

PETER HAMBRO MINING PLC

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2008 Trading Statement

Peter Hambro Mining Plc (the “Company” or “PHM” and together with its subsidiaries the “Group”) is pleased to announce its production results for the full year ended 31 December 2008. This statement is issued as an unaudited update on 2008 trading in advance of the full year results announcement.

Highlights:

- **Total attributable gold production* for 2008 is up by 36% to 393,600 oz:**
 - The Group’s total attributable gold production for 2008 increased by 36% compared to 2007, to 393,600 oz, at the upper end of the Group’s 2008 production target of 350,000 – 400,000 oz;
 - Gold production from the Pokrovskiy mine in 2008 was 267,100 oz, an increase of 13% compared to 2007 and exceeding the Group’s production target for 2008 by 19%;
 - Gold production from the Pioneer mine commenced in June 2008 yielding 72,900 oz by the end of the year, higher than the Group’s 2008 target of 72,000 oz;
 - Gold production from the Group’s alluvial operations increased by 38% compared to 2007 totalling 22,700 oz, exceeding the Group’s 2008 production target of 19,550 oz;
 - Attributable gold production from the Group’s joint ventures in 2008 was 30,800 oz, a 15% decrease on 2007.

- **Costs:**
 - During the second half of 2008 rouble inflation continued though prices for consumables and fuel stabilised in October and November. Payroll costs

* Total attributable gold production, as stated throughout this document, is comprised of 100% of production from the Group’s subsidiaries and the relevant share of production from joint ventures. The Company’s direct and indirect interest in Pokrovskiy Rudnik (and any interest held by Pokrovskiy Rudnik) is 98.61%.



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denominated in Russian roubles also stabilised in the second half of the year. Further rapid depreciation of the Russian rouble has put inflationary pressure on fuel, reagents and consumables since the end of 2008. The depreciation of the Russian rouble has also had an impact on foreign exchange losses as the Group reports in US dollars. The Group anticipates high Russian rouble inflation in Russia in 2009, but depreciation of the Russian rouble against the US dollar, which started in August 2008 and has rapidly accelerated over the last few months, is expected to reduce the Group's Gold Institute Standard ("GIS") costs in US dollars terms.

- **Average realised gold sales price:**
 - The Group's average realised gold sales price of US\$845/oz during 2008 was 26% higher than the average price of US\$668/oz achieved in 2007.
- **Development:**
 - Development at the Malomir deposit remains on-track with production due to commence in the second half of 2010. Construction has commenced, all technological decisions have been made and the construction plans and the commissioning of the deposit have been finalised;
 - The Group is currently reviewing its exploration, construction and maintenance expenditure and production plan for Malomir. Results of this review are expected to be released in the first quarter of 2009.
- **Corporate affairs:**
 - As announced on 9 January 2009, PHM is currently in preliminary discussions with Aricom plc ("Aricom") regarding a possible offer by PHM for the entire issued share capital of Aricom. The consideration for any such offer would comprise shares in PHM. Given the fact that a number of directors and shareholders of PHM are also either directors or shareholders of Aricom, the Company has constituted an independent committee of the Board for the purposes of evaluating the possible transaction. A further update will be made when appropriate.
- **Short-term bank debt refinanced:**
 - In November 2008, the Group successfully refinanced US\$30.25m of short-term bank debt facilities.
- **Inclusion in the FTSE Gold Mines Index of the world's leading gold miners:**
 - In December 2008, the Group was included in the prestigious FTSE Gold Mines Index, which comprises the top 18 gold-focused mining companies.
- **2009 plans and forecast production:**
 - The Directors believe that the Group's total attributable gold production for 2009 will be between 460,000 oz and 510,000 oz;
 - The second line of the Pioneer plant is planned to commence production in the second half of 2009;

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- Given the higher than expected grades produced by the Pioneer pit and in order to optimise cash flows from the Pioneer mine, the Group 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;
- Independent mineral consultants, Wardell Armstrong International (“WAI”), continue to review the Group’s Pioneer and Malomir assets. It is intended that the results of this review will be made available to the market during the first quarter of 2009, together with the Group’s annual production plan update;
- A new plan of development of the Malomir deposit, taking into account high grade oxidised ores at the Quartzitovoye ore body identified in 2008, is being reviewed by WAI with the results also currently scheduled to be released in the first quarter of 2009.

