

For Immediate Release: Monday 10th March 2003

PETER HAMBRO MINING PLC

***Announces upgrading of resources at Pioneer Deposit
Signing of Confidentiality Agreements with Rio Tinto
Proposed acquisition of new 8.1 million ounce Tokur Deposit
and Preliminary Results for the year ended 31 December 2002***

Peter Hambro Mining PLC (“PHM” or “the Company”) today announces:

- 5.8 million ounce increase in Russian Category C & P reserves and resources at the Company’s Pioneer deposit
- Signing of confidentiality agreements with Rio Tinto PLC to enable evaluation of specific properties
- Proposed acquisition of the Tokur gold deposit in the Far East of Russia with 8.1 million ounces of resources
- Preliminary Results for the year ended 31 December 2002

Pioneer Deposit

Russian Category C and P reserves and resources 9.4 million ounces

Russian Category C2 reserves 1.78 million ounces

The Company has recently received independent confirmation, from the State geological consultancy company Dalgeophysica, of the Group Chief Geologist’s revised estimation of 9.4 million ounces of category C and P reserves and resources at Pioneer.

When the Group acquired Pioneer in 2000 the stated resources were approximately 1.5 million ounces in the P category. In September 2002 the Company announced that its exploration activities had increased this figure to 3.59 million (at a 0.6 gram per tonne cut-off grade) and that sufficient drilling had been done to place 1.62 million ounces in the C2 reserve category.

Since September 2002 receipt of more assay results from the exploration drilling campaign have increased the reserves and resources still further. As at 25 February 2003 the Company estimates that the C2 component of the reserves and resources is now 1.78 million ounces. These exploration activities have enabled the reclassification of category P resources to C2 reserves.

C2 category reserves require no further drilling or sample analysis work for ounces to be categorised as mineable reserves. The only additional work required is economic assessment and approval thereof by the Russian mining authorities.

Table 1: Pioneer Resources (millions of ounces)

	April 2002	September 2002	February 2003
Main orebody – C2 category reserves	-	1.62	1.78
Main orebody – P1 + P2 category resources	1.5	1.97	1.84
Oreshoots – P1 + P2 category resources	-	-	5.80
Total P + C	1.5	3.59	9.42

Part of the increase in the C2 category reserves comes from the discovery of a high-grade 120m oreshoot (known as “Apophysis No.1”) of the Bakhmut part of the deposit. Calculation of resources based around 50m blocks and to a maximum depth of 282m, suggests C2 category reserves of 635,000 ounces. The following table outlines 4 key intersections of the oreshoot.

Table 2: Drill Results from Bakhmut-Apophysis No.1

	Grade (g/t)	Thickness (m)
Hole c-69	17.5	35.0
Hole c-203	15.3	11.2
Hole c-204	9.6	15.9
Hole c-47	7.4	5.9

The geochemical signature extends significantly beyond the drilled area (for a further 1.02km) to an area where artisanal mining has taken place in the past. Grab samples taken in this area, which is believed to be on the same structure as Apophysis 1, have returned grades of 20-30 grams per tonne. Dalgeophysica has postulated that the structure has the potential to host possible resources of over 51 tonnes of gold at similar grades, applying a factoring of 40-70% reduction coefficient.

As described in the AIM admission document, under the Group Reserves Bonus Scheme, certain executives, as scheme participants, are entitled to receive from JSCP an aggregate US\$5 per ounce in respect of new C2 reserves assessed on an annual basis. These are only taken into account for the purposes of this scheme when confirmed by the Russian mining authorities. The Scheme also provides that on termination of the scheme in the event of, among other circumstances, a disposal of the Pioneer deposit, the scheme participants are entitled to an aggregate of US\$1 per ounce of resources not covered by prior payments. It is not anticipated that any confirmation of C2 reserves will be received until 2004. Payments under the Scheme, at the Company’s option, may be settled in the Company’s shares.

Confidentiality Agreements signed with Rio Tinto

Peter Hambro Mining has, for some months, been in discussion with Rio Tinto PLC which has recently re-appraised the climate for mining investment in Russia. As a consequence of this it has agreed to share with Rio Tinto, on a confidential basis, geological and other data so as to enable it to evaluate the potential of specific properties and the way in which Peter Hambro Mining has operated successfully in Russia.

The agreements that the two companies have signed do not commit Rio Tinto to become involved in any way with Peter Hambro Mining nor do they give Rio Tinto any exclusivity to collaborate on, or acquire an interest in, any of the properties.

