



PETER HAMBRO MINING PLC

# SUSTAINABILITY REPORT 2006



- Sustainability Committee established at Board level
- Commitment to continue implementation of International Finance Corporation (IFC) Performance Standards on social and environmental sustainability and the World Bank Group/IFC guidelines
- Commitment to continue implementation of sustainability reporting, moving towards fulfilment of the Sustainability Reporting Guidelines of the Global Reporting Initiative
- Commitment to bring operations into compliance with the Sustainable Development Principles of the International Council of Mining and Metals (ICMM)
- No emissions in excess of regulatory limits reported at the Pokrovskiy Mine
- No instances of non-compliances identified by the Russian regulatory authorities
- The Group's environmental and social management plan and team will be augmented to assist in the implementation of international good practice
- Ongoing IFC equity investment provides technical support and regular independent reviews of the Company's environmental and social performance
- Significant community investment and support undertaken

### Contents

- 1 Message from the Chairman
- 2 Objectives and Strategies
- 3 Sustainability Reporting and Timeline
- 4 Sustainability Management Structure
- 5 An Overview of Sustainability Performance at the Pokrovskiy Mine
- 6 Reporting and Management Structure at the Mine
- 7 Our Performance
- 8 Our Contribution to Our Host Communities
- 9 Environmental and Social Review of Pokrovskiy Rudnik



Peter Hambro  
Executive Chairman

**We are convinced that maintaining high levels of economic, environmental and social performance contributes to increased shareholder value and maintains and enhances our “social licence to operate” within our host communities.**

I am pleased to present to you our first Sustainability Report, which aims to increase awareness of Peter Hambro Mining Plc’s (referred to below as the “Company”) environmental and social programme. Our values and business principles that are stated in this report have been developed in consultation with our employees and other stakeholders and are reviewed on an ongoing basis to ensure long-term adherence to the principles of sustainability. Peter Hambro Mining Plc and its group of companies (the “Group”) understands the importance of integrating our social, environmental and economic performance into our overall business approach. This Sustainability Report will give you an insight into some of our economic, social and environmental programmes undertaken over the past year and sets out a programme for continued improvement in environmental and social performance going forward.

The Company’s environmental and social policies are designed to comply with both Russian regulatory requirements and with international good practice. For example, we have always maintained a policy of adherence to the World Bank Group/International Finance Corporation (IFC) performance standards on social and environmental sustainability as well as the environmental, health and safety guidelines. The IFC, which invested in the Company in 2005, undertakes a full environmental and social audit of our operations on a regular basis, and has reported good progress in the implementation of IFC standards and guidelines.

The development and maintenance of good relations with our local “host” communities is another area of great importance for the Group. We work closely with regional authorities and community organisations to establish and support a wide range of community investment and development programmes. We are also committed to continued investment in our employees, by providing opportunities to develop their skills, promote innovation at work, and to maintain health and well-being. We believe our commitment to our people enhances morale and contributes to reduction of absences through illness and an increase in staff retention.

The Board of Directors fully supports the Group’s sustainability strategy and this year we are pleased to announce the creation of a Sustainability Committee specially designed to monitor, review and make appropriate recommendations to the Board on the best industry practices, the most recent requirements of the London market and the state of health, safety, environment, social and community relations issues in the Company, making use of an independent consultancy and management reports where appropriate. To assure its effectiveness and independence from the Board, the Committee consists of three Non Executive Directors, Philip Leatham, Sir Rudolph Agnew and Peter Hill-Wood, and one Executive Director, Alfiya Samokhvalova. The Committee was established in early 2007 and is chaired by Philip Leatham. The role of the Committee is to oversee the continued implementation of our environmental and social programme including implementation of reporting in accordance with the Global Reporting Initiative, and the compliance with IFC’s environmental and social requirements. The Group also hired an independent consultancy, Citrus Partners LLP, who have recently undertaken an audit of the Pokrovskiy operations, to assist us in the ongoing implementation of our environmental and social programme. A summary of the conclusions from their audit is included in this Report, and further detail will soon be available on our website at [www.peterhambro.com](http://www.peterhambro.com).

We believe in investing in a better future for all of our employees. This year we achieved outstanding production and financial results in part through the skills, experience and commitment to excellence of our management and production teams. While we are on track to hit our targets, there is still much we can do to improve and we rely on the continued efforts of our employees for future successes.