Table 1. Total annual attributable gold production*

Total attributable gold production, Au '000 oz*	2008	2007	Var. %	2006
The Group				
Pokrovskiy, including Pioneer ore	267.1	237.1	13	206.8
Pioneer	72.9	-	n/a	-
Amur NE Assets (alluvials)	22.7	16.5	38	10.5
The Group's total	362.7	253.6	43	217.3
Joint Ventures				
Omchak	28.1	34.5	(18)	35.9
Rudnoye**	2.7	1.6	66	1.1
Total Joint Ventures	30.8	36.1	(15)	37.0
TOTAL **	393.6	289.7	36	254.3

Some figures on the above tables have been rounded up or down.

During 2008, the Group (excluding joint ventures) sold 318,300 oz (234,300 oz in 2007) of gold from the Pokrovskiy and Pioneer operations and 22,700 oz (16,500 oz in 2007) from its alluvial operations.

* Total attributable gold production, as stated throughout this document, is comprised of 100% of production from the Group's subsidiaries and the relevant share of production from joint ventures. The Company's direct and indirect interest in Pokrovskiy Rudnik (and any interest held by Pokrovskiy Rudnik) is 98.61%.

**Attributable gold production for the years ended 31 December 2007 and 2006 has been restated to exclude production from investments which the Group previously included in the attributable production of Rudnoye JV.

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Chairman's comments

Commenting on the trading statement, Peter Hambro, Executive Chairman, said:

“I am very pleased to report the 36% increase in annual attributable gold production which we achieved in 2008. Yet again the Company has met its production target.

The Pokrovskiy mine production again exceeded the target with a 13% increase in gold production for 2008. Pioneer's development went well, ramping up production to produce 52,000 oz of gold in the last quarter of 2008. Alluvial production in 2008 was up by a third.

Pioneer's production facility is at the second stage of development and is scheduled to commence production in the second half of 2009. Malomir is still on track to achieve commissioning of the plant's first line in the second half of 2010.

Successful realisation of the Group's 2008 expansion plans instills confidence in the Group's 2009 production target of 460,000 to 510,000 oz.”

Production

Pokrovskiy

Pokrovskiy enjoyed another successful year, with gold production from the mine rising 13% over the 2007 figure to 267,100 oz. This increase was achieved thanks to the reliable operation of the plant, the repair and replacement of key mining equipment, the optimisation of planned mining works and the processing of some additional rich ore from Pioneer.

Mining operations at Pokrovskiy

As a result of the repair and replacement of key mining equipment and the reduction in time required for break-downs, efficiency was increased in 2008. This, together with fulfilling the Pokrovskiy plan of mining works, allowed an increase in total material moved over 2007 by 1 million m³. This was achieved without bringing any significant new additional mining equipment on-line.

As part of the Group's rehabilitation plan for Pokrovskiy and within the programme of optimisation of mining works and cost control, there was a notable increase in the amount of overburden rock backfilled in exhausted areas of the pit. This enabled the Group to reduce its mining expenses.

In line with the mining plan the ore produced from the Pokrovskiy pit had 14% lower average grade compared to 2007. This led to a 19% reduction in gold produced from the Pokrovskiy pit compared to 2007 which was envisaged in the mine's development plan. With mining works moving to deeper horizons a further marginal grade reduction is expected in material mined in 2009.

Pokrovskiy Mining Schedule			
	Units	2008	2007
Pokrovskiy deposit			
Total material moved	<i>'000 m3</i>	5,594	4,621
Including advanced stripping	<i>'000 m3</i>	1,782	1,206
Ore mined	<i>'000 t</i>	2,105	2,207
Grade	<i>g/t</i>	3.0	3.5
Gold	<i>'000 oz</i>	203.1	250.6

Processing operations – Resin-in-Pulp (RIP) Plant

During 2008, recovery rates at the mill decreased marginally, down 3.6% compared to 2007 levels. This was principally due to increased volumes of primary material from the Pokrovskiy pit being processed through the mill. During 2008, a small amount of material from the Pioneer high grade area was added to the Pokrovskiy circuit which improved average grades of ore treated through the mill.

