ensuring that the financial performance of the Enlarged Group is properly reported on and monitored. The external auditors of the Company usually attend the meetings. The Audit Committee's terms of reference include the matters indicated by the Combined Code. The Audit Committee is required to report its findings to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and to make recommendations as to the steps to be taken.

Remuneration Committee

The Remuneration Committee will from Admission be chaired by Sir Malcolm Field and the other members will be Sir Rudolph Agnew and Lord Guthrie.

The Remuneration Committee works with the Chairman on all aspects of remuneration. It reviews the performance of the Executive Directors and the Company Secretary and determines the remuneration and conditions of employment of the Executive Directors. Members of the Committee abstain from decisions determining their own remuneration. The Chairman and CEO shall be entitled to attend meetings unless otherwise asked by the chairman of the Remuneration Committee not to attend. The Remuneration Committee sets the remuneration of the Chairman. The scale and structure of the Executive Directors' remuneration is approved on the basis of their performance, the performance of the Company and their service agreements with due regard to the interests of the Shareholders and the Company as a whole. The remuneration policy is designed to attract, motivate and retain Directors with the necessary skills and experience to manage the Company's operations. The Remuneration Committee also makes recommendations to the Chairman concerning employee incentives. Bearing in mind the provisions of the Combined Code, the Remuneration Committee is required to review at least annually the remuneration package (comprising base salary, any performance-related element of salary or bonus, participation in share option schemes and other benefits) of each Executive Director as proposed by the Chairman or previously agreed by the Remuneration Committee. In addition, the Remuneration Committee will review annually with the Chairman and Chief Executive the proposed annual remuneration rewards for all members of the Executive Committee to ensure they meet the Company remuneration policy agreed by the Board. The Board approves the remuneration of the Non-Executive Directors, within the limits set in the Articles of Association. The Company's policy is that no compensation is payable when a Director's appointment is terminated.

Nomination Committee

The Nomination Committee will from Admission be chaired by Sir Rudolph Agnew and the other members will be Peter Hill-Wood and Sir Malcolm Field.

The Nomination Committee reviews the procedure for the appointment of new directors and evaluates structure, size and composition as well as the balance of skills, knowledge and experience of the Board and makes any recommendations to the Board where necessary. The Nomination Committee is responsible for the succession planning of directors and for the identification and nomination of candidates to fill vacancies where necessary.

Appointments are made on merit and against objective criteria. In the case of candidates for non-executive directorships, care is taken to ascertain whether they have sufficient time available to meet their Board and, where relevant, committee responsibilities. As part of this process, candidates disclose all other time commitments and, on appointment, undertake to inform the Board of any changes. The terms and conditions of appointment of all Directors are available for public inspection. No Director has a notice period of more than one year.

Executive Committee

The Executive Committee is responsible for:

- carrying on the day to day management of the Company;
- recommending strategy and objectives to the Board;
- ensuring that the overall objectives set by the Board are achieved; and
- timely reporting to the Board.

The Executive Committee will from Admission have eleven members, namely those individuals who from time to time hold the following offices: the Chairman, Chief Executive, Chief Financial Officer, Group Head–Business Development, Group Financial Controller, Group Head–External Communications, Group Head–Legal Services, Chief Investment Officer, Group Head–Non-Precious Metals Operations, Group Head–Technical Services and Group Head–Precious Metals Operations.

The Executive Committee is a committee of the Board of Directors, notwithstanding the fact that its membership is comprised of Directors and non-Directors. The Board from time to time will delegate certain decisions and commitments to the Executive Committee within its defined terms of reference. The Executive Committee will meet on a monthly basis.

The following members of the Executive Committee, in addition to Peter Hambro and Pavel Maslovskiy, are currently employed by the Company:

Alexei Maslovskiy (Group Head, Business Development)

Mr Maslovskiy joined the Group in 2001. He holds a Bachelor of Arts Degree in Economics from the University of Minnesota. He is a Certified Retail Gemmologist and Diamond Grader. He was previously employed as trader for Worldco Financial Services in New York. Alexei Maslovskiy is the son of Pavel Maslovskiy.

Andrey Maruta (Group Financial Controller)

Mr Maruta qualified as a Chartered Certified Accountant at Moore Stephens in 2001 and joined the Group in 2003 as Group Chief Accountant. He was appointed Deputy Finance Director in 2005 and Finance Director in 2006.

Dr. Alya Samokhvalova (Group Head, External Communications)

Dr. Samokhvalova joined the Company in 2002. Dr. Samokhvalova holds a Masters in Investment Management from CASS Business School, London and a PhD in Economics from the Moscow International High Business School.

Anna-Karolina Subczynska-Samberger (Group Head, Legal Services)

Mrs. Subczynska joined the Company in 2003. Mrs. Subczynska holds a Specialist in Law Degree from the Moscow State Institute of International Relations and an LLM in Banking and Finance from the University of London. She was previously employed in the international law firm Baker & McKenzie.

Dmitry Chekashkin (Group Head, Precious Metals Operations)

Mr Chekashkin is a qualified engineer and worked as Deputy General Director of Finance for two leading gold mining enterprises in the Russian Far East before joining Pokrovskiy Rudnik in 2003. In 2005 he was appointed Finance Director of MC Petropavlovsk.

The following members of the Executive Committee, in addition to Brian Egan, are currently employed by Aricom:

Jay Hambro (Chief Investment Officer)

Mr Hambro joined Aricom in 2002 and was Director of Business Development there until 2006, when he became Chief Executive of Aricom. Mr Hambro trained in resource finance at NM Rothschild & Sons, based in both London and the US and then moved to the investment banking division of HSBC as a Manager of Metals & Mining corporate finance. Jay Hambro is the son of Peter Hambro.

Yuri Makarov (Group Head, Non-Precious Metals Operations)

Mr Makarov was appointed to the Aricom board in 2004 having previously been the adviser to the Chairman of Pokrovsky Rudnik. Prior to that, he was the Commercial Director of NT Computers in Moscow, Russia. He has been actively involved in Aricom's development since its incorporation. Mr Makarov is a qualified systems engineer from the Moscow State Aircraft Technology Institute.

Martin Smith (Group Head, Technical Services)

Mr Smith joined Aricom in June 2006 as Technical Director with responsibility for overseeing all the technical aspects of Aricom's mine developments. He has more than 25 years' operational and corporate management experience across the global mining industry. Having begun his career as a mining engineer at Anglo American Corporation, South Africa, Mr Smith has led important projects mining coal, base and precious metals for some of the leading mining and exploration companies, including Kier International, Costain Mining and Shell International.

The following employees of the Peter Hambro Mining Group are not members of the Executive Committee but may participate from time to time at meetings of the Executive Committee:

Andrei Tarasov (Head of Corporate Affairs, Russia)

Mr Tarasov graduated from the Moscow Legal Academy in 1995 and in 1997 from the Legal and State Institute of the Russian Academy of Science. During his legal career he was a member of the Moscow Oblast Bar and held various positions including Member of the Board of the Subscription and Retail Agency and Head of the Legal Department of Rospechat agency. He is a member of the board of directors of MC Petropavlovsk.

Nikolay Vlasov (Group Head of Exploration)

Mr Vlasov was in charge of the State Mission that evaluated gold resources in the Russian Far East. As the Group's Chief Geologist he is responsible for exploration and grade control at Pokrovskiy Rudnik as well as other Group operations and development and exploration projects. Mr Vlasov was appointed Chief Geologist of MC Petropavlovsk in 2005.

Sergei Ermolenko (General Director, Russia)

Mr Ermolenko progressed from underground miner to General Manager of a gold mine in the Russian Far East over a 20 year period. He was appointed General Director of MC Petropavlovsk in 2004 and has overall responsibility for the running of the Group's mining operations in the Russian Far East.

Valery Alekseev (Group Head of Construction and Engineering)

Mr Alekseev is a qualified mining engineer and has worked in process engineering in the gold and heavy metals industry, managing the design and construction of the Murantau plant in Uzbekistan and various treatment plants in Russia. As Chief Engineer he brought the Pokrovskiy mine and plant into production. He was appointed General Director of Kapstroi in 2006.

Risk Committee

The Risk Committee is appointed by the Board to identify and evaluate key risks and to provide recommendations to the Board on risk management strategy.

The Risk Committee will from Admission be chaired by Lord Guthrie and the other members will be Peter Hill-Wood and Sir Roderic Lyne. The Risk Committee meets at such times as the chairman of the Risk Committee requires and meets at least once a year to review its performance, constitution and terms of reference. The Risk Committee is responsible for reviewing and making recommendations to the Board on the following key risk areas:

- operational activities;
- exploration, geology and reserves;
- new projects;
- prices and sales demand;
- financial and tax;
- information and communication;
- mining licences;
- compliance with statutory and regulatory requirements including any litigation;
- health, safety and environmental issues; and
- insurance.

4. Corporate social responsibility

The Peter Hambro Mining Group established a sustainability committee in 2007, which is to be renamed the HSE Committee, and its main objective from Admission will be to evaluate the effectiveness of the Enlarged Group's environmental, health and safety policies and management of environmental risks across the Enlarged Group's operations. Further details of the HSE Committee and its role are set out below.

In accordance with best industry practice, the Enlarged Group will implement across its operations a system of key performance indicators covering the fields of economic, environmental, health and safety and social performance.

Environmental matters

The Enlarged Group's operating mines will be monitored by both the Company and by state bodies.

Key performance indicators have been used historically by the Peter Hambro Mining Group for the reporting and management of environmental performance. The Enlarged Group will seek to ensure that the environmental performance indicators enable it to monitor its effectiveness in minimising water consumption through water recycling and to monitor its progress in minimising the amount of land under active operation at any one time, including the progressive rehabilitation of land that is no longer being used. The Enlarged Group will also have comprehensive indicators that monitor energy use, use of raw materials, discharges to water and environmental incidents.

The principal source of power used by the Enlarged Group, apart from vehicles, boilers and mobile equipment, will be electrical power which is drawn from the local supply grid. This will result in carbon dioxide emissions from the Enlarged Group's operations being kept low and limited to vehicle emissions.

The Enlarged Group's laboratories will all be certified by the Russian state to enable them to monitor tailings and waste management and air, water and soil quality at the Enlarged Group's mines and the surrounding area. Their records will be submitted for review every six months by the regional branch of Rosprirodnadzor. They will then be passed to the Moscow headquarters of Rosprirodnadzor for a final review.

In addition to these requirements, the Enlarged Group's operations will be independently reviewed by UK based consultancy company Citrus Partners LLP. Management at the Enlarged Group's operations will provide regular environmental performance feedback to the HSE Committee.

Social Responsibility

The Peter Hambro Mining Group and Aricom Group have introduced social performance indicators which reflect the impact they have on, and the contribution they make to, the communities within which they operate. Social performance indicators include the number of staff employed, training and education provided to staff, community and charity initiatives, expenditure on these initiatives and complaints received.

The Peter Hambro Mining Group has developed educational and training programmes designed to develop its employees' skills and benefit the wider local community as a whole. The Peter Hambro Mining Group has agreements with local institutions whereby students are provided with the necessary skills and training to take up guaranteed employment at the Peter Hambro Mining Group's operations. The Peter Hambro Mining Group has a technical college at Pokrovskiy Rudnik that trains students for occupational positions at the Peter Hambro Mining Group's operations. At the end of 2007, a total of 25 people were attending higher education institutes on scholarships funded by the Peter Hambro Mining Group. At employee level, employees are encouraged to attend a wide range of in-house training programmes, seminars and workshops.

Health and safety at the Enlarged Group's operations will be monitored in accordance with the health and safety management systems of the Peter Hambro Mining Group and Aricom Group and in accordance with Russian regulatory requirements. Ongoing health and safety monitoring is undertaken by the Peter Hambro Mining Group and Aricom Group and staff attend seminars and briefings on occupational safety. In addition, a health centre was established five years ago at the Pokrovskiy mine that offers 24 hour employee support. The centre offers a day to day clinic plus yearly examinations and vaccinations. Employees can be referred to regional clinics and hospitals and a 24 hour ambulance service is on-site to facilitate this. Financial support is provided to regional hospitals and health centres through the provision of new medical equipment and the sponsorship of staff training.

Accommodation facilities at Pokrovskiy Rudnik include recreational and sports facilities, a canteen and a laundry centre. Pokrovskiy Rudnik aims to help its employees obtain their own housing, offering financial support where necessary.

The Enlarged Group will have an internal communications department to ensure that a regular and ongoing dialogue is maintained between employees, trade unions, management, local communities, the media and non-governmental organisations. The department will also oversee the production of a free monthly newspaper, designed to keep employees well-informed with news from the Enlarged Group's operations.

The Peter Hambro Mining Group supports and sponsors various social programmes and cultural events in the Amur Region and in the past 11 years it has donated more than 40 million Roubles to these social programmes. In the UK, the Company sponsors cultural events that foster a greater understanding between the UK and Russia, such as the 2008 Tarkovskiy Festival and the Russian Victory Day celebrations.

HSE Committee (formerly the Sustainability Committee)

The HSE Committee will consist of three Non-Executive Directors. The HSE Committee will from Admission be chaired by Peter Hill-Wood and its members will be Sir Roderic Lyne and Lord Guthrie.

The objective of the HSE Committee will be to evaluate the effectiveness of the Enlarged Group's environmental, health and safety policies and management of environmental risks across all of the Enlarged Group's operations. The HSE Committee will use independent consultancy firms where necessary to ensure that it is kept aware of international best practice and the most recent requirements of the London market. It will report its findings to the Board quarterly and advise the Board on any relevant issues as necessary.

The HSE Committee will be supported by a management structure, which ensures that an effective reporting line exists from operational and management level through to the HSE Committee. This will enable information to reach the HSE Committee in a timely and effective fashion.

The Enlarged Group will publish an independent annual HSE Report together with its annual report and financial statements. The HSE Report will provide an account of the Enlarged Group's economic, social and environmental performance over the past reporting period and set out a programme for continued improvement in these spheres.

5. Employees

The tables below set out the average number of people employed by the Aricom Group and Peter Hambro Mining Group, including contracted personnel but excluding Directors, during the financial periods stated:

Peter Hambro Mining Group

	Year ended 31 December		
	2008	*2007*	*2006*
Production employees	5,234	3,601	2,892
Administration employees	1,310	1,240	1,039
Total no. employees	6,544	4,841	3,931

As at 31 December 2007, 4,830 employees of the Peter Hambro Mining Group were based in Russia with the remainder based in the United Kingdom. As at 31 December 2008, 6,531 employees of the Peter Hambro Mining Group were based in Russia, with the remainder based in the United Kingdom.

The Pokrovskiy Rudnik collective labour agreement is due to expire this year. It is not known at this stage what the revised terms will be.

Aricom Group

	As at 31 December		
	2008	*2007*	*2006*
Mine development	629	219	50
Corporate	12	9	6
Total no. employees	641	228	56

As at 31 December 2007, 220 employees of the Aricom Group were based in Russia with the remainder based in the United Kingdom. As at 31 December 2008, 630 employees of the Aricom Group were based in Russia with the remainder based in the United Kingdom.

6. Pensions

The Company operates a defined contribution pension scheme for the benefit of the Company's employees. The funds of the scheme are administered by independent trustees and are separate from the Company's own funds. Contributions are recognised as they fall due.

Aricom does not operate either a defined benefit or a defined contribution pension scheme for its employees. Contributions are instead made to individuals' personal pension schemes where applicable under the terms of their employment contracts.

The current intention following Admission is to retain these separate pension arrangements for Company employees and Aricom employees.

7. Long-Term Incentive Plan

The Company intends to seek Shareholder approval at its 2009 annual general meeting for a plan to provide long-term incentives to executive directors and key employees.

It is intended that, if approved, the long-term incentive plan will provide for share awards in the form of conditional free share awards (**Awards**). Awards will be made at the discretion of the Board, or in the case of the Company's Executive Directors, the Remuneration Committee. The vesting or exercise of Awards will be subject to challenging performance conditions determined by the Remuneration Committee, having regard to market practice within the Company's business sector, and in the case of Awards granted to the Company's Executive Directors, relating to the overall performance of the Company.

PART III

RUSSIA, THE RUSSIAN LICENSING REGIME AND SUMMARY OF KEY LICENCES

PART A – RUSSIA AND THE RUSSIAN LICENSING REGIME

1. Information on mining in Russia

Russia has a long history and tradition of mining, including gold mining. This has led to the development of specialist mining legislation, regulation and education. The New Law and the Amendment Law came into effect on 7 May 2008 (the **Commencement Date**).

These laws will or can affect relevant investment transactions and investment structures within and outside Russia. They also affect the natural resources sector as the Subsoil Law has been amended in a number of important ways by the Amendment Law. It is also not yet clear how certain parts of the new legislation will be interpreted and implemented and, in addition, certain ancillary legislation is still awaited.

The following section describes the impact of the New Law and the Amendment Law on the gold mining industry in Russia and, in particular where applicable, in relation to the Enlarged Group. Section 3 relates to the Russian licensing regime for subsoil use generally, which may have an impact on the Enlarged Group.

2. New Foreign Investment Legislation

The New Law and the Amendment Law introduce the concept of a Strategic Area where the mineral licence in respect of such area is held by a Strategic Entity. A Strategic Area is one which contains a Strategic Gold Deposit.

A list of the Strategic Areas has been prepared by the Federal Agency of Subsoil Use and officially published (**Strategic Areas List**). The Strategic Areas List does not classify any deposits belonging to members of the Enlarged Group as Strategic Areas. In addition, it is currently anticipated that there will be revised legislation relating to the State Balance.

Once the various new pieces of legislation are implemented, it should be possible to assess more definitively whether any deposits belonging to members of the Enlarged Group are likely to be located in Strategic Areas within the foreseeable future. The Company's best current estimate is that the licence areas in which the Pioneer mine and Malomir deposits are located will be classified as Strategic Areas in the period from the end of 2009 until the end of 2010. If they (or any of the Enlarged Group's other assets) are classified as Strategic Areas, then the new legislation may have an effect on the Enlarged Group as set out below.

2.1 ***Acquisitions***

If the licence area in which a deposit is located becomes classified as a Strategic Area, then:

(a) Russian Government consent would be required for any acquisition by a foreign investor (or group including a foreign investor) of 10 per cent. or more of the voting shares in the relevant Strategic Entity;

(b) Russian Government consent would be required for any acquisition by a foreign investor (or group including a foreign investor) which leads to a change of control of any member of the Enlarged Group which directly or indirectly controls 10 per cent. or more of the voting shares in the relevant Strategic Entity; and

(c) Russian Government consent would also be required in respect of acquisitions by a foreign investor (or group including a foreign investor) which, although it does not lead to a change of control of any member of the Enlarged Group, nevertheless does result in such foreign investor (or group including a foreign investor) indirectly acquiring control over 10 per cent. or more of the voting shares of a Strategic Entity.

In each of the three scenarios (a) to (c) described above, as there is no specific intra-group exception, the consent of the Russian Government will also be required in relation to intra-group transfers – i.e. within the Enlarged Group. Also, each of the above scenarios will apply to Russian and non-Russian entities in the Enlarged Group.

The New Law regulates transactions by a foreign investor (or group which includes a foreign investor) in respect of voting shares in Strategic Entities which results in the foreign investor (or group) establishing "control", as defined in the New Law, over the relevant Strategic Entity. However, an official of the Competent Authority has expressed the view at meetings with foreign investors and others that article 7.5 of the New Law extends to a situation where no transaction occurs but the status of an entity changes upon its categorisation as a Strategic Entity. If such an interpretation of article 7.5 is correct (and there are considerable doubts as regards this) then, notwithstanding that there would have been no underlying transaction, a foreign investor (and, where applicable, group) would be required to obtain a subsequent consent in accordance with the mechanism and procedures laid down by the New Law and other relevant legislation after the entity in question has been categorised as a Strategic Entity. Even if such interpretation is not correct, there is the possibility that the authorities might seek to obtain an amendment to the New Law so as to extend the regulatory control of the New Law to instances where "control", as defined in the New Law, arises solely by reason of the categorisation of an entity as a Strategic Entity.

2.2 ***Development of newly discovered Strategic Gold Deposits and PGM Deposits***

The Enlarged Group's ability to develop newly discovered Strategic Gold Deposits or PGM Deposits (which may include mineral deposits not yet registered as "strategic" in the State Balance, if they do not benefit from the New Law's grandfathering provisions) may be prevented by the Russian Government under the New Law and the Amendment Law.

As a result of amendments to the Subsoil Law introduced by the Amendment Law, in relation to any Strategic Gold Deposits which form part of the operations of the Enlarged Group and in respect of which the "evaluation and development" stage has not commenced, the Russian Government has the power, on the grounds of the protection of national security, to prevent the "evaluation and development" of such deposits being undertaken by the Enlarged Group. In the case of a combined licence, the Russian Government has the power to terminate the relevant mineral licence where the geological (prospecting) stage has completed and prior to the commencement of the evaluation and development stage. In the case of a prospecting licence, the grant of an "exploration and development" licence can be withheld from the relevant company in the Enlarged Group. The New Law does not apply to exploration and extraction licences which were issued before the Commencement Date.

The amount of compensation payable is described in paragraph 2.7 below.

The New Law and the Amendment Law do not stipulate what level of "occurrence" of PGM Deposits which are put on the State Balance would result in the relevant licence becoming a Strategic Area and Rosnedra are not in a position to advise on this issue.

2.3 ***Concurrent development and prospecting***

The Enlarged Group's ability to develop newly discovered Strategic Gold Deposits in parallel with continued exploration (prospecting) activity may be restricted under the new foreign investment legislation.

A further amendment to the Subsoil Law introduced by the Amendment Law stipulates that the "evaluation and development" stage in respect of Strategic Gold Deposits and PGM Deposits can only be commenced where exploration (prospecting) activities have been completed over the entire subsoil property. However, the legislation does not specifically address the situation where a deposit has already been discovered and the "evaluation and development" stage in respect of such deposit has commenced, but exploration (prospecting) activities over the remainder of the area have not been completed.

2.4 ***Notification of interests by foreign investors (or groups which include foreign investors)***

The primary legislation does not specifically impose a notification obligation where a foreign investor (or group including a foreign investor) holds a 5 per cent. or more interest in a licence-holder at the Commencement Date, which licence-holder was not at such date a Strategic Entity, but subsequently becomes one (for instance, because the relevant deposit attains the threshold of reserves registered in the State Balance after the Commencement Date).

Whilst ancillary legislation has been introduced, it does not clarify this matter. Accordingly, subject to further ancillary legislation being passed, or practice developing, the risk exists that, if the licence area in which one of the Enlarged Group's mines is located becomes classified as a Strategic Area, the following may apply:

(a) there may be a notification obligation on the Enlarged Group entity which holds 5 per cent. or more of the charter capital of the relevant Strategic Entity; and

(b) information relating to the Company's "group" for the purposes of the New Law may need to be provided to the authorities as part of such notification.

2.5 ***Restrictions on transactions***

In the future, the Enlarged Group's freedom to dispose of interests in Enlarged Group companies or to effect a group reorganisation or to raise equity finance or loan finance (with the provision of security) will have to take account of the New Law and the Amendment Law and the constraints contained in such legislation. It is possible that in certain cases where Russian Government consent to a proposed transaction has to be obtained either by the Enlarged Group or by a third party (such as a foreign investor), the Enlarged Group (including its financial position) may be adversely affected by the actions of the Russian authorities (including a refusal to grant an approval) or by delays in procedures which have to be followed under the new legislation.

As the New Law is expressed to have effect both in the territory of the Russian Federation and extra-territorially, it is possible that transactions between shareholders of the Company (or their group) and Enlarged Group companies might be affected if there are Strategic Entities in the Enlarged Group and such transactions require approval by the Russian Government under the New Law and such approval is not obtained in accordance with the legislation. (For these purposes, "groups" are determined by reference to Russian competition legislation.)

Furthermore, as the new legislation is unclear in a number of aspects and has not been the subject of any court rulings, it is possible that the legislation could be interpreted in an unpredictable or unexpected way or in a conservative manner which is disadvantageous or prejudicial to foreign investors or to the Enlarged Group or to direct or indirect shareholders in the Enlarged Group. Russian courts have jurisdiction over issues arising under the New Law and the Amendment Law and their interpretation and it is currently difficult to predict the way in which they will be interpreted and applied.

2.6 ***Consequences of non-compliance with the new legislation***

The New Law and the Amendment Law provide for an extensive and onerous range of sanctions where a transaction in relation to a Strategic Entity requires Russian Government approval under the New Law and such approval is not obtained. Such sanctions include the relevant transaction being deemed as "void". In addition, the Competent Authority can apply to a Russian court for an order which disenfranchises the shares directly or indirectly held by the foreign investor (or group which includes a foreign investor) and/or for an order which renders void decisions of the management bodies of the Strategic Entity and/or transactions undertaken by such Strategic Entity. Such sanctions relate not only to breaches which take place within Russia, but also breaches which occur outside Russia, particularly "changes of control" of an entity which directly or indirectly has "control" (as defined in the new foreign investment legislation) over a Strategic Entity. In certain circumstances, the Russian Government can exercise other sanctions for breaches of the new legislation, including the imposition of administrative fines and, in certain cases, might be able to invoke its confiscatory powers under the Russian Civil Code.

2.7 ***Reimbursement of costs and expenses***

2.7.1 The Russian Government's Regulations on the Reimbursement of Expenses on Prospecting and Evaluation of a Discovered Mineral Deposit No.206 (**Regulations**) were published on 16 March 2009 and came into effect on 24 March 2009.

2.7.2 According to the Regulations, where the "termination provisions" are invoked (i.e. a combined licence is terminated or a development (extraction) licence is not awarded following the discovery of a Strategic Asset under an exploration licence), it is anticipated that a foreign investor affected by termination will be entitled to recover costs and expenses which have been incurred in the following circumstances:

(a) on carrying out a general and detailed prospecting of the discovered mineral deposit, including prospecting works conducted as part of the geological survey;

(b) on prospecting and evaluation of the discovered mineral deposit, including in relation to any special projects and other geological studies in the relevant licence area of federal significance and to the evaluation of such licence area's potential;

(c) costs associated with establishing the discovery of a mineral deposit and/or associated with registering the reserves and resources on the State Balance;

(d) amounts paid by the investor to other persons for their expenses incurred in relation to prospecting and evaluation of the discovered mineral deposit after issuance to the investor of the licence to use the subsoil plot;

(e) on carrying out any other documented prospecting and appraisal works conducted within the relevant licence area; and

(f) the payment of any interest accrued in relation to any of the investor's financing of the works described above (including commodity and commercial credit facilities, loans and other borrowings) up to a maximum of an amount equal to the refinance rate of the CBR (which is 13 per cent. as at the date of this Prospectus) multiplied by 1.1 in respect of liabilities in Roubles, and equal to 15 per cent. in respect of any foreign currency.

2.7.3 However, certain costs and expenses are excluded including, *inter alia*, those related to the foreign investor obtaining funding for the exploration and/or appraisal of the Strategic Asset (except for interest payments described above) and any expenses incurred before the issue of the relevant subsoil licence.

2.7.4 Where termination is in relation to a combined licence, a foreign investor is entitled to be compensated for the one-off amount paid by it to the Russian Government when the licence was awarded following an auction process.

2.7.5 The Regulations also provide for a bonus which for the purposes of vein gold deposits is calculated as 30 per cent. of the compensated costs and expenses, which amount may be substantially less than the profit expectations and/or market value of a foreign investor(s) performing a geological study.

2.7.6 In order to claim the above compensation, the foreign investor is required to submit an application together with all documented data regarding all costs. The amount of compensation costs for the exploration and/or appraisal of the Strategic Asset, the amount of the one-off payment and any other compensation shall only be payable after Rosnedra, together with independent auditors, has verified the data submitted by the foreign investor. Rosnedra has 90 days after the foreign investor has submitted its application in which to review the relevant information. However, the funds to compensate a foreign investor (group) will be supplied from the Russian federal budget in the next financial year, which effectively means that there are no clear time limits for the payment of compensation in question to a foreign investor (group) in these circumstances.

2.8 *Other potential remedies*

2.8.1 **Private international law:** if the Russian Government exercised the termination provisions described in paragraph 2.7 above, a foreign investor could consider whether and to what extent it had rights and remedies under private international law and any relevant bilateral investment treaties to which Russia was a party and which were applicable.

2.8.2 **Russian law on foreign investments:** the payment of compensation by the Russian state for the nationalisation or requisition of a privately owned asset constitutes one of the fundamental norms of Russian law, which is implemented, *inter alia*, through the Russian Law on Foreign Investments No. 160-FZ dated 9 July 1999 (**Foreign Investment Law**). Article 8 of the Foreign Investment Law stipulates that the "assets of a foreign investor or a commercial organisation with foreign investments shall not be subject to enforced seizure, including nationalisation or requisition, with the exception of the cases and on the grounds provided in a federal law or international treaty of the Russian Federation." In addition, clause 2 of article 8 confirms that: "in case of nationalisation, the foreign investor or commercial organisation with foreign investments shall be reimbursed for the value of the assets being nationalised and other losses."

3. Russian licensing regime

The principal law governing subsoil use in Russia is the Subsoil Law, which is regularly amended and is supplemented by various regulations of the Ministry of Natural Resources and Ecology (**MNRE**). The Subsoil Law sets out the basic principles and features of the licensing and regulatory framework for the mining industry, and contains rules governing the issue, transfer, surrender and revocation of licences for exploration and/or the extraction of mineral and other resources. Detailed rules relating to licensing and control over the use of subsoil resources are set out in a number of regulations issued by the Russian Federal Government through its ministries and agencies.

Under the Subsoil Law, the Russian state is the sole owner of the subsoil and such ownership right to the subsoil is inalienable. Accordingly, mining enterprises may obtain only rights to "use" the subsoil (not ownership), and such rights can only be granted by the Russian state, which always retains title to the subsoil itself. However, title to extracted product (minerals, hydrocarbons or other resources) generally passes to the licensee from the moment it reaches the surface. The exercise of rights to use the subsoil is regulated and controlled by various state authorities through an intricate system of federal and regional licensing laws and regulations.

Prior to August 2004, according to the so-called "double key" principle set out in the Subsoil Law, most subsoil use licences were primarily granted (or authorised for transfer) by joint action by the MNRE (directly or through one of its regional divisions) and the government of the region where the deposit in question was located. However, in accordance with amendments introduced to the Subsoil Law in August 2004, the decision to grant rights to use the subsoil in relation to a mineral or hydrocarbon deposit located onshore is now taken either by a special licensing commission, comprised of representatives of the federal and the relevant regional authorities, or as a result of a tender or auction.

The Federal Agency for Subsoil Use (**Rosnedra**) or its regional divisions are vested with the exclusive authority to issue, execute, register and revoke subsoil licences. Submissions for licence suspension or revocation may be made by several Government agencies to the licensing commission and are most frequently made by Rosnedra, the Federal Ecological, Technological and Nuclear Supervision Service (**Rostekhnadzor**) and the Federal Service of Supervision in the Sphere of Natural Management (**Rosprirodnadzor**).

In general, a licence itself sets out only the basic terms of the licensing arrangement i.e., it identifies the licensee, the licence area and the term of the licence, and sets out the mineral rights granted thereunder. However, all or substantially all terms and conditions, including those concerning work programmes, fiscal levies payable by the licensee, geological data ownership, safety, abandonment and confidentiality are documented in a licensing agreement entered into between the licensee and the relevant federal and/or regional authorities which is deemed to be an integral part of a licence. Compliance with the terms of the licensing agreement is vital for the validity of the licence, although holders of licences are in certain circumstances able to obtain waivers and amendments to the licensing agreements. The grant of such waivers and amendments falls within the discretionary powers of Rosnedra and/or its regional divisions.

A licence is terminated upon the expiry of its term, or sooner on grounds provided for by the Subsoil Law or in the licence itself. Some of these grounds are open to broad interpretation, providing a certain degree of discretion to the authorities in the exercise of their powers. In particular, a breach of a provision of a licence or licensing agreement may result in termination of a licence if such breach is considered a "violation of the material terms of the licence", making it necessary for licence holders to exercise extra care in their compliance with the terms of their licensing agreements. There is no statutory definition of what is deemed to be a "breach of the material terms" which has allowed this provision to be interpreted broadly in the past in several highly publicised cases.

Obtaining and maintaining in force a licence for a successful production operation in Russia typically involves a series of voluminous filings, and even minor errors or omissions in respect of any documents that must form part of such filings in theory may be viewed by the licensing authorities as a "violation of the material terms of the licence". In practice, if a material violation of a subsoil licence comes to the attention of the authorities, the typical action taken is the issue of a written direction to the licensee to remedy the violation within the period specified in the notice. If the licensee fails to remedy the breach within the time period specified, the licence may be revoked, although this is viewed as a measure of last resort and is generally only used where the breach is severe, cannot be remedied, is "complemented" by other material breaches or if the terms of the remedial notice are blatantly ignored by the relevant licensee for a substantial period of time. Usually, attempts are made to reach a compromise with the licensee as to methods or the periods of compliance with the terms of any remedial notice.

PART B – SUMMARY OF THE ENLARGED GROUP'S KEY LICENCES

The Enlarged Group's policy will be generally to apply to renew its prospective and/or producing licences by extension. Historically, applications for renewal have been submitted approximately three months prior to the expiry of the relevant Licence.

The Subsoil Law does not provide for an automatic extension of a producing mining licence to its current holder, but to date the members of the Enlarged Group have, overall, been successful in obtaining extensions where they have applied for them. To apply to the licensing authority for the extension of an existing licence, the current holder must have complied with the terms and conditions of the licence. No assurances can be given that any of the Enlarged Group's licences will be in a position to achieve renewal by way of extension.

1. Peter Hambro Mining Group

(a) *Amur Region*

Key licences and selected licence agreement terms

Pokrovskiy Rudnik

No	*Name of deposit*	*End use*	*Area*	*Registration date*	*Valid until*
1	Sergeevskoye ore field (BLG 00900 BR)	Geological survey, exploration and extraction (lode gold)	95.0 km^2	06/05/1999	01/09/2020
2	Stream Sergeevskiy (BLG 01061 BE)	Extraction (alluvial gold)	5.8 km^2	07/04/2000	31/12/2015
3	Pioneer ore occurrence and flanks (BLG 01181 BR)	Geological survey, exploration and extraction (lode gold)	52.0 km^2	15/01/2001	31/12/2013
4	Jeltunakskaya ore projected area (4 sites) (BLG 01697 BR)	Geological survey, exploration and extraction (lode gold)	147.0 km^2	14/06/2005	31/12/2030
5	Pokrovskoye deposit (extraction of gold and associated components) (BLG 10590 BE)	Extraction (lode gold)	41.3 km^2	20/02/1998	01/06/2014
6	Aprelskaya area (BLG 13995 BR)	Geological survey, exploration and extraction (lode gold)	46.0 km^2	13/03/2007	30/12/2031

No	Name of deposit	End use	Area	Registration date	Valid until
Malomirsky Rudnik					
1	Malomirskoye ore field (Diagonal object) North-East and South-West flanks (BLG 01892 BR)	Geological survey (lode gold)	38.5 km^2	01/02/2007	31/12/2009
2	Malomirskoye lode gold deposit (BLG 14039 BE)	Exploration and extraction (lode gold)	40.0 km^2	27/04/2007	15/04/2030
Koboldo					
1	River Ima, left inflow of river Kera (BLG 01139 BE)	Extraction with no right of waste use (alluvial gold)	0.7 km^2	16/10/2000	31/12/2012
2	River Selemdga with estuary part of river Kera's valley (BLG 01142 BE)	Extraction with no right of waste use (alluvial gold)	20.2 km^2	16/10/2000	31/12/2013
3	Stream Chelogor, right inflow of river M. Karaurak (BLG 01832 BR)	Geological survey, exploration and extraction (alluvial gold)	2.0 km^2	13/06/2006	31/12/2012
4	River B. Karaurak (downstream), right inflow of river Selemdga (BLG 01841 BR)	Geological survey, exploration and extraction (alluvial gold)	35.6 km^2	13/07/2006	31/12/2021
5	River Gar-2, right inflow of Gar – 3 (BLG 01885 BR)	Geological survey, exploration and extraction (alluvial gold)	15.0 km^2	14/12/2006	31/12/2017
6	Stream Kenurakh (BLG 13959 BR)	Extraction (alluvial gold)	7.0 km^2	21/02/2007	30/12/2026
7	Stream Alkagan (BLG 02061 BE)	Extraction (alluvial gold)	6.4 km^2	06/02/2009	31/12/2015
Spanch					
1	Albynskaya ore projected site (BLG 01784 BR)	Geological survey, exploration and extraction (lode gold)	40.0 km^2	15/02/2006	31/12/2030

Amur Doré

No	Name of deposit	End use	Area	Registration date	Valid until
1	Stream Sagur, Motor, Berkachan, river Selemdja valley (BLG 01613 BR)	Geological survey, exploration and extraction (alluvial gold)	1.4 km^2	14/01/2005	31/12/2014
2	River Osipkan right inflow river B.Karaurak and its right inflow stream Nikolaevskiy (BLG 01720 BR)	Geological survey, exploration and extraction (alluvial gold)	9.0 km^2	17/08/2005	31/12/2015
3	River Ulunga valley of its middle current (BLG 01951 BE)	Exploration and extraction (alluvial gold)	1.0 km^2	03/08/2007	31/12/2014
4	River Djeltulak Bolshoy (BLG 01960 BE)	Extraction (alluvial gold)	2.1 km^2	12/11/2007	31/12/2020
5	Stream Pikan Cheremushniy (BLG 01961 BE)	Extraction (alluvial gold)	2.7 km^2	12/11/2007	31/12/2019

Elga

1	Stream Igak, left inflow of river Urkan (BLG 01634 BR)	Prospecting, evaluation, survey and extraction (alluvial gold)	30.0 km^2	03/03/2005	31/12/2019
2	River Obka (Petrovkaya alluvial deposit) (BLG 01635 BE)	Extraction (alluvial gold)	1.2 km^2	03/03/2005	31/12/2012
3	Streams: Talga-Makit, Ulagir (Ulegir, Uligir, Maliy and Bolshoy, right of the river Juvasit) (BLG 01636 BR)	Prospecting, evaluation and development (alluvial gold)	1.2 km^2	03/03/2005	31/12/2011
4	River Ulunga (BLG 02034 BR)	Geological survey, exploration and extraction (alluvial gold)	5.5 km^2	24/09/2008	31/12/2022

Tokurskiy Rudnik

1	Tokur deposit (BLG 01366 BE)	Extraction (lode gold)	4.8 km^2	22/11/2002	31/12/2013

(b) ***Yamal Region***

Yamalzoloto

No	Name of deposit	End use	Area	Registration date	Valid until
1	Novogodnee Monto deposit (SLKh 01212 BR)	Geological survey, exploration and extraction (lode gold)	0.5 km^2	31/01/2002	31/12/2020
2	Toupugol-Khanmeishorskaya area (includes Petropavlovskoye deposit) (SLKh 01356 BP)	Geological survey (lode gold)	10.0 km^2	04/04/2003	31/12/2009

Sever Chrome

No	Name of deposit	End use	Area	Registration date	Valid until
1	Zapadnoye deposit (SLKh 13779 TE)	Exploration and extraction (chromium ore)	0.5 km^2	10/10/2006	10/03/2026

(c) ***Joint Venture Licences***

Rudnoye Joint Venture – Amur Region

No	Name of deposit	End use	Area	Registration date	Valid until
1	Briantinskaya ore prospective area BLG 01521BR	Geological survey, exploration and extraction (lode gold)	470.0 km^2	24/05/2004	01/06/2026
2	Odolgo ore occurrence BLG 01522BR	Geological survey, exploration and extraction (lode gold)	4.5 km^2	24/05/2004	01/09/2018
3	River Des BLG 01962 BR	Exploration and extraction (alluvial gold)	255.1 km^2	15/11/2007	31/12/2021
4	Solovyevskiy site BLG 13936 BR	Geological survey, exploration and extraction (lode gold)	253.7 km^2	12/02/2007	30/12/2031

Omchak Joint Venture– Chita Region

No	*Name of deposit*	*End use*	*Area*	*Registration date*	*Valid until*
1	Verkhne-Aliinskoye deposit (ChIT 13256 BE)	Exploration and extraction	15.6 km^2	08/08/2005	15/07/2025
2	Bukhtinskaya area (IRK 02474 BR)	Geological exploration and extraction of lode gold	35.0 km^2	28/03/2006	15/02/2031
3	Kulinskoye ore field (ChIT 13553 BR)	Geological exploration and extraction of lode gold and associated components	34.0 km^2	28/03/2006	01/03/2031

Berelekh – Magadan Region

Berelekh has 54 alluvial licences in the Magadan Region a number of which were awarded in October 1999. These licences expire at various dates over the next five or more years with the first to expire on 31 December 2009, subject to extension if so agreed by the licencing authority.

No	*Name of deposit*	*End use*	*Area*	*Registration date*	*Valid until*
	Uduma – Sakha Region				
1	Stream Uduma (YaKU 024002 BR)	Survey, exploration and extraction of lode gold	5.4 km^2	27/02/2006	01/07/2015

2. Aricom Group

(a) *Amur Region*

Olekminsky Rudnik

No	*Name of deposit*	*End use*	*Area*	*Registration date*	*Valid until*
1	Kuranakh deposit (No. BLG 01244 TR)	Exploration and extraction (titanomagnetite ores)	85.0 km^2	25/06/2001	01/06/2026
	Garinskiy Mining and Metallurgical Complex				
1	Garinskoye iron-ore deposit (No. BIR 14123 TE)	Extraction (iron ores)	11.2 km^2	19/06/2007	31/12/2026

Uralmining

No	Name of deposit	End use	Area	Registration date	Valid until
1	Bolshoi Seym deposit (No. BLG 13384 TE)	Exploration and extraction (titanomagnetite ores)	26.0 km^2	30/11/2005	01/12/2030

Orlovo-Sokhatinsky Rudnik

No	Name of deposit	End use	Area	Registration date	Valid until
1	Orlovo-Sokhatinskaya area (No. BLG 01997 TR)	Geological study, exploration and extraction (iron ores)	3,542.0 km^2	12/03/2008	01/03/2033

(b) ***EAO***

Kostenginsky Mining and Processing Enterprise

No	Name of deposit	End use	Area	Registration date	Valid until
1	Kostenginskoye deposit (No. BIR 00421 TE)	Exploration and extraction (iron ores)	24.0 km^2	6/02/2008	31/12/2027

Kimkano-Sutarskiy Mining and Processing Enterprise

No	Name of deposit	End use	Area	Registration date	Valid until
1	Kimkanskoye ferruginous quartzite deposit (No. BIR 14037 TE)	Exploration and extraction (iron ores)	22.4 km^2	27/04/2007	30/12/2025
2	Sutarskoye ferruginous quartzite deposit (No. BIR 14038 TE)	Exploration and extraction (iron ores)	27.0 km^2	27/04/2007	30/12/2025

PART IV

OVERVIEW OF THE ENLARGED GROUP'S PRINCIPAL MARKETS

PART A – THE GOLD MARKET

1. Background

The gold price was set at US$35 per ounce on 31 January 1934 by US President Franklin Roosevelt, a level at which the US Treasury stood ready to buy all gold offered and sell to approved central banks. This price benchmark was defended until March 1968, when this gold pool-backed price fixing system (the gold pool central banks were the United States, UK, Belgium, France, Italy, the Netherlands, Switzerland and Germany) finally collapsed. A short-lived two-tier market was maintained until 1971, when the US Federal Reserve closed its "gold window", no longer standing ready to provide gold to central banks at US$35/oz. Since that time, gold has been left to find an equilibrium price level in market trading.

This, at times, has resulted in significant fluctuations in the gold price. From its former fixed US$35/oz price, the price rose to a high of US$1,023 per ounce in March 2008. In the recent market turmoil, gold dropped back down to US$692.5/oz in October 2008 but recovered to reach a 2009 year-to-date high of US$989.8 per ounce in February. The March 2008 price however still remains gold's record price level (in nominal terms).

As a result of gold's past monetary role, its market fundamentals do not play a large part in the longer-term price direction. The basic gold market balance (i.e. fabrication less mine supply) has been in deficit for many years and has been brought into balance by disinvestment. This disinvestment is from central banks and selling back of coins, bars and jewellery. Physical buying in the gold market provides some demand, but it is investment demand that is key to the gold price.

Gold maintains a role as an alternative asset as it tends to be inversely correlated to the US Dollar, thereby providing portfolio diversification for investors. Historically when the US Dollar is weak gold prices are typically higher because it makes gold cheaper to purchase in other currencies. As a result of the financial markets' recent turmoil, which was triggered by the US sub-prime crisis, a new investment-driven phase has emerged under a favourable macro environment, the key features of which have been volatility on the financial markets, increased risk aversion, inflation concerns, the weakening of the US Dollar and a general fear of global recession. Since the lows of November 2008, gold prices have risen over 30 per cent.[1].

The change in attitude to commodities in general has also contributed to gold's rising price. The development of the gold Exchange Traded Funds (**ETFs**) in the Australian, UK, South African and US markets has helped to broaden the access to gold for the average retail investor as well as the high net worth individual, neither of whom want to incur the storage and insurance costs associated with a physical gold holding, but do want a gold asset in a physical form which is easily bought and sold. The ETFs have therefore opened up a new avenue for gold investment – physical investment traded on a stock exchange. There have been some profit-taking sales in recent months, but generally holdings are showing a gradual increase over time, an indication that investors in the product are not engaged merely in short-term speculation, but are looking for a longer-term investment.

2. Supply

Gold is produced from mines on every continent except Antarctica, where mining is forbidden. According to recent figures, there are around 400 operating gold mines worldwide[2]. With new mines often taking up to 10 years to come on stream, mining output is unable to react quickly to a change in price outlook. According to 2008 figures, the majority of mine supply comes from China and the US, followed by South Africa which has slipped from the top ranking in 2006 and second place in 2007 as accidents and power issues saw an

1 This figure is based on the spot price of US$916/oz quoted by Bloomberg on 31 March 2009.
2 *Source:* World Gold Council.

increase in temporary closures and production halts. Russia continues to be an increasingly more significant producer globally in terms of mine supply.

Global gold supply in 2008 was 3,468 tonnes, a 1 per cent. decline on gold supply in 2007 (3,488 tonnes). Of the 3,468 tonnes for 2008, 2,044 tonnes came from mine supply (net of 447 tonnes of producer hedging), 279 tonnes came from sector sales and 1,146 tonnes came from scrap metal. In comparison, in 2007, 2,026 tonnes came from mine supply (representing a 1 per cent. change on the 2008 figure), 485 tonnes came from sector sales (representing a change of 42 per cent.) and 977 tonnes came from scrap metal (a 17 per cent. change).

Recycled gold or scrap supplies ensure there is easily traded supply when needed, and this helps to stabilise the gold price. The value of gold means that it is economically viable to recover it from most of its uses, where it is capable of being melted down, re-refined and reused. Between 2003 and 2007, recycled gold contributed an average 30 per cent. to annual supply flows. During the last quarter of 2008 there was a 15 per cent. increase in scrap supplies compared to the year before.

Central banks and official international institutions currently hold just over one-fifth of global above-ground stocks of gold as reserve assets. On average, governments hold around 10 per cent. of their official reserves as gold, although the proportion varies country-by-country. Although a number of central banks have increased their gold reserves in the past decade, the sector as a whole has been a net seller since 1989, contributing an average of 432 tonnes to annual supply flows in between 2004 and 2008. Since 1999, the bulk of these sales have been regulated by the Central Bank Gold Agreement (**CBGA**) (which stabilises sales from 15 of the world's biggest holders of gold). Net central bank sales amounted to close to 279 tonnes in 2008.

3. Demand

Gold is fabricated for various markets such as jewellery, medical uses, electronics, dentistry and environmental uses.

In 2008, global total identifiable gold demand stood at 3,659 tonnes, 4 per cent. higher than the 2007 figure of 3,526 tonnes. A strong second half of the year on the back of global economic concerns more than offset the relative weakness of the first half. Demand was principally driven by a strong increase in investment demand and jewellery consumption with jewellery demand continuing to account for around 60 per cent. of total gold demand. India is consistently the biggest consumer of gold due to its jewellery demand being the highest globally. In 2008, total consumer demand in India totalled 660 tonnes, with 470 being accountable to jewellery demand.

Identifiable gold demand in 2008 can be broken down as follows: jewellery consumption accounted for 2,138 tonnes, industrial and dental accounted for 430 tonnes (of which 290 tonnes was attributable to electronics and 54 tonnes was attributable to dentistry with the remainder of the figure attributable to other industrial uses). Identifiable investment accounted for 1,091 tonnes in 2008, composed of net retail investment of 769 tonnes (of which 378 tonnes were attributable to bar hoarding, 198 tonnes were attributable to official coinage and 61 tonnes were attributable to medals/imitation coins) and ETFs and similar products accounted for 321 tonnes.

Jewellery consistently accounts for upwards of 60 per cent. of gold demand. In the 12 months to December 2008, this amounted to US$560 billion, making jewellery one of the world's largest categories of consumer goods. In terms of retail value, the USA is the largest market for gold jewellery, whereas India is the largest consumer in volume terms, accounting for 28 per cent. of global jewellery demand in 2008. This was however a decline of 15 per cent. on 2007 figures despite the value of gold jewellery demand increasing 11 per cent. to US$59.7 billion over the same period.

Generally, jewellery demand is driven by a combination of affordability and desirability by consumers, and tends to rise during periods of price stability or gradually rising prices, and declines in periods of price volatility. A steadily rising price reinforces the inherent value of gold jewellery, which is an intrinsic part of its desirability. Jewellery consumption in the developing markets has been expanding rapidly in recent years following a period of sustained decline, but several countries, including China, still offer considerable potential for future growth in demand.

Industrial and dental uses account for around 12 per cent. of gold demand (an annual average of over 428 tonnes from 2003 to 2008 inclusive). In 2008, demand in this sector reached US$12.1 billion compared to US$10.2 billion in 2007. Gold's high thermal and electrical conductivity, and its outstanding resistance to corrosion, explain why over half of all industrial demand arises from its use in electrical components. Gold's use in medical applications has a long history and today various biomedical applications make use of its bio-compatibility, resistance to bacterial colonization and corrosion, and other attributes. Recent research has uncovered a number of new practical uses for gold, including its use as a catalyst in fuel cells, chemical processing and controlling pollution. The potential to use nanoparticles of gold in advanced electronics, glazing coatings, and cancer treatments are all exciting areas of scientific research.

Gold investment can take many forms, and some investors may choose to combine two or more of these for flexibility. The distinction between buying physical gold and gaining exposure to movements in the gold price is not always clear, especially since it has always been possible to invest in bullion without actually taking physical delivery.

Investment demand is not easily measurable because a significant portion of investment demand is transacted in the over-the-counter market. However, there is no doubt that identifiable investment demand in gold has increased considerably in recent years. Since 2003, investment has represented the strongest source of growth in demand, with an increase in value terms of around 674 per cent. by the end of 2008. Additionally, identifiable investment demand reached US$30.0 billion in 2008 compared to US$14.8 billion in 2007, an increase of 102 per cent.

ETFs are 100 per cent. backed by physical gold and provide a new and easy way to access the gold market. Since their launch, gold ETFs have attracted a significant amount of tonnage: for example, gold ETFs are currently estimated to account for approximately 40 million ounces of gold, with a market value of around US$36.7 billion.

4. Pricing and costs

London is the world's largest gold trading market with trading conducted via an over-the-counter type format in 400-ounce gold bars with a purity of 9950 or higher. The gold price is fixed twice daily in London (at 10:30 and 15:00) by prices derived from the five fixing members of the London Bullion Market Association (**LBMA**), which together represent a comprehensive global sales network. The fixing members, all of whom are market making members of the LBMA, are Scotia Mocatta, Barclays Capital, Deutsche Bank, HSBC and Société Générale. These price fixings are used as a key indicator for gold market participants around the world. Leading futures markets are COMEX in New York and TOCOM in Tokyo.

5. Markets and outlook

The gold price has seen a steady rise over the past few years and reached a high of over US$1,023.6/oz in the second quarter of March 2008, compared to a high of US$841.75/oz in 2007. Recent market turmoil saw the price drop sharply back down to US$692.50/oz in October 2008 but recovered to reach a 2009 high of US$989.77/oz in February 2009. Gold prices referred to above are based on the London Bullion Market Association AM spot fixing price.

The gold price has been positively affected by the US economic downturn, as this has been accompanied by a rise in inflation and a falling US Dollar, which has boosted demand for gold as a US Dollar and inflation hedge. While global markets' future performance will be highly dependent on the resilience of western economies and central banks' abilities to handle liquidity-induced crisis and stabilise financial sectors via aggressive monetary easing, to date investors' risk aversion seems to be relatively high, highlighting the appropriateness of having some assets in gold as a safe-haven commodity.

PART B – THE IRON ORE MARKET

1. Background

Iron ore is a globally traded commodity, and is the main raw material in the steelmaking process. The product has a relatively low value: it is measured in hundreds of dollars per tonne compared with thousands of dollars for some base metals or hundreds of dollars per ounce for precious metals.

It is estimated that the global resource base exceeds 800 billion tonnes of crude ore, containing more than 230 billion tonnes of iron. Price hikes which peaked in 2008 relate to the reduced short-term availability of easily accessible, high grade ore, rather than any absolute medium term or long term scarcity.

Iron exists in the ore in oxide form: usually as magnetite or haematite, but also as taconite, goethite, limonite or siderite. Haematite deposits are mined predominantly in South America (especially Brazil), Australia and parts of Asia. Magnetite ores tend to be of lower grade, and require beneficiation to improve their iron content. Chinese ore production consists largely of low-grade magnetite.

1.1 *Types of iron ore*

Iron ore comes in many forms and each source is unique, both in terms of its chemical and physical properties. From a chemical perspective, the iron content itself is the over-riding factor on the value of the product but silica and alumina are common impurities that impact on the productivity of the blast furnace. In addition, phosphorus and sulphur impact the quality of the iron produced and hence have a cost on final steel production. From a physical perspective, there are also very important distinctions that impact the value and marketability of the ore.

Iron ore is marketed in various forms but most commonly as: lump; fines; concentrate; pellet feed or pellets; and nuggets. The variability in the technical specifications and the global nature of the production (and hence reliance on bulk shipping to reach market) has resulted in a pricing structure for iron ore that makes assumptions regarding the 'value-in-use' associated with different materials.

Types and Origins of Iron Ore

Type	*Notes:*
Lump	Non-beneficiated, naturally occurring pellets or clumps of iron ore with a particle size greater than 5mm and less than 30mm. Lump is charged directly into the blast furnace; the strength of the lump ore (as measured by its decrepitation index) is an important factor in determining the quality of the ore. The availability of lump is falling. In terms of blast furnace productivity, lump is second only to pellets in terms of desirability.
Fines	Fines are naturally occurring iron ore with a smaller particle size that can be shipped to the customer without any beneficiation other than physical sorting. Most fines need to be agglomerated prior to charging into the blast furnace and this is achieved through sintering. Such sintering reduces fines loss and greatly increases the productivity of the blast furnace. Fines are the most commonly traded iron ore product and the quality can vary considerably. Brazil produces the best quality fines and hence, this material is in strong demand.
Concentrate	Concentrate is similar to fines but the material has undergone beneficiation to increase the iron content. Beneficiation may involve washing, flotation or, in the case of magnetite, magnetic separation. Concentrate can compete with fines and pellet feed, depending on the iron type and the particle size of the final product. The finer the product, the more likely it will be used as pellet feed. Chinese steel mills are able to take finer material for sintering compared to western mills as they are more used to fine domestic ores.
Pellet Feed	The pellet feed market is a relatively small part of the market but is growing, mainly as a result of a growth in Chinese pellet plant capacity (a reaction to the high cost of

imported pellets). Pellet feed is characterised by fine material that is not suitable for sintering. Magnetite pellet feed can attract a premium since it generates heat when pelletised and hence requires approximately 0.5GJ/t less energy.

Pellets are the most desirable form of iron ore as they make a major contribution to blast furnace productivity. Fine-grained concentrate or naturally occurring hematite fines are agglomerated through mixing with bentonite or another binder. These are then indurated (hardened). The final pellets are typically 8 to 20mm in diameter and may also contain fluxes to aid smelting.

1.2 *The iron ore value chain and key drivers of the market*

The iron ore business is closely linked to the steel industry, with over 98 per cent. of mined iron ore being used as direct feedstock for steel production. The key driver of the iron ore market, therefore, is the outlook for global steel production – specifically, blast furnace/basic oxygen furnace (**BF/BOF**) steel production.

Steel is mainly produced using two methods: the BF/BOF process and the electric arc furnace (**EAF**) process. The BF/BOF liberates iron through the smelting of iron ore in a blast furnace at temperatures of around 2000 degrees Celsius, using coke to trigger a carbothermic reaction. A flux, such as limestone, is included to melt any impurities in the ore, especially silicon dioxide. The resulting slag is removed from the top of the blast furnace, while molten iron is extracted from the bottom. Once cooled, the latter is known as pig iron.

Pig iron has a carbon content of up to 5 per cent., which renders it brittle, and suitable only for limited applications, such as foundry casting to make pipes and stoves. Pig iron may be converted into steel via an oxidation process, which reduces its carbon content and removes other impurities. This is carried out in a basic oxygen furnace.

Within the EAF process, scrap and iron (including pig iron and direct reduced iron) are melted directly to produce steel. The impact on iron ore requirements for these two process types, EAF and BF/BOF, are fundamental. In general terms the developed countries (benefiting from a mature scrap market) tend to be moving towards EAF while developing countries (with less access to scrap) favour the BF/BOF route. However, in terms of the global iron ore trade, the BF/BOF process dominates, accounting for over 90 per cent. of the world's iron ore consumption.

2. Supply

China, Australia and Brazil are the leading producers of iron ore. In 2007, China produced 37 per cent. of the world's supply, while Brazil and Australia contributed 15 per cent. each. Chinese ore tends to be particularly low-grade (with an average iron content of approximately 33 per cent.), but production volume has nevertheless almost trebled since 2000. Other significant iron ore producers are the CIS, India, the United States and South Africa. Chinese iron ore production is expected to level off from 2009 onwards, leaving Australia and Brazil as the main drivers of production growth in the medium term. In the short term however, recent significant falls in demand may curtail much planned expansion.

The iron ore industry is highly consolidated, and production is dominated by the 'Big Three' companies: Vale (formerly CVRD), of Brazil, Rio Tinto and BHP Billiton, which operate predominantly in Australia. These three companies accounted for at least 67 per cent. of seaborne trade in 2007.

The Brazilian company Vale is the second largest diversified metals and mining company in the world and the world's largest producer of iron ore and pellets. In 2007, iron ore accounted for 44.7 per cent. of its revenues. Vale also owns 50 per cent. of Brazilian iron ore producer Samarco along with BHP Billiton.

BHP Billiton is Australia's largest iron ore producer and exporter. The company owns and operates six iron ore mining areas in the Pilbara region of Western Australia: Mt. Newman, Goldsworthy, Jimblebar, Yandi, Yarrie and Area C. The company owns the remaining 50 per cent. of Samarco.

Rio Tinto's iron ore division includes the wholly owned Hamersley Iron, the 53 per cent. owned Robe River Iron Associates, and other interests in North and South America. Hamersley Iron wholly owns six mines (mt. Tom Price, Brockman, Paraburdoo, Nammuldi, Marandoo and Yandicoogina) and also operates the 60 per cent. owned Channar mine, a joint venture with Sinosteel Corporation, as well as the 54 per cent. owned Eastern Range mine, a joint venture with Shanghai Baosteel Group Corporation. Rio Tinto's share in Hope Downs is also held through Hamersley Iron.

3. Demand

When evaluating the demand for iron ore, the main focus is on China. It is growth in Chinese steel production that is largely responsible for the acceleration in iron ore demand. Between 2000 and 2007, Chinese crude steel production increased by almost 300 per cent., from 127 million tonnes in 2000 to 490 million tonnes in 2007, accounting for three-quarters of the total increase in global steel production since 2000. The majority of new steel production capacity has been in the form of new integrated BF/BOF steelworks that are based on iron ore: 92.7 per cent. of Chinese steel was produced through the BOF route in 2007. In 2007, Chinese demand for iron ore was 1.07 billion tonnes, or 57 per cent. of world iron ore consumption.

By contrast, crude steel production and iron ore demand have stagnated or fallen in the major industrialized regions since 2000. In Europe, crude steel production grew by 22.9 per cent. from 2000 to 2007, from 195 million tonnes to 240 million tonnes. The majority of this growth was in EAF steelmaking, and iron ore demand grew by just 10.6 per cent. over the same period.

In North America, crude steel production fell by 2.3 per cent. between 2000 and 2007, from 135 million tonnes in 2000 to 132 million tonnes in 2007. In the same period, iron ore demand fell by 17.3 per cent.: in addition to the fall in crude steel production, a number of BF/BOF mills closed due to bankruptcy in the early 2000s.

Other significant consumers of iron ore are the CIS, Japan and India, which consumed 8 per cent., 7 per cent. and 4 per cent., respectively, of the world's iron ore in 2007.

Total world consumption of lump ore was 218 million tonnes in 2007. Consumption of fines (not including pellet feed) was 1.29 billion tonnes, and consumption of pellets in 2007 was 383 million tonnes, of which direct reduction grade pellets (for use in the production of direct reduced iron) accounted for 21 per cent. (81 million tonnes). The remainder is for use in blast furnaces. During the period 2000 to 2007, demand for lump, fines and pellets increased by 32 per cent., 111 per cent. and 49 per cent. respectively. For lump ore, consumption growth in a rising market is largely determined by the availability of supply (as steel makers tend to prefer lump ore to fines, other things being equal).

4. Pricing and how iron ore is sold

The vast majority of iron ore is sold under long-term contractual arrangements. The normal structure of these contracts is that volumes are established within an agreed range on a multiyear basis and prices are renegotiated annually according to prevailing market conditions. There is also a small but significant, and expanding, spot market.

Price negotiations for annual contracts typically take place in two stages. The first of these involves discussions between the 'Big Three' iron ore producers and representative groups of European, Japanese and Chinese steel mills. These negotiations are primarily about the proposed overall percentage change in the price of very widely traded ores such as Hamersley lump and fines, Itabira/Carajás fines, and/or Vale pellets. At some point, a trend setting agreement will be reached on the price of one or more of these products between one of the groups of steel mills and an iron ore supplier. In 2008, it was Vale that settled first, in January, agreeing a general 65 per cent. increase with some premia for Carajas fines taking the price hike as high as 71 per cent.

The initial agreements trigger a second phase in the negotiating process in which a much larger number of bilateral discussions occur over the precise terms for all the different ores both from these companies and other iron ore producers to individual mills. These second stage negotiations are very detailed and focus on discounts or premia to the benchmark prices that reflect other location and quality issues.

Normally, the outcome is that broadly similar changes in price occur across the board, at least in order of magnitude terms. However, this principle was altered in 2008 by Rio Tinto's significantly different settlement, which takes account of the Australian producer's geographic advantage over, for example, its Brazilian rival in shipping to Asia. In late June 2008, Rio Tinto announced that it had reached an agreement with Baosteel for a 79.9 per cent. rise in the Hamersley fines benchmark, and a 96.5 per cent. increase for lump, backdated to 1 April.

The most representative benchmark price in the iron ore industry is probably the Hamersley fines price and the associated Hamersley lump price. The Hamersley prices are closely linked to the corresponding BHP Billiton prices for the export of comparable products from Port Hedland. It is worth focusing on these prices because it is the Pacific Basin market that is now the main driver of the iron ore business, and Western Australia is the natural supplier to that market. There is also a benchmark price for Brazilian fines. It refers to so-called "Itabira fines," which is the main product of the Vale southern system exported from Tubarao.

The pellet market has a significantly different structure, because the Atlantic Basin is still a proportionately larger trading area than the Pacific Basin. The North American steel industry is largely based on pellets, and European steel works consume proportionately more pellets than those in Japan or China. The main benchmark in the pellet market is therefore the Vale pellet price, which is typically quoted in US ¢/metric iron unit fob Tubarao, Brazil.

The premium and discount to benchmark is calculated from the difference in Fe grade to benchmark and the impurity levels relative to trigger grades. Key impurities are silica, alumina, phosphorus and sulphur.

Spot prices are essentially driven by short term market fundamentals: supply, demand and stock levels. They are typically volatile, and will rise very sharply in the event of, for example, a shortage (or a perceived shortage) and fall sharply as well, as has been seen in the second half of 2008.

Pricing in the spot market informs, and also responds to, the contract price negotiation process.

5. Outlook

Whilst the long term fundamentals for iron ore remain firm, the last quarter of 2008 and onwards have delivered a significant jolt to demand projections for the next few years and despite a relatively rapid response from the producers in curtailing supply, most commentators are expecting a fall in the benchmark price of iron ore when the negotiations are finally completed toward the middle of 2009.

PART V

SELECTED FINANCIAL INFORMATION

PART A – PETER HAMBRO MINING GROUP

The tables below set out selected historical financial and operating information of the Peter Hambro Mining Group, on a consolidated and segmental basis, that has been extracted without material adjustment from the Peter Hambro Mining Group's audited consolidated financial statements for the three years ended 31 December 2008 prepared in accordance with International Financial Reporting Standards (**IFRS**).

Investors should read this selected financial data together with the information in Part A of Part IX – "Historical Financial Information" of this Prospectus and the discussion contained in Part A of Part VI – "Operating and Financial Reviews" of this Prospectus and not rely on summarised information.

Selected consolidated income statement data

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Group revenue	381,688	226,397	157,807
Cost of sales	(207,307)	(117,037)	(82,079)
Administrative expenses	(87,258)	(29,428)	(26,105)
Other operating (expense)/income	(12)	1,503	1,292
Net operating expenses	(294,577)	(144,962)	(106,892)
Operating profit before fair value changes and share of results of joint ventures	87,111	81,435	50,915
Fair value change on derivatives	(18,307)	(12,100)	–
Share of results of joint ventures	(1,261)	(1,821)	(173)
Operating profit	67,543	67,514	50,742
Financial income	7,709	3,776	6,137
Financial expenses	(34,864)	(16,105)	(11,764)
Profit before taxation	40,388	55,185	45,115
Taxation	(17,643)	(15,560)	(12,742)
Profit for the year	22,745	39,625	32,373
Attributable to:			
Equity holders of the Peter Hambro Mining Group	22,002	38,667	31,986
Minority interests	743	958	387

Selected consolidated balance sheet data

	As at 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Total non-current assets	655,581	474,348	363,147
Total current assets	183,551	278,927	142,787
Total assets	839,132	753,275	505,934
Total current liabilities	(306,202)	(66,405)	(38,829)
Total non-current liabilities	(190,604)	(344,014)	(157,051)
Total liabilities	(496,806)	(410,419)	(195,880)
Total equity	(342,326)	(342,856)	(310,054)
Total equity and liabilities	(839,132)	(753,275)	(505,934)
Minority Interest	(6,412)	(5,950)	(11,815)

Selected consolidated cash flow statement data

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Net cash from operating activities	22,553	40,108	34,465
Net cash used in investing activities	(193,234)	(122,799)	(134,213)
Net cash from financing activities	22,243	195,503	15,034
Net (decrease)/increase in cash and cash equivalents	(148,438)	112,812	(84,714)
Cash and cash equivalents at end of the period	26,444	178,442	62,466

Selected segmental information

For the three years ended 31 December 2008

	Gold mining			*Construction and other services*			*Exploration and evaluation*			*Corporate*			*Group Consolidated*		
	2008 US$'000	*2007 US$'000*	*2006 US$'000*	*2008 US$'000*	*2007 US$'000*	*2006 US$'000*	*2008 US$'000*	*2007 US$'000*	*2006 US$'000*	*2008 US$'000*	*2007 US$'000*	*2006 US$'000*	*2008 US$'000*	*2007 US$'000*	*2006 US$'000*
Revenue															
Gold sales	288,029	167,921	124,417	–	–	–	–	–	–	–	–	–	288,029	167,921	124,417
Silver sales	383	617	822	–	–	–	–	–	–	–	–	–	383	617	822
Other external sales	–	–	–	83,562	52,540	30,283	8,383	4,020	2,285	1,331	1,299	–	93,276	57,859	32,568
Inter-segment sales	–	–	–	51,317	25,748	7,433	34,302	21,929	11,491	11,546	8,868	6,504	97,165	56,545	25,428
Subtotal	288,412	168,538	125,239	134,879	78,288	37,716	42,865	25,949	13,776	12,877	10,167	6,504	478,853	282,942	183,235
(Less: inter-segment sales)	–	–	–	(51,317)	(25,748)	(7,433)	(34,302)	(21,929)	(11,491)	(11,546)	(8,868)	(6,504)	(97,165)	(56,545)	(25,428)
Total Group revenue	288,412	168,538	125,239	83,562	52,540	30,283	8,383	4,020	2,285	1,331	1,299	–	381,688	226,397	157,807
Expenses															
Net operating expenses excluding below expenses	109,800	57,112	41,518	76,297	46,440	26,787	11,528	3,506	4,738	29,545	19,518	18,836	227,170	126,576	91,879
Inter-segment expenses	5,964	–	–	45,470	19,995	6,248	29,909	19,803	11,573	–	–	–	81,343	39,798	17,821
Royalties	17,410	9,637	7,409	–	–	–	–	–	–	–	–	–	17,410	9,637	7,409
Depreciation	16,432	11,153	10,534	2,849	2,206	473	2,735	1,323	352	268	262	242	22,284	14,944	11,601
Subtotal	149,606	77,902	59,461	124,616	68,641	33,508	44,172	24,632	16,663	29,813	19,780	19,078	348,207	190,955	128,710
(Less: inter-segment expenses)	(5,964)	–	–	(45,470)	(19,995)	(6,248)	(29,909)	(19,803)	(11,573)	–	–	–	(81,343)	(39,798)	(17,821)
Total Group expenses	143,642	77,902	59,461	79,146	48,646	27,260	14,263	4,829	5,090	29,813	19,780	19,078	266,864	151,157	110,889
Segment result	144,770	90,636	65,778	4,416	3,894	3,023	(5,880)	(809)	(2,805)	(28,482)	(18,481)	(19,078)	114,824	75,240	46,918

PART B – ARICOM GROUP

The tables below set out selected historical financial and operating information of the Aricom Group, on a consolidated and segmental basis, that has been extracted without material adjustment from the Aricom Group's audited consolidated financial statements for the three years ended 31 December 2008 prepared in accordance with IFRS.

Investors should read this selected financial data together with the information in the Aricom Annual Reports and the Aricom Prospectus, which are incorporated into this Prospectus by reference as set out in Part XIII – "Documents Incorporated by Reference" of this Prospectus, and the discussion contained in Part B of Part VI – "Operating and Financial Reviews" of this Prospectus and not rely only on summarised information.

Selected income statement data

	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Revenue	9,674	4,938	–
Cost of sales	(6,009)	(3,153)	–
Impairment charge	(386,450)	–	–
Gross (loss)/profit	(382,785)	1,785	–
Distribution costs	(258)	–	–
Administrative expenses	(30,889)	(24,937)	(7,336)
Other operating income	200	475	(140)
Share of associate's profit/(loss)	850	(59)	–
Share of joint venture's loss	(444)	–	–
Operating loss	(413,326)	(22,736)	(7,476)
Investment revenues	15,532	21,453	5,043
Finance costs	(23,224)	(602)	(122)
Loss before tax	(421,018)	(1,885)	(2,555)
Tax (charge)/benefit	(5,582)	1,996	(135)
(Loss)/profit for the year from continuing operations	(426,600)	111	(2,690)
Discontinued Operations			
Profit for the year from discontinued operations	–	–	108
(Loss)/Profit for the year	(426,600)	111	(2,582)
Attributable to			
Equity holders of the parent	(427,377)	1,040	(1,905)
Minority interest	777	(929)	(677)
	(426,600)	111	(2,582)

Selected balance sheet data

	As at 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Total non-current assets	468,189	569,768	424,122
Total current assets	310,493	594,681	115,195
Total assets	778,682	1,164,449	539,317
Total current liabilities	(16,175)	(13,174)	(11,813)
Total non-current liabilities	(4,641)	(8,879)	(99)
Total liabilities	(20,816)	(22,053)	(11,912)
Total equity	(757,866)	(1,142,396)	(527,405)
Total equity and liabilities	(778,682)	(1,164,449)	(539,317)
Minority Interest	(4,326)	(15,927)	(178,762)

Selected cash flow statement data

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Net cash outflow from operating activities	(51,948)	(12,866)	(8,457)
Net cash outflow from investing activities	(70,023)	(281,759)	(65,017)
Net cash inflows from financing activities	73	610,038	153,015
Net (decrease)/increase/in cash and cash equivalents	(121,898)	315,413	79,541
Cash and cash equivalents at end of the period	257,822	406,687	89,668

Selected segmental information

Years ended 31 December 2008, 31 December 2007 and 31 December 2006

	Mine development			*Engineering services*			*Corporate*			*Eliminations*			*Consolidated*		
	2008	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue															
External sales	501	–	–	9,173	4,938	–	–	–	–	–	–	–	9,674	4,938	–
Intra-group sales	–	–	–	2,221	360	–	–	–	–	(2,221)	(360)	–	–	–	–
Total revenue	501	–	–	11,394	5,298	–	–	–	–	(2,221)	(360)	–	9,674	4,938	
Impairment charge	(386,540)	–	–	–	–	–	–	–	–	–	–	–	(386,540)	–	–
Result															
Operating (loss)/profit	(405,959)	(9,775)	(3,140)	3,287	1,271	–	(10,436)	(13,969)	(4,336)	(624)	(204)	–	(413,732)	(22,677)	(7,476)
Share of joint venture's loss	–	–	–	–	–	–	(444)	–	–	–	–	–	(444)	–	–
Share of associate's profit	850	(127)	–	–	100	–	–	–	–	–	–	–	850	(27)	–
Segment result	(405,109)	(9,902)	(3,140)	3,287	1,371	–	(10,880)	(13,969)	(4,336)	(624)	(204)	–	(413,326)	(22,704)	(7,476)

PART VI

OPERATING AND FINANCIAL REVIEWS

PART A – PETER HAMBRO MINING GROUP

The following operating and financial review should be read in conjunction with the consolidated financial statements for the Peter Hambro Mining Group as at and for the years ended 31 December 2006, 2007 and 2008, including the notes thereto as well as the other information included in this Prospectus. The discussion contained herein refers to the Peter Hambro Mining Group's results of operations prior to the Aricom Acquisition, and does not contain separate discussion of the Aricom Group's financial results during the periods referred to herein. Please see "Part B – Aricom Group" in this Part VI – "Operating and Financial Reviews" for a discussion of the Aricom Group's financial results.

This operating and financial review contains forward-looking statements that reflect current views of the Directors and involve risks and uncertainties. The actual results of operations and cash flows of the Peter Hambro Mining Group may differ materially from those discussed in forward-looking statements as a result of various factors, including those described under "Risk Factors" and elsewhere in this Prospectus.

This operating and financial review presents financial items such as "cash operating cost", "total cash cost" and "total production cost" that are not measures under IFRS. Please see "Use of financial measures not recognised under IFRS" in "Important Information" for additional information regarding the use of these non-IFRS measures.

1. Overview

The Peter Hambro Mining Group is focused on the acquisition, exploration, development and production of precious metals in Russia. The Peter Hambro Mining Group's principal operations are located in the Amur Region in the Far East of Russia, where it has operated since 1994. The Peter Hambro Mining Group is also active (either directly or through joint ventures) in other areas of Russia, including the EAO and the Yamal, Buryatia, Magadan, Chita, Irkutsk and Sakha regions. Based on production volume, it is the third largest gold producer in Russia and the GIS total cash costs of its Pokrovskiy mine are in the lowest quartile for gold producers worldwide.

The Peter Hambro Mining Group's primary operations are its Pokrovskiy and Pioneer producing mines, Malomir, a development project, and its exploration projects at the Pokrovskiy Satellite Deposits and Albyn and Tokur deposits, all of which are in the Amur Region, and the Novogodnee Monto and Petropavlovskoye deposits in the Yamal Region.

The Pokrovskiy mine is currently the primary producing asset of the Peter Hambro Mining Group. Gold production at the Pokrovskiy mine has increased since it was commissioned in 1999 to 267,100 oz in 2008, which represented approximately 68 per cent. of the Peter Hambro Mining Group's total gold production of 393,600 oz in 2008. The mine is open pit, and gold from the Pokrovskiy mine is currently produced using resin in pulp and heap-leach operations. The Pioneer mine, which commenced production in late April 2008, had total gold production of approximately 72,900 oz in 2008. The Directors estimate that total gold production for 2009 will be between 460,000 oz and 510,000 oz.

In addition to the continued operation of the Pokrovskiy mine and the continued development of and ramp-up of production at the Pioneer mine, the Peter Hambro Mining Group intends to continue exploration and advanced-stage planning activities at Malomir and anticipates that production at Malomir will commence in the second half of 2010. Simultaneously, the Peter Hambro Mining Group intends to focus on further exploration at the Albyn and Tokur deposits. Exploration activities at Tokur and Albyn, including drilling and trenching, are still at a relatively early stage and the Peter Hambro Mining Group anticipates production to commence at these sites in 2009 and 2011 to 2012, respectively. The Peter Hambro Mining Group will also continue to conduct pre-feasibility studies, prepare mine development plans and conduct other pre-production activities at the Novogodnee Monto and Petropavlovskoye deposits. The Directors also intend to continue to build the Peter Hambro Mining Group's portfolio of licences for future development and to dispose of, or relinquish licences for, assets which the Directors do not consider to be compatible with the Peter Hambro Mining Group's development programme or to be financially beneficial.

The Peter Hambro Mining Group's alluvial production in the Amur Region comes from licenses held by Amur Doré, Koboldo and Elga and three joint venture projects. Total attributed gold production for the year ended 31 December 2008 from alluvial projects was approximately 22,700 oz, an increase of 38 per cent. compared to the year ended 31 December 2007.

The Peter Hambro Mining Group's primary joint venture operation is Omchak, in which the Peter Hambro Mining Group holds a 50 per cent. ownership interest and whose principal gold production operations are the Berelekh mines. Omchak conducts gold exploration and production activities, principally in the Magadan and Amur Regions. The Peter Hambro Mining Group's attributable production from its joint venture operations was 30,800 oz in the year ended 31 December 2008. In addition, the Peter Hambro Mining Group owns an approximate 1.1 per cent. equity interest in Rusoro Mining Ltd, a gold production company with operations in Venezuela.

The Peter Hambro Mining Group includes various in-house services companies and contractors that currently meet the majority of its geological, exploration and construction needs. These companies and contractors help to support the Peter Hambro Mining Group's projects and also provide certain services under contract to third parties.

Aricom is expected to become a wholly-owned subsidiary of the Peter Hambro Mining Group upon completion of the Aricom Acquisition, which is expected to occur on or around 22 April 2009. The Aricom Acquisition will expand the scope of the Peter Hambro Mining Group's business activities to include the exploration, mining and production of iron ore and the Enlarged Group will seek to further develop these assets once the iron ore and project finance markets recover. Although the Peter Hambro Mining Group and the Aricom Group will continue to operate largely as separate businesses, the Directors expect that the Aricom Acquisition will result in the Enlarged Group benefiting from, among other things: enhanced market position and scale; operational and strategic synergies through shared infrastructure and cash flow from a larger portfolio of producing assets which will help fund the investment required for the long-term development plans of each of the Peter Hambro Mining Group and the Aricom Group.

Historically, the majority of the assets, employees and operations of the Peter Hambro Mining Group have been in Russia and the Directors continue to believe that this gives it a competitive advantage over others in the identification, acquisition, management and development of gold mining projects in Russia. In addition, the Directors believe that the Peter Hambro Mining Group's Russian background was beneficial in enabling it to make the investment in June 2008 in Rusoro in Venezuela, a country which has strong ties with Russia. The Group will continue to review a varied range of mining opportunities in other commodity and geographical areas and intends to invest when projects meet specific economic criteria and financial markets allow.

2. Principal factors affecting results of operations

The Directors believe that the factors discussed below have significantly affected, or in the future will significantly affect, the Peter Hambro Mining Group's results of operations.

2.1 *Production levels*

The Peter Hambro Mining Group's results of operations and financial condition largely depend on total gold production levels during each reporting period. The Peter Hambro Mining Group's production levels, in turn, are affected by the production and development phase of each of its projects and future production levels will, in particular, depend upon the satisfactory continued operation of the Pokrovskiy mine's RIP plant and heap-leach operations, and also further expansion of the Pioneer plant and heap-leach operations. The following table shows the Peter Hambro Mining Group's attributable production by operation, and other key operating statistics, for the periods indicated:

		Year ended 31 December		
	Unit	*2008*	*2007*	*2006*
Production by operation				
Pokrovskiy mine production	(oz'000)	267.1	237.1	206.8
Pioneer mine production	(oz'000)	72.9	–	–
Alluvial production operations	(oz'000)	22.7	16.5	10.5
Total production excluding share of joint venture production	(oz'000)	362.7	253.6	217.3
Share of joint venture production(1)	(oz'000)	30.8	36.1	37.0
Total Peter Hambro Mining Group attributable production(1)	(oz'000)	393.6	289.7	254.3
Pokrovskiy mining operations				
Total material moved	(000'm^3)	5,594	4,621	5,385
Including advanced stripping	(000'm^3)	1,782	1,206	1,657
Ore mined	(t'000)	2,105	2,207	1,904
Average grade	(g/t)	3.0	3.5	3.0
Gold content	(oz'000)	203.1	250.6	184.5
Pokrovskiy processing operations				
RIP Plant				
Ore	(t'000)	1,516	1,699	1,652
Average grade	(g/t)	4.2	4.3	3.8
Pioneer (technological sample)	(000't)	180.0	23.0	46.0
Grade		15.4	16.6	6.7
Total milled	(t'000)	1,696	1,723	1,698
Average grade	(g/t)	5.3	4.4	3.8
Gold content	(oz'000)	291.3	246.0	209.0
Recovery rate	(%)	87	90.6	90.8
Gold recovered	(oz'000)	253.4	222.8	190.0
Heap-leach				
Ore stacked	(000't)	785.0	784.0	750.0
Average grade	(g/t)	0.8	0.8	0.9
Gold content	(oz'000)	21.2	20.8	23.0
Recovery rate	(%)	64.7	68.5	73.1
Gold recovered	(oz'000)	13.7	14.3	16.8
Pioneer mining operations				
Total material moved	(000'm^3)	2,973	1,704	912.0
Ore mined	(000't)	399.0	191.0	168.0
Average grade	(g/t)	12.5	3.8	3.4
Gold content	(oz'000)	160.3	23.1	18.3
Pioneer processing operations				
RIP Plant				
Ore	(000't)	528.0	–	–
Average grade	(g/t)	5.2	–	–
Total milled	(000't)	528	–	–

		Year ended 31 December		
	Unit	*2008*	*2007*	*2006*
Average grade	(g/t)	5.8	–	–
Gold content	(oz'000)	98.5	–	
Recovery rate	(%)	74.1	–	–
Gold recovered	(oz'000)	72.9	–	–

Note:

1 Attributable gold production in the years ended 31 December 2007 and 2006 has been restated to include production from investments which the Peter Hambro Mining Group previously included in the attributable production of the Rudnoye Joint Venture.

The Peter Hambro Mining Group has increased its total production year on year between 2006 and 2008 and its revenues have increased in line with the increases in production.

The Pokrovskiy Mine

To date, the majority of the Peter Hambro Mining Group's gold production has been from the Pokrovskiy mine, which accounted for approximately 67.9 per cent., 81.9 per cent. and 79.1 per cent. of the Peter Hambro Mining Group's total attributable production in the years ended 31 December 2008, 2007 and 2006, respectively. The Pokrovskiy RIP plant was commissioned in September 2002 with a design capacity of 750,000 tonnes per annum of oxidised ore and later expanded to achieve capacity of 2.2 million tonnes per annum of oxidised material. The plant's capacity for primary types of material is 1.7 million tonnes per annum. At present, there are no plans for future expansion works to increase the design capacity of the RIP plant and Pokrovskiy ore bodies are scheduled to supply material for the plant until 2012. It is expected that the Pokrovskiy Satellite Deposits will contribute ore for the plant after this time.

