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Acquisition of Chagoyansk Gold Property & Rio Tinto Joint Venture Agreement

Chagoyansk Property

The Peter Hambro Mining Group announces that it has been successful in the auction of the combined exploration and mining licence over the Chagoyansk gold property in the Amur Region, Far East Russia, held in Blagoveshensk on 18th March 2004. The Amur Region is also the home to Peter Hambro Mining's Pokrovskiy Rudnik gold mining operation and the Group's Pioneer and Tokur development projects.

Nicolai Vlasov, the Group Chief Geologist of Peter Hambro Mining, believes that the geological environment of Chagoyansk is similar to the 'Carlin Trend' group of deposits in Nevada, USA. A small polymetallic ore occurrence, associated with silicification at the tectonic contact of Cambrian limestone and Silurian sandstone was the primary reason behind the licence application. Along this contact there is a weathering crust in which shallow drilling undertaken during the 1980's encountered in one sample a gold grade of 124 grammes per tonne over a thickness of 4 metres.

Nicolai Vlasov believes that Chagoyansk has the geological potential to host a major gold deposit. Previous exploration activities at the Chagoyansk property have focused almost exclusively on its base metal and alluvial gold potential. It is believed that hard-rock source deposits for the alluvial gold may be situated within the Chagoyansk area.

Rio Tinto Joint Venture Agreement

Peter Hambro Mining also announces that it has signed a Heads of Agreement covering a joint venture agreement in respect of Chagoyansk with Rio Tinto, one of the world's largest mining companies. In 2002 Peter Hambro Mining and Rio Tinto entered into a non-exclusive Confidentiality Agreement that gave Rio Tinto access to Peter Hambro Mining's exploration and production assets. The Peter Hambro Mining Group has long been aware of the existence of the Chagoyansk property and initiated the auction process, following Rio Tinto's review of the area.

Representatives of Peter Hambro Mining and Rio Tinto met at the Russian Economic Forum in 2002 and have subsequently worked together to find a project that would suit their individual requirements.



A member of the PETER HAMBRO MINING GROUP of companies
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The terms of the joint venture, which have been under discussion for some time, have already been agreed in principle between Peter Hambro Mining and Rio Tinto. These cover the exploration and, thereafter, possible development of the Chagoyansk gold property.

Summary of the terms of the proposed joint-venture

It is envisaged that, if the necessary licence is issued and the joint venture progresses as proposed, Rio Tinto will finance the first US\$1.5 million of exploration works which will entitle it to obtain a 51% stake in the proposed joint venture entity. Thereafter, it is intended that Peter Hambro Mining and Rio Tinto will either share project costs on a *pro-rata* basis, or Peter Hambro Mining can elect not to contribute to further exploration costs in which case Rio Tinto will finance the next US\$3.5 million of exploration expenditure, subject to encouraging results, to increase its interest in the joint venture entity to 65%. In addition, it is intended that Peter Hambro Mining will receive a staged success fee from Rio Tinto totalling US\$3.5 million in the event that a mine is constructed.

Peter Hambro, Executive Chairman, said: -

“I look forward to collaborating with Rio Tinto on Chagoyansk. I have always believed that the Group’s local management team is the Group’s greatest asset and it is gratifying that one of the world’s major mining companies also seems to have recognised this. With the development of our Pioneer, Tokur, Voroshilovskoye and Malomir projects we felt that some additional resources would be helpful and, although we think that Chagoyansk may turn out to be another big deposit, we realise that we cannot own the whole of the Russian gold mining industry.

Obviously I am very pleased that we have become Rio Tinto’s first partner in Russia in recent times. We have been very impressed with the thorough way in which Rio Tinto has approached our joint efforts and look forward to a long-term collaboration between our team and theirs at Chagoyansk. The joint venture entity will benefit from Peter Hambro Mining’s expertise in the Amur Region and its highly experienced team at Pokrovskiy, as well as from Rio Tinto’s financial resources and exploration skills.”

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