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Processing operations – heap leach

During 2008 the heap leach operations at Pokrovskiy achieved a recovery rate of 65% which is slightly lower than in 2007 due to the late spring and consequent delay in the commencement of heap leach operations.

Pokrovskiy Processing Schedule			
	Units	2008	2007
Resin-in-Pulp plant			
Pokrovskiy Mine ore	'000 t	1,516	1,699
Grade	g/t	4.2	4.3
Gold	'000 oz	202.1	233.4
Pioneer ore	'000 t	180	23
Grade	g/t	15.4	16.6
Gold	'000 oz	89.2	12.5
Total milled	'000 t	1,696	1,723
Grade	g/t	5.3	4.4
Gold	'000 oz	291.3	246.0
Recovery	%	87.0	90.6
Gold recovered	'000 oz	253.4	222.8
Heap leach			
Ore stacked	'000 t	785	784
Grade	g/t	0.8	0.8
Gold	'000 oz	21.2	20.8
Recovery	%	64.7	68.5
Gold recovered	'000 oz	13.7	14.3
Total gold recovered **	'000 oz	267.1	237.1

*** Certain comparative numbers have been rounded up.*

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Pioneer

The Pioneer mine is currently operating in line with the Group's internal schedule and production plan. The Group is satisfied with the speed of construction for the second and third lines of the Pioneer plant, with the second line at Pioneer planned to commence production in the second half of 2009.

Mining operations at Pioneer

In 2008, mining works at Pioneer continued to satisfy the increasing capacity of the mine and included advanced stripping works.

Pioneer Mining Schedule	Units	2008	2007
Total material moved	'000 m ³	2,973	1,704
Ore mined	'000 t	399	191
Grade	g/t	12.5	3.8
Gold contained	'000 oz	160.3	23.1

Processing operations

Throughout 2008, the first line of the Pioneer plant was ramping up to its full capacity of 1 million tonnes per annum. This successful ramp up was achieved due to the reliable operation of the plant, earlier technological testing and the high-quality design and construction of the plant.

Due to a late spring start-up of the heap leach pads was delayed for four weeks and the Group fell marginally short of time to fully leach the stacked ore on the heap-leach pads during the summer months. Therefore, the overall gold recovery for the year was 74%, which is 8% lower than the planned 82%. Given the higher than expected grades produced by the Pioneer pit and in order to optimise cash flows from the Pioneer mine, the Group 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.

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Pioneer Processing Schedule			
	Units	2008	2007
Resin In Pulp plant			
Pioneer ore	'000 t	528	-
Grade	g/t	5.8	-
Gold	'000 oz	98.5	-
Total milled	'000 t	528	-
Grade	g/t	5.8	-
Gold	'000 oz	98.5	-
Recovery	%	74.1	-
Total gold recovered	'000 oz	72.9	-

Amur alluvial production

The Group's major alluvial mining operations are undertaken by Open Joint Stock Company Koboldo, Closed Joint Stock Company Amur Dore and OOO Elga. Total attributable gold production for 2008 from these alluvial projects was c.22,700 oz, an increase of 38% compared to 2007. Production during the fourth quarter of 2008 was 4,100 oz, an increase of 49% on fourth quarter production in 2007.

Joint ventures*

Attributable gold production from the Omchak Joint Venture in 2008 was 28,103 oz, 18% lower than in 2007 due to low gold production from the depleting reserves of the Shkolnoye mine (Nelkobazoloto) which is scheduled for closure. Attributable gold production from the Rudnoye Joint Venture** was 2,660 oz which is 66% higher than 1,600 oz produced in 2007.

* The Group's attributable share of both joint ventures is 50%.

**Attributable gold production for the years ended 31 December 2007 and 2006 has been restated to exclude production from investments which the Group previously included in the attributable production of Rudnoye JV.

Development

Malomir

In 2008, development at Malomir continued towards the planned commencement of the plant's production, due to take place in the second half of 2010, with all pre-design work being completed as well as the delivery of mining equipment.

A 110kw power line and an electric substation are currently under construction, with all equipment and components in place. Construction of the accommodation camp began in the second half of 2008. Permits for the construction of the plant, roads, tailings and pit were received in December 2008 and site preparation began.