The Pokrovskiy heap-leach operations commenced in 1999 and since that time the production capacity of the heap-leach operations has increased to approximately 700,000 tonnes per annum, and has operated at or around this level since 2005. The annual tonnage of ore treated through the heap-leach operations increased from 81,000 tonnes in 2002 to 785,000 tonnes in 2008. After construction of more efficient RIP operations at the Pokrovskiy mine, high-grade ore is being treated through the RIP plant and, as a result, the average head grade of ore processed through the heap-leach process has reduced from 7.5g/t of gold in 1999 to 0.8g/t in 2008. It is currently expected that, with ongoing maintenance, the Peter Hambro Mining Group can maintain similar levels of production from the heap-leach operations until at least 2012.

The current production profile of the Pokrovskiy mine forecasts a decrease of approximately 33.7 per cent. in annual production levels in 2009 from 267,100 oz of gold in 2008 to 177,000 oz of gold in 2009, due to a drop in grades and recoveries.

The Pioneer Mine

The performance of the recently commissioned Pioneer mine has been and will continue to be a key factor affecting the results of the Peter Hambro Mining Group. Gold production from operations at the Pioneer mine commenced in late April 2008. In June 2008, gold production, utilising a new mill, commenced. The Pioneer mine produced 72,900 oz of gold from the commencement of production in April 2008 to 31 December 2008. The recovery rate from operations was 74.1 per cent. for the period ended 31 December 2008, due to the late spring and consequent delay in the commencement of heap leach operations. The Directors estimate that the Pioneer mine will produce approximately 250,000 oz of gold in 2009, increasing to approximately 337,000 oz of gold in 2010.

Achieving these targeted production levels is dependent upon a number of assumptions and estimates, including, among other things, effective operation of the plant and timely commencement of further expansion phases. Subsequent to the commissioning of the Pioneer RIP plant in June 2008, production throughput levels ramped up and the Pioneer mine achieved its design capacity of processing 122,000 tonnes of ore per month in September 2008. Expansion phases include the commissioning of a second crushing and grinding line, anticipated to commence operations in the second half of 2009, which the Directors expect will enable the mill to ramp up to 3.2 million tonnes of annual capacity by the end of 2009, and completion of construction and commissioning of a third line in the second half of 2010. The Peter Hambro Mining Group's current estimates of the capital expenditure required to achieve these production levels is approximately US$75.0 million over 2009 and 2010.

Alluvial Operations

The Peter Hambro Mining Group's alluvial operations in the Amur Region – Amur Doré, Kobolda, and Elga – accounted for approximately 5.8 per cent., 5.7 per cent. and 4.0 per cent. of the Peter Hambro Mining Group's total production in the years ended 31 December 2008, 2007 and 2006, respectively. These operations are seasonal and production typically increases in the summer months. Total production from alluvial operations in 2008 was approximately 22,700 oz. The Directors estimate that these alluvial operations will produce approximately 29,000 oz of gold in each of 2009 and 2010. The Peter Hambro Mining Group intends to continue to expand these operations through acquisition and exploration opportunities.

2.2 *Reserves and Resources*

The table below is a summary of the Peter Hambro Mining Group's estimates of reserves and resources as at the dates indicated in the table. The estimates of reserves and resources have been carried out by the Peter Hambro Mining Group's geologists in accordance with the guidelines of the Russian Standard Classification System.

	As at 1 January 2009			*As at 1 January 2008*[1]			*As at 1 January 2007*		
	Ore (‘000t)	*Grade g/t*	*Gold content (‘000oz)*	*Ore (‘000t)*	*Grade g/t*	*Gold content (‘000oz)*	*Ore (‘000t)*	*Grade g/t*	*Gold content (‘000oz)*
$B+C_1$	42,257	1.4	1,926	44,303	1.5	2,193	31,623	1.8	1,826
C_2	170,807	1.8	9,635	156,804	1.6	8,193	117,806	1.8	6,644
Total Reserves	213,064	1.7	11,561	201,107	1.6	10,385	149,429	1.8	8,469
P_1 Resources	105,792	2.2	7,537	114,590	2.5	9,102	136,924	2.0	8,692
Total Reserves and Resources[2]	318,856	1.9	19,098	315,697	1.9	19,488	286,353	1.9	17,162

1. 1 January 2008 figures have been restated to exclude the Voroshilorskoye licence area, on which exploration was terminated in 2008.

2. Excluding Omchak Joint Venture but including 50 per cent. attributable to Rudnoye JV; also excluding the precious metals (PGM+Au) resource at the Ozernoye deposit at Yamal region which is now restated as 719,000 oz palladium-equivalent.

The Peter Hambro Mining Group's reserves will decline as it produces gold and its reserves are depleted. Moreover, the volume of production from gold properties generally declines as reserves are depleted. The Peter Hambro Mining Group's future production growth, therefore, will be dependent upon it successfully discovering or acquiring and developing additional reserves.

2.3 *Gold price*

The majority of the Peter Hambro Mining Group's revenues are derived from the sale of gold and, consequently, the gold spot price has a significant impact on the Peter Hambro Mining Group's revenues and operating results. Revenue from the Peter Hambro Mining Group's gold mining activities has increased year-on-year in line with increases in the average gold spot price, with revenues from gold sales amounting to US$288.0 million, US$167.9 million and US$124.4 million in the years ended 31 December 2008, 2007 and 2006, respectively. The price of gold can vary significantly and is affected by factors which are outside the control of the Peter Hambro Mining Group, gold investment demand in particular. At present, the Peter Hambro Mining Group does not hedge against fluctuations in gold prices.

The following table shows the Peter Hambro Mining Group's average realised gold price for the periods indicated:

	Year ended 31 December		
	2008	*2007*	*2006*
		(US$/oz)	
Average realised gold price	845	668	586

Generally, the Peter Hambro Mining Group does not alter its production levels or the ore grade it produces in response to short-term fluctuations in the price of gold. However, the Peter Hambro Mining Group retains the flexibility to produce at different ore grade levels when it believes it is advantageous to do so.

In addition to impacting the Peter Hambro Mining Group's revenue, the price of gold impacts the Peter Hambro Mining Group's operating results through the fair value changes arising on the embedded derivatives in the Exchangeable Bonds. Changes in the forward gold price will result in a change in the fair value of the embedded derivatives and result in a fair value change being recognised in the Peter Hambro Mining Group's operating profit for the relevant period. These fair value movements are non-cash items until such time as holders of the Exchangeable Bonds exercise their conversion right, the earliest date for this being 19 October 2009. In the year ended 31 December 2008, the Peter Hambro Mining Group recognised a fair value change of US$18.3 million, compared to recognition of a fair value change of US$12.1 million in the year ended 31 December 2007.

Historic gold prices in US Dollars as reported by the London Bullion Market Association AM spot fixing price are set forth for the periods indicated:

		(US$/oz)	
	Period end	*High*	*Low*
2004	438.00	455.75	373.50
2005	513.00	537.50	411.50
2006	635.70	725.75	520.75
2007	836.50	841.75	608.30
2008	865.00	1023.50	692.50

Gold prices have experienced significant volatility in recent years. The London Bullion Market Association AM spot fixing price of gold in US Dollars reached a record high of US$1023.50/oz in the first quarter of 2008. Between April 2008 and February 2009, the price of gold continued to fluctuate significantly with a general downward trend, though it reached highs of approximately US$981.75/oz and US$989.75/oz in July 2008 and February 2009, respectively. The gold market is discussed generally in Part IV of this Prospectus.

The worldwide economic downturn is expected to result in robust demand for gold in the second quarter of 2009, in part because gold is viewed as a safe-haven commodity by investors. Consequently, the Directors believe that the Peter Hambro Mining Group's results of operations will reflect the anticipated high gold prices in the short- to medium-term.

2.4 *Production costs and efficiency of the Peter Hambro Mining Group's gold mining operations*

The long-term profitability of the Peter Hambro Mining Group is dependent upon its ability to maintain low-cost and efficient gold mining operations.

The Pokrovskiy Mine

The Directors believe that the GIS total cash costs of the Pokrovskiy mine are in the lowest quartile for gold producers worldwide. The Peter Hambro Mining Group reports the Pokrovskiy mine's operating costs in accordance with industry best practices pursuant to internationally recognised GIS.

The following table shows GIS total cash costs for the Pokrovskiy mine and the average for the gold mining industry for the periods indicated:

	Year ended 31 December		
	2008	*2007*	*2006*
		US$/oz	
Pokrovskiy GIS total cash cost	248.8	193.0	174.8
Gold mining industry average GIS total cash cost(1)	458.0	385.0	305.0

Source: Raw Material Group.

The following table sets forth a breakdown of GIS total cash costs and total production costs for the Pokrovskiy mine for the periods indicated:

	Year ended 31 December		
	2008	*2007*	*2006*
		US$/oz	
Direct mining and processing expenses	138.4	107.4	103.0
Refinery and transportation cost	7.6	6.8	7.0
By-product credits, silver	(1.5)	(2.3)	(4.0)
Other	42.4	30.9	27.8
Cash operating cost	186.9	142.8	133.8
Royalties	53.0	39.9	35.3
Production taxes	8.9	10.3	5.7
Total cash cost	248.8	193.0	174.8
Non-cash movement in stock	25.3	23.2	15.8
Depreciation/amortisation	48.6	42.0	46.1
Total production cost	322.7	258.2	236.7

GIS total production costs for the Pokrovskiy mine increased by US$64.5/oz to US$322.7/oz in the year ended 31 December 2008, compared to US$258.2/oz in the year ended 31 December 2007 and US$236.7/oz in the year ended 31 December 2006 as a result of wage, electricity and fuel inflation, as well as an increase in the price of materials used in the production process.

Average GIS total cash costs in the gold mining industry in the year ended 31 December 2008 were US$458/oz, compared to US$385/oz in the year ended 31 December 2007, according to the Raw Material Group. The average GIS total cash costs for the Pokrovskiy mine were US$248.8/oz in the year ended 31 December 2008, compared to US$193.0/oz in the year ended 31 December 2007. The principal factors driving the comparatively low cost base of the Pokrovskiy mine include increases in production levels leading to increased economies of scale and the implementation of a large number of cost control and reduction measures at the Pokrovskiy mine in previous years, including more efficient use of equipment and a reduction in the quantity of raw materials, fuel and energy per unit of production.

The Pioneer Mine

The ability of the Peter Hambro Mining Group to produce gold at the Pioneer mine at a competitive cost will significantly affect the Peter Hambro Mining Group's results of operations. Production at the Pioneer mine commenced in April 2008 and total gold production amounted to 72,900 oz in the year ended 31 December 2008.

GIS total cash costs for the Pioneer mine for the year ended 31 December 2008 amounted to US$293/oz. Operating costs incurred at the Pioneer mine during this initial ramp-up period were higher than what is expected going forward and consequently they may not be meaningful indicators of the future performance of the Pioneer mine.

It is expected that operating costs at the Pioneer mine over the next two years are going to be approximately US$7/t. It is expected that this level of operating costs will be achieved during the course of 2009.

2.5 ***Cost drivers***

The principal costs associated with the Peter Hambro Mining Group's operations can be broadly categorised into production labour costs, raw materials, energy, depreciation of assets associated with production, royalties, staff costs and other variable costs. Fixed costs, such as labour costs and electricity costs, typically represent in excess of 30 per cent. of GIS total production costs, based on the Peter Hambro Mining Group's past experience at the Pokrovskiy mine.

Production labour costs

Labour costs are a significant component of the GIS total production costs for both the Pokrovskiy mine and the Pioneer mine. Labour costs accounted for approximately 28 per cent., 25 per cent. and 19 per cent. of the Pokrovskiy mine's GIS total production costs in the years ended 31 December 2008, 2007 and 2006, respectively, and 24 per cent. of the Pioneer mine's GIS total production costs in the year ended 31 December 2008.

During 2008, 2007 and 2006, wage increases significantly exceeded increases in gold production, principally as a result of increases in the average annual salaries resulting from general wage inflation in Russia. The following table shows year-on-year wage price inflation for the Pokrovskiy mine over the periods indicated:

	2007/08	*2006/07*	*2005/06*
Wage inflation (RUR)	31%	21%	11%

The average number of production employees at the Pokrovskiy mine was 1,162, 1,115 and 958 in the years ended 31 December 2008, 2007 and 2006, respectively. The average number of production employees at the Pioneer mine was 450 in the year ended 31 December 2008. For additional information regarding staff costs generally, see "Staff costs" below.

Materials

The cost of materials employed in the production process represents a significant amount of the Pokrovskiy mine's and the Pioneer mine's GIS total production costs. Cost of materials consisted of approximately 30 per cent., 30 per cent. and 26 per cent. of the Pokrovskiy mine's GIS total production costs in the years ended 31 December 2008, 2007 and 2006, respectively, and approximately 24 per cent. of the Pioneer mine's GIS total production costs in the year ended 31 December 2008. Materials used in the production process include chemicals and reagents, consumables and spare parts.

The following table shows for the periods indicated the total average year-on-year price inflation on reagents and consumables:

	2007/08	*2006/07*	*2005/06*
Materials price inflation (RUR)	47%	15%	7%

At present, the Peter Hambro Mining Group has not entered into any contracts in excess of one year relating to the supply of materials.

Energy costs

Energy costs relate principally to the cost of diesel fuel and the cost of electricity.

Diesel fuel, used in the operation of the mining fleet, is a significant variable cost element of production for the Pokrovskiy and Pioneer mines, accounting for approximately 13 per cent., 13 per cent. and 14 per cent. of GIS total production costs of the Pokrovskiy mine in the years ended 31 December 2008, 2007 and 2006, respectively, and approximately 14 per cent. of the Pioneer mine's GIS total production costs in the year ended 31 December 2008. The principal factors affecting the Pokrovskiy mine's diesel fuel costs are the quantity of materials moved in mining operations and the global price of oil.

The following table shows year-on-year price inflation for diesel fuel at the Pokrovskiy mine over the periods indicated:

	2007/08	*2006/07*	*2005/06*
Diesel fuel price inflation (RUR)	52%	(3)%	14%

The increase in the price of diesel fuel per litre between 2007 and 2008 reflects increases in the global oil price throughout this period. Expansion of the fuel storage facilities at the Pokrovskiy mine during the year ended 31 December 2007 enabled the Peter Hambro Mining Group to significantly decrease the unit cost of diesel compared to 2006.

Electricity, used predominantly in processing operations, is also a significant component of GIS total production costs. Electricity costs accounted for approximately 5 per cent. of the Pokrovskiy mine's GIS total production costs in each of the years ended 31 December 2008, 2007 and 2006, and approximately 3 per cent. of GIS total production costs of the Pioneer mine in the year ended 31 December 2008. Electricity prices are fixed on a yearly basis, with tariffs set by a regional energy committee and approved by the Amur region administration for a period of 12 months.

The following table shows year-on-year energy price inflation at the Pokrovskiy mine over the periods indicated:

	2007/08	*2006/07*	*2005/06*
Electricity price inflation (RUR)	14%	13%	8%

Depreciation

Mine production assets and certain mining equipment are depreciated on a unit of production method based on the estimated economically recoverable reserves. Depreciation expenses at the Pokrovskiy mine have generally increased in line with increases in production. As the Pioneer mine moves towards full-scale production, the Peter Hambro Mining Group's depreciation expenses are expected to increase materially, in line with increases in the Pioneer mine's production.

Royalties

The Pokrovskiy and Pioneer mines are required to pay royalties of 6 per cent. to federal and regional authorities, calculated on the gold resource extracted each month and based on the market price of gold at the end of the month.

Staff costs

Staff costs for the Peter Hambro Mining Group's mining and non-mining operations, and its corporate activities, represent a significant component of the Peter Hambro Mining Group's operating expenses. During 2008, 2007 and 2006, the Peter Hambro Mining Group's staff costs increased in excess of the increase in the average head count, principally due to wage inflation in Russia, and costs associated with employing personnel in remote areas of Russia. The following table shows the Peter Hambro Mining Group's total staff costs for production activities (which include mining and exploration activities) and for the administration activities associated with these production activities over the periods indicated:

	Year ended 31 December		
	2008	*2007*	*2006*
		(US$'000)	
Production	58,503	37,107	23,428
Administration	17,139	11,475	9,499
Total staff costs	75,642	48,582	32,927

The following table shows the average number of employees (excluding directors), categorised according to production and administration activities, for the periods indicated:

	Year ended 31 December		
	2008	*2007*	*2006*
Production employees	5,234	3,601	2,892
Administration employees	1,310	1,240	1,039
Total average no. employees	6,544	4,841	3,931

Production employees consist of employees at the Peter Hambro Mining Group's mining operations involved in the production process, and also the Peter Hambro Mining Group's non-mining operations, which include the specialist construction and services companies and geological exploration companies. The significant increase in the average number of production employees during the year ended 31 December 2008, an increase of 45.3 per cent. compared to the year ended 31 December 2007, related to an increase in employee numbers across the Peter Hambro Mining Group's mining and non-mining operations. Staff costs associated with employees of the specialist construction and services companies and geological exploration companies and staff costs incurred in relation to the construction and geological exploration projects undertaken by the Peter Hambro Mining Group are not included in staff costs in the first table above, as they are capitalised within mine development assets or intangible assets for the relevant project.

The Peter Hambro Mining Group's future operations depend, in part, on the Peter Hambro Mining Group's ability to maintain existing staffing levels for current operations, and also to source additional production employees required for the further expansion of the Pioneer mine and the further development of the Malomir, Tokur and Albyn deposits between 2009 and 2012. Expected increases in exploration activities in 2009 and 2010 will also require additional production employees.

2.6 ***Results of specialist construction, exploitation, evaluation and other service companies of the Peter Hambro Mining Group***

The Peter Hambro Mining Group includes a number of specialist construction, exploration, evaluation and other service companies, some of which provide services to third parties as well as to members of the Peter Hambro Mining Group. External revenues generated by these entities in the years ended 31 December 2008, 2007 and 2006 amounted to US$92.0 million, US$56.6 million and US$32.6 million, respectively. External revenue generated by these entities represented 24.1 per cent., 25.0 per cent. and 20.6 per cent. of Peter Hambro Mining Group revenue in the years ended 31 December 2008, 2007 and 2006, respectively. At present, the revenue generated by these specialist companies represents a significant portion of the Peter Hambro Mining Group's revenue. However, it is expected that the external revenues generated by these entities, relative to total revenue, will decrease in future periods, in part as a result of the increased revenue from gold mining activities forecast by the Peter Hambro Mining Group.

Kapstroi and Irgiredmet are the Peter Hambro Mining Group's principal specialist service companies and both provide services to third parties. Kapstroi fulfils the Peter Hambro Mining Group's construction needs and provided construction services to the Aricom Group prior to the Aricom Acquisition. Revenues from Kapstroi recognised in the consolidated financial statements in the year ended 31 December 2008, related entirely to construction services provided to the Aricom Group and totalled US$35.1 million, which represented approximately 9.2 per cent. of Peter Hambro Mining Group revenue. Revenues from Kapstroi in the years ended 31 December 2007 and 2006 amounted to US$24.4 million and US$16.0 million, respectively, which represented approximately 10.8 per cent. and 10.1 per cent., of Peter Hambro Mining Group revenue, respectively. The Directors currently expect that Kapstroi will not generate any external sales following the Aricom Acquisition and that, consequently, Kapstroi's contribution to results will be nil after June 2009.

In the years ended 31 December 2008, 2007 and 2006, Irgiredmet contributed US$34.4 million, US$24.5 million and US$8.7 million respectively, to the Peter Hambro Mining Group's revenue, which represented 9.0 per cent., 10.8 per cent. and 5.5 per cent. of revenue over the respective periods. It is expected that Irgiredmet's activities and revenue contribution will remain at similar levels in the near term.

2.7 *Inflation*

Because the majority of the Peter Hambro Mining Group's production costs are denominated in Roubles, inflation in Russia is a significant factor driving certain development and production costs including labour costs and raw materials. As described under the heading "Cost drivers" above, employee wages and other operational costs are sensitive to general inflationary pressure in Russia.

The following table shows inflation information for Russia for the periods indicated.

	Year ended 31 December		
	2008	*2007*	*2006*
Consumer price index	13.3%	11.9%	9.0%
Producer price index	(7.0)%	25.1%	10.4%

Source: Russian Federal State Statistics Service.

2.8 *Effect of exchange rates*

The majority of the Peter Hambro Mining Group's revenues are denominated in US Dollars, and to a lesser extent, in Roubles, whilst the majority of its operating expenses (other than debt expenses) are denominated in Roubles. Accordingly, the Peter Hambro Mining Group's financial results may be affected by fluctuations in exchange rates, in particular, the exchange rate between the Rouble and the US Dollar. Depreciation of the US Dollar versus the Rouble will increase the Peter Hambro Mining Group's operating expenses in US Dollar terms, while appreciation of the US Dollar versus the Rouble will decrease operating expenses in US Dollar terms. For accounting purposes, expenses incurred in currencies other than the US Dollar are converted into US Dollars at the exchange rate prevailing on the date of the transaction. The Peter Hambro Mining Group maintains the majority of its cash balances in US Dollar- and Rouble-denominated accounts, adjusting its currency holdings on the basis of its operating and capital expenditure budget. Cash held in Roubles at 31 December 2008 amounted to the equivalent of US$24.8 million. The Group also maintains cash balances in pounds Sterling sufficient to cover the Company's expenses for a minimum of one year.

Although the US Dollar has weakened against the Rouble in recent years, since July 2008 the US Dollar has appreciated significantly against the Rouble. The Rouble weakened against the US Dollar by approximately 20 per cent. in the year ended 31 December 2008, which resulted in the Peter Hambro Mining Group experiencing a currency exchange loss of US$25.0 million in the same period compared to a gain of US$7.0 million in 2007 and a gain of US$5.6 million in 2006. The following table sets out the average and closing rates of exchange of the Rouble in US Dollars applied in the consolidated financial statements for the Peter Hambro Mining Group as at and in the years ended 31 December 2008, 2007 and 2006, and the associated foreign exchange gain or loss for the Peter Hambro Mining Group for the periods indicated:

	Year ended 31 December		
	2008	*2007*	*2006*
Closing (RUR/USD)	29.38	24.55	26.33
Average (RUR/USD)	24.85	25.58	27.18
Peter Hambro Mining Group Foreign exchange gain/(loss) (US$'000)	(25,013)	6,961	5,623

Source: Central Bank of Russia.

In addition, because the Peter Hambro Mining Group's reporting currency is the US Dollar, depreciation or appreciation of the US Dollar versus the Rouble exposes the Peter Hambro Mining Group to increases or decreases to the value of assets and liabilities on its balance sheet as a result of the translation of balances into US Dollars at financial period end dates, although the underlying value of the assets and foreign currency denominated liabilities has not changed.

At present, the Peter Hambro Mining Group does not undertake any foreign currency transaction hedging.

2.9 ***Aricom Acquisition***

Aricom is expected to become a wholly-owned subsidiary of the Peter Hambro Mining Group on 22 April 2009, pursuant to an all-share offer implemented by way of a scheme of arrangement under the Companies Act. The Enlarged Group is expected to implement its strategy of pursuing expanded gold production in the near-term while allowing for the development of the Aricom Group's iron ore assets once project finance and iron ore markets recover. Although the Peter Hambro Mining Group and the Aricom Group will continue to operate largely as separate businesses, the Directors expect that the Aricom Acquisition will result in the Enlarged Group benefiting from: enhanced market position, scale and growth-platform; operational and strategic synergies through shared infrastructure of closely located operations and cash flow from a larger portfolio of producing assets which will help fund investment required for the long-term development plans of each of the Peter Hambro Mining Group and the Aricom Group.

2.10 ***Other significant business acquisitions***

Rusoro

In June 2008, the Peter Hambro Mining Group invested approximately US$20.0 million in Rusoro, a TSX Venture Exchange listed gold production and exploration business based in Venezuela, through a secured exchangeable loan as a participant in a syndicate. The Peter Hambro Mining Group has an option agreement with the other lenders in the syndicate which provides the Peter Hambro Mining Group the right to acquire from the other lenders, at a price of C$2.20 per share (subject to adjustment), the number of shares which the other lenders may receive upon exchange of the loan. In addition, on 6 March 2009 the Peter Hambro Mining Group paid C$3.7 million for 6,166,666 new shares in Rusoro as part of an equity placing by Rusoro. As a result, the Peter Hambro Mining Group has an approximate 1.1 per cent. stake in the share capital of Rusoro.

PRP Stancii

In May 2008, the Peter Hambro Mining Group acquired a 100 per cent. interest in PRP Stancii, a company which provides maintenance and capital repairs services, for cash consideration of US$7.2 million. PRP Stancii contributed US$10.7 million to the Peter Hambro Mining Group's revenue from the date of acquisition to 31 December 2008. It is expected that PRP Stancii will service the Peter Hambro Mining Group's mining fleet, accordingly, its contribution to the consolidated results of the Peter Hambro Mining Group is expected to be immaterial in future periods.

Elga

In January 2008, the Peter Hambro Mining Group acquired a 100 per cent. interest in Elga, a gold exploration and production company with alluvial operations in the Amur region. Consideration for the acquisition was cash consideration of US$1.9 million. For the period from the date of acquisition to 31 December 2008, Elga contributed US$1.6 million to the Peter Hambro Mining Group's revenues. Production from Elga in the year ended 31 December 2008 was 1,958 oz.

Irgiredmet

In October 2006, the Peter Hambro Mining Group acquired an initial 80.0 per cent. interest in Irgiredmet, a provider of research and development services, for cash consideration of US$40.2 million. In 2007, the Peter Hambro Mining Group acquired a further 19.85 per cent. interest in Irgiredmet, for cash consideration of US$9.3 million. Irgiredmet's contribution to the Peter Hambro Mining Group's revenue was US$8.7 million for the period from the date of acquisition to 31 December 2006, compared to revenues of US$24.5 million in the year ended 31 December 2007. In the year ended 31 December 2008, Irgiredmet contributed US$34.4 million to the Peter Hambro Mining Group's revenue.

Amur Doré

In March 2006, the Peter Hambro Mining Group acquired a 100 per cent. interest in Amur Doré, a gold alluvial operation, for cash consideration of US$1.1 million. Amur Doré's contribution to the Peter Hambro Mining Group's revenue was US$6.3 million for the year ended 31 December 2007, compared to US$0.9 million for the period from the date of its acquisition to 31 December 2006. In the year ended 31 December 2008, Amur Doré contributed US$7.0 million to the Peter Hambro Mining Group's revenue.

2.11 ***Strategic assets law***

In May 2008, legislation was introduced in the Russian Federation regulating foreign investment into strategic sectors of the Russian economy. The Laws impose restrictions on the acquisition by foreign investors of direct or indirect interests in gold reserves in excess of a specified amount or any occurrences of platinum group metals. On the basis of the Laws, each of the licence areas in which the Pioneer and Malomir deposits are located could be classified as a subsoil area of federal significance. If either is so classified, then Pokrovskiy Rudnik, the company that owns the main Pokrovskiy and Pioneer deposit licenses, and Malomirskiy Rudnik, the company that owns the Malomir deposit license, would become Strategic Entities. At the present time the full effect of the new foreign investment legislation in Russia is difficult to predict, however this legislation will or may, depending upon the circumstances, affect investment transactions in Russia, including those made or to be made by the Enlarged Group. Further information relating to the Laws is set out in "Risk Factors" and Part III – "Russia, the Russian Licensing Regime and Summary of Key Licences".

3. Results of Operations

3.1 ***Description of Certain Income Statement Items***

Certain line items in the Peter Hambro Mining Group's consolidated income statement are described below.

Revenue

The Peter Hambro Mining Group generates the majority of its revenue from the sale of gold to financial institutions, namely, to Russian banks for domestic gold sales and to foreign banks for gold sales pursuant to the Peter Hambro Mining Group's export licence. Gold is sold at or around the spot price fixed by the London Bullion Market Association PM. During the year ended 31 December 2008, the Peter Hambro Mining Group had arrangements in place with Expobank, Uralsib and Sberbank for the sale of gold on the domestic market and with Standard Bank PLC and Commerzbank International S.A. for the sale of gold under its export licence. The Peter Hambro Mining Group also sells silver to Russian banks, silver being a by-product of gold produced at both the Pokrovskiy and Pioneer mines. Historically, the quantity of silver produced and sold by the Peter Hambro Mining Group has been immaterial relative to its gold sales. In the year ended 31 December 2008, 75.5 per cent. of revenue was generated from the sale of gold and less than one per cent. of revenue was generated from the sale of silver.

Revenue generated from non-mining activities, consisting of construction, exploration and evaluation services to third parties provided by specialist Peter Hambro Mining Group companies accounted for 24.4 per cent. of revenue in the year ended 31 December 2008. Revenues generated by the Peter Hambro Mining Group's corporate activities, relating primarily to management services provided by the Peter Hambro Mining Group to the Aricom Group, accounted for less than one per cent. of the Peter Hambro Mining Group's revenue in the year ended 31 December 2008. With the exception of revenue generated by corporate activities, all of the Peter Hambro Mining Group's revenue was derived from sales in Russia in 2008.

The following table sets forth the Peter Hambro Mining Group's revenues, by business segment, for the periods indicated:

	Year ended 31 December		
	2008	*2007*	*2006*
		(US$'000)	
Gold mining	288,412	168,538	125,239
Construction and other services	83,562	52,540	30,283
Exploration and evaluation	8,383	4,020	2,285
Corporate	1,331	1,299	–
Total Peter Hambro Mining Group revenue	381,688	226,397	157,807

Cost of sales

The principal components of cost of sales for the Peter Hambro Mining Group's gold mining operations are labour costs, materials, spare parts and consumables, depreciation of assets related to production, royalties and energy costs, being fuel and electricity. Fuel, materials and depreciation are the key variable cost items. Labour costs are the primary fixed cost component of cost of sales. These costs are described in further detail under "Production costs and efficiency" in the "Factors affecting results of operations" section of this Operating and Financial Review.

The majority of the Peter Hambro Mining Group's operating costs are denominated in Roubles. Accordingly, the Peter Hambro Mining Group's cost of sales is affected by exchange rate fluctuations between the US Dollar and the Rouble.

Administrative expenses

Administrative expenses consist principally of wages of employees not involved in the production process, directors' emoluments, fees paid to consultants, auditors' remuneration, legal expenses, travel expenses and foreign exchange differences.

Other operating income

Other operating income principally relates to net income and costs not associated with production activities or of an administrative nature, for example, impairment of other intangible assets, gains or losses arising on the sale of property, plant and equipment, and other non-mining activities at the Pokrovskiy mine, which include the sale of goods and services and trading activities on metallic account.

Fair value change on derivatives

The fair value change on derivatives relates to movements in the fair value of the embedded derivatives in the Exchangeable Bonds issued by the Peter Hambro Mining Group in October 2007, movements in the fair value of the embedded derivatives in the Rusoro loan and movements in fair value of other derivative financial instruments. These fair value movements are non-cash items.

Share of results of joint ventures

Share of results of joint ventures consists of the Peter Hambro Mining Group's share of the results of Omchak, in which it holds a 50.0 per cent. interest, and Rudnoye, in which it holds a 50.0 per cent. interest.

Financial income

Financial income consists principally of interest income on cash balances on term deposits and loans provided by the Peter Hambro Mining Group.

Financial expense

Financial expense consists principally of interest expense on the Convertible Bonds, Exchangeable Bonds and bank loans held by the Peter Hambro Mining Group, as well as bank charges.

Corporation tax

Corporation tax consists of current tax, which is tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantially enacted by the balance sheet date, and deferred tax, which arises on temporary differences existing at the balance sheet date between the carrying value of an asset or liability and its tax base.

The Peter Hambro Mining Group's effective tax rates for the periods indicated were as follows:

	Year ended 31 December		
	2008	*2007*	*2006*
Effective tax rate	43.7%	28.2%	28.2%

3.2 ***Selected income statement data***

The following sets forth certain income statement data for the Peter Hambro Mining Group in the years ended 31 December 2008, 2007 and 2006:

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Group revenue	381,688	226,397	157,807
Cost of sales	(207,307)	(117,037)	(82,079)
Administrative expenses	(87,258)	(29,428)	(26,105)
Other operating (expense)/income	(12)	1,503	1,292
Net operating expenses	(294,577)	(144,962)	(106,892)
Operating profit before fair value changes and share of results of joint ventures	87,111	81,435	50,915
Fair value change on derivatives	(18,307)	(12,100)	–
Share of results of joint ventures	(1,261)	(1,821)	(173)
Operating profit	67,543	67,514	50,742
Financial income	7,709	3,776	6,137
Financial expenses	(34,864)	(16,105)	(11,764)
Profit before taxation	40,388	55,185	45,115
Taxation	(17,643)	(15,560)	(12,742)
Profit for the year	22,745	39,625	32,373
Attributable to			
Equity holders of the Peter Hambro Mining Group	22,002	38,667	31,986
Minority interests	743	958	387

3.3 ***Comparison of the years ended 31 December 2007 and 2008***

Revenue

Total revenues increased by US$155.3 million, or 68.6 per cent., from US$226.4 million in the year ended 31 December 2007 to US$381.7 million in the year ended 31 December 2008. Of this increase, US$119.9 million was attributable to revenues derived from gold mining activities, which increased from US$168.5 million in the year ended 31 December 2007 to US$288.4 million in the year ended 31 December 2008.

This increase was due to a combination of an increase in the quantity of gold sold and an increase in the average realised gold price. The average realised gold price increased from US$668/oz in the year ended 31 December 2007 to US$845/oz in the year ended 31 December 2008. Gold sales increased by approximately 36.0 per cent., from 250,800 oz in the year ended 31 December 2007 to 341,300 oz in the year ended 31 December 2008, including Pioneer gold sales of 72,900 oz following the commencement of production in late April 2008. Gold sales from the Pokrovskiy mine increased by approximately 16,800 oz, or 7.2 per cent., from 234,300 oz in 2007 to 251,100 oz in 2008. Gold sales from the Peter Hambro Mining Group's alluvial operations in the year ended 31 December 2008 increased by approximately 6,470 oz, or 39.3 per cent., from 16,460 oz in the year ended 31 December 2007 to 22,930 oz in the year ended 31 December 2008, following the acquisition of Elga in January 2008, which contributed 2,170 oz to the Peter Hambro Mining Group's gold sales for the period.

Revenues from silver sales in the year ended 31 December 2008 amounted to US$0.4 million, compared to US$0.6 million in the year ended 31 December 2007.

Revenues generated by construction and other services increased by US$31.1 million, or 59.0 per cent., from US$52.5 million in the year ended 31 December 2007 to US$83.6 million in the year ended 31 December 2008. This increase was principally due to an increase in revenues generated by Kapstroi, which increased by US$10.7 million or 43.9 per cent., from US$24.4 million in the year ended 31 December 2007 to US$35.1 million in the year ended 31 December 2008, as a result of an increase in construction services provided to the Aricom Group.

Irgiredmet's revenues increased by US$9.9 million or 40 per cent., from US$24.5 million in the year ended 31 December 2007 to US$34.4 million in the year ended 31 December 2008. This increase was mainly due to Irgiredmet having switched from agency to resale arrangements in activities relating to the procurement of materials such as reagents, consumables and equipment to third parties.

Also included in revenues generated by construction and other services in the year ended 31 December 2008 was revenue of US$10.7 million generated by the then recently acquired PRP Stancii, which provides maintenance and capital repair services, and in future periods, is intended to service the Peter Hambro Mining Group's mining fleet.

Revenues generated by exploration and evaluation services increased by US$4.4 million, or 110.0 per cent., from US$4.0 million in the year ended 31 December 2007 to US$8.4 million in the year ended 31 December 2008.

Cost of sales

The Peter Hambro Mining Group's cost of sales increased by US$90.3 million, or 77.1 per cent., from US$117.0 million in the year ended 31 December 2007 to US$207.3 million in the year ended 31 December 2008. Cost of sales from mining operations increased by US$54.0 million, or 79 per cent., from US$68.5 million in the year ended 31 December 2007 to US$122.5 million in the year ended 31 December 2008. The increase in cost of sales from mining operations significantly exceeded the increase in gold sales, which increased by 90,500 oz, or 36.1 per cent., from 250,800 oz in the year ended 31 December 2007 to 341,300 oz in the year ended 31 December 2008. The increase in cost of sales resulted from a combination of increased gold sales, increased costs associated with the commencement of production at the Pioneer mine, and year-on-year price inflation increases in the cost of labour, fuel and materials at the Pokrovskiy mine.

Production labour costs attributable to mining operations increased by US$6.2 million, from US$20.4 million in the year ended 31 December 2007 to US$26.6 million in the year ended 31 December 2008, due to an increase in the number of production employees at the Pokrovsky and Pioneer mines attributable to the ramp-up of operations of the Pioneer mine and 31 per cent. inflation of wages relative to the year ended 31 December 2007. The average number of production employees at the Pokrovskiy mine was 1,115 in the year ended 31 December 2007 compared to 1,162 in the year ended 31 December 2008. The average number of production employees at the Pioneer mine was 450 in the year ended 31 December 2008.

Fuel costs attributable to mining operations increased significantly in the year ended 31 December 2008, by US$8.7 million, from US$9.4 million in the year ended 31 December 2007 to US$18.1 million in the year ended 31 December 2008, principally due to fuel price inflation, which increased the price of fuel by approximately 52 per cent. relative to the year ended 31 December 2007, as well as fuel costs attributable to the ramp-up of operations of the Pioneer mine. Fuel costs associated with the Pioneer mine in 2008 amounted to US$3.6 million.

Royalty costs increased by US$7.8 million, from US$9.6 million in the year ended 31 December 2007 to US$17.4 million in the year ended 31 December 2008, due to an increase in the volume of gold extraction combined with an increase in the gold price over the period.

Cost of materials attributable to mining operations increased by US$13.2 million, from US$19.1 million in the year ended 31 December 2007 to US$32.3 million in the year ended 31 December 2008. The increase in the cost of materials was due to an increase in production levels, which necessitated increased consumption of materials, combined with significant inflation in the costs of certain materials relative to the year ended 31 December 2007. Included in cost of materials was US$6.5 million of materials costs associated with the Pioneer mine in the year ended 31 December 2008, compared to nil in the year ended 31 December 2007.

Of the Peter Hambro Mining Group's non-mining operations, Irgiredmet's cost of sales increased by US$7.0 million, or 32.6 per cent., from US$21.5 million in the year ended 31 December 2007 to US$28.5 million in the year ended 31 December 2008. This increase in cost of sales is consistent with the increase in Irgiredmet's revenues in the year ended 31 December 2008, which increased by US$9.9 million, or 40.0 per cent., as compared to the year ended 31 December 2007. Kapstroi's cost of sales increased by US$10.2 million, or 53.7 per cent., from 19.0 million in the year ended 31 December 2007 to US$29.2 million in the year ended 31 December 2008. This increase in the cost of sales is consistent with the increase in Kapstroi's revenues in the year ended 31 December 2008, which increased by US$10.6 million or 43.9 per cent., as compared to the year ended 31 December 2007.

As a percentage of total revenues, the Peter Hambro Mining Group's cost of sales increased from 51.7 per cent. of revenue in the year ended 31 December 2007 to 54.3 per cent. of revenue in the year ended 31 December 2008.

Administrative expenses

The Peter Hambro Mining Group's administrative expenses increased by US$57.8 million, or 196.5 per cent., from US$29.5 million in the year ended 31 December 2007 to US$87.3 million in the year ended 31 December 2008. The increase was principally due to increases in foreign exchange losses included in administrative expenses, staff costs, auditor's remuneration and legal and consulting services. Staff costs increased by US$5.7 million, largely as a result of wage inflation relative to 2007 and an increase in the average number of administrative employees from 1,240 in the year ended 31 December 2007 to 1,310 in the year ended 31 December 2008. Auditor's remuneration increased by US$1.3 million mainly due to additional transaction-based accounting services. Legal and consulting services costs increased by US$1.2 million.

Other operating income/(expenses)

Other operating income decreased by US$1.5 million from US$1.5 million in the year ended 31 December 2007 to nil in the year ended 31 December 2008.

Fair value change on derivatives

Fair value change on derivatives amounted to US$18.3 million in the year ended 31 December 2008 and consisted of fair value movements arising on the embedded derivatives in the Exchangeable Bonds and the loan issued to Venezuela Holdings (BVI) Limited in connection with the Rusoro investment in 2008 and foreign currency forward contract. The fair value change in the year ended

31 December 2007 was US$12.1 million and related to movements in the fair value of the embedded derivatives in the Exchangeable Bonds.

Share of results of joint ventures

The Peter Hambro Mining Group's share of losses of joint ventures decreased by US$0.5 million, or 27.8 per cent., from US$1.8 million in the year ended 31 December 2007 to US$1.3 million in the year ended 31 December 2008. The decrease related principally to Omchak, of which the Peter Hambro Mining Group holds a 50.0 per cent. interest. Omchak reported a US$0.9 million loss in the year ended 31 December 2008, of which the Peter Hambro Mining Group's share was approximately US$1.4 million, which was also the case in the year ended 31 December 2007. Omchak's results consist of net income of approximately US$3.0 million generated from mining operations of Berelekh, which were offset by results of other mining operations and losses of approximately US$0.5 million related to the depletion of the Nelkobazoloto reserves and write off of Nelkobazoloto in the year ended 31 December 2008. The Directors are currently considering the closure or disposal of the Shkolnoye mine.

Operating profit

As a result of the factors discussed above, the Peter Hambro Mining Group's profit from operating activities was US$67.5 million in the year ended 31 December 2007 and year ended 31 December 2008. Excluding the impact of the fair value change on the derivatives of US$18.3 million in the year ended 31 December 2008 and US$12.1 million in the year ended 31 December 2007, the Peter Hambro Mining Group's operating profit increased by US$6.1 million, or 7.7 per cent., in the year ended 31 December 2008 compared to the year ended 31 December 2007.

Financial income

The Peter Hambro Mining Group's financial income increased by US$3.9 million, or 102.6 per cent., from US$3.8 million in the year ended 31 December 2007 to US$7.7 million in the year ended 31 December 2008. The increase in financial income is primarily attributable to interest income of US$2.8 million relating to a loan extended to Venezuela Holdings (BVI) Ltd, a subsidiary of Rusoro, in June 2008 as well as increased interest income from cash held in bank accounts and deposits subsequent to the issue of the US$180.0 million Exchangeable Bonds.

Financial expenses

The Peter Hambro Mining Group's financial expenses increased by US$18.8 million, or 116.5 per cent., from US$16.1 million in the year ended 31 December 2007 to US$34.9 million in the year ended 31 December 2008. The principal reason for the increase in financial expenses relates to the issue of the Exchangeable Bonds in October 2007, for which interest expense amounted to US$16.6 million in the year ended 31 December 2008, compared to interest expense of US$3.3 million in the year ended 31 December 2007. In addition, interest payable on bank borrowings and bank charges increased in the year ended 31 December 2008 due to higher loan balances and increased interest rates payable on bank loans.

Corporation Tax

The Peter Hambro Mining Group's corporation taxes increased by US$2.1 million, or 13.4 per cent., from US$15.6 million in the year ended 31 December 2007 to US$17.6 million in the year ended 31 December 2008. Current tax decreased from US$19.1 million for the year ended 31 December 2008 as compared to the US$21.0 million current tax for the year ended 31 December 2007 despite an increase in sales revenues generated by the Group. This was primarily a result of increased interest expense and foreign exchange losses arising from the devaluation of the Rouble against the US Dollar in the year ended 31 December 2008. The decrease in current tax was offset by the effect of reversal and origination of timing differences and increased expenses not deductible for tax purposes, which contributed to the US$2.1 million increase in tax. Consequently, the Peter Hambro Mining Group's effective tax rate in the year ended 31 December 2008 was 43.7 per cent., compared to 28.2 per cent. in the year ended 31 December 2007.

Profit for the year

As a result of the factors discussed above, the Peter Hambro Mining Group's profit for the year decreased by US$16.9 million, or 42.6 per cent., from US$39.6 million in the year ended 31 December 2007 to US$22.7 million in the year ended 31 December 2008, and the Peter Hambro Mining Group's net profit margin decreased from 17.5 per cent. in the year ended 31 December 2007 to 6.0 per cent. in the year ended 31 December 2008.

3.4 *Comparison of the years ended 31 December 2006 and 2007*

Revenue

The Peter Hambro Mining Group's total revenue increased by US$68.6 million, or 43.5 per cent., from US$157.8 million in the year ended 31 December 2006 to US$226.4 million in the year ended 31 December 2007. Of this increase, US$43.3 million was attributable to revenue generated by gold mining activities, which increased from US$125.2 million in the year ended 31 December 2006, to US$168.5 million in the year ended 31 December 2007. The increase in revenues from gold mining activities was attributable to a combination of an increase in gold sales, which increased by approximately 35,400 oz or 16.4 per cent., from 215,400 oz in the year ended 31 December 2006 to 250,800 oz in the year ended 31 December 2007, and an increase in the average realised gold price from US$586/oz in the year ended 31 December 2006 compared to US$668/oz in the year ended 31 December 2007.

Revenues generated by the Pokrovskiy mine increased by US$36.1 million, or approximately 30.0 per cent., due to the combination of an increase in gold sales of 29,400 oz, or 14.3 per cent., from 204,900 oz in the year ended 31 December 2006 to 234,300 oz in the year ended 31 December 2007, and an increase in the average realised gold price. Revenues generated by the Peter Hambro Mining Group's gold alluvial operations, Koboldo and Amur Doré, the latter which the Peter Hambro Mining Group acquired in March 2006, increased by US$7.2 million, primarily due to an increase in gold sales of 5,933 oz, or 56.4 per cent., from 10,527 oz in the year ended 31 December 2006 to 16,460 oz in the year ended 31 December 2007.

Revenues from silver sales in the year ended 31 December 2007 amounted to US$0.6 million, compared to US$0.8 million in the year ended 31 December 2006.

Revenues generated by construction and other services increased by US$22.2 million or 73.3 per cent., from US$30.3 million in the year ended 31 December 2006 to US$52.5 million in the year ended 31 December 2007. This increase was partially due to the inclusion of a full year of results of Irgiredmet in the year ended 31 December 2007, compared to the inclusion of only three months of results in the year ended 31 December 2006. The Peter Hambro Mining Group acquired an initial 80.0 per cent. controlling ownership interest in Irgiredmet in September 2006, followed by further acquisitions of 18.4 per cent. and 1.5 per cent. interests in April 2007 and December 2007, respectively. Revenues contributed to the Peter Hambro Mining Group by Irgiredmet in the year ended 31 December 2007 amounted to US$24.5 million, compared to US$8.7 million for the period from the date of acquisition to 31 December 2006.

Also contributing to the increased revenues generated by construction and other services was Kapstroi. Revenues derived from services provided by Kapstroi increased by US$8.4 million, or 52.5 per cent. from US$16.0 million in the year ended 31 December 2006 to US$24.4 million in the year ended 31 December 2007, following an increase in the construction activity of the Aricom Group's Kuranakh mine.

Cost of sales

Cost of sales increased by US$34.9 million, or 42.5 per cent., from US$82.1 million in the year ended 31 December 2006 to US$117.0 million in the year ended 31 December 2007. For the Peter Hambro Mining Group's mining operations, the cost of sales increased by US$14.3 million from US$54.2 million in the year ended 31 December 2006 to US$68.5 million in the year ended 31 December 2007, following an increase in gold sales by 35,400 oz, or 16.4 per cent., from 215,400 oz in year ended 31 December 2006 compared to 250,800 oz in the year ended 31 December 2007. This increase consisted primarily of a US$8.3 million increase in the cost of sales at the Pokrovskiy mine, from US$50.3 million in the year ended 31 December 2006 to US$58.6 million in the year ended 31 December 2007. The Peter Hambro Mining Group's alluvial operations, Amur Doré, which was acquired in March 2006, and Koboldo also contributed to the increase in cost of sales of mining operations. Cost of sales for these operations increased by US$6.0 million, from US$3.9 million in the year ended 31 December 2006 to US$9.9 million in the year ended 31 December 2007.

Production labour costs attributable to mining operations increased by US$6.4 million from US$14.0 million in the year ended 31 December 2006 to US$20.4 million in the year ended 31 December 2007. This increase was largely due to the combination of wage inflation of approximately 21 per cent. relative to the year ended 31 December 2006, an increase in the average number of production employees for the Pioneer mine, increasing from 125 in the year ended 31 December 2006 to 195 in the year ended 31 December 2007, and additional labour costs following the acquisition of Amur Doré.

Royalty costs increased by US$2.2 million, from US$7.4 million in the year ended 31 December 2006 to US$9.6 million in the year ended 31 December 2007, due to an increase in gold extraction combined with an increase in the gold price during the same period.

The cost of materials attributable to mining operations increased by US$5.7 million, from US$13.4 million in the year ended 31 December 2006, to US$19.1 million in the year ended 31 December 2007. The increase in the cost of materials was due to an increase in production levels, requiring increased consumption of materials, combined with price inflation of approximately 15 per cent. in the average price of materials relative to the year ended 31 December 2006.

Fuel costs attributable to mining operations increased by US$1.7 million, from US$7.7 million in the year ended 31 December 2006 to US$9.4 million in the year ended 31 December 2007. This increase reflected an increase in consumption levels, which were partially offset by a decrease in the unit cost of fuel in the year ended 31 December 2007, by 3.0 per cent. in comparison with the year ended 31 December 2006, following on from expansion of the fuel storage facilities at the Pokrovskiy mine.

Of the Peter Hambro Mining Group's construction and other services operations, Kapstroi's cost of sales increased by US$5.6 million, from US$13.4 million in the year ended 31 December 2006 to US$19.0 million in the year ended 31 December 2007. The increase in cost of sales at Kapstroi follows on from its expansion in 2007 during which Kapstroi increased the number of its employees to approximately 900 in the year ended 31 December 2007, compared to approximately 600 employees in the year ended 31 December 2006. The increased number of employees was necessary to meet increased demand for construction work at Pioneer and Malomir, and also for the continuing construction of the Kuranakh mine for the Aricom Group. The above construction projects also resulted in a significant increase in the cost of construction work performed by third parties in the year ended 31 December 2007, increasing by US$2.6 million.

Irgiredmet's cost of sales increased by US$13.0 million, from US$8.5 million in the year ended 31 December 2006 to US$21.5 million in the year ended 31 December 2007. This increase was principally due to the inclusion of a full year of results of Irgiredmet in the year ended 31 December 2007, compared to the inclusion of only three months of results in the year ended 31 December 2006. The Peter Hambro Mining Group acquired an initial 80.0 per cent. controlling ownership interest in Irgiredmet in October 2006, followed by a further acquisition of 18.4 per cent. and 1.5 per cent. interests in April 2007 and December 2007, respectively.

As a percentage of total sales, the Peter Hambro Mining Group's total cost of sales remained at approximately the same level in the year ended 31 December 2007 as compared to the year ended 31 December 2006 and comprised 52.0 per cent. of total sales.

Administrative expenses

The Peter Hambro Mining Group's administrative expenses increased by US$3.3 million, or 12.7 per cent., from US$26.1 million in the year ended 31 December 2006 to US$29.4 million in the year ended 31 December 2007. The increase was principally due to increases in staff costs of US$2.0 million, arising from an increase in the average number of administration employees from 1,039 in the year ended 31 December 2006 to 1,240 in the year ended 31 December 2007, an increase in Director's emoluments of US$0.7 million and an increase in audit fees of US$0.3 million. These increases were partially offset by an increase in exchange gain of US$1.4 million.

Other operating income/(expenses)

Other operating income increased by US$0.2 million or 16.3 per cent. to US$1.5 million in the year ended 31 December 2007, compared to US$1.3 million in the year ended 31 December 2006.

Fair value change on derivatives

Fair value change on derivatives in the year ended 31 December 2007 relates to a charge of US$12.1 million relating to fair value movements arising on the Exchangeable Bonds issued by the Peter Hambro Mining Group in October 2007. The embedded derivatives were recognised at fair value at inception, with a liability for the fair value of the embedded derivatives recognised on the balance sheet. Changes to the fair value of the embedded derivatives are recognised within operating profit.

Share of results of joint ventures

The Peter Hambro Mining Group's share of losses of joint ventures increased by US$1.6 million from a loss of US$0.2 million in the year ended 31 December 2006 to a loss of US$1.8 million in the year ended 31 December 2007. The increased loss relates principally to Omchak, for which the Peter Hambro Mining Group's share of loss for the year was US$1.4 million in 2007, compared to a profit of US$0.8 million in the year ended 31 December 2006. Omchak's losses principally related to the depletion of Nelkobazoloto reserves in the second half of 2007, where a decrease in the gold content led to increased production costs. The Nelkobazoloto loss accounted for US$2.0 million of Omchak's loss in the year ended 31 December 2007. This loss included the write-off of work in progress inventory where the net realisable value exceeded the cost of the inventory, and also an acceleration of the amortisation of the licence.

Operating profit

As a result of the factors discussed above, the Peter Hambro Mining Group's profit from operating activities increased by US$16.8 million, or 33.1 per cent., from US$50.7 million in the year ended 31 December 2006 to US$67.5 million in the year ended 31 December 2007.

Financial income

The Peter Hambro Mining Group's financial income decreased by US$2.3 million, or 37.7 per cent., from US$6.1 million in 2006 to US$3.8 million in 2007. The decrease was principally due to a reduction in interest income of US$2.7 million.

Financial expenses

The Peter Hambro Mining Group's financial expenses increased by US$4.3 million, or 36.4 per cent., from US$11.8 million in the year ended 31 December 2006 to US$16.1 million in the year ended 31 December 2007. The principal reason for the increase in financial expenses relates primarily to the issue of the Exchangeable Bonds in October 2007 for which interest expense of US$3.3 million was included in financial expenses in the year ended 31 December 2007, and a US$0.7 million increase in interest payable on bank borrowings due to greater levels of bank borrowings.

Corporation tax

The Peter Hambro Mining Group's corporation taxes increased by US$2.9 million, or 22.8 per cent., from US$12.7 million in the year ended 31 December 2006 to US$15.6 million in the year ended 31 December 2007. The increase was principally due to the increase in taxable profit in the year ended 31 December 2007 relative to the year ended 31 December 2006, partially offset by deferred tax credits arising on the recognition of a deferred tax asset of US$3.4 million relating to the fair value change on the Exchangeable Bonds' embedded derivatives.

The Peter Hambro Mining Group's effective tax rate for both the years ended 31 December 2007 and 2006 was 28.2 per cent.

Profit for the year

As a result of the factors discussed above, the Peter Hambro Mining Group's profit for the year increased by US$7.2 million, or 22.2 per cent., from US$32.4 million in the year ended 31 December 2006 to US$39.6 million in the year ended 31 December 2007, and the Peter Hambro Mining Group's net profit margin decreased from 20.5 per cent. in the year ended 31 December 2006 to 17.5 per cent. in the year ended 31 December 2007.

4. Liquidity and capital resources

4.1 *Overview*

The Peter Hambro Mining Group's principal sources of liquidity and capital resources have been cash flow from operations, debt financing, and, to a lesser extent, proceeds from equity offerings. The principal sources of liquidity and capital resources of the Enlarged Group until the end of 2010 are expected to be revenues from gold and iron ore sales, existing cash balances and existing debt financing. The Peter Hambro Mining Group's principal uses of cash have been operational costs, capital expenditures on the development of mining operations and the acquisition of new licences. The Enlarged Group's principal uses of cash are expected to be operational costs, capital expenditures on the development of its mining operations (see paragraph 4.5 "Capital, Exploration and Evaluation Expenditures — Capital expenditure programme" below and paragraph 4.5 of Part B of Part IV of this Prospectus — "Operating and Financial Reviews — Aricom Group — Capital expenditure programme") and repayments of existing debt financing.

Under the terms of both the Convertible Bonds and the Exchangeable Bonds, the Peter Hambro Mining Group's secured indebtedness is restricted to a maximum of US$150.0 million whilst the bonds remain outstanding. This restriction remains in place until both the Convertible Bonds and the Exchangeable Bonds are redeemed, October 2012 being the latest date at which this may occur. As at 31 December 2008, the Peter Hambro Mining Group had drawn down US$46.8 million under secured loan facilities, and had no further amounts available for draw down under these facilities.

The Exchangeable Bonds may be exercised from 19 October 2009. In the event of a spike in the gold price, there is a possibility that some or all of the Exchangeable Bonds may be exercised in a short period of time.

Net proceeds from the Peter Hambro Mining Group's February 2009 placing were £68.0 million, which were applied primarily towards the purchase and cancellation of US$87.0 million in principal amount of the Exchangeable Bonds. There are currently US$93 million in nominal value of Exchangeable Bonds outstanding.

4.2 ***Dividends***

The directors of the Peter Hambro Mining Group declared a maiden final dividend of 7.5 pence per Ordinary Share in respect of the year ended 31 December 2007 that was paid on 1 August 2008. The directors of the Peter Hambro Mining Group declared an interim dividend of 7.5 pence per Ordinary Share on 23 September 2008 that was paid on 31 October 2008.

4.3 ***Net current assets***

As at 31 December 2008, the Peter Hambro Mining Group had net current liabilities of approximately US$122.7 million. As of the same date, the Peter Hambro Mining Group's current assets mainly consisted of trade and other receivables of US$84.8 million, inventories of US$72.3 million, and cash and cash equivalents of US$26.4 million. The Peter Hambro Mining Group's current liabilities were mainly comprised of trade and other payables of US$42.1 million, short term borrowings (consisting of the Exchangeable Bonds, interest on the Convertible Bonds, certain bank loans and loans from related parties) of US$220.9 million and derivative financial liabilities of US$42.5 million as at 31 December 2008.

4.4 ***Cash flow information***

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Net cash inflow from operating activities	22,553	40,108	34,465
Net cash outflow from investing activities	(193,234)	(122,799)	(134,213)
Net cash inflow from financing activities	22,243	195,503	15,034
Net increase/(decrease) in cash and cash equivalents	(148,438)	112,812	(84,714)
Cash and cash equivalents at end of the period	26,444	178,442	62,466

Net cash (outflow)/inflow from operating activities

The Peter Hambro Mining Group had a net cash inflow from operating activities of US$22.6 million in the year ended 31 December 2008 compared to US$40.1 million in the year ended 31 December 2007. Operating profit before working capital changes amounted to US$119.8 million in 2008 compared to US$94.3 million in 2007. Cash generated from operations amounted to US$60.1 million in the year ended 31 December 2008 compared to US$62.9 million in the year ended 31 December 2007. The decrease in net cash generated from operating activities was principally due to net increases in trade and other receivables and inventories in 2008 compared to 2007. The increase in trade and other receivables was primarily due to an increase in VAT recoverable as expenditure on the Pioneer mine increased and levels of exploration, evaluation and development activities at the Peter Hambro Mining Group's development and exploration projects increased; an increase in advances to contractors, representing prepayments of operating expenditure principally relating to the ramp up of operations at the Pioneer mine; an increase in advances paid on commission contracts at Irgiredmet and an increase in amounts owing by joint venture partners and other parties. The increase in inventories was principally due to the commencement of production at the Pioneer mine in late April 2008. The increase in trade and other receivables and inventories was partially offset by a net increase in trade and other payables in 2008 compared to 2007. In addition to the changes in working capital described above, net cash from operating activities decreased in 2008 compared to 2007 as a result of an increase in the amount of interest paid, which amounted to US$28.5 million in 2008 compared to US$11.1 million in 2007.

The Peter Hambro Mining Group had a net cash inflow from operating activities of US$40.1 million in the year ended 31 December 2007 compared to US$34.5 million in the year ended 31 December 2006. Operating profit before working capital changes amounted to US$94.3 million in 2007 compared to US$60.7 million in 2006. Cash generated from operating activities amounted to US$62.9 million in the year ended 31 December 2007 compared to US$47.6 million in the year ended 31 December 2006. The increase in net cash generated from operating activities was principally due to an increase in operating profit before working capital changes in 2007 compared to 2006, which were partially offset by net increases in trade and other receivables and inventories in 2007 compared to 2006. The increase in trade and other receivables was primarily due to an increase in VAT recoverable resulting from an increase in the amount of VAT paid, and therefore recoverable, as expenditure on the Pioneer mine increased; an increase in amounts advanced to contractors, representing prepayments of operating expenditure; and an increase in amounts owed by Rudnoye. The increase in inventories primarily related to an increase in inventory in progress held at the Pokrovskiy mine resulting from an increase in gold production in 2007. Trade and other payables also increased principally due to an increase in trade payables balances at Pokrovskiy, partially offset by a decrease in advances received on commission contracts for Irgiredmet. In addition to the changes in working capital described above, the net increase in cash from operating activities in 2007 compared to 2006 was partially offset by a net increase in corporation tax paid, which amounted to US$15.7 million in 2007 compared to US$9.4 million in 2006.

Net cash outflow from investing activities

The Peter Hambro Mining Group's net cash outflow from investing activities increased by US$70.4 million in the year ended 31 December 2008, from US$122.8 million in the year ended 31 December 2007 to US$193.2 million in the year ended 31 December 2008. This increase was principally due to an increase in the purchase of property, plant and equipment and exploration and development activities, increasing from US$124.7 million in the year ended 31 December 2007 to US$161.4 million in the year ended 31 December 2008. Also contributing to the increase in the net cash outflow from investing activities was US$28.2 million of net loans issued in the year ended 31 December 2008, compared to US$4.7 million in the year ended 31 December 2007. Included in this was the Peter Hambro Mining Group's US$20.0 million investment in Rusoro, through the issue of a two-year exchangeable loan and US$4.3 million loaned to joint ventures in the year ended 31 December 2008.

The Peter Hambro Mining Group's net cash outflow from investing activities decreased by US$11.4 million from US$134.2 million in the year ended 31 December 2006 to US$122.8 million in the year ended 31 December 2007. This decrease was principally due to investing activities in the year ended 31 December 2006 including amounts paid in respect of the acquisition of subsidiaries, net of cash acquired, of US$38.6 million, relating largely to the acquisition of an initial 80.0 per cent. controlling ownership interest in Irgiredmet; payments to reserve bonus scheme holders of US$15.0 million; purchase of securities held for trading of US$13.8 million. These outflows were not incurred in the year ended 31 December 2007.

The decrease in net cash outflows from investing activities in the year ended 31 December 2007 compared to the year ended 31 December 2006 was partially offset by increases in the purchase of property, plant and equipment, up US$45.2 million in the year ended 31 December 2007, increases in exploration and evaluation expenditure, up US$11.7 million in the year ended 31 December 2007, and the acquisition of minority interests for US$9.3 million, relating to the acquisition of a further 18.4 per cent. interest in Irgiredmet in April 2007, followed by the acquisition of a further 1.5 per cent. interest in December 2007. The increase in capital expenditure related largely to the Pioneer mine, for which capital expenditures amounted to US$34.8 million in the year ended 31 December 2007.

Net cash inflows from financing activities

The Peter Hambro Mining Group's net cash inflows from financing activities decreased by US$173.3 million in the year ended 31 December 2008, from US$195.5 million in the year ended 31 December 2007 to US$22.2 million in the year ended 31 December 2008. This decrease was principally due to the repayment of US$253.8 million in borrowings and dividends paid to shareholders of US$23.0 million in the year ended 31 December 2008.

The Peter Hambro Mining Group's net cash inflows from financing activities increased by US$180.5 million from US$15.0 million in the year ended 31 December 2006 to US$195.5 million in the year ended 31 December 2007. This increase was principally due to the proceeds received from the issue of the US$180.0 million Exchangeable Bonds in October 2007, and an increase in net funds drawn down under the revolving line of credit held by the Peter Hambro Mining Group. Net cash inflows from financing activities in the year ended 31 December 2006 included net proceeds from the issue of ordinary share capital of US$17.8 million.

4.5 *Capital, Exploration and Evaluation Expenditures*

Historical capital expenditures

The table below sets forth the total amounts of capital expenditure, exploration and evaluation expenditure incurred in connection with each of the Peter Hambro Mining Group's principal mining, development and exploration assets, throughout 2008, 2007 and 2006:

	Year ended 31 December		
	2008	*2007*	*2006*
		(US$'000)	
Pokrovskiy Mine and Pokrovskiy Satellite Deposit[1]	17,918	15,747	12,134
Pioneer Mine	44,972	34,808	7,464
Malomir Deposit	15,825	14,859	8,243
Albyn Deposit	7,005	2,690	537
Tokur Deposit	435	1,049	110
Yamal Deposits	14,661	11,432	12,255
Other	12,835	15,281	3,380
Total	113,651	95,964	44,123

Note:

1 Pokrovskiy mine cost includes capital expenditure on mining fleet used for both mines, Pokrovskiy and Pioneer.

In the year ended 31 December 2008, the Peter Hambro Mining Group continued further exploration and development of its principal mineral assets. Total capital expenditures amounted to US$116.3 million in the year ended 31 December 2008. Expenditures on the further development and construction of Pioneer amounted to US$45.0 million in 2008. Capital expenditures relating to the Pokrovskiy mine were US$17.9 million. The Peter Hambro Mining Group also incurred US$15.8 million of exploration and development costs in relation to the Malomir deposit. A further US$22.9 million was spent on the exploration and evaluation of other mineral projects located in the Amur and Buryatia regions, and a further US$14.7 million was spent on the exploration and evaluation of mineral projects in the Yamal region.

Total capital expenditures amounted to US$96.0 million in the year ended 31 December 2007. Total capital expenditure in the year ended 31 December 2007 consisted of approximately US$34.8 million related to the development of the Pioneer mine and US$14.9 million in connection with exploration and evaluation work carried out at the Malomir deposit. A further US$11.4 million was spent on the exploration and evaluation of mineral projects located in the Yamal region. Capital expenditure on other projects including the inner and outer flanks of Pokrovskiy, Albyn, Tokur and other projects in the Amur and Buryatia regions amounted to US$34.9 million.

In the year ended 31 December 2006, the Peter Hambro Mining Group made capital expenditures of approximately US$44.1 million, of which US$12.3 million was spent on exploration of the Yamal assets, US$7.5 million on exploration of the Pioneer deposit and US$8.2 million on exploration of the Malomir deposit.

Capital expenditure programme

The Peter Hambro Mining Group expects to make capital expenditures of between US$458.0 million and US$474.0 million in connection with further exploration, evaluation and development of its mineral assets between 2009 and 2012. The following table sets forth expected amounts of capital expenditure of the Peter Harmbro Mining Group, on a project-by-project basis, for the periods indicated. For certain projects, the table sets forth a range of potential capital expenditure. Where a range has been provided, the Peter Hambro Mining Group anticipates that the amount of capital expenditure it will make will be in accordance with the low end of the range. However, the Peter Hambro Mining Group will endeavour where possible to increase capital expenditures and pursue the higher end of the capital expenditure ranges presented. The Peter Hambro Mining Group's ability to deploy higher amounts of capital expenditure will depend on a number of considerations, including gold prices, cost dynamics, grades of gold produced and financing conditions.

	2009	*2010*	*2011*	*2012*
		(US$ '000,000)[1]		
Pokrovskiy (including Pokrovskiy Flanks)	5.0	5.0-19.0	19.0-10.0	10.0-3.0
Pioneer	61.0	14.0	28.0	0
Malomir	29.0	13.0	20.0	27.0
Albyn	2.0	2.0-16.0	16.0-7.0	7.0
Tokur	0	5.0	7.0	3.0
Alluvials	3.0	4.0	5.0	1.0
Yamal	0	0-54.0	54.0-118.0	118.0-20.0
Peter Hambro Mining Group Total (low case)	100.0	43.0	149.0	166.0
Peter Hambro Mining Group Total (high case)	100.0	125.0	195.0	54.0

Note:

1 Amounts in Roubles translated at a rate of RUR36.0 to US$1.00 for all periods indicated.

The following is a discussion of some of the significant elements of the Peter Hambro Mining Group's anticipated capital expenditures:

Pokrovskiy

The projected capital maintenance and exploration of Pokrovskiy Flanks for the Pokrovskiy mine is US$5.0 million in 2009 and between US$5.0 million and US$19.0 million in 2010.

Pioneer

The Peter Hambro Mining Group intends to spend approximately US$23.0 million building and expanding the RIP plant at Pioneer in 2009 and a further US$4.0 million in 2010. Additional capital expenditures for the heap-leach operations and tailings dam are expected to amount to approximately US$1.6 million in 2009 and a further US$1.7 million in the year 2010.

Infrastructure and ancillary capital expenditures are expected to amount to approximately US$7.0 million in 2009 and US$1.1 million in 2010.

The Peter Hambro Mining Group expects to make capital expenditures of approximately US$22.0 million in 2009 and US$2.7 million in 2010 to expand the Pioneer mine's mining fleet. Further, the Peter Hambro Mining Group expects to spend US$28.0 million in 2011 to build a processing plant to treat non-oxide material.

Malomir

The Peter Hambro Mining Group expects to spend approximately US$15.0 million to build a metal recovery plant at the Malomir deposit in 2009 and has anticipated spending a further US$6.0 million for this purpose in 2010. Infrastructure and ancillary capital expenditures, including amounts spent in relation to the construction of a tailing dam, are expected to amount to US$6.8 million in 2009 and a further US$2.3 million in 2010.

The Peter Hambro Mining Group estimates that it will spend approximately US$5.3 million to acquire a mining fleet for the Malomir mine in 2009 and a further US$3.4 million for this purpose in 2010.

The Peter Hambro Mining Group further estimates that it will spend approximately US$20.0 million and US$27.0 million in 2011 and 2012, respectively, to expand the metal recovery plant at the Malomir deposit.

Albyn

The Peter Hambro Mining Group expects exploration expenditures for Albyn to amount to US$2.0 million in 2009 and between US$2.0 million and US$16.0 million in 2010, although US$16.0 million assumes construction of a metal recovery plant. An additional US$7.0 million will be spent on further construction between 2011 and 2012.

Tokur

The Peter Hambro Mining Group expects metal recovery plant expenditures for Tokur to amount to nil in 2009, US$5.0 million in 2010 and US$7.0 million and US$3.0 million in 2011 and 2012, respectively.

Yamal

The Peter Hambro Mining Group expects capital expenditures in connection with construction of a metal recovery plant at Yamal to amount to nil in 2009, between nil and US$54.0 million in 2010 and a further US$54.0 million to US$118.0 million in 2011. The Peter Hambro Mining Group expects to spend between US$20.0 million and US$118.0 million completing the plant in 2012.

Alluvial operations

The Peter Hambro Mining Group intends to spend approximately US$7.0 million within the next two years to further develop its alluvial operations. Expenditures are expected to include costs associated with the purchase of a mining fleet and equipment.

The development plans described above represent the current views of the Directors and are based on prices and exchange rates as of the fourth quarter of 2008 and the first quarter of 2009. The Directors review the Peter Hambro Mining Group's capital expenditure plans on an ongoing basis. The Peter Hambro Mining Group's capital expenditure programme is subject to change and may be altered at the discretion of the Directors and the Peter Hambro Mining Group, and the successful realisation of the Peter Hambro Mining Group's capital expenditure programme is subject to the availability of sufficient financing.

4.6 *Contractual obligations and commercial commitments*

The following table sets forth the Peter Hambro Mining Group's contractual obligations and commercial commitments as at 31 December 2008:

	Total	*Less than 1 year*	*1-2 years*	*2-3 years*	*4-5 years*	*More than 5 years*
				(US$'000)[1]		
Convertible Bonds	140,000	–	140,000	–	–	–
Exchangeable Bonds	180,000	180,000	–	–	–	–
Long-term loans payable[3]	16,000	–	–	16,000	–	–
Short-term loans payable	54,198	54,198	–	–	–	–
Expected future interest[2]	40,923	29,444	11,178	301	–	–
Capital commitments	52,815	52,185	–	–	–	–
Trade and other payables	–	42,142	–	–	–	–
Total	517,705	298,915	151,178	16,301	–	–

Note:

1 Amounts in Roubles translated at a rate of exchange of RUR29.38 to US$1.00. Amounts include interest payable.

2 Expected future interest payments have been estimated using interest rates applicable at 31 December 2008. Loans outstanding at 31 December 2008 in the amount of US$16.0 million are subject to variable interest rates and, therefore, subject to change in line with the market rates.

3 Long term loans payable are subject to variable interest rates and, therefore, subject to change in line with the market rates.

The Peter Hambro Mining Group expects to enter into additional commitments not reflected in the above table in connection with the future development of its projects. The following table represents an estimate of the significant capital expenditures that the Peter Hambro Mining Group expects to make in the short to medium term on its principal production and development assets:

	2010	*2009*
	(US$ millions)	
Pokrovskiy Mine	5.0-19.0	5.0
Pioneer Mine	14.0	61.0
Malomir Deposit	13.0	29.0
Yamal Deposit	0-54.0	0
Albyn	2.0-16.0	2.0
Tokur	5.0	–
Alluvial operations	4.0	3.0
	43.0-126.0	100.0

5. Financing Arrangements

The table below sets forth the Peter Hambro Mining Group's borrowings at 31 December 2008:

	Liability at 31 December 2008[1]	*Principal amount borrowed*
	(US$'000)	
Convertible Bonds	140,663	140,000
Exchangeable Bonds	162,863	180,000
Bank and other loans	70,198	70,198
Total borrowings	373,724	390,198

Note:

1 Amounts stated at amortised cost.

5.1 *Convertible Bonds*

In August 2005, the Peter Hambro Mining Group raised US$140.0 million through the issue of the Convertible Bonds. The Convertible Bonds carry a coupon rate of 7.125 per cent. payable semi-annually in arrears. The Convertible Bonds can be converted into fully paid Ordinary Shares of the Company at any time on or after 21 September 2005 and up to the close of business on 5 August 2010, or if the Company has given notice of early redemption of the Convertible Bonds, up to the close of business on the sixth day before the date fixed for redemption. The initial conversion price is 756p per Ordinary Share. The Conversion Price will be subject to adjustment in certain circumstances.

As set out in Part A of Part X – "Terms and Condition of the Bonds" of this Prospectus, PHMGFL may require the redemption of the Convertible Bonds in certain circumstances at any time after 25 August 2008.

The terms of the Convertible Bonds restrict the secured indebtedness of the Peter Hambro Mining Group to US$150.0 million whilst the Convertible Bonds remain outstanding.

At the date of issue, the net proceeds from the issue of the Convertible Bonds were split between the liability component and the equity component, representing the fair value of the embedded option to convert the liability into equity of the Peter Hambro Mining Group. At 31 December 2008, the Peter Hambro Mining Group recognised a total liability of US$140.7 million for the Convertible Bonds, at amortised cost.

5.2 ***Exchangeable Bonds***

In October 2007, the Peter Hambro Mining Group raised US$180.0 million through the issue of the Exchangeable Bonds. The Exchangeable Bonds carry a coupon of 7.0 per cent. per annum payable semi-annually in arrears and are exchangeable at the option of the holders (**Gold Conversion Right**) into the cash equivalent of (in aggregate) up to 180,000 oz of gold at any time from the second anniversary of the settlement of the Exchangeable Bonds, being 19 October 2009, up until 20 days prior to the maturity date of the Exchangeable Bonds being 19 October 2012. For further discussion of the Gold Conversion Right, see Part B of Part X – "Terms and Conditions of the Bonds" of this Prospectus.

The Peter Hambro Mining Group has the option to call the Exchangeable Bonds (**Optional Redemption**) at par plus accrued interest after the fourth anniversary of the settlement, being 19 October 2011, provided that the London afternoon gold price fixing reaches a level of US$1,500 per ounce, with holders retaining the right to convert within the call period up to the fifteenth day before the date fixed by the call for redemption. If not exchanged or previously redeemed the Exchangeable Bonds will be redeemed at par on 19 October 2012.

The terms of the Exchangeable Bonds restrict the secured indebtedness of the Peter Hambro Mining Group to US$150.0 million whilst the Exchangeable Bonds remain outstanding.

At the date of issue, the net proceeds from the issue of the Exchangeable Bonds were split between the liability component and the embedded derivatives, which are separately fair valued. As at 31 December 2008, the Peter Hambro Mining Group recognised a total liability of US$162.9 million for the liability component of the Exchangeable Bonds at amortised cost.

The Peter Hambro Mining Group applied part of the net proceeds of its 10 February 2009 placing to the redemption of a total of US$87.0 million nominal amount of its Exchangeable Bonds at an average price of US$95.00 per Exchangeable Bond plus accrued interest. There are currently US$93.0 million in nominal value of Exchangeable Bonds outstanding.

5.3 ***Long-term loan facility***

As at 31 December 2008, the Peter Hambro Mining Group owed US$16.0 million under a long-term loan facility provided by UniCredit. The facility was fully utilised at 31 December 2008. The maturity date for the loan is 4 April 2011. Interest is payable at three month intervals in arrears and is repayable in six equal instalments. The loan cannot be redeemed in the first 18 months without the Peter Hambro Mining Group incurring a penalty fee of 0.15 per cent. of the principal amount repaid. The interest rate on the loan is LIBOR plus 4.25 per cent. The interst rate is subject to receipt of US$4.5 million in cash revenue on the Peter Hambro Mining Group's account with UniCredit. Where such revenues are less than US$4.5 million per quarter, the interest rate increased to LIBOR plus 6.25 per cent.

This loan is secured over certain fixed assets of Pokrovskiy Rudnik.

5.4 ***SberBank loans***

As at 31 December 2008, the Peter Hambro Mining Group owed US$30.0 million to SberBank pursuant to two loan facility agreements, Pursuant to the first loan facility agreement SberBank granted Pokrovskiy Rudnik a loan facility of US$11.0 million maturing on 21 October 2009 with interest payable at the rate of 11.5 per cent. per annum. The loan proceeds have been used in full for refinancing existing loans. Pursuant to the second loan facility agreement SberBank has granted Pokrovskiy Rudnik a loan facility of US$19.0 million maturing on 27 November 2009 with interest payable at the rate of 13.5 per cent. per annum. The loan proceeds will be used for general corporate purposes.

5.5 ***Gold loan facility***

As at 31 December 2008, Pokrovskiy Rudnik owed US$3.5 million under a gold loan framework agreement with Commerzbank International S.A. Under this agreement, the Peter Hambro Mining Group may enter into one or more gold loan facilities from time to time, drawn down in a minimum amount of 5,000 oz of gold, limited to not more than three facilities outstanding at a time, and the total amount available limited to a maximum amount of €12.8 million. The facility is unsecured, and each facility is repayable between three months and six months following the drawdown date.

For additional information about the Peter Hambro Mining Group's borrowings, see paragraph 9 of Part XII of this Prospectus.

5.6 ***Loans from related parties***

As of 31 December 2008, the Peter Hambro Mining Group held short term unsecured loans of US$19.95 million in total amount from V.M.H.Y Holdings Limited, OJSS M2M Private Bank and OJSC Asian-Pacific Bank, all of which are related parties to the Peter Hambro Mining Group. The Peter Hambro Mining Group also held a short term loan of US$0.8 million secured against certain items of property, plant and equipment from OJSC Kamchatprombank, a related party of the Peter Hambro Mining Group.

6. Balance Sheet

The following table sets out summarised information on the Peter Hambro Mining Group's balance sheet as at 31 December 2008, 2007 and 2006.

	At 31 December		
	2008	*2007*	*2006*
Financial results	*US$'000*	*US$'000*	*US$'000*
Total non-current assets	655,581	474,348	363,147
Total current assets	183,551	278,927	142,787
Total assets	839,132	753,275	505,934
Total current liabilities	(306,202)	(66,405)	(38,829)
Total non-current liabilities	(190,604)	(344,014)	(157,051)
Total liabilities	(496,806)	(410,419)	(195,880)
Total equity	(342,326)	(342,856)	(310,054)
Total equity and liabilities	(839,132)	(753,275)	(505,934)
Minority Interest	(6,412)	(5,950)	(11,815)

7. Off-Balance sheet arrangements

The Peter Hambro Mining Group had no off-balance sheet arrangements as at 31 December 2008.

8. Treasury function

The Peter Hambro Mining Group operates treasury departments in London and Moscow. The London office controls, monitors and remits cash to and from the Peter Hambro Mining Group's UK- and Cyprus-based accounts which are held in US Dollars and pounds Sterling. Rouble and US Dollar accounts with Russian banks are kept in Moscow and managed through the Peter Hambro Mining Group's Moscow office which controls, monitors and remits cash to and from the Russian companies in the Peter Hambro Mining Group. The Moscow office also manages Rouble and US Dollar accounts held by the Peter Hambro Mining Group's UK and Cypriot subsidiaries. The individual operating Russian companies each have their own bank accounts in both Roubles and US Dollars and are responsible for their own cash management.

9. Market risks

The following information should be read in conjunction with Part A of Part IX – "Historical Financial Information" of this Prospectus.

The Peter Hambro Mining Group's primary risk exposures are commodity price risk, foreign currency risk and credit risk.

9.1 ***Commodity price risk***

The Peter Hambro Mining Group is exposed to fluctuations in the price of gold, which is quoted in US Dollars on international markets. At present, the Peter Hambro Mining Group sells gold at the prevailing market price and does not undertake any hedging activity.

The Peter Hambro Mining Group is also exposed to commodity price risk through the embedded derivative within the Exchangeable Bonds which are measured at fair value, and therefore it is exposed to changes in the gold price. The exposure to adverse movements in the income statement, due to changes in the fair value of the embedded derivative, is offset by an increase in revenues realised due to a higher gold price.

9.2 ***Foreign currency exchange rate risk***

The majority of the Peter Hambro Mining Group's revenues are denominated in US Dollars, US Dollars being the functional and presentation currency of the Peter Hambro Mining Group. The majority of the Peter Hambro Mining Group's borrowings are also in US Dollars. However, the Peter Hambro Mining Group is exposed to foreign exchange rate risk in that it sources materials, construction work and labour mostly in Roubles and also incurs overhead costs in Roubles and pounds Sterling. These foreign exchange rate risks are mitigated to the extent considered necessary by the Directors through holding the relevant currencies. At present, the Peter Hambro Mining Group does not undertake any foreign currency transaction hedging but it may do so in the future for material transactions.

In the year ended 31 December 2008 the Peter Hambro Mining Group recorded foreign exchange losses of US$25.0 million and in the years ended 31 December 2007 and 31 December 2006, the Peter Hambro Mining Group recorded foreign exchange gains of US$7.0 million and US$5.6 million, respectively.

9.3 ***Credit risk***

The Peter Hambro Mining Group is exposed to credit risk, which results from the non-performance of contractual agreements on the part of the contract party, on amounts placed on current and deposit accounts with financial institutions and through the issue of promissory notes to financial institutions. The Peter Hambro Mining Group considers the credit risk on liquid funds held in current accounts amounting to US$22.8 million to be limited. As at 31 December 2008, the Peter Hambro Mining Group held US$12.7 million in cash and cash equivalents with Expobank which has a credit rating of Ba1 assigned by Moody's Investors Service Inc., in respect of which, therefore, there is more limited credit risk, and US$4.4 million in cash and cash equivalents with Asia Pacific Bank, a related party with no official credit rating.

9.4 ***Interest rate risk***

The Peter Hambro Mining Group is exposed to interest rate risk through the holding of cash and cash equivalents, and borrowings. This exposure is limited, as all of the Peter Hambro Mining Group's borrowings have fixed interest rates attached, as do the majority of cash and cash equivalents held by the Peter Hambro Mining Group. Where variable interest rates are attached to cash and cash equivalents, the maturity on these instruments is short-term.

10. Critical accounting policies and estimates

The Peter Hambro Mining Group's significant accounting policies are more fully described in notes to Part A of Part IX – "Historical Financial Information" of this Prospectus.

The Peter Hambro Mining Group's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the Peter Hambro Mining Group's combined financial statements. The Peter Hambro Mining Group bases its estimates on historical experience, the experience of other companies in the industry and on various other assumptions that it believes to be reasonable, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities and the Peter Hambro Mining Group's financial results. The Peter Hambro Mining Group's management evaluates its estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions and conditions.

The selection of critical accounting policies, the judgment and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Peter Hambro Mining Group's financial statements. The Peter Hambro Mining Group believes that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of its financial statements.

10.1 ***Intangible assets – exploration and evaluation expenditure***

Intangible assets relate to mineral rights acquired and exploration and evaluation expenditure capitalised in respect of projects that are at the exploration/pre-development stage.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Exploration and evaluation expenditure related to an area of interest where the Peter Hambro Mining Group has tenure are capitalised as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premia paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalised costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest, where the existence of a commercially viable mineral deposit has been established.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a property is abandoned, the cumulative capitalised costs relating to the property are written off in the period.

When development of a mine begins, exploration and evaluation assets are transferred to mine development assets.

10.2 ***Depreciation***

Depreciation is provided so as to write off the cost, less estimated residual values of property, plant and equipment as follows:

Mine production assets and certain mining equipment, where economic benefits from the asset are consumed in a pattern which is linked to the production level, are depreciated using a unit of production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves. Subsequently these assets are measured at cost less accumulated depreciation and impairment.