Primary School, Magdagachi



Flowers in the Amur Region

**Objectives**

Our objectives in publishing this Sustainability Report are to demonstrate to shareholders and stakeholders alike how the Company operates, and how we aspire to improve our environmental and social performance on an ongoing basis.

- We are committed to managing our operations to ensure the safety and security of our employees, contractors, neighbours, and our host environment. In planning our approach to business we recognise our duties to shareholders and responsibilities to wider stakeholders.
- We will continue to implement the IFC performance standards and guidelines and international good practice, throughout our operations.
- We will develop and implement reporting systems to meet the requirements of the Global Reporting Initiative (GRI) and ICMM Sustainable Development Principles.

**Sustainability Strategy**

Our Sustainability Strategy is designed to improve our environmental, health and safety and social performance through the ongoing implementation of international good practice, and to build on our existing compliance with the Russian regulatory requirements.

We see that this approach underpins our ability to continue to increase shareholder value.

Key elements of our Sustainability Strategy are:

- Full compliance with the Russian regulatory requirements in parallel with implementation of international good practice;
- Continued implementation of the IFC guidelines and performance standards;
- Continued implementation of sustainability reporting, moving towards fulfilment of the Sustainability Reporting Guidelines of the Global Reporting Initiative
- Bringing operations into compliance with the ICMM Sustainable Development Principles.

**The ICMM Sustainable Development Principles**

The ICMM Sustainable Development Principles provide a broad framework for the management of our business. Our current status against these principles is outlined below:

ICMM Sustainable Development Principle	Status of the Group
Implement and maintain ethical business practices and sound systems of corporate governance	<ul style="list-style-type: none"> <li>• The Group seeks to operate with integrity and transparency, and has implemented a range of corporate governance initiatives</li> <li>• We will continue to develop our policies and practices with regard to corporate governance</li> </ul>
Integrate sustainable development considerations within the corporate decision-making process	<ul style="list-style-type: none"> <li>• A sustainability strategy is currently being implemented</li> </ul>
Uphold fundamental human rights and respect cultures, customs and values in dealings with employees and others who are affected by the company's activities	<ul style="list-style-type: none"> <li>• We seek to operate in a manner that respects our workers and local communities</li> </ul>
Implement risk management strategies based on valid data and sound science	<ul style="list-style-type: none"> <li>• Extensive risk monitoring and risk management is undertaken by internal and external experts under the supervision of the Russian regulatory authorities</li> </ul>
Seek continual improvement of health and safety performance	<ul style="list-style-type: none"> <li>• We have an existing health and safety management system which is being revised to reflect international good practice</li> </ul>
Seek continual improvement of environmental performance	<ul style="list-style-type: none"> <li>• We have an existing environmental management system which is being revised to reflect international good practice</li> </ul>
Contribute to conservation of biodiversity and integrated approaches to land use planning	<ul style="list-style-type: none"> <li>• We work closely with local authorities to ensure that our activities do not conflict with the existing land use or adversely impact on biodiversity</li> </ul>
Facilitate and encourage responsible product design, use, re-use, recycling and disposal of products	<ul style="list-style-type: none"> <li>• We have existing waste management systems and are continually seeking means to reduce product consumption and waste disposal</li> </ul>
Contribute to the social, economic and institutional development of the communities in which the company operates	<ul style="list-style-type: none"> <li>• We make a significant contribution to our host communities by supporting a wide range of educational, health and social initiatives</li> </ul>
Implement effective and transparent engagement, communication and independently verified reporting arrangements with the stakeholders	<ul style="list-style-type: none"> <li>• We are in the process of enhancing our reporting to stakeholders, and this report represents the first step in that process</li> </ul>



Health and Safety briefing at Pokrovskiy Rudnik



Hard hat at Pokrovskiy Rudnik

**Our Approach to Sustainability Reporting**

We are committed to increase the transparency of our non-financial performance and to provide clear information accessible to all stakeholders. This is the first dedicated Sustainability Report, and further such reports will be produced on an annual basis going forward. We are committed to introduce reporting in accordance with the Global Reporting Initiative (GRI).

This Report provides an overview of how we manage environmental and social issues, and focuses this year on the Pokrovskiy Mine, which currently accounts for the majority of our production. Environmental, health, safety and social performance information on our exploration and development activities and our joint ventures, is not included in this Report. We will seek to expand our environmental and social reporting over time to cover these activities in an appropriate manner.

