



52-wk Range: 3.88-7.88p

Market Cap (M): £27.1

12 month target £0.13

EV (M): £25.4

## Mining

## 2009 financial result: better than expected

### Summary

Hambleton Mining is an emerging gold producer, with its gold mine located in Kazakhstan. It has also acquired a plant to recycle zinc smelter residues, to produce a variety of products including gold, copper and silver. Both operations commenced production in late 2007, but the recycling of zinc smelter slags has been shut down since early 2008



### Key Metrics

Shares Outstanding (M):	516.1
Current Price (GBP):	5.25p
Fully Diluted Shares (M):	519.3

### Event

Hambleton released its 2009 financial results, reporting a profit of £47k after a tax credit of £292k. This compares with a loss of £7.6M in 2008. The result was significantly better than we had estimated; a loss of £3M, due to significantly lower operating costs in the second half and the tax credit.

### Comment

Hambleton also reported an operating profit for 2010 of £42k, significantly better than the loss of £7M the previous year and also reported a positive cash flow of £779k.

If production can be maintained at the 2009 level, then with the higher gold prices the company should earn an additional £2m pre-tax. To this must be added the profits from the purchased ore. Although we believe that Hambleton are paying a steep price, 51% of the value of the ore if it is 4.5g/t, but on a sliding scale, we believe that this will add to profits in 2010. Of course, the full amount will depend upon how many 10,000t parcels are treated.

All the above figures are quoted before the impact of currency translation differences on foreign currency net investments. These yielded a profit of £4.752M in 2008 was almost exactly reversed to a loss of £4.608M in 2009.

Due to the closure of the Ognevka plant, the government controlled rehabilitation was deemed a failure and Too Ognevka will be placed into bankruptcy and liquidated during 2010. As a result it has been removed from the model which is why our earnings forecast has dropped. However, if sold, since Hambleton is a major creditor, we would expect some partial repayment. Hambleton is free to bid for this asset.

Despite the higher gold prices and treating of purchased ore, ore modelling shows that 2010 is make or break. This is because we doubt that the current open pit operations are profitable enough to generate all the cash required to develop the underground. Our modelling indicates that the entire loan facility available to the company will be required.

### Recommendation

Following the updating of the model and rolling it forward to encompass the 2009 result we have downgraded our target price to £0.13/share, previously £0.15/share. The Hold recommendation is maintained.

### Contact

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FYE Dec	2008	2009	2010E	2011E	2012E
Revenue (£M):	5.6	12.9	19.2	49.0	51.9
EBITDA (£M):	-5.5	3.1	2.5	31.6	35.9
NPAT (inc significant items):	-7.6	0.0	0.2	18.4	20.5
EPS (GBP):	-1.6	0.0	0.0	3.6	4.0
Cash Flow/Share (GBP):	-1.2	0.5	0.6	4.9	5.3
Gold Price (US\$/oz):	872.6	973.7	1146.8	1250.0	1100.0
Production per '000 shares:	0.02	0.04	0.05	0.12	0.15
Reserves per '000 shares:	0.87	0.75	0.71	0.59	0.44

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### Peter Rose

Peter Rose has 20 years experience in equities as a resources analyst, most recently having spent 11 years with Deutsche Bank in Australia. Prior to this he spent three years with Prudential Bache and five years with James Capel. Peter's industry experience includes 16 years as a metallurgist, three years with De Beers in South Africa and eight years in the uranium industry, five of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 14 May 2010

Company Name	Disclosure
Hambledon Mining (HMB)	7

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Company	Ticker	Recommendation	Date	Target Price	Last Price
Mining					
African Barrick Gold	ABG LN Equity	SELL	27.04.10	£4.26	£6.03
Angel Mining	ANGM LN Equity	BUY	03.03.10	£0.16	£0.07
Antofagasta	ANTO LN Equity	HOLD	06.05.10	£9.90	£9.57
Atlantic Coal	ATC LN equity	BUY	21.01.10	£0.025	£0.006
Discovery Metals	DME LN Equity	BUY	09.04.10	£0.65	£0.52
EMED Mining	EMED LN Equity	BUY	12.04.10	£0.62	£0.10
Exco Resources	EXS AU Equity	BUY	09.04.10	A\$0.67	A\$0.25
Gippsland Limited	GIP LN Equity	BUY	06.10.09	£0.02	NA
Hambledon Mining	HMB LN Equity	HOLD	14.05.10	£0.13	£0.05
Highland Gold	HGM LN Equity	BUY	05.05.10	£1.46	£1.34
Hochschild Mining	HOC LN Equity	HOLD	21.04.10	£3.11	£2.87
KEFI Minerals	KEFI LN Equity	Spec. BUY	06.10.09	NA	£0.01
Kryso Resources	KYS LN Equity	BUY	21.04.10	£0.14	£0.11
Lydian International	LYD CN Equity	BUY	18.03.10	C\$1.22	C\$1.18
Minera IRL	MIRL LN Equity	BUY	12.05.10	£0.94	£0.69
Oxus Gold	OXS LN Equity	BUY	21.04.10	£0.30	£0.07
Stratex International	STI LN Equity	BUY	03.03.10	£0.07	£0.04

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