Capitalised mine development expenditure is, upon commencement of production, reclassified to "mining assets", depreciated using a unit of production method based on the estimated economically recoverable reserves to which they relate or are written-off if the property is abandoned. Certain capitalised mine development costs related to alluvial gold operations are, upon commencement of production, depreciated using the straight-line method based on estimated useful lives or the life of the relevant licence, whichever is shorter.

Other tangible fixed assets are recorded at cost, net of accumulated depreciation. Depreciation is provided on all such tangible assets using the straight-line method based on estimated useful lives, or over the remaining life of the mine if shorter.

	Average life (Number of years)
Buildings	15-50
Plant and machinery	3-20
Vehicles	5-7
Office equipment	5-10
Computer equipment	3-5

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively.

In applying the units of production method, depreciation is normally calculated using the quantity of material processed at the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves (and, for some mines, mineral resources). In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

10.3 ***Provisions for close down and restoration costs***

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the legal or constructive obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

11. Current trading and prospects

On 5 February 2009, the Peter Hambro Mining Group conducted a placing of 16 million Ordinary Shares at a price of 450 pence, raising approximately £68.0 million (net of expenses), and applied part of the net proceeds to purchase from a number of investors a total of US$87.0 million in principal amount of the Exchangeable Bonds, at an average price of US$95.00 plus accrued interest.

On 20 April 2009, the Company released its preliminary results for the year ended 31 December 2008 in which it reported underlying EBITDA for the year ended 31 December 2008 of US$136 million, an increase of 53 per cent. compared to the previous year. Operating profit increased by 7 per cent. to US$87 million over the same period. In addition, production increases of gold demonstrated the strength of the Group's economic success and supported the likelihood of achieving the target production growth for 2009. The global economic uncertainty has driven demand for physical gold and this has propelled the price of gold in most markets. Against this backdrop, the Company's success in bringing new production on-stream and in finding additional gold makes the Company's prospects good for 2009.

On 6 March 2009, the Company released its annual production plan update. Gold production is expected to grow strongly in 2009 to between 460,000 oz and 510,000 oz. Drivers of future production growth are expected to be: the ramp-up of high grade Pioneer project, with produced grades at Andreevskaya; Malomir phasing optimised to maximise value, with high-grade non-refractory Quartzitovoye zone scheduled for early development; Albyn expected to start production in 2012; and five additional projects (Zeltunak, Tokur, Aprelskaya, Yamal and Osipkan) to be in production within three to five years.

The Company is currently benefiting from the strengthened gold price and recent Rouble devaluation, falling input costs and increasing production are expected to offset the effects of Russian inflation.

PART B – ARICOM GROUP

The following operating and financial review for the Aricom Group should be read in conjunction with the consolidated financial statements of the Aricom Group, including the notes thereto, as at and for the years ended 31 December 2006, 2007 and 2008, which are incorporated into this Prospectus by reference from pages 62 to 94 of the 2008 Aricom Annual Report, pages 65 to 110 of the 2007 Aricom Annual Report and pages 124 to 167 of the Aricom Prospectus, as well as with the information relating to the business of the Aricom Group included elsewhere in this Prospectus. The discussion contained herein refers to the Aricom Group's results of operations prior to the Aricom Acquisition, and contains no discussion of the Peter Hambro Mining Group's financial results during the periods referred to herein. Please see Part A of this Part VI – "Operating and Financial Reviews" for a discussion of the Peter Hambro Mining Group's financial results.

This operating and financial review for the Aricom Group contains forward-looking statements that reflect current views of the Directors and involve risks and uncertainties. The actual results of operations and cash flows of the Aricom Group may differ materially from those discussed in forward-looking statements as a result of factors, including those described under "Risk Factors" and elsewhere in this Prospectus.

1. Overview

The Aricom Group is focused on the development of mining projects, concentrating on iron ore and ilmenite exploration and production, particularly in Russia's Far East, mineral processing and mining design services.

The Aricom Group is currently engaged in mineral exploration and development in six projects in the Far East of Russia – the Kuranakh and Bolshoi Seym iron ore and ilmenite deposits in the Amur region, the Garinskoye and Garinskoye Flanks iron ore deposits, also in the Amur region, and the K&S and Kostenginskoye iron ore deposits in the EAO.

Kuranakh is a medium-sized titanomagnetite iron ore and ilmenite deposit at the development stage. Mining has commenced at Kuranakh and the first sales of pre-concentrate were achieved in June 2008. The Aricom Group suspended sales of pre-concentrate at its Kuranakh operations in December 2008 as a result of sustained decreases in the market prices for metal bearing ores. The Directors expect to have two fully commissioned processing plants at Kuranakh and Olekma and to commence production and sales of concentrate during 2009.

K&S and Garinskoye are large magnetite iron ore deposits in the development stage. A combined K&S and Garinskoye feasibility study was completed in October 2008. Both assets have the potential to beneficiate the iron ore from concentrate to pig iron.

The Aricom Group has established a titanium sponge joint venture and a vanadium joint venture. The titanium sponge joint venture is focused on the design and development of a titanium sponge production plant in China which will process ilmenite produced from Kuranakh. Full construction of the plant is expected to commence in the first half of 2009. The vanadium joint venture, when registered and approved, will be focused on development of a processing plant in North East China for the production of vanadium pentoxides and other vanadium products.

2. Factors affecting results of operations

2.1 *Aricom Group's stage of development*

The Aricom Group's results of operations will vary depending on the stage of development of its projects. The Aricom Group is in the early stages of development and its historical operating results are not indicative of the operating results it expects to experience in later stages of development. To date, the Aricom Group's activities have largely consisted of the acquisition of mining licences, exploration for iron ore, development of its mining sites and, in the second half of 2008, limited mining and processing activities at Kuranakh. As a result, the Aricom Group's operating results have primarily been affected by costs associated with the acquisition of mining licences, feasibility studies, site preparation, infrastructure development and other costs associated with exploration and development. To the extent that the Aricom Group continues to engage in exploration and development activities, its results of operations will be affected by these and other costs associated with pre-production stages of development. To the extent that the Aricom Group expands its mining activities into the production and sale of mineral products, its results of operations will be affected by a variety of additional factors, including production levels, iron ore prices, production costs, transportation costs, and efficiency, among others, as well as levels of capital expenditure required at later stages of project development, including in relation to plant construction and increasing extraction and processing capabilities and other infrastructure development.

2.2 ***Iron ore prices***

The Aricom Group anticipates that in the future, substantially all of its revenues will be derived from the sale of titanomagnetite and ilmenite ore concentrates. Accordingly, prices of titanomagnetite and ilmenite ore concentrates will have a material impact on the Aricom Group's results of operations.

Iron ore prices are significantly affected by changes in global economic conditions and related industry cycles. The current global financial crisis has resulted in the worldwide economy entering into a recessionary period, which may be prolonged. This has resulted in weakened demand for steel and other products manufactured from iron ore and consequently lower prices for iron ore concentrate, including in the Chinese market, the Aricom Group's primary target market. During 2008, iron ore prices were highly volatile, increasing to record levels in the second quarter of 2008 and then sharply declining thereafter. A protracted period of prevailing low iron ore prices will have a direct and negative impact on the Aricom Group's business.

Generally, producers of titanomagnetite and ilmenite concentrates are unable to influence market prices directly. However, events such as changes in production capacity, temporary price reductions or other attempts to capture market share by significant producers may have an effect on market prices. Additionally, the prices realised by producers on sales of their products can, to some extent, be affected by contractual arrangements, production levels, product quality and hedging strategies.

A protracted decrease in the market prices of titanomagnetite and ilmenite concentrates could also affect the Aricom Group's ability to finance its development projects at K&S and Garinskoye or the terms on which financing for these and other projects of the Aricom Group can be obtained. Insufficient funding or unfavourable terms of financing could affect the Aricom Group's financial condition and results of operations, particularly if low commodity price cycles coincide with substantial repayment commitments on project loans, if such loans are utilised. Significant future declines in iron ore prices could cause continued construction activities and commercial production to be impracticable. In December 2008, sales of pre-concentrate from Kuranakh were suspended in the midst of deteriorating market conditions which no longer supported the economic value of such sales. The Aricom Group does not intend to hedge against fluctuations in mineral prices.

2.3 ***Production costs and efficiency***

The competitiveness and long-term profitability of the Aricom Group depend, to a significant degree, upon the Company's ability to maintain low-cost and efficient operations. Costs associated with mining and production of titanomagnetite and ilmenite concentrates can be broadly categorised into costs attributable to raw materials, depreciation and amortisation, labour costs, overheads and utilities. The Aricom Group's production costs will increase together with increases in production volumes and will likely be impacted by levels of inflation in Russia.

The Aricom Group benefits from low labour costs (compared to the cost of labour in more economically developed countries) and the close proximity of its principal operations to China, the Aricom Group's principal export market. The Directors believe that these factors give the Aricom Group a lower cost structure compared to other suppliers to the Chinese market. The Aricom Group also benefits from relatively low electricity costs due to the substantial supply of energy from hydroelectric power sources in the regions in which it operates.

2.4 ***Reduction in cost structure resulting from the Aricom Acquisition***

Following the Aricom Acquisition, the Enlarged Group intends to exploit a number of operational synergies that exist between the Aricom Group and the Peter Hambro Mining Group. The Aricom Group expects to realise some reductions to its overall cost structure as a result. In the short to medium-term, the Directors intend to focus on the development and production of the Enlarged Group's precious metal deposits in Russia, as well as continued development of its iron ore deposits in order to preserve the inherent value, and the ability to accelerate development, of these assets once the finance and commodity markets support the commencement of full-scale construction.

2.5 ***Effect of exchange rates***

A substantial portion of the Aricom Group's historical operating expenditure has been, and in the future is expected to be, incurred in Roubles. However, the Aricom Group expects to receive the principal portion of its revenues from the sale of titanomagnetite and ilmenite concentrates, a commodity typically priced by reference to US Dollars. Accordingly, the Aricom Group's financial results may be affected by fluctuations in the exchange rate between the Rouble and the US Dollar. Depreciation of the US Dollar versus the Rouble will increase the Aricom Group's production costs in US Dollar terms, while appreciation of the US Dollar versus the Rouble will result in a decrease to production costs in US Dollar terms.

Most of the companies within the Aricom Group have a US Dollar functional currency. Accordingly, depreciation or appreciation of the US Dollar versus the Rouble exposes the Aricom Group to increases or decreases to the value of assets and liabilities on the Aricom Group's balance sheet. For example, rapid appreciation of the US Dollar at the end of 2008 adversely affected the Rouble cash holdings of the Aricom Group, resulting in a foreign exchange loss of US$22.6 million in the year ended 31 December 2008. The Aricom Group currently has no indebtedness.

Although the US Dollar has weakened against the Rouble in recent years, since July 2008 the US Dollar has appreciated significantly against the Rouble. The following table sets forth the average and closing rates of exchange of the Rouble against the US Dollar for the periods indicated:

	Year ended 31 December (RUR/US$)		
	2008	*2007*	*2006*
Closing	29.38	24.55	26.33
Average	24.85	25.58	27.18

Source: Central Bank of Russia

2.6 ***Effect of a failure to obtain further financing and of terms of such financing***

A failure by the Aricom Group to obtain financing for its operations or, if obtained, the terms of such financing, will have a material impact on the Aricom Group's results of operations. Historically, the Aricom Group's operations have been financed mainly by issuing Aricom Shares. Future sources of liquidity and capital resources are expected to be debt finance, cash flow from operations and investment income. The Aricom Group's principal capital expenditures have related to the acquisition of new licences and the development of its mining operations. Future uses of cash are expected to be operating costs, capital expenditure for the development of its mining operations and, potentially, further acquisitions.

The Aricom Group's current funding level is not sufficient to complete the development of all the projects which it plans to undertake in the next two to five years and the Aricom Group does not currently generate sufficient revenues to finance them. Whilst the completion of the development of the Kuranakh deposit will be fully financed from existing funds, the Aricom Group will require significant additional funding to commence development and production at K&S and Garinskoye and other future projects.

There is no assurance that such financing will be available or, if it is, that it will be available on acceptable terms. Any failure by the Aricom Group to obtain required financing on acceptable terms, or at all, as well as the terms on which such financing is obtained, could affect the business, financial condition or results of operations of the Aricom Group and may require the Aricom Group to cancel or postpone the development of planned projects.

2.7 ***Recent acquisitions and investments***

Over the past three years, the Aricom Group has engaged in acquisition and investment activities to further its strategy of locating, developing and operating industrial iron ore mining projects in Russia's Far East and creating value in its mining portfolio. The Aricom Group's strategic acquisition of assets has enabled it to gain control of key mining properties, with a view to developing these properties in the future. Where appropriate, the Aricom Group has disposed of assets not central to its investment strategy. Going forward, the Aricom Group will continue to evaluate opportunities to acquire other mining properties. The acquisitions, investments and disposals carried out in the last three years, and those which the Aricom Group may carry out in the future, will significantly affect the Aricom Group's results of operations.

In June 2006, the Aricom Group acquired a 50.0 per cent. interest in the K&S iron ore deposits. This was achieved through the exercise of an option to acquire 50.0 per cent. of the issued share capital of OOO Rubicon, a company incorporated in Russia and which has subsequently been renamed OOO Kimkano-Sutarskiy Gorno-Obogatitelniy Kombinat. Consideration for this acquisition was US$25.0 million in cash and 100 million Aricom Shares, issued at a market value of £0.415 per share. Additional deferred consideration for this transaction, contingent on the outcome of an independent valuation, consisted of a further 65 million Aricom Shares at a market value of £0.625 per share and was paid in April 2007. In August 2007, through the exercise of a previously-acquired option, the Aricom Group also acquired the remaining 50.0 per cent. interest in KS GOK from Philotus, in consideration for the issue of 123,782,467 Aricom Shares at a market value of £0.52 per share.

In January 2007, the Aricom Group increased its ownership interest in the Kuranakh project from 74.0 per cent. to 100 per cent. for cash consideration of approximately US$11.0 million.

In June 2007, the Aricom Group acquired a 68.5 per cent. interest in Giproruda, a leading engineering company based in St. Petersburg, Russia which specialises in mine and processing plant design, for cash consideration of US$8.1 million. The Aricom Group increased its interest to 70.3 per cent. in September and October 2007 for cash consideration of US$0.2 million.

In September 2007, the Aricom Group acquired a 70.2 per cent. stake in Lapwing, the holding company that owns OOO Garinskiy Mining & Metallurgical Complex, which, in turn, holds the licence to develop and exploit the Garinskoye iron ore deposit in the Amur Region of Russia. Consideration for the acquisition of this asset was the settlement of a loan previously issued by the Aricom Group to Lapwing for €20.2 million, in exchange for 20.2 million shares at €1 each in Lapwing. In January 2008, the Aricom Group agreed to acquire the 0.1 per cent. ownership interest in Lapwing held by PBO Handelsges M.B.H., a minority shareholder, for a total consideration of US$0.3 million. In February 2008, the Aricom Group acquired an additional 29.3 per cent. interest in Lapwing from Olis Constructions Limited, so that the Aricom Group's interest in Lapwing as at 31 December 2008 amounted to 99.6 per cent. Including acquisition costs, the total purchase consideration for the acquisition of this minority interest was US$122.3 million including settlement of a US$65.0 million loan from Aricom to Olis in December 2007 bearing an interest rate of 5.2 per cent. per annum and interest payable thereunder.

In August 2008, the Aricom Group entered into a joint venture agreement with Chinalco for the development of a titanium sponge production plant in Jiamusi City, China, which will process ilmenite from Kuranakh. Aricom holds 65.0 per cent. of, and will contribute approximately US$69.5 million to, the joint venture and Chinalco holds 35.0 per cent. of, and will contribute approximately US$37.0 million to the joint venture, with the parties having joint control. The Aricom

Group contributed US$20.8 million to the joint venture in September 2008, with the date of future contributions as yet to be agreed.

In September 2008, Aricom exercised previously-acquired options to purchase a 100 per cent. interest in both Rumier Holdings Ltd and Guiner Enterprises Ltd, Cypriot registered companies, which hold 100 per cent. investments in OOO Optima and OOO Ekvador respectively, both of which, in turn, hold the licences for the right to mine the Kostenginskoye and Garinskoye Flanks deposits. The combined consideration for both assets upon exercise of the options amounted to US$45.0 million in cash paid for the options and 21,875,000 Aricom Shares (10,937,500 shares for each asset) at a market value of £0.23 per share.

In February 2009, the Aricom Group entered into a joint venture agreement with Heilongjiang Jianlong Steel Company Limited and Kuranakii Investments Co., Limited to develop a processing plant in North East China for the production of vanadium pentoxides and other vanadium products. The Aricom Group's contribution to the joint venture will be approximately US$6.9 million, equivalent to a 46 per cent. interest in the joint venture, Jianlong's contribution will be approximately US$7.4 million, equivalent to a 49 per cent. interest, and Kuranakii's contribution will be approximately US$0.8 million, equivalent to a 5 per cent. interest. To date the respective contributions of the parties have not yet been paid.

2.8 *Impairment provisions*

For the year ended 31 December 2008, an impairment provision of US$86.5 million was recognised against the Kuranakh project and a provision of US$299.9 million recognised in relation to the combined K&S and Garinskoye cash generating unit, reflecting assessment by the Aricom Group's management of the recoverable value of these projects based on a discounted cash flow analysis.

2.9 *Fluctuations in interest rates*

The Aricom Group currently has no indebtedness, but has sizeable cash balances and interest income, and consequently will be affected by fluctuations in interest rates. In the future, the Aricom Group intends to enter into borrowing arrangements in order to finance its projects. Some or all of the Aricom Group's future indebtedness may consist of borrowing arrangements with floating interest rates in which case fluctuations in interest rates would impact the Aricom Group's interest expense.

3. Results of operations

3.1 *Description of certain income statement items*

The following describes certain line items in the Aricom Group's consolidated income statement.

Revenue

The Aricom Group intends to derive its revenues principally from the sale of titanomagnetite and ilmenite concentrates mined at the Aricom Group's deposits. To date, the Aricom Group has progressed only one of its projects, Kuranakh, from the exploration to production stage. Accordingly, revenues to date have been derived primarily from the provision of services by the Aricom Group's engineering company, Giproruda, and in 2008, sales of iron ore pre-concentrate produced at Kuranakh. Giproruda was consolidated as a subsidiary from 14 July 2007. The Aricom Group suspended sales of pre-concentrate at its Kuranakh operations in December 2008 as a result of sustained decreases in the market prices for metal bearing ores which no longer supported the economic value of the such sales.

Cost of sales

Cost of sales from the Aricom Group's principal activity – mining for iron ore – primarily consist of raw materials, depreciation of tangible assets associated with production, amortisation of subsoil licence costs, salaries and overheads. Cost of sales also includes utilities, taxes (other than corporation taxes) and the write-down of inventories.

Costs relating to the provision of engineering services consist primarily of labour costs.

Salaries and overheads are primarily fixed costs. Depreciation is both a fixed and a variable cost, and amortisation is a variable cost. Each item of property, plant and equipment depreciates over its useful life, while mine development costs are depreciated on a unit of production basis. Subsoil licence costs are amortised on a unit of production basis.

Impairment charge

The impairment charge consists of provisions for impairments to the carrying value of intangible assets and property, plant and equipment, relating specifically to the Kuranakh, K&S and Garinskoye projects.

Distribution costs

Distribution costs consist primarily of transportation costs of pre-concentrates from the mine site to the Chinese border.

Administrative expenses

Administrative expenses consist of listing costs, share-based payments and other administrative costs.

(a) Listing expenses

Listing expenses represent costs associated with the admission of the Aricom Shares and warrants to trading on the London Stock Exchange in October 2007. No new shares or warrants were issued at the time of listing; therefore, listing costs have been recognised on the income statement rather than directly in shareholders' equity, as would have occurred if new shares had been issued at the time of listing.

(b) Share-based payments

Share-based payments relate to the share option scheme for Directors of the Aricom Group and the LTIP.

(c) Other administrative costs

Other administrative costs include wages and salaries of the Aricom Group's management, corporate and engineering staff, social security and other benefits for employees, lease of administrative premises and utilities, travel and business development, depreciation of property, plant and equipment and other administrative expenses. The Aricom Group does not have a pension fund; however, it contributes to the private pensions of a number of employees in accordance with their employment contracts.

Other operating income/(expenses)

Other operating income/(expenses) include costs related to various projects which have not come to fruition and have therefore been written off. This line item also includes income from the sale of fixed assets and other minor items which are not core to the Aricom Group's business.

Share of associate's profit/(loss)

Share of associate's profit/(loss) is derived from income relating to the Aricom Group's ownership interest in Uralmining, a company holding the licence to develop the Bolshoi Seym deposit and the Aricom Group's interest in Giproruda, an engineering company. The Aricom Group's interest in Uralmining was accounted for as a financial asset held at cost until July 2007, when the Aricom Group extended a loan to Uralmining to fund its development programme, at which time significant influence was obtained and the investment began to be accounted for as an associate.

Giproruda was accounted for as an associate from the time the Aricom Group acquired an initial 68.5 per cent. interest on 8 June 2007, due to a restriction in voting rights. On 13 July 2007, the Group obtained full voting rights in respect of its 68.5 per cent. interest in Giproruda, thereby obtaining control of Giproruda, and began to account for it as a subsidiary.

Share of joint venture's loss

Share of joint venture's loss relates to the joint venture between the Aricom Group and Chinalco to process Kuranakh's ilmenite into titanium sponge which was entered into in August 2008. The Aricom Group holds 65.0 per cent. of the joint venture and Chinalco holds 35.0 per cent., with the parties having joint control.

Investment revenues

Investment revenues consist primarily of interest income from cash and cash equivalents, income from financial assets carried at fair value through profit and loss, interest on other loans and receivables and profit arising from settlement of derivatives.

Finance costs

Finance costs are stated after capitalisation of amounts related to the financing of fixed assets.

Tax (charge)/credit

Tax (charge)/credit consists of current tax and deferred tax for the relevant period. UK corporation tax was calculated at an effective rate of 28.5 per cent. for the year ended 31 December 2008 and at 30.0 per cent. for the years ended 31 December 2007 and 2006. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

3.2 *Results of operations*

The following table sets forth income statement data for the Aricom Group for the years ended 31 December 2006, 2007 and 2008:

	Year ended 31 December		
	2008	*2007*	*2006*
		(US$'000)	
Selected Income Statement data			
Revenue	9,674	4,938	–
Cost of sales	(6,009)	(3,153)	–
Impairment charge	(386,450)	–	–
Gross (loss)/profit	**(382,785)**	**1,785**	–
Distribution costs	(258)	–	–
Administrative expenses	(30,889)	(24,937)	(7,336)
Other operating income/(expenses)	200	475	(140)
Share of associate profit/(loss)	850	(59)	–
Share of joint venture's loss	(444)	–	–
Operating profit/(loss)	**(413,326)**	**(22,736)**	**(7,476)**
Investment revenues	15,532	21,453	5,043
Finance costs	(23,224)	(602)	(122)
Loss before tax	(421,018)	(1,885)	(2,555)
Tax (charge)/benefit	(5,582)	1,996	(135)
Loss for the year from continuing operations	**(426,600)**	**111**	**(2,690)**
Profit for the year from discontinued operations	–	–	108
Profit/(Loss) for the year	(426,600)	111	(2,582)

3.3 *Comparison of the years ended 31 December 2007 and 2008*

Revenue

Revenue increased by US$4.8 million, or 95.9 per cent., from US$4.9 million in the year ended 31 December 2007 to US$9.7 million in the year ended 31 December 2008. This increase was primarily a result of the inclusion of a full year of revenue from the Aricom Group's engineering services company, Giproruda, with revenues increasing from US$4.9 million in the year ended 31 December 2007 to US$9.2 million in the year ended 31 December 2008. In addition, the Aricom Group generated revenues of US$0.5 million in sales of iron ore pre-concentrate from Kuranakh in 2008, compared to nil in 2007.

Cost of sales

Cost of sales increased by US$2.8 million, or 90.6 per cent., from US$3.2 million in the year ended 31 December 2007 to US$6.0 million in the year ended 31 December 2008. This increase was primarily a result of costs associated with the sales of iron ore pre-concentrate from Kuranakh and inclusion of a full year of costs from Giproruda.

Impairment charge

The Aricom Group recognised an impairment charge of US$386.4 million in the year ended 31 December 2008 compared to an impairment charge of nil in the year ended 31 December 2007. The Aricom Group recognised an impairment provision against the Kuranakh project of US$86.5 million and an impairment provision against the combined K&S and Garinskoye project of US$299.9 million due to a postponement in the planned development of these projects, primarily because of a slow project finance market and forecast weaker iron ore prices.

Distribution costs

Distribution costs increased from nil for the year ended 31 December 2007 to US$0.3 million for the year ended 31 December 2008, attributable to the distribution of iron ore pre-concentrate from Kuranakh.

Administrative expenses

Administrative expenses increased by US$6.0 million, or 23.9 per cent., from US$24.9 million in the year ended 31 December 2007 to US$30.9 million in the year ended 31 December 2008, primarily due to an increase in salary costs, consultancy costs, rent and general overheads in connection with the expansion of the Aricom Group's activities. Average staff numbers increased from 228 for the year ended 31 December 2007 to 641 for the year ended 31 December 2008.

Other operating income

Other operating income decreased by US$0.3 million, or 57.9 per cent., from US$0.5 million for the year ended 31 December 2007 to US$0.2 million in the year ended 31 December 2008.

Share of associate's profit/(loss)

Share of associate's profit increased from a loss of US$0.1 million in the year ended 31 December 2007 to a profit of US$0.9 million in the year ended 31 December 2008. This increase was primarily due to a foreign currency gain on loans held by Uralmining.

Share of joint venture's loss

Share of joint venture's loss increased from nil for the year ended 31 December 2007 to US$0.4 million in the year ended 31 December 2008. This loss was attributable to the Aricom Group's share of operating costs in its titanium sponge joint venture with Chinalco, which was established in the year ended 31 December 2008.

Operating loss

Reflecting the above factors, the Aricom Group's loss from operating activities increased by US$390.6 million, from US$22.7 million in the year ended 31 December 2007 to US$413.3 million in the year ended 31 December 2008.

Investment revenue

The Aricom Group's investment revenues decreased by US$5.9 million, or 27.6 per cent., from US$21.5 million in the year ended 31 December 2007 to US$15.5 million in the year ended 31 December 2008 primarily as a result of decreased interest income, decreased interest on financial assets carried at fair value and a decrease in net foreign exchange gains.

Finance costs

Finance costs increased by US$22.6 million from US$0.6 million in the year ended 31 December 2007 to US$23.2 million in the year ended 31 December 2008. This increase was primarily attributable to foreign exchange losses on the Aricom Group's Rouble denominated funds in the second half of 2008, which eliminated exchange gains on deposits held in Rouble denominated funds accumulated during the first half of 2008. The Aricom Group's policy had been to hold a substantial portion of cash in Roubles to hedge against Rouble denominated capital and operating expenditures.

Tax (charge)/benefit

Corporate tax increased by US$7.6 million, from a benefit of US$2.0 million in the year ended 31 December 2007 to a tax charge of US$5.6 million in the year ended 31 December 2008. The tax charge relates primarily to the reduction in the deferred tax assets due to foreign exchange movements of US$4.4 million and tax on the operating profits generated by Giproruda of US$0.7 million.

Profit/loss for the year

Reflecting the above factors, the Aricom Group recorded a profit of US$0.1 million in the year ended 31 December 2007 and losses of US$426.6 million in the year ended 31 December 2008.

3.4 ***Comparison of the years ended 31 December 2006 and 2007***

Revenue

Revenue increased from nil in the year ended 31 December 2006 to US$4.9 million in the year ended 31 December 2007. This increase was attributable to revenue from Giproruda, the Aricom Group's engineering services company, which was consolidated as a subsidiary from 13 July 2007. Prior to consolidation as a subsidiary, Giproruda was accounted for as an associate and did not contribute to revenue of the Aricom Group in 2006.

The Aricom Group did not generate revenue from mining activities in the years ended 31 December 2006 and 2007.

Cost of sales

The Aricom Group's cost of sales increased from nil in the year ended 31 December 2006 to US$3.2 million in the year ended 31 December 2007. Cost of sales in the year ended 31 December 2007 related primarily to cost of sales at Giproruda from July 2007. Cost of sales in the year ended 31 December 2006 were nil as the Aricom Group had no revenue from operating activities.

Administrative expenses

The Aricom Group's administrative expenses increased by US$17.6 million, or 239.9 per cent., from US$7.3 million in the year ended 31 December 2006 to US$24.9 million in the year ended 31 December 2007, primarily due to an increase in salary costs, consultancy costs, rent and general overhead in connection with expansion of the Aricom Group's activities. In addition, the Aricom

Group incurred costs of US$4.0 million in connection with the listing of Aricom Shares and warrants on the London Stock Exchange in the year ended 31 December 2007.

Other operating income/(expenses)

Other operating income increased by US$0.6 million from an expense of US$0.1 million in the year ended 31 December 2006 to income of US$0.5 million in the year ended 31 December 2007. This increase was primarily attributable to rental income generated by Giproruda subsequent to its acquisition in July 2007.

Share of associate profit/(loss)

Share of associate loss increased from nil in the year ended 31 December 2006 to US$0.1 million in the year ended 31 December 2007. This share of associate loss was attributable to the Aricom Group's interest in Giproruda between 8 June 2007 and 12 July 2007, during which time Giproruda was accounted for as an associate.

Operating loss

Reflecting the above factors, operating loss increased by US$15.3 million, or 204.1 per cent., from US$7.5 million in the year ended 31 December 2006 to US$22.7 million in the year ended 31 December 2007.

Investment revenues

Investment revenues increased by US$16.4 million, or 325.4 per cent., from US$5.0 million in the year ended 31 December 2006 to US$21.5 million in the year ended 31 December 2007. This increase was primarily attributable to an increased amount of cash earning interest following the Aricom Group's share placing in June 2007, as well as net exchange gains.

Finance costs

Finance costs increased by US$0.5 million, or 393.4 per cent., from US$0.1 million in the year ended 31 December 2006 to US$0.6 million in the year ended 31 December 2007. This increase was primarily attributable to the recognition of debt arrangement costs relating to a finance facility that lapsed during the year ended 31 December 2007. These costs were capitalised on the balance sheet as at 31 December 2006.

Tax (charge)/benefit

Tax decreased by US$2.1 million from a tax charge of US$0.1 million in the year ended 31 December 2006 to a tax benefit of US$2.0 million in the year ended 31 December 2007. This decrease was primarily attributable to the effect of foreign exchange movements.

Profit/(loss) for the year from continuing operations

Reflecting the above factors, the Aricom Group recorded a loss from continuing operations of US$2.7 million in the year ended 31 December 2006 and a profit of US$0.1 million in the year ended 31 December 2007.

Profit for the year from discontinued operations

Profit from discontinued operations decreased from US$0.1 million in the year ended 31 December 2006 to nil in the year ended 31 December 2007. This decrease was attributable to the Aricom Group's sale of its fully owned subsidiary, OOO Chemelt in the year ended 31 December 2006 and no disposals occurring in the year ended 31 December 2007.

Profit/loss for the year

As a result of the factors discussed above, the Aricom Group recorded a loss of US$2.6 million in the year ended 31 December 2006 and a profit of US$0.1 million in the year ended 31 December 2007.

4. Liquidity and capital resources

4.1 *Overview*

To date, the Aricom Group's principal sources of liquidity have primarily been equity issuances. As at 31 December 2008, the Aricom Group had cash and cash equivalents of US$257.8 million. Future sources of liquidity and capital resources up to the end of 2010 are expected to be existing debt finance, cash flow from operations and investment income. During the review period, the Aricom Group's cash balances were managed in accordance with its board of directors-approved treasury policy, which was recently revised to help minimise future foreign exchange exposure. The Aricom Group holds deposits in US Dollars, pounds Sterling and Roubles, as appropriate, to fund operations and minimise currency exposures. Following completion of the Aricom Acquisition, the Aricom Group expects that its treasury policy will be determined by the Directors of the Enlarged Group.

The Aricom Group's principal capital expenditures have historically related to the acquisition of new licences, feasibility studies and the development of its mining operations. Future uses of cash are expected to be capital expenditures made in connection with the further development of the Aricom Group's mining operations and, potentially, further acquisitions. A discussion of the Aricom Group's future sources of liquidity and capital resources is included as part of the discussion of the Enlarged Group's future sources of liquidity and capital resources in paragraph 4.1 of Part A of Part IV — "Operating and Financial Reviews — Peter Hambro Mining Group — Liquidity and Capital Resources — Overview".

4.2 *Net current assets*

As at 31 December 2008, the Aricom Group had net current assets of approximately US$294.3 million. The Aricom Group's current assets as at that date consisted of cash and cash equivalents of approximately US$257.8 million, trade and other receivables of approximately US$44.2 million and inventories of US$8.5 million. The Aricom Group's current liabilities as at 31 December 2008 consisted of trade and other payables of approximately US$15.0 million and a current tax liability of US$1.2 million.

4.3 *Cash flow information*

		31 December	
	2008	*2007*	*2006*
		(US$'000)	
Selected Cash Flow Statement data			
Net cash (outflow) from operating activities	(51,948)	(12,866)	(8,457)
Net cash (outflow) from investing activities	(70,023)	(281,759)	(65,017)
Net cash inflow/(outflow) from financing activities	73	610,038	153,015
Net increase/(decrease) in cash and cash equivalents	(121,898)	315,413	79,541
Cash and cash equivalents at the end of the period	257,822	406,687	89,668

Net cash outflows from operating activities

The Aricom Group's net cash outflow from operating activities increased by US$39.1 million for the year ended 31 December 2008, from US$12.9 million for the year ended 31 December 2007 to US$51.9 million for the year ended 31 December 2008. The increase was principally due to an increase in operating losses in 2008. Operating cash outflows before movements in working capital amounted to US$24.3 million in 2008 compared to US$17.0 million in 2007. The Aricom Group experienced net increases in inventories, trade and other receivables, and trade and other payables in 2008 and net increases in inventories and net decreases in receivables and payables in 2007. The Aricom Group's inventories increased by US$11.3 million in 2008 and by US$1.8 million in 2007, the comparative increase in 2008 being primarily due to the commencement of mining activities at Kuranakh in 2008. The Aricom Group's total trade and other receivables increased US$18.0 million in 2008 and decreased US$14.8 million in 2007, the increase in 2008 being primarily attributable to US$7.7 million in VAT recoverable, US$2.1 million in loans to associates, US$2.0 million in capital expenditure related prepayments and US$1.9 million in trade receivables due from customers under engineering contracts. The Aricom Group's total trade payables increased US$3.9 million in 2008 and decreased US$8.6 million in 2007, the increase in 2008 being primarily attributable to an increase in operating activity.

The Aricom Group's net cash outflow from operating activities increased by US$4.4 million for the year ended 31 December 2007, from US$8.5 million for the year ended 31 December 2006 to US$12.9 million for the year ended 31 December 2007. This increase was principally due to the increase in operating losses in 2007. Operating cash outflows before movements in working capital amounted to US$17.0 million in 2007 compared to US$7.0 million in 2006. The Aricom Group experienced net increases in inventories and net decreases in trade and other receivables and trade and other payables in 2007 and net decreases in inventories and net increases in receivables and payables in 2006. The Aricom Group's inventories increased US$1.8 million in 2007 compared to a decrease of US$0.3 million in 2006, primarily due to the purchase of spares and other materials to support the development activities at Kuranakh during 2007. The Aricom Group's trade and other receivables decreased US$14.8 million in 2007 compared to an increase of US$2.9 million in 2006, primarily as a result of US$10.8 million in prepayments in relation to fixed assets, US$4.3 million in VAT recoverable on development activities at Kuranakh, and US$4.3 million loaned to an associate in 2007. The Aricom Group's trade payables decreased US$8.6 million in 2007 compared to an increase of US$2.5 million in 2006, primarily due to an increase in operating activity in 2007.

Net cash outflows from investing activities

The Aricom Group's net cash outflow from investing activities was US$70.0 million, US$281.8 million and US$65.0 million for the years ended 31 December 2008, 2007 and 2006, respectively. Net cash used in investing activities in the year ended 31 December 2008 consisted primarily of US$20.8 million paid as contribution to the titanium sponge joint venture, US$45.0 million paid for options to acquire Kostenginskoye and Garinskoye Flanks and capital expenditure for purchases of property, plant and equipment of US$108.5 million, partially offset by proceeds from the disposal of short-term investments of US$113.3 million and investment income of US$16.5 million. Net cash outflow from investing activities in the year ended 31 December 2007 consisted primarily of US$99.3 million used to purchase short-term investments principally related to funds placed on deposit or in highly rated liquidity funds following the Aricom Group's 2007 share placing, US$47.3 million paid to acquire the Group's interest in the Garinskoye deposit, loans advanced of US$69.2 million and capital expenditure for purchases of property, plant and equipment of US$76.7 million. Net cash outflow from investing activities in the year ended 31 December 2006 consisted primarily of capital expenditures for purchase of property, plant and equipment of US$32.6 million, including US$25.9 million related to construction activities at Kuranakh, and acquisition expenditures of US$24.8 million related to the acquisition of an interest in the K&S deposits.

Net cash inflows from financing activities

The Aricom Group's net cash inflow from financing activities was US$0.1 million, US$610.0 million and US$153.0 million in the years ended 31 December 2008, 2007 and 2006, respectively. Cash inflow from financing activities in 2008 related primarily to cash proceeds received upon the issuance of shares, partially offset by share issue costs. Cash inflow from financing activities in the year ended 31 December 2007 related to US$639.5 million in cash proceeds from the Aricom Group's June and December 2007 share placements, partially offset by associated share issues costs of US$24.9 million. Cash inflow from financing activities in the year ended 31 December 2006 related primarily to an equity fundraising of US$169.2 million, partially offset by associated issue costs of US$6.4 million.

4.4 *Capital expenditures*

In the past three years, the Aricom Group's capital expenditures have been primarily in connection with the acquisition and development of deposits to which it currently holds licences. These capital expenditures amounted to US$440.2 million as at 31 December 2008 (post impairment of

US$386.4 million), US$561.4 million as at 31 December 2007 and US$421.0 million as at 31 December 2006.

The Aricom Group's principal capital expenditures in the year ended 31 December 2008 were the continued evaluation and development of its projects of US$108.5 million, the acquisition of an additional 29.3 per cent. interest in Lapwing which included cash consideration of US$63.2 million and the US$20.8 million contribution to the titanium sponge joint venture with Chinalco. Principal capital expenditures in the year ended 31 December 2007 were the continued evaluation and development of the Aricom Group's projects of US$76.7 million, the acquisition of a minority interest in Kuranakh for US$11.0 million and the acquisition of Giproruda for US$8.1 million. The principal capital expenditures in the year ended 31 December 2006 were US$13.0 million on the development of Kuranakh and US$179.4 million on the acquisition of a 50.0 per cent. interest in the K&S deposits.

4.5 ***Capital expenditure programme***

Following the expected consummation of the Aricom Acquisition, the timing and amount of the Aricom Group's capital expenditures, and the projects to which expenditures will be dedicated, will be formulated by the Directors of the Enlarged Group and will be subject to various considerations, including prevailing market conditions. The Directors currently expect to complete the construction of the Kuranakh beneficiation plant and to commence production and sales of concentrate at Kuranakh during the fourth quarter of 2009. The Directors expect to make expenditures on the Aricom Group's other principal iron ore projects, the K&S and Garinskoye projects, at a level that allows for future development of these assets while observing commercial and legal requirements for the preservation of the Aricom Group's licenses. The Directors also expect to make investments in the titanium sponge and vanadium joint ventures.

5. Financing arrangements

The Aricom Group had no debt financing as at 22 April 2009.

6. Balance sheet

The following table sets out summarised information on the Aricom Group's balance sheet as at 31 December 2008 and 2007 and 2006:

	As at 31 December		
	2008	*2007*	*2006*
		(US$'000)	
Selected Balance Sheet data			
Total non-current assets	468,189	569,768	424,122
Total current assets	310,493	594,681	115,195
Total assets	778,682	1,164,449	539,317
Total current liabilities	(16,175)	(13,174)	(11,813)
Total non-current liabilities	(4,641)	(8,879)	(99)
Total liabilities	(20,816)	(22,053)	(11,912)
Total equity	757,866	1,142,396	(527,405)
Total equity and liabilities	778,682	1,164,449	(539,317)
Minority Interest	4,326	15,927	178,762
Net cash	257,822	406,687	89,668

7. Quantitative and qualitative disclosures about market and credit risk

During the review periods, the board of directors of the Aricom Group monitored the financials risks relating to the operations of the Aricom Group. The following information should be read in conjunction with the Aricom Group's consolidated financial statements for the years ended 2006, 2007 and 2008, which are incorporated into this Prospectus by reference, from pages 62 to 94 of the Aricom 2008 Annual Report, from pages 65 to 110 of the Aricom 2007 Annual Report and from pages 124 to 167 of the Aricom Prospectus.

7.1 ***Counterparty risk***

The Aricom Group has adopted a policy of only dealing with creditworthy counterparties. The Aricom Group's exposure and the credit ratings of its counterparties are monitored by its board of directors, and limits have been established to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The Aricom Group's principal financial assets are cash and cash equivalents and trade receivables. Cash equivalents represent investments in money market funds and amounts held on deposit with financial institutions.

The credit risk on liquid funds held in current accounts and available on demand is limited because the Aricom Group's counterparties are primarily banks with credit ratings.

The risk on money market funds is limited because the counterparties are investment funds with high credit ratings assigned by international credit rating agencies. These investment funds are managed in accordance with approved investment criteria, requiring that investments have certain credit ratings and limiting the concentration of investment in any one security.

7.2 ***Foreign exchange risk***

The Aricom Group is exposed to foreign exchange risk associated with fluctuations in the relative value of US Dollars, pounds Sterling, Russian Roubles and Chinese RMB. The Aricom Group's investment revenues are currently in US Dollars, and prospective revenues from operations will be denominated and settled in US Dollars. A proportion of capital and operational expenditure has been, and is expected to be, incurred in Russian Roubles. Accordingly, the Aricom Group's financial results may be affected by fluctuations in the exchange rate between the Russian Rouble and US Dollar. These risks are mitigated to the extent considered necessary by the board of directors of Aricom through a combination of holding the relevant currencies and entering into forward contracts.

7.3 ***Commodity risk***

The value of the Aricom Group's projects is exposed to the movement of iron ore and ilmenite sales prices. Future sales prices are not hedged.

7.4 ***Interest rate risk***

The Aricom Group is exposed to interest rate risk through the holding of cash and cash equivalents, including monies invested in money market funds. The interest rates attached to these instruments are floating rates. The Aricom Group also holds amounts on deposit with fixed rates of interest. The mix between fixed and floating rate financial assets limits the Aricom Group's interest rate risk.

8. Significant accounting policies

The Aricom Group's significant accounting policies are more fully described in the Aricom Annual Reports and Aricom Prospectus which are incorporated into this Prospectus by reference as set out in Part XIII – "Documents Incorporated by Reference" of this Prospectus. Some of the Aricom Group's accounting policies require the application of significant judgment and estimates by the Aricom Group's management that can affect the amounts reported in the financial information. By their nature, these judgments are subject to a degree of uncertainty and are based on the Aricom Group's historical experience and on various other assumptions that the Aricom Group believes are reasonable under the circumstances. The results of this analysis form the basis for making judgments about the reported carrying amounts of assets and liabilities and the reported amounts of revenues and expenses that may not be readily apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions. Areas requiring significant use of estimates and judgments in applying the Aricom Group's accounting policies include:

8.1 ***Impairment of assets***

The Aricom Group reviews the carrying value of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets are impaired. In making assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash generating unit, or CGU. The recoverable amount of those assets, or CGU, is measured at the higher of their fair value less costs to sell and value in use.

The Aricom Group's management necessarily applies its judgment in allocating assets to CGUs, in estimating probability, timing and value of underlying cash flows and in selecting appropriate discount rates to be applied within the value in use calculation. Subsequent changes to CGU allocation or estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

The Aricom Group's management has concluded that K&S and Garinskoye are a single CGU for the purposes of impairment as it is expected that ore from the Garinskoye ore body will be processed through the K&S plan and there will be no market for the pre-concentrate.

8.2 ***Provision for restoration, rehabilitation and environmental costs***

Costs arising from site restoration works, and the decommissioning of plant, discounted to their present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. The provision is based on estimates prepared by external consultants. The Aricom Group's management uses its judgment and experience to provide for these costs. The ultimate costs of site restoration and decommissioning are uncertain, and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing and extent of expenditure can also change, for example in response to changes in ore reserves or processing levels. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

8.3 ***Assumptions relating to the valuation of share-based payments***

In order to value options granted, the Aricom Group has made judgments as to the volatility of its own ordinary shares, the probable life of the options granted and the time of exercise of those options. The Aricom Group has also made a judgment as to which methodology to use in valuing the options in each case.

8.4 ***Estimation of percentage completion of engineering contracts at Giproruda***

To estimate the percentage completion of engineering contracts and, therefore, determine the amount of contract revenue and associated costs to recognise requires that the management make an estimate of the stage of completion of the contract activity at the balance sheet date. The directors of Aricom consider that these estimates are made by suitably qualified project managers.

8.5 ***Tax provisions***

Assessing the outcome of uncertain tax positions requires judgments to be made regarding the result of negotiations with and enquiries from tax authorities in a number of jurisdictions. The assessments are based on advice from independent tax advisers and the status of ongoing discussions with the relevant tax authorities.

8.6 ***Deferred tax***

Recognition of deferred tax assets requires management to assess the likelihood that future tax profits will be available, which the deferred tax assets can be utilised to offset. This requires management to assess future profits of the business and the likelihood and timing of these amounts.

9. Current trading and prospects

On 6 March 2009, Aricom announced its results for the year ended 31 December 2008. The Aricom Group recognised revenue from operations of US$9.7 million compared to US$4.9 million in the year ended 31 December 2007 and operating losses of US$413.3 million compared to US$22.7 million in the year ended

31 December 2007. Due to the current world economic crisis, as with many other mining companies, the board of Aricom reviewed Aricom's portfolio of assets and provided for impairment where it considered it prudent to do so. Consequently, an impairment provision of US$386.4 million was recognised by the Aricom Group for the year ended 31 December 2008.

The Aricom Group expects to have fully commissioned the Kuranakh and Olekma plants and to commence production and sales of concentrate during 2009. The Aricom Group also expects to incur expenditure on its iron ore projects at a level that allows for a later development of the K&S and Garinskoye assets while observing commercial and legal requirements for the preservation of the licences. The rationale for this strategy is to preserve the inherent value in, and the ability to accelerate development of, these projects once the project finance and iron ore markets recover.

PART VII

CAPITALISATION AND INDEBTEDNESS STATEMENTS

PART A – PETER HAMBRO MINING GROUP

The capitalisation and indebtedness of the Peter Hambro Mining Group extracted from the audited consolidated financial information of the Peter Hambro Mining Group included in Part IX – "Historical Financial Information" of this Prospectus as at 31 December 2008, is set out below. In addition, the capitalisation and indebtedness of the Peter Hambro Mining Group as at 28 February 2009, being the latest practicable date prior to the date of this Prospectus, extracted from the unaudited management financial information of the Peter Hambro Mining Group is included.

	Notes	*As at 28 February 2009 Unaudited US$'000*	*As at 31 December 2008 Audited US$'000*
Total current debt			
Guaranteed	(1)	112,836	208,148
Secured	(2)	30,000	30,800
Unguaranteed and unsecured		15,750	23,398
		158,586	262,346
Total non-current debt			
Guaranteed	(3)	137,005	136,778
Secured	(4)	16,000	16,000
		153,005	152,778
Shareholders' equity (excluding retained earnings)			
Issued share capital	(5)	1,545	1,311
Share premium	(5)	134,405	35,082
Equity reserve on bonds		1,583	1,583
Other reserves (excluding retained earnings)		153,728	153,728
Total shareholders' equity (excluding retained earnings)		291,261	191,704
Total		602,852	606,828

Notes:

1 Current guaranteed debt at 31 December 2008 and 28 February 2009 relates to interest payable within twelve months on the Convertible Bonds and the liability and derivative components of the Exchangeable Bonds which are guaranteed by the Company. The Exchangeable Bonds have been classified as current within the balance sheet as the first possible redemption date by bondholders occurs on 19 October 2009.

2 The secured debt relates to short term credit facilities.

3 Non-current guaranteed debt relates to the liability component of the Convertible Bonds. The Convertible Bonds are guaranteed by the Company.

4 Secured non-current debt relates to a credit facility which is repayable in April 2011 and is secured on certain assets of the Peter Hambro Mining Group.

5 The movement in issued share capital and the share premium account reflect the placing which took place in February 2009.

The net financial indebtedness of the Peter Hambro Mining Group in the short-term and medium-long term as at 31 December 2008 and 28 February 2009, being the latest practicable date prior to the date of this Prospectus, is as follows:

	As at 28 February 2009 Unaudited US$'000	*As at 31 December 2008 Audited US$'000*
Cash	28,368	26,444
Liquidity		
Current bank debt	35,750	44,198
Current portion of non-current debt	483	3,885
Other current financial debt	122,353	214,263
Current financial debt	158,586	262,346
Net current financial indebtedness	130,218	235,902
Non-current bank loans	16,000	16,000
Convertible Bonds issued	137,005	136,778
Non-current financial indebtedness	153,005	152,778
Net financial indebtedness	283,223	388,680

The Peter Hambro Mining Group had no other direct or contingent liabilities at 31 December 2008 or 28 February 2009.

The Peter Hambro Mining Group had US$48 million in relation to indirect indebtedness at 28 February 2009, being amounts committed to capital expenditure of US$47 million (31 December 2008: US$53 million) and amounts committed under operating leases of US$1 million (31 December 2008: US$1 million).

PART B – ARICOM GROUP

The capitalisation and indebtedness of the Aricom Group extracted from the audited consolidated financial information of the Aricom Group included in the Aricom 2008 Annual Report, which is incorporated by reference into this Prospectus as set out in Part XIII, is set out below. In addition, the capitalisation and indebtedness of the Aricom Group as at 28 February 2009, being the latest practicable date prior to the date of this Prospectus, extracted from the unaudited management financial information of the Aricom Group is included.

	As at 28 February 2009 Unaudited US$'000	*As at 31 December 2008 Audited US$'000*
Total current debt	–	–
Total non-current debt	–	–
Total indebtedness[1]	–	–
Shareholders' equity (excluding retained earnings)		
Share capital	2,265	2,265
Share premium	1,183,520	1,183,520
Other reserves	632	3,378
Total capitalisation	1,186,417	1,189,163
Total indebtedness and capitalisation	1,186,417	1,189,163

The following table sets out the net indebtedness of the Aricom Group as at 28 February 2009, being the latest practicable date prior to the date of this Prospectus, and 31 December 2008:

	As at 28 February 2009 Unaudited US$'000	*As at 31 December 2008 Audited US$'000*
Cash and cash equivalents	247,913	257,822
Liquidity	247,913	257,822
Current financial debt	–	–
Non current financial debt	–	–
Net Financial indebtedness[2]	–	–

1 There was no indebtedness in the Aricom Group as at 28 February 2009 and as at 31 December 2008 whether secured, unsecured, guaranteed or otherwise.

2 The Aricom Group is involved in legal proceedings with two minority shareholders in Lapwing, Gatnom Capital and Finance Ltd and O.M. Investments & Finance Ltd. The claim was filed in September 2008 in Cyprus and the respondents are Lapwing and Aricom UK. Claimants allege their holdings in Lapwing were improperly diluted as the result of the issuance of additional shares following a September 2007 shareholders' meeting. Claimants have asked the court to dissolve Lapwing, or, alternatively, to order that their shares be purchased at a price allegedly previously agreed upon or to be determined by an expert appointed by the court. The Aricom Group's defence was submitted on 13 April 2009. The maximum potential liability arising from the claim cannot currently be accurately assessed although the Directors believe that the claim is of limited merit. With the exception of the aforementioned, the Aricom Group had no other direct or contingent liabilities at 28 February 2009 or 31 December 2008.

PART VIII

PRO FORMA FINANCIAL INFORMATION

21 April 2009

The Directors
Peter Hambro Mining Plc
11 Grosvenor Place
Belgravia
London SW1X 7HH

J.P. Morgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Canaccord Adams Limited
Cardinal Place
7th Floor
80 Victoria Street
London SW1E 5JL

Dear Sirs,

PETER HAMBRO MINING PLC

We report on the pro forma financial information (the **Pro Forma Financial Information**) set out in Part VIII of the prospectus (the **Prospectus**) dated 21 April 2009 which has been prepared on the basis described in Part VIII. The combination of the Peter Hambro Mining Group and the Aricom Group are together referred to herein as the "Enlarged Group". The Pro Forma Financial Information has been prepared for illustrative purposes only to show how the acquisition of the Aricom Group by the Peter Hambro Mining Group (the **Aquisition**), the related transactions which are the recent placing and the redemption of an amount of gold exchangeable bonds (together the **Related Transactions**) and the costs associated with the application by the Peter Hambro Mining Group for admission of its shares to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial information as at 31 December 2008. This report is required by paragraph 20.2 of Annex I to the Prospectus Directive Regulation and is given for the purpose of complying with that requirement and for no other purpose.

(A) Responsibilities

It is the responsibility of the Directors of the Peter Hambro Mining Group to prepare the Pro Forma Financial Information in accordance with paragraph 20.2 of Annex I to the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II to the Prospectus Directive Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously given by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

(B) Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors of the Peter Hambro Mining Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Peter Hambro Mining Group.

(C) Opinion

In our opinion:-

(i) the Pro Forma Financial Information has been properly compiled on the basis stated; and

(ii) such basis is consistent with the accounting policies of the Peter Hambro Mining Group.

(D) Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annexes I and III to the Prospectus Directive Regulation.

Yours faithfully

Moore Stephens LLP
Chartered Accountants

Unaudited pro forma financial information

Introduction

Set out below is an unaudited pro forma statement of net assets. This statement has been prepared to illustrate how the acquisition of the Aricom Group by the Peter Hambro Mining Group (the **Acquisition**), the related transactions which are the recent placing and redemption of an amount of gold exchangeable bonds (together the **Related Transactions**) and the costs associated with the application by the Peter Hambro Mining Group for admission of its shares to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange might have affected the financial information.

The Pro Forma Financial Information, because of its nature, addresses a hypothetical situation and, therefore, does not represent the actual financial position of the Enlarged Group.

The Pro Forma Financial Information relates to the year ended 31 December 2008 which is the most recently completed financial period of the Peter Hambro Mining Group.

Basis of preparation

The pro forma net asset statement at 31 December 2008 set out below is based on information which has been extracted without material adjustment from audited consolidated balance sheets of the Peter Hambro Mining Group and the Aricom Group at 31 December 2008. Adjustments have been made in accordance with Annex II item 6 of Appendix 3 to the Prospectus Rules and are described in the notes below.

The pro forma statement of net assets is based on financial statements prepared in accordance with IFRS as adopted by the EU and applied by the Peter Hambro Mining Group, and the adjustments are consistent with the policy the Peter Hambro Mining Group currently complies with and intends to comply with when publishing its next financial statements.

Pro forma net assets at 31 December 2008

		Adjustments				
	Peter Hambro Mining Group US$000	*Aricom Group US$000*	*Reclassi-fications and eliminations US$000*	*Placing and part-redemption of Exchangable Bonds US$000*	*To reflect impact of the Acquistion and Admission US$000*	*Pro forma net assets US$000*
Notes	*1*	*2*	*3*	*4*	*5*	
Assets						
Non current assets						
Goodwill	21,675	–	–	–	–	21,675
Intangible assets	225,446	613	27,407	–	–	253,466
Property, plant & equipment	342,261	440,157	(28,914)	–	–	753,504
Investment in associates	–	3,704	–	–	–	3,704
Investment in joint ventures	7,427	20,387	–	–	–	27,814
Other investments	972	–	–	–	–	972
Inventories	19,078	–	–	–	–	19,078
Deferred tax assets	17,057	–	–	–	–	17,057
Other non-current assets	21,665	3,328	–	–	–	24,993
Total non current assets	655,581	468,189	(1,507)	–	–	1,122,263
Current assets						
Inventories	72,332	8,481	–	–	–	80,813
Trade and other receivables	84,775	44,190	(6,167)	–	–	122,798
Cash and cash equivalents	26,444	257,822	–	14,400	(12,500)	286,166
Total current assets	183,551	310,493	(6,167)	14,400	(12,500)	489,777
Total assets	839,132	778,682	(7,674)	14,400	(12,500)	1,612,040
Current liabilities						
Trade and other payables	(42,142)	(14,993)	6,167	–	–	(50,968)
Current tax liabilities	(638)	(1,182)	–	–	–	(1,820)
Borrowings	(220,946)	–	–	78,700	–	(142,246)
Derivative financial instruments	(42,476)	–	–	20,000	–	(22,476)
Total current liabilities	(306,202)	(16,175)	6,167	98,700	–	(217,510)
Non current liabilities						
Borrowings	(152,778)	–	–	–	–	(152,778)
Deferred tax liabilities	(32,580)	(2,422)	–	(5,800)	–	(40,802)
Other provisions	(5,246)	(2,108)	–	–	–	(7,354)
Other non-current liabilities	–	(111)	–	–	–	(111)
Total non current liabilities	(190,604)	(4,641)	–	(5,800)	–	(201,045)
Total liabilities	(496,806)	(20,816)	6,167	92,900	–	(418,555)
Net assets	342,326	757,866	(1,507)	107,300	(12,500)	1,193,485

Notes:

1. The financial information in respect of the Peter Hambro Mining Group has been extracted without material adjustment from the financial information in Part A of Part IX – "Historical Financial Information" of this Prospectus. At the time of publishing this document the latest audited balance sheet available for the Peter Hambro Mining Group was as at 31 December 2008.

2. The financial information in respect of the Aricom Group has been extracted without material adjustment from the financial information in the Aricom Annual Reports which are incorporated by reference into this Prospectus. At the time of publishing this document the latest audited balance sheet available for the Aricom Group was as at 31 December 2008.

3. Adjustments to reflect the elimination of inter-company balances between the Peter Hambro Mining Group and the Aricom Group and to ensure the consistent application of the Peter Hambro Mining Group's accounting policies. If these adjustments had taken place on 31 December 2008, combined pre-tax earnings would have been reduced by US$1.5 million.

4. Adjustments to reflect:

   a. A placing in February 2009 of 16 million Peter Hambro Mining Group shares at a price of 450 pence, at an assumed exchange rate of US$1.455/£1, raising approximately US$104.8 million before estimated transaction costs of US$5.8 million.

b. The redemption in February 2009 of 87,000 oz of 180,000 oz gold exchangeable bonds, by the Peter Hambro Mining Group at a redemption price, including accrued interest, of approximately US$85 million. In this regard, borrowings have been adjusted by 87/180 of outstanding borrowings at 31 December 2008 in respect of the gold exchangeable bonds and the related fair value derivative instrument has been adjusted on the same basis. This proportion of 87/180 reflects the proportion of total nominal bonds redeemed. The impact on deferred tax liabilities has also been adjusted accordingly. If the Related Transactions had taken place in the year to 31 December 2008, combined pre-tax earnings for that year would have increased by US$14.5 million. As the Exchangeable Bonds liability has been reduced, the Enlarged Group's annual interest payment, in respect of the Exchangeable Bonds would be reduced by approximately US$6.0 million until such time as the Exchangeable Bonds are completely redeemed.

These adjustments are reflected in the pro forma financial information as follows:

Cash	
Gross proceeds of placing	US$104.8 million
Costs of placing	US$(5.8) million
Redemption of Exchangeable Bonds	US$(82.7) million
Interest accrued on Exchangeable Bonds	US$(1.9) million
Cash impact	US$14.4 million
Borrowings	
Exchangeable Bond balance at 31 December 2008	US$162.9 million
Redemption of 87/180 of this balance	US$78.7 million
Derivative financial instruments	
Balance reported at 31 December 2008	US$41.4 million
Redemption of 87/180	US$20.0 million
Deferred tax liabilities	
Derivatives redeemed	US$20.0 million
Tax rate	29%
Deferred tax adjustment	US$5.8 million

5. Adjustments to reflect:

a. The acquisition of the Aricom Group by the Peter Hambro Mining Group has been accounted for using the purchase method. This method is likely to give rise to negative goodwill in accordance with International Financial Reporting Standards (IFRS 3 – Business Combinations), which would result in negative goodwill being recorded in the Enlarged Group's income statement. For the purposes of this pro forma statement of net assets, no impairment adjustments have been assumed and transaction costs are estimated at US$8.0 million. If the Acquisition had taken place in the year to 31 December 2008, combined pre-tax earnings in that year would have increased by the amount of negative goodwill. The value and treatment of negative goodwill will be finalised when the first statutory accounts of the Enlarged Group are prepared.

b. Transaction costs of US$4.5 million estimated in respect of the Admission. If Admission had taken place in the year to 31 December 2008, combined pre-tax earnings in that year would have decreased by US$4.5 million.

6. No account has been taken of trading or movements since the dates set out above, unless otherwise specified.

PART IX

HISTORICAL FINANCIAL INFORMATION

PART A – PETER HAMBRO MINING GROUP

HISTORICAL FINANCIAL INFORMATION FOR THE THREE YEARS ENDED 31 DECEMBER 2008 IN ACCORDANCE WITH IFRS

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21 April 2009

The Directors
Peter Hambro Mining Plc
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Belgravia
London SW1X 7HH

J.P. Morgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Canaccord Adams Limited
Cardinal Place
7th Floor
80 Victoria Street
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Dear Sirs,

PETER HAMBRO MINING PLC AND ITS SUBSIDIARIES AND SUBSIDIARY UNDERTAKINGS (THE "PETER HAMBRO MINING GROUP")

We report on the financial information set out on pages 176 to 226 of the prospectus. This financial information has been prepared for inclusion in the prospectus dated 21 April 2009 issued by Peter Hambro Mining plc (the "Company") in connection with the admission of the Company's shares to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange. This report is required by item 20.1 of Annex I to the Prospectus Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Peter Hambro Mining Group are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view for the purposes of the prospectus, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting 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. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Peter Hambro Mining Group'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.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 21 April 2009, a true and fair view of the state of affairs of the Peter Hambro Mining Group as at 31 December 2006, 31 December 2007 and 31 December 2008 and of its profits, cash flows, recognised gains and losses and changes in equity for the periods then ended, in accordance with the basis of preparation set out in note 2 to the financial information and IFRS.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I and item 1.2 of Annex III of the Prospectus Directive Regulation.

Yours faithfully

Moore Stephens LLP
Chartered Accountants

Consolidated income statement

	Note	2008 US$'000	2007 US$'000	2006 US$'000
		Year ended 31 December		
Group revenue	5	381,688	226,397	157,807
Net operating expenses	6	(294,577)	(144,962)	(106,892)
		87,111	81,435	50,915
Fair value change on derivatives	26	(18,307)	(12,100)	–
Share of results of joint ventures	8	(1,261)	(1,821)	(173)
Operating profit		67,543	67,514	50,742
Financial income	10	7,709	3,776	6,137
Financial expenses	11	(34,864)	(16,105)	(11,764)
Profit before taxation		40,388	55,185	45,115
Taxation	12	(17,643)	(15,560)	(12,742)
Profit for the year		22,745	39,625	32,373
Attributable to:				
– equity holders of the Company		22,002	38,667	31,986
– minority interests		743	958	387
Earnings per ordinary share (basic and diluted)	14	US$0.271	US$0.476	US$0.398

Consolidated balance sheet

	Note	*At 31 December* 2008 US$'000	2007 US$'000	2006 US$'000
Assets				
Non-current assets		655,581	474,348	363,147
Goodwill	15	21,675	15,818	13,396
Intangible assets	16	225,446	170,782	155,266
Property, plant and equipment	17	342,261	257,801	165,930
Interests in joint ventures	18	7,427	8,635	10,534
Other investments	19	972	960	1,022
Inventories	20	19,078	11,620	14,201
Trade and other receivables	21	19,790	5,344	2,798
Derivative financial instruments	26	1,875	–	–
Deferred tax assets	27	17,057	3,388	–
Current assets		183,551	278,927	142,787
Inventories	20	72,332	40,468	21,859
Trade and other receivables	21	84,775	60,017	44,525
Securities held for trading	22	–	–	13,937
Cash and cash equivalents	23	26,444	178,442	62,466
Total assets		839,132	753,275	505,934
Liabilities				
Current liabilities		(306,202)	(66,405)	(38,829)
Trade and other payables	24	(42,142)	(33,382)	(30,661)
Current tax liabilities		(638)	(1,888)	(973)
Borrowings	25	(220,946)	(31,135)	(7,195)
Derivative financial instruments	26	(42,476)	–	–
Net current (liabilities)/assets		(122,651)	212,522	103,958
Total assets less current liabilities		532,930	686,870	467,105
Non-current liabilities		(190,604)	(344,014)	(157,051)
Borrowings	25	(152,778)	(292,100)	(134,740)
Derivative financial instruments	26	–	(30,634)	–
Deferred tax liabilities	27	(32,580)	(19,677)	(21,744)
Provision for close down and restoration costs	28	(5,246)	(1,603)	(567)
Net assets		342,326	342,856	310,054
Equity				
Share capital	29	1,311	1,311	1,311
Share premium		35,082	35,082	35,082
Other reserves		153,728	176,722	176,722
Equity reserve on bonds		1,583	1,583	1,583
Retained earnings		144,210	122,208	83,541
Equity attributable to PHM shareholders		335,914	336,906	298,239
Minority interests		6,412	5,950	11,815
Total equity		342,326	342,856	310,054

Consolidated cash flow statement

	Note	*Year ended 31 December* *2008* *US$'000*	*2007* *US$'000*	*2006* *US$'000*
Cash flows from operating activities				
Cash generated from operations	31(a)	60,144	62,933	47,607
Interest received		5,751	3,963	7,209
Interest paid		(28,471)	(11,113)	(10,935)
Income tax paid		(14,871)	(15,675)	(9,416)
Net cash from operating activities		22,553	40,108	34,465
Cash flows from investing activities				
Acquisitions of subsidiaries and joint ventures net of cash acquired	33	(6,032)	–	(38,613)
Acquisition of minority interests	33	–	(9,257)	–
Acquisition of assets		(11)	34	–
Purchase of property, plant and equipment and intangible assets		(103,071)	(76,314)	(31,152)
Proceeds from disposal of property, plant and equipment		2,428	1,558	758
Exploration and evaluation expenditure		(58,309)	(48,426)	(36,747)
Proceeds from/(acquisitions of) securities held for trading		–	14,353	(13,845)
Amounts loaned to other parties		(34,909)	(5,194)	(3,774)
Repayment of amounts loaned to other parties		6,670	447	697
Payments to Reserve Bonus Scheme holders		–	–	(15,000)
Proceeds from sale of investments available-for-sale		–	–	4,000
Acquisition of other investments		–	–	(537)
Net cash used in investing activities		(193,234)	(122,799)	(134,213)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		–	–	17,822
Repayments of borrowings		(253,810)	(66,601)	(28,348)
Proceeds received from borrowings		299,047	262,411	30,959
Capital element of finance leases		–	(281)	(5,399)
Dividends paid to company's shareholders		(22,994)	–	–
Dividends paid to minority interests		–	(26)	–
Net cash from financing activities		22,243	195,503	15,034
Net (decrease)/increase in cash and cash equivalents in the year		(148,438)	112,812	(84,714)
Effect of exchange rates on cash and cash equivalents	32	(3,560)	3,164	2,646
Cash and cash equivalents at beginning of the year	23,32	178,442	62,466	144,534
Cash and cash equivalents at end of the year	23,32	26,444	178,442	62,466

Consolidated statement of changes in equity

For the year ended 31 December 2006

	Share capital US$'000	*Share premium US$'000*	**Other reserves US$'000*	*Contingent reserve on acquisition US$'000*	*Equity reserve on bonds US$'000*	*Retained earnings US$'000*	*Total attributable to equity holders of the Company US$'000*	*Minority interests US$'000*	*Total equity US$'000*
Balance at 1 January 2006	1,273	–	176,722	3,152	1,583	51,555	234,285	4,481	238,766
Recognised income and expenses	–	–	–	–	–	31,986	31,986	387	32,373
New shares issued (note 29)	25	17,797	–	–	–	–	17,822	–	17,822
Shares issued in relation to acquisition of Peter Hambro Mining (Cyprus) Ltd (note 29)**	13	17,285	–	(3,152)	–	–	14,146	–	14,146
Acquisition of subsidiary undertakings	–	–	–	–	–	–	–	6,748	6,748
Additional acquisition of subsidiary undertakings	–	–	–	–	–	–	–	199	199
Balance at 31 December 2006	1,311	35,082	176,722	–	1,583	83,541	298,239	11,815	310,054

For the year ended 31 December 2007

	Share capital US$'000	*Share premium US$'000*	**Other reserves US$'000*	*Contingent reserve on acquisition US$'000*	*Equity reserve on bonds US$'000*	*Retained earnings US$'000*	*Total attributable to equity holders of the Company US$'000*	*Minority interests US$'000*	*Total equity US$'000*
Balance at 1 January 2007	1,311	35,082	176,722	–	1,583	83,541	298,239	11,815	310,054
Recognised income and expenses	–	–	–	–	–	38,667	38,667	958	39,625
Additional acquisition of subsidiary undertakings	–	–	–	–	–	–	–	(6,823)	(6,823)
Balance at 31 December 2007	1,311	35,082	176,722	–	1,583	122,208	336,906	5,950	342,856

For the year ended 31 December 2008

	Share capital US$'000	*Share premium US$'000*	**Other reserves US$'000*	*Contingent reserve on acquisition US$'000*	*Equity reserve on bonds US$'000*	*Retained earnings US$'000*	*Total attributable to equity holders of the Company US$'000*	*Minority interests US$'000*	*Total equity US$'000*
Balance at 1 January 2008	1,311	35,082	176,722	–	1,583	122,208	336,906	5,950	342,856
Recognised income and expenses	–	–	–	–	–	22,002	22,002	743	22,745
Additional acquisition of ubsidiary undertakings	–	–	–		–	–	–	(281)	(281)
Dividends (note 13)	–	–	(22,994)	–	–	–	(22,994)	–	(22,994)
Balance at 31 December 2008	1,311	35,082	153,728	–	1,583	144,210	335,914	6,412	342,326

* Other reserves are fully distributable

** In relation to the acquisition of ore deposits

Notes to the historical financial information

1. General information

Peter Hambro Mining plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is 11 Grosvenor Place, London SW1X 7HH.

The Peter Hambro Mining Group has adopted IFRS as adopted by the European Union from 1 January 2007. The date of transition was 1 January 2006 and as a result the 2006 comparative information has been adjusted to conform with IFRS. Under IFRS 1 First Time Adoption of International Financial Reporting Standards, IFRS are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities as stated under UK GAAP recognised in retained earnings unless certain exemptions are applicable. The Peter Hambro Mining Group has applied the following exemptions:

- Designation of financial assets and financial liabilities exemption: the Peter Hambro Mining Group reclassified various securities as available-for-sale investments and as financial assets at fair value through profit and loss at the opening balance sheet date of 1 January 2006;
- Share-based payment transaction exemption: the Peter Hambro Mining Group has elected to apply the share-based payment exemption in respect of C shares issued by a subsidiary of the Peter Hambro Mining Group, Eponymousco Limited, in April 2002;
- Decommissioning liabilities included in the cost of property, plant and equipment exemption: the exemption provided in IFRS 1 from the full retrospective application of IFRIC 1 has been applied to determine the adjustment required to property, plant and equipment in respect of the obligation to decommission existing production facilities; and
- The Peter Hambro Mining Group has not restated business combinations that occurred before the date of transition to comply with IFRS 3 "Business Combinations". This means that:
  - The 2002 merger of the economic interests of the Company and Eponymousco Limited structure continues to be accounted for as a merger; and
  - Additional deferred tax provisions recognised in respect of fair value adjustment on business combinations have been recognised as a reduction of equity on the date of transition.

This financial information is presented in US Dollars because that is the currency of the primary economic environment in which the Peter Hambro Mining Group operates. Foreign operations are included in accordance with the policies set out in note 3.

2. Basis of preparation

This consolidated financial information of the Peter Hambro Mining Group has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and the Companies Act 1985 applicable to companies reporting under IFRS.

This financial information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial investments, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The principal accounting policies adopted are set out in Note 3 below.

The impact of the adoption of IFRS 7 "Financial Instruments: Disclosures" and the changes to IAS 1 "Amendment to IAS 1 ("Capital Disclosures")" has been to expand the disclosures provided in this financial information regarding the Peter Hambro Mining Group's financial instruments and management of capital (see note 34). The adoption of the Interpretations issued by the IASB has not led to any changes in the Peter Hambro Mining Group's accounting policies.

At 31 December 2008, the following Standards and Interpretations applicable to the Peter Hambro Mining Group, which have not been applied in this financial information were in issue but not yet effective (and in some cases had not been adopted by the EU):

- Amendments to IFRS 1: Cost of an investment in a subsidiary, jointly controlled entity or associate (effective 1 January 2009);
- Amendments to IFRS 3: Business combinations (effective 1 July 2009);
- IFRS 8: Operating segments (effective 1 January 2009);
- Amendments to IAS 1: Presentation of financial statements (effective 1 January 2009);
- Amendments to IAS 23: Borrowing costs (effective 1 January 2009);
- Amendments to IAS 27: Consolidated and separate financial statements (effective 1 January 2009); and
- Amendments to IAS 36: Impairment of assets (effective from 1 January 2009).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial information of the Peter Hambro Mining Group except for:

- IAS 1 (Revised) will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Peter Hambro Mining Group will apply IAS 1 (Revised) from 1 January 2009;
- IAS 23 will require the Peter Hambro Mining Group to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset with effect from 1 January 2009. The option of immediately expensing those borrowing costs will be removed; and
- Treatment of acquisition of subsidiaries when IFRS 3 comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009.

Judgements in applying accounting policies and key sources of estimation uncertainty

Many of the amounts included in this financial information involve the use of judgement and/or estimation. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience but actual results may differ from the amounts included in the financial information. Information about such judgements and estimation is contained in the accounting policies and/or the notes to the financial information and the key areas are summarised below.

Areas of judgement that have the most significant effect on the amounts recognised in the financial information are:

- Identification of functional currencies – note 3(b);
- Capitalisation of exploration and evaluation costs – note 3(d);
- Determination of mineral reserve estimates – note 3(e);
- Asset impairments (including impairment of goodwill) – note 3(f);
- Deferral of stripping costs – note 3(g);
- Reclamation and closure obligations – note 3(h);
- Stockpiles, gold in process, ore on leach pads and product inventories – note 3(k);

- Current and deferred income tax recognition – note 3(o);
- Recoverable VAT. The Peter Hambro Mining Group is due refunds of input tax which remain outstanding for periods longer than those provided under statute in Russia;
- Assessment of the fair value of assets on acquisition;
- Provisions – note 3(j); and
- Effective interest method – note 3(i)
- In case of non-compliance, the Peter Hambro Mining Group's exploration, development and production licences may be suspended or revoked prior to their expiration, or not extended. The Peter Hambro Mining Group's principal production licences, at the Pokrovskiy and Pioneer mines of Pokrovskiy Rudnik, are due to expire in 2014 and 2013, respectively. No assurances can be given that Pokrovskiy Rudnik will be in a position to achieve the renewals. However, in the Board's view, renewals are achievable.

Comparatives

Certain comparatives for the years ended 31 December 2007 and 2006 have been re-classified, to ensure comparability with the classifications adopted for the year ended 31 December 2008, including re-classification of the loan to the Rudnoye joint venture in the amount of US$ 5,344 thousand at 31 December 2007 and US$2,798 thousand at 31 December 2006 included in Trade and other receivables from Current assets to Non-current assets.

3. Principal accounting policies

(a) ***Basis of consolidation***

The consolidated financial information consists of the financial information of the Company and the entities controlled by the Company (its subsidiaries) as at the balance sheet date.

Subsidiaries are all entities over which the Peter Hambro Mining Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Peter Hambro Mining Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Peter Hambro Mining Group. They are de-consolidated from the date on which control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Peter Hambro Mining Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies are consistent with the policies adopted by the Peter Hambro Mining Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Peter Hambro Mining Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination or acquisition of ore deposits by way of a corporate vehicle and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against interests of the Peter Hambro Mining Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Peter Hambro Mining Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Peter Hambro Mining Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Peter Hambro Mining Group's share of the net assets of the subsidiary acquired, the difference is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Acquisition of assets

Frequently, the acquisition of mining licences is effected through a non-operating corporate structure. As these structures do not represent a business, it is considered that the transactions do not meet the definition of a business combination. Accordingly the transaction is accounted for as the acquisition of an asset. The net assets acquired are recognised at cost.

Where the Peter Hambro Mining Group has full control but does not own 100 per cent. of the assets, then a minority interest is recognised at an equivalent amount based on the Peter Hambro Mining Group's cost, the assets continue to be carried at cost and changes in those values are recognised in equity.

Joint ventures

The Peter Hambro Mining Group's interests in jointly controlled entities are accounted for using the equity method of accounting. The Peter Hambro Mining Group's investment in joint ventures includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Peter Hambro Mining Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Unrealised gains on transactions between the Peter Hambro Mining Group and its joint ventures are eliminated to the extent of the Peter Hambro Mining Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Joint ventures' accounting policies are consistent with the policies adopted by the Peter Hambro Mining Group.

(b) ***Foreign currency translation***

Functional and presentation currency

Items included in the financial information of each of the Peter Hambro Mining Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). For the purpose of the consolidated financial information, the results and financial position of each Group company are expressed in US Dollars, which is considered to be the functional currency in which the Peter Hambro Mining Group operates. The consolidated financial information is presented in US Dollars, which is the Peter Hambro Mining Group's presentation currency.

The rates of exchange used to translate balances from other currencies into US Dollars were as follows (currency per US Dollar):

	31 December 2008	*31 December 2007*	*31 December 2006*
GB Pounds Sterling	0.69	0.50	0.51
Russian Rouble	29.38	24.55	26.33

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(c) ***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Peter Hambro Mining Group's share of the net identifiable assets of the acquired subsidiary or joint venture at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in non-current assets as a separate line item. Goodwill on acquisitions of joint ventures is included in "Investments in joint ventures" and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGU") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose.

The excess of the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired over cost is recognised immediately in the income statement.

(d) ***Intangible assets***

Intangible assets relate to mineral rights acquired and exploration and evaluation expenditure capitalised in respect of projects that are at the exploration/pre-development stage.

Intangible assets acquired through a business combination or an asset acquisition are capitalised separately from goodwill if the asset is separable or arises from contractual or legal rights and the fair value can be measured reliably on initial recognition.

No depreciation charge is recognised in respect of intangible assets. These assets are transferred to mine development costs in property, plant and equipment upon the commencement of mine development, as outlined below in note 3(e).

As part of the Peter Hambro Mining Group's transition to IFRS there have been no changes to the Peter Hambro Mining Group's policy for the recognition and measurement of exploration and evaluation expenditure.

Exploration and evaluation expenditure in the relevant area of interest comprises costs which are directly attributable to:

- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Exploration and evaluation expenditure related to an area of interest where the Peter Hambro Mining Group has tenure are capitalised as intangible assets and are recorded at cost less impairment.

Exploration and evaluation expenditure also includes the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalised costs, including general and administrative costs, are only allocated to the extent that those costs can be related directly to operational activities in the relevant area of interest, where the existence of a commercially viable mineral deposit has been established.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist. In circumstances where a project is abandoned, the cumulative capitalised costs relating to the project are written off in the period.

When development of a mine begins, exploration assets are transferred to mine development assets (see note 3(e)).

(e) ***Property, plant and equipment***

Land and buildings, plant and equipment

On initial recognition, land, property, plant and equipment are valued at cost, being the purchase price and the directly attributable cost of acquisition or construction required to bring the asset to the location and condition necessary for the asset to be capable of operating in the manner intended by the Peter Hambro Mining Group.

Assets in the course of construction are capitalised in the capital construction in progress account. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment.

Development expenditure

Development expenditure incurred by or on behalf of the Peter Hambro Mining Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure includes costs directly attributable to the construction of a mine and the related infrastructure. Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as "mine development costs". Mine development costs are reclassified as "mining assets" at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management. No depreciation is recognised in respect of mine development costs until they are reclassified as "mining assets". Mine development costs are tested for impairment in accordance with the policy in note 3(f).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Peter Hambro Mining Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is provided so as to write off the cost, less estimated residual values, of property, plant and equipment as follows:

Mining assets, except for those related to alluvial gold operations, and certain mining equipment, where economic benefits from the asset are consumed in a pattern which is linked to the production level, are depreciated using a units of production method based on estimated economically recoverable reserves, which results in a depreciation charge proportional to the depletion of reserves.

In applying the units of production method, depreciation is normally calculated using the quantity of material processed at the mine in the period as a percentage of the total quantity of material to be extracted in current and future periods based on proven and probable reserves (and for some mines, mineral resources). In assessing the life of a mine for accounting purposes, mineral resources are only taken into account where there is a high degree of confidence of economic extraction.

Mining assets and mining equipment related to alluvial gold operations are depreciated using the straight-line method based on estimated useful lives or the life of the relevant license, whichever is shorter.

Mining assets and mining equipment are measured at cost less accumulated depreciation and impairment.

Other property, plant and equipment are recorded at cost, net of accumulated depreciation. Depreciation is provided on all such tangible assets using the straight-line method based on estimated useful lives, or over the remaining life of the mine if shorter.

	Average life
	Number of years
Buildings	15-50
Plant and machinery	3-20
Vehicles	5-7
Office equipment	5-10
Computer equipment	3-5

Residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Changes to the estimated residual values or useful lives are accounted for prospectively.

(f) ***Impairment of non-financial assets***

Property, plant and equipment and finite life intangible assets are reviewed by management for impairment if there is any indication that the carrying amount may not be recoverable. This applies to the Peter Hambro Mining Group's share of the assets held by the joint ventures as well as the assets held by the Peter Hambro Mining Group itself.

When a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of "value in use" (being the net present value of expected future cash flows of the relevant CGU) or "fair value less costs to sell". Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Peter Hambro Mining Group could receive for the CGU in an arm's length transaction. Future cash flows are based on:

- estimates of the quantities of the reserves and mineral resources for which there is a high degree of confidence of economic extraction;
- future production levels;
- future commodity prices (assuming the current market prices will revert to the Peter Hambro Mining Group's assessment of the long term average price, generally over a period of up to five years); and
- future cash costs of production, capital expenditure, environment protection, rehabilitation and closure.

IAS 36 "Impairment of assets" includes a number of restrictions on the future cash flows that can be recognised in respect of future restructurings and improvement related capital expenditure. When calculating "value in use", it also requires that calculations should be based on exchange rates current at the time of the assessment.

For operations with a functional currency other than the US Dollar, the impairment review is undertaken in the relevant functional currency. These estimates are based on detailed mine plans and operating budgets, modified as appropriate to meet the requirements of IAS 36 "Impairment of assets".

The discount rate applied is based upon pre-tax discount rate that reflects current market assessments of the time value of money and the risks associated with the relevant cash flows, to the extent that such risks are not reflected in the forecast cash flows.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the balance sheet to its recoverable amount. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

(g) ***Deferred stripping costs***

Stripping (i.e. overburden and other waste removal) costs incurred in the development of a mine before commercial production commences are capitalised as part of the cost of constructing the mine and are written-off to the income statement over the period during which the related economic benefits are realised. This period may be the life of the operation, or another appropriate basis, depending on the particular circumstances existing at each mine.

The Peter Hambro Mining Group defers stripping costs incurred subsequently, during the production stage of its operations, for those operations where this is the most appropriate basis for matching the costs against the related economic benefits. Where stripping costs do not fluctuate significantly over the life of the mine, these costs are deferred in inventory and are written off to the income statement in the following year, this being the period over which economic benefits relating to the stripping activity are realised.

(h) ***Provision for close down and restoration costs***

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Close down and restoration costs are provided for in the accounting period when the legal or constructive obligation arising from the related disturbance occurs, whether this occurs during the mine development or during the production phase, based on the net present value of estimated future costs. Provision for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments and are subject to formal review at regular intervals.