Peter Hambro Mining views this expression of interest by a major mining company as a positive step in the development of mining in Russia. The improvement in the broader investment climate in Russia was also recently demonstrated by BP's decision to invest c.US\$6.7 billion in the country's oil & gas sector.

Proposed acquisition of the Tokur Deposit

PHM announces that it has agreed heads of terms to acquire from OJSC Far East Mining, OOO Tokur Rudnik a company which holds the licence for the Tokur deposit in the Amur region of Russia, subject *inter alia* to contract and to satisfactory due diligence and an independent verification exercise.

Independent resource estimates for the deposit, which is located some 450kms north east of PHM's Pokrovskiy operation, indicate approximately 8.1 million ounces. Completion of this acquisition would on this basis take the Group's estimated total Category P and C resources and reserves for the Group to circa. 19 million ounces.

The Directors believe that Tokur has a developed infrastructure, including roads, electricity, housing and an airport and that there is also an experienced labour force. The Directors believe that the existence of this infrastructure greatly enhances the value of the resources.

Initial investigation by the Directors suggest that production from the plant was halted when the previous owners ran into financial difficulties but management from Peter Hambro Mining's Pokrovskiy mine believe that small scale production can be resumed by mid 2003 at a cost of approximately US\$500,000.

Directors also understand that there is an existing plan to develop the Tokur deposit by means of an adit which would allow the commencement of bulk mining. This plan was never fully implemented due to the lack of capital of the previous owners. If successful in the acquisition, Peter Hambro Mining intends to commission a feasibility study to evaluate the potential of this plan in relation to the entire mineralised zone. As part of the due diligence process, the Company will review appropriate mining methods.

Peter Hambro Mining believes that much of the administration of the mine can be undertaken from the Group's Amur Region offices at Tygda and Blagoveshensk.

Tokur is one of the interests that are covered by the Rio Tinto confidentiality agreements.

The consideration for the acquisition, payment of which will be conditional, is expected to be up to US\$30 million, to be satisfied by the payment of up to US\$6 million in cash and the issue of new shares of the Company for the balance at a deemed price of £2 per share. However the Company would have the right to elect to pay up to a maximum of US\$30 million in cash in place of the share element of the consideration if the share price is then trading above £2.50 per share.

Appointment of New Executive Director

The Company also announces that it has appointed G. Jay Hambro (aged 28), who has served on its Board as a Non-Executive Director since Admission, as an Executive Director with immediate effect. Jay, who has considerable experience in the mining finance industry, joins PHM from HSBC Investment Bank, where he was a Manager of the Metals & Mining corporate finance and advisory team. Prior to that, he spent 3 years at NM Rothschild & Sons, based in both London and the US. Whilst at Rothschild, Jay focused on bullion trading, project finance and corporate lending to the metals & mining industry, and helped to re-establish the Rothschild Resources Banking Department in Denver. Jay then moved to the investment banking division of HSBC where he spent three years as a corporate financier, advising major precious metal, base metal and steel companies.

In view of this appointment, the Board is intending to appoint a further Non-Executive Director.

Preliminary Results

Highlights of the results are as follows:

- Consolidated profit after tax for the year US\$5.1 million (US\$4.4 Million 2001)
- Operating costs (including depreciation and interest) during the year were RuR 38.08 (US\$1.20) per tonne processed and RuR 139.19 per gram (US\$136 per ounce) of gold produced
- Gold sold in 2002 was 71,960 Ounces (2001 circa.90,000 ounces.)

Unaudited Preliminary Results

Highlights of the results are as follows:-

Unaudited Consolidated Profit and Loss Account for the year ended 31 December 2002

	2002 <u>\$'000</u>	2001 <u>\$'000</u>
Turnover	22,774	23,722
Net operating expenses	<u>(12,212)</u>	<u>(13,622)</u>
Operating profit	10,562	10,100
Interest payable and similar charges	(1,640)	(1,613)
Loss on disposal of fixed assets	(100)	-
Other income	<u>613</u>	<u>199</u>
Profit on ordinary activity before Taxation	9,435	8,686
Taxation	<u>(639)</u>	<u>-</u>
Profit on ordinary activity after Taxation	8,796	8,686
Minority Interest	<u>(3,692)</u>	<u>(4,283)</u>
Retained profit for the year	<u><u>5,104</u></u>	<u><u>4,403</u></u>