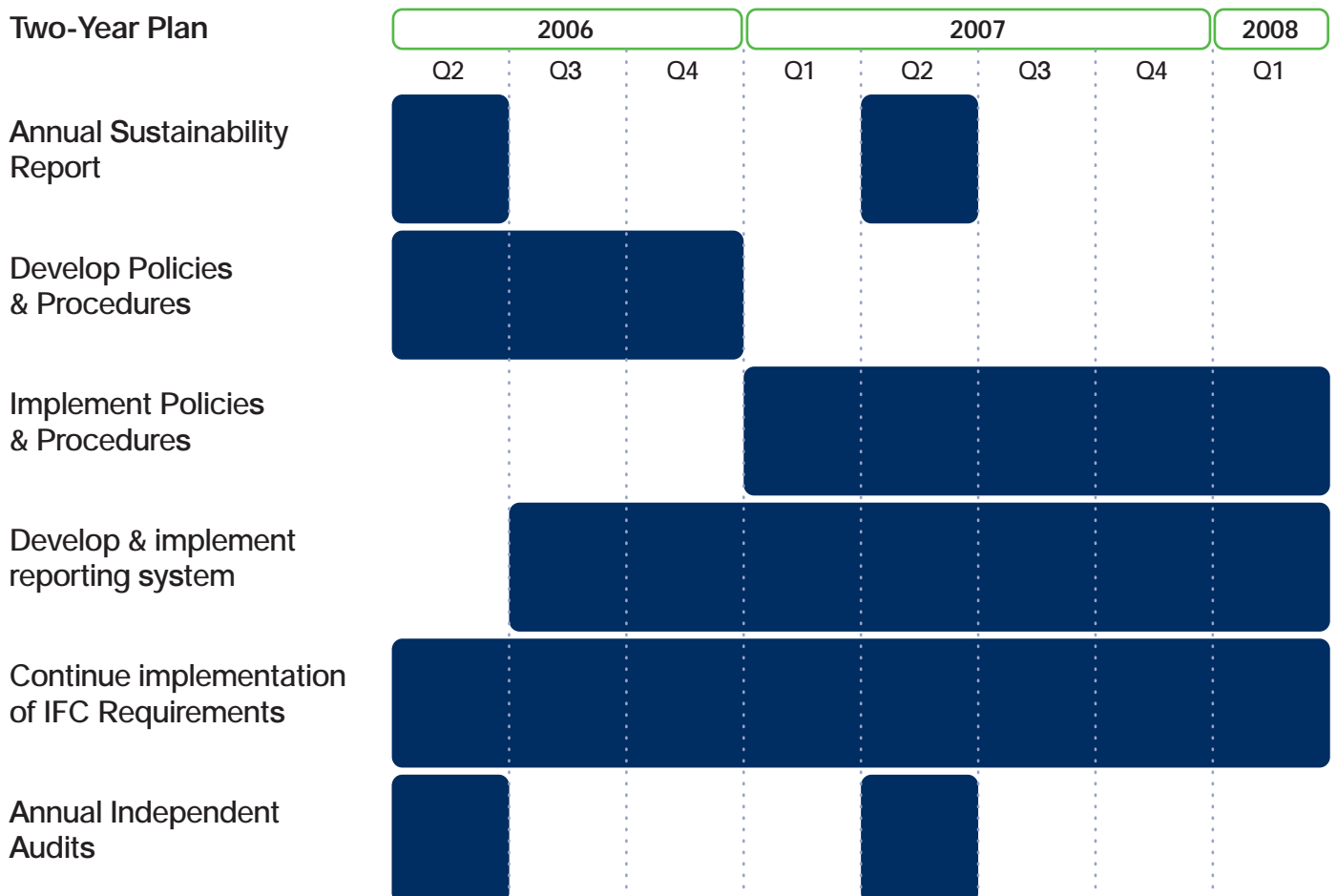
In support of this Report, we will also continue to develop the information provided on the Company's website. Further details of overall corporate governance, principal risks corporate and management structures of the Group are provided in the Peter Hambro Mining Plc's Annual Report and Accounts 2006.

**Our Two-Year Plan for Sustainability Management and Performance**

We have developed a two-year programme for the ongoing implementation of our Sustainability Strategy, as outlined below.