The amortisation or unwinding of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a financing cost, rather than as an operating cost. Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the outstanding continuous rehabilitation work at each balance sheet date. All other costs of continuous rehabilitation are charged to the income statement as incurred.

(i) ***Financial instruments***

Financial instruments recognised in the balance sheet include cash and cash equivalents, other investments, trade and other receivables, borrowings, derivatives and trade and other payables.

Financial instruments are initially measured at fair value when the Peter Hambro Mining Group becomes a party to their contractual arrangements. Transaction costs are included in the initial measurement of financial instruments, except financial instruments classified as at fair value through profit or loss. The subsequent measurement of financial instruments is dealt with below.

Financial assets

Financial assets are classified into the following specified categories: "financial assets at fair value through profit or loss", "held-to-maturity investments", "available-for-sale financial assets" and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised at trade-date, the date on which the Peter Hambro Mining Group commits to purchase the asset. The Peter Hambro Mining Group does not hold any financial assets which meet the definition of "held-to-maturity investments".

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classed in any of the other categories. They are included within non-current assets unless management intends to dispose of them within 12 months of the balance sheet date. Available-for-sale financial assets are carried at fair value at initial recognition. Changes to the fair value of available-for-sale financial assets are recognised in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Loans and receivables

Loans and receivables that have fixed or determinable payments are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less accumulated impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables when the recognition of interest would be immaterial.

Effective interest method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value and are measured at cost which is deemed to be fair value as they have a short-term maturity.

Trade receivables

Trade receivables are measured on initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Impairment of trade receivables is established when there is objective evidence as a result of a loss event that the Peter Hambro Mining Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment is recognised in the income statement.

Other investments

Listed investments and unlisted equity investments, other than investments in subsidiaries, joint ventures and associates, are classified as available-for-sale financial assets and subsequently measured at fair value. Fair values for unlisted equity investments are estimated using methods reflecting the economic circumstances of the investee. Equity investments for which fair value cannot be measured reliably are recognised at cost less impairment. Changes in fair value are recognised in equity in the period in which they arise. These amounts are removed from equity and reported in income when the asset is derecognised or when there is evidence that the asset is impaired.

Financial liabilities

Financial liabilities, other than derivatives, are subsequently measured at amortised cost, using the effective interest rate method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

The exchangeable bonds are recognised at fair value which is determined as the net proceeds received from the issuance of the bonds less transaction costs and premiums received or paid for the embedded options. The bonds are subsequently measured on an amortised cost basis, using the effective interest rate valuation method until redemption or maturity of the bonds.

Borrowings are classified as current liabilities unless the Peter Hambro Mining Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments

In accordance with IAS 39 the fair values of all derivatives are separately recorded on the balance sheet. Derivatives embedded in other financial instruments or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to their host-contract and the host contract is not carried at fair value.

Embedded derivatives are recognised at fair value at inception. Any change to the fair value of the embedded derivatives is recognised in operating profit within the income statement. Embedded derivatives which are settled net are disclosed in line with the maturity of their host contracts.

The fair value of embedded derivatives is determined by using market prices where available. In other cases, fair value will be calculated using quotations from independent financial institutions, or by using appropriate valuation techniques.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Peter Hambro Mining Group after deducting all of its liabilities. Equity instruments issued are recorded at the proceeds received, net of direct issue costs.

The Peter Hambro Mining Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed.

(j) ***Provisions***

Provisions are recognised when the Peter Hambro Mining Group has a present obligation, whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(k) ***Inventories***

Inventories are valued at the lower of cost and net realisable value after appropriate allowances for redundant and slow moving items. Net realisable value represents estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion. Cost is determined on the following bases:

- Gold in process is valued at the average total production cost at the relevant stage of production;
- Gold on hand is valued on an average total production cost method;
- Ore stockpiles are valued at the average moving cost of mining and stockpiling the ore. Stockpiles are allocated as a non-current asset where the stockpile exceeds current processing capacity;
- Consumable stores are valued at average cost; and
- Heap leach pad materials are measured on an average total production cost basis. The cost of materials on the leach pad from which gold is expected to be recovered in a period greater than 12 months is classified as a non-current asset.

A portion of the related depreciation, depletion and amortisation charge relating to production is included in the cost of inventory.

As described in note 3(g), deferred stripping costs are included in inventories where appropriate.

(l) ***Leases***

Leases of property, plant and equipment where the Peter Hambro Mining Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(m) ***Revenue recognition***

Revenue is recognised at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Peter Hambro Mining Group and the revenue can be reliably measured. Revenue derived from goods and services comprises the fair value of the sale of goods and services to third parties, net of value added tax, rebates and discounts. The following criteria must also be present:

- The sale of mining products is recognised when the significant risks and rewards of ownership of the products are transferred to the buyer;
- Revenue derived from services is recognised in the accounting period in which the services are rendered;
- Revenue from bulk sample sales made during the exploration or development phases of operations is recognised as a sale in the income statement;
- Dividends are recognised when the right to receive payment is established; and
- Interest is recognised on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Peter Hambro Mining Group.

(n) ***Borrowing costs***

Interest on borrowings relating to the financing of major capital projects under construction is capitalised during the construction phase as part of the cost of the project. Such borrowing costs are capitalised over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalisation ceases when construction is interrupted for an extended period or when the asset is substantially complete.

Other borrowing costs are expensed as incurred.

(o) ***Taxation***

Current tax is the tax expected to be payable on the taxable income for the year calculated using rates that have been enacted or substantively enacted by the balance sheet date. It includes adjustments for tax expected to be payable or recoverable in respect of previous periods.

Full provision is made for deferred taxation on all temporary differences existing at the balance sheet date with certain limited exceptions. Temporary differences are the difference between the carrying value of an asset or liability and its tax base. The main exceptions to this principle are as follows:

- Tax payable on the future remittance of the past earnings of subsidiaries, associates and jointly controlled entities is provided for except where the Company is able to control the remittance of profits and it is probable that there will be no remittance in the foreseeable future;
- Deferred tax is not provided on the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that does not affect accounting profit or taxable profit and is not a business combination, such as on the recognition of a provision for close down and restoration costs and the related asset or on the inception of finance lease; and

- Deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered.

Deferred tax is provided in respect of fair value adjustments on acquisitions. These adjustments may relate to assets such as mining rights that, in general, are not eligible for income tax allowances. In such cases, the provision for deferred tax is based on the difference between the carrying value of the asset and its nil income tax base.

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

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

(p) ***Employee benefits***

The Peter Hambro Mining Group operates a defined contribution pension scheme for the benefit of its employees. The funds of the scheme are administered by independent trustees and are separate from the Peter Hambro Mining Group. Contributions are recognised as they fall due.

4. Segment information

Business segments

For management purposes the Peter Hambro Mining Group is organised into four operating divisions – gold mining, construction & other services, exploration & evaluation and corporate. These divisions are the basis on which the Peter Hambro Mining Group reports its primary segment information. Segment information about these businesses is presented below:

For the three years ended 31 December 2008

	Gold mining			*Construction and other services*			*Exploration and evaluation*			*Corporate*			*Consolidated*		
	2008	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Revenue															
Gold sales	288,029	167,921	124,417	–	–	–	–	–	–	–	–	–	288,029	167,921	124,417
Silver sales	383	617	822	–	–	–	–	–	–	–	–	–	383	617	822
Other external sales	–	–	–	83,562	52,540	30,283	8,383	4,020	2,285	1,331	1,299	–	93,276	57,859	32,568
Inter-segment sales	–	–	–	51,317	25,748	7,433	34,302	21,929	11,491	11,546	8,868	6,504	97,165	56,545	25,428
Subtotal	288,412	168,538	125,239	134,879	78,288	37,716	42,685	25,949	13,776	12,877	10,167	6,504	478,853	282,942	183,235
(Less: inter-segment sales)	–	–	–	(51,317)	(25,748)	(7,433)	(34,302)	(21,929)	(11,491)	(11,546)	(8,868)	(6,504)	(97,165)	(56,545)	(25,428)
Total Group revenue	288,412	168,538	125,239	83,562	52,540	30,283	8,383	4,020	2,285	1,331	1,299	–	381,688	226,397	157,807
Expenses															
Net operating expenses excluding below expenses	109,800	57,112	41,518	76,297	46,440	26,787	11,528	3,506	4,738	29,545	19,518	18,836	227,170	126,576	91,879
Inter-segment expenses	5,964	–	–	45,470	19,995	6,248	29,909	19,803	11,573	–	–	–	81,343	39,798	17,821
Royalties	17,410	9,637	7,409	–	–	–	–	–	–	–	–	–	17,410	9,637	7,409
Depreciation	16,432	11,153	10,534	2,849	2,206	473	2,735	1,323	352	268	262	242	22,284	14,944	11,601
Subtotal	149,606	77,902	59,461	124,616	68,641	33,508	44,172	24,632	16,663	29,813	19,780	19,078	348,207	190,955	128,710
(Less: inter-segment sales)	(5,964)	–	–	(45,470)	(19,995)	(6,248)	(29,909)	(19,803)	(11,573)	–	–	–	(81,343)	(39,798)	(17,821)
Total Group expenses	143,642	77,902	59,461	79,146	48,646	27,260	14,263	4,829	5,090	29,813	19,780	19,078	266,864	151,157	110,889
Segment result	144,770	90,636	65,778	4,416	3,894	3,023	(5,880)	(809)	(2,805)	(28,482)	(18,481)	(19,078)	114,824	75,240	46,918
Exchange gain													(25,013)	6,961	5,623
Unallocated expenses													(2,700)	(766)	(1,626)
Fair value change on derivatives													(18,307)	(12,100)	–
Share of results in joint ventures													(1,261)	(1,821)	(173)
Operating profit after share of results of joint ventures													67,543	67,514	50,742
Financial income													7,709	3,776	6,137
Financial expenses													(34,864)	(16,105)	(11,764)
Taxation													(17,643)	(15,560)	(12,742)
Profit for the year													22,745	39,625	32,373

	Gold mining			Construction and other services			Exploration and evaluation			Corporate			Consolidated		
	2008	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Balance sheet															
Segment assets	375,203	257,716	164,024	101,064	74,297	73,208	272,570	208,582	176,840	42,261	184,839	53,995	791,098	725,434	468,067
Goodwill													21,675	15,818	13,396
Securities held for trading													–	–	13,937
Interest in joint ventures													7,427	8,635	10,534
Deferred tax assets													17,057	3,388	–
Derivative financial instruments													1,875	–	–
Consolidated total assets													839,132	753,275	505,934
Segment liabilities	16,711	10,182	5,056	21,666	19,159	19,782	5,066	1,805	2,073	3,945	3,839	4,633	47,388	34,985	31,544
Borrowings													373,724	323,235	141,619
Derivative financial instruments													42,476	30,634	–
Current tax liability													638	1,888	973
Deferred tax liabilities													32,580	19,677	21,744
Consolidated total liabilities													496,806	410,419	195,880
Other information															
Acquisition of property, plant and equipment	88,678	22,130	58,949	12,136	4,248	2,593	10,660	75,529	4,584	495	7,271	7,862	111,969	109,178	73,988
Additions of intangible assets	27	882	932	1,723	–	–	56,688	47,154	52,248	–	–	–	58,438	48,036	53,180
Depreciation and amortisation	15,297	10,373	10,603	2,849	2,206	474	3,679	2,051	973	1,404	1,035	242	23,229	15,665	12,292

Geographical segments

The Peter Hambro Mining Group's operations are located in Russia and the United Kingdom. The Peter Hambro Mining Group's gold mining, construction and other services and exploration and evaluation divisions are located in Russia. The Peter Hambro Mining Group's corporate activities are carried out in Russia and the United Kingdom.

All sales revenues for the current and previous years were earned in Russia. All significant amounts of capital expenditure incurred during the current and previous years were for assets located in Russia. As such, disclosure of this information on the basis of geographical segments is not considered necessary.

The following is an analysis of the carrying amount of assets, analysed by the geographical area in which the assets are located.

For the three years ended 31 December 2008

	Russia			United Kingdom			Total		
	2008	*2007*	*2006*	*2008*	*2007*	*2006*	*2008*	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Carrying amount of assets	800,455	681,409	479,703	38,677	71,866	26,231	839,132	753,275	505,934

5. Revenue

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Group revenue	381,688	226,397	157,807
Share of joint venture Omchak (Note 8)	19,881	24,819	18,532
Share of joint venture Rudnoye (Note 8)	2,323	1,087	695
	403,892	252,303	177,034

Segmental analysis of the Peter Hambro Mining Group turnover is disclosed in note 4. During the year ended 31 December 2008, US$36,694 thousand of the Peter Hambro Mining Group's revenue has been derived from construction work carried out for related parties (2007: US$24,763 thousand, 2006: US$15,307 thousand). All proceeds are receivable in the ordinary course of business and are recorded exclusive of Value Added Tax. Refer to note 30 for further details.

For the years ended 31 December 2007 and 31 December 2006, the Peter Hambro Mining Group's revenue included approximately US$7,565 thousand and US$5,214 thousand respectively, generated from bulk samples sales of the Pioneer mine, relating to 12,500 oz and 9,800 oz of gold from the Pioneer mine produced at the Pokrovskiy mine. From 1 January 2008, amortisation of Pioneer mine development costs commenced and was included in the cost of sales.

6. Net operating expenses and profit

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
(a) Net operating expenses:			
Cost of sales	207,307	117,037	82,079
Administration expenses	87,258	29,428	26,105
Other operating expense/(income)	12	(1,503)	(1,292)
Net operating expenses	294,577	144,962	106,892
(b) Profit for the year has been arrived at after charging/(crediting):			
Depreciation of property, plant and equipment	23,229	15,665	12,292
Less: depreciation capitalised	(945)	(721)	(691)
	22,284	14,944	11,601
Raw materials and consumables	52,302	23,605	18,010
Fuel	19,508	10,334	9,355
Electricity	5,307	3,352	2,728
Royalties	17,410	9,638	7,409
Staff costs (note 9)	75,642	48,582	32,927
Directors' emoluments (note 30)	5,147	5,809	6,071
Auditors' remuneration (note 7)	2,101	615	392
Loss on disposal of property plant and equipment	1,605	84	123
Loss on disposal of investments	–	61	–
Foreign exchange gains	25,013	(6,961)	(5,623)
Goodwill impairment (note 15)	–	–	486
Impairment of intangibles (note 16)	3,240	1,759	–
Operating leases	132	108	187

7. Auditors' remuneration

The Peter Hambro Mining Group, including its overseas subsidiaries, obtained the following services from the Company's auditors:

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Fees payable to the company's auditor for the annual audit of the parent company and consolidated financial information	500	541	244
Total audit fees	500	541	244
Transaction based corporate finance services			
– Reporting accountants services	636	–	–
– Non-statutory audit services	456	–	–
Taxation services	–	14	114
Other services			
– Interim review fee	60	60	20
– Offer assistance in preparation for listing	449	–	14
Total non-audit fees	1,601	74	148
Total remuneration	2,101	615	392

8. Share of results of joint ventures

For the three years ended 31 December 2008

	Joint venture Omchak 31 December 2008 US$'000	*Joint venture Rudnoye 31 December 2008 US$'000*	*Total 31 December 2008 US$'000*	*Total 31 December 2007 US$'000*	*Total 31 December 2006 US$'000*
PHM share					
Sales revenue	19,881	2,323	22,204	25,906	19,227
Net operating expenses	(21,193)	(2,752)	(23,945)	(26,961)	(18,323)
Operating (loss)/profit	(1,312)	(429)	(1,741)	(1,055)	904
Financial income	2,032	578	2,610	273	264
Financial expenses	(1,139)	(16)	(1,155)	(616)	(593)
(Loss)/profit on ordinary activities before taxation	(419)	133	(286)	(1,398)	575
Taxation	(432)	(49)	(481)	(435)	(352)
(Loss)/profit for the year	(851)	84	(767)	(1,833)	223
Attributable to:					
– equity holders of the Company	(1,345)	84	(1,261)	(1,821)	(173)
– minority interests	494	–	494	(12)	396

9. Staff costs

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Wages and salaries – cost of sales	49,000	30,343	19,429
Social security costs – cost of sales	9,503	6,764	3,999
Production cost	58,503	37,107	23,428
Wages and salaries – administrative expenses	14,747	10,186	7,059
Social security costs – administrative expenses	2,392	1,289	2,440
Administration cost	17,139	11,475	9,499
Total staff costs	75,642	48,582	32,927

The average number of employees, excluding Directors, during each of the respective reporting periods, was as follows:

	Year ended 31 December		
	2008	*2007*	*2006*
	No.	*No.*	*No.*
Production	5,234	3,601	2,892
Administration	1,310	1,240	1,039
	6,544	4,841	3,931

10. Financial income

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Net gain from securities trading	–	416	92
Interest receivable	7,709	3,360	6,045
	7,709	3,776	6,137

11. Financial expenses

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Finance lease charge	–	–	13
Commission and interest in respect of sale and lease back transaction	4	53	285
Bank borrowings interest	5,462	1,134	416
Convertible bonds interest	10,994	10,993	10,795
Exchangeable bonds interest	16,606	3,286	–
Bank charges	1,562	567	244
Unwinding of discount on environmental obligation	236	72	25
	34,864	16,105	11,778
Less finance cost capitalised	–	–	(14)
	34,864	16,105	11,764

12. Taxation

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Current tax			
UK corporation tax (28.5% for the year ended 31 December 2008 (years ending 31 December 2006 and 2007: 30%))*	(917)	1,354	–
Russia tax (24%)	19,974	19,661	13,104
Over provision in respect of previous periods	–	–	(1,066)
	19,057	21,015	12,038
Deferred tax			
Reversal and origination of temporary differences	(1,414)	(5,455)	704
Total tax charge	17,643	15,560	12,742

The charge for the years can be reconciled to the profit per the income statement as follows:

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Profit before tax	40,388	55,185	45,115
Tax at the UK corporation tax rate of 28.5% for the year ended 31 December 2008 (years ending 31 December 2006 and 2007: 30%)*	11,510	16,555	13,535
Effect of different tax rate of subsidiaries operating in other jurisdictions (a)	(4,517)	(3,334)	(2,354)
Effect of different tax rate for UK deferred tax balances (28%)	–	(242)	–
Effect of different tax rate for deferred tax balances of subsidiaries operating in Russia (a)	(6,306)	–	–
Share of results in joint ventures	481	435	–
Adjustments in respect of prior years	740	–	–
Foreign exchange movements in respect of deductible temporary differences	11,963	956	–
Impact of items excluded in arriving at underlying earnings	–	–	(48)
Expenses not deductible for tax purposes	3,772	1,190	1,609
Tax expense for the year	17,643	15,560	12,742

* The corporation tax rate in the United Kingdom changed from 30 per cent., to 28 per cent. effective 1 April 2008.

The Directors believe that there have been no material breaches of Russian tax regulations and that this financial information contains all necessary provisions in respect of the Peter Hambro Mining Group's tax liabilities in Russia. However, Russian tax and currency control regulations are in a state of flux and may be subject to differing interpretations by various governmental bodies. Fines and penalties for any errors and omissions could be significant.

(a) ***Effect of different tax rate of subsidiaries operating in Russia***

The corporation tax rate in Russia is 24 per cent. for the years ended 31 December 2008, 2007 and 2006. The corporation tax rate in Russia changed from 24 per cent. to 20 per cent. effective 1 January 2009.

13. Dividends

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Amounts recognised as distributions to equity holders in the year:			
Final dividend for the year ended 31 December 2007 of 7.5 pence per share	12,166	–	–
Interim dividend for the year ended 31 December 2008 of 7.5 pence per share	10,828	–	–
	22,994	–	–

The US Dollar equivalent of the dividend payment has been arrived at by translating sterling amounts paid into US Dollars at the date of payment.

14. Earnings per ordinary share

	Year ended 31 December		
	2008	*2007*	*2006*
Profit for the period US$'000	22,002	38,667	31,986
Weighted average number of ordinary shares	81,155,052	81,155,052	80,302,732
Earnings per ordinary share	US$0.271	US$0.476	US$0.398
Diluted earnings per share	US$0.271	US$0.476	US$ 0.398

As described in note 25, the Peter Hambro Mining Group has issued convertible bonds which could potentially dilute basic earnings per ordinary share in the future but were not included in the calculation of diluted earnings per ordinary share because they are anti-dilutive at, 31 December 2008, 31 December 2007 and 31 December 2006.

15. Goodwill

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Cost			
Opening balance at beginning of the year	16,304	13,882	–
Goodwill arising on acquisition of Irgiredmet (note 33)	–	2,422	13,726
Goodwill arising on acquisition of PRP Stancii (note 33)	5,430	–	–
Goodwill arising on acquisition of PHM Engineering (note 33)	427	–	–
Fair value adjustment – deferred tax recognised on Amur Doré	–	–	156
Closing balance at end of the year	22,161	16,304	13,882
Accumulated impairment losses			
Opening balance at beginning of the year	(486)	(486)	–
Impairment loss	–	–	(486)
Closing balance at end of the year	(486)	(486)	(486)
Carrying amount at 31 December	21,675	15,818	13,396

Goodwill recognised primarily relates to the Peter Hambro Mining Group's investment in Irgiredmet and PRP Stancii.

On acquisition of Irgiredmet, management determined that CGUs likely to benefit from acquisition-related synergies are the individual mining projects, which altogether comprise the Gold mining and Exploration & evaluation segments.

Goodwill recognised on acquisition of Irgiredmet in the aggregate amount of US$16,148 thousand has been allocated for impairment testing purposes in equal parts between the two groups of CGUs, being the Gold mining segment and Exploration & evaluation segment.

Goodwill recognised on acquisition of PRP Stancii in the amount of US$5,430 thousand has been allocated to the group of CGUs likely to benefit from acquisition-related synergies, altogether comprising the Gold mining segment.

The recoverable amount of CGUs is determined based on value-in-use calculations. These calculations correspond to the present value of estimated future net cash flows based on ten year budget and business plan approved by management. Management determined budgeted cash flows based on expected production profile of the existing mining projects using a discount rate of 10 per cent.

The Group tests goodwill annually for impairment or more frequently if there are indicators that goodwill might be impaired.

16. Intangible assets

31 December 2006

	Pioneer US$'000	*Malomyir US$'000*	*Albyn US$'000*	*Tokur US$'000*	*Yamal deposits US$'000*	*Others* US$'000*	*Total US$'000*
Cost							
At 1 January 2006	23,108	2,381	–	43,132	25,098	9,156	102,875
Additions as a result of acquisition of a subsidiary	–	–	158	–	–	857	1,015
Additions	7,464	8,243	537	110	12,255	9,410	38,019
Contingent shares issued	–	–	–	14,146	–	–	14,146
Disposal	–	–	–	–	(144)	(645)	(789)
At 31 December 2006	30,572	10,624	695	57,388	37,209	18,778	155,266

31 December 2007

	Pioneer US$'000	*Malomyir US$'000*	*Albyn US$'000*	*Tokur US$'000*	*Yamal deposits US$'000*	*Others* US$'000*	*Total US$'000*
Cost							
At 1 January 2007	30,572	10,624	695	57,388	37,209	18,778	155,266
Additions as a result of acquisition of a subsidiary (note 33)	–	–	–	–	–	805	805
Additions	–	14,859	2,690	1,049	11,432	17,201	47,231
Impairment for the year (b)	–	–	–	–	–	(1,759)	(1,759)
Transfer to mine development costs	(30,572)	–	–	–	–	(184)	(30,756)
Disposal	–	–	–	–	–	(5)	(5)
At 31 December 2007	–	25,483	3,385	58,437	48,641	34,836	170,782

31 December 2008

	Pioneer US$'000	*Malomyir US$'000*	*Albyn US$'000*	*Tokur US$'000*	*Yamal deposits US$'000*	*Others* US$'000*	*Total US$'000*
Cost							
At 1 January 2008	–	25,483	3,385	58,437	48,641	34,836	170,782
Additions	–	15,825	7,005	435	14,661	20,512	58,438
Impairment for the year (b)	–	–	–	–	–	(3,240)	(3,240)
Transfer to mine development costs	–	–	–	–	–	(205)	(205)
Reallocation	–	–	–	2,677	–	(2,677)	–
Disposal	–	–	–	–	(329)	–	(329)
	–	41,308	10,390	61,549	62,973	49,226	225,446

* Amounts included above in the "Others" category of intangible assets represent amounts capitalised in respect of a number of projects in the Amur and Buryatia regions.

Intangible assets relate to mineral rights acquired and exploration and evaluation expenditure capitalised in respect of projects that are at the exploration/pre-development stage. No depreciation charge is recognised in respect of these intangible assets. As described in note 3(e), when the development of a mine begins, these assets are transferred to 'mine development costs' in property, plant and equipment.

(a) An impairment charge of US$3,240 thousand was recognised during the year ended 31 December 2008 in connection with the Voroshilovskoye deposit, following a decision to abandon the licence and write-off associated exploration and evaluation costs previously capitalised.

(b) An impairment charge of US$1,759 thousand was recognised during the year ended 31 December 2007 in connection with the Izvestkovaya Sopka deposit, following the decision to abandon a licence and write-off associated exploration and evaluation costs previously capitalised.

17. Property plant and equipment

31 December 2006

	Mine development costs US$'000	*Mining assets US$'000*	*Non-mining assets US$'000*	*Capital construction in progress US$'000*	*Total US$'000*
Cost					
At 1 January 2006	–	111,337	10,484	10,823	132,644
Transfers from capital construction in progress	–	2,159	3,038	(5,197)	–
Additions as a result of acquisitions	–	5	42,965	–	42,970
Additions	–	6,104	5,772	19,142	31,018
Disposals	–	(1,066)	(768)	(76)	(1,910)
At 31 December 2006	–	118,539	61,491	24,692	204,722
Depreciation					
At 1 January 2006	–	25,117	2,336	–	27,453
Charge for the year	–	9,421	2,871	–	12,292
Disposals	–	(873)	(80)	–	(953)
At 31 December 2006	–	33,665	5,127	–	38,792
Net book value					
At 1 January 2006	–	86,220	8,148	10,823	105,191
At 31 December 2006	–	84,874	56,364	24,692	165,930

31 December 2007

	Mine development costs US$'000	Mining assets US$'000	Non-mining assets US$'000	Capital construction in progress US$'000	Total US$'000
Cost					
At 1 January 2007	–	118,539	61,491	24,692	204,722
Transfers from intangible assets	30,756	–	–	–	30,756
Transfers from capital construction in progress	–	20,862	8,805	(29,667)	–
Additions	35,525	13,208	11,668	18,021	78,422
Disposals	–	(570)	(1,743)	–	(2,313)
At 31 December 2007	66,281	152,039	80,221	13,046	311,587
Depreciation					
At 1 January 2007	–	33,665	5,127	–	38,792
Charge for the year	–	9,236	6,429	–	15,665
Disposals	–	(500)	(171)	–	(671)
At 31 December 2007	–	42,401	11,385	–	53,786
Net book value					
At 1 January 2007	–	84,874	56,364	24,692	165,930
At 31 December 2007	66,281	109,638	68,836	13,046	257,801

31 December 2008

	Mine development costs US$'000	Mining assets US$'000	Non-mining assets US$'000	Capital construction in progress US$'000	Total US$'000
Cost					
At 1 January 2008	66,281	152,039	80,221	13,046	311,587
Transfers from intangible assets	–	205	–	–	205
Transfers from capital construction in progress	–	14,778	9,423	(24,201)	–
Transfer from mine development costs	(73,209)	73,209	–	–	–
Assets acquired through business combinations (note 31)	–	2,927	1,536	154	4,617
Additions	20,708	34,505	16,357	35,577	107,147
Disposals	–	(3,213)	(2,866)	(247)	(6,326)
Reallocation	(12,596)	(16,314)	16,314	12,596	–
At 31 December 2008	1,184	258,136	120,985	36,925	417,230
Depreciation					
At 1 January 2007	–	42,401	11,385	–	53,786
Charge for the year	–	13,474	9,755	–	23,229
Disposals	–	(1,324)	(722)	–	(2,046)
Reallocation	–	(98)	98	–	–
At 31 December 2008	–	54,453	20,516	–	74,969
Net book value					
At 1 January 2008	66,281	109,638	68,836	13,046	257,801
At 31 December 2008	1,184	203,683	100,469	36,925	342,261

Included in ‘mine development costs’ at 31 December 2007 is US$65,380 thousand associated with the Pioneer mine, which was technically commissioned in September 2007. Production commenced in the first half of 2008, at which time these assets were transferred to ‘mining assets’.

No assets were held under finance leases either at 31 December 2008, 31 December 2007, or 31 December 2006.

Property plant and equipment with a net book value of US$49,800 thousand at 31 December 2008, US$11,400 thousand at 31 December 2007 and US$nil at 31 December 2006, have been pledged to secure borrowings of the Peter Hambro Mining Group (see note 25). The Peter Hambro Mining Group is not allowed to pledge these assets as security for other borrowings or sell them to another entity.

18. Interests in joint ventures

For the three years ended 31 December 2008

	Joint venture Omchak 2008 US$'000	*Joint venture Rudnoye 2008 US$'000*	*Total 2008 US$'000*	*Total 2007 US$'000*	*Total 2006 US$'000*
Summary balance sheets (PHM's share)					
Share of assets					
Non-current assets	9,303	4,314	13,617	12,156	10,591
Current assets	13,780	1,298	15,078	14,173	12,853
	23,083	5,612	28,695	26,329	23,444
Share of liabilities					
Current liabilities	(12,173)	(689)	(12,862)	(11,323)	(8,097)
Non-current liabilities and provisions	(2,447)	(5,959)	(8,406)	(6,371)	(4,813)
	(14,620)	(6,648)	(21,268)	(17,694)	(12,910)
PHM's share of net assets/(liabilities)	8,463	(1,036)	7,427	8,635	10,534

The Omchak joint venture’s assets/liabilities were originally created for the purpose of bidding for a mining licence. Under the Omchak joint venture agreement the Russian shareholders (Susumanzoloto and Shkolnoye) are required to ensure that their assets contributed to the joint venture generate income sufficient to declare and pay dividends in the first five years of the joint venture’s operations of not less than US$7,200 thousand in aggregate. If the required level of dividends is not paid the Peter Hambro Mining Group’s interest in the joint venture will be increased.

The Peter Hambro Mining Group’s interest in Omchak is treated as an investment in a joint venture as it is jointly controlled by the Peter Hambro Mining Group and the other Russian shareholders under a contractual agreement. Fluctuations in the percentage interest in the joint venture do not change joint control over Omchak as none of the parties can control the entity. The Peter Hambro Mining Group’s interest in the joint venture remained 50 per cent. throughout the years ended 31 December 2006, 2007 and 2008.

Further details of investments in joint ventures including the name and country of incorporation are included in note 37.

19. Other investments

		At 31 December	
	2008 US$'000	*2007 US$'000*	*2006 US$'000*
Unquoted equity investments	972	960	1,022

Other investments are classified as available-for-sale financial assets and represent the Peter Hambro Mining Group’s investment in Solovyevskiy Priisk and Verkhnetisskaya GRK. These investments have been recorded at cost as, in the opinion of the Directors, fair values cannot be measured reliably as there are no active markets with quoted market prices. The Peter Hambro Mining Group has no intention of disposing of the investment in the near future.

20. Inventories

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Current			
Stores and spares	44,700	20,768	13,150
Work in progress	23,436	19,594	8,612
Bullion in process	4,196	106	97
Total current inventories	72,332	40,468	21,859
Non-current			
Work in progress	19,078	11,620	14,201
Total non-current inventories	19,078	11,620	14,201
Total inventories	91,410	52,088	36,060

Work in progress comprises leached ore, ore in the process of leaching, poor ore and deferred stripping.

No inventories have been pledged as security.

21. Trade and other receivables

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Current			
Trade receivables (a)	3,857	1,032	1,901
Advances to contractors	30,481	14,278	11,241
VAT recoverable	24,073	20,290	13,247
Advances paid on resale and commission contracts (b)	12,673	10,446	9,129
Other debtors	7,503	11,619	7,530
Interest accrued	408	160	745
Loan to Omchak joint venture	3,046	407	–
Other loans receivable	2,734	1,785	732
	84,775	60,017	44,525
Non-current			
Loan to Rudnoye joint venture	6,089	5,344	2,798
Exchangeable Loan (c)	13,701	–	–
	19,790	5,344	2,798

There is no significant concentration of credit risk with respect to trade and other receivables. The Peter Hambro Mining Group has implemented policies that require appropriate credit checks on potential customers before granting credit. The Peter Hambro Mining Group has adopted a policy of only dealing with creditworthy counterparties. The Peter Hambro Mining Group's exposure and credit ratings of its counterparties are monitored by the Board of Directors. The maximum credit risk of such financial assets is represented by the carrying value of the asset.

(a) Amounts included in trade receivables at 31 December 2006, 2007 and 2008 relate mostly to services performed by the Peter Hambro Mining Group's subsidiary, OAO Irgiredmet. Trade receivables are due for settlement between one and six months. All outstanding trade receivables at period end are not past due and are all recoverable.

(b) Amounts included in advances paid on resale and commission contracts at 31 December 2006, 2007 and 2008 relate to services performed by the Group's subsidiary, OAO Irgiredmet in its activity to procure materials such as reagents, consumables and equipment to third parties.

(c) On 10 June 2008, the Company participated in a US$80 million senior secured exchangeable loan (the "Exchangeable Loan") to Venezuala Holdings (BVI) Limited, a wholly owned subsidiary of Rusoro Mining Limited ("Rusoro"). The Company subscribed for US$20 million of the Exchangeable Loan and the remainder of the funds were provided by other parties (the "Lenders"). The Exchangeable Loan carries an interest rate of 10 per cent. per-annum payable semi-annually in arrears and is exchangeable into Rusoro shares at C$1.25 (the "Rusoro Embedded Derivative"). The loan component is measured at amortised cost, whilst the Rusoro Embedded Derivative is separately fair valued (see note 26).

The Directors consider that the carrying amount of trade receivables approximates their fair value.

22. Securities held for trading

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Corporate bonds	–	–	13,937

23. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held on call with banks and highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Cash at bank and in hand	22,792	85,707	30,997
Short term bank deposits	3,652	41,243	22,103
Promissory notes and other liquid investments	–	51,492	9,366
	26,444	178,442	62,466

The carrying amount of these assets approximates their fair value.

24. Trade and other payables

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Trade payables	11,519	6,477	3,855
Advances from customers	1,772	3,371	8,750
Advances received on resale and commission contracts (a)	7,438	9,233	9,294
Other payables	21,413	14,301	8,762
	42,142	33,382	30,661

(a) Amounts included in advances paid on resale and commission contracts at 31 December 2008 and 31 December 2007 relate to services performed by the Group's subsidiary, OAO Irgiredmet in its activity to procure materials such as reagents, consumables and equipment to third parties.

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

25. Borrowings

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Borrowings at amortised cost			
Convertible bonds (a)	140,663	139,637	138,619
Exchangeable bonds (b)	162,863	158,863	–
Bank loans (c)	60,198	24,700	3,000
Other loans (Note 30)	10,000	–	–
Finance lease liability	–	35	316
	373,724	323,235	141,935
Amount due for settlement within 12 months	220,946	31,135	7,195
Amount due for settlement after 12 months	152,778	292,100	134,740
	373,724	323,235	141,935

The carrying amounts of the group's borrowings are denominated in the following currencies:

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
US dollars	373,028	323,235	141,935
Russian roubles	696	–	–
	373,724	323,235	141,935

(a) ***Convertible bonds***

In August 2005, the Peter Hambro Mining Group issued US$140 million of convertible bonds due in 2010. The convertible bonds were issued at par by the Company's wholly owned subsidiary, PHMGFL, and are guaranteed by the Company. The convertible bonds carry a coupon rate of 7.125 per cent. payable semi-annually in arrears and can be converted into fully paid ordinary shares of 1p each of the Company at the price of 724p per share, as adjusted on 6 February 2009. If not converted or previously redeemed the convertible bonds will be redeemed at par on or about 11 August 2010.

The net proceeds received from the issue of the convertible bonds have been split between the liability element and the equity component, amounting to US$1,583 thousand, representing the fair value of the embedded option to convert the liability into equity of the Peter Hambro Mining Group.

The interest charged for the year is calculated by applying an effective interest rate of 8.3 per cent. to the liability component. The liability component is measured at amortised cost.

The fair value of the liability component of the convertible bonds at 31 December 2008 amounted to US$160.6 million. The fair value is calculated using cash flows discounted at a rate based on the weighted average external borrowings rate of 12 per cent. The carrying value of the liability component of the convertible bonds at 31 December 2006 and 2007 approximated its fair value.

(b) ***Gold Equivalent Exchangeable bonds***

On 19 October 2007, in order to finance expansion, the Peter Hambro Mining Group raised US$180 million by issuing 5 year bonds that are exchangeable, at the discretion of the bond holder, into the cash equivalent of (in aggregate) 180,000 Troy ounces anytime from 19 October 2009 (the second anniversary of the issue date of the exchangeable bonds) until 30 September 2012 (20 days prior to the maturity of the exchangeable bonds). The bonds carry a coupon rate of 7 per cent. per annum payable semi-annually in arrears.

The exchangeable bonds are measured at amortised cost and include embedded derivatives which are separately fair valued (refer note 26).

The exchangeable bonds have been classified as 'current' within the balance sheet as the first possible redemption date by bond holders occurs on 19 October 2009. (2006 and 2007: the exchangeable bonds have been classified as 'non-current' within the balance sheet).

The interest charged for the year is calculated by applying an effective interest rate of 10.56 per cent. to the liability component measured at amortised cost.

The carrying value of the liability component of the exchangeable bonds approximated its fair value at 31 December 2006, 2007 and 2008.

(c) ***Bank loans***

At 31 December 2008, the Peter Hambro Mining Group owed US$44.24 million under short-term bank loans maturing during the course of 2009, and US$16 million under a long-term bank loan maturing in April 2011. Total bank loans include secured liabilities of US$46.8 million (2007: US$24.7 million and 2006: US$3.0 million) which are secured against certain items of property, plant and equipment of the Peter Hambro Mining Group (note 17).

Short-term bank loans include unsecured loans from related parties of the Peter Hambro Mining Group, for an aggregate amount of US$9.95 million, and carry interest of 16 per cent. to 19 per cent. per annum. Refer to note 30 for further details.

The Peter Hambro Mining Group had undrawn revolving bank credit facilities in the amount of US$12.0 million at 31 December 2006 and US$ 10.3 million at 31 December 2007. There were no revolving bank credit facilities at 31 December 2008.

The carrying value of the bank loans and other loans approximated their fair value at each period end.

The weighted average interest rates paid during the periods were as follows:

	Years ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Convertible bonds	7.125%	7.125%	7.125%
Exchangeable bonds	7%	7%	–
Bank loans and loans from other financial institutions	12%	8.5%	8.1%

26. Derivative financial instruments

	At 31 December 2008 US$'000	2007 US$'000	2006 US$'000
Derivative financial assets – Rusoro Embedded Derivative (a)			
Fair value of the Rusoro Embedded Derivative at inception	6,560	–	–
Fair value change	(5,128)	–	–
Fair value at 31 December	1,432	–	–
Derivative financial assets – Rusoro Call Option (a)			
Fair value of the Call Option at inception	1,780	–	–
Fair value change	(1,337)	–	–
Fair value at 31 December	443	–	–
Total derivative financial assets at 31 December	1,875	–	–
Derivative financial liabilities – Gold Exchangeable Bonds Embedded Derivatives (b)			
Fair value of Gold Exchangeable Bonds Embedded Derivatives at inception (October 2007) and the beginning of the year	(30,634)	(18,534)	–
Fair value change	(10,766)	(12,100)	–
Fair value at 31 December	(41,400)	(30,634)	–
Derivative financial liabilities – foreign currency forward contract			
Fair value of the foreign currency forward contract at inception	–	–	–
Fair value change	(1,076)	–	–
Fair value at 31 December	(1,076)	–	–
Total derivative financial liabilities at 31 December	(42,476)	(30,634)	–

(a) The derivative financial assets recognised at 31 December 2008 relate to the Rusoro Embedded Derivative within the Exchangeable Loan and the Call Option. Details of both are as follows:

Rusoro Embedded Derivative: The Exchangeable Loan issued to Rusoro on 10 June 2008 is exchangeable into Rusoro common shares at C$1.25, at any time from the 30th day after the Drawdown Date of the loan up to six days prior to the repayment date or up to the prepayment date in accordance with the loan agreement.

Call Option: On 10 June 2008, the Company entered into an option agreement with the other Lenders, (the "Call Option"), separate from the Exchangeable Loan, giving the Company the right to acquire from the other Lenders, at a price of C$2.20 per share (subject to adjustment), the Rusoro common shares which such other Lenders may receive upon exchange of their portion of the Exchangeable Loan. The Call Option may be exercised from the drawdown date to 3 June 2010 however may be shortened in the event that the Lenders exchange their portion of the Exchangeable Loan or if prepayment takes place.

(b) There are two embedded derivatives within the US$180 million Gold Equivalent Exchangeable Bonds: a written option to the bond holders and a cap which is held by the Group. Details of both embedded derivatives are as follows:

Written Option: A written option for the bond holder to exchange their exchangeable bonds into cash equivalents at the time of exchange of (in aggregate) up to 180,000 Troy ounces of gold at any time from 19 October 2009 (the second anniversary of the issue date of the exchangeable bonds) until 30 September 2012 (20 days prior to the maturity of the exchangeable bonds).

Cap: The Group has the option to call the exchangeable bonds at par plus accrued interest after 19 October 2011 (the fourth anniversary of the issue date) provided that the London afternoon gold price fixing reaches a level of US$1,500 per Troy ounce, with investors retaining the right to convert within the call period up to the fifteenth day before the date fixed by the call for redemption.

The embedded derivatives are part of the same contract and can legally be, and will be, settled net as part of the same contract. Accordingly the fair value of the written option and the cap are presented net on the balance sheet at period end and classified as 'current' as the first possible redemption date by bond holders occurs on 19 October 2009 (2007: classified as 'non-current').

(c) In 2008, the Group entered into a forward contract to sell US$10 million at the agreed exchange rate between Russian Rouble and US Dollar on 22 April 2009.

The fair value of the Rusoro Embedded Derivative, the Call Option and the Gold Exchangeable Bonds Embedded Derivatives are determined using appropriate valuation techniques based on market data.

27. Deferred taxation

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Balance at start of period	16,289	21,744	11,132
Deferred tax (credited)/charged to income statement	(1,414)	(5,455)	704
Deferred tax arising on acquisition of subsidiaries (note 33)	648	–	–
Deferred tax charge as a result of acquisition Irgiredmet	–	–	9,752
Deferred tax charge as a result of acquisition Amur Doré	–	–	156
Balance at end of period	15,523	16,289	21,744
Deferred tax assets	17,057	3,388	–
Deferred tax liabilities	(32,580)	(19,677)	(21,744)
Net deferred tax liability	(15,523)	(16,289)	(21,744)
Deferred tax (credited)/charged to income statement	(1,414)	(5,455)	704

For the three years ended 31 December 2008

	At 1 January 2006 US$'000	*Deferred tax charge/ (credit) US$'000*	*Acquisition of subsidiary US$'000*	*At 31 December 2006 US$'000*	*Deferred tax charge/ (credit) US$'000*	*At 31 December 2007 US$'000*	*Deferred tax charge/ (credit) US$'000*	*Acquisition of subsidiary US$'000*	*At 31 December 2008 US$'000*
Property, plant and equipment	5,326	508	–	5,834	544	6,378	13,191	–	19,569
Inventory	1,659	1,113	–	2,772	888	3,660	2,900	–	6,560
Capitalised exploration and evaluation expenditure	157	(4)	–	153	(1,807)	(1,654)	(1,010)	–	(2,664)
Derivative financial instruments	–	–	–	–	(8,418)	(8,418)	(2,649)	–	(11,067)
Exchangeable bonds	–	–	–	–	5,030	5,030	(779)	–	4,251
Exchangeable loan to Venezuala Holdings (BVI) Limited	–	–	–	–	–	–	(1,735)	–	(1,735)
Tax losses	–	–	–	–	–	–	(6,518)	–	(6,518)
Other temporary differences	(114)	(594)	–	(708)	(904)	(1,612)	(1,942)	1	(3,553)
Deferred tax charge on fair value adjustment	4,104	(319)	–	3,785	(788)	2,997	(2,872)	647	772
Deferred tax arising on acquisition Irgiredmet	–	–	9,752	9,752	–	9,752	–	–	9,752
Deferred tax arising on acquisition Amur Doré	–	–	156	156	–	156	–	–	156
Total	11,132	704	9,908	21,744	(5,455)	16,289	(1,414)	648	15,523

28. Provision for close down and restoration costs

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Balance at start of period	1,603	567	15,542
Additional provision (a)	3,407	964	–
Unwinding of discount on environmental obligation (a)	236	72	25
Settlement (Reserve Bonus Scheme holders) (b)	–	–	(15,000)
Balance at the end of the year	5,246	1,603	567

(a) The provision recognised at 31 December 2008 relates to close down and restoration costs for the Pokrovskiy and Pioneer mines (31 December 2007: the provision related to close down and restoration costs for the Pokrovskiy Mine only). A provision relating to close down and restoration costs for the Pioneer mine has been recognised in the amount of US$2,416 thousand following the Pioneer plant being put into operation in 2008.

The Peter Hambro Mining Group's policy on close down and restoration costs is described in note 3(h). The ultimate costs of close down and restoration are uncertain. The Peter Hambro Mining Group estimates these costs based on feasibility and engineering studies. The expected timing of the cash outflows in respect of the provision is on the closure of mining operations which will be after at least 7 years from 31 December 2008 for Pokrovskiy Mine and at least 11 years from 31 December 2008 for the Pioneer Mine. The provision recognised is for the present value of such costs using a discount rate of 4.7 per cent.

(b) One of the Company's subsidiaries, Pokrovskiy Rudnik, set up a Reserve Bonus Scheme (the "Scheme") for certain senior Peter Hambro Mining Group executives of that company. The scheme was never fully implemented. Under the scheme participants were to be awarded freely transferable 'Scheme units' at the end of each year from 2002 to 2012 based on US$5 per ounce of gold added to the designated reserves for the Scheme.

Agreement was reached with those entitled to participate in the Scheme (the "Eligible Persons") for the Scheme not to proceed. The Independent Directors, being Sir Rudolph Agnew, Peter Hill-Wood and Philip Leatham having taken professional advice and consulted with the Company's nominated adviser, agreed that the sum of US$15,000 thousand in aggregate (the "Scheme Payment") was fair compensation to the Eligible Persons for the Scheme not proceeding. The Eligible Persons excluded Non-executive Directors. The Independent Directors also considered that this payment was less than the cost to the Peter Hambro Mining Group (as determined by reference to the estimated net present value of the ongoing payment obligations for the Company under the Scheme) if the scheme were to proceed. The sum of US$15,000 thousand was subsequently paid in August 2006.

29. Share capital

	At 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Ordinary shares			
Allotted, called up and fully paid:			
At the beginning of the period	1,311	1,311	1,273
Contingent shares issued in relation to acquisition of Peter Hambro Mining Cyprus (a)	–	–	13
Other new issues (b)	–	–	25
At the end of the year	1,311	1,311	1,311

	At 31 December		
	2008	*2007*	*2006*
	No. '000	*No. '000*	*No. '000*
Number of shares (par value £0.01)			
Authorised	120,000	120,000	120,000
Issued at the beginning of the period	81,155	81,155	78,956
Shares issued in relation to acquisition of Peter Hambro Mining Cyprus (a)	–	–	750
Other new issues (b)	–	–	1,449
At the end of the year	81,155	81,155	81,155

There were no new share issues during the years ended 31 December 2008 or 31 December 2007. On 5 February 2009, the Company increased its issued share capital to 97,155,052 by placing 16 million ordinary shares.

Details of ordinary shares issued during the year ended 31 December 2006:

(a) In June 2003, 6,000,000 shares in the capital of the Company were issued in exchange for the total issued share capital of Peter Hambro Mining Cyprus. A contingent issue of 1,500,000 such shares in respect of the acquisition of Peter Hambro Mining Cyprus was accounted for as a separate contingent reserve on acquisition. Under the terms of the acquisition agreement as amended, the Company issued 750,000 such shares on 20 July 2005 and 750,000 such shares on 27 July 2006 to Reagrove Services Ltd, the vendor, in settlement of its obligation.

(b) On 18 April 2006 the Company issued 1,448,545 ordinary shares at a price of £6.875 per share pursuant to a Share Option Agreement with the International Finance Corporation. As a result of this transaction a share premium of US$17.8 million was created.

The Company has one class of ordinary shares which carry no right to fixed income.

30. Related party transactions

The Peter Hambro Mining Group had the following related party transactions during the periods included below:

Years ended 31 December

		2008 US$'000		*2007 US$'000*		*2006 US$'000*	
Related party	*Description*	*Movement for the year*	*Amount due from/(to)*	*Movement for the year*	*Amount due from/(to)*	*Movement for the year*	*Amount due from/(to)*
Peter Hambro Ltd	Management and rent and rates recharges	(546)	24	(337)	83	282	420
Aricom Plc and subsidiaries	Construction services by Kapstroi	36,694	612	24,763	(2,532)	15,307	(3,591)
Aricom Plc and subsidiaries	Project and engineering services provided by PHM Engineering	3,059	(392)	2,627	(120)	2,398	522
Aricom Plc and subsidiaries	Geological works performed by NPGF Regis	1,306	511	309	-	2,062	329
Aricom Plc and subsidiaries	London expenses recharged by PHM plc	582	95	506	9	414	348
Aricom Plc and subsidiaries	Commissions services provided by Irgiredmet	296	–	42	(41)	–	–
Aricom Plc and subsidiaries	Sale of assets	–	–	1	–	(520)	–
Aricom Plc and subsidiaries	Other services provided	5,258	1,330	1,633	1,492	184	(144)
Aricom Plc and subsidiaries	Purchase of goods and services provided to Kapstroi	(4,318)	(319)	(1,687)	(114)	–	–
Aricom Plc and subsidiaries	Rent of assets	–	–	(19)	–	(1,295)	–
Aricom Plc and subsidiaries	Purchase of property, plant and equipment	–	–	(81)	(99)	–	–
Aricom Plc and subsidiaries	Other purchases	(298)	(2,908)	(3)	–	–	–
Aricom Plc and subsidiaries	Expenses recharged	–	–	–	–	43	–
Total Aricom Plc		42,579	(1,071)	28,091	(1,405)	18,593	(2,536)
Expobank	Sales of gold and silver	19,056	–	62,596	–	74,425	–
Expobank	Sales of gold through metallic account	15,322	–	485	–	3,007	–
Expobank	Purchase of gold to sell through metallic account	(15,267)	–	(59)	–	(3,028)	–
Expobank	Operating expenses	(128)	–	(74)	–	(37)	–
Expobank	Purchases of bonds	–	–	–	–	3,798	3,798
Expobank	Sales of bonds	–	–	3,991	–	–	–
Expobank	Interest accrued on bonds	–	–	–	–	4	4
Expobank	Current accounts	–	–	–	4,536	–	332
Expobank	Deposit accounts	–	–	–	23,267	–	26,440
Expobank	Promissory notes	–	–	–	18,785	–	–
Total Expobank		18,983	–	66,939	46,588	78,169	30,574
Asian-Pacific Bank	Sales of gold and silver	1,642	–	–	–	–	–
Asian-Pacific Bank	Sales of assets	1,875	–	–	–	–	–
Asian-Pacific Bank	Rent of assets	(233)	–	–	–	–	–
Asian-Pacific Bank	Rent of assets	39	–	–	–	–	–
Asian-Pacific Bank	Current accounts	–	1,632	–	314	–	268
Asian-Pacific Bank	Deposit accounts	–	2,791	–	–	–	–
Asian-Pacific Bank	Promissory notes	–	–	7,388	16,280	8,892	8,892
Asian-Pacific Bank	Loan to PRP Stancii	–	(700)	–	–	–	–
Asian-Pacific Bank	Loan interest	(23)	–	–	–	–	–
Total Asian-Pacific Bank		3,300	3,723	7,388	16,594	8,892	9,160
V.M.H.Y. Holdings Limited	Loan to Pokrovskiy Rudnik	–	(10,000)	–	–	–	–
V.M.H.Y. Holdings Limited	Loan interest	(213)	–	–	–	–	–
Total V.M.H.Y. Holdings Limited		(213)	(10,000)	–	–	–	–
OJSC M2M Private Bank	Loan to Pokrovskiy Rudnik (a)	–	(9,250)	–	–	–	–
OJSC M2M Private Bank	Loan interest	(317)	–	–	–	–	–
Total OJSC M2M Private Bank		(317)	(9,250)	–	–	–	–
OJSC Kamchatprombank	Loan to Irgiredmet (a)	–	(793)	–	–	–	–
OJSC Kamchatprombank	Loan interest	(2)	–	–	–	–	–
Total OJSC Kamchatprombank		(2)	(793)	–	–	–	–
AMK	Loan to Kapstroi	–	–	–	–	185	–
AMK	Construction services	–	–	–	–	422	645
AMK	Services rendered	–	–	–	–	6	46
Total AMK		–	–	–	–	613	691
Russian Forestry Services Limited	Purchases	(6)	1	–	–	282	311
Russian Forestry Services Limited	Construction materials	(22)	–	–	–	13	15
Russian Forestry Services Limited	Security services	(5)	1	–	–	(9)	10
Total Russian Forestry Services Limited		(33)	2	–	–	286	336
Quenington Services Ltd	Accounting services	(4)	–	(6)	–	(4)	–

(a) The loan from OJSC M2M Private Bank has been guaranteed by Pavel Maslovsky.

Peter Hambro Limited, formerly Peter Hambro plc, is considered a related party due to Peter Hambro's 51 per cent. holding in that company.

Aricom Plc is considered a related party due to Peter Hambro and Pavel Maslovskiy's shareholdings and directorships in that company.

AMK is considered a related party due to Peter Hambro and Pavel Maslovskiy's shareholdings in that company.

OOO Expobank ("Expobank") has previously been considered a related party due to Peter Hambro and Pavel Maslovskiy's former interests in that bank. Expobank ceased to be a related party in July 2008, once the deal for the sale of interests in Expobank was finalised including the receipt of Central Bank and Antimonopoly Committee approvals.

V.M.H.Y. Holdings Limited, OJSC Asian-Pacific Bank ("Asian-Pacific Bank"), OJSC M2M Private Bank and OJSC Kamchatprombank are considered related parties due to Peter Hambro and Pavel Maslovskiy's interests in those entities.

Russian Forestry Services Limited (formerly Russian Timber Group Limited) is considered a related party due to Peter Hambro and Pavel Maslovskiy's shareholdings and directorships in that company.

Quenington Services Limited is considered a related party due to Philip Leatham's shareholding and directorship in that company. Philip Leatham resigned from being a Director of the Company on 30 September 2008.

The Directors are of the opinion that an ultimate controlling party does not exist.

Remuneration of Directors and key management personnel

The aggregate remuneration of Directors is set out below:

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Short-term employee benefits	5,120	5,794	6,037
Post employment benefits – social security costs	27	15	34
	5,147	5,809	6,071

The aggregate remuneration of the key management personnel of the Peter Hambro Mining Group, being the Directors and certain members of senior management, is set out below:

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Short-term employee benefits	6,493	7,223	7,065
Post employment benefits – social security costs	27	15	34
	6,520	7,238	7,099

31. Notes to the cash flow statement

(a) ***Reconciliation of profit before taxation to operating cash flow***

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Profit before taxation	40,388	55,185	45,115
Adjusted for:			
Financial income	(7,709)	(3,776)	(6,137)
Financial expenses	34,864	16,105	11,979
Share of results in joint ventures	1,261	1,821	173
Depreciation	22,284	14,944	11,601
Loss on disposals of property, plant and equipment	1,605	84	123
Loss on disposal of business	–	61	–
Exchange differences in respect of investment activity	2,838	(91)	(79)
Exchange differences in respect of cash and cash equivalents	3,560	(3,164)	(2,646)
Amortisation charge included in the cost of inventories	(1,253)	(769)	25
Net fair value change on derivative financial instruments	18,307	12,100	–
Impairment of intangible assets	3,240	1,759	–
Write off goodwill	–	–	486
Other non-cash items	379	80	13
Operating profit before working capital changes	119,764	94,339	60,653
Increase in trade and other receivables	(24,516)	(19,049)	(5,386)
Increase in inventories	(36,537)	(15,036)	(8,204)
Increase in trade and other payables	1,433	2,679	544
Cash generated from operations	60,144	62,933	47,607

(b) ***Major non cash transactions***

During the years ended 31 December 2008, 31 December 2007 and 31 December 2006, corporation tax of US$5,435 thousand US$4,418 thousand and US$2,813 thousand respectively, were offset against VAT.

32. Analysis of net debt

Year ended 31 December 2008

	At 1 January 2008	*Net cash movement*	*Exchange movement*	*Other non-cash changes*	*At 31 December 2008*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Cash and cash equivalents	178,442	(148,438)	(3,560)	–	26,444
Debt due within one year	(31,135)	(22,837)	(228)	(166,746)	(220,946)
Debt due after one year	(292,100)	175	–	139,147	(152,778)
Embedded derivatives within bonds issued	(30,634)	–	–	(10,766)	(41,400)
Net debt	(175,427)	(171,100)	(3,788)	(38,365)	(388,680)

33. Acquisitions

Year ended 31 December 2008

(a) *Acquisition of PRP Stancii*

On 28 May 2008 a subsidiary of the Peter Hambro Mining Group, Pokrovskiy Rudnik acquired 100 per cent. of PRP Stancii, a company which provides construction services and capital repairs. Consideration for the acquisition was cash consideration of US$7,150 thousand.

At the date of acquisition, the book values of the assets and liabilities acquired approximated their fair values. Goodwill of US$5,430 thousand has been recognised in connection with this acquisition. Set out in the table below is a summary of the assets and liabilities acquired:

	US$'000
Property, plant and equipment	1,549
Cash and cash equivalents	3,373
Inventories	1,474
Trade and other receivables	1,528
Trade and other payables	(6,185)
Deferred tax liability	(19)
Net assets acquired	1,720

	US$'000
Consideration	
Cash	7,150
Goodwill	5,430
Net cash outflow arising on the acquisition	
Cash consideration	7,150
Cash and cash equivalents acquired	(3,373)
	3,777

(b) *Acquisition of Elga*

On 31 January 2008 a subsidiary of the Peter Hambro Mining Group, Peter Hambro Mining Cyprus, acquired 100 per cent. of Elga, a gold exploration and production company with alluvial operations. Consideration for the acquisition was cash consideration of US$1,903 thousand. At the date of acquisition, a fair value adjustment of US$2,048 thousand was made, to recognise the fair value of the licence acquired.

Set out in the table below is a summary of the assets and liabilities acquired:

	Book values US$'000	*Fair value adjustments US$'000*	*Fair value at date of acquisition US$'000*
Property, plant and equipment	373	2,695	3,068
Cash and cash equivalents	46	–	46
Inventories	58	–	58
Trade and other receivables	446	–	446
Trade and other payables	(1,086)	–	(1,086)
Deferred tax assets/(liability)	18	(647)	(629)
Net assets acquired	(145)	2,048	1,903

	Book values US$'000	Fair value adjustments US$'000	Fair value at date of acquisition US$'000
Consideration			
Cash			1,903
Goodwill			–
Net cash outflow arising on the acquisition			
Cash consideration			1,903
Cash and cash equivalents acquired			(46)
			1,857

(c) *Acquisition of minority interest in PHM Engineering*

On 26 June 2008, a subsidiary of the Peter Hambro Mining Group, MC Petropavlovsk, acquired a 4 per cent. minority interest in PHM Engineering for cash consideration of US$398 thousand. Goodwill of US$427 thousand has been recognised in connection with the acquisition of this minority interest during the year.

Year ended 31 December 2007

(d) *Acquisition of minority interest in Irgiredmet*

In April 2007 Sicinius acquired a further 18.36 per cent. interest in Irgiredmet for cash consideration of US$9,177 thousand.

In December 2007 Sicinius acquired a further 1.48 per cent. interest in Irgiredmet for cash consideration of US$80 thousand.

Goodwill of US$2,422 thousand has been recognised in connection with the acquisition of this minority interest during the year ended 31 December 2007.

(e) *Acquisition of Rudoperspektiva asset*

In February 2007 Peter Hambro Mining Cyprus, a wholly owned subsidiary of Peter Hambro Mining Plc, acquired 100 per cent. of OOO Rudoperspektiva. Consideration for the acquisition of this asset was cash payment of US$18 thousand.

Set out in the table below is a summary of the assets and liabilities acquired:

	US$'000
Intangible assets	805
Cash and cash equivalents	52
Trade and other payables	(839)
Net assets acquired	18
Consideration	
Cash	18
Net cash inflow arising on acquisition	
Cash consideration	(18)
Add cash and cash equivalents acquired	52
	34

Year ended 31 December 2006

(f) *Irgiredmet*

In September 2006 Sicinius acquired 80 per cent. of Irgiredmet for a consideration of US$40,233 thousand.

The main activity of Irgiredmet is to provide research and development services for the Peter Hambro Mining Group and third parties.

The fair values of the assets and liabilities on the date of acquisition were:

	Irgiredmet book value US$'000	*Fair value adjustment US$'000*	*Total US$'000*
Goodwill	–	5,439	5,439
Property, plant and equipment	42,835	–	42,835
Investments	72	–	72
Inventories	1,542	–	1,542
Trade and other receivables	16,033	–	16,033
Cash	2,946	–	2,946
Trade and other payables	(19,936)	–	(19,936)
Fair value of net assets acquired	43,492	5,439	48,931
Less: minority interest			(8,698)
			40,233
Consideration			
Cash			40,233

(g) *Spanch*

In March 2006 Peter Hambro Mining Cyprus acquired 100 per cent. of Spanch for a consideration of US$9 thousand.

Spanch has a gold exploration and mining licence.

The fair values of the assets and liabilities on the date of acquisition were:

	Spanch book value US$'000	*Fair value adjustment US$'000*	*Total US$'000*
Intangible assets	104	54	158
Cash	32	–	32
Trade and other payables	(181)	–	(181)
Fair value of net assets acquired	(45)	54	9
Consideration			
Cash			9

(h) *Amur Doré*

In March 2006 Peter Hambro Mining Cyprus acquired 100 per cent. of Amur Doré for a consideration of US$1,085 thousand. This company is a gold alluvial mining enterprise.

The fair values of the assets and liabilities on the date of acquisition were:

	Amur Doré book value US$'000	*Fair value adjustment US$'000*	*Total US$'000*
Intangible assets	77	557	634
Property, plant and equipment	135	–	135
Inventories	769	–	769
Trade and other receivables	116	–	116
Cash	64	–	64
Trade and other payables	(633)	–	(633)
Fair value of net assets acquired	528	557	1,085
Consideration			
Cash			1,085

(i) *Osipkan*

In December 2006 Peter Hambro Mining Cyprus acquired 100 per cent. of Osipkan for a consideration of US$222 thousand. Osipkan has a gold exploration and mining licence.

The fair values of the assets and liabilities on the date of acquisition were:

	Osipkan book value US$'000	*Fair value adjustment US$'000*	*Total US$'000*
Intangible assets	41	221	262
Trade and other payables	(40)	–	(40)
Fair value of net assets acquired	1	221	222
Consideration			
Cash			222

(j) *Regis*

In October and November 2006 PHM (Cyprus) Ltd acquired 47.95 per cent. of Regis that was previously held by other Group companies and 52.05 per cent. of Regis that was previously held by Pokrovskiy Rudnik. As a result of this the Peter Hambro Mining Group's stake in Regis has increased to 100 per cent. The acquisition price was US$141 thousand and US$22 thousand respectively. The goodwill of US$485 thousand arising on acquisition was written off in 2006.

(k) *Region*

In June 2004 Pokrovskiy Rudnik set up a wholly owned gold exploration and mining company, Region. Region has a gold exploration and mining licence and is located in the Buryatiya region of Russia. The total amount of cash contributed was US$35 thousand. Region had not been consolidated in the 2004 and 2005 Group accounts as it did not carry out any activity in those years and the balances were not material to the Peter Hambro Mining Group. Region was consolidated in the Peter Hambro Mining Group accounts with the effective date of 1 January 2006.

34. Financial instruments and financial risk management

Capital risk management

The Peter Hambro Mining Group's objectives when managing capital are to safeguard the Peter Hambro Mining Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to optimise the weighted average cost of capital and tax efficiency subject to maintaining sufficient financial flexibility to undertake its investment plans.

The capital structure of the Peter Hambro Mining Group at 31 December 2008 consists of net debt (note 32) and total equity, comprising share capital, share premium, reserves and retained earnings, totalling US$731,006 thousand at 31 December 2008 (31 December 2007: capital comprised US$518,283 thousand and 31 December 2006: US$389,523 thousand).

Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial information.

Categories of financial instruments

For the three years ended 31 December 2008

	2008 US$'000			2007 US$'000			2006 US$'000		
	Measured at fair value		*Measured at amortised cost*	*Measured at fair value*		*Measured at amortised cost*	*Measured at fair value*		*Measured at amortised cost*
Class/categories	*Available for sale*	*Assets and liabilities at fair value through the profit or loss*	*Loans and receivables, including cash and cash equivalents, and financial liabilities*	*Available for sale*	*Assets and liabilities at fair value through the profit or loss*	*Loans and receivables, including cash and cash equivalents, and financial liabilities*	*Available for sale*	*Assets and liabilities at fair value through the profit or loss*	*Loans and receivables, including cash and cash equivalents, and financial liabilities*
Financial assets									
Cash and cash equivalents	–	–	26,444	–	–	178,442	–	–	62,466
Short-term investments (securities held for trading)	–	–	–	–	–	–	–	13,937	–
Trade and other receivables	–	–	37,338	–	–	20,347	–	–	13,706
Derivative financial instruments	–	1,875	–	–	–	–	–	–	–
Other investments–unquoted*	972	–	–	960	–	–	1,022	–	–
	972	1,875	63,782	960	–	198,789	1,022	13,937	76,172
Financial liabilities									
Trade and other payables	–	–	(32,932)	–	–	(20,778)	–	–	(12,617)
Borrowings									
–bank loans	–	–	(70,198)	–	–	(24,735)	–	–	(3,316)
–exchangeable bonds	–	–	(162,863)	–	–	(158,863)	–	–	–
–convertible bonds	–	–	(140,663)	–	–	(139,637)	–	–	(138,619)
Embedded derivative liability	–	(42,476)	–	–	(30,634)	–	–	–	–
	–	(42,476)	(406,656)	–	(30,634)	(344,013)	–	–	(154,552)

* The above investments have been recorded at cost because fair values cannot be measured reliably as there are no active markets with quoted market prices.

Financial risk management

The Peter Hambro Mining Group's activities expose it to interest rate risk, foreign currency risk, risk of change in the gold price, credit risk and liquidity risk. The Peter Hambro Mining Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Peter Hambro Mining Group's financial performance.

Risk management is carried out by a central finance department and all key risk management decisions are approved by the Board of Directors. The Peter Hambro Mining Group identifies and evaluates financial risks in close cooperation with the Peter Hambro Mining Group's operating units. The board provides written principles for overall risk management, as well as guidance covering specific areas, such as foreign exchange risk, interest rate risk, gold price risk, credit risk and investment of excess liquidity.

Interest rate risk

The Peter Hambro Mining Group is exposed to interest rate risk through the holding of cash and cash equivalents and borrowings. This exposure is limited, as all of the Peter Hambro Mining Group's borrowings have fixed interest rates attached, as do the majority of cash and cash equivalents held by the Peter Hambro Mining Group. Where variable interest rates are attached to cash and cash equivalents, the maturity of these instruments is short-term.

If interest rates had been 1 per cent. higher and all other variables held constant, the impact on the Peter Hambro Mining Group's profit for the years would be as follows:

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Profit/(loss) impact of a 1% increase in interest rates	(120)	112	48

If interest rates had been 1 per cent. lower and all other variables held constant, the impact on the Peter Hambro Mining Group's profit for the year would be the opposite to that in the table above.

Exchange rate risk

The Peter Hambro Mining Group undertakes certain transactions denominated in foreign currencies, namely GB Pounds Sterling and Russian Roubles and is therefore exposed to exchange rate risk associated with fluctuations in the relative values of US Dollars, GB Pounds Sterling and Russian Roubles.

Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, through holding the relevant currencies. At present, the Peter Hambro Mining Group does not undertake any foreign currency transaction hedging but it may do so in future for material transactions.

The carrying amounts of the Peter Hambro Mining Group's foreign currency denominated monetary assets and monetary liabilities at period end are as follows:

	Assets			*Liabilities*		
		Russian	*GB Pounds*		*Russian*	*GB Pounds*
	US Dollars	*Roubles*	*Sterling*	*US Dollars*	*Roubles*	*Sterling*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
31 December 2008	15,835	71,316	1,676	(396,531)	(6,972)	(3,792)
31 December 2007	44,740	140,033	35,264	(353,889)	(18,539)	(4,108)
31 December 2006	13,100	86,429	4,849	(149,805)	(4,752)	(968)

The following table illustrates the Peter Hambro Mining Group's sensitivity to the fluctuation of the major currencies in which it transacts. A 25 per cent. movement has been applied to each currency in the table below for the year ended 31 December 2008, representing management's assessment of a reasonably possible change in foreign exchange currency rates. A 5 per cent. movement has been applied to each currency in the table below for the periods ended 31 December 2007, and 31 December 2006.

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Russian Roubles currency impact	16,086	6,075	4,084
GB Pounds Sterling currency impact	529	1,558	194

Credit risk

The Peter Hambro Mining Group's principal financial assets are cash and cash equivalents, comprising current accounts, amounts held on deposit with financial institutions and investments in money market and liquidity funds. In the case of deposits and investments in money market and liquidity funds, the Peter Hambro Mining Group is exposed to a credit risk, which results from the non-performance of contractual agreements on the part of the contract party.

At 31 December 2008, the Peter Hambro Mining Group held the majority of its cash on current accounts with Expobank, a Russian bank who was previously considered a related party and ceased to be a related party in July 2008, and Asian-Pacific Bank, a Russian bank which is a related party (note 30). Expobank has a credit rating of Ba1 assigned by Moody's Investors Service, Inc. No official rating of Asian-Pacific Bank is available.

The Peter Hambro Mining Group held the following cash and cash equivalent balances with Expobank and Asian-Pacific Bank at each respective reporting period end:

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
Cash and cash equivalents: Expobank	12,724	46,588	30,574
Cash and cash equivalents: Asian-Pacific Bank	4,423	16,594	9,160

Gold price risk

The Peter Hambro Mining Group's policy is generally to sell gold at the prevailing market price.

The Peter Hambro Mining Group is exposed to gold price risk through the embedded derivative within the gold equivalent exchangeable bonds (issued October 2007), which are measured at fair value and is therefore exposed to changes in the gold price. An increase/decrease of 10 per cent. in the spot price of gold at 31 December 2008 and at 31 December 2007, with all other variables held constant, would have the following impact on the income statement for each of the respective periods:

	Year ended 31 December		
	2008	*2007*	*2006*
	US$'000	*US$'000*	*US$'000*
10% increase in the gold spot price	(9,720)	(8,606)	–
10% decrease in the gold spot price	7,740	8,314	–

This exposure to adverse movements in the income statement, due to changes in the fair value of the embedded derivative, is offset by an increase in revenues realised due to a higher gold price.

Equity price risk

The Group is exposed to equity price risk through the Embedded Derivative within the Exchangeable Loan issued to Rusoro and the Call Option, which are measured at fair value and therefore exposed to changes in the Rusoro share price. An increase/decrease of 50 per cent. the Rusoro share price at 31 December 2008, with all other variables held constant, would have resulted in the following impact on the income statement:

	Year ended 31 December
	2008
	US$'000
50% increase in the share price	4,780
50% decrease in the share price	(1,415)

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. The Company constantly monitors the level of funding required to meet its short, medium and long-term obligations.

Effective management of liquidity risk has the objective of ensuring the availability of adequate funding to meet short term requirements and due obligations as well as the objective of ensuring a sufficient level of flexibility in order to fund the development plans of the Company's businesses.

The table below analyses the Peter Hambro Mining Group's financial liabilities which will be settled on a gross basis into the relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows these balances will not necessarily agree with the amounts disclosed in the balance sheet.

For the three years ended 31 December 2008

	0 – 3 months	*3 months – 1 year*	*1 year – 2 years*	*2 – 3 years*	*3 – 4 years*
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
2008					
Borrowings					
– Convertible bonds (note 25)	–	–	140,000	–	–
– Exchangeable bonds (note 25)	–	180,000	–	–	–
– Loans	4,948	49,250	–	16,000	–
Expected future interest payments (a)	7,196	22,248	11,178	301	–
Derivative financial instruments	–	10,000	–	–	–
Trade and other payables	32,932	–	–	–	–
	45,076	261,498	151,178	16,301	–
2007					
Borrowings					
– Convertible bonds (note 25)	–	–	–	140,000	–
– Exchangeable bonds (note 25)	–	–	180,000	–	–
– Loans	–	24,700	–	–	–
Expected future interest payments (a)	5,512	19,162	22,575	9,975	–
Trade and other payables	20,778	–	–	–	–
	26,290	43,862	202,575	149,975	–
2006					
Borrowings					
– Convertible bonds	2,494	7,481	9,975	9,975	146,094
– Loans	–	3,316	–	–	–
Trade and other payables	12,617	–	–	–	–
	15,111	10,797	9,975	9,975	146,094

(a) Expected future interest payments have been estimated using interest rates applicable at 31 December. Loans outstanding at 31 December 2008 in the amount of US$16,000 thousand are subject to variable interest rates and, therefore, subject to change in line with the market rates.

35. Commitments under operating leases

At the balance sheet date, the Peter Hambro Mining Group had outstanding commitments for future minimum lease payments under a non-cancellable operating lease for office premises, which fall due as follows:

	At 31 December		
	2008	*2007*	*2006*
	US$'000	US$'000	US$'000
Expiring:			
Within one year	188	202	198
In two to five years	703	1,234	1,216
After five years	–	–	192
	891	1,436	1,606

36. Capital commitments

	At 31 December		
	2008	*2007*	*2006*
	US$'000	US$'000	US$'000
Commitments for building construction in Moscow	–	–	1,141
Commitments in respect of Pioneer and Malomir – property, plant and equipment and mine development costs	52,815	7,599	13,320
	52,815	7,599	14,461

37. Group companies

The Peter Hambro Mining Group has the following material subsidiaries and other significant investments, which were consolidated in this financial information.

Principal subsidiary and joint venture undertakings	*Country of incorporation*	*Principal activity*	*Principal country of operation*	*31 December 2008*	*31 December 2007*	*31 December 2006*
Held directly by the Company						
Eponymousco Limited	United Kingdom	Holding Company	United Kingdom	100%	100%	100%
Victoria Resources Limited	United Kingdom	Holding Company	United Kingdom	100%	100%	100%
Peter Hambro Mining Group Finance Ltd	Guernsey	Finance Company	United Kingdom	100%	100%	100%
Yamal Holdings Limited	Cyprus	Holding Company	Cyprus	100%	100%	100%
Peter Hambro Mining (Cyprus) Ltd	Cyprus	Holding Company	Cyprus	100%	100%	100%
Sicinius Limited	Cyprus	Holding Company	Cyprus	100%	100%	100%
Horatio Ltd	Cyprus	Holding Company	Cyprus	100%	–	–
Voltimand Ltd	Cyprus	Holding Company	Cyprus	100%	–	–
ZAO Management Company Petropavlovsk**	Russia	Holding Company	Russia	100%	100%	100%
OOO Olga*	Russia	Gold exploration and production	Russia	–	100%	100%
OOO Osipkan*	Russia	Gold exploration and production	Russia	–	100%	100%
OAO Pokrovskiy Rudnik	Russia	Gold exploration and production	Russia	98.6%	98.6%	98.6%
ZAO ZRK Omchak (Joint Venture)	Russia	Gold exploration and production	Russia	50%	50%	50%
Held indirectly via 100% owned subsidiaries						
OOO Tokurskiy Rudnik	Russia	Gold exploration and production	Russia	100%	100%	100%
OOO GRK Victoria	Russia	Gold exploration and production	Russia	100%	100%	100%
OOO Obereg	Russia	Security services	Russia	100%	100%	100%
ZAO Spanch	Russia	Gold exploration and production	Russia	100%	100%	100%
ZAO Amur Doré	Russia	Gold exploration and production	Russia	100%	100%	100%
OOO NPGF Regis	Russia	Exploration work	Russia	100%	100%	100%
OOO Rudoperspektiva	Russia	Gold exploration and production	Russia	100%	100%	–
OAO ZDP Koboldo	Russia	Gold exploration and production	Russia	95.7%	95.7%	91.66%
ZAO PHM Engineering	Russia	Project and engineering services	Russia	79%	75%	75%
OAO Yamalskaya Gornaya Kompania ("YGK")	Russia	Construction and Gold exploration and production	Russia	74.87%	74.87%	74.87%
OOO Elga	Russia	Gold exploration and production	Russia	100%	–	–
OOO Olga*	Russia	Gold exploration and production	Russia	100%	–	–
OOO Osipkan*	Russia	Gold exploration and production	Russia	100%	–	–

Principal subsidiary and joint venture undertakings	*Country of incorporation*	*Principal activity*	*Principal country of operation*	*31 December 2008*	*31 December 2007*	*31 December 2006*
Held indirectly via Pokrovskiy Rudnik						
OAO YamalZoloto	Russia	Gold exploration and production	Russia	98.6%	98.6%	98.6%
OOO Kapstroi	Russia	Construction	Russia	98.6%	98.6%	98.6%
ZAO Malomirskiy Rudnik	Russia	Gold exploration and production	Russia	98.6%	98.6%	98.6%
ZAO Region	Russia	Gold exploration and production	Russia	98.6%	98.6%	98.6%
OAO PRP Stancii	Russia	Repair and maintenance	Russia	98.6%	–	–
ZAO ZRK Dalgeologiya	Russia	Exploration work	Russia	98.6%	98.6%	–
ZAO Rudnoye (Joint Venture)	Russia	Gold exploration and production	Russia	50%	49%	49%
Held indirectly via YGK						
ZAO SeverChrome	Russia	Chrome exploration and production	Russia	23.06%	74.87%	73.9%
Held indirectly via Sicinius Ltd						
OAO Irgiredmet	Russia	Researching services	Russia	99.85%	99.84%	80%
OOO NIC Hydrometallurgia	Russia	Researching services	Russia	100%	–	–
Held indirectly by Yamal Holdings Limited						
ZAO SeverChrome	Russia	Chrome exploration and production	Russia	69.2%	–	–

* These companies were previously owned by OAO Pokrovskiy Rudnik. During the year ended 31 December 2008, they were transferred to Peter Hambro Mining Cyprus.

** Previously ZAO Management Company PHM.

The following material subsidiaries were acquired or incorporated. All of which have been consolidated in this financial information.

2008

In May 2008 Pokrovskiy Rudnik acquired 100 per cent. of OAO PRP Stancii for consideration of US$7,150 thousand.

In January 2008 PHM Cyprus acquired 100 per cent. of OOO Elga for cash consideration of US$1,903 thousand.

2007

In February 2007 Peter Hambro Mining Cyprus acquired 100 per cent. of OOO Rudoperspektiva for a consideration of US$18 thousand.

In April 2007 Sicinius acquired a further 18.36 per cent. of OAO Irgiredmet for consideration of US$9,177 thousand.

2006

In March 2006 Peter Hambro Mining Cyprus acquired 100 per cent. of Spanch and 100 per cent. of ZAO Amur Doré for a consideration of US$9 thousand and US$1,085 thousand respectively.

In July 2006 Yamal Holdings Limited acquired 74.87 per cent. of YGK that was previously held by Yamalzoloto for a consideration of US$11,573 thousand.

In September 2006 Sicinius acquired 80 per cent. of OAO Irgiredmet for a consideration of US$40,233 thousand.

38. Subsequent events

On 5 February 2009, the Company issued 16 million new ordinary shares at a price of 450 pence per share, raising gross proceeds of US$105 million (approximately, US$99.6 million net of expenses), which have been subsequently admitted to trading on the AIM Market of the London Stock Exchange plc.

In February 2009, the Group purchased a total of US$87 million nominal of its 7 per cent. Gold Exchangeable Bonds due 2012 at an average price of US$95.00 plus accrued interest from a number of investors.

On 6 February 2009, the Independent Board Committees of the Company and Aricom plc ("Aricom") announced that they had reached agreement on the terms of a recommended all share offer to be made by the Company for the entire issued and to be issued share capital of Aricom (the "Merger").

The Merger provides for the acquisition of Aricom shares to be effected by way of a court sanctioned scheme of arrangement under Part 26 of the Companies Act 1985 involving a capital reduction of Aricom under section 135 of the Companies Act 1985 (the 'Scheme'). The purpose of the Scheme is to enable the Company to acquire the entire issued and to be issued ordinary share capital of Aricom.

Under the terms of the Merger, Aricom Shareholders will receive one fully paid New Peter Hambro Mining Share in exchange for 16 fully paid Aricom Shares.

Following the issue of new ordinary shares completed earlier and completion of the Merger, the Company's Shareholders will hold 56.8 per cent of the Enlarged Group calculated on an undiluted basis and Aricom Shareholders will hold 43.2 per cent of the Enlarged Group calculated on an undiluted basis.

The Merger is scheduled to be completed on 22 April 2009.

Subject to satisfying eligibility criteria, Peter Hambro Mining intends to make an application to obtain a primary listing on the Official List of the London Stock Exchange plc which is scheduled to be completed on 22 April 2009.

PART B – ARICOM GROUP

1. Basis of financial information

The consolidated financial statements of the Aricom Group included in the Aricom Prospectus in respect of financial statements for the year ended 31 December 2006 together with the accountants' report thereon, the Aricom 2007 Annual Report and the Aricom 2008 Annual Report, together with the auditor's reports thereon, are incorporated by reference into this Prospectus as set out in Part XIII – "Documents Incorporated by Reference" of this Prospectus.

PART X

TERMS AND CONDITIONS OF THE BONDS

PART A – CONVERTIBLE BONDS

1. Overview

PHMGFL issued US$140.0 million in principal amount of Convertible Bonds due 2010 on 11 August 2005. The Convertible Bonds are convertible into Ordinary Shares. The Convertible Bonds are listed on the Luxembourg Euro MTF.

Unless previously redeemed, converted or purchased and cancelled, PHMGFL will redeem each Convertible Bond at 100 per cent. of its principal amount on 11 August 2010 (**Convertible Final Maturity Date**), together with any accrued interest. The Company has guaranteed the due payment of all sums payable by PHMGFL under the Convertible Bonds (including principal amount and accrued interest) and the performance of PHMGFL's obligations in respect of the Conversion Rights (as defined below) under the Convertible Bonds (**Guarantee**). Further details of the Convertible Bondholders are provided in paragraph 6 of Part XII –"Additional Information" of this Prospectus. A summary of the conditions governing and the procedure for conversion of the Convertible Bonds is set out below.

2. Conditions governing conversion

Each Convertible Bond shall entitle the Convertible Bondholder to convert the Convertible Bonds into Ordinary Shares (**Conversion Right**) at any time from 21 September 2005 to the close of business on the date falling six days prior to the Convertible Final Maturity Date or, if the Convertible Bonds shall have been called for redemption prior to the Convertible Final Maturity Date, then up to the close of business on the sixth day before the date fixed for redemption thereof (**Conversion Period**).

The Conversion Price at which Ordinary Shares will be issued upon conversion was initially 756p per Ordinary Share. The Conversion Price is subject to adjustment in certain circumstances described in the Conditions of the Convertible Bonds, including upon PHMGFL making a capital distribution and upon a change of control of PHMGFL. On 6 February 2009, due to a placing of Ordinary Shares by the Company, the Conversion Price was adjusted to 724p.

Once delivered to PHMGFL by a Convertible Bondholder, a Conversion Notice (as defined below) is irrevocable.

The number of Ordinary Shares to be issued on conversion of a Convertible Bond will be determined by dividing the principal amount of the Convertible Bond to be converted (such amount to be converted into pounds Sterling at the £:US$ exchange rate of £1:US$1.7813) by the Conversion Price in effect on the relevant conversion date.

To date, no Convertible Bonds have been converted.