The Group undertook a further review of development plans for Malomir in the light of the recent discovery of the rich ore body within the boundaries of Malomir deposit containing oxidised material. This review is expected to optimise capital expenditure from the project and boost initial cash flows from the mine.

Corporate affairs

As announced on 9 January 2009, PHM is currently in preliminary discussions with Aricom plc ("Aricom") regarding a possible offer by PHM for the entire issued share capital of Aricom. The consideration for any such offer would comprise shares in PHM. Given the fact that a number of directors and shareholders of PHM are also either directors or shareholders of Aricom, the Company has constituted an independent committee of the Board for the purposes of evaluating the possible transaction. A further update will be made when appropriate.

The Group was sad to lose the services of Philip Leatham, a Non-Executive Director, who resigned from the Board in September 2008 due to health reasons. However, the Group was pleased to welcome General the Lord Guthrie of Craigiebank GCB LVO OBE DL who was appointed as a Non-Executive Director of the Company in January 2008 and Anna-Karolina Subczynska who was appointed to the Board in September 2008 as Executive Director of Legal Affairs.

As reported by the Company in its trading statement for the first six months of 2008, in June 2008, a PHM-led syndicate made a US\$80 million strategic investment in Rusoro Mining Ltd. ("Rusoro"), a TSX Venture Exchange listed gold producer and exploration company in Venezuela. PHM contributed US\$20 million to the syndicate. The investment was made through the issue of a 2 year senior secured exchangeable loan with a 10% coupon, exchangeable into Rusoro shares at C\$1.25. PHM also holds a call option on the shares underlying the other syndicate members' portion of the loan at C\$2.20.

Refinancing of short-term debt facilities

In November 2008 the Group announced that Open Joint Stock Company Pokrovskiy Rudnik, the Group's principal operating subsidiary (and owner of the Pokrovskiy and Pioneer mining licences), had received two loans from companies controlled by Peter Hambro, Executive Chairman, Pavel Maslovskiy, Deputy Chairman, and their business associates. The loans, further details of which are set out below, were for an aggregate amount of US\$19.25 million, extended on an arm's length basis and are unsecured:

- US\$9.25 million maturing 30/10/09 at 18% p.a.
- US\$10 million maturing 30/04/09 at 16% p.a.

Separately, in the normal course of business the Group has refinanced a further US\$11 million of bank debt facilities with a Russian bank. Together, these financings constitute full refinancing of the Group's loans maturing before the end of April 2009.

In addition the Group has obtained additional loan facilities from a Russian bank in the amount of US\$19 million maturing in November 2009 which will be used for general corporate purposes. These loans are extended on an arm's length basis.

As at 31 December 2008, excluding the Exchangeable Bond liability, the Group had US\$53 million (unaudited) in short term debt maturing during the course of 2009 and US\$16 million (unaudited) of long term debt maturing in April 2011. As at 31 December 2008, the Group also had c. US\$26 million in cash and cash equivalents.

Inclusion in the FTSE Gold Mines Index

The Group was pleased to announce in December 2008 that it had been included in the prestigious FTSE Gold Mines Index of the world's leading gold miners. Inclusion in the Index is principally dependant upon a company achieving a sustained production level of or in excess of 300,000 oz per annum, and receiving the majority of its revenue from the sale of gold as opposed to other metals.

Gold Price/Treasury

The Group's average realised gold sales price for 2008 was US\$845/oz, up 26% against that achieved in 2007. The Russian rouble weakened against the dollar by 20% during 2008 and was RUB29.38/US\$ as at 31 December 2008 (RUB24.55/US\$ at 31 December 2007).

The Group maintains its policy of no long term forward sales or hedging.

Forward-Looking Statements

This announcement contains forward looking statements relating to the Group's anticipated plans, resources, reserves and financial performance. The words "believe," "expect," "anticipate," "intend", "due to", "plans", "planned", "scheduled", "to come", and similar expressions identify forward-looking statements, but their absence does not mean the statement is not forward-looking. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially from those anticipated in the forward-looking statements. You should not place undue reliance on these forward-looking statements. The forward-looking statements are made as of today's date and the Company assumes no obligation to update any such statements to reflect events or circumstances after the date hereof.

Past performance cannot be relied on as a guide to future performance.

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