During 2007 and 2008 we will focus on consolidating what we have achieved to date in a systematic structure and management system that can be rolled-out across our other activities and new projects. We will continue to monitor and improve the effectiveness of our environmental and social management and to extend its scope as appropriate to adopt international good practice.

**Two-Year Plan**





**Vladimir Riabikin**, Deputy General Director of MC PHM for natural resources management

A Board-level Sustainability Committee was established this year to evaluate the effectiveness of the Group's programmes and its control systems for identifying and managing health, safety and environmental risks within the Group's operations. The Committee is independent from the executive management, and consists of three Non Executive Directors and one Executive Director.

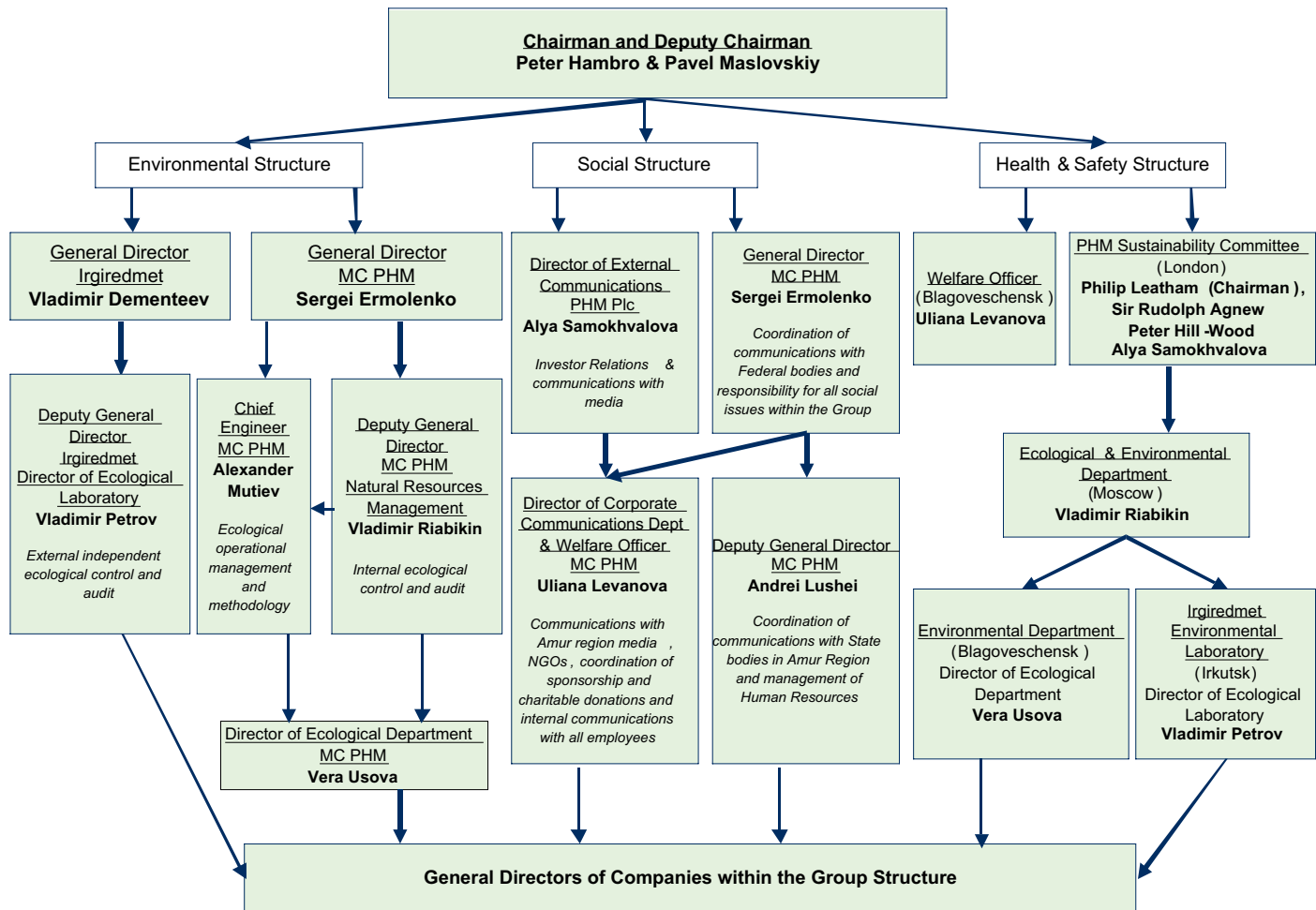
The current size and scale of the Group provides us with significant resources, capabilities and experience to manage environmental, social and health and safety issues effectively.