3. Procedure for conversion

To exercise the Conversion Right attaching to any Convertible Bond, the holder thereof must deliver the relevant Convertible Bond, together with all coupons (**Coupons**) relating to it which mature on or after the relevant conversion date, to the specified office of any paying and conversion agent of the Convertible Bonds (**Paying and Conversion Agent**), during its usual business hours, accompanied by a duly completed and signed notice of conversion (**Conversion Notice**) in the form (for the time being current) obtainable from any Paying and Conversion Agent.

A Convertible Bondholder exercising a Conversion Right must pay any taxes and capital, stamp, issue and regulation duties arising on conversion (other than any taxes or capital duties of any Ordinary Shares on such conversion) and all, if any, taxes arising by reference to a disposal or deemed disposal of a Convertible Bond or interest therein in connection with such conversion.

4. Interest

The rate of interest payable on the Convertible Bonds is 7.125 per cent. per annum. Interest on the Convertible Bonds will be payable semi-annually in arrears on 11 February and 11 August in each year (each, a Convertible Interest Payment Date). Interest will cease to accrue on Convertible Bonds converted into Ordinary Shares from the Convertible Interest Payment Date immediately preceding the relevant conversion date.

5. Early Redemption

Redemption at the option of PHMGFL

PHMGFL may at any time on giving not less than 30 nor more than 90 days' notice to the trustee of the Convertible Bonds (**Trustee**) and to the Convertible Bondholder redeem the Convertible Bonds in whole but not in part only at their principal amount together with accrued interest (i) at any time on or after 25 August 2008, if on more than 20 dealing days during any period of 30 consecutive dealing days ending not earlier than 14 days prior to the issue of the notice of redemption, the Aggregate Value (as defined below) for each such dealing day exceeds US$150,000; or (ii) if, at any time prior to the date of the giving of notice of such redemption, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Convertible Bonds originally issued.

Aggregate Value means, in respect of any dealing day, the value expressed in US$ calculated in accordance with the following formula:

AV = $(BV/CP)^{*}MP$

Where:

AV =	Aggregate Value;
BV =	the sterling value of a Convertible Bond's principal amount, calculated by dividing US$100,000 by the £/US$ spot rate of exchange prevailing at such time as determined by an independent financial advisor (**Prevailing Rate of Exchange**) as at the close of business on such dealing day;
CP =	the Conversion Price on such dealing day; and
MP =	the volume weighted average price for an Ordinary Share on such dealing day translated into US$ at the Prevailing Rate of Exchange as at the close of business on such dealing day.

Redemption on a change of control at the option of the Convertible Bondholders

The Convertible Bondholders may require PHMGFL to redeem their Convertible Bonds at their principal amount following the occurrence of an event where an offer is made to all (or nearly as may be practicable all) holders of Ordinary Shares (or all (or nearly as may be practicable all) such holders other than the offeror and/or any associates of the offeror), to acquire all or a majority of the issued ordinary share capital of the Company or if any person proposes a scheme with regard to such acquisition (other than certain exemptions set forth in the Conditions of the Convertible Bonds) and (such offer or scheme having become or been declared unconditional in all respects) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has become unconditionally vested in the offeror and/or such associates as aforesaid.

Redemption at the option of the Convertible Bondholders on the occurrence of a Licence Event

The Convertible Bondholders may require PHMGFL to redeem their Convertible Bonds at their principal amount following the occurrence of any one or more of the following events:

(i) the relevant authority gives notice of unconditional revocation of any of the Relevant Licences;

(ii) the Company or any principal subsidiary of the Company agrees in writing with the relevant authority to any revocation or surrender of any Relevant Licence (subject to certain exceptions);

(iii) any Relevant Licence is sold, donated, transferred or otherwise disposed of;

(iv) any legislation is enacted terminating or revoking any Relevant Licence;

(v) any modification is made to terms and conditions of any Relevant Licence which is materially prejudicial to the interests of the Convertible Bondholders; and

(vi) Pokrovskiy Rudnik ceases to be controlled and owned as to at least 51 per cent. of its issued share capital, directly or indirectly, by the Company.

6. Negative Pledge

The Conditions of the Convertible Bonds also contain the following covenants:

So long as any Convertible Bond or Coupon remains outstanding, each of PHMGFL and the Company will ensure that:

(i) no Relevant Indebtedness in the form of securities and capable of being quoted, listed or ordinarily dealt in on any securities market of PHMGFL and/or the Company or any principal subsidiary of the Company and no guarantee by PHMGFL, the Company or any principal subsidiary of the Company of any Relevant Indebtedness will be secured by a Security Interest upon, or with respect to, any of the present or future business, undertaking, assets or revenues of the PHMGFL or the Company or any principal subsidiary of the Company unless all amounts payable under the Convertible Bonds, the Coupons and the Trust Deed are equally secured or other Security Interest or guarantee or other arrangement is provided in respect thereof;

(ii) no principal subsidiary of the Company shall give any guarantee, indemnity or surety or enter into any other agreement having a similar effect (each, a **Group Guarantee**) in respect of any Relevant Indebtedness, unless such principal subsidiary shall take any and all action necessary to ensure that all amounts payable under the Convertible Bonds, the Coupons and the trust deed benefit from a Group Guarantee given by the same principal subsidiary; and

(iii) the aggregate outstanding principal amount of all indebtedness for borrowed money raised by any person and benefiting from a Security Interest given by the Company or any of its subsidiary undertakings shall not exceed US$150.0 million.

7. Events of Default

The events triggering the Events of Default provision in respect of the Convertible Bonds are (i) non payment of any sum due in respect of the Convertible Bonds for a period of 7 days or more; (ii) non performance of other obligations under the Convertible Bonds or the Trust Deed, or within any applicable grace period; (iii) cross-default in relation to certain indebtedness, guarantees, indemnities or security in respect of aggregate amounts of indebtedness which equals or exceeds US$10 million; (iv) winding-up of the Company or PHMGFL; (v) winding-up of a Principal Subsidiary of the Company (as defined in the Conditions); (vi) cessation of business by the Company, PHMGFL or a Principal Subsidiary; (vii) insolvency of the Company, PHMGFL or a Principal Subsidiary; (viii) certain security becomes enforceable or is enforced; (ix) enforcement proceedings are taken against the Company, PHMGFL or a Principal Subsidiary and not discharged within 30 days; (x) PHMGFL ceases to be wholly-owned by the Company or any Principal Subsidiary; (xi) if the Guarantee is not (or is claimed by the Company not to be) in full force and effect; (xii) nationalisation of the assets of the Company, PHMGFL or any Principal Subsidiary; (xiii) illegality; or (xiv) any analogous events to the foregoing provisions.

PART B – EXCHANGEABLE BONDS

1. Overview

PHMGFL issued US$180.0 million in principal amount of Exchangeable Bonds due 2012 on 19 October 2007. The Exchangeable Bonds are convertible into a cash amount in US Dollars which is linked to the price of gold. The Exchangeable Bonds are listed on the Channel Islands Stock Exchange.

In February 2009, the Peter Hambro Mining Group agreed to purchase US$87.0 million of the nominal value of the Exchangeable Bonds, leaving US$93.0 million in nominal value of the Exchangeable Bonds outstanding.

To the extent that the Exchangeable Bonds are not previously redeemed, converted or purchased and cancelled, PHMGFL will redeem each Exchangeable Bond at 100 per cent. of its principal amount on 19 October 2012 (**Gold Exchangeable Final Maturity Date**), together with any accrued interest. The Company has guaranteed the due payment of all sums payable by PHMGFL under the Exchangeable Bonds (including principal amount, accrued interest and, if applicable, the Conversion Value (as defined below) (**Guarantee**). A summary of the conditions governing and the procedure for conversion of the Exchangeable Bonds is set out below.

2. Conditions governing conversion

Each Exchangeable Bond will entitle the holder (each a **Gold Exchangeable Bondholder)** (**Gold Conversion Right**) to convert such Exchangeable Bond into a cash amount in US Dollars equivalent to the Conversion Value (as defined below) at any time from 19 October 2009 to the close of business on the date falling 20 days prior to the Gold Exchangeable Final Maturity Date or, if the Exchangeable Bonds shall have been called for redemption prior to the Gold Exchangeable Final Maturity Date, then up to the close of business on the fifteenth day before the date fixed for redemption thereof (**Gold Conversion Period**).

The conversion value (**Conversion Value**) of each Exchangeable Bond will be equal to the product of (i) the price of one troy ounce of gold in US Dollars as determined by the London afternoon fixing for gold as calculated by the London Gold Market Fixing Ltd on the conversion date and (ii) 100.

Once delivered to PHMGFL by a Gold Exchangeable Bondholder, a Gold Conversion Notice (as defined below) is irrevocable.

3. Procedure for conversion

To exercise the Gold Conversion Right attaching to any Exchangeable Bond, the holder thereof must deliver a duly completed and signed notice of conversion, together with the certificate evidencing the Exchangeable Bonds to the specified office of any paying, transfer and conversion agent of the Exchangeable Bonds (**Paying, Transfer and Conversion Agent**), during its usual business hours (**Gold Conversion Notice**) in the form (for the time being current) obtainable from any Paying, Transfer and Conversion Agent.

4. Interest

The rate of interest payable on the Exchangeable Bonds is 7 per cent. per annum. Interest on the Exchangeable Bonds will be payable semi-annually in arrears on 19 April and 19 October in each year (each, a **Gold Exchangeable Interest Payment Date**). Interest will cease to accrue on the Exchangeable Bonds which have been converted from the Gold Exchangeable Interest Payment Date immediately preceding the relevant conversion date.

5. Early Redemption

Redemption at the option of PHMGFL

On giving not less than 30 nor more than 60 days' notice (**Optional Redemption Notice**) to the Gold Exchangeable Bondholders, PHMGFL may redeem all or some only of the Exchangeable Bonds on the date (**Optional Redemption Date**) specified in the Optional Redemption Notice at their principal amount together with accrued interest up to but excluding the Optional Redemption Date if, at any time on or after 19 October 2011, the price of gold has reached a level of US$1,500 per troy ounce as determined by the London afternoon fixing for gold calculated by the London Gold Market Fixing Ltd.

Redemption for taxation reasons

If PHMGFL (or, as the case may be, the Company) has or will become obliged to pay additional amounts in respect of payments of interest on the Exchangeable Bonds as a result of any change in, or amendment to, the laws or regulations of Guernsey or the UK or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws and regulations which is of general application, PHMGFL may, having given not less than 30 nor more than 60 days' notice to the Gold Exchangeable Bondholders redeem all but not some only the Exchangeable Bonds for the time being outstanding on the date specified in the notice at their amount as at such date, together with accrued but unpaid interest to such date.

6. Negative Pledge

The Conditions of the Exchangeable Bonds also contain the following covenants:

So long as any Exchangeable Bond remains outstanding, each of PHMGFL and the Company will ensure that:

(i) no Relevant Indebtedness (as defined in the Conditions) of PHMGFL and/or the Company or any principal subsidiary of the Company and no guarantee by PHMGFL, the Company or any principal subsidiary of the Company of any Relevant Indebtedness will be secured by a Security Interest unless all amounts payable under the Exchangeable Bonds are equally secured or other Security Interest or guarantee or other arrangement is provided in respect thereof;

(ii) no principal subsidiary of the Company shall give any Group Guarantee in respect of any Relevant Indebtedness, unless such principal subsidiary shall take any and all action necessary to ensure that all amounts payable under the Exchangeable Bonds benefit from a Group Guarantee given by the same principal subsidiary; and

(iii) the aggregate outstanding principal amount of all indebtedness for borrowed money raised by any person and benefiting from a Security Interest given by the Company or any of its subsidiary undertakings shall not exceed US$150 million.

7. Events of Default

The events triggering the Events of Default provision in respect of the Exchangeable Bonds are (i) non payment of any sum due in respect of the Exchangeable Bonds for a period of 7 days or more; (ii) non performance of other obligations under the Exchangeable Bonds, or within any applicable grace period; (iii) cross-default in relation to certain indebtedness, guarantees, indemnities or security in respect of aggregate amounts of indebtedness which equals or exceeds US$10 million; (iv) winding-up of the Company or PHMGFL; (v) winding-up of a Principal Subsidiary of the Company (as defined in the Conditions); (vi) cessation of business by the Company, PHMGFL or a Principal Subsidiary; (vii) insolvency of the Company, PHMGFL or a Principal Subsidiary; (viii) certain security becomes enforceable or is enforced; (ix) enforcement proceedings are taken against the Company, PHMGFL or a Principal Subsidiary and not discharged within 30 days; (x) PHMGFL ceases to be wholly-owned by the Company or any Principal Subsidiary; (xi) if the Guarantee is not (or is claimed by the Company not to be) in full force and effect; (xii) nationalisation of the assets of the Company, PHMGFL or any Principal Subsidiary; (xiii) illegality; or (xiv) any analogous events to the foregoing provisions.

PART XI

TERMS AND CONDITIONS OF THE WARRANTS

The issue of the Warrants was authorised by a resolution of the Board passed on 16 April 2009. The terms and conditions relating to the Warrants are as follows:

1. Definitions and interpretation

In the Warrant Instrument the following expressions have the following meanings, except where the context otherwise requires:

Applicable Exchange Rate	US$1.384 to £1.00, being the prevailing US Dollar to Sterling foreign exchange rate which was published in the London edition of the Financial Times on 11 March 2009;
Approved Offer	a Warrant Offer, which a reputable investment bank (acting as experts and not as arbitrators and which may be the financial adviser to the Company) consider is fair and reasonable to Warrantholders, having regard to the terms of the Warrant Offer and any other circumstances which may appear to such financial advisers to be relevant;
Articles	the articles of association of the Company as altered from time to time;
Business Day	any day (not being a Saturday or Sunday) when banks in the City of London are open for general business;
Company	Peter Hambro Mining Plc;
Current Market Price	in respect of a Share at a particular date, the average of the Volume Weighted Average Price of a Share for the five consecutive dealing days ending on such date; provided that if at any time during the said five-dealing-day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then: (a) if the Shares to be issued or transferred and delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which it shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Share as at the date of first public announcement of such Dividend (or entitlement); or (b) if the Shares to be issued or transferred and delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which it shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or

entitlement per Share as at the date of first public announcement of such Dividend (or entitlement),

and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Shares to be issued or transferred and delivered do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or other entitlement per Share as at the date of the first public announcement of such Dividend or entitlement, and provided further that, if the Volume Weighted Average Price of a Share is not available on one or more of the said five dealing days, then the average of such Volume Weighted Average Prices which are available in that five-dealing-day period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by a reputable investment bank (acting as expert, not arbitrator) to be selected by the Company at such time and for this purpose;

Directors — the directors for the time being of the Company;

Dividend — any dividend or distribution to shareholders whether of cash, assets or other property, and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account (and for these purposes a distribution of assets includes without limitation an issue of Shares, or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that where a dividend in cash is announced which is to be, or may at the election of a shareholder or shareholders be, satisfied by the issue or delivery of Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a shareholder or shareholders be, satisfied by the payment of cash, then for the purposes of this definition the dividend in question shall be treated as a cash dividend of the greater of (i) such cash amount and (ii) the Current Market Price of such Shares or, as the case may be, Fair Market Value of such other property or assets (as at the date of the first public announcement of such dividend or capitalisation (as the case may be) or if later, the date on which the number of Shares (or amount of property or assets, as the case may be) which may be issued or transferred and delivered is determined);

Extension Notice — a notice served by the Company on Warrantholders at a date not less than 1 (one) week and not more than 5 (five) weeks prior to the expiry of the Long Stop Date which specifies a further date, being not earlier than one year and not later than two years after the prevailing Long Stop Date;

extraordinary resolution	a resolution passed at a meeting of the holders of the Warrants duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll;
Fair Market Value	with respect to any property on any date, the fair market value of that property as determined in good faith by a reputable investment bank (acting as expert, not arbitrator) to be selected by the Company, provided that (i) the Fair Market Value of a cash Dividend shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined by a reputable investment bank to be selected by the Company), the fair market value (a) of such securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such securities, options, warrants or other rights are publicly traded); (iv) where securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such securities, options, warrants or other rights shall be determined in good faith by a reputable investment bank to be selected by the Company , on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Share, the dividend yield of an Share, the volatility of such market price, prevailing interest rates and the terms of such securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof; (v) in the case of a cash dividend declared or paid or payable in a currency other than pounds sterling the value of that dividend shall be translated into pounds sterling at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash dividend in pounds sterling; and in the case of any other property denominated in a currency other than pounds sterling shall be translated into pounds sterling at such rate on that date and as investment bank shall consider to be appropriate and (vi) in the case of any Dividend disregarding any withholding or deduction required to be made on account of tax and any associated tax credit;
holder or **Warrantholder**	the registered holder for the time being of Warrants;
Long Stop Date	means 9 June 2010 or, if an Extension Notice has been served in accordance with paragraph 4(h), such later date as specified in the relevant Extension Notice;
Registrars	the registrars for the time being of the Company;
Ordinary Shares or **Shares**	the ordinary shares of £0.01 each (or of such other nominal amount as may be adjusted as described in paragraph 3 below) in the capital of the Company;

Subscription Date	a date, being after 22 April 2009 and on or prior to the Long Stop Date, on which it is intended that Subscription Rights in respect of the relevant warrants shall be exercised;
Subscription Price	a sum equal to US$17.72, being the US Dollar equivalent of 1280 pence (as determined by reference to the Applicable Exchange Rate) per Ordinary Share at which the Subscription Rights are exercisable, or such adjusted price as may be determined from time to time in accordance with the provisions described in paragraph 3 below;
Subscription Rights	the rights to subscribe for Ordinary Shares specified in paragraph 2(a) below;
Takeover Offer	has the meaning given to it in paragraph 4(e);
Volume Weighted Average Price	in respect of a publicly traded security on any dealing day, the volume-weighted average price of a security published by or derived from Bloomberg or from the principal stock exchange or securities market on which such securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by a reputable investment bank to be selected by the Company on such dealing day;
Warrant Instrument	the deed pursuant to which the Warrants are established of which these terms and conditions form a part; and
Warrant Offer	has the meaning given to it in paragraph 4(e).

2. Subscription rights

(a) A holder of Warrants shall have rights to subscribe in cash on each Subscription Date for all or any of the Ordinary Shares for which he is entitled to subscribe under such Warrants of which he is the holder at the Subscription Price payable in full on subscription, subject to adjustment as provided in paragraph 3 below. The number of Ordinary Shares to which each Warrant relates is (prior to any adjustment as provided in paragraph 3 below) one Ordinary Share. The Subscription Price, the number of Warrants outstanding and the number and/or nominal value of the Ordinary Shares to be subscribed upon exercise of the Warrants shall be subject to adjustment as provided in paragraph 3 below. The Warrants registered in a holder's name and to be held in certificated form will be evidenced by a Warrant certificate issued by the Company; provisions for holding in uncertificated form are set out below; those to be held in uncertificated form may be held through CREST.

(b) In order to exercise the Subscription Rights, in whole or in part, the holder of a Warrant must, unless the Directors may in their absolute discretion determine otherwise, lodge the relevant Warrant certificate(s) (or such other document(s) as the Company may, in its absolute discretion, accept) at the office of the Registrars during the period of 28 days ending at 3.30 p.m. (Greenwich Mean Time) on the relevant Subscription Date, having completed the notice of exercise of Subscription Rights thereon (or by giving such other notice of exercise of Subscription Rights as the Company may, in its absolute discretion, accept), accompanied by a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Rights are being exercised. The Directors may, in their absolute discretion, accept as valid notices of exercise of Subscription Rights which are received after 3.30 p.m. (Greenwich Mean Time) on the relevant Subscription Date provided they are accompanied by the correct remittance, as described above. Once lodged, a notice of exercise of Subscription Rights shall be irrevocable, save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

(c) In relation to any Warrants that are in uncertificated form on any Subscription Date, the Subscription Rights shall be exercised (and treated by the Company as exercised) on that Subscription Date if an uncertificated notice of exercise is received as referred to below on or within 28 days prior to the relevant Subscription Date (but not later than the latest time for input of the instruction permitted by the relevant system on that date). For these purposes, an "uncertificated notice of exercise" shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require and in such form and subject to such terms and conditions as may be from time to time prescribed by the Directors (subject always to the facilities and rules of the relevant system concerned) and that specifies (in accordance with the form prescribed by the Directors as aforesaid) the number of Warrants in respect of which the Subscription Rights are to be exercised. Such uncertificated notice of exercise shall be accompanied by a payment transfer for the aggregate amount payable on subscription for the Ordinary Shares in respect of which the Subscription Rights are being exercised, such payment to be made through the relevant system in accordance with its rules or by any other means permitted by the Directors. The Directors may in addition determine when any such properly authenticated dematerialised instruction and/or instruction and notification is to be treated as received by the Company or by such person as it may require for these purposes (subject always to the facilities and rules of the relevant system concerned). Once lodged, a notice of exercise shall be irrevocable save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.

(d) Unless the Directors otherwise determine, or unless the Regulations and/or the rules of the relevant system concerned otherwise require, the Ordinary Shares arising on exercise of the Warrants shall be issued in uncertificated form (where the Warrants exercised were in uncertificated form on the Subscription Date concerned) or in certificated form (where the Warrants exercised were in certificated form on the Subscription Date concerned). Shares issued pursuant to the exercise of Subscription Rights will be allotted not later than 3 Business Days after, and with effect from, the relevant Subscription Date. In the case of any Warrants that were in certificated form on the Subscription Date concerned, certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant Subscription Date to the person(s) (not being more than 4 in number) in whose name(s) the Warrants are registered at the date of such exercise (and, if more than one, to the first named, which shall be sufficient despatch for all) or (subject as provided by law and to payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the Form of Nomination available from the Registrar (and, if more than one, to the first named, which shall be sufficient despatch for all). In the event of a partial exercise of the Subscription Rights evidenced by a Warrant certificate, the Company shall at the same time issue a fresh Warrant certificate in the name of the Warrantholder for any balance of Warrants with Subscription Rights remaining exercisable. In the case of any Warrants in uncertificated form, evidence of title to the Ordinary Shares allotted will be recorded in accordance with the Regulations and/or the rules of the relevant system concerned. No Form of Nomination may be submitted in respect of uncertificated Warrants unless and until the Directors otherwise determine in accordance with the rules of the relevant system.

(e) No fractions of an ordinary share will be issued on the exercise of any Warrant, provided that if more than one Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of Ordinary Shares to be issued upon the exercise of such Warrants and whether (and, if so, what) fraction of an ordinary share arises, the number of Ordinary Shares arising on the exercise of each Warrant (including for this purpose fractions) shall first be aggregated. Any fractions of Ordinary Shares arising on the exercise of Warrants on any Subscription Date shall be aggregated and, if practicable, sold in the market. The net proceeds of such sale will be paid to the holders of Warrants entitled thereto in proportion to the fractions arising on exercise of their Warrants, save that amounts of less than £3.00 will be retained for the benefit of the Company.

(f) Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant Subscription Date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with Ordinary Shares in issue at the Subscription Date.

(g) So long as the Company's ordinary share capital is admitted to trading on the Alternative Investment Market of the London Stock Exchange (AIM) or admitted to listing in the Official List of the UK Listing Authority, the Company intends to apply to the UK Listing Authority and/or the London Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of Subscription Rights to be admitted to trading on AIM or to be admitted to the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange and the Company will use all reasonable endeavours to obtain the grant thereof not later than 14 days after the relevant Subscription Date.

(h) If, at any time:

(i) Subscription Rights shall have been exercised in respect of 75 per cent. or more of the Ordinary Shares to which the Warrants issued subject to and with the benefit of the Warrant Instrument relate;

(ii) 75 per cent. of the Ordinary Shares then in issue are held by a single shareholder (a **75 per cent. Shareholder**); or

(iii) the closing price (as derived from the London Stock Exchange Daily Official List (where applicable in relation to AIM)) for one Ordinary Share shall on 30 trading days in a period of 40 consecutive trading days have been £28.00 (as adjusted where applicable – such adjustment to be *pro rata* to any adjustment to the Subscription Price) or more,

the Company shall be entitled, subject as set out below, at any time thereafter by a regulatory news service announcement and notice in writing to each holder, to give not less than 21 days notice of the date by which each such holder (excluding a holder of Warrants who is a 75 per cent. Shareholder) is required to exercise its Subscription Rights in respect of the Warrants. At the election of the Company, the provisions of paragraph 4(e)(i)(A) and (B) shall apply in favour of the 75 per cent. Shareholder (as if such shareholder was an offeror) in relation to any Warrants in respect of which valid exercise notices accompanied by payment have not been received prior the expiry of that period (**Remaining Warrants**), provided that the 75 per cent. Shareholder offers to acquire the Remaining Warrants at a price that is not less than the market price of the Remaining Warrants, or the Remaining Warrants shall lapse. For the purposes of clause (iii) above "trading day" means a day in which shares are traded on AIM or the Main Market of the London Stock Exchange (as applicable, depending on the market on which the Ordinary Shares are at the relevant time traded). If the above provisions would cause such rights to terminate during the period during which a Takeover Offer covered by paragraph 4(e) below is outstanding, the transfer or lapsing of the Warrants pursuant to this paragraph (h) shall only apply if and when the Takeover Offer lapses. For the purposes of this paragraph "market price" shall mean either (a) the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List (where applicable in relation to AIM)) for one Warrant for the five consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained or (b) if the Warrants are not at the relevant time listed or admitted to trading, the price determined in good faith by a reputable investment bank (acting as expert, not arbitrator) to be selected by the Company at such time and for this purpose.

(i) Any Warrants in respect of which valid exercise notices accompanied by payment of the relevant Subscription Price have not been received prior to close of business on the Long Stop Date shall lapse.

(j) Without prejudice to the generality of the final sentence of paragraph 2(b) and 2(c) above, the exercise of Subscription Rights by any holder or beneficial owner of Warrants who is a US Person, or the right of such a holder or beneficial owner of Warrants or other US Person to receive the Ordinary Shares falling to be issued to him following the exercise of his Subscription Rights, will be subject to such requirements, conditions, restrictions, limitations and/or prohibitions as the Company may at any time impose, in its absolute discretion, for the purpose of complying with the securities laws of the United States (including, without limitation, the United States Securities Act of 1933 (as amended), the United States Investment Company Act of 1940 (as amended), and any rules or regulations promulgated under such Acts). As used herein, "US Person" means any person or entity defined as such in Rule 902 (o) under the Securities Act of 1933 (as amended), and, without limiting the generality of the foregoing, US Person includes a resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a United States bank or insurance company that is operating outside the United States for valid business reasons as a locally regulated branch or agency engaged in the banking or insurance business and "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

3. Adjustments of Subscription Rights

The Subscription Price (and the number of Warrants outstanding and the number and/or the nominal value of the Ordinary Shares to be subscribed upon exercise of the Warrants) shall from time to time be adjusted in accordance with the provisions of this paragraph 3.

(a) If and whenever there shall be an alteration in the nominal amount of the Ordinary Shares as a result of a consolidation, reclassification or sub-division, the Subscription Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.

(b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend or where holders of Shares may elect to receive a Dividend in cash in lieu of such Ordinary Shares), the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.

(c) If on a date (or by reference to a record date) not later than 14 days before the Long Stop Date, the Company makes any offer or invitation to the holders of the Ordinary Shares by way of a rights issue or an open offer (but not any other non-pre-emptive offer or an offer made in connection with scrip dividend arrangements), the Subscription Price shall where the offer of new Ordinary Shares for subscription by way of rights is at a price less than the market price of the Ordinary Shares at the date of announcement of the terms of the offer, be adjusted by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription. Any such adjustment shall become effective as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation. For the purposes of this paragraph "market price" shall mean the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List (where applicable in relation to AIM)) for one Ordinary Share for the five consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Ordinary Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Ordinary Shares in issue on those days.

(d) No adjustment shall be made to the Subscription Price pursuant to paragraphs 3(a), (b) or (c) above (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 3(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment shall be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 3(d)) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest 1 cent. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.

(e) Whenever the Subscription Price is adjusted in accordance with paragraphs 3(a) to (d) above (other than by reason of and to reflect a consolidation of Ordinary Shares as referred to in paragraph 3(a) above), the Company shall, subject as provided below, issue, for no payment, additional Warrants to each holder of Warrants at the same time as such adjustment takes effect. The number of additional Warrants to which a holder of Warrants will be entitled (AW) shall be calculated in accordance with the following:

$$AW = EW \times \left(\frac{X - Y}{Y}\right)$$

where:

EW = the number of existing Warrants held by a particular holder

X = the Subscription Price of one Warrant immediately before the adjustment; and

Y = the Subscription Price of one Warrant immediately after the adjustment.

Fractions of Warrants will not be allotted to holders of Warrants but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the holders of Warrants entitled thereto at the risk of such persons, save that amounts of less than £3.00 will be retained for the benefit of the Company.

The Company may, following such an adjustment to the Subscription Price, elect to adjust the subscription terms of existing Warrants (as opposed to issuing additional Warrants) so that the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise of the Warrants will be increased or, as the case may be, reduced in due proportion (fractions being ignored on an aggregated basis) so as to maintain the same cost of exercising the Subscription Rights of each holder of Warrants. Such adjustment shall be determined by the Directors and a reputable investment bank (acting as experts, not arbitrators) shall confirm that, in their opinion, the adjustments have been determined in all material respects in accordance with the provisions of the Warrant Instrument.

(f) Whenever the Subscription Price is adjusted in accordance with this paragraph 3 by reason of a consolidation of Ordinary Shares as referred to in paragraph 3(a) above, the number of Ordinary Shares for which each holder is entitled to subscribe will be reduced accordingly.

(g) The Company shall give notice to holders within 28 days of any adjustment made pursuant to paragraphs 3(a) to (f) above and paragraph 3(i) below and, if appropriate, within such period despatch Warrant certificates (at the risk of the persons entitled thereto) to the holders (or pay any amount due under paragraph 3(e)) in respect of any additional Warrants.

(h) Notwithstanding the provisions of sub-paragraphs 3(a) to (g) above and paragraph 3(i) below, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint a reputable investment bank (acting as experts, not arbitrators) or another person determined by the Company to have the requisite expertise to determine this matter to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby (the objective being to protect Warrantholders against any diminution in the economic value of the Warrants relative to the economic value of the Ordinary Shares which might absent such adjustment result from the relevant circumstances) and, if the reputable investment bank (acting as experts, not arbitrators) shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner (including without limitation, making an adjustment calculated on a different basis) and/or to take effect from such other date and/or time as shall be reported by the reputable investment bank (acting as experts, not arbitrators) to be in their opinion appropriate.

(i) If and whenever the Company shall pay or make any Dividend to Shareholders, the Subscription Price shall be adjusted to a new Subscription Price (NS), with effect from the date after the record date by reference to which the Dividend is declared, paid or made using the following formula:

$$NS = SP \times \left(\frac{A - B}{A} \right)$$

Where:

A is the Current Market Price of one Share on the dealing day immediately preceding the first date the Shares are traded ex-the relevant Dividend;

B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Share, computed as of the same day as the Current Market Price of one share for the purposes of A, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Shares entitled to receive the relevant Dividend; and

SP is the Subscription Price in force on the record date by reference to which the Dividend is declared.

4. Other provisions

So long as any Subscription Rights remain exercisable:

(a) the Company shall not (except with the sanction of an extraordinary resolution):

(i) carry out any reduction of share capital or share premium account or capital redemption reserve fund which would involve a repayment of capital, save for any such reduction which takes the form of a share allotment falling within paragraph 3(b) above, or purchase of any of its Ordinary Shares otherwise than on such terms as the Directors reasonably believe to represent the full open market value of the Ordinary Shares so purchased.

(ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holder or holders of its Ordinary Shares; or

(iii) on or by reference to a record date falling within the period of six weeks ending on the Long Stop Date, make any such allotment as is referred to in paragraph 3(b) above or any such offer or invitation as is referred to in paragraph 3(c) above (except where any such offer or invitation is extended to the Warrantholders);

(b) the Company shall not (except with the sanction of an extraordinary resolution) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital, except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of the Company to:

(i) increase, consolidate or sub-divide its share capital or to issue further Ordinary Shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital; or

(ii) reorganise or reclassify its share capital so that the rights attached to its existing Ordinary Shares are temporarily modified if such modifications are not prejudicial to the rights of holders of Warrants and are promptly reversed. In the case of any disagreement as to whether any reorganisation or reclassification is prejudicial, the Company shall obtain the opinion of a reputable investment bank (acting as expert, not arbitrator) whose opinion on the matter shall in the absence of manifest error be conclusive.

(c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 3(c) above if, in either case, the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Ordinary Shares at a discount to nominal value;

(d) the Company shall keep available for issue sufficient authorised but unissued ordinary share capital to satisfy in full all Subscription Rights remaining exercisable;

(e) if at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company or a proposal is made to such holders to implement such acquisition by way of a scheme of arrangement (a **Takeover Offer**), the Company shall give notice to the holders of the Warrants of the Takeover Offer within 14 days of its becoming so aware and:

Warrant Offer which is an Approved Offer

(i) if under the terms of any Takeover Offer the consideration consists solely of the issue of ordinary shares of the offeror, the Company shall use its reasonable endeavours to procure that the offeror shall make available an offer of warrants (which offer may be implemented by way of a scheme of arrangement) to subscribe for ordinary shares in the offeror in exchange for the Warrants (a **Warrant Offer**) and if a Warrant Offer is in fact made and is an Approved Offer and, in the case of a Takeover Offer which is to be implemented by way of a scheme of arrangement (or is otherwise the subject of a scheme of arrangement) that Takeover Offer becomes effective, or in the case of any other qualifying Takeover Offer that Takeover Offer becomes wholly unconditional, then from such date:

(A) a holder of Warrants shall not have a continuing right to exercise his Subscription Rights; and

(B) provided the offeror is able to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it (and/or any person controlled by it and/or any persons acting in concert with it), any Director shall be irrevocably authorised as attorney for the holders of the Warrants who have not accepted the Warrant Offer:

(1) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares of the offeror as aforesaid; and

(2) to do such acts and things as may be necessary or appropriate in connection therewith;

Cash Offer

(ii) if under any Takeover Offer the consideration shall consist solely of cash or partly of cash and partly of a non-cash consideration or wholly of a non-cash consideration but with a cash alternative, the

Company shall use its reasonable endeavours to procure that the offeror shall extend this offer to the holders of the Warrants (allowing in the consideration terms for the Subscription Price which would be payable on exercise thereof) (a **Cash Offer**).

Cash Offer, or a Warrant Offer which is not an Approved Offer

(iii) if any Warrants remain outstanding after a Cash Offer, or a Warrant Offer which is not an Approved Offer, has been made and if the relevant Cash Offer or Warrant Offer (as the case may be) has become or been declared wholly unconditional and the offeror is in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it (and/or any person controlled by it and/or any persons acting in concert with it) (or in the case of a Takeover Offer which is being implemented by way of scheme of arrangement (or is otherwise the subject of a scheme of arrangement) that scheme of arrangement becomes effective) the Company shall within 30 days after such date pay or procure payment to the holders of a sum reflecting (i) the differential between the offer price and the then applicable Subscription Price in respect of such Warrants and (ii) the time value inherent in such Warrant rights – the quantum of such payment shall be determined by a reputable investment bank (acting as expert, not arbitrator) to be selected by the Company at such time and for this purpose, and from such date:

(A) a holder of Warrants shall not have a continuing right to exercise his Subscription Rights; and

(B) any Director shall be irrevocably authorised as attorney for the holders of the Warrants who have not accepted the Cash Offer or the Warrant Offer which is not an Approved Offer:

(1) to execute a transfer thereof in favour of the Company in consideration of the payment of the aforesaid sum; and

(2) to do such acts and things as may be necessary or appropriate in connection therewith;

(f) if an order is made or an effective resolution is passed for the winding up of the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution) each holder of a Warrant shall (if in such winding up, on the basis that all Subscription Rights then unexercised had been exercised in full and the Subscription Price therefor had been received in full by the Company, there shall be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Rights (taking into account any adjustments previously made pursuant to paragraphs 3(a) to (f) or paragraph 3(i) and subject to paragraph 3(h) above), which surplus would, on such basis, exceed in respect of each ordinary share a sum equal to such Subscription Price) be treated as if immediately before the date of such order or resolution (as the case may be) his Subscription Rights had been exercisable and had been exercised in full on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) or paragraph 3(i) and subject to paragraph 3(h) above) on which the same could have been exercised if they had been exercisable immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the winding up *pari passu* with the holders of the Ordinary Shares, such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per ordinary share equal to the Subscription Price (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) or paragraph 3(i) and subject to paragraph 3(h) above). Subject to the foregoing, all Subscription Rights shall lapse on winding up of the Company;

(g) if at any time an offer or invitation is made by the Company to the holders of its Ordinary Shares generally for purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the holders of the Warrants to enable each Warrantholder, at any time while such offer or invitation remains open for acceptance, to exercise his Subscription Rights and any Ordinary Shares arising on exercise of the Subscription Rights shall be included in the offer or invitation on the same terms and conditions as if the Ordinary Shares arising on the exercise of Subscription Rights had been in issue on the record date for such offer or invitation; and

(h) if on any date which is not more than 5 (five) weeks and not less than 1 (one) week prior to the Long Stop Date, the Subscription Price on that date is higher than the market price of the Ordinary Shares, the Company may serve an Extension Notice on holders of Warrants by a regulatory news service announcement and notice in writing. For the purposes of this paragraph "market price" shall mean the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List (where applicable in relation to AIM)) for one Ordinary Share for the five consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained.

If a Takeover Offer is made and, in the case of a Takeover Offer which is to be implemented by way of a scheme of arrangement (or is otherwise the subject of a scheme of arrangement) or in the case of a Takeover Offer which has become or been declared wholly unconditional, the offeror is in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it (and/or any person controlled by it and/or any person acting in concert with it), then the Subscription Rights shall be suspended for a period of 2 (two) months. If the Long Stop Date shall expire prior to the end of such two month period, then the Long Stop Date shall be deemed to have been extended for a period of 3 (three) months.

5. Modification of rights

Subject to the existing rights of the holders of Ordinary Shares, all or any of the rights for the time being attached to the Warrants and all or any of these Terms and Conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall apply *mutatis mutandis* as though the Warrants were a class of shares forming part of the capital of the Company, but so that:

(a) the necessary quorum shall be the requisite number of holders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the Ordinary Shares attributable to such outstanding Warrants;

(b) every holder of a Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for each ordinary share for which he is entitled to subscribe;

(c) any holder of a Warrant present in person or by proxy may demand or join in demanding a poll; and

(d) if at any adjourned meeting a quorum as above defined is not present, the holder or holders of Warrants then present in person or by proxy shall notwithstanding constitute a quorum.

Any such alteration or abrogation approved as aforesaid shall be effected by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument. Modifications to the Warrant Instrument which are of a formal, minor or technical nature, or made to correct a manifest error, and which do not adversely affect the interests of the holders of the Warrants, may be effected without the sanction of an extraordinary resolution but shall be executed by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument and notice of such alteration or abrogation or modification shall be given by the Company to the holders of the Warrants.

6. Purchase

The Company and its subsidiaries shall have the right to purchase Warrants in the market, by tender or by private treaty or otherwise, and the Company may accept the surrender of Warrants at any time but such purchases will be made in accordance with the rules of any stock exchange on which the Warrants are listed.

All Warrants so purchased or surrendered shall forthwith be cancelled and shall not be available for re-issue or resale.

7. Transfer

Each Warrant will be in registered form and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an ordinary share may be effected.

No Warrantholder shall transfer any Warrants where such transfer shall constitute an "offer to the public" as defined in the Prospectus Directive, or otherwise in breach of applicable securities laws.

Valid transfers shall on production of the relevant documentation be reflected in the relevant register of Warrantholders, each as provided for in the Warrant Instrument.

8. General

(a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each holder of a Warrant (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.

(b) Subject as otherwise provided in these Terms and Conditions, the provisions of the Articles of Association for the time being of the Company relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Ordinary Shares shall apply *mutatis mutandis* to the Warrants as if they were Ordinary Shares.

(c) Any determination or adjustment made pursuant to these terms and conditions by a reputable investment bank shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company, its shareholders and each holder of Warrants.

(d) Any reference in these Terms and Conditions to a statutory provision shall include that provision as from time to time modified or re-enacted.

(e) If the Ordinary Shares become listed on the Official List of the UKLA and the trading therein is transferred to the Main Market of the London Stock Exchange, the Company will make all reasonable endeavours to procure that the then outstanding Warrants are concurrently so listed and admitted to trading.

9. Warrants in uncertificated form

In this section 9 of these Terms and Conditions:

(a) **Regulations** means such regulations as may be applicable to the holding of dematerialised securities, including the Uncertificated Securities Regulations 2001 and includes:

  (i) any enactment or subordinated legislation which amends or supersedes those regulations; and

  (ii) any applicable rules made under those regulations including those of a relevant system or under any such enactment or subordinated legislation for the time being in force;

(b) unless otherwise provided herein, words and expressions used in these Terms and Conditions have the same meaning as in the Regulations;

(c) **notice of exercise** means, in relation to any Warrants that are in certificated form on any Subscription Date, a certificated notice of exercise (as defined in paragraph 2(b) above) or, in relation to any Warrants that are in uncertificated form on any Subscription Date, an uncertificated notice of exercise (as defined in paragraph 2(c) above);

(d) whether any Warrants are in certificated form or uncertificated form on a Subscription Date shall be determined by reference to the register of holders of Warrants as at the close of business on the relevant Subscription Date or at such other time or date as the Directors (subject to the facilities and requirements of the relevant system concerned) in their absolute discretion determine;

(e) **CREST** means the relevant system operated by Euroclear UK & Ireland Limited in terms of the Regulations, which enables title to shares or other securities to be evidenced or transferred without a written instrument;

(f) nothing in these Terms and Conditions shall preclude any Warrant from being issued, held, registered, exercised, transferred or otherwise dealt with in uncertificated form in accordance with the Regulations and any other rules and requirements laid down from time to time by CREST or any other relevant system operated pursuant to the Regulations. The Directors may make arrangements for the Warrants to become a participating security in a relevant system;

(g) in relation to any Warrant which is in uncertificated form, these Terms and Conditions shall have effect subject to the provisions of the Regulations and (so far as consistent with them) to the following provisions:

(i) the Company shall not be obliged to issue a certificate evidencing title to a Warrant and all references to a Warrant certificate in respect of any Warrants held in uncertificated form in these Terms and Conditions shall be deemed inapplicable to such Warrants which are in uncertificated form and furthermore shall be interpreted as a reference to such form of evidence of title to uncertificated Warrants as the Regulations and the rules of the relevant system concerned prescribe or permit;

(ii) the registration of title to and transfer of any Warrants in uncertificated form shall be effected in accordance with the Regulations and the rules of the relevant system concerned and there shall be no requirement for written instrument of transfer;

(iii) a properly authenticated dematerialised instruction given in accordance with the Regulations and any rules of the relevant system operated pursuant to the Regulations shall be given effect to in accordance with its terms;

(iv) Warrants may be changed from uncertificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Regulations and the Company shall record on the register of Warrantholders that the Warrants are held in certificated or uncertificated form as appropriate;

(v) any communications required or permitted by these Terms and Conditions given by a person to the Company or by the Company to a person, may be given in accordance with and in any manner (whether or not in writing), prescribed or permitted by the Regulations or any rules operated by the relevant system;

(vi) the provisions of these Terms and Conditions with respect to meetings of the holders of the Warrants shall have effect subject to the provisions of the Regulations;

(vii) for the avoidance of doubt, these Terms and Conditions are applicable to the Warrants held in uncertificated form and shall remain so applicable (and accordingly the Company shall continue to comply with the terms and conditions of the same) notwithstanding that they are not endorsed on any certificate for such Warrants; and

(viii) the Company shall provide to any holder of Warrants in uncertificated form a copy of these Terms and Conditions on request by him (but so that joint holders of such Warrants shall be entitled to receive one copy only of these Terms and Conditions in respect of the Warrants held jointly by them, which copy shall be delivered to the joint holders whose name stands first in the register of Warrantholders in respect of that holding).

(h) these Terms and Conditions may be amended by the Directors to reflect changes made to, and continued compliance with, the Regulations.

PART XII

ADDITIONAL INFORMATION

1. Incorporation and activity

1.1 The Company was incorporated on 20 December 2001 and registered with the registered number 04343841 under the laws of England and Wales as a public company limited by shares under the name Excelsior Corporation plc. On 14 March 2002, the Company's name was changed to Peter Hambro Mining Plc.

1.2 The Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act on 17 April 2002.

1.3 The Company's registered office and principal place of business is at 11 Grosvenor Place, London SW1X 7HH. The telephone number of the Company's principal place of business is +44 (0)20 7201 8900.

1.4 The Company will be the ultimate holding company of the Enlarged Group.

1.5 The liability of the members of the Company is limited.

2. Share capital

2.1 The principal legislation under which the Company operates, and pursuant to which the Ordinary Shares have been created are the Companies Acts and the regulations made thereunder. The legislation pursuant to which the Warrants have been created is the 2006 Act.

2.2 The ISIN number for the Ordinary Shares is GB0031544546 and for the Warrants is GB00B6507Y92. The Ordinary Shares and Warrants are issued in registered form and are capable of being held in uncertificated form. The Company's registers of Ordinary Shares and Warrants are maintained by Capita Registrars.

2.3 The Company's authorised share capital on incorporation was £50,000 divided into 50,000 ordinary shares of £1 each, two of which were issued to the subscribers to the Company's Memorandum of Association and Articles.

2.4 Pursuant to a special resolution passed on 14 March 2002, the share capital of the Company was increased to £1,000,000 by the creation of 948,000 A shares of £1 each and 200,000 B shares of £0.01 each in the capital of the Company with such rights, privileges and restrictions as were set out in the articles of association of the Company at the time. Each of the existing authorised ordinary shares of £1 each, both issued and unissued, were converted into one A share of £1 each.

2.5 On 17 April 2002, 245,514 A shares of £1.00 each and 144,984 B shares of £0.01 each were issued pursuant to a share exchange agreement.

2.6 On 19 April 2002, 8,971 A shares were issued pursuant to an agreement between the Company and Cullen Resources Limited.

2.7 On 29 April 2002, on the admission of the Company's Ordinary Shares to trading on AIM, each of the A shares was subdivided and converted into 100 Ordinary Shares and each of the B shares was converted into one Ordinary Share. The resulting issued share capital was 24,696,584 Ordinary Shares and the authorised share capital was 100,000,000 Ordinary Shares.

2.8 On 29 April 2002, 27,593,684 Ordinary Shares in aggregate were listed pursuant to (i) share exchange arrangements with Cullen Resources Limited and the shareholders of Eponymousco Limited; and (ii) the placing of shares with institutional investors and admission of the Company's issued share capital to trading on AIM at £1.30 per share. The resulting issued share capital was 27,593,684 Ordinary Shares.

2.9 On 29 July 2002, 9,246,318 Ordinary Shares were issued pursuant to a share exchange arrangement with shareholders of Pokrovskiy Rudnik, resulting in an issued share capital of 36,840,002 Ordinary Shares.

2.10 On 19 December 2002, 11,144,593 Ordinary Shares were issued pursuant to a share exchange agreement with shareholders of Pokrovskiy Rudnik, resulting in an issued share capital of 47,984,595 Ordinary Shares.

2.11 On 25 March 2003, 7,578,078 Ordinary Shares were issued at a price of £1.75 per Ordinary Share in accordance with a placing and open offer, resulting in an issued share capital of 55,562,673 Ordinary Shares.

2.12 On 17 April 2003, 2,018,841 Ordinary Shares were issued at a price of £1.75 per Ordinary Share in accordance with the placing and open offer which was announced in March 2003, resulting in an issued share capital of 57,581,514 Ordinary Shares.

2.13 On 24 April 2003, 417,080 Ordinary Shares were issued at a price of £1.30 per Ordinary Share following the exercise of an option agreement, resulting in an issued share capital of 57,998,594 Ordinary Shares.

2.14 On 19 June 2003, 6,000,000 Ordinary Shares were issued in consideration for the entire issued share capital of Peter Hambro Mining Cyprus, resulting in an issued share capital of 63,998,594 Ordinary Shares.

2.15 On 9 June 2004, 10,000,000 Ordinary Shares were issued at a price of £4.00 per Ordinary Share pursuant to a private placing, resulting in an issued share capital of 73,998,594 Ordinary Shares.

2.16 On 12 April 2005, 1,448,545 Ordinary Shares were issued at a price of £5.50 per Ordinary Share pursuant to an Equity Subscription Agreement with IFC, resulting in an issued share capital of 75,447,139 Ordinary Shares.

2.17 On 21 June 2005, the authorised share capital of the Company was increased to 120,000,000 Ordinary Shares by the creation of 20,000,000 Ordinary Shares.

2.18 On 20 July 2005, 2,759,368 Ordinary Shares were issued in relation to the Eponymousco Limited incentive scheme and 750,000 Ordinary Shares were issued as part of the deferred consideration in relation to the acquisition of Peter Hambro Mining Cyprus. This resulted in an issued share capital of 78,956,507 Ordinary Shares.

2.19 On 18 April 2006, 1,448,545 Ordinary Shares were issued at a price of £6.875 per Ordinary Share pursuant to an Equity Subscription Agreement with IFC, resulting in an issued share capital of 80,405,052 Ordinary Shares.

2.20 On 19 July 2006, 750,000 Ordinary Shares were issued as part of the deferred consideration in relation to the acquisition of Peter Hambro Mining Cyprus, resulting in an issued share capital of 81,155,052 Ordinary Shares.

2.21 On 10 February 2009, 16,000,000 Ordinary Shares were issued to placees pursuant to a placing, resulting in an issued share capital of 97,155,052 Ordinary Shares.

2.22 Pursuant to shareholder resolutions passed on 25 March 2009, the Company resolved *inter alia* that, subject to the Court sanctioning the Scheme:

2.22.1 The authorised share capital of the Company be increased from £1,200,000 to £3,500,000 by the creation of 230,000,000 Ordinary Shares.

2.22.2 In addition to all subsisting authorities at the time of passing the resolution, the Directors be and they are generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of the said section 80):

(a) up to an aggregate nominal amount of £739,290 in connection with the shareholder approvals and authorisation in respect of the Aricom Acquisition and during the period commencing on the date of the passing of the resolution and expiring on 6 August 2009 (or such later date, if any, (a) as the Company and Aricom may, with the consent of the Panel, agree and (if required) the Court may allow or (b) that is, if the Company elects to implement the Aricom Acquisition by way of a takeover offer, the date such takeover offer lapses) but so that the authority shall allow the Company to make before the expiry of the authority offers or agreements which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements; and

(b) up to an aggregate nominal amount of £1,203,092 expiring at the conclusion of the Annual General Meeting of the Company in 2009 except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements.

On 20 April 2009, being the latest practicable date prior to the date of this Prospectus, this represents 123.8 per cent. of the issued share capital of the Company.

2.22.3 The Directors be and they are hereby empowered, pursuant to section 95 of the Act:

(a) to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority given in accordance with section 80 of the Act; and

(b) to allot equity securities where such allotment constitutes an allotment of securities by virtue of section 94(3) of the Act,

as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(i) in connection with or the subject of an offer or invitation, including a rights issue or open or equivalent offer, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto, including equity securities which, in connection with such offer or invitation, are the subject of, or the arrangements for which provide for, such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise;

(ii) pursuant to the terms of any share option scheme adopted by the Company (and any Ordinary Shares acquired or held by the Company in treasury may be transferred in satisfaction of the exercise of options under any of the Company's share option schemes); and

(iii) (otherwise than pursuant to sub-paragraphs (i) to (ii) above) up to an aggregate nominal amount of £180,462

and shall expire at the conclusion of the Annual General Meeting of the Company in 2009 except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements and all authorities previously conferred under section 95 of the Act be and they are hereby revoked, provided that such revocation shall not have retrospective effect.

On 20 April 2009, being the latest practicable date prior to the date of this Prospectus, this represents 18.6 per cent. of the issued share capital of the Company.

2.23 Subject to the Scheme becoming effective, up to 73,928,985 Ordinary Shares will be issued to former Aricom shareholders pursuant to the implementation of the Aricom Acquisition and the authorities set out in paragraph 2.22 above, resulting in an issued share capital of up to 171,084,037 Ordinary Shares.

2.24 The authorised, allotted, called up and fully paid share capital of the Company as it is at present and as it will be immediately following Admission is as follows:

	Authorised (Ordinary Shares of £0.01)		*Issued (Ordinary Shares of £0.01)*	
	Number	*Amount*	*Number*	*Amount*
As at 20 April 2009[1]	120,000,000	£1,200,000	97,155,052	£971,550.52
On Admission[2]	350,000,000	£3,500,000	171,084,037	£1,710,840.37

Note:

1 Being the latest practicable date prior to the date of this Prospectus.

2 Assuming no conversion of the Convertible Bonds. The number of issued Ordinary Shares may be lower as any fractional entitlements of Aricom shareholders who receive New Ordinary Shares will be disregarded under the terms of the Aricom Acquisition.

2.25 Save as disclosed in this paragraph 2, there has been no change in the amount of the issued share capital or loan capital of the Company within three years prior to the date of this Prospectus.

2.26 ***Bonds***

As at the date of this Prospectus, PHMGFL has in issue US$93.0 million nominal value 7 per cent. Exchangeable Bonds due 2012 convertible into a cash amount in US Dollars which is linked to the price of gold (ISIN reference number XS0326034674).

As at the date of this Prospectus, PHMGFL also has in issue US$140,000,000 in nominal value 7.125 per cent. guaranteed Convertible Bonds due 2010 guaranteed by the Company and convertible into 10,855,564 Ordinary Shares (ISIN reference number XS0224133099).

2.27 ***Options***

Pursuant to the PHM IFC Option Agreement (summarised at paragraph 9.3.2 of this Part XII –"Additional Information"), on 20 April 2009, the Company granted IFC an option to subscribe for 1,067,273 Ordinary Shares at an exercise price of £11.84 per Ordinary Share. The option is exercisable until 25 May 2015, subject to adjustment, as prescribed by the option agreement.

In addition, in connection with the implementation of the Aricom Acquisition, the Company has agreed to grant in aggregate 231,250 options to participants in the Aricom directors' share option scheme in exchange for Aricom Shares awarded to them under the terms of the Aricom directors' share option scheme.

2.28 ***Warrants***

Upon completion of the Warrant Offer the Company will issue 8,312,500 Warrants to former Aricom warrantholders pursuant to implementation of the Warrant Offer. A summary of the terms and conditions of the Warrants is set out in Part XI –"Terms and Conditions of the Warrants" of this Prospectus.

2.29 Save as disclosed in this Part XII –"Additional Information", no share or loan capital of the Company has been issued or agreed to be issued or is now proposed to be issued fully or partly paid, either for cash or for a consideration other than cash.

3. Summary of the Memorandum and Articles of Association

3.1 ***Memorandum of Association***

Clause 4 (a)(i) of the Memorandum of Association provides that the Company's objects are, among other things, to carry on the business of a general commercial company. The Company's objects are set out in full in clause 4 of the Memorandum of Association, which is one of the documents available for inspection at the address specified in paragraph 20 of this Part XII –"Additional Information".

3.2 ***Articles of Association***

The Articles, which were adopted by a special resolution of the Company passed on 25 June 2008, include provisions to the following effect:

3.2.1 *Voting rights*

Subject to the provisions of the Companies Acts, to any special terms as to voting on which any shares may have been issued or may from time to time be held and any suspension or abrogation of voting rights pursuant to the Articles, at a general meeting of the Company every member who is present in person or by proxy shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is a holder. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Unless the Board otherwise determines, no member is entitled to vote at a general meeting or at a separate meeting of the shareholders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a member in respect of any share held by him, unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) have been paid to the Company.

3.2.2 *Dividends*

Subject to the provisions of the Companies Acts and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board.

Subject to the provisions of the Companies Acts, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividends as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those preferential rights.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

All dividends, interest or other sums payable and unclaimed for 12 months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways. Where any difficulty arises in regard to such distribution, the Board may settle it as it thinks fit.

The Board may, with the prior authority of an ordinary resolution of the Company and subject to such terms and conditions as the Board may determine, offer to holders of Ordinary Shares the right to elect to receive Ordinary Shares, credited as fully paid, instead of the whole (or some part, to be determined by the Board) of any particular dividend or all or any dividends declared within a period or periods of time, as specified by the ordinary resolution.

3.3 If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the 2006 Act and has failed in relation to any shares (the default shares, which expression includes any shares issued after the date of such notice in right of those shares) to give the Company the information thereby required within the prescribed period from the service of the notice, the following sanctions shall apply unless the Board otherwise determines:

(a) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:

(i) any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it, and the member shall not be entitled to elect, pursuant to the provisions on scrip dividends in the Articles, to receive shares instead of that dividend; and

(ii) no transfer, other than an excepted transfer, of any shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required and the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

3.3.1 *Distribution of assets on a winding-up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide *in specie* among the members the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of members, but if such division is resolved otherwise than in accordance with such rights, the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 110 of the Insolvency Act 1986. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine, but no member shall be compelled to accept any assets on which there is a liability.

3.3.2 *Transfer of shares*

Subject to any applicable restrictions in the Articles, each member may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by the Board. Such instrument must be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the transferee's name is entered in the register of members.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless:

(a) it is in respect of a share which is fully paid up;

(b) it is in respect of only one class of shares;

(c) it is in favour of a single transferee or not more than four joint transferees;

(d) it is duly stamped (if so required); and

(e) it is delivered for registration to the registered office for the time being of the Company or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person (as defined in the Articles) where a certificate has not been issued or in the case of a renunciation) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so;

provided that the Board shall not refuse to register any transfer or renunciation of partly paid shares which are listed on the London Stock Exchange on the grounds they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

Unless the Board otherwise determines, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been issued with a notice under section 793 of the 2006 Act, has failed to give the Company the information required by such notice within 28 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. in nominal value of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised stock exchange or is in consequence of a *bona fide* sale to an unconnected party.

If the Board refuses to register a transfer of a share, it shall send the transferee notice of its refusal within two months after the date on which the transfer was lodged with the Company. Any instrument of transfer which the Board refuses to register shall (except in the case of suspected or actual fraud) be returned to the person depositing it. All instruments of transfer which are registered may be retained by the Company.

No fee shall be charged for the registration of any instrument of transfer or on the registration of any other document relating to or affecting the title to any share.

3.3.3 *Variation of rights*

If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the class.

The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the reduction of the capital paid up on such shares or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Companies Acts and the Articles.

3.3.4 *General meetings*

(a) All general meetings other than annual general meetings shall be called extraordinary general meetings. The Board may convene a general meeting whenever it thinks fit. A general meeting may also be convened by members pursuant to sections 303 to 305 (inclusive) of the 2006 Act. At any meeting convened by members no business shall be transacted except that stated by the request of the members or proposed by the Board. If there are not within the United Kingdom sufficient members of the Board to convene a general meeting, any director may call a general meeting.

(b) An annual general meeting shall be convened by not less than 21 clear days' notice in writing and an extraordinary general meeting shall be convened by not less than 14 clear days' notice in writing (or such longer period as may be required by law from time to time).

(c) The notice shall specify the day, time and place of the meeting and in the case of special business, the general nature of the business to be transacted at the meeting. In the case of a meeting convened to pass a special resolution, the notice shall specify the intention to propose the resolution as a special resolution. The notice shall specify that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of the member and that a proxy need not also be a member. The notice must also be given to the members (other than any who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive notice from the Company), to the directors and the Auditors. The accidental omission to give notice to, or the non-receipt of notice by, any person entitled to receive the same, shall not invalidate the proceedings at the meeting.

(d) The right of a member to participate in the business of any general meeting shall include without limitation the right to vote on a show of hands, vote on a poll, be represented by a proxy or proxies and have access to all documents which are required by the Companies Acts or the Articles to be made available at the meeting.

(e) A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and any separate meeting of the holders of any class of shares of the Company. The Chairman of any general meeting may also invite any person to attend and speak at that meeting.

(f) No business shall be transacted at any general meeting unless a quorum is present. Subject to the Articles, two persons (either members, duly authorised representatives or proxies) entitled to vote upon the business to be transacted at the meeting shall be a quorum. The Chairman of the meeting may, without the consent of the meeting, and shall, if so directed by the meeting, interrupt or adjourn the meeting from time to time (or indefinitely) and from place to place as the meeting shall determine, if he is of the opinion that it has become necessary to do so in order to secure the proper and orderly conduct of the meeting, or to give all persons entitled to do so a reasonable opportunity of attending, speaking and voting at the meeting or to ensure that the business of the meeting is properly disposed of. Where a meeting is adjourned indefinitely, the Board shall fix the time and place for the adjourned meeting. Whenever a meeting is adjourned for 14 days or more or indefinitely, seven clear days' notice at the least, specifying the place, the day and time of the adjourned meeting and the general nature of the business to be transacted, must be given in the same manner as in the case of the original meeting.

A resolution put to a vote of the meeting should be decided on a show of hands unless a poll is duly demanded. Subject to the provisions of the Companies Acts, a poll may be demanded by the Chairman, at least five members having the right to vote on the resolution, a member or members representing not less than one tenth of the total voting rights of all the members having the right to vote on the resolution or member or members holding shares conferring the right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than one tenth of the total sum paid up on all the shares conferring that right. In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting shall be entitled to a casting vote in addition to any other votes that he may have.

(g) The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of a general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place thereof. The entitlement of any member or proxy to attend a general meeting at such place shall be subject to any such arrangements as may be for the time being approved by the Board. In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting:

(i) direct that the meeting shall be held at a place specified in the notice at which the chairman of the meeting shall preside (being the principal place); and

(ii) make arrangements for simultaneous attendance and participation at other places by Shareholders otherwise entitled to attend the general meeting or who wish to attend at any of such other places, provided that persons attending at the principal place and at any of such other places shall be able to see, and hear and be seen and heard by, persons attending at the principal place and at such other places, by any means.

Such arrangements for simultaneous attendance may include arrangements for controlling the level of attendance in any manner aforesaid at any of such other places, provided that they shall operate so that any excluded members are able to attend at one of such other places. Any such meeting shall be treated as being held and taking place at the principal place.

(h) The Board may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence of identity or to submit to such searches or to otherwise comply with such security arrangements or restrictions.

3.3.5 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, subject to the provisions of the Companies Acts, to create and issue debentures and other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and shall exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings such that the aggregate principal amount outstanding in respect of monies borrowed by the Group (exclusive of moneys borrowed by one Group company from another and after deducting cash deposited by any Group Company, whether deposited before or after any borrowing is made) shall not at any time, without previous sanction of an ordinary resolution of the Company, exceed an amount equal to US$700,000,000.

3.3.6 *Alteration of share capital*

The Company in general meeting may from time to time by ordinary resolution:

(a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) cancel any shares which at the date of the passing of the resolution 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;

(d) subject to the provisions of the Companies Acts, sub-divide its shares or any of them into shares of smaller amount;

(e) subject to the provisions of the 2006 Act and to any rights attached to any shares, the Company may purchase any of its own shares of any class (including any redeemable shares). Shares to be so purchased may be selected in any manner whatsoever.

3.3.7 *Allotment*

Subject to the provisions of the 2006 Act and to any relevant authority of the Company in general meetings required by the 2006 Act, unissued shares at the date of adoption of the Articles and any shares thereafter created shall be at the disposal of the Board, which may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of them or rights to subscribe for or convert any security into shares to such persons (including the Directors themselves), at such times and generally on such terms and conditions as the Board may decide, provided that no share shall be issued at a discount.

3.3.8 *Directors' fees*

The Directors (other than alternate Directors and Executive Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding in aggregate £600,000 per annum or such other sum as the Company in general meeting shall from time to time determine). Any such fees payable shall be distinct from any salary, remuneration or other amounts payable to a director pursuant to any other provision of the Articles and shall accrue from day to day.

The Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. The salary or remuneration of any Director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board or any committee authorised by the Board and may be in addition to or in lieu of any fee payable to him for his services as Director.

3.3.9 *Pensions and gratuities for directors and employees*

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any establishment, profit-sharing, share incentive, share purchase or employees' share scheme calculated to advance the interests of the Company or to benefit, any person who is or was a Director of the Company or any company in the Group and his or her relatives or dependants.

3.3.10 *Directors' interests in contracts*

Provided that his interest is disclosed at a meeting of the Board and, where appropriate, is approved by the Board, in accordance with the Articles, a Director, notwithstanding his office, may be a party to or otherwise be interested in any arrangement, transaction or proposal with the Company or in which the Company is otherwise interested, may hold any other office or place of profit at the Company (except that of auditor of the Company or any of its subsidiaries) in conjunction with holding the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange, either in addition to or in lieu of any remuneration provided for by any other Article; and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment and shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, arrangement, transaction or proposal. No such arrangement, transaction or proposal shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty under the Companies Acts or under the law not to accept benefits from third parties.

3.3.11 *Restrictions on directors' voting*

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or proposal which may reasonably be regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply and the Director may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:

(a) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;

(b) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(c) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(d) the giving of any other indemnity where all other directors are also being offered indemnities on substantially the same terms;

(e) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(f) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the 2006 Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) nor to his knowledge hold one per cent. or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure and Transparency Rules) in such body corporate;

(g) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;

(h) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons who include directors; or

(i) any proposal concerning the funding of expenditure for the purposes referred to in Article 171 or doing anything to enable such Director or Directors to avoid incurring such expenditure.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

3.3.12 *Number of directors*

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be subject to any maximum but shall not be less than two.

3.3.13 *Directors' appointment and retirement*

Directors may be appointed by the holder or holders of the time being of more than one half of the issued A Ordinary Shares and B Shares of the Company or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation. A Director shall not be required to hold any shares in the Company.

At each annual general meeting one-third of the Directors who are subject to retirement by rotation will retire 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 from office and be eligible for re-election. Subject to the Companies Acts and to the Articles, the Directors to retire will, firstly, be any Director who wishes to retire and not offer himself for re-election and secondly, those who have been longest in office since their last appointment or re-appointment, but as between those who have been in office an equal length of time, those to retire shall (unless they otherwise agree) be determined by lot. The Directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the Board at the start of business on the date of the notice convening the annual general meeting notwithstanding any change in the number or identity of the Directors after that time but before the close of any meeting.

3.3.14 *Untraced shareholders*

Subject to the Articles, the Company may sell any shares registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal.

3.3.15 *Non-United Kingdom shareholders*

Where a member (or, in the case of joint holders, the person first named in the Register) has a registered address outside the United Kingdom but has notified the Company of an address within the United Kingdom at which notices or other documents may be given to him, or if the Board in its absolute discretion permits an address to which notices or documents may be sent using electronic communications (as set out in the Articles) he shall be entitled to have notices given to him at that address; but otherwise no such member shall be entitled to receive any notice or document from the Company.

3.3.16 *CREST*

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles are consistent with CREST membership and, amongst other things, allow for the holding and transfer of shares in uncertificated form. The Articles contain other provisions in respect of transactions with the shares in the Company in uncertificated form and generally provide for the modifications of certain provisions of the Articles so that they can be applied to transactions with shares in the Company in uncertificated form.

3.3.17 *Indemnity of officers*

Subject to the provisions of the 2006 Act, but without prejudice to any indemnity to which he might otherwise be entitled, every Director, alternate Director, Secretary or other officer of the Company (except the Auditors) may at the discretion of the Board be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, insofar as this would not cause this provision to be treated as void under the 2006 Act.

3.3.18 *Lien and forfeiture*

The Company shall have a first and paramount lien on every share which is not fully paid for all amounts payable to the Company (whether presently or not) in respect of that share and to the extent and in the circumstances permitted by the 2006 Act.

The Board may from time to time make calls on members in respect of any monies unpaid on their shares, subject to the terms of allotment of the shares. Each member shall (subject to receiving at least 14 clear days' notice specifying when and where payment is to be made and whether or not by instalments) be liable to pay to the Company the amount called on his shares. If a member fails to pay the whole of any call or any instalment of any call on or before the day appointed for payment, the Board may at any time serve a notice in writing on such member or on any person entitled to the shares by transmission, requiring payment, on a date not less than 14 clear days from the date of the notice, of the amount unpaid together with any interest which may have accrued and any costs, charges and expenses incurred by the Company by reason of such non-payment. The notice shall name the place where payment is to be made and shall state that if the notice is not to be complied with the shares in respect of which the call was made are liable to be forfeited.

3.4 ***Conversion provisions***

The Articles do not contain any provisions relating to conversion of the Ordinary Shares.

4. City Code on Takeover, and Mergers

As an English public limited company, resident in the United Kingdom, the Company is subject to the UK City Code on Takeovers and Mergers (the **City Code**). Rule 9 of the City Code stipulates, *inter alia*, that except with the consent of the Panel, when:

(a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or

(b) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested

such person shall extend (an) offer(s) to the other shareholders in the company on the basis set out in the City Code.

Where a person or group of persons acting in concert holds shares carrying more than 50 per cent. of the voting rights in a company no obligation would normally arise to make a general offer under Rule 9 if the concert party increases its aggregate shareholding. However, even if the concert party holds shares carrying over 50 per cent. of the voting rights, the Panel may, *inter alia*, regard any acquisition by a member that increases his interests in shares to 30 per cent. or more or, if he is already interested in 30 per cent. or more, which increases the percentage of shares carrying voting rights in which he is interested as giving rise to an obligation on that individual to make an offer. In the above summary, persons "acting in concert" are persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in the Company, to obtain or consolidate control of the Company. Control means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the Company, irrespective of whether the holding or holdings give *de facto* control.

Squeeze-out and sell-out provisions

Part 28 of the 2006 Act came into force on 6 April 2007 and governs "squeeze-out" and "sell-out" provisions, which are triggered when a person acquires 90 per cent. of both the issued shares and voting rights in the Company as a result of having made a takeover offer for the Company. Under this new regime, such an acquirer may serve a notice on the remaining minority shareholder stating that it desires to buy their shares ("squeeze-out") and, conversely, the remaining minority shareholder may exercise in writing its right to require the acquirer to acquire its shares ("sell out"). The consideration offered to the minority shareholder whose shares are compulsorily acquired must, in general, be the same as the consideration that was available under the takeover offer.

Both squeeze-out and sell-out rights are exercisable within a three month period from the end of the period within which the takeover offer can be accepted. Under the squeeze-out provisions, the acquirer must, at the end of six weeks from the date of the notice, send a copy of its notice and an executed transfer for the shares to the Company and pay the consideration for the shares to the Company, whereupon the shares will be registered in the name of the acquirer. The consideration is then held on trust by the Company for the minority shareholder. Under the sell-out provisions, the acquirer is entitled and bound to acquire the shares on the terms of the takeover offer or on such other terms as may be agreed.

5. Directors, Senior Managers and other interests

5.1 The names of the Directors and Senior Managers and their functions in the Company are set out in "Management, Corporate Governance and Employees" in Part II of this Prospectus.

5.2 Each of the Directors can be contacted at 11 Grosvenor Place, London SW1X 7HH, telephone number +44 207 201 8900. Each of the members of the senior management listed in "Management, Corporate Governance and Employees" in Part II of this Prospectus can be contacted at 11 Grosvenor Place, London SW1X 7HH, telephone number +44 207 201 8900 or at ZAO Management Company Petropavlovsk, 13 Rubtsov Pereulok, Moscow, 105082 Russia, telephone number +7495 3802810.

5.3 As at 20 April 2009 (being the latest practicable date prior to the date of this Prospectus) interests of the Directors, Senior Managers and their immediate families (which are beneficial unless otherwise stated) in the securities of the Company and Aricom which:

(a) have been notified by each Director (or, in the case of Senior Managers, would have been, had they been Directors) to the Company; or

(b) are interests of a connected person (within the meaning of section 252 of the 2006 Act) of a Director or Senior Manager which would, if the connected person were a Director or Senior Manager, be required to be disclosed and the existence of which is known to or could with reasonable diligence be ascertained by the Director or Senior Manager;

are as follows:

	As at 20 April 2009				*As at Admission*[1]	
	Company		*Aricom*		*Company*	
Name	*No. of Ordinary Shares*	*Percentage of issued Ordinary Share capital*	*No. of ordinary shares*	*Percentage of issued ordinary share capital*	*No. of Ordinary Shares*	*Percentage of issued Ordinary Share capital*
Directors						
Peter Hambro	5,345,514[2]	5.50%	87,601,729[4,6]	7.41%	10,820,622	6.32%
Pavel Maslovskiy	14,960,787[3]	15.40%	87,779,094[5,6]	7.42%	20,446,980	11.95%
Brian Egan[8,9]	4,444	0.005%	107,622	0.01%	11,170	0.01%
Sir Rudolph Agnew	7,500	0.01%	160,000	0.01%	17,500	0.01%
Sir Malcolm Field[7,8]	–	–	1,205,000	0.10%	75,313	0.04%
Sir Roderic Lyne[8]	–	–	26,000	0.002%	1,625	0.00%
Lord Guthrie	–	–	–	–	–	–
Peter Hill-Wood	20,000	0.02%	612,500	0.05	58,281	0.03%

Note:

1 Following completion of the Aricom Acquisition.

2 This figure includes the current holdings of Peter Hambro and companies in which Peter Hambro is interested (showing in each case the Ordinary Shares attributable to his interest therein) and persons deemed to be connected pursuant to section 252 of the 2006 Act: H&H Mining (Investments) Limited (250,000); Nemofield Limited (1,491,099); Goldman Sachs CREST Account (3,000,000); SG Hambros CREST Account (500,000); Peter Hambro (40,000); Peter Hambro & Pension Fund (51,224); Karen Hambro (13,191).

The 3 million Ordinary Shares held by Goldman Sachs were the subject of a stock lending transaction entered into in July 2006 by Peter Hambro Limited for a term of two years as collateral for its obligations under a financing transaction. The financing was extended for a further year on 18 June 2008. Peter Hambro Limited undertook the financing transaction on behalf of itself (777,778 Ordinary Shares) and Macaria Investments Limited, a company associated with Pavel Maslovskiy (2,222,222 Ordinary Shares) and Macaria entered into back to back arrangements with Peter Hambro Limited in relation to the stock loan. Peter Hambro and Pavel Maslovskiy continue to retain an economic interest in their holdings which are subject to this transaction.

3 This figure includes the current holdings of Dr. Pavel Maslovskiy and companies in which Dr. Pavel Maslovskiy is interested (showing in each case the Ordinary Shares attributable to his interest therein): Macaria Investments Limited (8,208,959); Viscaria Investments Limited (1,037,244); Precious Metal Investments Limited (1,483,800); Dr. Pavel Maslovskiy (4,230,784).

4 This figure includes the current holdings of Peter Hambro and companies in which Peter Hambro is interested (showing in each case the Ordinary Shares attributable to his interest therein) and persons deemed to be connected pursuant to section 252 of the 2006 Act: Peter Hambro Limited (10,929,002); Peter Hambro Limited Crest account (10,650,000); Philotus Holdings Limited (66,022,727).

5 This figure includes the current holdings of Dr Pavel Maslovskiy and companies in which Dr Pavel Maslovskiy is interested (showing in each case the Ordinary Shares attributable to his interest therein): Macaria Investments Limited (10,268,465); Viscaria Investments Limited (6,649,432); Millenium Implementation Limited (2,909,530); Precious Metals Investments Limited (1,928,940); Philotus Holdings Limited (66,022,727).

6 In March 2008 Philotus Holdings Limited, a company associated with Peter Hambro and Pavel Maslovskiy, charged 90,000,000 Aricom Shares.

7 Sir Malcolm Field also holds 35,000 Aricom warrants.

8 To be appointed upon Admission.

9 Brian Egan has also been awarded a conditional interest in Aricom Shares under the terms of the Aricom LTIP which is currently held in trust and which, from the completion of the Aricom Acquisition, will subsist over a number of Ordinary Shares having a value of £280,000 based on the closing market price of an Ordinary Share on 21 April 2009.

5.4 Save as disclosed above, none of the Directors or Senior Managers or any person connected with any Director or Senior Manager within the meaning of section 252 of the 2006 Act has any interest in the share capital of the Company or any of its subsidiaries.

5.5 As at 20 April 2009 (being the latest practicable date prior to the date of this Prospectus), there were no outstanding loans granted by any member of the Enlarged Group to any Director, nor by any Director to any member of the Enlarged Group, nor was any guarantee which had been provided by any member of the Enlarged Group for the benefit of any Director, or by any Director for the benefit of any member of the Enlarged Group, outstanding.

5.6 The Company is aware of the following persons (in addition to members of the administrative, management or supervisory bodies) who at 20 April 2009 (being the latest practicable date prior to the date of this Prospectus) directly or indirectly have an interest in three per cent. or more of the issued ordinary share capital of or voting rights in the Company and Aricom:

(a) Interests in the Company as at 20 April 2009 (being the latest practicable date prior to the date of this Prospectus)

Shareholder	*No. of Ordinary Shares*	*Percentage of issued Ordinary Share capital*
BlackRock, Inc.	12,091,589	12.45%
Lansdowne Partners Limited	8,225,995	8.47%
M&G Investment Managers	7,850,000	8.08%
Baring Asset Management Limited	7,106,039	7.31%
Vanguard Precious Metals and Mining	6,500,000	6.69%
JPMorgan Asset Management	5,351,485	5.51%
The Capital Group of Companies	4,451,580	4.58%
Standard Life Investments Limited	4,101,195	4.22%

(b) Interests in Aricom as at 20 April 2009 (being the latest practicable date prior to the date of this Prospectus)

Shareholder	*No. of ordinary shares*	*Percentage of issued ordinary share capital*
Lansdowne Partners Limited	109,770,746	9.28%
Malavasia Enterprises Inc.	102,981,366	8.71%
The Capital Group of Companies	95,801,405	8.10%
Morstan Nominees Ltd (Morgan Stanley Group)	54,716,335	4.63%
Legal & General Investment Management	54,110,130	4.57%
JPMorgan Asset Management	52,252,234	4.42%
Credit Suisse Securities (Europe) Limited	42,934,621	3.63%
Standard Life Investments Limited	41,386,403	3.50%

(c) Interests in the Company as at Admission

Shareholder	*No. of Ordinary Shares*[1]	*Percentage of issued Ordinary Share capital*[2]
Lansdowne Partners Limited	15,086,667	8.82%
BlackRock, Inc.	12,091,589	7.07%
The Capital Group of Companies	10,439,167	6.10%
JPMorgan Asset Management	8,617.,249	5.04%
M&G Investment Management	7,850,000	4.59%
Baring Asset Management Limited	7,106,039	4.15%
Standard Life Investments Limited	6,687,845	3.91%
Vanguard Precious Metals and Mining	6,500,000	3.80%
Malavasia Enterprises Inc.	6,436,335	3.76%

Notes:

1 Estimated using interests disclosed to the Company and Aricom, as detailed in paragraphs 5.6(a) and (b)

2 Assuming no conversion of the Convertible Bonds.

The Shareholders listed above and Peter Hambro and Pavel Maslovskiy, the Company's other major shareholders, do not have any different voting rights to other Shareholders.

5.7 In so far as is known to the Company:

(a) no person other than those holding the interests referred to above is interested in three per cent. or more of the Company's issued share capital. Save as disclosed in paragraph 5.6, the Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company;

(b) there are no arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

5.8 No Director is or has been interested, directly or indirectly, in any transaction which is or was unusual in its nature or conditions or significant in relation to the business of the Enlarged Group and which has been effected by the Enlarged Group during the current or immediately preceding financial year or which was effected by the Enlarged Group during an earlier financial year and which remains in any respect outstanding or unperformed.

5.9 Save for their capacities as persons beneficially interested in Ordinary Shares, as summarised above:

(a) none of the Directors or Senior Managers have any potential conflicts of interest between their duties to the Company and their private interests or other duties. Their terms of engagement to which they are subject are summarised in paragraph 7 below;

(b) none of the Directors or Senior Managers were selected for their position pursuant to any arrangement or understanding with major shareholders, members, suppliers or others;

(c) none of the Directors or Senior Managers have agreed to any restrictions on the disposal within a certain time of their holdings in the Ordinary Shares.

6. List of Convertible Bondholders

A list of holders of the Convertible Bonds is set out below[1]:

	Nominal Value (£)	
GLG Partners LP	16,900,000	12.07%
Capital Group of Companies	11,600,000	8.29%
BlackRock, Inc	11,000,000	7.86%
Sandelman	10,000,000	7.14%
DKR Oasis Management	9,500,000	6.79%
Och Ziff Management	7,900,000	5.64%
Basso CM	7,800,000	5.57%
Peter Hambro	7,450,000	5.32%
Pavel Maslovskiy	6,950,000	4.96%
Charlemagne Capital	6,400,000	4.57%
Griffin	5,700,000	4.07%

Note:

1 Based on holdings disclosed to the market, as at 20 April 2009 (being the last practicable date prior to the date of this Prospectus).

7. Directors' service contracts, terms of appointment and other details

7.1 The terms of the Directors' service contracts are summarised below:

Name	*Date of Contract*	*Notice Period*	*Current Salary/Fees (£)*
Executive Directors			
Peter Hambro	21 April 2009	12 months	320,513
Dr. Pavel Maslovskiy	21 April 2009	12 months	320,513
Brian Egan[1]	21 April 2009	12 months	218,000
Non-Executive Directors			
Lord Guthrie	21 April 2009	3 months	87,550
Peter Hill-Wood	21 April 2009	3 months	87,550
Sir Rudolph Agnew	21 April 2009	12 months	87,550
Sir Roderic Lyne[1]	21 April 2009	3 months	65,000
Sir Malcolm Field[1]	21 April 2009	3 months	85,000

Note:

1 To be appointed upon Admission. Each existing Director and those to be appointed on Admission accepts responsibility for the information contained in this Prospectus.

The employing company for each of the Directors is, or will upon Admission be, the Company.

7.2 ***Peter Hambro*** *(Chairman)*

Peter Hambro's appointment as a Director was approved by the Board on 20 December 2001 and his appointment took effect from that date. Pursuant to a service agreement dated 21 April 2009 and effective as of 22 April 2009, Peter Hambro's appointment as the Company Chairman may be terminated by either party upon giving the other at least 12 months' written notice. Peter Hambro is currently entitled to a salary of £320,513 per annum. Peter Hambro may be entitled to receive further remuneration by way of a bonus to be determined at the sole discretion of the Remuneration Committee.

Peter Hambro is a member of the Executive Committee.

7.3 ***Dr. Pavel Maslovskiy*** *(Chief Executive)*

Pavel Maslovskiy's appointment as a Director was approved by the Board on 20 December 2001 and his appointment took effect from that date. Pursuant to a service agreement dated 21 April 2009 and effective as of 22 April 2009, Pavel Maslovskiy's appointment as Chief Executive may be terminated by either party giving the other at least 12 months' written notice. Pavel Maslovskiy is currently entitled to a salary of £320,513 per annum. Pavel Maslovskiy may be entitled to receive further remuneration by way of a bonus to be determined at the sole discretion of the Remuneration Committee.

Pavel Maslovskiy is a member of the Executive Committee.

7.4 ***Brian Egan*** *(Chief Financial Officer)*

Brian Egan's appointment as a director was approved by the Board on 16 April 2009 and his appointment will take effect from 22 April 2009. Pursuant to a service agreement dated 21 April 2009 and effective as of 22 April 2009, Brian Egan's appointment as Chief Financial Officer may be terminated by either party giving the other at least 12 months' written notice. Brian Egan will be entitled to a salary of £230,000 per annum. Brian Egan may be entitled to receive further remuneration by way of a bonus to be determined at the sole discretion of the Remuneration Committee and he is entitled to pension contributions and other benefits.

Upon appointment to the Board, Brian Egan will be a member of the Executive Committee.

7.5 ***Sir Rudolph Agnew*** *(Senior Non-Executive Director)*

Sir Rudolph Agnew's appointment as a Director was approved by the Board on 8 April 2002 and his appointment took effect on 17 April 2002. Pursuant to an agreement dated 21 April 2009 and effective as of 22 April 2009, his appointment may be terminated by either party giving the other at least 12 months' written notice. The appointment is also subject to automatic termination without any entitlement to compensation in certain circumstances. Sir Rudolph Agnew is currently entitled to a fee for his services as a Non-Executive Director of £87,550 per annum. The time commitment required for the appointment is two days per calendar month. During the term of the appointment or within six months following the termination of the appointment, Sir Rudolph Agnew may not be directly or indirectly employed, engaged, concerned or interested in, or hold any office in, any business or undertaking which competes with the business of the Company or is a customer or supplier of such business. The agreement does not prevent Sir Rudolph Agnew from holding any interest in a company listed either on AIM or the Official List provided that such interest is no greater than 5 per cent. of the issued securities or shares of any class of any one company without prior sanction of the Board.