Unaudited Consolidated Balance Sheet as at 31 December 2002

	31/12/02 <u>\$'000</u>	31/12/01 <u>\$'000</u>
Fixed Assets		
Goodwill	17,790	(5,209)
Intangible assets	3,743	4,071
Tangible assets	37,737	34,131
Capitalised expenditure	1,154	-
Assets under construction and equipment to be installed	8,261	1,177
Investments	<u>637</u>	<u>2</u>
	69,322	34,172
Current assets		
Stock and work in progress	7,501	321
Debtors	4,868	3,046
Cash in bank and in hand	<u>1,388</u>	<u>1,361</u>
	13,757	4,728
Creditors, amounts falling due within one year	<u>(25,769)</u>	<u>(8,952)</u>
Net Current Liabilities	(12,012)	(4,224)
Creditors, amounts falling due after more than one year		
Long-term borrowings	(7,578)	(10,991)
Finance lease liabilities falling due with one to three years	<u>(1,121)</u>	<u>(403)</u>
	(8,699)	(11,394)
Net Assets	<u><u>48,611</u></u>	<u><u>18,554</u></u>
Capital and Reserves		
Share Capital	751	391
Share Premium	43,391	8,755
Share Option Reserve	40	-
Profit and loss account	<u>3,889</u>	<u>(1,215)</u>
Equity shareholders' funds	48,071	7,931
Minority interest	<u>540</u>	<u>10,623</u>
	<u><u>48,611</u></u>	<u><u>18,554</u></u>

Unaudited Consolidated Cash Flow Statement for the year ended 31 December 2002

	31/12/02 <u>\$'000</u>	31/12/01 <u>\$'000</u>
Net Cash Inflow from Operating Activities	6,638	15,215
Returns on Investments and Servicing of Finance		
Interest received	21	-
Interest paid	<u>(1,183)</u>	<u>(1,718)</u>
Net cash outflow from returns on investments and servicing finance	(1,162)	(1,718)
Taxation Paid	(639)	-
Capital Expenditure and Financial Investment		
Purchase of tangible assets	(12,817)	(16,447)
Purchase of intangible assets	-	(3)
Investment acquired	(637)	-
Proceeds on disposal of tangible assets	16	-
Net movement in loans to subsidiaries	-	668
Loans issued	<u>(76)</u>	<u>(224)</u>
Net Cash outflow on capital expenditure and financial investment	(13,514)	(16,006)
Acquisitions and Disposals		
Purchase of subsidiary undertaking	<u>-</u>	<u>(1)</u>
Cash Outflow before use of Liquid Resources and Financing	<u>(8,677)</u>	<u>(2,510)</u>
Financing Activities		
Capital element of finance lease	(1,344)	(287)
Net movement in loans	6,449	2,748
Share capital issue	<u>3,599</u>	<u>1,000</u>
Cash inflow from Financing Activity	<u>8,704</u>	<u>3,461</u>
Increase in cash at bank and in hand	<u>27</u>	<u>951</u>

Chairman's Comments.

Commenting on the announcement, Peter Hambro, Executive Chairman, Peter Hambro Mining, said:

“We could scarcely have dared to hope at the time of Admission that we would be able to bring 1.78 million ounces of resources into the C2 category reserves and that our independent consultant would confirm more than 9 million ounces of resources. We have done this and it is good news for our shareholders.

The high grade oreshoot known as Apophysis 1 is of particular interest because its high grades will permit faster gold extraction rates than that currently being achieved at Pokrovskiy. When added together Pokrovskiy, Pioneer and the possible Tokur acquisition would give the Company total reserves and resources of more than 19 million ounces. We announced in February our agreement to form a joint venture company to acquire gold mining assets in Magadan and we intend that this will bid for the 38% stake in the Matrosov Mine that is to be auctioned later this year.

We continue to focus on exploration of existing license areas and further drilling will be done at Pioneer which is “open” in all directions.

We currently anticipate that Pokrovskiy production will be in the region of 120,000 ounces in 2003.

The consolidated profit for the year reflects the gradual increase in our ownership of Pokrovskiy Rudnik from 55% to 97.69%. The performance of the operating subsidiary is in line with our earlier announcement to the market that lower grades and longer residence times on the heap leach, combined with teething troubles on the new mill, would be offset by higher gold sale values.

I believe that Russia has enormous potential as a gold producer and it is gratifying to see that the potential for investment in Russia, both in the mining sector and more broadly, is now being appreciated by a number of international blue chip companies like BP.”

Enquiries:

Peter Hambro	Peter Hambro Mining	+44 77 7415 3498 +44 20 7393 0102
David Simonson/Nicola Davidson	Merlin Financial	+44 20 7606 1244