The Natural Resources Management and Ecological Department, which is based in Moscow, supports the Peter Hambro Mining Board, provides guidance and support to OAO Pokrovskiy Rudnik, the operating Company at the Pokrovskiy Mine, carries out internal environmental audits, oversees all environmental activities of the operating companies in the Group throughout Russia and liaises with the regulatory agencies based in Moscow.

The Sustainability Committee oversees all aspects of environmental and social management, setting priorities for the Group and reviewing progress in implementation.

Over the coming year, we will seek to build on our significant strengths in operational monitoring by developing further our own environmental social resources and capabilities related to project design, development and providing support to construction and operational activities. We are identifying appropriate experts to work with us at a corporate and operational level to implement good practice in mining environmental and social management throughout the Group.

Our current sustainability management structure is presented below. This structure will change over the coming year to reflect the new management systems being implemented and to reflect the introduction of additional expertise and resources into the Group.





Accommodation camp at Pokrovskiy Rudnik



Canteen at Pokrovskiy Rudnik



Worker at Pokrovskiy Rudnik

**Introduction**

In this, our first Sustainability Report, we have focused on the Pokrovskiy Mine, our key producing asset in the Amur Region.

**Mine Description**

The Pokrovskiy Mine (operated by OAO Pokrovskiy Rudnik (“Pokrovskiy Rudnik”)) has been in operation since 1999, and to date 825,000 ounces of gold has been produced at the mine, making Pokrovskiy Rudnik one of the largest gold producers in the Amur Region.

Ore is mined from two open pits using conventional blasting techniques and truck and shovel operations to take ore from the pit to the primary crusher. Overburden is stored in stockpiles adjacent to the open pits. High grade ore (>1g/t) is then transported to the main processing facility where it is fed into the processing mill, using conventional SAG and ball mills.

Conventional cyanide leaching is used to dissolve gold from ore in processing tanks, with the gold then being absorbed onto resin granules (“resin in pulp” or “RIP”). Gold and silver are recovered from the resin by electrolysis and the resulting metal sludge is then smelted into dore bars.

Low grade ore is placed onto a series of heap leach pads and conventional cyanidation process is used to leach gold from the ore. Gold-bearing leachate is collected and pumped into columns filled with resin which absorb the gold ready for introduction of the resin into the main electrolytic gold recovery process prior to smelting into dore bars.

Tailings are treated through a cyanide destruction process before being piped 4kms to a tailings management facility for final disposal.

Pokrovskiy Rudnik employs 1,680 staff, including 286 specialist technical and engineering staff. The mine is supported by excellent infrastructure including a fully equipped analytical laboratory, medical facilities, staff accommodation, canteen facilities and offices. The mine is equipped with a full mining fleet, which is currently being re-equipped with new Volvo trucks. All truck movements on site are computer-controlled to optimise vehicle movements.

**Operating Environment**

The Amur Region, located in the South-Eastern part of the Russian Federation, is home to the Group’s primary operations (including Pokrovskiy) and a large proportion of its development assets; it has a vast resource potential and gold mining and is one of the region’s leading industries. The region has a total area of almost 364,000km<sup>2</sup> and a population of over one million people, with available workforce of just over 500,000.

The Amur Region is characterised by a “Taiga” style environment with gently undulating land covered in waterlogged peat bogs and interspersed with Silver Birch woodland. The area is underlain by poorly draining sandy-clay alluvial deposits and is accompanied by intermittent permafrost. Despite the extensive presence of wetland and bog areas, evaporation exceeds rainfall in the area and the dry environment leads to frequent grass fires across the region. The area is characterised by long, cold, winters and short, warm summers, with a three month frost-free “summer” season.

While the local environment is relatively pristine, the harsh climate means that flora and fauna biodiversity and productivity is limited, and there are no areas of special interest or protected areas in the vicinity of the mine.

The mine is located in a remote area. The nearest settlement to the mine is the town of Tygda, 14kms from the site. Tygda has a population of approximately 3,500 people with reportedly high levels of unemployment. Pokrovskiy Rudnik employs over 240 local workers, thereby making a significant contribution to the local economy. The shift system employed by the Pokrovskiy Rudnik (15 days on/15 days off) enables employees to maintain their agricultural small holdings so that local agricultural and employment patterns are not adversely affected.