Sir Rudolph Agnew is Chairman of the Nomination Committee and a member of the Audit and Remuneration Committees.

7.6 ***Sir Malcolm Field*** *(Senior Non-Executive Director)*

Sir Malcolm Field's appointment as a Director was approved by the Board on 16 April 2009 and his appointment will take effect from 22 April 2009. Pursuant to an agreement dated 21 April 2009 and effective as of 22 April 2009, his appointment may be terminated by either party giving the other at least 3 months' written notice. The appointment is also subject to automatic termination without any entitlement to compensation in certain circumstances. Sir Malcolm Field will be entitled to a fee for his services as a Non-Executive Director of £85,000 per annum. The time commitment required for the appointment is two days per calendar month. During the term of the appointment or within six months following the termination of the appointment, Sir Malcolm Field may not be directly or indirectly employed, engaged, concerned or interested in, or hold any office in, any business or undertaking which competes with the business of the Company or is a customer or supplier of such business. The agreement does not prevent Sir Malcolm Field from holding any interest in a company listed either on AIM or the Official List provided that such interest is no greater than 5 per cent. of the issued securities or shares of any class of any one company without prior sanction of the Board.

Upon appointment to the Board Sir Malcolm Field will be Chairman of the Audit and Remuneration Committees and a member of the Nomination Committee.

7.7 ***Sir Roderic Lyne*** *(Non-Executive Director)*

Sir Roderic Lyne's appointment as a Director was approved by the Board on 16 April 2009 and his appointment will take effect from 22 April 2009. Pursuant to an agreement dated 21 April 2009 and effective as of 22 April 2009, his appointment may be terminated by either party giving the other at least 3 months' written notice. The appointment is also subject to automatic termination without any entitlement to compensation in certain circumstances. Sir Roderic Lyne will be entitled to a fee for his services as a Non-Executive Director of £65,000 per annum. The time commitment required for the appointment is two days per calendar month. During the term of the appointment or within six months following the termination of the appointment, Sir Roderic Lyne may not be directly or indirectly employed, engaged, concerned or interested in, or hold any office in, any business or undertaking which competes with the business of the Company or is a customer or supplier of such business. The agreement does not prevent Sir Roderic Lyne from holding any interest in a company listed either on AIM or the Official List provided that such interest is no greater than 5 per cent. of the issued securities or shares of any class of any one company without prior sanction of the Board.

Upon appointment to the Board, Sir Roderic Lyne will be a member of the Audit, Risk and HSE Committees.

7.8 ***Lord Guthrie*** *(Non-Executive Director)*

Lord Guthrie's appointment as a Director was approved by the Board on 18 December 2007 and his appointment took effect from 22 January 2008. Pursuant to an agreement dated 21 April 2009 and effective as of 22 April 2009, his appointment may be terminated by either party giving the other at least 3 months' written notice. The appointment is also subject to automatic termination without any entitlement to compensation in certain circumstances. Lord Guthrie is currently entitled to a fee for his services as a Non-Executive Director of £87,550 per annum. The time commitment required for the appointment is two days per calendar month. During the term of the appointment or within six months following the termination of the appointment, Lord Guthrie may not be directly or indirectly employed, engaged, concerned or interested in, or hold any office in, any business or undertaking which competes with the business of the Company or is a customer or supplier of such business. The agreement does not prevent Lord Guthrie from holding any interest in a company listed either on AIM or the Official List provided that such interest is no greater than 5 per cent. of the issued securities or shares of any class of any one company without prior sanction of the Board.

Lord Guthrie is Chairman of the Risk Committee and a member of the Remuneration and HSE Committees.

7.9 ***Peter Hill-Wood*** *(Non-Executive Director)*

Peter Hill-Wood's appointment as a Director was approved by the Board on 17 April 2003 and his appointment took effect from 12 June 2003. Pursuant to an agreement of dated 21 April 2009 and effective as of 22 April 2009, his appointment may be terminated by either party giving the other at least 3 months' written notice. The appointment is also subject to automatic termination without any entitlement to compensation in certain circumstances. Peter Hill-Wood is currently entitled to a fee for his services as a Non-Executive Director of £87,550 per annum. The time commitment required for the appointment is two days per calendar month. During the term of the appointment or within six months following the termination of the appointment, Peter Hill-Wood may not be directly or indirectly employed, engaged, concerned or interested in, or hold any office in, any business or undertaking which competes with the business of the Company or is a customer or supplier of such business. The agreement does not prevent Peter Hill-Wood from holding any interest in a company listed either on AIM or the Official List provided that such interest is no greater than 5 per cent. of the issued securities or shares of any class of any one company without prior sanction of the Board.

Peter Hill-Wood is Chairman of the HSE Committee and a member of the Nomination and Risk Committees.

7.10 Save as set out in this paragraph 7, there are no service contracts or consultancy agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation or benefits (other than statutory compensation) and no such contracts are proposed.

7.11 The Executive Directors may be entitled to receive further remuneration by way of a bonus to be determined at the sole discretion of the Remuneration Committee. The UK based Executive Directors are entitled to pension contributions and other benefits and the estimated amounts payable to them in respect of the financial year ended 31 December 2008 are detailed at paragraph 7.12.

7.12 The remuneration (including contingent and/or deferred compensation) and benefits in kind, paid by the Company and by Aricom to the Directors and Senior Managers in respect of the period ended 31 December 2008 were as follows:

	Paid by	*Basic salary/fees (Company)* £	*Basic salary/fees (Group Companies)* £	*Bonus* £	*Other benefits* £	*Pension* £	*Total 2008* £
Executive Directors/ Senior Managers							
Peter Hambro[1]	Company	305,250	43,779	244,000	–	–	593,029
Pavel Maslovskiy[1]	Company	305,250	26,224	244,000	–	–	575,474
Brian Egan[2]	Aricom	218,000	–	103,000	18,000	22,000	361,000
Non Executive Directors							
Sir Rudolph Agnew	Company	85,000	–	–	–	–	85,000
Sir Malcolm Field[2]	Aricom	85,000	–	–	–	–	85,000
Sir Roderic Lyne[2]	Aricom	65,000	–	–	–	–	65,000
Lord Guthrie	Company	80,940	–	–	–	–	80,940
Peter Hill-Wood	Company	85,000	–	–	–	–	85,000
Total		1,229,440	70,003	591,000	18,000	22,000	1,930,443

Note:

1 Peter Hambro and Pavel Maslovskiy also received a fee in respect of their non-executive directorships of Aricom plc of £60,000 and £110,000 respectively.

2 To be appointed upon Admission.

7.13 The total amount set aside or accrued for the year ended 31 December 2008 by the Peter Hambro Mining Group and Aricom Group to provide pension, retirement or similar benefits to the Directors was £22,000.

7.14 The companies and partnerships of which the Directors and Senior Managers have been a member of the administrative, management or supervisory bodies or partners at any time in the previous five years (excluding the Company, Aricom and their subsidiaries) are as follows:

Name	*Current*	*Former*
Directors		
Peter Hambro	Arktrend Limited Blaxmill (Forty) Limited H&H Mining (Investments) Limited Mistshield Limited Peter Hambro Limited Petropavlovsk Ltd. Russian Timber Group Limited Russo-British Chamber of Commerce Sundeala Limited Durrington Farm (90% partner)	Celotex (Holdings) Limited Celotex Limited Durrington Developments Limited Euromines SA Gold Mines of Sardinia Horatio Limited Mocatta & Goldsmid Limited Mines d'Or de Salsigne, SA Mining and Technical Engineering Orion Resources NL P&P Holdings Limited Sardinia Gold Mining SpA SG Hambros Bank Limited Petropavlovsk (Gibraltar) Limited
Pavel Maslovskiy	H&H Mining (Investments) Limited Peter Hambro Limited Russian Timber Group Limited *(alternate to Peter Hambro)*	P&P Holdings Limited Russian Timber Group Limited Petropavlovsk (Gibraltar) Limited

Name	*Current*	*Former*
Directors		
Brian Egan		AB Mauri Food, S.A. AB Mauri Netherlands European Holdings BV AB Mauri Spanish Holdings, S.L. Ardgillan Fort James Ireland Limited Georgia-Pacific Ireland Limited Greenoge Gulistan Handi-Pak Distributors Limited Jamont Ireland Limited Jeyes Limited Jeyes-Nokia Limited Killeek Kingswinford Limited Kinter International Limited Knaresboro Limited Knowsley Limited Mauri Fermentos, SA Mauri Maya Sanayi A.S. Mauri Products Limited Nokia Industrial Limited Nokia Transport Limited Proofex Products Company Raytex (Exports) Limited Raytex Limited Tissex & Co. Limited Tissex (Export) Limited Yeast Products Company
Sir Rudolph Agnew	The Wentworth Wooden Jigsaw Company Limited WCMC 2000	Stena International BV Gold Mines of Sardinia Limited
Sir Roderic Lyne	Russo-British Chamber of Commerce	
Sir Malcolm Field	21 Embankment Gardens Limited Anne Charlton Limited International Resources Group Limited Hochschild Mining PLC	English National Ballet School Limited Evolution Group Plc Linden Holdings Plc Tube Lines (Holdings) Limited Tube Lines Limited

Name	*Current*	*Former*
Directors		
Lord Guthrie	Advanced Interactive Systems Inc Ashley Gardens Block 2 Limited The Basmom Foundation BICE Chileconsult Asesorias Financieras Colt Defense Inc The Household Cavalry Museum Trust Limited *(Director and Trustee)* Hospitaller Limited NM Rothschild & Sons (Brazil) Limitada N.M. Rothschild & Sons Limited NM Rothschild & Sons (Mexico) SA de CV Sciens Global Opportunity Fund Sciens International Fund of Hedge Funds Sciens International Investment & Holdings Siboney Plc	British Forces Foundation Favermead Limited R C Corporate Consultants Limitada Wellington Museum Trust
Peter Hill-Wood	The Arsenal Football Club Plc Arsenal Holdings Plc HATT III General Partner Limited Top Technology Ventures Limited TTV IV G.P.Limited	HATT II General Partner Limited

7.15 Save as set out in paragraph 7.16 below, none of the Directors or Senior Managers has at any time within the last five years:

(a) had any convictions in relation to fraudulent offences;

(b) been associated with any bankruptcies, receiverships or liquidations when acting in the capacity of a member of the administrative, management or supervisory bodies or of a senior manager;

(c) been subject to any official public incrimination and/or sanction by any statutory or regulatory authority or regulatory body (including designated professional bodies);

(d) been disqualified by a court from acting in the management or conduct of the affairs of any issuer; or

(e) been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer.

7.16 Peter Hambro was Président Directeur Général of Mines d'Or de Salsigne SA (MOS) until 2002. In 1998, a *Mandataire ad hoc* was first appointed by the Commerce Court of Carcassonne; subsequently MOS was placed in receivership (*redressement judiciaire*), with an Administrateur Judiciaire appointed by that Court (1999). Under the direction of that Court, MOS then agreed a settlement with its creditors (2000). MOS's affairs subsequently improved, the settlement plan was completed in 2004 and on 20 March 2006 the Commerce Court formally relieved the Administrateur of his duties allowing the company to continue to operate normally.

8. Pensions

The Company operates a defined contribution pension scheme for the benefit of the Company's employees. The funds of the scheme are administered by independent trustees and are separate from the Company's own funds. Contributions are recognised as they fall due.

Aricom does not operate either a defined benefit or a defined contribution pension scheme for its employees. Contributions are instead made to individuals' personal pension schemes where applicable under the terms of their employment contracts.

The current intention following Admission is to retain these separate pension arrangements for Company employees and Aricom employees.

9. Material Contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Enlarged Group within two years immediately preceding the date of this Prospectus or which are expected to be entered into prior to Admission and which are, or may be, material or which have been entered into at any time by members of the Enlarged Group, or to which any member of the Enlarged Group is subject, and which contain any provision under which any member of the Enlarged Group has any obligation or entitlement which is, or may be, material to the Enlarged Group as at the date of this Prospectus:

9.1 *Implementation and Introduction Agreements*

9.1.1 *2007 Introduction Agreement*

On 24 October 2007, Aricom, the Aricom directors, and the Joint Sponsors entered into an introduction agreement (the **2007 Introduction Agreement**) pursuant to which the Joint Sponsors agreed to act as joint sponsors and joint financial advisers in relation to the applications for admission of Aricom's entire issued share capital and all of Aricom's warrants to the Official List and to trading on the Main Market. In consideration of their services as joint sponsors and financial advisers, Aricom paid to each of the Joint Sponsors a fee, and agreed to pay or cause to be paid and/or reimburse or cause to be reimbursed (together with any related value added tax) certain costs, charges, fees and expenses of or incurred in connection with, or incidental to, amongst other things, admission. Under the 2007 Introduction Agreement, Aricom and the Aricom directors gave certain representations and warranties in relation to Aricom and its business and assets to the Joint Sponsors which in the case of the Aricom directors were subject to certain financial limits. In addition, Aricom gave certain indemnities, standard for a document of this type, to the Joint Sponsors.

9.1.2 *2009 Introduction Agreement*

On 21 April 2009, the Company, the Directors and the Joint Sponsors entered into an introduction agreement conditional, amongst other things, upon Admission (the **2009 Introduction Agreement**) pursuant to which the Joint Sponsors agreed to act as joint sponsors in connection with Admission. In consideration of their services as joint sponsors, the Company has agreed to pay to each of the Joint Sponsors a fee (conditional upon Admission), and agreed to pay or reimburse (together with any related value added tax) certain fees, costs and expenses of, or incurred in connection with, or incidental to, amongst other things, Admission. Under the 2009 Introduction Agreement, the Company and the Directors gave certain warranties and undertakings in relation to the Company and its business and assets to the Joint Sponsors under which the Directors' liabilities are subject to certain financial limits. In addition, the Company gave certain indemnities, standard for a document of this type, to the Joint Sponsors.

9.1.3 *Implementation Agreement*

On 6 February 2009, Aricom and the Company entered into an implementation agreement under the terms of which the parties agreed to co-operate to implement the Scheme and Aricom gave certain undertakings relating to the conduct of its business. Under the implementation agreement, Aricom has agreed with the Company an inducement fee of approximately £3.7 million, being an amount equal to 1 per cent. of the value of the offer calculated by reference to the price to be received per Aricom Share multiplied by the fully diluted equity share capital of Aricom at the time of the announcement of the offer, taking into account those options that are "in the money".

The inducement fee shall be payable by Aricom if certain specified circumstances arise. The agreement can be terminated by either party, *inter alia*, if the other party is in material breach of the agreement.

9.2 *Placing Agreements*

9.2.1 *2007 Placing Agreement*

On 10 May 2007, Aricom and the Joint Sponsors entered into a placing agreement (the **2007 Placing Agreement**) pursuant to which the Joint Sponsors conditionally agreed to use their reasonable endeavours to procure subscribers for units, each comprising three Aricom Shares and an Aricom warrant issued pursuant to the placing (the **Units**). Under the 2007 Placing Agreement, Aricom paid to the Joint Sponsors a total commission of 4 per cent. of the aggregate gross value at the placing price of the Units placed by the Joint Sponsors. The 2007 Placing Agreement contained representations, warranties and undertakings from Aricom concerning, *inter alia*, the accuracy of the information in the prospectus. The 2007 Placing Agreement also contained indemnities from Aricom in favour of the Joint Sponsors.

9.2.2 *2009 Placing Agreement*

On 5 February 2009, the Company, J.P. Morgan Cazenove and Canaccord Adams entered into a placing agreement (the **2009 Placing Agreement**) pursuant to which J.P. Morgan Cazenove agreed to act as sole bookrunner and J.P. Morgan Cazenove and Canaccord Adams each agreed to act as a placing agent for the Company and, subject to certain conditions, to use their reasonable endeavours to procure placees for the placing shares at the placing price as agreed in the 2009 Placing Agreement.

J.P. Morgan Cazenove and Canaccord Adams were paid a total commission equalling 5 per cent. of the placing proceeds. In addition, the Company agreed to pay and/or reimburse (together with any related value added tax) certain costs, charges, fees and expenses of or incurred in connection with, or incidental to, *inter alia*, the placing and related arrangements. Under the 2009 Placing Agreement, the Company gave certain representations and warranties in relation to the Company and its business and assets to J.P. Morgan Cazenove and Canaccord Adams. In addition, the Company gave certain indemnities, standard for a document of this type, to J.P. Morgan Cazenove and Canaccord Adams.

The placing shares were admitted to trading on AIM on 10 February 2009.

9.3 *IFC Agreements*

9.3.1 *IFC Deed of Assignment*

On 20 April 2009, Aricom, the Company and IFC executed a deed of assignment pursuant to which, conditional upon the Aricom Acquisition becoming effective, IFC agreed to assign to the Company all its rights, title and interest in and under the Aricom IFC Option.

9.3.2 *PHM IFC Option Agreement*

On 20 April 2009, the Company and IFC entered into an option agreement in consideration for the assignment pursuant to the IFC Deed of Assignment. Under the terms of the PHM IFC Option Agreement, conditional upon the Scheme becoming effective under its terms, the Company agrees to grant to IFC, and IFC agrees to receive, an option to subscribe for Ordinary Shares upon terms and conditions similar in material respects to those of the Aricom IFC Option Agreement (described below), applying the exchange ratio applied in the Scheme and the expiry date being 25 May 2015.

9.3.3 *IFC Equity Subscription Agreement*

On 25 May 2007 Aricom and IFC entered into an agreement pursuant to which IFC subscribed for 17,076,372 ordinary shares in Aricom at a price of 59 pence per share. The shares were issued to IFC on 4 June 2007.

9.3.4 *Aricom IFC Option Agreement*

On 25 May 2007 Aricom and IFC entered into a agreement pursuant to which IFC was granted the Aricom IFC Option at an exercise price of 74 pence per share (the **Aricom IFC Option Agreement**). The Aricom IFC Option was due to expire on 4 June 2015. Under the terms of the Aricom IFC Option Agreement, the expiry date was to be modified if: (a) for a period of two years after the option trigger date (being the date on which Aricom certifies to IFC that the aggregate gross revenue of the Aricom Group exceeds US$40.0 million) the volume weighted average closing price exceeds 160 per cent. of the exercise price; or (b) thereafter, at any time the volume weighted average closing price exceeds 130 per cent. of the exercise price.

9.4 ***Management Services Agreement***

On 10 July 2007, the Company and Aricom entered into a management services agreement (the **Management Services Agreement**) pursuant to which the Company agreed at arm's length to provide certain services and facilities to the Aricom Group. This agreement was supplemented and varied by an additional agreement for provision of management services dated 1 September 2008, but effective from 29 October 2007, which was necessary following Aricom's move to the Official List and Anna-Karolina Subczynska-Samberger's appointment as the Company's Director of Legal Affairs. Under the Management Services Agreement, as amended, the Company agreed to take steps to assist the management of the Aricom Group to comply with Aricom's continuing obligations as a listed company. The other services provided by the Company to the Aricom Group under the agreement include investor relations services, provision of the services of the Company's Director of Legal Affairs and in-house legal counsel, office services, and instruction and supervision of external advisers. By way of remuneration, Aricom agreed to pay to the Company in respect of legal and corporate secretarial services a *pro rata* amount equal to 112.5 per cent. of the base cost of salary and ordinary bonuses and 20 per cent. of additional costs for National Insurance contributions, pensions and health cover. For investor relations services, Aricom agreed to pay to the Company an amount equal to 15 per cent. of the salary of the Director of External Communications and 10 per cent. of the salary of the Investor Relations Assistant. Aricom is required to make each of these payments every three months in arrears and to reimburse the Company's costs and expenses incurred in performing its obligations. The Management Services Agreement, as amended, continues in force unless or until terminated by either party giving not less than three months' notice in writing, or if replaced by a new agreement.

9.5 ***Arrangements with Commerzbank***

9.5.1 *Gold Loan Framework Agreement*

On 24 April 2007, Pokrovskiy Rudnik entered into a gold loan framework agreement (the **Gold Loan Framework Agreement**) with Commerzbank International S.A. (**Commerzbank**) pursuant to which Pokrovskiy Rudnik may enter into one or more gold loan facilities as provided by Commerzbank from time to time. The minimum amount to be drawn down is 5,000 ounces of gold and the total amount available is limited to a maximum amount of EUR12.8 million. No more than three facilities can be outstanding at a time.

Each facility is repayable between three months and six months following the drawdown date. The interest rate per annum will be negotiated between the parties in respect of each individual facility but the rate is required to reflect the prevailing market conditions, Commerzbank's margin requirements and the then current reference gold lease rate. The obligations of Pokrovskiy Rudnik are guaranteed by the Company pursuant to the Deed of Guarantee summarised in paragraph 9.5.2 below. The agreement is governed by English law.

No amounts are currently outstanding under these facilities.

9.5.2 *Deed of Guarantee*

On 3 May 2007, the Company entered into a deed of guarantee (the **Deed of Guarantee**) in favour of Commerzbank International SA (**Commerzbank**) pursuant to which the Company agreed to act as guarantor in respect of obligations of Pokrovskiy Rudnik under (i) an ISDA Master Agreement between Pokrovskiy Rudnik and Commerzbank dated 6 January 2006 and a related schedule (the **ISDA Agreement**); (ii) the Gold Loan Framework Agreement summarised in paragraph 9.5.1 above; and (iii) an agreement for the sale and purchase of gold between Pokrovskiy Rudnik and Commerzbank dated 7 July 2005 (together, the **Guaranteed Agreements**).

Pursuant to the Deed of Guarantee, the Company guarantees due and punctual performance by Pokrovskiy Rudnik of its obligations under the Guaranteed Agreements, in particular prompt payment of all sums payable by Pokrovskiy Rudnik to Commerzbank, and agrees to indemnify Commerzbank in respect of any loss which it may incur as a result of Pokrovskiy Rudnik's liabilities becoming unenforceable for any reason. The Company's obligations as guarantor may also become enforceable where cross default by Pokrovskiy Rudnik is deemed to have occurred under the terms of the ISDA Agreement, subject to a cross-default threshold value of EUR10.0 million. The Deed of Guarantee covers the full extent of any liability incurred by Pokrovskiy Rudnik in relation to any swap under the related ISDA Agreement. Commerzbank need not make any demand for payment by Pokrovskiy Rudnik before exercising its rights under the Deed of Guarantee. Where the Company fails to pay any amount payable to Commerzbank, default interest is payable on the overdue amount at a rate determined by Commerzbank as its cost of funds plus one per cent. per annum. This interest will be compounded at the end of each period for payment of default interest. The Company may terminate the Deed of Guarantee by one month's written notice to Commerzbank.

9.6 ***Loan arrangements with UniCredit***

9.6.1 *Facility agreement*

On 4 April 2008, Pokrovskiy Rudnik entered into a loan facility agreement with UniCredit Bank ZAO (**UniCredit**) pursuant to which UniCredit granted a long-term loan facility of US$16.0 million to Pokrovskiy Rudnik. The loan facility has been fully drawn down. The last repayment date and maturity date of the loan is 4 April 2011. Interest is payable three monthly in arrears and the loan is repayable in six equal instalments. If repayment is made in the first 18 months, a penalty fee of 0.15 per cent. of the amount repaid will be incurred. The interest rate attached to the loan is LIBOR plus 4.25 per cent. and LIBOR plus 6.25 per cent. for amounts below US$4.5 million. This loan is secured over certain fixed assets of Pokrovskiy Rudnik pursuant to the pledge agreement summarised in paragraph 9.6.2 below.

9.6.2 *Pledge agreement*

On 4 April 2008, Pokrovskiy Rudnik and UniCredit entered into a pledge agreement pursuant to which Pokrovskiy Rudnik provided UniCredit with security over certain fixed assets valued at approximately US$19.5 million in relation to the loan facility agreement summarised in paragraph 9.6.1 above. The fixed assets will remain with Pokrovskiy Rudnik. The pledge agreement includes a negative pledge covenant by Pokrovskiy Rudnik relating to assets specified in the pledge agreement.

9.7 ***Loan arrangements with UralSib***

9.7.1 *Facility agreements*

On 24 April 2006, Pokrovskiy Rudnik entered into a revolving credit facility agreement with Bank UralSib OJSC (**UralSib**) pursuant to which UralSib provided Pokrovskiy Rudnik with a revolving credit facility of US$15 million. The parties entered into a supplementary agreement on 11 May 2007 increasing the facility to US$35 million. Each instalment due under the facility must be paid within 180 days and the facility is repayable in full by 25 December 2008. The facility attracts interest of 8.5 per cent. per annum. Amounts drawn down under this facility have been fully repaid in accordance with its terms.

On 17 June 2008, Pokrovskiy Rudnik and UralSib entered into two revolving credit facility agreements pursuant to which UralSib provided Pokrovskiy Rudnik with two revolving credit facilities in the amount of US$25 million and US$13 million, respectively. Each instalment due under each facility must be repaid within 180 days and is repayable in full by 20 December 2009. No draw downs can be made after 6 December 2009. Each facility attracts an interest rate of 8 to 11 per cent. per annum, depending on the loan period. Each facility is secured over certain fixed assets of Pokrovskiy Rudnik pursuant to the pledge agreement summarised in paragraph 9.7.2 below. No amounts are currently outstanding under these two facilities.

9.7.2 *Pledge agreement*

On 30 June 2008, Pokrovskiy Rudnik and UralSib entered into a pledge agreement pursuant to which Pokrovskiy Rudnik provided UralSib with security over certain fixed assets valued at RUR939,064,000 in relation to the revolving credit facility agreements between UralSib and Pokrovskiy Rudnik entered into on 17 June 2008 summarised in paragraph 9.7.1 above.

The fixed assets will remain with Pokrovskiy Rudnik. The pledge agreement includes a negative pledge covenant by Pokrovskiy Rudnik relating to assets specified in the pledge agreement.

9.8 ***Loan arrangements with SberBank***

On 21 October 2008 and 27 November 2008, Pokrovskiy Rudnik entered into two loan facility agreements with SberBank OAO (Savings Bank of the Russian Federation) (**SberBank**). Pursuant to the first loan facility agreement, SberBank granted Pokrovskiy Rudnik a loan facility of US$11 million maturing on 21 October 2009 with interest payable at the rate of 11.5 per cent. per annum. The loan proceeds have been used in full for refinancing existing loans. Pursuant to the second loan facility agreement SberBank has granted Pokrovskiy Rudnik a loan facility of US$19 million maturing on 27 November 2009 with interest payable at the rate of 13.5 per cent. per annum. The loan proceeds will be used for general corporate purposes. Both loan facility agreements are secured by a charge over Pokrovskiy Rudnik's real estate, equipment and gold interests. The agreements are governed by Russian law.

9.9 ***Loan arrangements with Rusoro***

9.9.1 *Loan agreement*

On 10 June 2008, the Company entered into a loan agreement with Venezuela Holdings (BVI) Ltd (the **Borrower**), Rusoro (the Borrower's parent company), and the Original Lenders as defined therein (including the Company) (the **Loan Agreement**) pursuant to which US$80 million (the **Loan**) was to be advanced by the Original Lenders to the Borrower for the purpose of funding the acquisition by, among others, the Borrower or an affiliate (as defined therein) of the Borrower, of certain assets of Hecla Limited and for the general corporate purposes of the Borrower's group. The interest rate is 10 per cent. per annum. Interest is payable at intervals of six months from the drawdown date of the Loan and the Loan is repayable on the interest payment date falling two years after the drawdown date. The Loan is secured by share pledges under Venezuelan law in relation to the shares of the guarantors of the Loan Agreement and a charge over deposit under English law between the Borrower and the Company as security trustee summarised in paragraph 9.9.2 below. Each lender, being the Original Lenders and any transferees, under the Loan Agreement has the right to exchange its commitment for common shares in Rusoro without par value and without special rights or restrictions attached, at a price of CAD1.25 per share. The Company is irrevocably appointed as security trustee and agent by the Original Lenders under the Loan Agreement, pursuant to the Security Trust Deed summarised in paragraph 9.9.2 below.

9.9.2 *Security*

On 10 June 2008, pursuant to the Loan Agreement summarised in paragraph 9.9.1 above, the Company, as security trustee and agent, and the Borrower as chargor, entered into a charge over deposit (the **Charge**) pursuant to which the Borrower charged to the Company, by way of first fixed charge with full title guarantee and as a continuing security, the sum of US$52 million standing to the credit of an account of J.P. Morgan Cazenove Limited, London with HSBC Bank USA, New York, or to the credit of any substitute account, and held on trust for the Borrower, along with all interest and other accruals thereto (the **Deposit**). Under the Charge the Borrower is obliged to pay all obligations (as defined in the Charge).

On 10 June 2008, the parent companies of the ten guarantors of the Loan Agreement and the Company, acting as the agent, entered into ten individual share pledge agreements. Pursuant to each share pledge agreement, the relevant parent company pledged a certain percentage of the shares it held in the relevant guarantor in favour of the agent as security for all amounts due under the Loan Agreement. The share pledge agreements are governed by Venezuelan law.

On 10 June 2008, the Company, as security trustee and agent, and the Original Lenders, entered into a security trust deed (the **Security Trust Deed**), pursuant to which each secured party (as defined in the Trust Deed) appointed the Company as security trustee in connection with the Loan. Pursuant to and on the terms of the Security Trust Deed, the Company has agreed that it shall hold the security property in trust for the benefit of the secured parties and that it may hold title deeds and other documents relating to any of the security property in such manner as it sees fit. Further, the Company has the authority to exercise the rights, powers, authorities and discretions given to it under or in connection with the relevant security documents, the security property and the Security Trust Deed and to execute each of the security documents to which a secured party is not a party on behalf of that secured party. The Company may also, as security trustee, countersign each accession deed on behalf of any party to the Security Trust Deed, without further consultation with that party.

9.9.3 *Option Deed*

On 10 June 2008, the Company, as purchaser entered into an option deed (the **Option Deed**) with eight vendors (the **Vendors**) pursuant to which each Vendor has granted to the Company an option to purchase its shares in Rusoro received under the exchange right pursuant to the Loan Agreement (summarised in paragraph 9.9.1 above) (the **Option Shares**) on the terms of the Option Deed. In order to exercise the right to purchase Option Shares, the Company must give notice within the period commencing on the relevant drawdown date and ending either: if the Vendor in question has exercised its exchange right under the Loan Agreement, on the later of 3 December 2008 and six days after exercise of the exchange right; or, if the relevant Vendor has not exercised its exchange right, the earlier of six days before the expiry of the exchange right and six days before the date on which prepayment or repayment is due to take place. Any partial exercise must be in respect of 100 shares or an integral multiple thereof. The Company must pay, to the relevant Vendor, the consideration for the right to exercise an option, and the relevant Vendor must deliver the requisite transfers and certificates to the Company, either within three days of the exercise notice being given, or within 14 days of the consideration for the share purchase being determined, which figure shall be determined as quickly as practicable.

9.10 ***Loan arrangements with Olis***

On 19 December 2007, Aricom Treasury UK Limited entered into a loan agreement with Olis Constructions Limited (**Olis**), pursuant to which Aricom Treasury UK Limited lent an amount of US$65.0 million to Olis. The loan bore interest at a rate of 5.3 per cent. per annum, and has subsequently been repaid.

9.11 ***Convertible Bonds***

9.11.1 *Trust Deed*

On 11 August 2005, a trust deed was concluded between PHMGFL, the Company (as the guarantor) and J.P. Morgan Corporate Trustee Services Limited (the **Trustee**), *inter alia*, constituting the Convertible Bonds and appointing the Trustee to act in that capacity and under which remuneration in respect of the services of the Trustee is to be paid.

9.11.2 *Paying and Conversion Agency Agreement*

On 11 August 2005, a paying and conversion agency agreement was concluded between PHMGFL, the Company (as guarantor), J.P. Morgan Chase Bank, N.A. (the **Principal Paying and Conversion Agent**), the Trustee and others setting out, *inter alia*, the terms of appointment and duties of the Principal Paying and Conversion Agent and under which commissions and fees in respect of the services of the agents are to be paid.

9.11.3 *Subscription Agreement*

On 1 July 2005, PHMGFL, the Company and certain subscribers entered into a subscription agreement setting out, *inter alia*, the terms of issue and subscription of the Convertible Bonds.

9.12 ***Exchangeable Bonds***

9.12.1 *Fiscal Agency Agreement*

On 19 October 2007, a fiscal agency agreement was concluded between PHMGFL, the Company, The Bank of New York (the **Fiscal Agent and Principal Paying, Transfer and Conversion Agent**), and The Bank of New York (Luxembourg) S.A. (the **Registrar**), *inter alia*, constituting the Exchangeable Bonds and setting out the terms of appointment and duties of the Fiscal Agent and Principal Paying, Transfer and Conversion Agent and the Registrar and under which such commissions in respect of the services of the agents and the Registrar are to be paid.

9.12.2 *Subscription Agreement*

On 10 October 2007, PHMGFL, the Company and certain subscribers entered into a subscription agreement setting out, *inter alia*, the terms of issue and subscription of the Exchangeable Bonds.

9.13 ***Omchak Joint Venture Agreement***

On 9 July 2003, the Company, Susumanzoloto and Shkolnoye entered into a joint venture agreement (the **Omchak Joint Venture Agreement**) pursuant to which Omchak was established as a joint venture company in the Magadan Region to effect or arrange for the exploration, exploitation, mining, development, processing, treatment and sale of gold and other precious metals extracted from the Matrosov mine. The Company holds a 50 per cent. interest in Omchak and Susumanzoloto and Shkolnoye together hold an equal 50 per cent. interest. The Omchak Joint Venture Agreement includes pre-emption rights and deadlock provisions and can be terminated by mutual agreement.

9.14 ***Acquisition of Elga***

On 31 January 2008, Peter Hambro Mining Cyprus and an individual who is a citizen of the Russian Federation, entered into a sale and purchase agreement pursuant to which Peter Hambro Mining Cyprus acquired the entire charter capital of Elga for a cash consideration of RUR45 million. The agreement included seller's warranties standard for a document of this type. The seller has agreed to indemnify Peter Hambro Mining Cyprus against any losses incurred by it if the seller is in breach of warranty for a period of three years.

9.15 ***Acquisition of Irgiredmet***

In October 2006, Sicinius, entered into sale and purchase agreements with a number of vendors pursuant to which it acquired 80 per cent. of Irgiredmet for a cash consideration of US$40.2 million. During 2007 Sicinius acquired a further 19.85 per cent. interest in Irgiredmet for a total cash consideration of US$9.3 million.

9.16 ***Acquisition of PRP Stancii***

On 28 May 2008, Pokrovskiy Rudnik and OAO "Far Eastern Energy Company" entered into a sale and purchase agreement pursuant to which Pokrovskiy Rudnik acquired the entire issued share capital of PRP Stancii for a total cash consideration of US$7.15 million.

9.17 ***Vanadium Joint Venture Agreement***

On 11 February 2009, Ariva HK Limited (**Ariva**), a wholly owned subsidiary of Aricom UK Limited, Heilongjiang Jianlong Steel Company Limited (**Jianlong**) and Kurankaii Investment Co., Limited (**Kuranakii**) entered into a joint venture agreement (the **Vanadium Joint Venture Agreement**) pursuant to which the parties agreed to establish Heilongjiang Jianlong Vanadium Industries Co., Limited (**Jianlong Vanadium**) in the north-east of China for the purpose of the production, sale and distribution of vanadium pentoxides and other vanadium products derived from vanadium slag. Pursuant to the Vanadium Joint Venture Agreement, the parties are required to make a combined RMB100.0 million investment in the share capital of Jianlong Vanadium on the following basis: Ariva (46 per cent.); Jianlong (49 per cent.); and Kurankii (5 per cent.). The Vanadium Joint Venture Agreement is subject to state approval following which it will become valid and binding. Thereafter, the Company will apply to the Chinese state authorities for a business licence for Jianlong Vanadium. No capital contributions have yet been paid by the parties. The Vanadium Joint Venture Agreement, which provides for a 38 year relationship (extendable by mutual consent) includes pre-emption rights, a buy-out mechanism and can be terminated early by the mutual consent of all of the parties. The board of directors will be comprised of two directors nominated by each of Ariva and Jianlong and a single director nominated by Kuranakii.

9.18 ***Titanium Sponge Joint Venture Agreement***

On 12 August 2008, Aricom Plc and Aluminium Corporation of China (**Chinalco**) entered into a joint venture contract in relation to the establishment of Heilongjiang Jiatai Titanium Co., Ltd **(Jiatai**), a Sino-foreign equity joint venture company with limited liability, which will produce titanium sponge using ilmenite concentrate supplied by the Aricom Olekma mine (under terms to be agreed). The contract came into effect on 26 August 2008.

Jiatai's total amount of registered capital is RMB 730,000,000 and its total investment is RMB 2,174,494,000. The difference between the total investment and the registered capital is to be funded by commercial loans from Chinese banks within the PRC.

Under the contract, the liability of each party is limited to its equity interest in Jiatai's registered capital. Aricom is required under the contract to contribute the equivalent of RMB 474,500,000 in US dollars in cash to Jiatai's registered capital, representing 65 per cent of Jiatai's registered capital. Chinalco is required to contribute RMB 255,500,000 in cash to Jiatai's registered capital, representing 35 per cent of Jiatai's registered capital.

9.19 ***Acquisition of Giproruda***

9.19.1 On 16 March 2007, OOO Soveks Trade and Dardanius Limited entered into an agreement pursuant to which Dardanius Limited agreed to acquire 28,431 ordinary shares (being 24.52 per cent. of the share capital) in Giproruda subject to FAS consent. Following the receipt of FAS consent on 28 May 2007 the consideration of RUR 73,067,670 was paid by Dardanius Limited.

9.19.2 On 16 March 2007, OOO Krion and Dardanius Limited entered into an agreement pursuant to which Dardanius Limited agreed to acquire 28,000 ordinary shares (being 24.14 per cent. of the share capital) in Giproruda subject to FAS consent. Following the receipt of FAS consent on 28 May 2007 the consideration of RUR 71,960,000 was paid by Dardanius Limited.

9.19.3 On 16 March 2007, OOO Merloni Group and Dardanius Limited entered into an agreement pursuant to which Dardanius Limited agreed to acquire 23,000 ordinary shares (being 19.83 per cent. of the share capital) in Giproruda subject to FAS consent. Following the receipt of FAS consent on 28 May 2007 the consideration of RUR 65,550,000 was paid by Dardanius Limited.

9.20 ***Option agreements in relation to Kosteningskoye and Garinskoye flanks***

(a) On 25 March 2008, Aricom UK Limited, Myrtle Corporate Ltd and Ardoryna Commercial Ltd entered into an agreement pursuant to which Myrtle Corporate Ltd and Ardoryna Commercial Ltd granted Aricom UK Limited an option to buy the entire issued share capital in Rumier Holdings Ltd, the indirect owner of the Kostenginskoye licence, in consideration for a cash payment of US$22.5 million. A further US$17.5 million was payable for the option shares on exercise, the exercise consideration being satisfied by Aricom UK Limited procuring the issue of ordinary shares in Aricom to each seller. The option was exercised on 30 September 2008.

(b) On 25 March 2008, Aricom UK Limited, Myrtle Corporate Ltd and Ardoryna Commercial Ltd entered into an agreement pursuant to which Myrtle Corporate Ltd and Ardoryna Commercial Ltd granted Aricom UK Limited an option to buy the entire issued share capital in Guiner Enterprises Ltd, the indirect owner of the Garinskoye flanks licence, in consideration for a cash payment of US$22.5 million. A further US$17.5 million was payable for the option shares on exercise, the exercise consideration being satisfied by Aricom UK Limited procuring the issue of ordinary shares in Aricom to each seller. The option was exercised on 30 September 2008.

9.21 ***Lapwing acquisition and loan arrangements***

9.21.1 On 29 March 2007, Lapwing, Olis and Aricom UK Limited entered into an agreement pursuant to which Aricom UK Limited agreed, subject, *inter alia*, to FAS consent and a concurrent subscription by Olis for additional shares in Lapwing, to subscribe for 20,220,000 shares in Lapwing. Lapwing owns a 100 per cent. interest in OOO Garinsky Mining & Metallurgical Complex, which holds the licence for the Garinskoye iron ore deposit. The subscription was completed in September 2007.

The agreement contains provisions governing the constitution of the Lapwing board, business plan and operation of the Garinskoye licence going forward. The agreement contains restrictions on future transfer of Lapwing shares, including rights of first refusal for existing shareholders and tag along provisions, and confidentiality provisions.

In addition, pursuant to the agreement, Olis granted Aricom UK Limited an option to acquire its entire shareholding in Lapwing. An option premium in the amount of US$19.7 million was paid. This option was terminated and the original terms of the 29 March 2007 agreement varied under an agreement dated 13 December 2007 (as amended) to acquire Olis' 29.26 per cent. interest in Lapwing (the **Further Lapwing Acquisition**). The approval of Aricom shareholders was obtained for the Further Lapwing Acquisition on 15 February 2008 and the 29.26 per cent. interest in Lapwing was acquired by Aricom UK Limited for a total purchase consideration of US$122.1 million on the same date. Taking into account a further 0.1 per cent. minority interest in Lapwing acquired by the Aricom Group subsequent to the year end this took the Aricom Group's total investment in Lapwing to 99.58 per cent.

9.21.2 On 23 April 2007, Aricom UK Limited and Lapwing entered into a loan agreement pursuant to which Aricom UK Limited made available to Lapwing a loan in the amount of Euro 20,220,000 payable in US dollars for the purpose of settlement of debts of Lapwing and/or any subsidiary of Lapwing. The loan was drawn down on 1 May 2007 and has since been repaid.

9.22 ***Co-operation agreement with OboronImpex***

On 17 September 2007, Aricom entered into a co-operation agreement with OOO "OboronImpex" pursuant to which they agreed to assist each other in reviewing opportunities in strategic raw materials, establishing new production facilities and in developing new technologies, especially in titanium production.

10. Property, plant and equipment

10.1 The Enlarged Group's material existing tangible fixed assets, other than its mines, licences and contract terms, are set out below:

	Owner	*Production Capacity*
Pokrovskiy Mine		
RIP Plant	Pokrovskiy Rudnik	1.8mt per annum
Heap-leach	Pokrovskiy Rudnik	0.7mt per annum
Infrastructure	Pokrovskiy Rudnik	N/A
Tailings dam	Pokrovskiy Rudnik	$16mt^3$

	Owner	*Production Capacity*
Pioneer Mine		
RIP Plant	Pokrovskiy Rudnik	0.8mt per annum
Tailings dam	Pokrovskiy Rudnik	16 mt
Infrastructure	Pokrovskiy Rudnik	N/A
Kuranakh Mine		
Crushing & Screening Plant	OOO Olekminsky Rudnik	N/A
Mining Fleet	OOO Olekminsky Rudnik	N/A
Infrastructure	OOO Olekminsky Rudnik	N/A
Other		
Mining fleet	Pokrovskiy Rudnik	N/A
Mining fleet	Amur Doré	N/A
Mining fleet	Koboldo	N/A
Mining fleet	Elga	N/A
Moscow office building	Pokrovskiy Rudnik	N/A
Irgiredmet buildings	Irgiredmet	N/A
Irgiredmet land	Irgiredmet	N/A

Further details on the operation, productive capacity and products produced by the RIP and heap-leach operations for the Pokrovskiy mine and Pioneer mine are included in the section on the Pokrovskiy and Pioneer Division in Part I –"Information on the Enlarged Group" of this Prospectus.

Other than certain items of Pokrovskiy Rudnik which have been pledged as security under the UniCredit and UralSib loan facilities, as described under paragraph 9, "Material Contracts" in this Part XII – "Additional Information", none of the existing or planned tangible fixed assets are subject to any major encumbrances.

All significant items of property, plant and equipment are owned by members of the Enlarged Group, and located in Russia.

11. The Enlarged Group

11.1 The Company is the holding company of a group of companies whose principal business is finding, developing and operating industrial commodity projects in the Amur and EAO regions of southern Far East Russia.

11.2 The charts at Appendices 1 and 2 to this Prospectus show the principal corporate structure of the Enlarged Group. Appendix 1 shows the Peter Hambro Mining Group and Appendix 2 shows the Aricom Group. Aricom will be a wholly-owned direct subsidiary of the Company upon completion of the Aricom Acquisition.

11.3 The Company's significant subsidiaries and associated undertakings upon completion of the Aricom Acquisition, will be:

Name of subsidiary/undertaking	*Country of incorporation*	*Principal Activity*	*Proportion of capital and voting power held by the Enlarged Group*
Held 100% directly by the Company			
Aricom plc	England	Holding company	100%
Eponymousco Limited	England	Holding company	100%
Peter Hambro Mining Group Finance Limited	Guernsey	Finance company	100%
Yamal Holdings Limited	Cyprus	Holding company	100%
Sicinius Limited	Cyprus	Holding company	100%
ZAO MC Petropavlovsk	Russia	Holding company	100%
Petropavlovsk (Jersey) Ltd	Jersey	Holding company	100%
Victoria Resources Ltd	England	Holding company	100%
Horatio Limited	Cyprus	Holding company	100%
Held indirectly by the Company via 100% owned subsidiaries			
Peter Hambro Mining (Cyprus) Limited	Cyprus	Holding company	100%
OOO Olga	Russia	Gold exploration and production	100%
OOO Osipkan	Russia	Gold exploration and production	100%
OAO Pokrovskiy Rudnik	Russia	Gold exploration and production	98.6%
ZAO PHM Engineering	Russia	Project and engineering services	79%
OOO Tokurskiy Rudnik	Russia	Gold exploration and production	100%
OOO Regis Exploration Company	Russia	Surveying, researching and prospecting mineral resources	100%
OOO GRK Victoria	Russia	Gold exploration and production	100%
OOO Obereg	Russia	Security services	100%
ZAO Spanch	Russia	Gold exploration and production	100%
ZAO Amur Doré	Russia	Gold exploration and production	100%
OOO Rudoperspektiva	Russia	Gold exploration and production	100%
OAO ZDP Koboldo	Russia	Gold exploration and production	95.7%
OAO Yamalskaya Gornaya Company	Russia	Construction and Gold exploration and production	74.9%

Name of subsidiary/undertaking	*Country of incorporation*	*Principal Activity*	*Proportion of capital and voting power held by the Enlarged Group*
Companies held directly or indirectly by Aricom			
Brasenose Services Limited	Cyprus	Holding company	100%
Russian Titan Company Limited	Cyprus	Holding company	100%
Kapucius Services Limited	Cyprus	Holding company	100%
Dardanius Limited	Cyprus	Holding company	100%
Arfin Limited	Cyprus	Financing	100%
Metellus Limited	Cyprus	Holding company	100%
Lapwing Limited	Cyprus	Holding company	99.6%
Expokom Limited	Cyprus	Holding company	100%
Tenaviva Limited	Cyprus	Holding company	100%
Esimanor Limited	Cyprus	Holding company	100%
Guiner Enterprises Ltd	Cyprus	Holding company	100%
Rumier Holdings Ltd	Cyprus	Holding company	100%
Lucilius Investments Limited	Cyprus	Holding company	100%
Aricom UK Limited	England	Holding company	100%
Aricom Treasury UK Limited	England	Financing	100%
Aricom Finance UK Limited	England	Financing	100%
Aricom B Finance plc	England	Holding company	100%
Aricom B Limited	England	Holding company	100%
Aricom B Roubles Treasury Limited	England	Financing	100%
Aricom Roubles Treasury UK Limited	England	Financing	100%
Aricom Services Limited	England	Service company	100%
Ariva HK Limited	Hong Kong	Holding company	100%
Ariti HK Limited	Hong Kong	Holding company	100%
OOO Aricom	Russia	Management company	100%
OOO Olekminsky Rudnik	Russia	Iron ore exploration and production	100%
OOO Kimkano-Sutarskiy Gorno-Obogatitelniy Kombinat	Russia	Iron ore exploration and production	100%
OOO Rubicon	Russia	Development company	100%
ZAO SGMTP	Russia	Development company	100%
OOO TOK	Russia	Dormant	100%
OAO Giproruda	Russia	Engineering services	70.3%
OOO Garinsky Mining & Metallurgical Complex	Russia	Iron ore exploration and production	99.6%
OOO Kostenginskiy Gorno-Obogatitelniy Kombinat	Russia	Iron ore exploration and production	100%
OOO Orlovo-Sokhatinsky Gorno-Obogatitelniy Kombinat	Russia	Iron ore exploration and production	100%

Name of subsidiary/undertaking	*Country of incorporation*	*Principal Activity*	*Proportion of capital and voting power held by the Enlarged Group*
Held indirectly by the Company via Pokrovskiy Rudnik			
OAO Yamalzoloto	Russia	Gold exploration and production	100%
OOO Kapstroi	Russia	Construction	98.6%
ZAO Malomirskiy Rudnik	Russia	Gold exploration and production	98.6%
ZAO Region	Russia	Gold exploration and production	98.6%
ZAO ZRK Dalgeologiya	Russia	Exploration work	100%
OAO PRP Stancii	Russia	Repair and maintenance	100%
Held indirectly by the Company via Yamalskaya Mining Company and Yamal Holdings Limited			
ZAO Sever Chrome	Russia	Chrome exploration and production	100%
Held indirectly by the Company via Sicinius			
OAO Irgiredmet	Russia	Research services	99.9%
Joint Ventures			
OOO GDK Odolgo	Russia	Gold exploration and production	50.0%
Heilongjiang Jiatai	China	Titanium sponge production	65.5%
ZAO ZRK Omchak and subsidiaries	Russia	Gold exploration and production	50.0%
OOO Uralmining	Russia	Iron ore exploration and production	49.0%
ZAO Rudnoye[1]	Russia	Dormant	50.0%

1 Currently in the process of being liquidated.

12. Related party transactions

Details of related party transactions entered into by members of the Peter Hambro Mining Group during the period covered by the financial information and up to the date of this Prospectus are set out in note 30 in Part A of Part IX – "Historical Financial Information".

Details of related party transactions entered into by members of the Aricom Group during the period covered by the financial information and up to the date of this Prospectus are set out on pages 161 to 165 of the Aricom Prospectus, pages 107 to 109 of the Aricom 2007 Annual Report and pages 92 to 93 of the Aricom 2008 Annual Report, which are incorporated into this Prospectus by reference.

The US$10.0 million loan made to the Company by V.M.H.Y Holdings Limited, a company controlled by Peter Hambro and Pavel Maskovskiy, was repaid in March 2009.

13. Working capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least the next 12 months following the date of this Prospectus.

14. Litigation

No member of the Peter Hambro Mining Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus which may have or have had in the recent past a significant effect on the Company and/or the Peter Hambro Mining Group's financial position or profitability.

Save as set out below, no member of the Aricom Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Aricom is aware) during the 12 months preceeding the date of this Prospectus which may have or have had in the recent past a significant effect on Aricom and/or the Aricom Group's financial position or profitability.

The Aricom Group is involved in legal proceedings with two minority shareholders in Lapwing, Gatnom Capital and Finance Ltd. and O.M. Investments & Finance Ltd. The claim was filed in September 2008 in Cyprus and the respondents are Lapwing and Aricom UK Limited. The claimants allege their holdings in Lapwing were improperly diluted as the result of the issuance of additional shares following a September 2007 shareholders' meeting. The claimants have asked the court to dissolve Lapwing or, alternatively, to order that their shares be purchased at a price allegedly previously agreed upon or to be determined by an expert appointed by the court.

The Aricom Group's defence was submitted on 13 April 2009. The maximum potential liability arising from the claim cannot currently be accurately assessed although the Directors believe that the claim is of a limited merit.

15. Significant change

15.1 Save for the issue of 16 million Shares (the net proceeds of which were US$100.0 million) and purchase of US$87 million Exchangeable Bonds on 10 February 2009, as disclosed in note 38 of Part A of Part IX – "Historical Financial Information" of this Prospectus, there has been no significant change to the financial or trading position of the Peter Hambro Mining Group since 31 December 2008, being the latest period for which audited financial information in relation to the Peter Hambro Mining Group was published.

15.2 There has been no significant change to the financial or trading position of the Aricom Group since 31 December 2008, being the latest period for which audited financial information in relation to the Aricom Group was published.

15.3 The Aricom Acquisition when it completes (which is expected to take place on 22 April 2009) will constitute a significant change in the financial position of the Peter Hambro Mining Group.

16. Taxation

The following statements are intended only as a general guide to the UK tax position under current legislation and published HM Revenue & Customs' practice at the date of this Prospectus, both of which are subject to change at any time. It only deals with the position of certain types of Shareholder and does not deal with others (such as dealers in securities, insurance companies and collective investment schemes) whose tax position might in some cases be different. The information given is by way of general summary only and does not constitute legal or tax advice to any person. Shareholders who are in any doubt about their tax position, or who are taxable in a jurisdiction other than the UK, should obtain detailed tax advice.

16.1 *Dividends*

Under current UK legislation, no tax is withheld from dividend payments by the Company in respect of the Ordinary Shares.

A UK resident individual Shareholder will be entitled to a tax credit in respect of any dividend paid by the Company on that Shareholder's Ordinary Shares equal to one-ninth of the amount of the dividend received by the Shareholder. The tax credit therefore equals 10 per cent. of the aggregate amount of the dividend and the associated tax credit. Liability to UK income tax is calculated on the sum of the dividend and the associated tax credit. The tax credit will be available to offset such a Shareholder's liability to income tax on the dividend.

Individual Shareholders whose income is within the starting rate for savings or basic rate tax bands are subject to income tax at the rate of 10 per cent. on dividends received by them in respect of their Ordinary Shares, so that such Shareholders will have no further liability to income tax in respect of such dividends. The higher rate of income tax is 32.5 per cent. in respect of dividend income (rather than the main rate of 40 per cent.), so that a Shareholder whose income is subject to higher rate income tax will, after allowing for the 10 per cent. tax credit, be liable to pay further income tax equal to 25 per cent. of the dividend actually received in respect of that Shareholder's Ordinary Shares, before the addition of the tax credit. A Shareholder who is not liable to income tax on the dividend (or any part of it) is not able to claim payment of the tax credit (or part of it) in cash from HM Revenue & Customs.

The Government has announced proposals to introduce, with effect from 6 April 2011, a new tax rate of 45 per cent. for taxable non-savings and savings income above £150,000. On and after the date on which the new rate takes effect, if and to the extent that the gross dividend received by a UK resident individual falls above the threshold for income tax at the new 45 per cent. rate, that individual will be subject to tax on the gross dividend at the rate of 37.5 per cent. If the new rate of tax is applied in the same way as the existing rates, that individual would be able to set the tax credit off against part of this liability and the effect of that set-off of the tax credit would be that such an individual would have to account for additional tax equal to 27.5 per cent. of the gross dividend (which is also equal to 30.6 per cent. of the cash dividend received), to the extent that the gross dividend fell above the threshold for the new 45 per cent. rate of income tax.

UK resident corporate Shareholders (including authorised unit trusts and open-ended investment companies) and pension funds will not normally be liable to UK corporation tax in respect of any dividend received from the Company in respect of its Ordinary Shares and are not entitled to payment of the tax credit.

The Government has published draft legislation which would, if passed in its current form, significantly change the tax treatment of dividends received by shareholders within the charge to UK corporation tax. The draft legislation would, amongst other things, remove the current blanket exemption from UK corporation tax which generally applies to a dividend paid by one UK resident company to another. However, it appears likely that dividends paid on the Ordinary Shares to UK resident corporate shareholders will generally continue to qualify for exemption from UK corporation tax. It should be noted that the draft legislation is likely to change before being passed and Shareholders within the charge to UK corporation tax are advised to consult their independent professional tax advisers in relation to the implications of the legislation once finally enacted.

Whether Shareholders who are resident for tax purposes in countries other than the UK are entitled to the whole or a proportion of the tax credit in respect of dividends on their Ordinary Shares depends in general upon the provisions of any double taxation convention or agreement which exists between such countries and the UK.

16.2 ***Capital Gains Tax***

Shareholders who are resident or ordinarily resident for tax purposes in the UK may, depending on their individual circumstances, be liable to UK taxation in respect of chargeable gains on a disposal of their Ordinary Shares. In the case of those Shareholders who are individuals or otherwise not within the charge to corporation tax, an annual allowance (for the tax year 2008/2009 this is £9,600) is available to individuals to set against the gain. Any remaining gain will be taxed at the capital gains tax rate of 18 per cent. On disposal of the Ordinary Shares by corporate Shareholders, such

Shareholders may be entitled to an indexation allowance (depending on the period of ownership) which, in general terms, increases the capital gains base cost of an asset in line with the rise in the retail prices index.

Admission of the Ordinary Shares to the Official List will not constitute a disposal of the Ordinary Shares held by existing Shareholders. However, as the Ordinary Shares will no longer be listed on AIM, this could have an adverse impact on the reliefs available from inheritance tax to individual Shareholders. Shares that are listed on AIM may qualify for business property relief (a relief from UK inheritance tax), depending on the circumstances of the Shareholder. However, Ordinary Shares listed on the Official List will no longer benefit from business property relief from inheritance tax. Individual Shareholders who are in any doubt about the impact of this change on their tax position should obtain detailed tax advice from their own professional advisers.

A Shareholder who is an individual not resident or ordinarily resident for tax purposes in the UK will not normally be liable to UK taxation in respect of chargeable gains on a disposal of that Shareholder's Ordinary Shares unless that Shareholder carries on a trade, profession or vocation in the UK through a branch or agency a permanent establishment in the UK and the Ordinary Shares in question are, or have been used, held or acquired for the purposes of such trade, profession or vocation for the purposes of such branch or agency or, in the case of a non-UK resident company, permanent establishment.

A non-resident corporate Shareholder is not normally liable to UK corporation tax on chargeable gains in respect of a disposal of that Shareholder's Ordinary Shares, unless the non-resident Shareholder company carries on a trade, profession or vocation in the UK through a permanent establishment in the UK, however, where the Shareholder company is under the control of five or fewer persons, gains realised by the non-UK resident Shareholder company may in certain circumstances be apportioned to that company's UK resident, ordinary resident or domiciled individual shareholders. A corporate non-resident Shareholder, or investor making their investment through a non-resident company, is advised to seek detailed tax advice from a professional adviser.

16.3 ***Individual Savings Accounts (ISAs)***

Ordinary Shares in the Company will be eligible to be held in the stocks and shares component of an ISA once they are admitted to the Official List.

16.4 ***Self-invested Personal Pension Schemes (SIPPs)***

Ordinary Shares in the Company may be held for the purpose of a SIPP where such Ordinary Shares are considered suitable investments by the scheme administrator.

16.5 ***Stamp Duty and Stamp Duty Reserve Tax***

Where Ordinary Shares in the Company are held in certificated form, no stamp duty or stamp duty reserve tax (**SDRT**) will arise on a transfer of such Shares into CREST unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Transfers of Ordinary Shares within CREST will generally be liable to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration payable, rather than stamp duty.

Any agreement to transfer Ordinary Shares outside CREST made for a consideration in money or money's worth will give rise to a liability on the purchaser to stamp duty or SDRT usually at the rate of 0.5 per cent. of the consideration paid.

Where Ordinary Shares are transferred to a person who issues depositary receipts or provides clearance services in respect of such Ordinary Shares, or to a nominee or agent for such person, stamp duty or SDRT (as appropriate) may be payable at the higher rate of 1.5 per cent. of (in the case of stamp duty) the amount or value of the consideration provided or (in the case of SDRT) the amount or value of the consideration payable (if in money's worth) or in any other case the open market value of the Ordinary Shares.

17. Consents

17.1 Moore Stephens LLP of St. Paul's House, Warwick Lane, London EC4M 7BP has given and not withdrawn its written consent to the inclusion in this Prospectus of its reports in Part VIII – "Pro Forma Financial Information" and Part A of Part IX – "Historical Financial Information" of this Prospectus and references to them in the form and context in which they appear and has authorised the contents of its reports for the purpose of paragraph 5.5.3 R(2)(f) of the Prospectus Rules and item 23.1 of Annex I of the Commission Regulation (EC) 809/2004.

17.2 Deloitte LLP of 2 New Street Square, London EC4A 3BZ has given and not withdrawn its written consent to the inclusion in this Prospectus of its auditor's reports on the consolidated financial statements of Aricom included in the Aricom Annual Reports and the Aricom Prospectus, which are incorporated by reference into this Prospectus as set out in Part XIII –"Documents Incorporated by Reference" of this Prospectus, and references to them in the form and context in which they appear and has authorised the contents of its reports for the purpose of paragraph 5.5.3 R(2)(f) of the Prospectus Rules and item 23.1 of Annex I of the Commission Regulation (EC) 809/2004.

17.3 Wardell Armstrong International Limited of Wheal Jane, Baldhu, Truro, Cornwall TR3 6EH has given and not withdrawn its written consent to the inclusion in this Prospectus of its mineral expert's report, mineral resource estimates and technical review in Part XVI –"Summaries of Mineral Expert's Reports" of this Prospectus, references to them and statements and information extracted from them in the form and context in which they appear and has authorised the contents of its report, estimates and review for the purpose of paragraph 5.5.3 R(2)(f) of the Prospectus Rules and item 23.1 of Annex I of the Commission Regulation (EC) 809/2004.

17.4 J.P. Morgan Cazenove Limited of 20 Moorgate, London EC2R 6DA has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which they appear.

17.5 Canaccord Adams Limited of 7th Floor, Cardinal Place, 80 Victoria Street, London SW1E 5JL has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which they appear.

18. Miscellaneous

18.1 The total costs and expenses relating to Admission payable by the Company (assuming that Admission takes place) are estimated to amount to approximately £3 million (excluding VAT).

18.2 Save for the subsoil licences described in Part B of Part III –"Russia, the Russian Licensing Regime and Summary of Key Licences" of this Prospectus and save as otherwise disclosed in this Prospectus, there are no patents or intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Enlarged Group's business or profitability.

18.3 The financial information relating to the Company in Part A of Part IX – "Historical Financial Information" of this Prospectus does not constitute statutory accounts of the Company within the meaning of section 434 of the 2006 Act. Moore Stephens LLP has audited the Company's accounts for the three years ended 31 December 2008. Moore Stephens LLP's reports on such accounts were unqualified and did not contain a statement under subsections 498(2) or (3) of the 2006 Act.

18.4 The financial information concerning Aricom incorporated by reference in this Prospectus as set out in Part XIII _"Documents Incorporated by Reference" of this Prospectus does not constitute the statutory accounts of Aricom for the years ended 31 December 2008, 2007 or 2006, but is derived from those accounts. Statutory accounts for Aricom for the years ended 31 December 2007 and 2006 have been delivered to the Registrar of Companies and those for the year ended 31 December 2008 will be delivered following the company's annual general meeting. The auditors of Aricom, Deloitte LLP, have reported on those accounts; their reports were unqualified, did not draw attention any matters by way of emphasis and did not contain statements under subsections 498(2) or (3) of the

2006 Act. The auditors of Aricom changed their name to Deloitte LLP from Deloitte & Touche LLP on 1 December 2008 and their reports for the years ended 31 December 2007 and 2006 are signed in their previous name. Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom, and a member firm of the Institute of Chartered Accountants in England and Wales, appearing on that body's register of auditors.

19. Change of Auditor

The Board has given consideration to the appointment of auditors following the merger with Aricom and intends to recommend at the Company's next annual general meeting the appointment of Deloitte LLP as the new auditors of the Company for the year ending 31 December 2009.

20. Documents available for inspection

20.1 Copies of the following documentation will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excluded) for a period of not less than 14 days following Admission at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ:

20.1.1 the Memorandum and Articles of Association of the Company;

20.1.2 the report in Part VIII _"Pro Forma Financial Information" and Part A of Part IX – "Historical Financial Information" of this Prospectus from Moore Stephens LLP;

20.1.3 the consent letters referred to at paragraph 17 above;

20.1.4 the Company's audited consolidated historical financial statements as at 31 December 2006, 2007 and 2008;

20.1.5 Aricom's audited consolidated historical financial statements as at 31 December 2006, 2007 and 2008;

20.1.6 the Aricom Annual Reports;

20.1.7 the Aricom Prospectus; and

20.1.8 this Prospectus.

21 April 2009

PART XIII

DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with the following documents which have been previously published and filed with the FSA and which shall be deemed to be incorporated in, and form part of, this Prospectus:

Information incorporated by reference into this Prospectus:	*Cross-referenced page number(s):*	*Location of incorporation in this Prospectus:*
Aricom Prospectus (with respect to financial statements for the year ended 31 December 2006)	124 to 167	Part B of Part V
	124 to 167	Part B of Part VI
	124 to 167	Part B of Part VII
	124 to 167	Part B of Part IX
	124 to 125	Auditor's Report
	126	Consolidated Income Statement
	127	Consolidated Balance Sheet
	128	Consolidated Cash Flow Statement
	129 to 167	Notes to the Consolidated Financial Statements
	124 to 167	Paragraph 5.5 of Part XII
	161 to 165	Paragraph 12 of Part XII
	124 to 125	Paragraph 17.2 of Part XII
Aricom 2007 Annual Report	65 to 110	Part B of Part V
	65 to 110	Part B of Part VI
	65 to 110	Part B of Part VII
	65 to 110	Part B of Part IX
	65 to 66	Auditor's Report
	67	Consolidated Income Statement and
	68	Consolidated Statement of Recognised Income and Expenses
	69	Consolidated Balance Sheet
	70	Consolidated Cash Flow Statement; and
	71 to 110	Notes to the Consolidated Financial Statements
	65 to 110	Paragraph 5.5 of Part XII
	107 to 109	Paragraph 12 of Part XII
	65 to 66	Paragraph 17.2 of Part XII

Information incorporated by reference into this Prospectus:	*Cross-referenced page number(s):*	*Location of incorporation in this Prospectus:*
Aricom 2008 Annual Report	62 to 94	Part B of Part V
	62 to 94	Part B of Part VI
	62 to 94	Part B of Part VII
	62 to 94	Part B of Part IX
	62	Auditor's Report
	63	Consolidated Income Statement
	64	Consolidated Statement of Recognised Income and Expenses
	65	Consolidated Balance Sheet
	66	Consolidated Cash Flow Statement; and
	67 to 94	Notes to the Consolidated Financial Statements
	62 to 94	Paragraph 5.5 of Part XII
	92 to 93	Paragraph 12 of Part XII
	62	Paragraph 17.2 of Part XII

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

The Company will provide, without charge, to each person to whom a copy of this document has been delivered, upon the oral or written request of such person, a copy of any or all of the documents which are incorporated by reference herein. Written or oral requests for such documents should be directed to the Company at its registered office set out on page 32 of this Prospectus.

PART XIV

DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

Act	the Companies Act 1985 (to the extent in force)
2006 Act	the Companies Act 2006 (to the extent in force)
Admission	the admission of the PHM Securities to the Official List and to trading on the Main Market of the London Stock Exchange
AIM	the AIM Market of the London Stock Exchange
AIM Rules	the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as published by the London Stock Exchange
Amendment Law	Federal Law No. 58-FZ of 29 April 2008 "On introducing amendments in certain legal acts of the Russian Federation and declaring null and void certain provisions of legal acts of the Russian Federation in connection with the adoption of the Federal Law on the manner of conducting foreign investments into companies having strategic significance for securing the defence of the country and the security of the State"
Amur Region or Amur	the Amur Region of Russia
Aricom	Aricom Plc
Aricom Acquisition	the acquisition of Aricom by the Company as implemented by means of a scheme of arrangement pursuant to Part 26 of the 2006 Act, which is expected to be completed on 22 April 2009
Aricom Annual Reports	the Aricom 2007 Annual Report and Aricom 2008 Annual Report
Aricom 2007 Annual Report	the annual report and accounts of Aricom for the year ended 31 December 2007
Aricom 2008 Annual Report	the annual report and accounts of Aricom for the year ended 31 December 2008
Aricom Group	Aricom and all or any of its subsidiaries
Aricom IFC Option	the option issued to IFC by Aricom pursuant to the Aricom IFC Option Agreement described in paragraph 9.3.4 of Part XII – "Additional Information" of this Prospectus
Aricom LTIP	the long-term incentive plan of Aricom
Aricom Prospectus	the prospectus issued by Aricom in October 2007 for the admission of its ordinary shares and warrants to the Official List and to trading on the Main Market
Aricom Shares	ordinary shares of £0.001 each in Aricom, prior to implementation of the Aricom Acquisition
Articles of Association or Articles	the articles of association of the Company as amended on 25 June 2008 and from time to time

Award	a conditional free share award granted under the proposed Company long-term incentive plan
BAM Railway	Baikal Amur Railway
Berelekh	OAO GDK Berelekh, a subsidiary of Omchak
Board	the board of Directors of the Company
Bondholders	the holders of the Bonds
Bonds	the Convertible Bonds and the Exchangeable Bonds
Buryatia Region or Buryatia	the Republic of Buryatia of Russia
Canaccord Adams	Canaccord Adams Limited
CBGA	Central Bank Gold Agreement
CBR	Central Bank of Russia
CESR	the Committee of European Securities Regulators
China	the People's Republic of China
Chinalco	Aluminium Corporation of China
Chita Region or Chita	the Chita region of Zabaykalskiy Krai of Russia
CMGC	China Metallurgical Group Corporation
Combined Code	the Combined Code on Corporate Governance dated June 2008
combined licence	a licence for both the prospecting (exploration) and the development and extraction (exploitation) of a licence area
Commencement Date	7 May 2008, being the date on which the New Law and the Amendment Law came into effect
Companies Acts	the Act and the 2006 Act
Company or Peter Hambro Mining	Peter Hambro Mining Plc
Competent Authority	the competent authority in relation to the New Law and the Amendment Law, namely the FAS
Conditions of the Convertible Bonds	the terms and conditions of the Convertible Bonds
Conditions of the Exchangeable Bonds	the terms and conditions of the Exchangeable Bonds
Conversion Price	the price at which Ordinary Shares will be issued upon conversion of the Convertible Bonds
Conversion Value	the cash amount for which Exchangeable Bonds can be exchanged, amounting to the product of (i) the price of one troy ounce of gold in US Dollars in the gold market and (ii) 100
Convertible Bondholders	holders of the Convertible Bonds
Convertible Bonds	the US$140.0 million 7.125 per cent. coupon guaranteed convertible bonds due 2010 issued by PHMGFL and guaranteed by the Company

CREST	the system for paperless settlement of trades and holdings of uncertificated shares administered by Euroclear UK & Ireland Limited (formerly known as CRESTCo Ltd)
Directors	the current directors of the Company and those to be appointed upon Admission, whose names are set out on page 32 of this Prospectus
Disclosure and Transparency Rules	the Disclosure and Transparency Rules made by the FSA under Part VI of FSMA
Division	one or both of the Pokrovskiy and Pioneer Division and the North East Amur Division
EAO	Evreyskaya Avtonomnaya Oblast, a region within Russia, also known as the Jewish autonomous region of Russia
Elga	OOO Elga, an indirect subsidiary of the Company
Enlarged Group	the Company and all or any of the Subsidiaries, following implementation of the Scheme
EEA States	member states of the European Economic Area
ETFs	Gold Exchange Traded Funds
Exchange Act	US Securities Exchange Act of 1934, as amended
Exchangeable Bonds	the US$180.0 million 7 per cent. coupon gold exchangeable bonds due 2012 issued by PHMGFL and guaranteed by the Company
FAS	the Russian Federal Anti-Monopoly Service
Financial Services Authority or FSA	the Financial Services Authority acting in its capacity as a competent authority for the purposes of Part VI of FSMA
Foreign Investment Law	the law of the Russian Federation on Foreign Investments No 160 - F2 dated 9 July 2009
FSMA	the Financial Services and Markets Act 2000 (as amended)
GDR	global depositary receipt
Giproruda	OAO Giproruda, an indirect subsidiary of Aricom
GIS	Gold Industry Standard
GIS cash operating costs	GIS cash operating costs per ounce of gold
GIS total cash costs	GIS total cash costs per ounce of gold
GIS total production costs	GIS total production costs per ounce of gold
GKZ	State Commission for Reserves and Resources of the Russian Federation or its territorial committees as the case may be
Group	the Peter Hambro Mining Group (up to completion of the Aricom Acquisition) and the Enlarged Group thereafter
HSE Committee	the Enlarged Group's health, safety and environmental committee as described in Part II – "Management, Corporate Governance and Employees" of this Prospectus

HSE Report	the independent annual report of the Enlarged Group's economic, social and environmental performance for each reporting period
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
Irgiredmet	OAO Irgiredmet
Irkutsk Region	the Irkutsk Region of Russia
Jianlong	Heilongjian Jianlong Steel Company Limited, a joint venture partner of Aricom
Joint Sponsors	Canaccord Adams and J.P. Morgan Cazenove
JORC Code (2004)	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 version
J.P. Morgan Cazenove	J.P. Morgan Cazenove Limited
K&S	the Kimkanskoye and Sutarskoye iron ore deposits field located in the EAO in the south-western part of Russia's Far East
K&S and Garinskoye Feasibility Study	the combined feasibility study carried out on the K&S and Garinskoye deposits, completed in October 2008
Kapstroi	OOO Kapstroi, an indirect subsidiary of the Company
Koboldo	OAO ZDP Koboldo, an indirect subsidiary of the Company
KS GOK	OOO Kimkano-Sutarskiy Mining and Processing Enterprise, an indirect subsidiary of Aricom
Kuranakii	Kuranakii Investments Co., Limited, a joint venture partner of Aricom
Lapwing	Lapwing Limited, a company incorporated in Cyprus which indirectly holds the licence for the Garinskoye deposit
LBMA	London Bullion Market Association
Laws	the New Law and the Amendment Law
Listing Rules	the rules relating to admission to the Official List made in accordance with section 73A(2) of FSMA
London Stock Exchange	London Stock Exchange plc
Magadan Region	the Magadan Region of Russia
Main Market	the Main Market for listed securities of the London Stock Exchange
Malomirskiy Rudnik	ZAO Malormirskiy Rudnik, a wholly owned subsidiary of Pokrovskiy Rudnik
Maslovskiy Associates	Pavel Maslovskiy, and/or other holders of Shares in which he is interested, current details of which are set out in paragraph 5.3 of Part XII – "Additional Information" of this Prospectus, to the extent to which such other holders hold Shares in which he is interested
MC Petropavlovsk	ZAO Management Company Petropavlovsk (a subsidiary of the Company) or its subsidiary PHM Engineering

Memorandum of Association	the memorandum of association of the Company
MNRE	Russian Ministry of Natural Resources and Ecology
Nelkobazoloto	ZAO Nelkobazoloto, a subsidiary of Omchak
New Law	Federal Law No. 57-FZ of 29 April 2008 "On the manner of conducting foreign investments into companies having strategic significance for securing the defence of the country and the security of the State"
New Ordinary Shares	the new Ordinary Shares to be issued pursuant to the Aricom Acquisition
North East Amur Division	the operations at Malomir, Albyn and Tokur ranging from exploration to advanced development stages
OAO	Russian open joint stock company
Official List	the Official List of the UKLA
Olekma	OOO Olekminsky Rudnik, an indirect subsidiary of Aricom
Olis	Olis Constructions Limited
Omchak	ZAO ZRK Omchak, the company which is the subject of the Omchak Joint Venture
Omchak Joint Venture	the joint venture between Susumanzoloto and Shkolnoye, established pursuant to a joint venture agreement dated 9 July 2003
OOO	Russian limited liability company
Ordinary Shares or Shares	ordinary shares of £0.01 each in the capital of the Company
Osipkan	OOO Osipkan
Panel	the Panel on Takeovers and Mergers
Peter Hambro Mining Cyprus	Peter Hambro Mining (Cyprus) Limited, a company incorporated in Cyprus and a subsidiary of the Company
Peter Hambro Mining Group	the Company and its subsidiaries but excluding those forming part of the Aricom Group
PGM Deposit	the occurrence (as referred to in the Subsoil Law (as amended by the Amendment Law)) of platinum-group metals
PHM Engineering	ZAO Peter Hambro Mining Engineering, an indirect subsidiary of the Company
PHM Securities	the Ordinary Shares and the Warrants
Philotus	Philotus Holdings Limited
PHMGFL	Peter Hambro Mining Group Finance Limited, a company incorporated in Guernsey and a wholly-owned subsidiary of the Company
Pokrovskiy Rudnik	OAO Pokrovskiy Rudnik, a subsidiary of the Company

Pokrovskiy and Pioneer Division	the producing mines at Pokrovskiy and Pioneer together with the exploration and development operations at the satellite deposits
Pokrovskiy Satellite Deposits	the occurrences of gold mineralisation around the Pokrovskiy mine
Prospectus	this document relating to the Company and the PHM Securities prepared and published in accordance with the Listing Rules and the Prospectus Rules
Prospectus Directive	the European Securities Prospectus Directive (No. 2003/71/EC)
Prospectus Rules	the rules made for the purposes of Part VI of the FSMA in relation to offers of securities to the public and admission of securities to trading on a regulated market
PRP Stancii	OAO "Production and Repairment Enterprise of Stations", an indirect subsidiary of the Company
Region	ZAO Region, an indirect subsidiary of the Company
Regis	OOO Regis Exploration Company, a wholly-owned indirect subsidiary of the Company
Regulations	the Russian Government's regulations on the Reimbursement of Expenses on Prospecting and Evaluation of a Discovered Mineral Deposit No. 206, published on 16 March 2009 and in force on 24 March 2009
Relevant Licence	mineral extraction licences issued by the Ministry of Natural Resources of the Russian Federation and specified in the Conditions of the Convertible Bonds
Remuneration Committee	the remuneration committee of the Board
Rosnedra	the Russian Federal Agency for Subsoil Use
Rosprirodnadzor	the Russian Federal Service of Supervision in the Sphere of Natural Management
Rostekhnadzor	the Russian Federal Ecological, Technological and Nuclear Supervision Service
RTC	Russian Titan Company Limited, a company incorporated in Cyprus and an indirect subsidiary of Aricom
Rudnoye	ZAO Rudnoye, the company which, together with OOO GDK Odolgo, is the subject of the Rudnoye Joint Venture
Rudnoye Joint Venture	the joint venture between Pokrovskiy Rudnik and OAO Priisk Solovyevskiy established pursuant to an agreement dated 4 August 2003
Rusoro	Rusoro Mining Limited, a mining company with interests in Venezuela incorporated under the laws of the Province of British Columbia
Russia	the Russian Federation
Sakha	the Republic of Sakha (Yakutia) of Russia
Scheme	the scheme of arrangement under Part 26 of the 2006 Act providing for the Aricom Acquisition

SDRT	stamp duty reserve tax
Securities Act	the US Securities Act of 1933, as amended
Security Interest	mortgage, charge, lien, pledge or other security interest
Senior Managers	the current senior managers of the Company being the Executive Directors
Shareholder	holders of any of the Ordinary Shares
Shkolnoye	OAO Shkolnoye, a member of the Omchak Joint Venture
Sicinius	Sicinius Limited, a company incorporated in Cyprus and a wholly-owned subsidiary of the Company
Spanch	ZAO Spanch, an indirect subsidiary of the Company
State Balance	the Russian state balance of registered mineral reserves
Strategic Area	a subsoil area of federal significance under the New Law and Amendment Law
Strategic Areas List	a list of Strategic Areas prepared by the Federal Agency for subsoil use and officially published
Strategic Entity	the holder of the mineral licence in respect of a Strategic Area
Strategic Gold Deposit	a Strategic Area with a deposit which contains reserves of vein gold of 50 or more tonnes as referred to in the Subsoil Law
Subsoil Law	the Law of the Russian Federation No. 2395-1, "On Subsoil", dated 21 February 1992, as reissued and amended
Susumanzoloto	OAO SGOC Susumanzoloto, a member of the Omchak Joint Venture
Trust Deed	trust deed for the Convertible Bonds between the Company, PHMGFL and J.P. Morgan Corporate Trustees Services Limited dated 11 August 2005
TSX Venture Exchange	the TSX Venture Exchange, Toronto, Canada
Uduma	OOO Uduma, a wholly owned subsidiary of Omchak
UK GAAP	UK Generally Accepted Accounting Principles
UKLA	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
United Kingdom or UK	United Kingdom of Great Britain and Northern Ireland
Uralmining	OOO Uralmining, an indirect subsidiary of Aricom
UralSib	OAO Bank UralSib
US or United States	United States of America
WAI	Wardell Armstrong International Ltd, mining, mineral and alternative energy consultants

Warrant Offer	the recommended offer by Aricom for the issue of the Warrants to the Aricom warrantholders in consideration for the transfer of warrants issued by Aricom by means of a scheme of arrangement under Part 26 of the 2006 Act which is expected to be completed on 22 April 2009
Warrantholder	holder of Warrants
Warrants	warrants each of which gives the right to subscribe for one Ordinary Share, constituted by a Warrant instrument executed by the Company on 21 April 2009, the principal terms of which are set out in Part VII – "Terms and Conditions of the Warrants" of this Prospectus
Yamal Region	Yamalo-Nenets Autonomous District of Russia
Yamalzoloto	OAO Yamalzoloto, a subsidiary of Pokrovskiy Rudnik
YGK	OAO Yamalskaya Gornaya Company, an indirect subsidiary of the Company
ZAO	Russian closed joint stock company
Zeyazoloto	OOO Zeyazoloto, a subsidiary of Omchak

PART XV

GLOSSARY OF ABBREVIATIONS AND TECHNICAL TERMS

acid igneous intrusions	a body of igneous rock with more than 66 per cent. free or combined silica which has made its way into pre-existing rock
Ag	chemical symbol for the element silver
albite	sodic feldspar, $Na(AlSi_3O_8)$; variety of plagioclase feldspars
alluvial	*detrital* material which is transported by a river and deposited at points along the flood plain
arsenic	metallic, steel-grey, brittle element. Chemical symbol, As
assay	qualitative analysis of ore to determine its components
Au	chemical symbol for the element gold
autoclave oxidation	a high temperature and pressure process in which gold bearing sulphides are oxidised to render gold amenable to cyanide leaching
balance	Russian Standard Classification System term defining commercially exploitable reserves but without mining dilution and recovery
barren	of rock or vein material containing no minerals of value
BF	blast furnace
BOF	basic oxygen furnace
bonanza	descriptive term for a rich mine, vein or pocket of ore
breccia	clastic rock made up of angular fragments of such size that an appreciable percentage of rock volume consists of particles of granule size or larger
Cambrian	geologic period of time from 590 to 505 million years ago
Category A	Soviet "ore reserves" where the reserves in place are known in detail. The boundaries of the deposit have been outlined by trenching, drilling, or underground workings. The quality and properties of the ore are known in sufficient detail to ensure the reliability of the projected exploitation
Category B	Soviet "ore reserves" whose blocks are delineated by mine workings on three or more sides
Category C_1	Soviet "ore reserves" whose blocks are delineated by mine workings above and below
Category C_2	Soviet "ore reserves" extrapolated from Category C_1 but with more complex geology or limited mine workings
Category P_{1-3}	Soviet "Prognostic" ore reserves extrapolated beyond more definable reserves and resources. The category is subdivided into three sub-categories P_1 to P_3, with the level of confidence decreasing progressively from sub category 1 to 3

chalcedonic	translucent to transparent milky or grey quartz with distinctive microscopic crystals arranged in slender fibres in parallel bands
chalcopyrite	the mineral sulphide of iron and copper, CuFeS
Cu	chemical symbol for copper
cut-off-grade or COG	lowest grade of mineralised material considered economic, used in the calculation of ore resources
cyanidation	metallurgical technique for extracting gold by leaching from low-grade ore, converting the gold to water soluble aurocyanide metallic complex ions
cyanide leach	chemical extraction method using a dilute cyanide solution to leach gold from the mineralisation
dacite	fine-grained igneous rock with composition between rhyolite and trachyte
Datamine®	complex mining software used primarily for orebody modelling, resource estimation and pit optimisation
deposit	coherent geological body such as a mineralised body
diorite	coarse grained igneous rock with composition of andesite (no quartz or orthoclase), composed of 75 per cent. plagioclase feldspars and balance ferromagnesian silicates
dip	the angle a plane makes with the horizontal plane
doré	unrefined gold. After being mined, the first stage in the purification process of the gold ore produces a cast bar (gold doré) that mostly comprises gold (up to >90 per cent.) with the remainder comprising silver, copper etc.
DRI	direct released iron, an alternative iron source produced by heating iron to burn off its carbon and oxygen content leaving 90 to 97 per cent. pure iron
EAF	electric arc furnace
epithermal	said of a hydrothermal mineral deposit formed within about 1km of the earth's surface in the range of 50°C to 200°C
ESIA	Environmental and Social Impact Assessment
extrusive	igneous rock that has erupted onto the surface of the Earth. Extrusive rocks include lava flows and pyroclastic material such as volcanic ash
fault	surface of rock fracture along which has been differential movement
Fe	chemical symbol for iron
Feasibility Study	extensive technical and financial study to assess the commercial viability of a project
flotation	mineral processing technique used to separate mineral particles in a slurry, by causing them to selectively adhere to a froth and float to the surface

fold	structure of rocks or strata that have been bent into a dome (anticline), basin (syncline), terrace (monocline) or a roll
geochemical	prospecting techniques which measure the content of specified metals in soils and rocks; sampling defines anomalies for further testing
geophysical	prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies
g/t	gram per metric tonne
grade	relative quantity or the percentage of ore mineral or metal content in an ore body
granite	coarse-grained igneous rock dominated by light-coloured minerals, consisting of about 50 per cent. orthoclase, 25 per cent. quartz, and balance of plagioclase feldspars and ferromagnesian silicates
heap leach	process used for the recovery of metal ore from typically weathered low-grade ore. Crushed material is laid on a slightly sloping, impervious pad and uniformly leached by the percolation of the leach liquor trickling through the beds by gravity to ponds. The metals are recovered by conventional methods from the solution
hydrogeological	study of the occurrence and distribution of underground water
hydrothermal	refers in the broad sense to the process associated with alteration and mineralisation by a hot mineralised fluid (water)
ilmenite	a black or dark brown mineral which is a major source of titanium and used as a feedstock for the production of titanium dioxide
Indicated Resource	as defined in the JORC Code, is that part of a mineral resource which has been sampled by drill holes, underground openings or other sampling procedures at locations that are too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data is known with a reasonable degree of reliability. An indicated mineral resource will be based on more data and therefore will be more reliable than an inferred resource estimate
Inferred Resource	as defined in the JORC Code, is that part of a mineral resource for which the tonnage and grade and mineral content can be estimated with a low level of confidence. It is inferred from the geological evidence and has assumed but not verified geological and/or grade continuity. It is based on information gathered through the appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability
JORC	Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and the Minerals Council of Australia
km	kilometres
km^2	square kilometres

kt	kilo tonnes (1,000 tonnes)
kv	kilovolts
leached	a rock that is in the process of being broken down by the action of substances dissolved in water
leaching	see cyanidation
magnetite	an iron ore mineral, Fe_3O_4, being a ferromagnetic material form of iron oxide which is a valuable source of iron ore
Measured	defined in the JORC Code, as that part of a mineral resource for which the resource has been intersected and tested by drill holes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data is reliably known. A measured resource estimate will be based on a substantial amount of reliable data, interpretation and evaluation which allows a clear determination to be made of the shapes, sizes, densities and grades
Mesozoic	era of geologic time, from the end of the Paleozoic to the beginning of the Cenozoic, or from about 225 million years to about 65 million years ago
metallurgical	describing the science concerned with the production, purification and properties of metals and their applications
metamorphism	process whereby rocks undergo physical or chemical changes or both to achieve equilibrium with conditions other than those under which they were orginally formed (excluding process of weathering). Agents of metamorphism are heat, pressure, and chemically active fluids
metasomatism or metasomatic	metamorphic change which involves the introduction of material from an external source
Micromine®	company that has developed innovative geological resource modelling software for the mineral resource industry since 1986
mill	equipment used to grind crushed rocks to the desired size for mineral extraction
mineralisation	process of formation and concentration of elements and their chemical compounds within a mass or body of rock
mineral resource	concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form that there are reasonable prospects for eventual economic extraction. The location, quantity, grade geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral resources are sub-divided into *Inferred, Indicated* and *Measured* categories
m	metres
m^2	square metres
mm	millimetres
mobile belt	long, relatively narrow crustal region of tectonic activity

Mt or mt	million tonnes
mtpa	mt per annum
off balance	Russian Standard Classification System term defining uneconomic reserves
open pit	large scale hard rock surface mine
operating gold mine	mineral processing plant currently engaged in the extraction and processing of ore to produce gold on a commercial scale
optimisation process	process to define an open pit outline based on geotechnical and economic parameters
ore	mineral deposit that can be extracted and marketed profitably
ore body	mining term to define a solid mass of mineralised rock that can be mined profitably under current or immediately foreseeable economic conditions
ore reserve	the economically mineable part of a *Measured* or *Indicated* mineral resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could be reasonably justified. Ore reserves are sub-divided in order of increasing confidence into *Probable* and *Proven*
ounce or oz	troy ounce (= 31.1035 grams)
overburden	material that lies above the ore deposit
oxide	a mineral formed by the direct union of an element with oxygen; e.g. corundum, hematite, magnetite and cassiterite
oxide ore	often known as secondary or supergene ore, which consists of alteration products of primary ore as a result of weathering or other surficial processes resulting from descending surface waters
palaeo	prefix common in geological terminology, meaning ancient, of past times, and sometimes suggesting an early or primitive nature
Paleozoic Era	first of the three eras of the Phanerozoic, spanning 570 to 248 million years ago
PGM	Platinum group metals. Characterised by high specific density, unusual resistance to oxidising and acid attack and high melting point. Includes platinum, ruthenium, rhodium, palladium, osmium and iridium
placer	mineral deposit formed by the winnowing action of either water, or air to concentrate minerals of different mass by gravity separation
plunge	a fold is said to plunge if the axis is not horizontal
plutonic	pertaining to igneous rocks formed at great depths
porphyry	igenous rock containing conspicous phenocrysts (crystals) in fine-grained or glassy groundmass

primary ore	often known as hypogene ore, where ore minerals are deposited during the original period or periods of mineralisation. Ore that has remained practically unchanged from the time of original formation
precious metal	gold, silver and platinum group minerals
pressure oxidation or POX	a high temperature and pressure process in which gold bearing sulphides are oxidised to render gold amenable to cyanide leaching
pre-stripping	the removal of overburden to access the ore deposit
propylitisation	plagioclase in an igneous rock is altered to epidote, sericite and secondary albite, and ferro-magnesian minerals are altered to chlorite-calcite-epidote-iron oxide assemblages
Proterozoic	most recent geological Eon of three sub-divisions of the Pre-Cambrian period, from 2,500 to 570 million years ago
pyrite	mineral compound of iron and sulphur, sulphide mineral, iron sulphide, chemical symbol FeS_2
quartz	mineral composed of silicon dioxide
quartzite	hard, metamorphic rock which was originally sandstone
recovery	proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
refractory ore	ore material that is difficult to treat for recovery of the valuable element
reserves	Proven: measured mineral resources, where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions
	Probable: measured and/or indicated mineral resources which are not yet proven, but where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions
RIP	Resin in Pulp; processing technique by which a resin medium is used to absorb the desired element out of solution or pulp
Russian Standard Classification System	means by which Russian reserves are assigned to classes based on the degree of reliability of data and indicate their comparative importance for the national economy
sandstone	detrital sedimentary rock in which particles range from 1/16 to 2mm
silicification or silicified	introduction of silica into a rock, either filling pore spaces or replacing pre-existing minerals
sill	tabular mass of igneous rock that has been intruded laterally between layers of older rock

skarn	an old Swedish mining term for silicate gangue (amphibole, pyroxene, garnet, etc.) of certain iron ore and sulfide deposits of Archean age, particularly those that have replaced limestone and dolomite
stockpile	an accumulation of ore or mineral formed to create a reserve for loading or when demand slackens or when the process plant is unequal to handling mine output
stockwork	mineral deposit consisting of a three-dimensional network of planar to irregular typically narrow veins
strike	direction in which a horizontal line can be drawn on a plane, and determines the direction in which to measure the true dip
strike length	longest horizontal dimension of an ore body or zone of mineralisation
strip ratio	the unit amount of spoil or waste that must be removed to gain access to a similar unit of ore or mineral material
sulphide	mineral containing sulphur in its non-oxidised form
t or tonne	metric tonne
tailings	material that remains after all metals/minerals considered economic have been removed from the ore
tectonic	said of or pertaining to the forces involved in, or the resulting structures or features of, tectonics: branch of geology dealing with the broad architecture of the outer part of the Earth; i.e., the regional assembling of structural or deformational features
thrust	overriding movement of one crustal unit over another, such as in thrust faulting
thrust sheet	body of rock which makes up the hanging wall of a thrust fault
thrust fault	type of break in the earth's crust across which there has been relative movement, in which rocks of lower stratigraphic position are pushed up and over higher strata
tpa	tonnes per annum
transition ore	zone of an orebody where both oxide and sulphide/primary ore material exists
treatment plant	plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
trench sampling	sampling of a trench cut through the rock, generally in the form of a series of continuous channels (channel samples)
underground working	mine openings for evaluation for ore extraction excavated beneath the ground surface
vein	tabular deposit of minerals occupying a fracture, in which particles may grow away from the walls towards the middle
veinlet	narrow vein

PART XVI

SUMMARIES OF MINERAL EXPERT'S REPORTS

The executive summaries contained in this Part XVI are included in this Prospectus for information purposes only as voluntary additional disclosure and do not purport to comply with CESR 133. They have not been updated for the purpose of inclusion in this Prospectus and hence certain facts may differ from those contained elsewhere in this Prospectus. In the event of any inconsistency between this Part XVI and other Parts of this Prospectus, such other Parts shall prevail.