**POKROVSKIY MINE – FACTS & FIGURES**

Performance Metrics		2006	2005
Total Material Moved	'000m <sup>3</sup>	6,297	6,084
Total processed at RIP	'000t	1,698	1,397
Recovery	%	90.8%	91.5%
Gold recovered through RIP	'000oz	190	169
Ore stacked at Heap Leach	'000t	750	714
Recovery	%	73.1%	48.9%
Gold recovered through Heap Leach	'000oz	16.8	16.5
<b>Total Gold Production</b>	<b>'000oz</b>	<b>206.8</b>	<b>185.7</b>



Near Pokrovskiy Mine



Carpentry workshop at Pokrovskiy Rudnik



Medical supplies at Pokrovskiy Medical Centre

**Monitoring and Reporting Priorities**

In our view it is imperative that mining companies operate in a responsible manner – without the support of local communities and public authorities, mining companies can rapidly lose their “social licence to operate”. This requires effective environmental and social governance to minimise the impact of mining operations and to maximise the benefits – be they environmental or social.

The sustainability and viability of the Group is reliant on its capability to retain, train and protect its employees; to make all possible efforts to preserve the surrounding environment and rehabilitate sites after mine closure; and to improve local infrastructure and add value to local communities. It is therefore paramount that the Company monitors and reports on its performance in these areas.

**Management Structure and Controls at the Mine**

**The Team at Pokrovskiy Rudnik and How we Operate**

We understand the need to implement our environmental and social governance policies throughout all of the Group’s operations to ensure that effective and robust systems and controls are in place at an operational level. As a result, we have staff at all levels within the Group who are responsible for environment, health and safety and social and community issues.

Key staff within Pokrovskiy Rudnik responsible for the management of environmental and social issues include:

**Uliana Levanova**

Director of Management Company  
Peter Hambro Mining (MC PHM) Corporate Communications (Blagoveschensk)

Uliana was appointed in 2005 to facilitate and encourage communication between management and mine workers, and between Pokrovskiy Rudnik and the local communities and regional administrations. She undertakes ongoing dialogue with employees to maintain effective internal communication and she also manages the ongoing dialogue with local authorities, communities, media, non-government organisations and charitable organisations.

**Vera Usova**

Director of MC PHM Ecological Department (Blagoveschensk)

Vera was appointed in 2001 and is responsible for environmental monitoring and control at Pokrovskiy Rudnik. Internal and external environmental monitoring is regularly carried out at the mine under the supervision of Vera, who is also responsible for reporting on performance and compliance matters both internally and to Russian regulatory authorities.

**Boris Prokopenko** – Deputy Chief Engineer of MC PHM for Industrial Safety

Boris is responsible for the implementation and monitoring of health and safety management systems, as well as for reporting on performance and compliance to Russian regulatory authorities. Boris is also responsible for all staff health and safety training.

**Environmental Monitoring and Reporting at Pokrovskiy Rudnik**

The Group laboratories are state certified and are authorised to monitor air, water and soil quality, tailings and waste management and rehabilitation and restoration programmes at the mine and in the surrounding area.

Monitoring is undertaken both by the Company and by a number of accredited State institutions and accredited privately-owned organisations. Irgiredmet, a well-respected scientific institute which is 98% owned by the Group, also performs extensive sampling and analysis of environmental samples from the mine.

On a six-monthly basis, complete records of all monitoring activities are submitted for inspection to the Amur Oblast branch of Rosprirodnadzor (environmental protection agency) for inspection. On a bi-annual basis, records are submitted to the Moscow headquarters of Rosprirodnadzor for supervisory review.



Tailings Dam at Pokrovskiy Rudnik





Near Pokrovskiy Mine



Near Pokrovskiy Mine

Extensive reviews of our environmental monitoring and performance records by the Russian authorities in December 2006 confirmed that the mine is operating in full compliance with the Russian regulatory requirements.

As part of the ongoing process of implementing international good practice, we will develop a robust and systematic set of environmental, health and safety and social key performance indicators (KPIs) for use going forward.