PART A

MINERAL EXPERT'S REPORT OF THE MINERAL ASSETS OF PETER HAMBRO MINING PLC, RUSSIAN FEDERATION

Prepared by:
WARDELL ARMSTRONG INTERNATIONAL LTD

5 November 2008
Ref: 61-0524

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EXECUTIVE SUMMARY

Introduction

Wardell Armstrong International ("WAI") has been commissioned by Peter Hambro Mining ("PHM", the "Company") to prepare a Mineral Expert's Report for PHM's portfolio of assets in the Amur, Yamal and Buryatia regions of Russia.

The Company's principal gold assets are located in the Amur Region of Far East Russia. The main asset is the Pokrovskiy Rudnik Mine open pit operation which has been in production since 1999 and which produced some 237koz Au in 2007 primarily from the Resin-In-Pulp (RIP) plant, but some 15 per cent. from the heap leach process. In addition, the Pioneer project nearby was commissioned in 2007 and is currently transporting high grade ore from the Andreevskaya deposit for treatment at Pokrovskiy as well as treating low grade oxide ores by heap leaching.

In addition, the Company plans to develop the Malomir project further to the east in early 2010 where a large refactory gold resource is currently being evaluated and a preliminary reserve statement made.

The Company also holds numerous exploration licences in the Amur Region for both hard-rock and placer gold development. These are at various stages of assessment and development, from grass-roots targets with little or no recent work, to active placer gold producers and more advanced drill projects. The most important ones are Tokur where small-scale gold production comes from a new gravity plant treating mine waste dumps and Albyn where a large resource is being delineated from an extensive trenching and drilling campaign.

The Company also holds a number of prospective gold and gold-PGM targets in the Yamal Region of the Polar Urals. Of these assets, Novogodnee Monto and Petropavlovskoye are at an advanced stage of exploration with defined resources which PHM hope to develop through to production.

In addition to the mineral assets, PHM has also acquired approximately 99.84 per cent. of OAO Irgiredmet with the remainder owned by Management of Irgiredmet, one of the best-known laboratory, research and scientific consulting companies in Russian. Irgiredmet is based in the Siberian city of Irkutsk.

For this report, the resources and reserves of PHM have been estimated using both the guidelines of the JORC Code (2004) and the Russian Standard Classification System. The resources and reserves for the principal assets of Pokrovskiy, Pioneer and Malomir have been estimated in accordance with the JORC Code (2004), whilst the remainder are classified under the Russian Standard Classification System. The production schedule and cash flow analysis utilise the Russian Standard Classification System reserve estimates.

Highlights

WAI's review of PHM's mineral assets, the Company benefits from the following positive factors:

- second largest gold producer in Russia (297koz in 2007) with a long track record of operation;
- principal assets are in the well developed Amur region;
- strong existing operations base at Pokrovskiy and recently commissioned Pioneer project;
- relatively low operating cost (cash cost/oz), open pit operations;
- large gold resource at Malomir scheduled to come on line in 2010;
- aggressive exploration strategy to bring new resources into the asset base; and
- highly experienced Russian personnel at all levels of management.

WAI assesses the potential risks to the Company as:

- Meeting its current production schedule; and
- Management of production costs particularly at Malomir and Pioneer.

In addition, the high grade ore columns seen at Pioneer (Andreevskaya in particular) are inherently extremely difficult to evaluate due to their small dimensions. Their metal contents are high and thus have considerable bearing on the value of the deposit. WAI believes that generally any estimation method from drilling will underestimate these targets and thus very often higher grades will be produced than predicted. However, only production reconciliation will determine whether this is a positive or negative factor on operations.

Licences

The licence term for all of PHM assets are summarised in the tables below.

Subsoil Use Licences Placer Gold

Site	Licence Holder	Licence No	Area km²	Date of issue	Expiry date	Subject	Submission of report	Basic licence conditions: Start of exploitation	First year mining output (kg Au)	Mining output in following years
Selemja river valley with tributary Kera riv.	Koboldo OJSC	BLG 01142 BE	20.2	16.10.2000	31.12.2013	Mining	–	–	100	100
Big Karaurak upstream basin	(95.7% PHM	BLG 01842 BR	27.2	13.07.2006	31.12.2017	Exploration and mining	II quarter 2011	2012	40	40
Lower reach basin of Big Karaurak (terrace+drag)	Holding)	BLG 01841 BR	35.6	13.07.2006	31.12.2021	Exploration and mining	IV qu. 2009	2007	90	90
Valleys of Levy, Murzilka, Pobeda, Zonalny, Zavershayushy, Reshayushy, Platinovy – tributaries of Gar-2		BLG 01843 BR	18.8	13.07.2006	31.12.2019	Exploration and mining	II qu. 2010	2011	50	50
Valley of Chelogor brook, right-hand tributary of Small Karaurak.		BLG 01832 BR	2	13.06.2006	31.12.2012	Exploration and mining	IV qu. 2008	2009	15	15
Gar – 2		BLG 01885 BR	15	14.12.2006	31.12.2017	Exploration and mining	30.11.2009	2010	80	80
Kenurakh river, right-hand tributary of Selemdja		BLG 13959 BE	7	21.02.2007	30.12.2026	Mining	–	2009	100	100
Ima river, left-hand tributary of Kera		BLG 01139 BE	0.695	16.10.2000	31.12.2012	Mining	–	–	–	–
Sashin stream, Natashin		BLG 01990 BR	5.7	05.02.2008	31.12.2016	Exploration and mining	–	–	–	–
Maliy Lukachek stream		BLG 01991 BR	1.2	05.02.2008	31.12.2014	Exploration and mining	–	–	–	–
Small Karaurak right-hand trib. Of Selemja		BLG 13973 BE	23	02.03.2007	30.12.2031	Exploration and mining	Till 30.12.2012	2014	70	70
Valley of brook Osipkan, r.-h. trib. Of Big Karaurak and its r.-h. trib. Nikolayevsky brook	Amur-Dore CJSC (100% PHM	BLG 01720 BR	9	17.08.2005	31.12.2015	Exploration and mining	IV qu. 2007	till 30.12.2008	30	30
Uspenskiy river	Holding)	BLG 01637 BR	15	05.03.2005	31.12.2010	Exploration and mining	–	–	–	–
Djeltulak Bolshoy		BLG 01960 BE	2.1	12.11.2007	31.12.2020	Mining	–	–	–	–
Pikan stream, Cheremushkiniy		BLG 01961 BE	2.7	12.11.2007	31.12.2019	Mining	–	–	–	–
Valleys of brooks Sagur, Motor, Berkachan, Selemja riv. Basin		BLG 01613 BR	1.4	14.01.2005	31.12.2014	Exploration and mining	II qu. 2008	Not specified	20	20
Valley of riv. Gar-1 with Levy brook. Gar riv. basin		BLG 01950 BR	4	03.08.2007	31.12.2014	Exploration and mining	31.01.2010	30.10.2010 г.	40	40
Riv. Ulunga, middle reach		BLG 01951 BE	1	03.08.2007	31.12.2014	Exploration and mining	31.06.2009	31.06.2010 г.	70	70
Stream Igak, left tributary of river Urkan	Elga LLC	BLG 01634 BR	30	03.03.2005	31.12.2019	Exploration and mining	–	–	–	–
River Obka	(100% PHM	BLG 01635 BE	1.18	03.03.2005	31.12.2012	Mining	–	–	–	–
Streams: Talga-Makit, Ulagir (Ulegir, Uligir, Maliy and Bolshoy, right of the river Juvasit)	Holding)	BLG 01636 BR	1.18	03.03.2005	31.12.2008*	Exploration	–	–	–	–
Brianta river	GDK Odolgo LLC (50% PHM	BLG 01563 BR	53.2	23.08.2004	31.12.2010	Exploration and mining	–	–	–	–
Des river	Holding)	BLG 01962 BR	255.1	15.11.2007	31.12.2021	Exploration and mining	–	–	–	–
Sergeevskiy Stream	Pokrovskiy Rudnik OJSC (100% PHM Holding)	BLG 01061 BE	5.837	07.04.2000	31.12.2015	Mining	–	–	–	–

* The documents for extension of the licence are usually filed two-three months before the expiry date, PHM have not filed these yet.

PHM Hard Rock Assets Licences

Company	*Licence ID*	*% PHM Holding*	*Commodity*	*Deposit*	*Licence Type*	*Area*	*Licence Registration Date*	*Licence Expiry Date*
Amur Region								
OAO "Pokrovskiy Rudnik"	BLG 01181 BR	100%	Gold	Pioneer Deposit Including Flanks	Prospecting, Expl & Mining	52 km^2	15/01/2001	31/12/2013
	BLG 01697 BR	–	Gold	Zheltunakskaya Ore Prospective Field	Prospecting, Expl & Mining	147 km^2	14/06/2005	31/12/2030
	BLG 01460 BP	–	Gold	Tokur Ore Field (Including Glavnii Fault)	Prospecting	153 km^2	04/09/2003	04/09/2008
	BLG 13995 BR	–	Gold	Aprelskaya Area	Prospecting, Expl & Mining	46 km^2	13/03/2007	30/12/2031
	BLG 10590 BE	–	Gold	Pokrovskiy Deposit	Mining	4.21 km^2	20/02/1998	01/06/2014
	BLG 00900 BR	–	Gold	Sergeyevskiy Ore Field	Prospecting, Expl & Mining	95 km^2	06/05/1999	01/09/2020
ZAO "Malomyrskiy Rudnik"	BLG 01892 BP	98.61%	Gold	Malomir Ore Field (Malomir NE and SW Flanks)	Prospecting	38.5 km^2	01/02/2007	31/12/2009
	BLG 14039 BE	–	Gold	Malomir Gold Deposit	Exploration and mining	40 km^2	27/04/2007	15/04/2030
ZAO "Spanch"	BLG 01784 BR	100%	Gold	Albyn Ore Prospective Area	Prospecting, Expl & Mining	40 km^2	15/02/2006	31/12/2030
OOO GRK "Victoria"	BLG 01526 BR	100%	Gold	Chagoyanskaya Ore Prospective Area	Prospecting, Expl & Mining	35 km^2	25/05/2004	31/03/2024
OOO "Olga"	BLG 01551 BP	100%	Gold	Gar-II Occurrence	Prospecting	90 km^2	22/07/2004	31/12/2009
	BLG 01883 BR	–	Gold	Sugjar Occurrence	Prospecting, Expl & Mining	14 km^2	14/12/2006	31/12/2031
	BLG 01550 BP	–	Gold	Adamikha Occurrence	Prospecting	240 km^2	22/07/2004	30/09/2009
	BLG 13937 BR	–	Gold	Shaman Ore Field	Prospecting, Expl & Mining	60 km^2	12/02/2007	30/12/2031
OOO "Osipkan"	BLG 01866 BR	100%	Gold	Osipkan ore occurrence	Prospecting, Expl & Mining	24.5 km^2	22/09/2006	31/12/2031
	BLG 01984 BR	–	Gold	Sagur-Semertakskaya Ore Prospective Area	Prospecting, Expl & Mining	90 km^2	23/01/2008	31/12/2032
OOO "Rudoperspektiva"	BLG 13938 BR	100%	Gold	Oldoyskaya Area	Prospecting, Expl & Mining	742.6 km^2	12/02/2007	30/12/2031
	BLG 13939 BR	–	Gold	Taldanskaya Area	Prospecting, Expl & Mining	94 km^2	12/02/2007	30/12/2031
OOO "Tokurskiy Rudnik"	BLG 01366 BE	100%	Gold	Tokur Deposit	Mining	480 ha	22/11/2002	31/12/2013
OOO GDK "Odolgo"	BLG 13936 BR	50%	Gold	Solovevskaya Area	Prospecting, Expl & Mining	253.7 km^2	12/02/2007	30/12/2031
	BLG 01522 BR	–	Gold	Odolgo Ore Occurrence	Prospecting, Expl & Mining	4.5 km^2	24/05/2004	01/09/2018
Yamal								
OOO "Yamalzoloto"	SLH 01212 BR	98.74%	Gold	Novogodneye-Monto deposit	Prospecting, Expl & Mining	0.48 km^2	31/01/2002	31/12/2020
	SLH01356 BP	–	Gold	Toupogol-Khanmeyshor area	Prospecting	10 km^2	04/04/2003	31/12/2009
OAO "Yamal Mining Company"	SLH 01588 BP	74.87%	Gold-PGM	Yarshor-Laptayeganskaya zone	Prospecting	163.11 km^2	06/05/2004	31/12/2009
	SLH 01589 BP	–	Gold	Voykaro-Shuchinskaya zone	Prospecting	4800 km^2	06/05/2004	31/12/2009
	SLH 01864 TP	–	Magnetite ores	Shuchinsky ore district	Prospecting	490 km^2	08/06/2006	31/12/2009
ZAO "Sever-Chrom"	SLH 13779 TE	74.87%	Chromite	Zapadnoye deposit	Exploration and mining	0.45 km^2	10/10/2006	10/03/2026
ZAO "Region"	UDE 01039 BR	98.61%	Gold	Talikit Area	Prospecting, Expl & Mining	766.55 km^2	19/04/2006	20/04/2026

Amur Region

Background

The region has a vast resource potential and gold production is one of the region's leading economic sectors, is currently ranked third amongst the gold producing regions of the Russian Federation.

The region's economy is diversified and based on industry, agriculture and construction; its key industries are the power, non-ferrous metallurgy, coal, food and forestry and woodworking industries. The region has two large hydroelectric power stations with plans for the construction of three more.

The region has a total area of almost 364,000km^2 and a population of approximately 1 million people. The Amur River extends along 1,246km of the southern border of the region and is the official dividing line between Russia and China.

The region has a good transport system, based on two of Russia's key railroads (Trans-Siberian and Baikal-Amur), two major rivers in the Amur and Zeya, a reasonable road network and importantly, good access to low cost electricity from two large hydroelectric plants. The capital of the region, Blagoveschensk, lies on the Amur River on the Chinese border and is served by regular flights from several major cities in Russia, including Moscow.

Resource Summary

Concurrently with resource estimates prepared under Russian requirements, PHM has also estimated Mineral Resources and Reserves in accordance with the guidelines of the JORC Code (2004) for the principal ore zones within the Pokrovskiy and Pioneer deposits. These have been reviewed by WAI, and in addition, WAI has prepared a resource estimate for the Malomir deposit using Datamine® geological modelling software in accordance with the guidelines of the JORC Code (2004).

The Micromine® estimates were prepared on behalf of PHM by Miramine (a Russian consultancy company based in Moscow). Miramine has estimated Mineral Resources and Reserves in accordance with the guidelines of the JORC Code (2004).

WAI has used the Micromine® models to establish Ore Reserves using NPV Scheduler and economic parameters provided by PHM, for Pokrovskiy and Pioneer, as well as for a conceptual mine plan at Malomir based on WAI's own Datamine® model. WAI considers that where sufficiently robust, the Micromine® models have been utilised as the primary reporting estimates for PHM and has reviewed them accordingly and made commentary on them in this report. In addition, WAI has prepared a new resource model for Malomir and similarly derived reserves using NPV Scheduler®. Furthermore, WAI has also audited an updated model for Andreevskoye prepared by Miramine.

WAI has taken the mineral resources prepared in accordance with the Russian Standard Classification System for those assets where no Micromine® models are available. WAI has reviewed Russian standard estimates for Albyn; Quartzite and Ozhidaemoe (both of which Malomir deposit), together with estimates for the Pokrovskiy flanks, in order to give an expert opinion on which part of these resources can be classified as mineral resources as defined by the JORC Code (2004).

WAI would like to stress, however, that this resource review did not include a complete QA/QC audit, nor a comprehensive audit of all the calculations and measurements utilised, to a level sufficient to allow WAI to confirm the quoted resource figures. However, WAI has no reason to believe that these estimates are inaccurate.

Summaries of the mineral resources and reserves attributed to PHM in the Amur Region are presented in the tables below. These tables are not alternatives to each other, but comprise those resources that have been prepared in accordance with the JORC Code (2004) and those that have been prepared in accordance with the Russian Standard Classification System. The PHM Yamal Resources are tabulated separately on page 325 of this executive summary.

PHM Mineral Resources

Classified in accordance with the guidelines of the JORC Code (2004) (WAI July 2008)

		Pokrovka-1[2]				*Pokrovka-3[2]*				*Andreevskaya[2]*			
		Tonnage	*Grade*	*Metal*		*Tonnage*	*Grade*	*Metal*		*Tonnage*	*Grade*	*Metal*	
Type	*Category*	*(kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*	*(kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*	*(kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*
Oxide	Measured	51	2.11	108	3	–	–	–	–	327	7.44	2,429	78
(0.4g/t	Indicated	478	1.74	832	27	–	–	–	–	73	4.54	330	11
Au COG)	**Measured + Indicated**	**529**	**1.78**	**940**	**30**	–	–	–	–	**399**	**6.91**	**2,759**	**89**
	Inferred	5,707	1.11	6,335	204	–	–	–	–	21	5.13	109	3.5
Sulphide	Measured	1,905	2.14	4,077	131	1,463	1.36	1,987	64	2,294	2.33	5,344	101
(0.4g/t	Indicated	3,469	2.01	6,969	224	1,012	0.73	738	23	1,576	2.00	3,153	172
Au COG)	**Measured + Indicated**	**5,374**	**2.06**	**11,046**	**355**	**2,474**	**1.10**	**2,725**	**87**	**3,869**	**2.20**	**8,498**	**273**
	Inferred	7,267	1.3	10,050	323	991	0.58	570	18	3,271	1.70	5,575	179
TOTAL[1]	Measured	1,956	2.13	4,185	134	1,463	1.36	1,987	64	2,621	2.97	7,773	250
	Indicated	3,947	1.98	7,801	251	1,012	0.73	738	23	1,649	2.11	3,483	112
	Measured + Indicated	**5,903**	**2.03**	**11,986**	**385**	**2,474**	**1.10**	**2,725**	**87**	**4,270**	**2.64**	**11,256**	**362**
	Inferred	12,974	1.26	16,385	527	991	0.58	570	18	3,292	1.73	5,684	183

Notes:

1 TOTAL includes Oxide at 0.4g/t Au COG and Sulphide at 0.4g/t Au COG.

2 WAI audit of PHM Micromine® resource models.

PHM Mineral Resources

Classified in accordance with the guidelines of the JORC Code (2004) (WAI July 2008)

		Pioneer[2]				*Malomir*[3]			
		Tonnage	*Grade*	*Metal*		*Tonnage*	*Grade*	*Metal*	
Type	*Category*	*(kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*	*(kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*
	Measured	5,210	0.94	4,921	158	–	–	–	–
Oxide	Indicated	3,842	0.82	3,147	101	–	–	–	–
(0.4g/t Au COG)	**Measured + Indicated**	**9,052**	**0.89**	**8,068**	**259**	–	–	–	–
	Inferred	11,688	0.73	9,253	276	–	–	–	–
	Measured	9,750	1.19	11,638	374	7,239	1.31	9,501	305
Sulphide	Indicated	11,012	1.15	12,715	408	57,156	1.19	68,115	2,190
(0.6g/t Au COG)	**Measured + Indicated**	**20,762**	**1.17**	**24,353**	**782**	**64,395**	**1.21**	**77,616**	**2,495**
	Inferred	26,676	1.00	26,767	859	87,549	0.94	82,262	2,645
TOTAL[1]	Measured	14,960	1.11	16,559	532	7,239	1.31	9,501	305
Oxide	Indicated	14,854	1.07	15,862	510	57,156	1.19	68,115	2,190
(0.4g/t Au COG) + Sulphide	**Measured + Indicated**	**29,814**	**1.09**	**32,421**	**1,042**	**64,395**	**1.21**	**77,616**	**2,495**
(0.6g/t Au COG)	Inferred	38,364	0.92	35,355	1,137	87,549	0.94	82,262	2,645

Note:

1 TOTAL includes Oxide at 0.4g/t Au COG and Sulphide at 0.6g/t Au COG.

2 WAI audit of PHM Micromine® resource models.

3 WAI Datamine® estimate based on PHM sample database.

PHM Proven and Probable Mineral Reserves[1]

Classified in accordance with the guidelines of the JORC Code (2004) (WAI July 2008)

	Ore	*Grade*	*Contained Gold*		*Stripping Ratio*
	(Mt)	*(g/t)*	*(kg)*	*(oz)*	*(t Waste:t Ore)*
Pokrovskiy Total	5.6	2.05	11,500	369,733	4.2:1
Andreevskaya	2.8	3.66	10,400	334,368	11.7:1
Bakhmut, Yuzhnaya and Promezhutochnaya	24.7	1.03	25,500	819,843	4.8:1
Pioneer Total	27.5	1.30	35,900	1,154,211	5.5:1
Malomir Total	50.8	1.26	64,000	2,057,646	3.6:1
Total PHM Reserve	**83.9**	**1.33**	**111,400**	**3,581,590**	**4.3:1**

Note:

1 Above reserves are inclusive of resources and based on a US$650/oz gold price.

PHM also evaluates mineral resources in accordance with the Russian Standard Classification System technical regulations, which classifies into A, B, C_1 and C_2 resource/reserve categories, as well as P_1, P_2 and P_3 "prognostic" resource categories.

The Russian Standard Classification System is based principally on the technical ability to extract a mineral reserve and takes into account the economic viability of extraction in the same way as internationally recognised mineral resource and reserve classification systems.

Resources prepared in accordance with the Russian Standard Classification System are evaluated using conventional projection and/or sectional methods internally by PHM. For Pokrovskiy resources and reserves were approved by Gosudarstvennaya Komissia po Zapasam, referred to as GKZ (Russian State Mineral Resources/Ore Reserves Authority) in 1987.

In accordance with Russian legislation, two documents are submitted to GKZ, initially a pre-feasibility study and thereafter a feasibility study. GKZ firstly approves the pre-feasibility study and later, on the basis of this pre-feasibility study approves the reserves when the full feasibility study is submitted.

A pre-feasibility study has already been submitted for the Pioneer deposit and a full feasibility study for Pioneer is expected to be submitted in November 2008. In addition, the pre-feasibility study for Malomir is expected to be submitted in November 2008 and a full feasibility study is expected to be submitted by the first quarter of 2009.

The Tokur and Burindinskoye resources were evaluated in the late 1980s and subsequently audited by PHM.

PHM Resources and Reserves Summary – Russian Standard Classification

(PHM Annual Report 2007 – As at 1 January 2008)

		B + C¹				*C²*				*P¹*			
		Tonnage	*Grade*	*Metal*		*Tonnage*	*Grade*	*Metal*		*Tonnage*	*Grade*	*Metal*	
Deposit	*Category*	*(kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*	*(kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*	*(kt)*	*(g/t Au)*	*(kg Au)*	*(koz Au)*
Pokrovskiy Main	Balance	4,450	4.23	18,824	605	576	3.94	2,269	73	1,540	3.90	6,000	193
	Off Balance	8,162	1.0	8,162	262	23	0.91	21	0.7	–	–	–	–
Stockpiles	Balance	4,259	1.33	5,665	182	–	–	–	–	–	–	–	–
	Off Balance	3,924	0.73	2,865	92	–	–	–	–	–	–	–	–
RIP Tailings	Balance	7,067	0.42	2,968	95	–	–	–	–	–	–	–	–
Inner Flanks	Balance	–	–	–	–	92	3.91	360	12				
	Off Balance	–	–	–	–	11,430	1.20	13,716	441	2,730	1.70	4,641	149
Fanglomerates	Off Balance	–	–	–	–	3,100	1.00	3,100	100	2,560	0.80	2,048	66
Upper Luzhki	Balance	–	–	–	–	–	–	–	–	3,550	2.00	7,100	228
Anatolievsky	Balance	–	–	–	–	–	–	–	–	400	2.50	1,000	32
Pokrovskiy Totals	Balance	15,777	1.74	27,457	882	338	3.90	2,605	96	5,490	2.57	17,755	442
	Off Balance	12,086	0.97	11,027	354	14,553	1.16	16,837	541	5,290	1.27	6,689	215
Pioneer		–	–	–	–	72,658	1.61	116,979	3,761	21,760	1.63	35,469	1,140
Malomir		–	–	–	–	51,770	1.55	80,326	2,580	38,708	1.40	54,258	1,742
Tokur		3,932	3.24	12,740	410	8,851	2.36	20,888	672	15,010	3.40	51,034	1,641
Albyn		–	–	–	–	–	–	–	–	12,968	3.90	50,575	1,626
Novogodnee Monto	Balance	4,878	1.14	5,560	179	817	2.00	1,634	53	1,960	4.70	9,212	296
	Off Balance	–	–	–	–	185	1.04	192	6.6	–	–	–	–
Toupugal		7,630	1.40	10,682	343	6,661	1.52	10,125	326	7,900	5.80	45,820	1,473
Ozernoye Au		–	–	–	–	–	–	–	–	2,300	1.00	2,300	74
PGM's		–	–	–	–	–	–	–	–	2,300	1.50	3,450	111
Amur Region		–	–	–	–	1,366	8.49	11,597	373	2,063	7.43	15,328	493
GROUP TOTAL (Excl. PGM's)		**44,303**	**1.54**	**67,466**	**2,168**	**157,529**	**1.66**	**261,101**	**8,409**	**115,749**	**2.49**	**287,823**	**9,253**

Note: Apart from the resource/reserve categories, there is also a Russian economic viability classification. This applies only when there is sufficient information (geological, metallurgical testwork, etc.) to define reserves (categories C_2 and higher).

Balansovye (**balance**) ore is ore that is considered as economic, above a defined cut-off-grade and considered as exploitable under currently available technology. By definition a Russian official C_1, B, or A category reserve is considered to consist of balance ore and is included in the Russian State balance (inventory) of mineral reserves. In international reporting terms such material would usually be considered as proved or probable reserves.

Zabalansovye (**out-of-balance or off-balance**) resources are uneconomic or marginal under present economic circumstances or with currently available technology. For example, they may consist of low-grade material, which may still be mined, but are not officially considered suitable for commercial exploitation, and are not included in the State balance. In international reporting terms these may or may not be considered to be measured, indicated resources. If unlikely to be economically exploitable in the foreseeable future, they would not even be considered as resources.

Pokrovskiy

OJSC Pokrovskiy Rudnik (98.6 per cent. owned by the Group) owns the Pokrovskiy Mine which currently represents the principal gold producer within the Group, producing some 297koz of attributable gold in 2007. The first gold was produced in 1999 from the heap leach operation, whilst in September 2002, PHM completed the construction of the new resin-in-pulp processing plant at Pokrovskiy and the first gold produced through the plant was poured. In 2004, PHM completed the upgrade of capacity at its resin-in-pulp plant at Pokrovskiy from 1Mt of ore per annum to 2.0Mt of oxide ore per annum.

The Pokrovskiy deposit consists of a set of five large, irregular, but mostly flat-lying ore bodies within a sequence of volcanic and sedimentary rocks of Mesozoic age, lying above a thick dacite sill. The ore bodies consist of gold disseminations that appear to be associated with intense block faulting, which characterises the geology of this region. Where the dacite sill is at its shallowest depths, more steeply dipping veins and mineralised zones occur, controlled principally by the distribution of faulting. There are also alluvial placer deposits along most of the surrounding stream valleys.

Mineralisation extends to at least 240m depth and two distinct deposits are recognised at Pokrovka 1 (the main area of current production) and Pokrovka 3 located 400m to the northeast. The Pokrovka 1 deposit comprises four separate mineralised zones including the Glavnoye, Zeyskoye, Novoye and Ozernoye zones. The Molodezhnoye mineralisation comprises the Pokrovka 3 deposit. The principal host rocks are granite at the Pokrovka 1 deposit and dacite tuff at the Pokrovka 3 deposit. Both units are cut by steep to shallow dipping quartz porphyry and diorite porphyry dykes.

All lithologies that comprise the deposit demonstrate intensive multiple-phase alteration, including argillisation, silicification, sulphidation and sericitisation. Gold mineralisation occurs in quartz veins and veinlets and areas of intense silicification up to 70m thick. High grade zones demonstrate intense silicification, brecciation and quartz in banded or colloform textures. Gold occurs as fine particles, both encapsulated in silica and in contact with sulphide minerals, predominately pyrite with minor marcasite, arsenopyrite, galena and sphalerite.

The mineralisation demonstrates reasonable continuity when outlined at a cut-off grade of 0.5g/t Au and remains more or less continuous at a cut-off grade of 1.0g/t Au. At a cut-off above 1.0g/t Au, the mineral resources become discontinuous and irregular in form.

Pokrovskiy is an active open pit mine using conventional truck and shovel excavation techniques and has been in production since 1999. Currently, ore production is in the order of 2.4Mtpa at a grade of 3.5g/t Au. In 2007, the plant processed 1.7Mt of ore at a grade of 4.4g/t Au with a recovery of 91 per cent., whilst the heap leach operation treated some 784kt at a grade of 0.8g/t Au with an overall recovery of 69 per cent.

The mineable reserves at Pokrovskiy are based on geological resources and have been economically optimised using cut-off grades based on gold prices of US$650 to US$750/oz. WAI has re-run the optimisation process using the same parameters as PHM and the results found to be within acceptable limits. The table below summarises the reserves under JORC (2004) guidelines at Pokrovskiy at three different gold prices.

Results of the Economic Optimisation of the Pokrovskiy Open Pit

Classified in accordance with the JORC Code (2004) – WAI (July 2008)

	Gold Price (US$/oz)		
	650	*700*	*750*
Total			
Total Rock Mass, kt	29,000	29,100	30,500
Ore, kt	5,600	5,600	5,700
Grade, Au g/t	2.05	2.05	2.02
Gold, kg	11,458	11,494	11,519
Gold, koz	368	370	370
Waste, kt	23,400	24,160	24,800
Stripping Ratio (tOre/tWaste)	4.2:1	4.3:1	4.4:1
RIP Processing			
Ore to RIP Plant, kt	3,900	4,200	4,400
Grade, Au g/t	2.70	2.57	2.49
Gold, kg	10,518	10,718	10,861
Gold, koz	338	345	349
Economic Cut-Off-Grade	0.44	0.42	0.41
Heap Leach Processing			
Ore to Heap Leach, kt	1,700	1,400	1,300
Grade, Au g/t	0.56	0.54	0.51
Gold, kg	94	776	658
Gold, koz	30	25	21
Economic Cut-Off-Grade	0.29	0.28	0.27

The Proven and Probable reserves derived by WAI under JORC (2004) guidelines at Pokrovskiy are based on a US$650/oz gold price are 5.6Mt of ore at an average grade of 2.05g/t Au (economic COG of 0.4g/t) and require that 23.4Mt of waste be removed to access the orebody at a stripping ratio of 4.17:1. A significant further *Inferred* resource exists within the deposit.

PHM's current mining schedule is primarily based on reserves reported under the Russian Standard Classification System, which gives an inventory of mineable material of 15.9Mt at an average grade of 1.95g/t Au and requires that 42.3Mt waste be removed to access the orebody. This minig schedule also includes 274koz Au of $B+C_1$ reserves from stockpile material. It is planned that the current rate of production will continue until 2012 when the existing open pit will be exhausted. After 2012, production will move to a series of smaller open pits termed the Pokrovskiy Flanks which are currently estimated at 553koz Au at C_2 resources. The average grade of the flank deposits is lower than the current Pokrovskiy pit. It is planned from 2013 to 2019 that 2.0Mtpa at an average grade of 1.1g/t Au will be processed in the RIP plant and 0.6Mtpa, grading 1.1g/t Au, will be processed via the heap leach facility.

The mining schedule for Pokrovskiy is optimised to balance ore mining, waste mining and average grade each year. The mining rate and amount of blending required is not significantly different to the current operational practices and therefore WAI considers the schedule to be both practical and achievable. It should be noted however, that the Pokrovskiy Flanks deposits are not included in the block models reviewed by WAI. WAI believes that if these resources are modelled they are highly likely to be classed as *Inferred* at best under JORC Code (2004) guidelines. As a result, less reliance can be placed on the mining schedule after 2012. It is usual practice for mining companies to produce long term plans based on *Inferred* resources and WAI believes it is appropriate for these future resources to be included in the long term schedule, but as a guide only pending further exploration work.

The mining operations at Pokrovskiy utilise a mixture of Russian and Western built mobile equipment, all fitted with GPS tracking devices and controlled from a central point to ensure maximum utilisation. WAI believes the mining equipment fleet at Pokrovskiy is modern, well maintained and fit for purpose. The EKG shovels are reliable and cost effective. The Belaz dumper fleet has a low average age, the trucks are well maintained and while their efficiency and performance fall slightly below that of western built equivalents, their value for money and general ruggedness means they are well suited to this type of operation. The preventative maintenance programme and workshop facilities in place at Pokrovskiy are excellent. New Belaz trucks and a 5m3 shovel were purchased in 2007/08.

Although WAI does not consider that Pokroviskiy overall is a high cost operation, the mining costs are higher than would normally be expected for an operation of this type and scale in this region, this is however, accounted for by the relatively complex blending operations and the amount of re-handling required to achieve a consistent feed to the mill.

Processing operations commenced at Pokrovskiy in 1999 with the commissioning of a heap leach operation, which initially treated a high-grade oxide ore source. The heap leach plant now treats low grade ("off balance") oxide ores at a rate of >700ktpa.

A RIP plant was commissioned in 2000 to treat 1.2Mtpa of oxide ore grading 4g/t Au. In 2004 an extra grinding line was installed which increased the plant capacity to 1.8Mtpa.

The majority of the oxide ores are now exhausted and the ore treated in the future will be a combination of primary ore and heap leach tailings and stockpiles which are not part of the resource base (from the earlier years of production) and currently are not included in the reserves. In 2008, ore from the trial mining operation at Andreevskaya is being processed through the plant.

The tonnage of ore treated in the RIP plant increased from 0.15Mtpa in 2002 to 1.73Mtpa in 2007. Over the same period, the grade of material treated through the plant has ranged from 5.7g/t to 3.8g/t Au. Plant recovery has ranged from 84 per cent. in 2002 to 91 per cent. in 2006. The RIP plant recoveries fell in the first half of 2008 to 87 per cent., due to the treatment of a higher proportion of primary ore.

The tonnage of ore treated though the heap leach plant has increased from 81kt in 2002 to 784kt in 2007. The grade of material treated through the plant has fallen from 7.5g/t in 1999 to 0.8g/t Au in 2007. The heap leach plant recovery has varied significantly over the period, ranging from 33 per cent. in 1999 to 69 per cent. in 2007.

Overall, the Pokrovskiy plant operations are run efficiently and in line with best international practice.

Environmental monitoring carried out at the site is well organised and appropriate. The environmental monitoring scheme is comprehensive, testing for a range of determinands and compliance with Maximum Permisssable Concentrations ("MPCs") is a clear indication of PHM's commitment to environmental protection.

Pioneer

The Pioneer deposit lies some 35km northeast of Pokrovskiy. The Pioneer trial pit was started in June 2004, with ore taken from the Bakhmut pit and delivered for processing to the Pokrovskiy RIP plant at the end of 2004.

During the initial WAI visit in 2007, the Pioneer project was officially commissioned and plant throughput for 2008 is expected to be around 1.1Mt. The site comprises a primary crushing unit, a SAG mill, 2 spiral classifiers, a cyanide leaching circuit, a heap leach, a tailings dam and all necessary auxiliary divisions.

This commissioning was preceded by pre-stripping over six areas of the various orebodies that make up the Pioneer deposit, in order to complete geological exploration works and to prepare the deposit for operations.

The deposit comprises the three ore zones – Yuzhnaya (Southern), Promezhutochnaya (Intermediate) and Bakhmut that form the Pioneer structure. In addition, the higher grade Andreevskaya zone is located 1.3km to the southeast of the Pioneer structure, whilst there are also a number of other small ore structures nearby including Zvezdochka, Eastern, Western, Nikolayevskaya and Babayevskaya.

The Yuzhnaya zone has been traced along strike in a northwesterly and northerly direction for 1,500m by trenching, drilling and recently by pre-stripping. The zone is composed of variably silicified diorite porphyries, granite-porphyries and sandstones. The altered rock assemblage has been outlined in a north-south direction with a thickness of 50-150m, although in the north, the strike changes to northeasterly. The assemblage appears to dip to the west at 55-65°. Within the alteration zone, there are mineralised zones with a thickness of 10-80m. The largest zone (#1) contains 91 per cent. of all estimated resources. Two high grade areas with gold grades of 20-30g/t Au, thickness of 2-3m and strike extent of 10-40m have been identified and locally termed "ore columns".

The Promezhutochnaya mineralised zone has been traced in a northwesterly direction for some 590m. It is separated from the Yuzhnaya zone by a 150m barren zone. The geology is similar to Yuzhnaya, although the thickness of the alteration zone is between 40-100m and dips to the northwest at 55-65°. The oxidation zone is less developed here compared to Yuzhnaya, usually around 10-30m deep, but up to 70-80m along fracture zones. The mineralisation has been tested down to 300m and contains several discrete zones varying from 5-50m thick. The largest mineralisation zone (#1) contains 98 per cent. of all resources. Two significant rich areas (ore columns) were found with gold grades up to 10-25g/t Au, thickness 2-3m and strike extent 10-60m.

Bakhmut is located at the eastern end of the system where it joins the Promezhutochnaya mineralised zone. It has been traced in an easterly direction for 970m. The zone is composed of quartzitic and argillised rocks with a thickness of 50-150m. Hydrothermal and metasomatic alteration is similar to that seen at Yuzhnaya and Promezhutochnaya, although the alteration tends to be associated with diorites and the dykes of diorite porphyries. This zone includes previously delineated ore bodies "Ore column", "Apophysis 1" and "Apophysis 8" associated with areas of merging dislocations. The oxidation zone extends to 30-100m depth, whilst the mineralisation has been tested to 290m. In the central part of the zone, a pilot open-pit was developed where high grade ore of the "Ore Column" was stripped to the level of 260m.

The Andreevskaya ore zone lies to the southeast of the main area, has an east-northeast strike and dips to the southeast at between 60-70°. The zone is represented by sub-parallel and branching zones of mylonitisation and silicification of sandstones, diorite porphyries and granite-porphyry with impregnations and sometimes accumulations of pyrite. The thickness of the zone at surface varies from 4m to 16.3m, averaging 9.2m (visible thickness) and from drill hole data at depth, 6.4m (main zone thickness). Average grades of gold from trench data vary from 0.92g/t to 55.81g/t Au, and from holes drilled in 2006 (total 36 holes) from 0.58 to 45.51g/t Au. Due to the relavitvely narrow mineralised zones in combination with their highly nuggety Au grade distribution, resource estimation at Andreevskaya has proved problematic and this factor is reflected in the relatively low classification given to this asset at this time.

The Pioneer deposit is characterised by the presence of numerous high grade "ore columns". Seven have been identified at Yuzhnaya, two at Promezhutochnaya and several at Bakhmut. The geometry of these structures is highly variable, as are the grades, but as a general rule, they are relatively small (a few metres wide) with high gold grades (tens or hundreds of g/t Au). They have a considerable impact on the contained metal within the deposits and it is likely that final production grades may well be in excess of those predicted, as these small, high grade zones cannot be properly modelled and are therefore not properly included the resource estimates.

The Pioneer mine consists of four main open pits which are at an early stage of development and production. On the mining side, production has commenced and overburden stripping is continuing. The mining equipment for the project is on site, with more deliveries due in late 2008/early 2009. Mining infrastructure, including roads, crushing facilities and power supply, is now in place. Production is planned to ramp up from the current 1.1Mtpa to 3.7Mtpa during 2009 and will reach a maximum rate of 6.1Mtpa by 2010. Open pit mining will utilise conventional truck and shovel techniques, with drilling and blasting of the ore and waste where necessary.

The reserves at Pioneer are based on the geological resources and have been economically optimised using a cut-off grade based on a gold price of US$650/oz. WAI has re-run the optimisation process using the same parameters as PHM and the results found to be within acceptable limits.

The Pioneer mine consists of four main open pits, Yuzhnaya, Promezhutochnaya, Bakhmut and Andreevskaya. The results of the economic optimisation are displayed in the tables below.

Results of the Economic Optimisation of Bakhmut, Yuzhnaya and Promezhutochnaya Open Pits

Classified in accordance with the JORC Code (2004) – WAI (July 2008)

Parameters	*Gold Price (US$/oz)*		
	650	*700*	*750*
Total Rock Mass, kt	142,845	155,664	162,013
Waste, kt	118,174	128,639	133,689
Oxidized Ores			
Ore, kt	9,765	9,783	9,804
Grade, g/t	0.84	0.85	0.85
Total Metal, kg	8,292	8,303	8,314
Total Metal, koz	267	267	267
Economic Cut-Off Grade, g/t	0.2	0.16	0.15
Primary Ores			
Ore, kt	14,902	17,242	18,520
Grade, g/t	1.15	1.09	1.06
Total Metal, kg	17,175	18,809	19,549
Total Metal, koz	551	605	629
Economic Cut-Off Grade, g/t	0.5	0.45	0.42
Total			
Ore, kt	24,671	27,025	28,324
Grade, g/t	1.03	1.00	0.8
Total Metal, kg	25,437	27,112	27,863
Total Metal, koz	818	872	896
Stripping Ratio (tOre/tWaste)	4.79:1	4.76:1	4.72:1

Results of the Economic Optimisation of the Andreevskaya Open Pit

Classified in accordance with the JORC Code (2004) – WAI (July 2008)

Factors	*Gold Price (US$/oz)*		
	650	*700*	*750*
Total Rock Mass, kt	35,922	37,123	37,038
Waste, kt	33,089	33,985	33,570
Ore, kt	2,833	3,138	3,468
Grade, g/t	3.66	3.36	3.08
Economic Cut-Off Grade, g/t	0.42	0.39	0.36
Total metal, kg	10,360	10,532	10,676
Total metal, koz	333	339	343
Stripping Ratio (tOre/tWaste)	11.7:1	10.8:1	9.7:1

The Pioneer reserves as derived by WAI are based on a US$650/oz gold price. This gives combined Proven and Probable reserves of 27.5Mt at an average grade of 1.30g/t Au and requires that 151.2Mt waste be removed to access the orebodies.

The Pioneer mining schedule derived by PHM using the Russian Standard Classification System, expects the production to reach a maximum rate of 6.1Mtpa of ore by 2010, but the production rate is expected to reduce slightly towards the end of the mine life in 2017. The average grade over the life of the mine is expected to be 1.6g/t Au, but this varies between 2.6g/t at the beginning of the operation to 1.7g/t Au in 2017, mainly due to the influence of the Andreevskaya open pit, which has a much higher average grade than Bakhmut, Yuzhnaya and Promezhutochnaya.

The mining schedule proposed for Pioneer is optimised to balance ore mining, waste mining and average grade each year. Mining will take place from four separate open pits and will thereafter be blended in the combined processing facilities. WAI considers the proposed schedule to be both practical and achievable given PHM's experience and management expertise gained through the Pokrovskiy operations. It should be noted, however, that the combined mining schedule includes *Inferred* resources and as such, less reliance can be placed on proposed tonnage and grades in the latter parts of the schedule. WAI believes it is appropriate for these future resources to be included in the long term schedule as a guide only, pending further exploration work.

The mining equipment fleet planned for Pioneer will be modern and comprise Liebherr and Caterpillar excavators and Volvo and Caterpillar trucks. A preventative maintenance programme and workshop facilities similar to those in place at Pokrovskiy have been implemented at Pioneer, with a GPS dispatch system planned for the truck fleet.

The majority of the mining infrastructure at Pioneer has been constructed and the mine has been brought into production as planned.

The orebodies at Pioneer have been subjected to several detailed metallurgical test programmes. There are three different ore type categories within the deposits, namely Oxide, Transition (Mixed) and Primary.

The majority of the Oxide ores at Pioneer are clay-rich, which renders them difficult to process directly, either by heap leaching or RIP technologies.

Consequently, PHM is using a novel processing method which involves disaggregating ores in a SAG mill to break down the clay minerals, followed by a size separation. The coarser material will be heap-leached using a disposable pad system and the finer material will be subjected to standard RIP processing. This processing method will only be used during the summer months. During the winter months, higher grade ores will be treated, and only through a RIP Plant.

Three processing modules are planned at Pioneer, and will be constructed over a three year period. The first section unit is now commissioned.

The ores treated will be a combination of high grade material from Andreevskaya – which will be treated by grinding and agitation leaching, and low grade ores from Bakhmut, Promezhutocheyna and Yuzhnaya using a combination of heap and agitation leaching.

The first module will have a capacity of some 0.8Mt in the summer period using the hybrid heap leach and agitation leach method. In the winter months, the unit will be capable of treating 50ktpm of high grade ore from Andreevskaya, giving a total plant throughput of 1.1Mtpa.

The other two modules will each treat 2.0 Mtpa and construction of the second module commenced in July 2008.

After five years, the second and third modules will be converted to treat the Transition and Primary ores. This will involve the addition of a second mill in each module, a flotation plant and a pressure oxidation plant.

WAI has examined the testwork results and PHM development plans and is in general agreement with the results. However, WAI considers that more testwork should be undertaken, particularly with regard to the pressure oxidation of the sulphide concentrates to establish operating criteria and costs and also to investigate alternative methods if applicable.

During 2007, PHM commissioned the Pioneer mine with heap leach production, followed by trial mining of the high-grade Andreevskaya deposit, with ore treatment at the Pokrovskiy plant in 2008.

A preliminary assessment of potential environmental impacts resulting from operations at Pioneer, carried out by the mining company, considers the environmental impacts will be predominantly local and of a moderate to low level. The preliminary assessment also considers mitigation measures that will be put into place and an assessment of future pledges to achieve compliance with regard to the IFC performance standards.

WAI would recommend that strict environmental controls are implemented from the early stage of construction and development and that appropriate waste water and sewage treatment facilities are installed, to protect surface water quality.

Malomir

The Malomir deposit is located in the Selemdja area of the Amur region, 80km to the west of the area's capital, Ekimchan and 35km to the north of Stoyba.

The geology of the area comprises metamorphosed rocks of volcanogenic-terrigenous nature of Carboniferous age. All of the rocks are intensively sheared and variably folded and are metamorphosed to greenschist facies. These stratified rocks are intruded by late Palaeozoic bodies and dykes of granite, diabase, diorite porphyries, andesites and olivine basalt.

In terms of structure, low-angle overthrust faults (10-30°) and a system of approximately N-S and E-W high-angle faults are widespread. The flat-dipping tectonic zone, "Diagonal", has a thickness of 100-300m, extends for more than 6km and appears to have a major ore controlling influence. This zone, which appears fairly continuous, has been traced along strike from drilling for more than 1500m and to a depth of 350m.

Overall, there are three principal mineralised zones within the deposit: Malomir, Ozhidayemoye and Quartzite and it is believed that they form part of a single, faulted mineralised structure.

The Malomir and Ozhidayemoye orebodies, which appear to be both related to the Diagonal Thrust Zone, are controlled by relatively flat-dipping tectonic zones seen as compression, crush and brecciation zones, giving rise to entirely silicified areas (quartz metasomatites) and to veinlet silicification, often with an intensive (up to 5 per cent.) sulphide mineralisation. The major ore minerals, which total 2-3 per cent., are represented by pyrite and arsenopyrite.

The orebodies of the Quartzite zone are controlled by a steeply northwesterly dipping tectonic zone. The mineralisation seems to be generally low grade, but can be thick (averaging around 14m) and sometimes has intensive sulphide mineralisation (up to 5 per cent.). Sulphides are generally represented by pyrite. The sulphide content of the ore fluctuates from single grains to 2-5 per cent. Arsenopyrite and visible gold are also rarely present in the form of single grains, suggesting the gold is locked within the sulphides.

Mineralisation of the Malomir zone is of veinlet-impregnated type of gold-sulphide hosted within a black shale. Metallurgically, the mineralisation can be classed as refractory, due to the gold association with sulphides. Most of the identified orebodies are concentrated in the "Diagonal" zone with more than 94 per cent. of the resources identified therein. The remaining 6 per cent. are concentrated in the "Southern" and "Northern" zones.

Currently there is no mining activity on site at Malomir, but a large scale trenching/pre-stripping operation has been completed to allow sampling for resource estimation purposes. It is intended that the Malomir project will commence mining early 2010. A pre-feasibility study, including a preliminary open pit design, has been completed by PHM.

The Malomir project is an advanced stage development project and as such, much technical work still needs to be completed in order to accurately estimate essential parameters used in the reserve calculation. WAI has calculated a preliminary reserve for Malomir based on the current geological resources, but this calculation relies upon preliminary assumptions, particularly metallurgical. The results of the preliminary economic optimisation and reserve calculation are shown in the table below.

Results of the Economic Optimisation of the Malomir Open Pit

Classified in accordance with the JORC Code (2004) – WAI (July 2008)

Parameters	*Gold Price (US$/oz)*		
	650	*700*	*750*
Total Rock Mass, kt	231,982	256,969	248,078
Waste, kt	181,220	200,243	223,892
Ore, kt	50,762	56,726	60,186
Grade, g/t	1.26	1.22	1.21
Total Gold, kg	63,994	69,333	72,616
Total Gold, koz	2,057	2,229	2,335
Stripping Ratio, t ore/t waste	3.57:1	3.53:1	3.72:1
Economic COG, g/t	0.59	0.54	0.50

The proposed mining schedule for Malomir, based on Russian Standard reserves is based on a US$650/oz gold price. This gives indicative preliminary reserves of 50.8Mt at an average grade of 1.26g/t Au and requires that some 181Mt of waste be removed to access the orebody at a stripping ratio of 3.57:1.

The reserves calculated at Malomir, and therefore the open pit design, must be considered as preliminary only, as there is still much work to be done in terms of metallurgical testing and cost estimation. At this early stage, however, WAI is of the opinion that Malomir represents a significant open pit mineable resource which has a high potential of becoming a profitable operation in the near future, subject to the planned test work yielding the results expected.

PHM intends to start mining at Malomir in early 2010. The preliminary schedule will be to mine 3.0Mt of ore in 2010, 4.0Mt in 2011 and ramping up to 6.0Mtpa from 2012 onwards. Given PHM's experience in developing and mining Pokrovskiy and in commissioning the Pioneer project, the development and mining schedule for Malomir is realistic and achievable. The size of the task is certainly within PHM's capabilities and there are no natural impediments such as terrain or location. The area has established lines of communication and is amenable to open pit mining.

The Malomir ore is known to be predominantly refractory and has been subjected to several detailed metallurgical test programmes. There are three different ore type categories within the deposits, namely Oxide, Transition and Primary. The testing of the orebody is continuing and pilot scale tests are on going through 2008.

The Primary and Transition ore types are highly refractory due to the significant levels of gold associated with sulphide minerals (up to 40 per cent.). Various processing options were considered to treat the flotation concentrates and PHM selected Pressure Oxidation ("POX") as the most suitable method, following comminution and flotation.

The Company believe that the Malomir flotation concentrates could be effectively processed using autoclave oxidation and cyanidation.

This view was based on the studies carried out by Irgiredmet on similar flotation concentrates from Pioneer which had a gold grade of 25-30g/t Au and sulphur content of 21 per cent. It was predicted that autoclave treatment of the flotation concentrates at temperatures of 200-220°C at pressures of 2.5-3.0MPa for 1-2 hours, using 80 per cent. oxygen, would result in 97-98 per cent. oxidation of the sulphur and arsenic minerals present. Subsequent leaching of the oxidised concentrate would give a stage gold recovery of not less than 95 per cent.

Overall gold recovery is expected as being approximately 80 per cent., with a flotation recovery of 82-84 per cent.

WAI has inspected the testwork programmes and concurs that the chosen flowsheet is appropriate at this time. However, further work is required to verify the various assumptions made, particularly as more details of the orebodies emerge.

With regard to the environment, WAI considers that the rationale for environmental assessment at the site is sound, but is concerned that the environmental supervision of exploration activities needs improving.

A number of examples of poor practice were observed, both with regard to poor housekeeping and insufficient sewage treatment at the site.

It will be important to test and source a sustainable potable water supply, given the potential for acid drainage and high arsenic in the ore. The potential impact on water quality can not be assessed until acid drainage potential and arsenic leaching potential have been characterised via chemical testing. Water protection measures to protect the local rivers will also be required.

WAI recommends that in parallel with the OVOS, an ESIA be conducted to ensure compliance with the Equator Principles and IFC Performance Standards.

Other Amur Assets

Apart from the principal PHM assets of Pokrovskiy, Pioneer and Malomir, the Company also has an extensive portfolio of exploration assets in Amur which at one end of the scale includes the advanced stage exploration projects at Tokur and Albyn, the numerous placer gold operations which are currently in production, through to grass-roots exploration prospects.

As a portfolio of assets, WAI considers them to be strategically sound and, importantly, many of the properties have the potential for the discovery of significant gold resources. Clearly this will require considerable effort and exploration expenditure, but PHM has embarked upon an aggressive programme of works to achieve this.

Yamal Region

The Yamal exploration licences cover an area of approximately 997km^2, stretching 200km along the eastern side of the polar Urals in the Yamalo-Nenetsky Autonomous Region. Twelve exploration targets have been identified within the licences.

The main exploration areas lie at the northern end of the Urals, on the Yamal peninsula adjacent to the estuary of the River Ob. The most significant asset is Novogodnee Monto which lies west-northwest of the regional centre of Salekhard and is well serviced with infrastructure, due to its location in the primary oil and gas region of the Russian Federation.

To both the north and south of Novogodnee Monto, there are a variety of prospects for gold, PGMs and base metals actively being explored by the group.

In April 2004, PHM acquired 90 per cent. of the share capital of OJSC Yamalzoloto for a total consideration of US$10.4 million. On acquisition, the licence area covered 11 main mineral occurrences, one of which, Novogodnee Monto, was well explored and had a significant amount of historical geological data.

In September 2005, PHM announced that it had subscribed for 74.9 per cent. of the shares of OAO "Yamalskaya Gornaya Kompania" ("Yamal Mining") which owned a number of attractive assets in the Yamal Region, as well as the remaining 10 per cent. of OAO "Yamalzoloto" not already owned by PHM. The remaining 25.1 per cent. of the shares of Yamal Mining are owned by the local government. Yamal Mining holds the licences for Ozernoye, which contains gold; platinum, palladium and copper mineralisation; Rudniye Gorki which contains copper-molybdenum and gold, potentially porphyry copper type mineralisation and Yashor Laptayeganskaya which contains gold and PGMs in black shales.

The Voykaro-Shutchinskaya Gold Exploration Licence (No.SLKh 01589 BP) is the main asset held by PHM, which permits "Geological investigation for gold exploration within the Voykaro-Shutchinskaya zone". The licence covers an area of 4,800km^2 and is valid for the period from 6 May 2004 to 31 December 2009. It is located between 80km north and 85km south-west of the town of Labytnangi and lies within the Priuralsky and Shuryshkarsky districts of the Yamal Region.

Included inside this licence are the following:

- *Ozernoye-Pyatirechensky* – This licence, held by Yamal Mining (YGK), covers an area of 105km^2 and consists of bushveld style layered ultrabasics, PGM's and gold potential;

- *Rudniye Gorki 1* – This licence, held by Yamal Mining (YGK), covers an area of 20km^2 and contains magnetite skarns with copper-gold mineralisation;
- *Rudniye Gorki 3* – This licence, held by Yamal Mining (YGK), covers an area of 32km^2; and
- *Manyukuyu* – This licence, held by Yamal Mining (YGK), covers an area of 12km.

Additonal separate licences include the following:

- *Yarshor-Laptayeganskaya* – This licence (No. 101588), is held by Yamal Mining (YGK) (74.87 per cent. PHM Holding), and is a permit for gold and PGM exploration within the black shale stratum 9Malomir style) of the Yarshor-Laptayeganaskaya zone, which covers an area of 163.11km^2;
- *Toupugol-Khanmeishorsky* – This licence (No. 01356) is held by Yamalzoloto (98.74 per cent. PHM Holding) and is for gold exploration and assessment and is valid from 4 April 2003 to December 2009, and covers an area of 42.22km^2 and excludes the Novogodnee Monto licence which lies within in;
- *Novogodnee Monto* – This licence (No.01212) held by Yamalzoloto (98.74 per cent. PHM Holding) lies within Toupugol-Khanmeishorsky Licence which is for gold exploration and mining and is valid from 31 January 2002 to 2020, and covers an area of 0.48km^2; and
- *Zapadnoye* – This licence (No. 013779) held by Server-Chrome for exploration and mining of chromium ores, is valid from 10 October 2006 to 10 March 2026, and covers an area of 0.45km^2.

A considerable amount of exploration has been undertaken by PHM on all of the licence areas; however, with the exception of Novogodnee-Monto (gold and iron), Zapadnoye (chromite) and the intensive exploration of Petropavloskoye in 2007 (a gold deposit which lies inside the Toupugol-Khanmeishorsky licence area), all other licences have identified only those resources classified in the prognostic P category under the Russian Standard Classification System.

Russian Standard Classification System resource and reserve estimates have been undertaken by PHM on the Novogodnee Monto, Petropavloskoye and Zapadnoye deposits. With the exception of Zapadnoye, none of the stated resources have received official GKZ approval, but it is understood from PHM staff that there is no foreseeable reason for these approvals not to be granted. Until such time, WAI believes that they should be treated as provisional. However, WAI has reviewed the exploration work undertaken by PHM (density of drilling and trenching over each project as a whole) and consider that both these deposits show considerable merit and potentially may well support the development of mining projects. A summary of the Mineral Resources and Reserves held by PHM (by company) in the Yamal Region are presented in the tables below.

Resource and Reserve Summary – Russian Standard Classification Yamalzoloto

(PHM Annual Report as at 1 January 2008)

Site	*Category*	*Tonnage (kt)*	*Gold Grade (g/t)*	*Metal (kg)*	*Tonnage (kt)*	*Magnetite Grade (Fe_{Mgt}%)*	*Metal (kt)*	*Gravel Tonnage (000's m^3)*
Novogodnee Monto								
Metasomatic Zones	C_1	64	3.80	244	–	–	–	11,279
	C_2	472	2.59	1223	–	–	–	13,828
Magnetite Ores	C_1	4814	1.11	5,324	4,814	41.16	1,981	–
	C_2	345	1.22	419	529	41.61	220	–
Skarn	P_1	1,960	4.67	9,144	–	–	–	–
Toupugol-Khanmeishorsky Area								
Petropavlovskoye	C_1	7,630	1.40	10,665	–	–	–	–
	C_2	6,661	1.52	10,156	–	–	–	–
	P_1	5,000	6.00	30,015	–	–	–	–
Karyerniy	P_1	1,000	10.0	10,000	–	–	–	–
Karachentseva	P_1	667	4.50	3,000	–	–	–	–
Anomalny	P_1	833	6.00	5,000	–	–	–	–
Toupugolsky	P_1	437	8.00	3,500	–	–	–	–
Khanmeishorsky	P_1	2,657	3.50	9,300	–	–	–	–

Resource and Reserve Summary – Russian Standard Classification

Yamal Mining Company (PHM Annual Report as at 1 January 2008)

				Ozernoye-Pyatirechenskaya Area						
			Gold			*Platinoids*				
Site	*Category*	*Tonnage (kt)*	*Grade (g/t)*	*Metal (kg)*	*Tonnage (kt)*	*Grade (g/t)*	*Metal (kg)*		*Other*	
Ozernoye	P_1	2,300	1.0	2,300	2,333	1.50	3,500		–	
	P_2	–	–	–	6,667	1.50	10,000		–	
Rudnogorskaya Area										
Rudniy-Gorkiy-3	P_1	1,667	1.50	2,500	–	–	–	–	–	–
Elkashor									*Copper*	
								Tonnage (Mt)	*Metal (%)*	*Metal (kg)*
	P_2	–	–	–	–	–	–	8.0	0.10	800
									Molybdenum	
								Tonnage (Mt)	*Metal (%)*	*Metal (kg)*
	P_2							8.0	0.06	200
Yarshor-Laptayeganskaya Area										
Sandy Bay	P_1	1,000	10	10,000	–	–	–	–	–	–

Mineralisation in the Novogodnee Monto deposit and surrounding areas occurs principally in skarns (metasomatically altered rocks) associated with igneous intrusions of Devonian-Carboniferous age within a Silurian-Devonian volcanic and sedimentary sequence. There are two main types of mineralisation: massive magnetite-bearing ore bodies and quartz/carbonate/sulphide stockworks. It is believed that these were formed during two discrete and significantly different mineralising events viz; an early magnetite skarn event and a later metasomatic quartz-pyrite event.

Two styles of mineralisation are present, namely magnetite-sulphide skarn with localised gold-rich zones and metasomatic-quartz-pyrite vein zones with localised quartz stockwork development. PHM describe the metasomatites as structurally controlled zones of strong quartz-sericite alteration and it is likely that quartz veins are end members of metasomatic zones, where dilation has allowed deposition of quartz as a discrete vein.

The Petropavlovskoye deposit lies approximately 1km to the west of Novogodnee Monto and parallel to it, with an N-S orientation. It has been identified along a total strike length of approximately 2.8km and is structurally cut out by approximately E-W trending faults.

Exploration has continued at Petropavlovskoye throughout 2007 and has identified a central area stockwork, with quartz vein zone mineralisation lying to the north of it and a combination of stockwork and east-west trending quartz veins to the south. A pre-feasibility study is currently being prepared by TsNIGRI, in order to define the open pit optimisation parameters. These will then be sent to the local TKZ for approval of production conditions.

The central part of the Petropavlovskoye deposit consists of a gold-bearing quartz stockwork (extensional ladder-veins in an N-S orientated shear zone) deposit, approximately 50 – 120m thick, which can be traced continuously along strike for a distance of approximately 500m and to a depth of at least 200m. Beyond the 500m zone explored in detail, mineralisation has been established to continue northwards for a further 1,500m (with the central quartz vein intersected in three drill holes here too) and southwards for a further 850m. The structure outcrops at surface along its northward extension, but southwards it plunges at an angle of about 30-35°, so that it can be traced only in drill holes.

Exploration drilling, with inclined holes to intersect the steeply dipping structure, as well as the steeply dipping veinlets, has been undertaken within the central stockwork area.

A shallow open cut to expose the central part of the ore zone was excavated in 2006 in order to confirm the continuity and style of mineralisation (including east-west quartz "ladder" veins accross the north-south trend of the ore body). The stockwork itself has been found to be larger than expected in surface area and the open-cut had been extended to the north and west during the 2007 summer exploration season.

In the Karachentseva area, immediately to the south of Novogodnee Monto, drilling in 2007 totalling 16 holes for a total of 3,300m has located gold-bearing intersections with quartz veins and quartz-sulphide veinlets in zones of beresite and skarn. Exploration continues to define structurally continuous zones.

WAI has reviewed the exploration data for work undertaken on the Toupugol-Khanmeishorsky licence area to date and is satisfied that it represents a high quality exploration asset with the potential to produce further assets similar to those identified at Novogodnee Monto and Petropavlovskoye.

PHM proposes to exact gold and magnetite from the Novogodnee Monto deposit using traditional metallurgical processing routes. 405ktpa of ore is expected to be treated at a grade of 1.06g/t Au and 42.3 per cent. Fe. Principally, gold will be processed by leaching flotation concentrates with cyanide. The gold content within the leached solutions will be further upgraded by electro-winning and smelted to produce a gold and silver alloy (doré), containing 70 per cent. Au and 30 per cent. Ag. It is intended that magnetite will be concentrated to produce a product containing 68.9 per cent. Fe using magnetic separation technology.

In 2005, metallurgical testwork was undertaken on sample 3-T from the Petropavlovskoye deposit. The sample contained 3.02 per cent. total sulphur and 2.96 per cent. sulphide sulphur and 1.02g/t Au. Flotation testing gave a gold recovery of 84.5 per cent. to a concentrate assaying 25.5g/t Au. The flotation concentrate was leached with cyanide to obtain an overall recovery of 76.1 per cent. Overall, silver recovery was 46.6 per cent.

In 2006, Sample TP-5 from the Petropavlovskoye deposits was tested by the TsNIGRI Institute in Moscow. The sample was described as being a quartz-sulfide gold ore type. After fine grinding (94 per cent. passing 0.071mm), only 20 per cent. of the gold was liberated, 53 per cent. was present as composite particles and 25 per cent. was locked in sulphides. Flotation testing gave a gold recovery of 91.1 per cent. to a concentrate assaying 26.6g/t Au. The flotation concentrate was leached with cyanide to obtain overall recoveries of gold and silver of 82 per cent. and 61.5 per cent. respectively.

Based on these results, TsNIGRI recommended that the Petropavlovskoye ore should be treated using flotation with subsequent cyanidation of the flotation concentrate. Pilot scale testwork using X-ray radiometric sorting was carried out by "Technogen" CJSC, under agreement with Yamalzoloto. The results were generally poor, and as a result, sorting by this method cannot be readily employed.

The environmental protection section and preliminary EIA has been reviewed by WAI for Novogodnee Monto.

WAI recommend that a full EIA and OVOS study should be carried out to ensure that all environmental and social impacts have been identified and adequately addressed at the site.

In addition to the principal assets of Novogodnee Monto, Petropavlovskoye and the Zapadnoye chrome deposit (described below), PHM also has an extensive portfolio of exploration assets in Yamal. These include a range from the green-field exploration targets to well-known mineral occurrences. The prospective targets include the Ozernoye-Pyatirechenskoye area, which contains layered bushveld-style ultramafics with significant PGM, gold and base metal mineralisation, the adjacent Rudniye Gorki areas with gold bearing magnetite skarn and base metal sulphide mineralisation and the Yarshor-Laptayega area, with known gold and potential PGM mineralisation associated with the major thrust-fault zones.

As a portfolio of assets, WAI considers them to be strategically sound, and importantly, many properties have the potential for the discovery of significant gold resources as well as PGMs and other minerals. Clearly, to achieve this will require considerable effort and exploration expenditure, but PHM has embarked upon an aggressive programme of works to undertake this.

The Zapadnoye deposit is located approximately 35km due west from the railhead township of Harp. Harp can be accessed direct from Salekhard, (a distance of approximately 43km) by metalled road. Another route exists to the deposit from the north, via a very poor road that runs through the Makar-Ruz valley, a distance of approximately 22km, to a second railhead terminal, namely, Polar Ural Station. This deposit is located within the Rai-Iz ophiolite (ultrabasic) massif, 5km south-west of the similar but larger Tsentralnoye deposit being worked currently by OAO Kongor-Chrome.

The chromite ores at Zapadnoye are exclusively hosted within dunite intrusives and consist of NE-SW striking, steeply dipping (80-90°) tabular ore bodies. The mineralisation consists essentially of massive chrome-spinel (probably picotite) along with the gangue mineral olivine, occurring in thin reefs (0.3 – 4.0m in thickness) up to 550m in length, together with other lenses up to 50m in length.

Development of the deposit will be dependent upon logistics. In particular, a road will need to be constructed. There are two potential routes: either 22km northwards to the railway line, or 38km eastwards to the public road. Part of that route would be adjacent to and parallel with the Kongor-chrome private road, but it cannot be assumed that there will be permission to use this. Because of the rugged terrain this route would also require the construction of two bridges. The northward route would clearly be preferred, except for the fact that it lies across the mountain-tops and would be subject to severe weather conditions.

WAI consider that this deposit is still a 'greenfield site' and although it shares some commonality with the Central deposit which is currently being mined nearby, it has no immediate infrastructure (power, water supply or suitable access road) associated with it.

The ore deposit is tabular, with sub-vertical dip, and ore bodies plunge 35-45° sub-parallel with the slope of the hill. Within the ore body, there are three major ore zones, which have been evaluated to a depth of 450m (i.e. down to river level). Mineralisation is continuous, and the deposit is open at depth as well as laterally (into the mountain-side).

The ore bodies are open in all directions. They comprise essentially massive chrome-spinel occurring in thin reefs (0.3 – 4.0m) up to 550m in length, and lenses (up to 50m), which dip steeply (80 – 90°). Ores of this deposit are of a metallurgical type which makes them simple to process.

In 2002 exploration works were completed on the Zapadnoye deposit and GKZ approved the following reserves:

Zapadnoye GKZ Approved Reserves (2002)

(PHM Annual Report as at 1 January 2008)

Category	*Tonnage (t)*	*Grade ($\%Cr_2O_3$)*
C_1	492,200	38.71
C_2	1,164,100	37.77

Beyond the original evaluation of 1.6Mt of C_1 and C_2 reserves, P_1 resources of 4.5Mt are now established, as well as a further 1Mt of P_2 resources (lateral extension and deeper levels).

In March 2006, Yamal Mining received a 20 year exploration and mining licence on this deposit to exploit chromite ores. Drilling of a further 20 boreholes, totalling 5,000m was undertaken in 2006 to a depth of 530m. This concentrated on proving that the ore zones extended both to the east and west (flanks) of the deposit. Structural continuity and additional previously undefined ore zones have been confirmed from this drill programme, although drill spacing was not sufficiently closely spaced to allow definition of further C_1 reserves.

Considerable exploration potential exists, particularly for lateral strike extension to both existing structures and from blind as yet undiscovered targets.

Irgiredmet Russian Laboratory Research and Scientific Institutes

Irgiredmet (the "Institue") is one of the best known Russian laboratory research and scientific institutes. It was established in 1871 and functioned as the leading State research centre for gold mining in Russia and the former Soviet Union. The company provides R & D expertise, testwork and process optimisation for precious metals, base metals and diamonds. Activities range from preliminary investigations to process development and design, construction and commissioning of plants. With over 130 years of history, it has a wealth of information, intellectual capital and expertise, which gives it a leading position in the Russian gold mining industry.

The company was privatised in 1993 when 89 per cent. of the issued share capital was purchased by current and former employees. At present PHM hold a 99.84 per cent. equity holding in OSJC Irgiredmet. PHM intends to increase its stake in Irgiredmet to 100 per cent., implying a total valuation of the business of US$50 million.

The Institute is governed by a Scientific and Technical Council consisting of the Chief of Departments and Senior Specialists. The Council is split into three divisions – Engineering and Technical, Minerals Processing and Mining and Geology. The purpose of the council is to approve all reports produced by the various departments, including project evaluation and design work. The Council also approves internal funding for postgraduate research projects.

Irgiredmet's facilities consist of 10 specialised laboratories including a project design department, laboratory and pilot plant testing facilities, an analytical department, a commercial department and a marketing department.

A total of 270 staff is employed, of which eight are Senior Management. A total of 95 are employed as senior research personnel, 52 as engineers and 63 as technicians.

The work undertaken by Irgiredmet is licenced by the Ministry of Finance and the Ministry of Science and Education. Licences are also held for the undertaking of chemical and physical analyses (by the State Committee on Standards). Irgiredmet is also licenced to undertake Design Studies, Construction Management and Industrial Safety Studies.

Irgiredmet's detailed knowledge of State regulations with regards to mining project development also enables then to advise clients whether their projects are compliant with State legislation.

The total income for the company in 2006 was R513.5 million with a profit of R59.8 million. Of the non-laboratory departments, the Commercial Centre has the greatest income (R183.7 million). The Business Centre income is some R40.4 million. Of the laboratories, No. 7 has the greatest income at R105.5 million, followed by the Analytical Centre (R27.9 million).

In 2006 a total of 98 per cent. of the Institute's business came from within Russia. The CIS countries accounted for only 1.3 per cent. of income, with the majority coming from Kazakhstan. Foreign income (0.7 per cent.) was derived from Germany and Mongolia.

The Insitute has an established reputation and is certainly an excellent acquisition for PHM. The Institute will provide invaluable assistance in the preparation of technical studies, particularly in relation to State legislation compliance. The company is not, however, in a position to compete as a business entity on an international basis with other recognised laboratories, due to the tight restrictions on exporting and importing test samples to and from the Russian Federation.

Financial Analysis

WAI has conducted a financial analysis of PHM's mining operations over the next 2.5 years. A financial analysis model was constructed based on the production schedule provided by PHM which utilises the Russian Standard Classified reserves.

Summary of the PHM Group Financial Analysis

	Unit	*2008 Q3 and Q4*	*2009 Q1 – Q4*	*2010 Q1 – Q4*
Gold Produced	kg	5,828	15,910	25,014
Gold Produced	Tr. oz	187,395	511,576	804,309
Total Revenue	US$m	159.3	434.8	627.4
Total Capital Expenditure	US$m	72.1	142.5	100.2

Note:

2010 Revenue figures include US$24.2 million from aggregate sales.

The assets included in the above table are the reserves at Pokrovskiy, Pioneer, Malomir, Yamal and Placers Deposit. All have also been classified in accordance with the guidelines of the JORC Code (2004).

The gold price assumptions used in the cash flow model are as follows:

- Short Term (2008/2009) – US$850/oz.
- Medium Term (2010/2011) – US$750/oz
- Long Term (2012 and beyond) – US$650/oz.

The PHM Gold Production Forecast is shown in the following graph.

PART B

FINAL REPORT

MINERAL RESOURCE ESTIMATE FOR ANDREEVSKAYA, PIONEER LICENCE, AMUR REGION, RUSSIAN FEDERATION

March 2009
Ref: 61-0624
Final Version 2.0

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INTRODUCTION

The Andreevskaya ore zone lies to the southeast of the main Pioneer ore field, some 35km northeast of Pokrovskiy, and is accessed off the main sealed road from Khabarovsk to Chita, locally running from Tygda to the south. Administratively, Pioneer is located on the border between the Zeya and Magdagachi areas of the Amur Region, some 430km to the north of Blagoveshchensk.

GEOLOGY AND MINERALISATION

The Pioneer ore field, which occupies some 35km^2, is located at the northwestern edge of the Ushumun (Osezhiskiy) block faulted depression, comprising Jurassic terrigenous lithologies, underlain by Pre-cambrian formations of the Gonzha nappe, part of the Bureya unit. The depression is further complicated by plutonic rocks of the Umlekan-Ogodzha volcanic belt.

The host rocks for the mineralisation are sedimentary deposits of the upper Malm, as well as intrusive and subvolcanic rocks of upper Jurassic-Cretaceous age. Gold mineralisation is present in all of the various rock types.

The deposit comprises the three ore zones – Yuzhnaya (Southern), Promezhutochnaya (Intermediate) and Bakhmut, that form the Pioneer structure. In addition, the higher grade Andreevskaya zone is located 1.3km to the southeast of the Pioneer structure, whilst there are also a number of other small ore structures nearby, including Zvezdochka, Eastern, Western, Nikolayevskaya and Babayevskaya.

Local Geology of Andreevskaya

The Andreevskaya Zone is represented by sub-parallel and branching zones of mylonitisation and silification of sandstones, diorite porphyries and granite-porphyry. It has an east-northeast strike with a strike extension in excess of 3,000 metres and dips to southeast at between 60-70°. Gold is associated with sulphides and with arsenopyrite in particular, but mineralisation is non-refractory.

Morphology of the zone is complex and is characterised by pinch-and-swell structures. The thickness of the zone at surface varies from 4 metres to 16.3 metres, averaging 9.2 metres (visible thickness) and from drill hole data at depth, 6.4 metres (main zone thickness). Average grades of gold from trench data vary from 0.92g/t to 55.81g/t Au and from holes drilled in 2006 (total 36 holes) from 0.58 to 45.51g/t Au.

An extension of the zone has been established to the northeast on the left bank of the Ulunga River, where drill holes have intersected intensively silicified rocks.

An oxidised zone is traced to a depth of between 40 and 100 metres below surface.