**Environmental Performance**

Current key environmental performance indicators include:

- Maximum permissible concentrations were not exceeded for any pollutants (in air or water) on the border of the sanitary-protection zone at Pokrovskiy Rudnik in 2006;
- The mine is designed as a “zero discharge” facility with water recycled from the tailing’s pond back through the processing plant – water discharges from the mine are negligible;
- Cyanide levels within the tailing’s pond are within the Russian regulatory levels and are within IFC guideline levels;
- Ore geochemistry means that acid drainage is not an issue at the mine;
- Waste is disposed of according to the Russian regulatory requirements and waste disposed off-site is handled and disposed by authorised contractors;
- The Company is seeking to implement the ISO 14001 environmental management system and will continue the process of implementing IFC guidelines and performance standards, as well as broader international good practice.

**Land Reclamation**

In 2006 1,775,000m<sup>3</sup> of waste rock was used to fill open pits, however, land reclamation is not due to commence until the operations cease. In 2008, termination of operations is planned at the Pokrovka-3 pit and land reclamation and re-vegetation will be addressed at that stage. All land reclamation is undertaken under regulatory supervision and approval by the Russian regulatory authorities.

**Health and Safety Performance**

Health and safety monitoring is carried out in accordance with our health and safety management system and with the Russian regulatory requirements. On a monthly basis, the General Director undertakes a formal review of the results of ongoing health and safety inspections carried out at the mine to identify non-compliances and to agree corrective actions.

All workers and visitors to the mine undertake a health and safety induction programme.

Workers are tested on an annual basis on health and safety issues, including tests specific to their particular area of work. A safety management system, approved by the Russian regulatory authorities, has been implemented at the mine.

Current key health and safety performance indicators include:

- Health and safety management system has been implemented at the mine;
- All workers undergo health and safety training;
- All workers are provided with personal protective equipment (PPE);
- All workers undergo annual health checks and are supported by a fully-staffed on-site medical centre with one fully-trained medical staff member for each 191 workers;
- No fatalities occurred at the mine during 2006.



Ecological monitoring laboratory



Lesson at Magdagachi school



Magdagachi Church



Primary school children, Magdagachi

The Group is committed to operating in a manner that provides tangible and sustainable benefits to our host communities. This includes supporting educational programmes, financial investment and contributions, awareness raising and maintaining an ongoing dialogue with host communities and the local authorities.

**Education Programmes**

Pokrovskiy Rudnik has a well-established education programme designed to train existing and future employees with skills that will be of value throughout their careers. We currently have 107 employees enrolled on education courses (55 in higher education, 52 in secondary technical education). The Group also operates a scholarship programme for students.

In order to train future workers and to maintain a pool of skilled workers, the Group works closely with local universities. To that end the Blagoveshchensk Pedagogical University has established a new Chemistry Department to meet demand from the Group for scientifically-trained graduates. Lecturers for the new department are provided from the Group's staff. The Group is also planning to establish a local mining engineering college to produce trained mining engineers for the Group.

The Group also works with local schools, organising field trips, supporting research and development projects and providing career development sessions to promote awareness of the mining industry within the host community.

**Local Community Investment**

The Group plays a major role in the economy of the Amur Region, and is the third largest tax-payer, having contributed a total of US\$13.8m in 2006. We endeavour to employ local people where possible, and the average salary at Pokrovskiy Rudnik, of US\$580 for a 15-day shift, is considerably higher than the average for the industrial sector within the Amur Region, being US\$425.

The Group maintains an extensive charitable funding and sponsorship programme in the Amur Region that supports communities and infrastructure in several local districts. The Group makes contributions to public health services, educational institutions and day centres and sponsors a variety of sporting, cultural, and charitable events.

In Tygda for example, the Group has contributed to the construction and running of local schools as well as the town's fire station, and in Magdagachi, the Group contributes to a number of schools and has recently funded construction of a church (see photograph, left). The Group senior management maintains an active dialogue with local authorities and trade unions, and the Pokrovskiy Rudnik has signed agreements with all local communities for mutual cooperation and support.

Investment in community projects for 2006 is summarised in the table below.

**Employee Support**

Employment within the Group in Russia falls under the Labour Code of the Russian Federation.

The Group believes in providing its staff with first-rate domestic arrangements while they are on duty; including high quality accommodation and canteen facilities, and recreational and sporting facilities. Employees are eligible for vacation breaks at health resorts, and in 2006 there were 65 such trips subsidised by the Company.