Andreevskaya is currently subject to an open pit mining operation with its central area already to a depth of 50 metres from the original daylight surface (as on 1 January 2009).

The Central part of Andreevskaya was explored by drilling at a grid of 30x30 metres as well as by 4 metres spaced trenches dug during a pre-strip. Deeper levels and deposit flanks are explored by approximately 50x50 metres spaced drill holes and trenches.

STRUCTURAL INTERPRETATION AND WIREFRAME MODEL

It has been interpreted from examination of the cross sections and statistical plots that there are four distinct Au grade sub-populations at the Andreevskaya deposit as follows:

- Low grade (Au<0.3-0.6g/t);
- Normal Grade (Au from 0.3-0.6 to 5-8g/t);
- High Grade (Au>5-8g/t); and
- 'Bonanza' Grade (Au>300g/t).

The vast majority of the samples with potentially economic grades fall within the Normal and High grade groups. Two sets of wireframes were therefore constructed using 0.6g/t and 8g/t cut-off grades (COG) for the Normal Grade and High Grade domains respectively. These COG's were used more as a guide rather than rule and the hard boundaries were placed between the samples where grade drops sharply.

In order to simplify further statistical analysis and resource reporting, Andreevskaya was split into Central, Western and Eastern sectors as shown in Figure 19.1 below.

A total of 18 distinct wireframes were generated whereby the High grade wireframes are nested within the Normal grade.

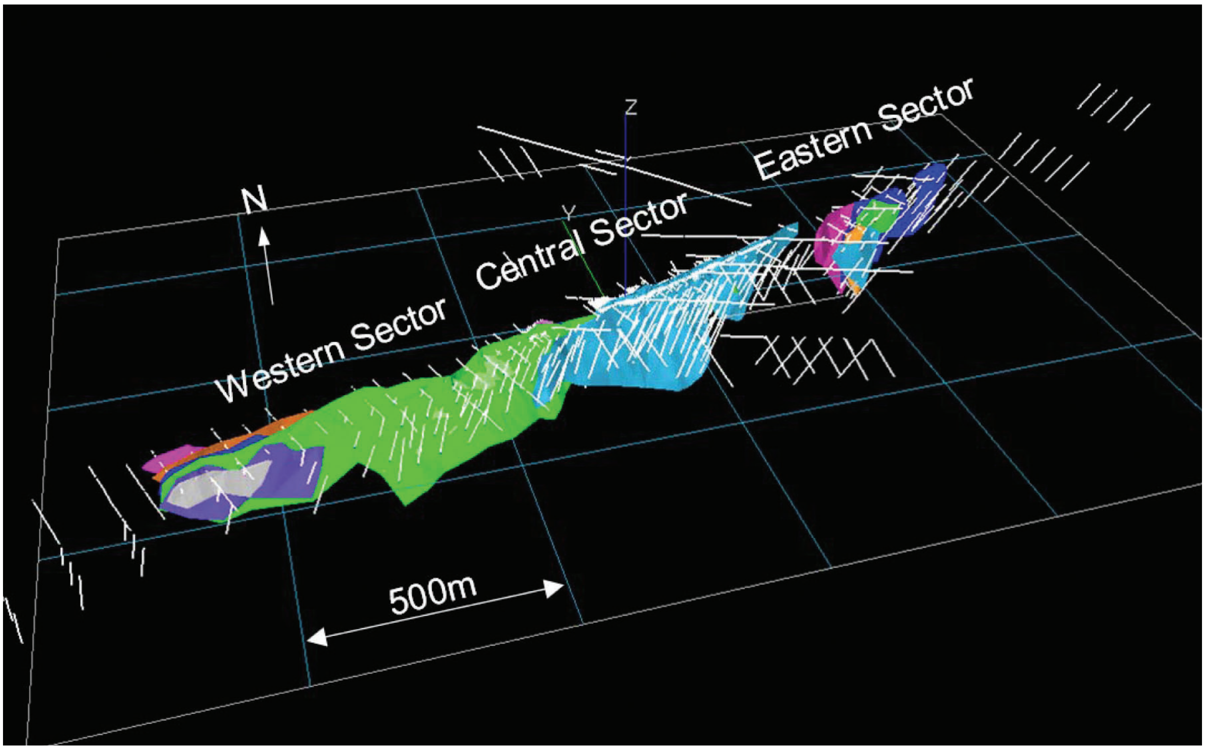

Figure 19.1: WAI Andreevskaya Wireframe Model (January 2009)

RESOURCE ESTIMATE

The resource estimate for Andreevskaya has been classified in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves JORC Code (2004).

The Andreevskaya gold deposit has been extensively explored by trenching and drilling. Part of the deposit has been mined from open pit and this material has been subject to grade control sampling. WAI considers that the amount and quality of data collected combined with data spacing is sufficient to classify the Andreevskaya mineral resources in the *Measured, Indicated* and *Inferred* categories.

Resource classification is based on drill hole spacing and semi-variogram ranges. *Measured* Mineral Resources were identified 30 metres below open pit floor. A second, smaller block of Measured delineated 30 metres below the pre-strip to the west from the open pit.

The Central part of the deposit, drilled at nominal 30x30 metres to 50x50 metres spacing and explored by trenches was classified as *Indicated.* A second smaller block of *Indicated* resources drilled at 50-60x50-60 metres drill hole spacing was identified on the eastern flank of the deposit. The remainder of the deposit is classified as an *Inferred* resource. All cells outside the wireframe model were classified as *Inferred* regardless of the drill hole spacing.

A summary of the Andreevskaya mineral resource at a 0.4g/t COG is provided in Table 19.1 below.

Table 19.1: Andreevskaya Mineral Resource at 0.4g/t Au COG (WAI January 2009)

		Gold Resource			*Silver Resource*		
Resource Category	*Tonnage*	*Grade*	*Contained Metal*		*Grade*	*Contained Metal*	
	(kt)	*(g/t Au)*	*(kg Au)*	*(oz Au)*	*(g/t Ag)*	*(kg Ag)*	*(oz Ag)*
Western Zone, Oxide Zone							
Measured	27.4	0.92	25.3	813	7.1	195.3	6,279
Indicated	281.9	4.87	1,373.6	44,162	14.5	4,083.0	131,273
Measured+Indicated	309.3	4.52	1,398.9	44,975	13.8	4278.4	137,553
Inferred	248.1	1.24	306.8	9,864	6.3	1,567.8	50,406
Western Zone, Primary Resources							
Measured	10.6	1.07	11.3	365	9.7	103.4	3,323
Indicated	638.7	2.29	1,461.5	46,990	10.6	6,790.2	218,310
Measured+Indicated	649.3	2.27	1,472.9	47,355	10.6	6,893.6	221,633
Inferred	2,336.1	1.06	2,474.5	79,556	3.3	7,798.0	250,711
Central Zone, Oxide Resources							
Measured	80.7	24.82	2,002.8	64,390	59.0	4,763.1	153,136
Indicated	55.2	17.82	982.8	31,598	30.3	1,672.8	53,782
Measured+Indicated	135.8	21.98	2,985.6	95,989	47.4	6435.9	206,917
Inferred	25.6	0.47	12.2	391	1.9	47.5	1,526
Central Zone, Primary Resources							
Measured	105.0	6.11	642.1	20,643	19.9	2,094.0	67,323
Indicated	1,003.5	5.19	5,209.3	167,482	12.5	12,508.3	402,152
Measured+Indicated	1,108.5	5.28	5,851.3	188,124	13.2	14,602.3	469,475
Inferred	364.6	0.60	217.4	6,990	3.0	1,088.7	35,003
Eastern Zone, Oxide Resources							
Indicated	244.8	3.49	853.0	27,426	7.4	1,812.1	58,260
Inferred	169.2	3.89	658.2	21,162	11.4	1,935.3	62,221
Eastern Zone, Primary Resources							
Indicated	116.1	2.28	265.2	8,526	7.1	823.3	26,470
Inferred	723.2	1.05	760.5	24,450	5.5	3,966.0	127,510
Total Andreevskaya							
Measured	223.7	11.99	2,681.4	86,211	32.0	7155.7	230,062
Indicated	2,340.1	4.34	10,145.4	326,183	11.8	27,689.8	890,247
Measured+Indicated	2,563.8	5.00	12,826.9	412,393	13.6	34,845.5	1,120,309
Inferred	3,866.9	1.15	4,429.5	142,412	4.2	16,403.3	527,377

Currently, PHM is mining the Andreevskaya deposit at a 0.8 g/t Au COG and for comparative purposes, a resource estimate at this COG is shown in Table 19.2.

Table 19.2: Andreevskaya Mineral Resource at 0.8g/t Au COG (WAI January 2009)

		Gold Resource			*Silver Resource*		
Resource Category	*Tonnage*	*Grade*	*Contained Metal*		*Grade*	*Contained Metal*	
	(kt)	*(g/t Au)*	*(kg Au)*	*(oz Au)*	*(g/t Ag)*	*(kg Ag)*	*(oz Ag)*
Western Zone, Oxide Zone							
Measured	14.0	1.22	17.1	550	7.9	110.3	3,547
Indicated	218.6	6.12	1,337.0	42,985	17.4	3,800.2	122,179
Measured+Indicated	232.6	5.82	1,354.1	43,535	16.8	3,910.5	125,726
Inferred	107.6	2.20	236.5	7,602	10.7	1,148.8	36,935
Western Zone, Primary Resources							
Measured	7.8	1.22	9.5	306	10.3	80.5	2,588
Indicated	362.2	3.61	1,307.7	42,045	15.1	5,481.1	176,222
Measured+Indicated	370.0	3.56	1,317.2	42,350	15.0	5,561.6	178,810
Inferred	351.6	4.05	1,424.2	45,789	10.4	3,653.0	117,445

Resource Category	Tonnage	Gold Resource Grade	Gold Contained Metal		Silver Resource Grade	Silver Contained Metal	
	(kt)	(g/t Au)	(kg Au)	(oz Au)	(g/t Ag)	(kg Ag)	(oz Ag)
Central Zone, Oxide Resources							
Measured	72.4	27.58	1,997.4	64,217	65.2	4,724.6	151,900
Indicated	49.9	19.63	979.5	31,491	33.1	1,650.7	53,071
Measured+Indicated	122.3	24.33	2,976.9	95,708	52.1	6,375.3	204,971
Inferred	–	–	–	–	–	–	–
Central Zone, Primary Resources							
Measured	78.1	8.02	625.6	20,114	25.4	1,982.9	63,752
Indicated	770.8	6.58	5,069.6	162,992	15.1	11,618.2	373,533
Measured+Indicated	848.8	6.71	5,695.2	183,106	16.0	13,601.1	437,286
Inferred	33.1	1.12	37.0	1,190	7.0	231.3	7,435
Eastern Zone, Oxide Resources							
Indicated	152.4	5.25	799.3	25,699	9.6	1,460.6	46,960
Inferred	46.1	12.88	593.9	19,093	32.7	1,508.6	48,502
Eastern Zone, Primary Resources							
Indicated	46.5	4.86	225.7	7,258	11.3	526.3	16,922
Inferred	124.1	3.41	422.8	13,592	13.1	1,624.4	52,226
Total Andreevskaya							
Measured	172.3	15.38	2,649.6	85,187	40.0	6,898.4	221,787
Indicated	1,600.2	6.07	9,718.9	312,470	15.3	24,537.1	788,887
Measured+Indicated	1,772.5	6.98	12,368.5	397,657	17.7	31,435.5	1,010,675
Inferred	662.4	4.10	2,714.3	87,267	12.3	8,166.0	262,543

PIT OPTIMISATION

Optimisation has been carried out using Earthworks NPV Scheduler® (version 3.4) software which uses a Lerch Grossman algorithm.

The economic and technical parameters used in the economic model have been supplied by the Client. Subsequently, WAI has reviewed these parameters and applied pit optimisation at three gold prices as summarised in Table 19.3 below.

Table 19.3: Andreevskaya Open Pit Optimisation Scenarios

Parameter	*Units*	*Scenario 1*	*Scenario 2*	*Scenario 3*
Gold Price	US$/oz	800	850	900
	US$/g	25.72	27.33	28.94
Mining Cost	US$/t	0.52	0.52	0.52
Additional Ore Mining Cost	US$/t	0.19	0.19	0.19
Processing Cost	US$/t	4.89	4.89	4.89
General and Administration	US$/t ore	0.25	0.25	0.25
Total processing cost	US$/t ore	5.14	5.14	5.14
Ore Cost	US$/t ore	5.33	5.33	5.33
Mining Dilution	%	97	97	97
Mining Loses	%	3	3	3
Slope Angles	°	40	40	40
Processing recovery	%	93	93	93
Additional Costs				
Royalty	% of in-situ value	6	6	6
	% of the revenue*	6.65	6.65	6.65
	US$/g	1.71	1.82	1.92
Refining and Transportation	% of revenue	1	1	1
	US$/g	0.26	0.27	0.29
Royalty + Refinery	US$/g	1.966	2.089	2.212
Economical cut off grade	g/t	0.23	0.22	0.20

* Note: royalty is adjusted for processing recovery and mining losses.

The *Inferred* resources were treated as waste and were excluded from the pit optimisation. The results of the pit optimisation are summarised in Table 19.4.

Table 19.4: Andreevskaya Open Pit Optimisation Scenarios

	Units	*Scenario 1*	*Scenario 2*	*Scenario 3*
Waste	mt	50.4	52.6	52.8
Ore Reserve	mt	2.2	2.28	2.3
Strip Ratio	–	22.9	23.1	22.9
Average Grade	g/t Au	5.51	5.35	5.31
In-Situ Metal	Kg Au	12,120	12,200	12,210
	oz Au	389,730	392,282	392,657

Reconciliation

Approximately 350kt of ore at an average grade of 15.3g/t Au, containing 5,350kg of gold, is reported by PHM to have been extracted from the open pit at Andreevskaya to 1 January 2009.

The modelled resources, according to WAI, at a 0.8g/t Au COG and to 1 January 2009 within the open pit is 268kt at a grade of 14.9g/t Au and containing 3,993kg of gold. Although there is good reconciliation for the average grade between the extracted material and the model, the tonnage and contained metal extracted is some 30 per cent. more than that estimated in the model. In addition PHM reports that the discrepancy between in-pit estimation and production data (through the plant) is around 3 per cent. in terms of contained metal and at a similar grade.

Review of the production measurements (pit outlines) reveals that volume discrepancy, and thus tonnage, stems from differences between the thicknesses recorded in the exploration intersections (drill holes and trenches) as used for the resource model and those established from the blast hole data. However, as with all reconciliation it is very time dependant in that it is typically poor over a short period and more precise over an extended period.

In reality, the situation at Andreevskaya is further compounded by the fact that the relatively small, but very high grade ore columns that have a huge impact on the total metal content of the orebody have either been poorly modelled, or remained undetected during exploration works. The outcome of this seems to be that current production grades are in excess of predicted grades and it is likely that this will continue, particularly in the higher grade ore zones where there is a greater likelihood of uncovering additional bonanza grade ore.

PART C

MINERAL RESOURCE ESTIMATE FOR QUARTZITIVOYE ORE ZONE, MALOMIR LICENCE, AMUR REGION, RUSSIAN FEDERATION

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Final Version 1.0

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Introduction

The Quartzitivoye ore zone lies directly to the north of the main Malomir ore zone, which itself is located within the Malomir licence in the Selemdja area of Amur Region, 80km to the west of the area's capital, Ekimchan and 35km to the north of Stoyba, the closest settlement to the deposit lies some 120km to the northeast of Fevralsk railway station on the Baikal-Amur line which passes through the city of Svobodniy.

Geology and Mineralisation

The Malomir licence is located within part of the Upper Selemdja gold area located in the Mongol-Okhotsk folded and thrust system of Palaeozoic age, which is sandwiched between the Eurasian and Amur lithospheric plates.

The area is composed of metamorphosed rocks of volcanogenic-terrigenous nature of Carboniferous age. The rocks comprise quartz-feldspar-carbonaceous-mica schist, quartz-feldspar-chlorite-amphibolite, and siliceous and argillo-calcareous schists with interlayers and lenses of marbleised limestone, sandstone, quartzite and vulcanite. All of the rocks are intensively sheared and variably folded and are metamorphosed to greenschist facies.

The flat-dipping tectonic "Diagonal" thrust zone within the Malomir ore zone has a thickness of 100-300 metres and extends for more than 6km and appears to have a major ore controlling influence. This zone, which appears fairly continuous, has been traced along strike from drilling for more than 1,500 metres and to a depth of 350 metres.

Local Geology of the Ore Zones

The mineralisation is hosted by zones of quartz metasomatism bounded by faults/shear zones and inferred sedimentary contacts with interbedded slates and phyllites.

Within Quartzitivoye, three ores zones have been identified. Ore zone No. 4 to the north, which strikes ENE-WSW dipping 85° to the south and ore zone No. 1, which strikes approximately E-W dipping 85° to the north, probably exhibit a shear-type structural style. Lying between them is ore zone No. 12 that strikes approximately NNW-SSE and appears to represent a sigmoidal shear zone lying between ore zone 4 and 1. The structure shows extension in the middle, where it is at its widest and dragging where it approaches the zones 4 and 1.

The mineralisation seems to be generally low grade, but can be thick (averaging around 14 metres) and sometimes has intensive sulphide mineralisation (up to 5 per cent.) generally represented by pyrite. The sulphide content of the mineralisation fluctuates from single grains to 2-5 per cent. and can be considered as non refractory.

The Quartzitovoye area has now exposed some high grade areas (30 metres at 30.0g/t Au) and this area has been pre-stripped over an area of approximately 1.6ha. Initial interpretation suggests that there are 2 mineralised branches that display higher grades at their juncture over several 10's of metres.

Metallurgical samples have been retrieved from drill hole samples (diamond core) and initial testwork results are encouraging. This area differs from the main Malomir zone in that visible gold, in the form of coarse single grains is evident.

Domaining

Three main domains have been modelled for the Quartzitivoye ore zone No. 12 and comprise:

1 A southern domain (WAI – Zone 1);

2 A central domain (WAI – Zone 2); and

3 A northern domain (WAI – Zone 3).

These domains have been modelled using a grade cut-off of 0.2g/t Au. In addition, a fourth separate high grade domain Zone 2 (HG) has been identified within the central domain (WAI – Zone 2) and this has been modelled using a grade cut-off of 2g/t Au (see Figure 19.2).

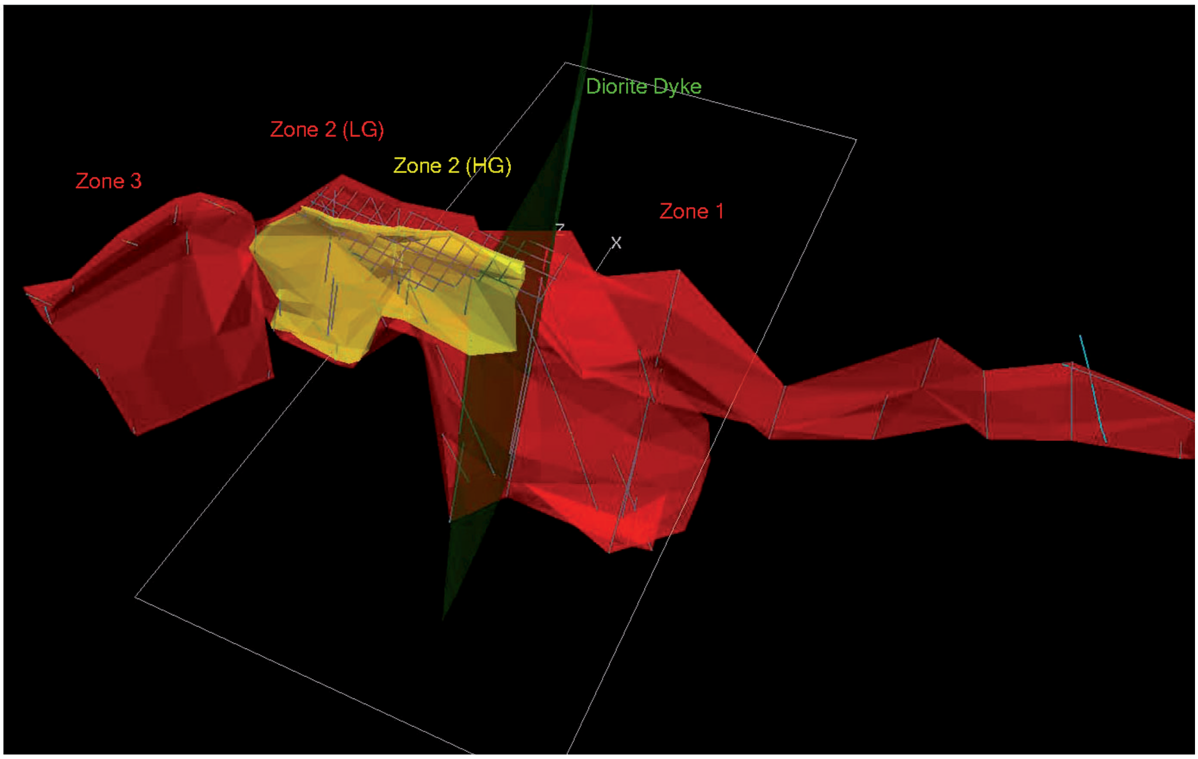

Figure 19.2: Wireframes Generated for Quartzitivoye Ore Zone No. 12

Resource estimate

WAI has undertaken the Mineral Resource estimation for the Quartzitivoye Ore zone in January – February 2009 enlisting Datamine® mining software. A database was prepared by PHM technical staff.

The core recoveries reported in the database range from 83.5 per cent. to 100 per cent. with an average core recovery of 96.5 per cent. reported. The recoveries are considered to be very good; therefore no additional data processing as a result of core recovery has been carried out.

Removal of outliers from the dataset was carried out using probability, statistical and decile analysis. Each analysis was carried out to honour the domain boundaries.

The resource estimate for Quartzitivoye ore zone No. 12 has been classified in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves JORC Code (2004). The estimates have been produced at a range of cut-off grades and are shown by domain in Table 19.5 below.

Table 19.5: WAI Mineral Resource Estimate for Quartzitivoye (Zone 1-3) as at 8 February 2009

JORC Classification	*Volume (m^3)*	*Density (t/m^3)*	*Tonnage (t)*	*Grade (g/t Au)*	*Contained Metal (kg)*	*(oz)*
ZONE 1						
COG of 0.80g/t Au						
Inferred	679,337	2.60	1,766,275	1.39	2,447.6	78,692
COG of 1.10g/t Au						
Inferred	349,171	2.60	907,845	1.82	1,649.5	53,033
COG of 1.50g/t Au						
Inferred	154,342	2.60	401,289	2.52	1,012.3	32,546

JORC Classification	*Volume (m³)*	*Density (t/m³)*	*Tonnage (t)*	*Grade (g/t Au)*	*Contained Metal (kg)*	*(oz)*
ZONE 2						
COG of 0.80g/t Au						
Measured	12,765	2.60	33,188	2.31	76.7	2,466
Indicated	46,902	2.60	121,945	2.26	275.8	8,867
Inferred	250,719	2.60	651,870	8.50	5,540.8	178,141
COG of 1.10g/t Au						
Measured	8,188	2.60	21,289	3.07	65.3	2,099
Indicated	34,611	2.60	89,988	2.72	245.2	7,883
Inferred	195,285	2.60	507,742	10.65	5,408.6	173,890
COG of 1.50g/t Au						
Measured	4,216	2.60	10,963	4.76	52.2	1,678
Indicated	19,708	2.60	51,242	3.82	195.7	6,292
Inferred	168,660	2.60	438,517	12.14	5,321.5	171,090
ZONE 3						
COG of 0.80g/t Au						
Inferred	39,195	2.60	101,907	1.92	195.2	6,276
COG of 1.10g/t Au						
Inferred	32,283	2.60	83,935	2.12	178.2	5,729
COG of 1.50g/t Au						
Inferred	24,936	2.60	64,834	2.36	153.3	4,929

Note:

Zones 1 and 3 possess no Measured or Indicated resources.

Pit Optimisation

Pit optimisation has been carried out to allow scheduling scenarios to be performed on the optimised pit.

The economic parameters have been supplied by the Client. However, WAI has assigned mining dilution and mining recovery factors that are considered to be appropriate. These are shown in Table 19.6 below.

Table 19.6: Optimisation Parameters

Waste Mining	0.52 (US$/t)
Ore Mining	0.71 (US$/t)
Mining Recovery	97.0 (%)
Mining Dilution	5.0 (%)
Processing Cost	4.89 (US$/t)
Processing Recovery	93.0 (%)
G & A Cost	0.25 (US$/t)
Royalty Payment	6.0 (%)
Refining and Transport Charge	1.0 (%)
Environmental Cost	0.10 (US$/t)
Gold Price	800/850/900 (US$/oz)

Given the uncertainty of some of these parameters at this time, WAI believes that the output from the optimisation process should be termed a "Conceptual Reserve".

A vertical cost adjustment of US$0.05 per bench below 585 metres level has been applied during the optimisation. Above this elevation, no additional cost adjustment has been applied. A constant slope angle of 45° has been applied during the optimisation. An annual discount rate of 15 per cent. has been used during the optimisation and has been estimated by WAI.

The Economic cut-off grades (ECOG) have been derived from the optimisation process and are considered the minimum grade for economic extraction.

Optimised Conceptual Reserve Estimates

The results of optimisation at a US$800/oz gold price for COG of 0.32 and 0.80g/t Au are shown in Table 19.7 below.

Table 19.7: WAI Optimised Conceptual Reserve Estimate for Quartzitivoye No. 12 Ore Zone as at 8 February 2009 using US$800/oz Au Price

JORC	*Tonnage*	*Grade*	*Contained Metal*	
Classification	*(t)*	*(g/t)*	*(kg)*	*(oz)*
COG of 0.32g/t Au (ECOG)				
Measured	58,984	1.52	89.7	2,884
Indicated	195,678	1.61	315.0	10,127
Inferred	2,967,858	2.68	7,953.9	255,723
COG of 0.80g/t Au				
Measured	33,188	2.31	76.7	2,466
Indicated	121,945	2.26	275.6	8,861
Inferred	1,670,382	4.30	7,182.6	230,926

The results of optimisation at a US$850/oz gold price for COG of 0.30 and 0.80g/t Au are shown in Table 19.8 below.

Table 19.8: WAI Optimised Conceptual Reserve Estimate for Quartzitivoye No. 12 Ore Zone as at 8 February 2009 using US$850/oz Au Price

JORC	*Tonnage*	*Grade*	*Contained Metal*	
Classification	*(t)*	*(g/t)*	*(kg)*	*(oz)*
COG of 0.30g/t Au (ECOG)				
Measured	59,918	1.51	90.5	2,910
Indicated	197,607	1.60	316.2	10,166
Inferred	3,039,677	2.63	7,994.4	257,026
COG of 0.80g/t Au				
Measured	33,188	2.31	76.7	2,466
Indicated	121,945	2.26	275.6	8,861
Inferred	1,672,380	4.29	7,174.5	230,665

The results of optimisation at a US$900/oz gold price for COG of 0.28 and 0.80g/t Au are shown in Table 19.9 below.

Table 19.9: WAI Optimised Conceptual Reserve Estimate for Quartzitivoye No.12 Ore Zone as at 8 February 2009 using US$900/oz Au Price

JORC	*Tonnage*	*Grade*	*Contained Metal*	
Classification	*(t)*	*(g/t)*	*(kg)*	*(oz)*
COG of 0.28g/t Au (ECOG)				
Measured	60,814	1.49	90.6	2,913
Indicated	199,524	1.58	315.2	10,134
Inferred	3,104,348	2.59	8,040.3	258,501
COG of 0.80g/t Au				
Measured	33,188	2.31	76.7	2,466
Indicated	121,945	2.26	275.6	8,861
Inferred	1,672,803	4.29	7,176.3	230,723

Scheduling

Scheduling for the Quartzitivoye No. 12 ore zone has been carried out using a gold price of US$800/oz and a minimum ore tonnage target of 720kt per annum. One year of production has been scheduled at cut-off grades of 0.32 and 0.80g/t Au for comparative purposes as shown in Table 19.10 below. It should be noted that the estimate for a COG of 0.32g/t Au is the economic cut-off grade for this scenario.

Table 19.10: Mining Schedule For One Year Production at 0.32 and 0.80g/t COG's

JORC Classification	*Tonnage (t)*	*Grade (g/t)*	*Contained Metal (kg)*	*(oz)*
0.32g/t Au COG (also representing the ECOG)				
Measured	58,984	1.52	90	2,894
Indicated	185,027	1.66	307	9,870
Inferred	537,010	4.45	2,390	76,840
0.80g/t Au COG				
Measured	33,188	2.31	77	2,476
Indicated	121,177	2.27	275	8,841
Inferred	610,850	7.39	4,514	145,128

PART D

FINAL REPORT

TECHNICAL REVIEW OF THE FEASIBILITY STUDY FOR THE KIMKAN & SUTURA AND GARINSKOYE IRON ORE PROJECTS, FAR EAST RUSSIAN FEDERATION

EXECUTIVE SUMMARY

December 2008
Ref: 61-0571
Final Version 4.0

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EXECUTIVE SUMMARY

Introduction

Wardell Armstrong International Limited ("WAI") has been commissioned by Morgan Stanley ("Morgan Stanley" the "Client") to prepare a Technical Review ("Review") of the Feasibility Study for Kimkan and Sutara and Garinskoye iron ore projects held by Aricom Plc (the "Company") in the Far east of the Russian Federation:

WAI in its capacity as Independent Expert, for the lenders, has completed a full review of all the key study documentation including; Mineral Resources and Ore Reserves, the mining, processing and engineering methods; an environmental and social impact analysis and capital and operating costs.

Aricom was formed in late 2003 in order to develop the Kuranakh ilmenite and titanomagnetite deposit, situated in the north west of the Amur Region, in Russia's Far East. This deposit was acquired in December 2003 from Peter Hambro Mining plc, the gold mining company.

Aricom is developing a portfolio of mineral assets in Russia's Far East, with a focus on iron ore and ilmenite for the high-growth markets of China. The company now owns, or has the right to acquire, interests in four deposits in the Far East of Russia – the Kuranakh and Bolshoi Seym iron ore and ilmenite deposits in the Amur Region, the Garinskoye iron ore project in the Amur Region and the Kimkanskoye (Kimkan) and Sutarskoye (Sutara) iron ore deposit in the Evreyskaya Avtonomnaya Oblast (EAO).

Production at Kuranakh commenced in late 2007, and is expected to start at Kimkan in early 2010 and at Garinskoye in 2012.

Aricom plc is traded on London's UKLA Main listing. The company is headquartered in London, with a board of directors composed of UK and Russian citizen. Aricom's shareholders include large institutional investors.

Background

Kimkan and Sutara

Kimkanskoye and Sutarskoye (Kimkan and Sutara) are large magnetite iron ore deposits. Aricom are presently at the Feasibility study stage of development; with operations planned to commence in 2010. The Pre-feasibilty study highlighted that the project benefits from excellent access to the transport infrastructure in Russia, realising significant potential cost advantage versus global peers.

The two deposits host a large resource and reserve base that it is reasonable to suggest will be operational in 2010 and will demonstrate highly positive economics.

Location and Access

The Kimkan and Sutara iron ore deposits, which were first identified in the 1950s and 1960s, are located in the Obluchenski district of the Evreyskaya Avtonomnaya Oblast (EAO – The Jewish Autonomous Region) of the southwestern part of the Russian Far East (***Error! Reference source not found***. and ***Error! Reference source not found.***). The EAO borders the Amur Region to the west; China to the south and east and the Khabarovsk Territory on the east and north. On the south its border coincides with the Amur River and the state frontier between the Russian federation and the People's Republic of China. The region has convenient geographic situation. It's close to the rim of the Pacific Ocean and its main economic partners. The Trans-Siberian railway crosses the region. It connects Western Europe and Middle East with countries of the Asian-Pacific Rim.

The Kimkan and Sutara deposits are located at a distance of 4km to the west and 17km to the south respectively from the Izvestkovaya railroad station on the Trans-Siberian Railway. This proximity to the Trans-Siberian railway provides significant logistical advantages, which enhances the commercial attractiveness of the site. The Sutara deposit is situated at a distance of approximately 10km south of Kimkan deposit. Energy will be supplied by a power transmission line, which is situated near the planned mine of Kimkan.

The climate in the EAO is monsoonal/anti-cyclonic, with warm, wet, humid summers due to the influence of the East Asian monsoon; and very harsh, cold, dry, windy conditions prevailing in the winter months courtesy of the vast Siberian high-pressure system.

The deposits are located in mountainous taiga terrain with sloping upland and wide marshy valleys. The rolling hills in the Kimkan area reach a height of approximately 800m (250m higher than the deposit itself). For the most part, Sutara is situated in the valley floor with a surface elevation of about 250m.

Permitting

The Kimkan licence covers an area of 22.4km^2 and extends to a depth of 400m.

This licence No. BIR 13475 TE was issued to Rubicon on 16 February 2006 and re issued to KS GOK under number No. BIR 14037 TE on 27 April 2007 by Rosnedra and is valid until 30 December 2025 and is renewable with the consent of the licensing authority. Licence No. BIR 14037 TE has been amended under the Addendum No.1 to the licence as of 31 March. Under this licence, KS GOK has the right to extract iron ores within the licensed territory of Kimkan ferruginous quartzite deposit situated in the Obluchensky district, 4km to the SW of the railway station Izvestkovaya in the EAO. Under the licence KS GOK must ensure the following:

a) Technical development plan in relation to the deposit, shall be agreed with the licensing authorities subject to state ecological expertise and expertise of the industrial safety not later than 30 December 2009;

b) Construction of infrastructure objects of the processing plant shall be commenced not later than on 30 December 2010;

c) Extraction of iron ore shall commence not later than on 30 December 2011 with an extraction rate of 5Mtpa by 30 December 2012. KS GOK has paid a licence fee of 136,500,000 RUR; 11,433,000 RUR for geological information, a licence issue fee of 8,000 RUR and a licence issue fee for the re-issued licence of 9,300 RUR to the issuing authority in respect of the Kimkanskoye licence. KS GOK will have to pay the mineral extraction tax at the rates calculated on the basis of the rules currently set out in Chapter 26 of the Russian Tax Code and other types of payments and taxes envisaged by applicable Russian legislation;

d) To agree industrial safety, protection of subsoil and environmental measures with the Territorial Department of Rostekhnadzor in Jewish Autonomous Region and Department of Agency on Subsoil Use for the Jewish Autonomous Region (Birnedra) should the works temporarily stop for a period up to 6 months (without mine conservation); and

e) Preparation and agreement of the mine closure project, no later than 6 months before planned cessation of works at the mine.

The Sutara licence covers an area of 27km^2 and extends to a depth of 500m.

This licence No. BIR 13476 TE was issued to Rubicon on 16 February 2006 and re issued to KS GOK under number No. BIR 14038 TE on 27 April 2007 by Rosnedra, and is valid until 30 December 2025 and is renewable with the consent of the licensing authority. Under this licence, KS GOK has the right to explore for and extract iron ores within the licensed territory of Sutarskoye ferruginous quartzite deposit situated in the Obluchensky district, 10 km to the South-West of the railway station Izvestkovaya in the EAO.

Under the licence KS GOK must ensure the following:

a) Geological study works project shall be drafted and agreed with the licensing authorities subject to state ecological expertise not later than on 30 December 2006;

b) Geological study works shall be commenced not later than on 30 March 2007;

c) Completion of the geological exploration works, providing feasibility study report and geological report with calculation of reserves of the deposit to the state expertise not later than 30 December 2010;

d) Technical development plan shall be agreed with the licensing authorities subject to state ecological expertise and expertise of industrial development not later than on 30 December 2011;

e) Construction of infrastructure objects of the processing plant shall be commenced not later than on 30 December 2012; and

f) Extraction of iron ore shall commence no later than on 30 December 2013 with an extraction rate of 5Mtpa by 30 December 2014. KS GOK has paid a licence fee of 157,500,000 RUR, payment for geological information amounting to 10,000 RUR, a licence issue fee of 8,000 RUR and a licence issue fee for the re-issued licence of 9,300 RUR payable to the issuing authority in respect of the Sutarskoye licence. KS GOK will also have to pay an annual fee for each square kilometre of the licensed area for the period up to the start of industrial production.

WAI believes the licenses to be in good order and all requirements have either been satisfied or will be satisfied as the projects develop.

Garinskoye

In October 2006 Rosnedra (the Federal Subsoil Service, Russian Federation) initiated a tender for the licence to mine iron ore at the Garinskoye deposit. The supporting documentation estimated that the deposit contained iron ore reserves and resources of 388.8Mt in the Russian categories A, B, and C with an average grade of 41.3 per cent. Of the A, B and C1 category reserves, 39 per cent. (82.5Mt) were defined as 'rich ore' and contained an average grade in excess of 50 per cent. Fe.

As magnetite is the predominant source of iron at Garinskoye it could be concentrated using a simple magnetic separation that will result in initial production of standard iron ore fines averaging approximately ±65 per cent. iron. This could then be developed into a number of premium products including standard pellets, direct reduced iron ('DRI'), or pig iron.

Aricom currently owns 99.58 per cent. of Garinskoye (remaining 0.42 per cent. is owned by local partners).

A description of the steps in the acquisition of 99.58 per cent. in Lapwing Limited by Aricom is as follows;

1) Pursuant to the Agreement between certain shareholders relating to Lapwing Limited as of 29 March 2007 Aricom UK Limited subscribed for 20,220,000 shares (60 per cent. of the issued share capital) of Lapwing Limited and Olis Constructions Limited agreed to grant Aricom UK Limited an option to acquire 25 per cent. holding in Lapwing Limited;

Following this Agreement:

a) On 7 August 2007 Aricom UK Limited received the consent of the Federal Antimonopoly Service of the Russian Federation to acquire 85 per cent. (60 per cent. + 25 per cent.) of the issued share capital of Lapwing Limited;

b) the 15 per cent. shareholders did not exercise their right to subscribe for additional shares offered to them during the share capital reorganization;

c) upon the share capital reorganization 19,620,000 shares were allotted and issued and 600,000 shares were transferred from Olis Constructions Limited to Aricom UK Limited resulting in Aricom UK Limited holding of 20,220,000 Shares; and

d) As a result the interest of 15 per cent. shareholders was diluted and the holding of Aricom UK Limited in Lapwing Limited reached 70.22 per cent.

2) Pursuant to the Agreement on sale and purchase of a 29.26 per cent. per cent. interest in the issued share capital of Lapwing Limited as of 13 December 2007 Aricom Plc agreed to buy 8,425,000 shares (29.26 per cent.) in Lapwing Limited subject to shareholders approval;

3) On 25 January 2008 PBO Handelsges M.B.H. (one the minority shareholders) transferred 30,000 shares (0.1 per cent.) in Lapwing Limited to Aricom UK Limited;

4) On 15 February 2008 Olis Constructions Limited transferred 8,425,000 shares (29.26 per cent.) in Lapwing Limited to Aricom Plc;

5) On 23 May 2008 Aricom UK Limited transferred 30,000 shares (0.1 per cent.) in Lapwing Limited to Aricom Plc; and

6) On 3 October 2008 the holding of Aricom Plc (29.36 per cent.) in Lapwing Limited was registered in the name of Aricom UK Limited, which resulted in Aricom UK Limited' total holding in Lapwing Limited of 99.58 per cent.

Aricom currently believes that the project could be in full production by 2011.

Location and Access

The Garinskoye iron ore deposit is situated in the Mazanovsky Administrative District, Amur region and lies approximately 300km from the regional capital of Blagoveschensk. Garinskoye is some 140km northeast from the city of Shimanovsk, on the Trans Siberian railway, and 65km southwest of the Baikal-Amur main railway line. The nearest community is the Maiski settlement, 45km to the southeast.

The region has a continental climate with long, cold winters (to -47°) with light snow and hot, wet summers (to +39°). The average annual precipitation is 450mm, 70 per cent. of which falls in the summer season between May and September.

The deposit lies alongside the Gar River, a tributary of the Orlovka (Mamyn) River. The terrain is undulating with slightly sloping hills separated by broad, flat marshland. Elevations range from 250m to 500m, with the relative altitude over the valley bottom varying from 50m to 120m.

Permitting

The Garinskoye licence covers an area of 11.2km^2.

Licence No. BLG 13893 TE was issued to LLC "Amurmining" on 27 December 2006 (following the tender for the licence for the extraction of iron ores within the Garinskoye iron-ore deposit in the Mazanovsky District in the Amur Region, which was held on 5 December 2006) and was re-issued to Garinsky (GGMK) under number No. BLG 14123 TE on 19 June 2007 by Rosnedra. Licence No. BLG 14123 TE is valid until 31 December 2026 and is renewable with the consent of the licensing authority. Under the Licence, Garinsky has the exclusive right to extract iron ores within the licensed territory of Garinskoye iron-ore deposit situated in Mazanovsky district, on the left bank of the river Gar, 28km from its entry, 140km to the NE from the Svobodniy and 80-90km from BAM railway and railway branch Shimanovsk-Chagoiyan in the Amur Region. The licence term is until 31 December 2026 and is renewable with the consent of the licensing authority. Under the licence GGMK must ensure the following:

a) Technical development project in relation to the deposit shall be agreed with the licensing authorities subject to state ecological expertise and expertise of the industrial safety by 1 January 2010;

b) Construction of infrastructure objects of the ore mining enterprise shall be commenced not later than 1 January 2011;

c) Beginning the commercial development of the ore not later than 1 January 2012;

d) beginning of the exploitation of the ore mining enterprise with the rate of production envisaged by the technical project (but not less than 10Mt of ore per year) not later than 1 January 2013; and

e) Commencing the production in the amount stipulated by the project (but not less than 1Mt of crude iron per year) by 1 January 2018.

The licensee has made the following payments in relation to the issue of the licence and subsoil use within the licensed area: a licence fee of 500,000,000 RUR, payment for geological information (the amount of such payment depends on the volume of acquired information), a licence issue fee amounting to 8,000 RUR, a licence issue fee for the re-issued licence of 8,500 RUR, mineral extraction tax (at the applicable rate during the extraction stage), water tax, in case of extraction of the ground waters during the subsoil use (at the applicable rate) and other types of payments and taxes envisaged by applicable Russian legislation.

Co-ordinates for the licence outline are given below.

Co-ordinates of the Garinskoye Licence Boundary

Point No.	*Northing (N)*	*Easting (E)*
1	52°35’00”	129°05’30”
2	52°36’45”	129°09’30”
3	52°35’45”	129°10’30”
4	52°34’00”	129°06’30”

WAI believes the Garinskoye license to be in good order and all requirements have either been satisfied or will be satisfied as the project develops.

Geology

Kimkan and Sutara

The Kimkan and Sutara iron ore deposits are situated within the South Malo-Khingansky metallogenic belt of the Jewish Autonomous area of the Khabarovsk Territory. The iron ore field is hosted within a geosyncline of the Bureinskom massif containing metamorphic volcano-sedimentary units of Early Cambrian age.

The ore bearing formations include dolomites, phyllite schists and ferruginous quartzites striking N-S for 150km with widths of 10-40km.

The Khingansky formations have been folded into steep linear folds with an N-S striking fold axis. As such the ore bodies are steeply dipping and are often dislocated by E-W trending fault zones. 17 deposits have been identified, and the focus of this investigation is based upon the Kimkan’s Central and Western zones, and the Sutara Southern zone, containing ore bodies 1, 2 and 3.

The ore bearing formations of the Kimkan deposit consist of schists, dolomites, ferruginous quartzites and carbonates of the Nadrudnogo horizon. Overburden consists of loose quaternary deposits and is approx. 1-30m in thickness. 8 distinct ore zones have been identified, with the central zone containing half of the deposits reserves. Individual zone strike lengths vary from 850-3,600m with thicknesses up to 60m and having a dip of 60-85º. The ore is mainly magnetite and haematite magnetite with an average iron content of 35.7 per cent.

The Central and Western zones have been divided tectonically into three parts by E-W strike slip faulting. The Central zones ore bodies consist of Proterozoic banded iron formations 2-60m in width and have been intensely folded into a major anticlinorium. Drilling has revealed a mineralised depth of 200-400m.

The Sutara deposit can be traced for 14km in a NE direction and has a width of 2-2.5km. The deposit contains three distinct ore zones with strike lengths varying 800-3,600m, and widths of 20-75m to 220-240m separated by E-W faulting. The predominant mineral content is magnetite and silicate magnetite with an average iron content of 33 per cent.

The southern zone has been the focus of exploration activity and strikes approx. 6km. Overburden for the Southern zone is 2-20m but reaches up to 190m in thickness which is thought to be the resulting factor of a downthrown fault graben. This zone contains 3 ore bodies with the majority of the resources held within ore body 1. Ore body 2 contains a low proportion of resources, and while ore body 3 contains a moderate quantity of resources, it has a complex morphology.

Garinskoye

The Garinskoye deposit is hosted within metamorphic Proterozoic and Lower Cambrian minerals enclosed by intrusive gabbros and granite formations. The ore bearing assise* has an apparent thickness of 1000-1200m with minerals having been exposed to contact metamorphism, and in parts have been transformed into skarns and skarn associated minerals.

The deposit is hosted within the synclinal fold with a NE striking fold axis. The ore belt has a length of 4km and widths varying 5-450m. The ore belt is divided into 3 areas; Central, Eastern and Western.

The ore bodies are all generally steeply dipping (70-80º) and consist of tabular lens like bodies. These beds, when in close proximity, form 3 ore clusters. The largest contains 75 per cent. of resources and is a cluster of 24 ore bodies with strike lengths of 80-1500m and thicknesses of 1.6-49m. The average iron content for all deposits is 41.7 per cent. while the high grade ore (Central zone) having an average iron content of 55.68 per cent.

Mineral Resources

Kimkan and Sutara

Aricom Mineral resources for Kimkan and Sutara have been prepared in accordance with the JORC Code (2004). The Kimkan resources have been estimated by RJC Consulting 2008 using Micromine® software and subsequently reviewed by WAI using Datamine® software. Mineralisation was defined using a 17 per cent. Fe_{total} cut off grade and geostatistics carried out for each ore body grades were subsequently estimated using inverse power distance squared, a summary of the results at 25 per cent. Fe_{total} and 27 per cent. Fe_{total} cut off grades are shown in the tables below.

Kimkan Mineral Resources at 25 per cent. Fe_{total} COG (RJC 2008)

Ore Body	*Classification*	*Volume (000m³)*	*Tonnage (kt)*	*Fe_{total} (%)*	*Contained Fe_{total} (kt)*
Central Zone	Indicated	29,165	99,665	34.31	34,195
	Inferred	4,437	14,977	33.25	4,980
Western Zone	Indicated	15,624	51,060	33.49	17,100
	Inferred	13,155	43,044	33.63	14,476
Maisky Zone	Indicated	4,854	15,101	32.01	4,834
	Inferred	6,660	20,692	31.86	6,592
Sovkhoznyi Zone	Inferred	1,442	4,408	30.17	1,330

Kimkan Mineral Resources at 27 per cent. Fe_{total} COG (RJC 2008)

Ore Body	*Classification*	*Volume (000m³)*	*Tonnage (kt)*	*Fe_{total} (%)*	*Contained Fe_{total} (kt)*
Central Zone	Indicated	27,989	96,018	34.62	33,241
	Inferred	4,113	13,970	33.76	4,716
Western Zone	Indicated	15,444	50,523	33.57	16,961
	Inferred	12,899	42,276	33.76	14,272
Maisky Zone	Indicated	4,687	14,613	32.20	4,705
	Inferred	6,532	20,316	31.97	6,495
Sovkhoznyi Zone	Inferred	1,418	4,339	30.23	1,312

WAI has reviewed the resource model for Kimkan produced by RJC and is satisfied it has been undertaken in a reasonable manner. Resources at Sutara were estimated using Datamine® software with the estimation being undertaken by WAI in 2008. A summary of the estimated resources at 24 per cent. Fe_{total} and 27 per cent. Fe_{total} are shown in the tables below.

Summary of Sutara Ore Body 1 Mineral Resources at a 24 per cent. Fe_{total} COG (WAI July 2008)

Classification	*Volume (000m³)*	*S.G (t/m³)*	*Tonnage (kt)*	*Fe_{total} (%)*	*$Fe_{magnetite}$ (%)*	*Contained Fe_{total} (kt)*
Indicated	72,945	3.40	248,011	30.90	20.14	76,635
Inferred	17,117	3.40	58,197	30.92	20.53	17,995

Summary of Sutara Ore Body 1 Mineral Resources at 27 per cent. Fe_{total} COG (WAI July 2008)

Classification	*Volume (000m³)*	*S.G (t/m³)*	*Tonnage (kt)*	*Fe_{total} (%)*	*$Fe_{magnetite}$ (%)*	*Contained Fe_{total} (kt)*
Indicated	65,940	3.40	224,195	31.44	20.56	70,487
Inferred	15,626	3.40	53,128	31.42	20.87	16,693

Garinskoye

The resources at Garinskoye have been estimated by RJC Consulting using Micromine® software. Classification of resources has been carried out in accordance with Russian Standards, a summary of the global resources estimated are shown in the table below.

Garinskoye Mineral Resources (RJC 2008)

Classification	*Tonnage (Kt)*	*Fe*	*Average Grade (%) S*	*P*
Balanced Resources				
B	92,100	36.4	0.98	0.20
C_1	128,900	35.5	1.05	0.21
$B+C_1$	221,000	35.9	1.02	0.21
C_2	128,400	33.6	1.20	0.22
TOTAL	349,400	35.0	1.00	0.21
Out-of-balance Resources				
B	8,500	18.1	1.00	0.20
C_1	14,500	18.2	0.98	0.20
$B+C_1$	23,000	18.2	0.99	0.20
C_2	18,500	18.1	1.06	0.24

WAI has reviewed the Garinskoye resource model produced by RJC and is satisfied it has been undertaken in a reasonable manner. It is the opinion of WAI that the balance B and C_1 Resources reported by RJC approximate *Indicated* Resources under the JORC Code (2004) guidelines. The C_2 Resources correspond to *Inferred* Resources under the JORC Code (2004) guidelines. WAI carried out its own estimation based on the geological interpretation and block model produced by RJC, whilst using variograms established by WAI.

The results of this comparison are shown in the table below and illustrate how the Russian Standard Classified resources would approximate to Mineral Resources estimated under the guidelines of the JORC Code (2004). It should be noted that a resource estimation following the JORC Cide (2004) guidelines has yet to be undertaken.

WAI Global Estimated Garinskoye Resources Based on RJC Prototype Model (WAI 2008)

Comparable Classification	*Volume (000³)*	*Tonnage (kt)*	*Density (t/m³)*	*Fe_{total} (%)*	*Contained Fe_{total} (kt)*
Indicated	68,466	219,858	3.50	32.03	70,421
Inferred	44,702	155,936	3.49	29.29	45,674

Mining

Kimkan and Sutara

The Kimkan and Sutara deposits are at an early stage of development with no active mining currently taking place. A large iron resource has been identified and preliminary mine design and optimisation completed. Three open pit mines are planned to exploit the deposits; Kimkan West, Kimkan Central and Sutara. Conventional open pit mining is planned for the deposits.

Ore Reserves

The estimated open pit ore reserves for each of Central Kimkan, West Kimkan and Sutara are shown in the table below, as calculated by RJC, a mining consultancy company based in St. Petersburg.

Kimkan and Sutara Open Pit Ore Reserves (RJC 2008)

Mine	*Overburden ('000 m^3)*	*Ore (kt)*	*Grade Fe(%)*	*Overburden Coefficient (m^3/t)*	*Stripping Ratio (t/t)*
Kimkan Central	115,800,000	83,630,000	33.89	1.38	3.74
Kimkan West	20,714,620	23,154,600	32.57	0.90	2.42
Sutara	350,828,470	270,689,520	31.05	1.30	3.50
Total (Kimkan and Sutara)	487,343,090	377,474,120	31.78	1.29	3.49

Mine Design and Optimisation

Pit design was also carried out by the RJC. The pit boundaries were designed with allowance made for the construction of the Chita-Khabarovsk road and the proximity of the existing railway. Pit design parameters used in the reserve calculation are outlined in the table below. WAI believes the RJC work to has been carried out to a high standard.

Production Schedule

The operating schedules for Kimkan and Sutara are closely linked. Initial production will begin at Kimkan, ramping-up during years 1-3 to a combined total production of 10Mtpa (8Mtpa from Central Kimkan, 2Mtpa from West Kimkan). During project years 12-14, production at Kimkan is reduced, whilst pre-production at Sutara commences, and by project year 15, the total 10Mtpa production will have transferred to Sutara. A summary of production at Kimkan and Sutara is shown the table below.

Kimkan and Sutara Production Schedule Summary

Project Year	*Units*	*1*	*2*	*3 – 11*	*12*	*13*	*14*	*15 – 41*
Central Kimkan	Mtpa	–	2.0	2.0	7.0	3.0	1.6	–
West Kimkan	Mtpa	–	–	8.0	2.0	2.0	1.2	–
Kimkan Total	Mtpa	–	2.0	10.0	9.0	5.0	2.8	–
Sutara	Mtpa	–	–	–	1.0	5.0	7.2	10.0
Total	Mtpa	–	2.0	10.0	10.0	10.0	10.0	10.0

The current mining schedule does not satisfy the license requirements for Sutara to be in production by 2013, however, WAI are informed that this license is subject to re-negotiation and there is no reason to believe that the terms of the license will not be satisfied in the future.

Mining Method

It is proposed to mine the Kimkan and Sutara deposits using conventional open-pit mining techniques. The principal mining equipment will consist of electric powered rotary drills, for blast-hole drilling, electric powered rope shovels for ore extraction, diesel-hydraulic excavators for waste excavation and diesel-dump trucks for hauling ore to the crushing plant and waste to surface stockpiles.

Operations at will take place over 350 days per year, 7 days per week. There will be two 12 hour shifts per 24 hour period with personnel receiving a 1 hour lunch break each 12 hour shift.

Dewatering measures will include off-boundary pit drainage with boreholes and in-pit two-stage pumping. Submersible pumps will be installed in the perimeter boreholes with in-pit water being pumped from sumps using Bibo submersible pumps and Russian CNS centrifugal pumps. A diesel transfer pumping unit will be employed for emergency water inflow pumping.

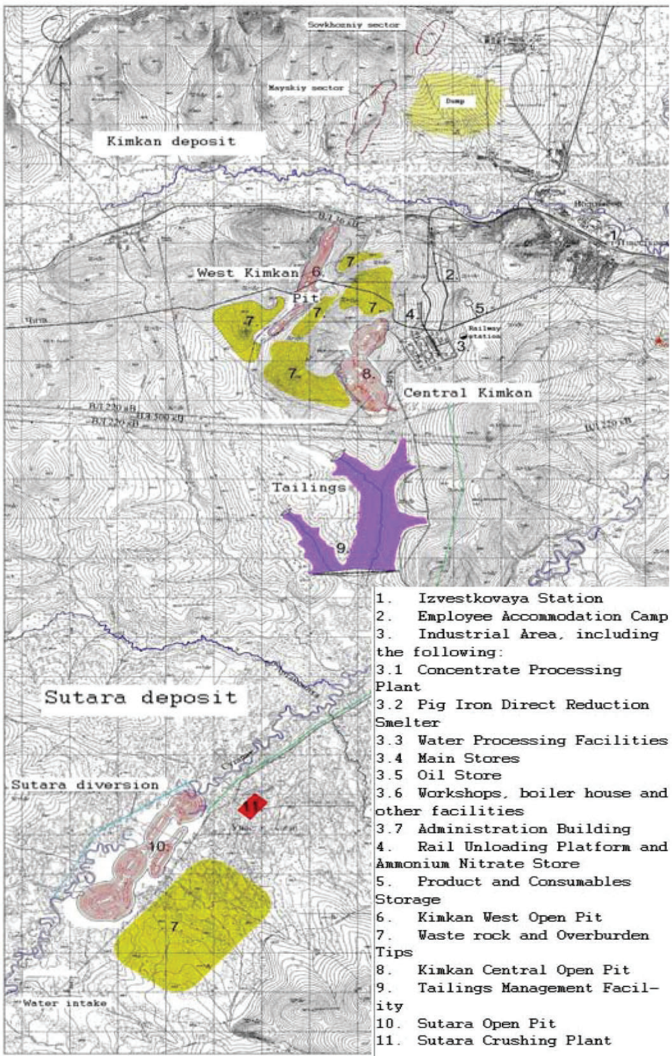
A bypass channel for the Sutar River will be constructed on the western side of the pit, at a distance of 200m from the final pit outline, and a dam constructed to block the original route of the river at the start of the bypass channel.

Surface Layout and Infrastructure

The surface layout of the Kimkan and Sutara Mines is shown below.

Surface Layout and Infrastructure

The surface layout of the Kimkan and Sutara Mines is shown below.



Kimkan and Sutara Site Layout

The majority of the infrastructure for the two mines is located close to the Kimkan deposit (the more northerly of the two sites), with Sutara situated some 15km to the south-southwest of Kimkan.

The Trans-Siberian Railway passes within 0.5km of the north-eastern extent of the site and the closest station, Izvestkovaya, is approximately 6km north-east of the Kimkan Central pit. The western side of the site is intersected by the old Chita-Khabarovsk Federal road. A new road has been constructed that bypasses the mining area.

There are four power lines (2x220kV, 2x500kV) that cross the mining territory from east to west close to the location of the new Federal road.

Manpower

The manpower requirements for Kimkan and Sutara are shown below:

Kimkan and Sutara Manpower Requirements

Sector	*Day Shift*	*Night Shift*	*Sub total*	*Total*	*Wages (RUR/year)*	*Wages (US$/year)*
Concentrate Production	158	65	223	446	122,594,152	4,715,160
Mining	107	80	187	419	155,737,569	5,989,906
Railway Department	27	17	44	98	24,498,336	942,244
Administration	59	8	67	95	44,849,530	1,724,982
Infrastructure	228	51	279	526	119,962,978	4,613,961
Cast Iron Production Plant	168	133	301	602	158,707,257	6,104,125
Grand Total	747	354	1,101	2,186	626,349,822	24,090,378

Capital and Operating Costs

The capital expenditure for the four principal areas of the operation is shown below. The majority of these estimates is based on actual quotations received.

Kimkan and Sutara Capital Expenditure

Area	*For Concentrate Production (US$M)*	*For DRI Production (US$M)*
Infrastructure	157.0	7.1
Mining	73.9	–
Beneficiation	276.5	–
Metallization	–	971.3
Design and Other	28.7	88.0
Total	535.1	1,066.4

The major operating costs for Kimkan and Sutara averaged over the life of the project are shown below.

Kimkan and Sutara Project Unit Operating Costs

Operating Cost	*Units (US$/t)*	*Unit Cost*
Mining (K+S)	Per tonne Ore Mined	5.07
Processing (KS + G Pre-Con)	Per tonne Ore Processed	3.56
Rail Transport	Per tonne Transported	9.30
Metallization Costs	Per tonne Conc Processed	153.98

Garinskoye

The Garinskoye iron-ore deposit is one of the few large iron ore deposits in the Far East of Russia which has been explored and studied extensively during the Soviet era. It has a favourable geographic position in relation to probable iron ore consumers in northern China. Garinskoye is currently an active exploration project. No mining has taken place on the site. Aricom have completed an initial scoping study and feasibility studies detailing their future plans.

Ore Reserves

The open pit ore reserves have been calculated in accordance with Russsian Federal design document "*Norms of Technical Projection (NTP) of open pit iron mining enterprises (1986)*". The ore losses have been assumed to be 4 per cent. and dilution 7 per cent., which takes into account factors such as thickness of the ore shoots and heights of benches.

Garinskoye Open Pit Ore Reserve

Reserves for Final Pit Outline with Cut-off Grade of 25 per cent.

Ore	Mt	302.4
Grade (Fe)	%	33.9
Iron	Mt	102.5
Comprising balance and off-balance ore:		
Balance Ore	Mt	213.30
Grade (Fe)	%	39.3
Iron	Mt	83.73
Off Balance Ore	Mt	89.1
Grade (Fe)	%	21.13
Iron	Mt	18.8
Ore Losses		
Average losses	%	4.00
Mining Dilution		
Average dilution	%	7.00
Mineable Reserve		
Ore	Mt	220.18
Grade (Fe)	%	37.9
Iron	Mt	83.46

Geotechnical

A pit slope and bench stability analysis has been conducted for this project. Based on the results, the design parameters of the pit slopes and benches were selected to ensure the stability of the pit. The calculations were carried out using the computer software programme "USTO", which is approved by the State Committee for Supervision of Industrial Safety and for Mining Inspection.

Mine Design and Optimisation

The design of the ultimate pit shell from the base to the boundary at the end of the mine life was performed using pit design software by the consutants, "*Intrega Group*" on the geological block model

The final pit dimensions will be 3.4km by 1.3km at the surface and 700m by 80m at the bottom of the pit. The pit will commence at RL 280 and mine down to a total depth of 500m at RL-220. All working benches will be 10m in height.

Mine Production Schedule

The mine will commence operations with a production rate of 2Mtpa in Year 1, ramping up to full ore production of 10Mtpa by Year 3. In Year 5, the full waste production is reached with the planned total waste rock mass mined being 26.2Mm^3, as summarised in the table below:

Garinskoye Production Schedule Summary

Project Year	*Units*	*1*	*2*	*3 – 21**	*22*	*23*	*24*	*Total*
Ore Mined	Mtpa	2.0	8.0	10.0	9.0	7.0	4.2	220.2
Waste Mined	Mm^3	1.6	9.2	20.9	8.8	5.8	3.1	425.7
Grade	% Fe	38.6	38.2	37.8	37.2	36.7	37.2	37.9
Strip Ratio	m^3/t	0.80	1.15	2.10	0.98	0.83	0.73	1.93
Metal Produced	Mt	0.8	3.1	3.8	3.4	2.6	1.6	83.5

* Average figures for years 3 to 21.

WAI considers the mining schedule to be both practical and achievable in terms of ore mining, waste mining and equipment requirements.

Mining Operations

The nature of the deposit and the topography of the site is ideally suited for conventional open pit truck and shovel mining methods and the broken rock will be hauled to external ore stockpiles or waste dumps that will be located in close proximity to the pit.

The following mining equipment is planned to be used:

- Electric hydraulic face shovels with a bucket capacity up to 15m^3;
- 130t capacity rear dump trucks;
- Electric drills for 200mm diameter blastholes;
- Large bulldozers for loading assistance and dump management; and
- Other specialist ancillary equipment.

The inflow of water into the pit is caused by ground water and precipitation. To prevent water running off the hills into the pit, drainage channels will be constructed around the perimeter of the pit. Piston pumps will be used to deal with the mine water via collection sumps. In the latter production years, the volume of incoming water will be handled by drilling strategically placed, water reducing bore holes and installing submersible pumps.

WAI considers drainage issues to be important due to the local geography and climate but do not considered them to be a material concern in relation to the project as a whole.

Dust suppression activities will be performed by two water trucks that will be operating on the same roster as mining operations.

The working hours at the mine site are:

- 350 working days per year;
- 7 working days per week;
- 2 shifts per 24 hour period; and
- 12 hour shifts including a 1 hour lunch break.

The total number of workers for the project will be 1,461 people. The shift roster means that only 715 people will be at work at any one time.

Surface Layout & Infrastructure

The main components of the site are listed below:

- Open pit mine;
- Waste dumps;
- Disposal area for dry magnetic separation;
- Crushing and screening plant;
- Industrial area of the mining and processing complex;
- The drainage and purification system for pit run-off and storm sewerage with accumulator-sinker;
- Intake for ground water;
- Explosives magazines and storage complex;
- Accommodation camp;

- A 220/110/35/6kV substation ("Gar");
- 2 x 110/6kV substations ("RP6kV");
- Recycling and storing area for industrial and domestic waste, and
- Helicopter pad.

Capital and Operating Costs

The capital costs have been documented in the Feasibility Study in three categories which are i) preproduction capital costs, ii) capital costs after start up and iii) the sustaining capital costs.

Garinskoye Capital Costs

	US$'000
Pre-production Capital Costs	701,994
Post-commencement Capital Costs	94,779
Sustaining Capital Costs	127,790

The operating costs for Garinskoye are summarised in the table below below and detailed in Appendix 1.

Garinskoye Operating Costs by Function

Function	*Ore (US$/t)*	*Fe Concentrate (US$/t)*	*Total (US$'000)*
Mining	5.80	8.00	1,276,331
Processing	0.86	1.18	188,866
Transportation	0.85	1.17	187,135
RR Costs	7.23	9.97	1,591,938
Total	14.73	20.33	3,244,270

Having reviewed all of the available data relating to the development of Kimkan, Sutara and Garinskoye mines, WAI considers all aspects of the project to be technically and financially sound.

Process

Due to their specialist knowledge and experience in iron ore processing design, WAI requested Corus Consulting (CC) to review and comment upon the 'Process Plant' sections of the Aricom Feasibility Study. This review was centred on the methods proposed for beneficiation of the ores to produce iron ore concentrates and the production of 'iron', both for sale within north-eastern China or Russia.

The Aricom Feasibility Study proposes the development of a concentrator located at Kimkan to beneficiate iron ores mined at Kimkan and Sutara and Garinskoye, Garinskoye is located in the Amur region at a distance of several hundred kilometres from Kimkan and Sutara which are both close to the Trans Siberian railway in the Jewish Autonomous Region.

The Kimkan and Sutara iron ores comprise fine grained magnetite-quartzite containing 28 to 36 per cent. Fe and a low sulphur content.

Average Analysis of Ore in the Kimkan (West) Deposit

% Fe_{total}	*% SiO_2*	*% Al_2O_3*	*% CaO*	*% MgO*	*% S*	*% P*
36.08	39.77	1.40	2.19	3.35	0.29	0.25

The Garinskoye iron ore is described as a complex, metamorphosed deposit comprising predominantly magnetite plus skarn deposits. Although, in parts, the ore bodies are rich and contain over 50 per cent. Fe they cannot be selectively mined. The estimated analysis of the 'mixture of ores' that will be mined is shown below and the relatively high levels of phosphorus and sulphur should be noted.

Average Analysis of Ore in the Garinskoye Deposit

% Fe_{total}	*% SiO_2*	*% Al_2O_3*	*% CaO*	*% MgO*	*% S*	*% P*
41.7	19.92	5.26	9.17	2.38	1.13	0.21

Metallurgical testwork has shown that all three iron ores are amenable to pre-concentration by dry magnetic separation (DMS) of the crushed ore before fine grinding. A weight rejection of approximately 25 per cent. can be achieved whilst maintaining an iron recovery in excess of 90 per cent. thereby justifying the inclusion of this process in the process plant flowsheets at Garinskoye and KS GOK.

Metallurgical testwork has shown that, although it is possible to beneficiate Garinskoye pre-concentrate by a simple process of grinding and wet magnetic separation to a very high grade concentrate, it still contains significant quantities of sulphur and phosphorus.

Typical Analysis of Garinskoye Concentrate

% Fe_{total}	*% SiO_2*	*% Al_2O_3*	*% CaO*	*% MgO*	*% S*	*% P*
68.72	1.43	0.85	1.40	0.33	0.1	0.035

Although less metallurgical testwork has been conducted, it seems that KS pre-concentrate cannot be beneficiated by simple wet magnetic separation to a high grade concentrate without fine grinding so it proposed to produce a medium grade concentrate.

Typical Analysis of Kimkan Concentrate

% Fe_{total}	*% SiO_2*	*% Al_2O_3*	*% CaO*	*% MgO*	*% S*	*% P*
61.62	8.88	n/a	n/a	n/a	0.04	0.057

The basic proposal is, therefore, that 10Mtpa of Garinskoye ore will be pre-concentrated at the mine site and the pre-concentrate transported by conveyor to a railhead on the Trans Siberian railway. A concentrator will be constructed at Kimkan to process the following materials:

- 7.26Mtpa pre-concentrate from Garinskoye; and
- 10Mtpa iron ore from Kimkan and Sutara mines.

The KS GOK concentrator will produce approximately 8.2Mtpa of a blended iron ore concentrate grading 65 per cent. Fe by moderately fine grinding and wet magnetic separation.

Part of these concentrates (approximately 3.75Mtpa) will be converted to 2.5Mtpa of iron using the novel ITmk3 direct reduction (DR) process which produces a form of direct reduced iron described as ‘nuggets’ and, uniquely, a slag containing the gangue minerals. The balance of the concentrates will be sold as ‘pelletising feed’ to iron and steel works in China.

Market studies by CRU and Hatch have indicated a strong demand and market for iron ore concentrates and direct reduced iron in China and, using the latest forecast of prices by CRU, the project has been shown to have a very high NPV and IRR.

The principal conclusions of CC are:

The review of the ‘Process Plant’ section of the FS on development of KSG iron ores prepared by Aricom identified some initial concerns relating to the quality of the proposed iron ore concentrates, their chemical analyses and markets and the dependency of the project upon the technical performance of the ITmk3 Dr. process in producing direct reduced iron.

Subsequent discussions with the process engineers of Aricom and the publication of additional metallurgical testwork by Uralmekhanobr has eliminated all of these concerns.

The design of the beneficiation plant is such that the grades of the iron ore concentrates produced from G and K iron ores can be varied to suit the technical performance of the selected ITmk3 Dr. process and any future changes in the market specifications for iron ore concentrates.

Environmental and Social Issues

WAI has reviewed project information, environmental and social impact assessments relating to the Kimkan, Sutara and Garinskoye sites. This review has been measured against defined standards (State and International), and commitments (corporate and project level).

The individual sites are at varying stages of development, ranging from completion of exploration at Garinskoye to feasibility at Kimkan and Sutara. Environmental/Social Impact Assessment (ESIA) documents have been prepared in support of the Feasibility Study and will be used as the basis of State approval (OVOS) and to meet international standards (e.g. IFC Performance Standards and World Bank Group Guidelines). A project Environmental and Social Action Plan (ESAP) has been agreed with the IFC for all Aricom operations.

At Kimkan and Sutara, protection of ground and surface water will be critical, and systems for water management, river diversion, erosion control and waste containment (especially tailings) should be introduced. A closed water system will be required for the TMF in addition to drainage measures to handle and divert surface waters. Careful evaluation and management of the social impact of inward migration, and resulting pressures on infrastructure will also be required.

It is considered that the methodology adopted and permitting process is sound. The results presented to WAI are considered to be comprehensive, well conducted and to a high standard. There is continuing need for the collection of supplementary baseline data to inform management and monitoring plans.

The content of the Garinskoye environmental report is based on limited baseline information and preliminary project design only and is considered to be a Preliminary assessment. In general, the Preliminary Garinskoye environmental report does not yet meet the IFC Performance Standards or the Equator Principles. WAI expects that more work will be required to incorporate all of the health, safety, environmental and community (HSEC) comments into a revised ESIA and will be conducted as part of the project development. This work is understood to be underway and due for completion by March 2009.

Site specific Public Consultation and Disclosure Plans (PCDPs) will need to be developed, or extended for each site. Further detail should be included in a structured PCDP for on-going consultation, and to set out proposed objectives, mechanisms and responsibilities for liaison during all development phases, including approach and consultation. Aricom will develop a policy for preparing and updating labour agreements in accordance with the Russian labour code at Garinskoye, Kimkan and Sutara. Again, this work is understood to be underway and due for completion by March 2009.

With regard to Health, Safety and Environmental management, a HSE Conceptual Management Plan (corporate) is intended to be developed as a matter of priority. In addition, a full Environment, Health and Safety Management System (EHSMS) should be developed for each site prior to operation. The EHSMS should ensure continued compliance with the Equator Principles and IFC Performance Standards.

With regard to the conceptual closure plan, WAI considers that the existing plan contains sufficient detail but further development and refinement of the plan should be included as site operations progress. Sufficient funds have been allocated for health, safety, environmental and community management programs and monitoring. WAI also consider that the sums estimated to fund mine closure and rehabilitation are acceptable.

A framework community consultation and management plan should be prepared, based on recognised good practice, to detail framework procedures and specific actions for subsequent development of PCDPs for each site.

WAI is satisfied that Aricom has the staff and resources to ensure that all the projects will meet and/or continue to meet the requirements of the Equator Principles and IFC Performance Standards by the end of their respective development phases.

Economics

WAI was not requested by Aricom plc to produce a financial model for the Kimkan-Sutara and Garinskoye projects, but to review the techno-economic models (KS FINAL and GAR FINAL) produced by Aricom. To achieve this, WAI has reviewed the cost scenarios; project results; plus administrative, capital and operating costs presented in the mining, mineral processing, environmental and economic sections of the Aricom Feasibility Study, in conjunction with the techno-economic models.

Overall WAI believe that the calculations presented are acceptable, and that the project is generally financially sound.

The optimisation of the project has had significant effects on both value and return but has also focused on reducing the capital cost.

Operating costs were developed from first principles based upon the productivity of the machinery and their unit consumption of fuel, lubricants and spare parts. Labour rates were calculated according to the regional norms taking into account special and statutory payments for shift working, location, climate and social security.

Capital costs were calculated and supported by vendor quotations and construction cost estimates from local construction contractors.

All costs were inflated using separate inflation indices developed by CRU for electricity, fuel, labour and spare parts (general inflation).

Two scenarios were considered when calculating the economic parameters of the project:

- The NPV and IRR based upon the Base Case DAF selling prices developed by CRU; and
- The NPV and IRR based upon the Alternative Case DAF selling prices developed by CRU.

Both of these selling price forecasts, and their base assumptions, were developed by CRU.

The Net Present Value and Internal Rate of Return of the combined Kimkan and Sutara and Garinskoye project for each of the CRU price scenarios are shown in the table below.

Kimkan, Sutara and Garinskoye NPV and IRR

US$M	*NPV**	*IRR (%)*	*Maximum External Funding***
CRU Base Case	2,243	21	1,030
CRU Alternative Case	4,411	32	838

* NPV is calculated at 10 per cent. discount rate.

** Maximum External Funding = Maximum debt requirement net of Aricom cash balance forecast as being US$254 million on 31 December 2008

The capital expenditure for the project is required for the four main areas and can be subdivided as shown in the table below.

Capital Cost to the Stage of Production

	To Concentrate		*To DRI*
US$M	*Kimkan & Sutara*	*Garinskoye*	*Kimkan & Sutara*
Design and Other	28.7	37.4	88.0
Infrastructure	157.0	549.0	7.1
Mining	73.9	46.9	–
Beneficiation	276.5	68.6	–
Metallization	–	–	971.3
Total	535.1	701.9	1,066.4

For the purpose of this analysis all capital expenditure totals are shown as pre-production and do not include:

- Ongoing sustaining capital expenditure which is expected to average less than US$10 million per annum; and
- Additional (sustaining) capital after 2020.

The major operating costs (excluding inflation) averaged over the life of the project are summarised in the table below:

Average LOM Unit Operating Costs

Operating Cost	*Units (US$/t)*	*Kimkan & Sutara*	*Garinskoye*
KS + G Mining	US$/t ore mined	5.07	5.80
G Pre-Concentration	US$/t ore mined	–	0.86
G Conveying	US$/t conveyed	–	1.17
G to KS Rail	US$/t transported	–	9.97
KS + G Processing	US$/t processed	9.45	–
IT Mk3 (KS + G)	US$/t processed	153.98	–
Concentrate Transport (KS+G)	US$/t sold	9.30	–
DRI Nugget Transport (KS+G)	US$/t sold	11.07	–

In order to compare the costs in a meaningful format it is necessary to convert them to unit cost by product at the point of sale, i.e. cost per tonne of concentrate and cost per tonne of DRI nuggets when sold at the Chinese Border.

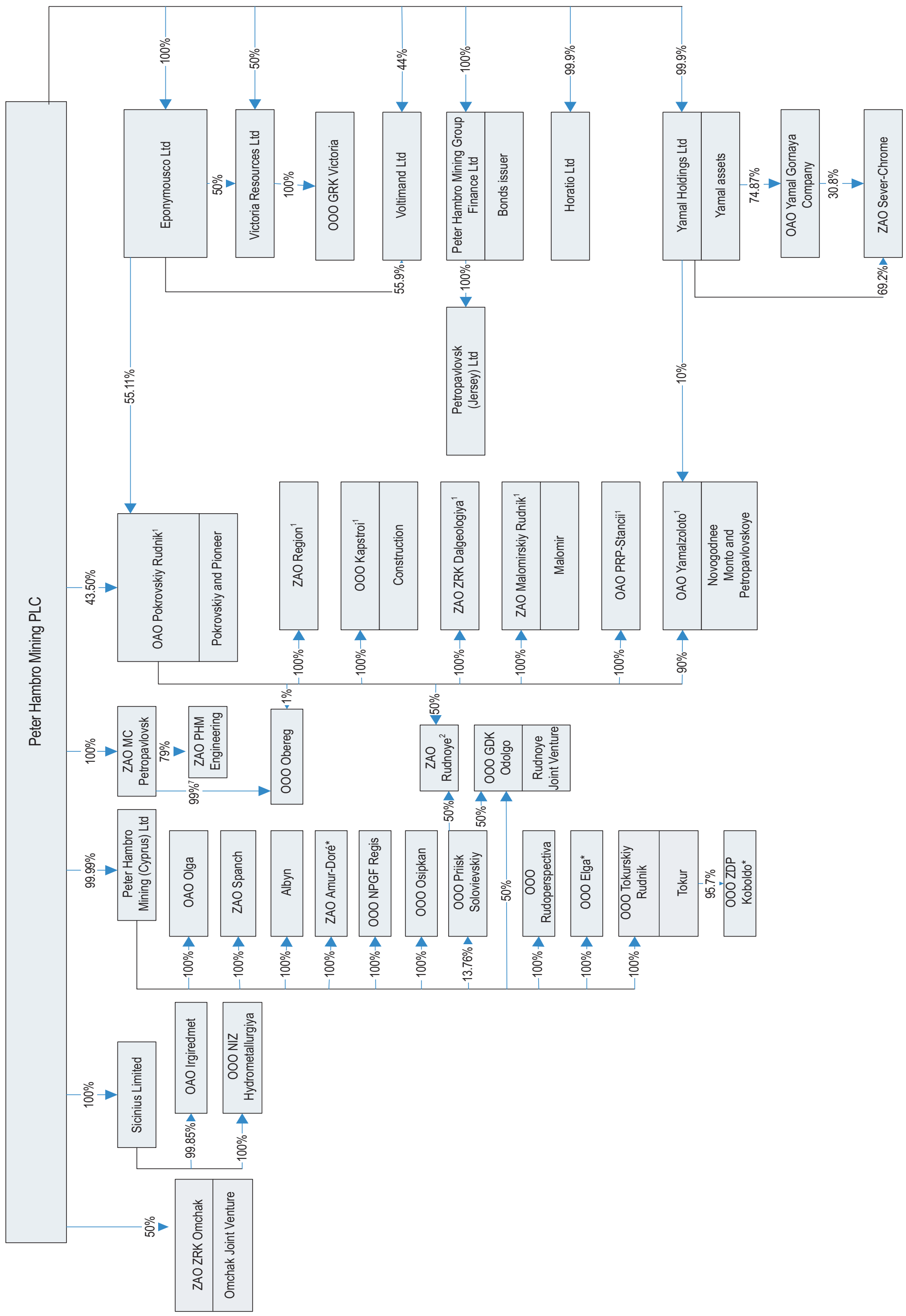
Unit Cost of Concentrate Sold

Unit Costs per Tonne Concentrate Sold at Border		
G Pre-Concentrate Cost	US$/t	14.40
KS Mining Costs	US$/t	8.48
KS+G Processing Costs	US$/t	9.45
Transport Costs	US$/t	9.30
Total Unit Cost Concentrate at Border	US$/t	41.63

Unit Cost of DRI Nuggets Sold

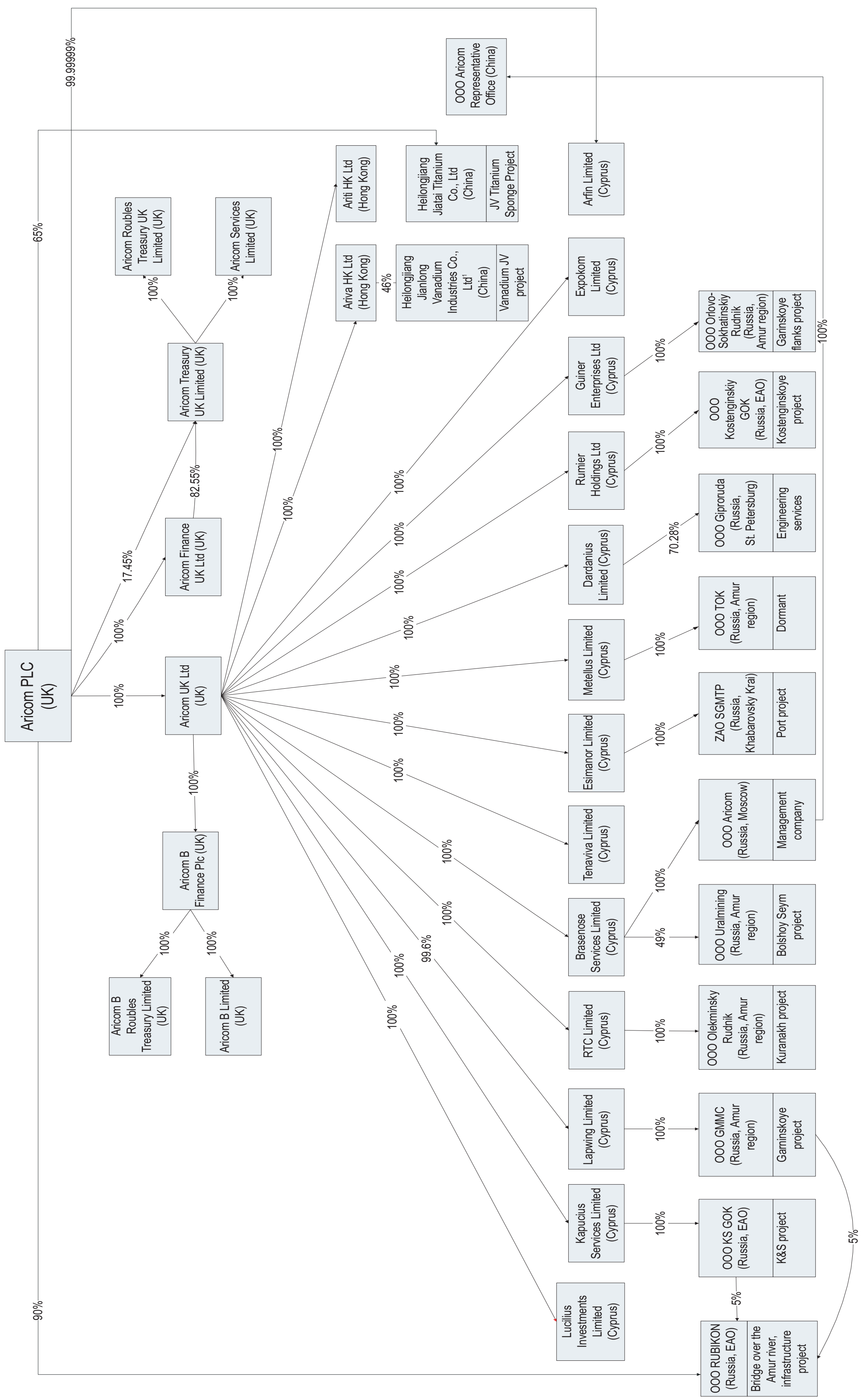
Unit Costs per Tonne Nuggets Sold at Border		
1. KS+G Unit Cost of Concentrate (minus transport)	US$/t	32.33
2. KS+G Total Tonnes of Concentrate Metallized	Kt	110,730
3. KS+G Total Cost of Concentrate Metallized (1 x 2)	US$M	3,546
4. KS+G Total Tonnes of Nuggets Produced	Kt	76,801
KS+G Unit Cost of Concentrate/tonne of Nuggets Produced (3/4)	US$/t	46.61
Metallization Cost/tonne Nuggets Produced	US$/t	222.34
Transport Cost/Tonne Nuggets	US$/t	11.07
Total Unit Cost Nuggets at Border	US$/t	280.02

APPENDIX 1: PETER HAMBRO MINING GROUP STRUCTURE CHART



* Alluvials
1 Attributable interest of the Company is 98.6 per cent.
2 Attributable interest of the Company is 50 per cent.

APPENDIX 2: ARICOM GROUP STRUCTURE CHART



1 Not yet incorporated pending registration with the Chinese authorities.

APPENDIX 3: IN-HOUSE SERVICE COMPANIES