Health and safety and the appropriate medical back-up are of a vital consideration for the Group. There is a fully equipped medical facility on site together with fully trained medical staff. The Group provides considerable assistance to medical institutions in the Amur Region and has bought special medical and computer equipment for local hospitals and clinics and sponsored medical students through their training.

We encourage workers to join the local Trade Union for the mine so that the Group and its workers can undertake a mutually-beneficial dialogue on a wide range of issues. Pokrovskiy Rudnik publishes a free monthly internal newspaper to keep employees up to date on its developments. In addition, the Group's management undertakes regular consultation sessions with the employees to ensure that there is clear communication within the Group.

**INVESTMENT IN THE COMMUNITY**

Sector	Total Company Russian Roubles	Contributions US Dollars
Public health services	686,407	25,422
Education, day-centres	979,778	36,288
Culture	1,055,957	39,110
Sport	1,170,178	43,340
Charity	3,800,550	140,761
Others	1,363,796	50,511
<b>Total</b>	<b>9,056,667</b>	<b>335,432</b>

**IFC Investment**

The International Finance Corporation (IFC) is an equity investor in the Group, which provides us with extensive support and guidance with regard to environmental and social matters. IFC have recently stated the following with regard to our operations:

*“Peter Hambro Mining gold operations in the Amur Region are visited annually by IFC environmental and social development specialists. During these monitoring visits recommendations are made on key issues related to environmental management including monitoring, occupational health and safety, community engagement and local employment.*

*Good progress in implementing various plans and activities has been assessed each year that IFC have undertaken monitoring visits.*

*With the Pioneer Mine now under construction, IFC is looking at opportunities to support the Group to develop further its environmental, health and safety function as well as linkages for small and medium-sized enterprise development in mining services.*

*An independent environmental and social audit of the Pokrovskiy Mine was undertaken recently by Citrus Partners to the satisfaction of IFC.”*

The presence of the IFC, who closely monitors and guides our environmental and social performance, is adding value to the Group by bringing in international good practice standards and worldwide experience. An IFC representative attends the Board level Sustainability Committee, as required, to assist the Group to move forward this important agenda.

Citrus Partners

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9th May 2007

Our ref: J154

**ENVIRONMENTAL & SOCIAL REVIEW OF PROKROVSKIY MINE**

Citrus Partners LLP (Citrus) was asked by Peter Hambro Mining plc (PHM), at the recommendation of the International Finance Corporation (IFC), to undertake an independent review of environmental and social management at the Prokrovskiy mine in the Amur Oblast of the Russian Federation, both owned and operated by PHM.

**Scope of Review**

The scope of the review was to assess PHM operations against the new IFC *Environment, Health and Safety guidelines for Mining*, against the IFC *Performance Standards on Social & Environmental Sustainability*, and against generally accepted good international practice. In addition, we were asked to report on the status of concerns raised in December 2006 by Rosprirodnadzor (the Russian Federation Environmental Protection Agency) with regard to environmental issues at PHM operations in Amur Oblast.

**Conclusions**

Site visits and management interviews were undertaken during April and May 2007. The conclusions of the review process were as follows:

- Peter Hambro Mining operations in Amur Oblast are well-run. Operations appear to be in full compliance with Russian regulatory requirements and PHM adopts a pro-active approach to ensuring compliance within a complex and changing regulatory framework;
- Potential concerns raised by Rosprirodnadzor with regard to environmental compliance of PHM operations in Amur Oblast were demonstrated by PHM to be without foundation. After extensive checks of all licences and monitoring data, both Rosprirodnadzor and Gosgortekhnadzor confirmed in writing to PHM that no regulatory non-compliances were identified;
- PHM has committed to continue to implement IFC environment, health and safety guidelines and performance standards on social and environmental sustainability at its operations in Amur Oblast.

There are a number of operational issues that will need to be addressed in order for operations to meet IFC requirements. These include the development of a Social and Environment Management System, the implementation of the International Cyanide Management Code, and the development of enhanced stakeholder engagement systems. A detailed Action Plan has been prepared and will be implemented by PHM to meet IFC requirements and international good practice.

**Opinion**

In our opinion, the information presented by PHM in the Sustainability Report 2006 provides a balanced and fair representation of PHM’s environmental and social performance. We are not aware of any material issues excluded or misstatements made in relation to this information.

**CITRUS PARTNERS**

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