



# HIGHLAND GOLD MINING Ltd.

## HIGHLAND GOLD MINING LIMITED INTERIM RESULTS FOR THE FIRST HALF OF 2008

**25 September 2008** – Highland Gold Mining Limited (“Highland Gold”, or the “Company”) announces its production and financial results for the half year ended 30 June 2008.

### FINANCIAL SUMMARY

Financial (US\$ millions)	H1 2008	H1 2007
Turnover	76.5	43.4
Cash inflow /(outflow) from operating activities	10.7	(26.0)
Group Operating profit	14.4	4.2
Net profit from Continuing operations	22.2	5.7
Profit/(loss) for the period	22.2	(2.8)
Diluted earnings per share from continuing operations (US\$/share)	0.068	0.029
Capital expenditure	43.0	19.3
<b>Operating</b>		
MNV - Gold recovered (ounces)	68,813	58,196
MNV - Gold sold (ounces)	81,036	62,643
MNV - Cash operating cost (US\$/ounce sold)	472	417
MNV - Total cash cost (US\$/ounce sold)	529	458

*The Group's financial statements for the period ended 30 June, 2008 have been prepared in accordance with IFRS.*

## FIRST HALF HIGHLIGHTS

- **Group profit after tax of US\$22.2 million compared to a loss for the same period in 2007 of US\$2.8 million**
- **Gold revenue for the first half of 2008 increased by 77% over the same period in 2007 to US\$73.7 million on sales of 81,036 ounces**
- **Average realised gold sales price was US\$909/oz, up by 39% (first six months of 2007 – US\$655/oz). The Group remains unhedged**
- **Cash and short term deposits of US\$308.7 million at 30 June 2008**
- **Novosibirskoye on schedule for commissioning at the end of 2008**

Commenting on today's announcement **Duncan Baxter, Non-Executive Chairman** said: "We have benefited in the first half from the efficiency measures taken in 2007 to improve production at Mnogovershinnoye (MNV) and this is reflected in significantly improved results and we look forward to seeing further progress being made during the rest of the year. Novosibirskoye (Novo) is on track to become our second producing mine by the end of the year. In the light of recent Board and Executive appointments and the turmoil in the financial markets which is likely to result in liquidity constraints for the foreseeable future, the Board will examine all aspects of the business to focus on the best way to exploit the Company's strong net cash position. This may have an effect on timing for various projects and will also include looking at opportunities of acquiring additional producing assets."

## Conference call

Highland Gold will hold a conference call hosted by Henry Horne, CEO and Tatyana Breeva, CFO. The conference call will take place at 10.00am London time on 25 September 2008. To participate in the conference call, please dial one of the following toll-free numbers:

<b>UK Local Call</b>	0844 493 3800
<b>UK Standard International</b>	+44 (0) 1452 561 394
<b>Russian Local Call</b>	8108 002 097 2044
<b>Conference ID</b>	66053391

A recording of the presentation will be accessible on the company website [www.highlandgold.com](http://www.highlandgold.com) shortly after, as well as by dialing one of the following numbers:

International Dial in: **+44 (0) 1452 55 00 00**

UK Free Call Dial In: **0800 953 1533**

UK Local Dial In: **0845 245 5205**

USA Free Call Dial In: **1866 247 4222**

Encore Replay Access Number: **66053391#**

**Encore Replay will be available until 1 October 2008.**

**The Interim Report to 30 June 2008 will be available on our website from 30 September.**

## BOARD INTERIM REVIEW

### OVERVIEW

Our team in Russia has produced an excellent result for the first half of the year at MNV proving that the extensive Operational Review & Optimisation Audit of 2007 has been successfully implemented and has now filtered down to the bottom-line. This is encouraging as the first half of the year is usually less productive than the second as a result of the very cold winters experienced in the Khabarovsk region of the Russian Far East with this year being particularly harsh and lasting well into May. In this context, the increased turnover from US\$43.4 million to US\$76.5 million which resulted in an increase in profit after tax to US\$22.2 million from a loss of US\$2.8 million on the same period in 2007 is particularly encouraging.

The Novo mine, which we own and operate in joint venture with Kazzinc, is on track for production by the end of the year as predicted. All major infrastructure facilities are already in place. All final preparations will be completed in Q3 and a total of 55,600 tonnes of development ore has already been stockpiled for the operations to start before the end of the year.

In 2008 there were a number of changes to our Board and management, including the appointment of Terry Robinson as Senior Independent Director. All of our shareholders both institutional and private are well represented. We also welcome Valery Oif as the new CEO who takes over from Henry Horne who has decided to leave the Company and will leave by the end of February 2009. We thank Henry for his contribution to the development of the Company over a number of years.

International financial markets have continued to be highly volatile this year which has been reflected in our own share price. A number of factors are at play, many of which are outside the control of the Company, but we remain confident of the fundamental strengths and opportunities that exist for Highland Gold and, significant amongst these in the current climate is our strong net cash position of US\$178.7 million at the end of June 2008. Given the continued volatility of the markets alongside the intensive schedule and funding requirements of our development projects, the Board and executive management are prioritising the various projects in the Highland Gold portfolio with a view to ensuring that our funds are put to the most productive use in the most efficient order.

### OPERATIONAL REVIEW

#### MNOGOVERSHINNOYE MINE (MNV) – Khabarovsk Region, Russia

Strong production results were achieved at MNV for H1 2008, with significant increases in mined tonnage, metal production, and gold sales when compared to H1 2007.

#### MNV Operating Statistics:

MNV		6 months ended	
		30 June	
	Unit	2008	2007
<b>Mining</b>			
Open pit waste stripping	M3	1,293,831	867,000
Underground development	Metres	4,752	4,740
Total ore mined	Tonnes	492,079	402,275
Average grade	g/tonne	5.0	5.1
<b>Processing</b>			
Ore processed	Tonnes	484,092	381,201
Average grade	g/tonne	5.0	5.2

Recovery rate	%	<b>88.1</b>	91.2
<b>Metal Production</b>			
Gold recovered	Ounces	<b>68,813</b>	58,196
Gold sold	Ounces	<b>81,036</b>	62,643
Gold price received	US\$/oz	<b>909</b>	655

MNV gold output for the first six months of 2008 was 68,813oz Au, which represents an 18% increase over H1 2007 and is in line with the production plan to achieve 155,000 to 165,000 ozs Au of gold production for 2008.

The upgrades to the mobile equipment fleets for both the open pit and underground operations completed in 2007 continue to pay off, as demonstrated by the increases in the tonnages mined in both venues. In total, mining operations produced 492,079 tonnes of ore containing 79,100oz Au at an average grade of 5.0g/t Au – a 22% increase over the tonnes mined in H1 2007. In addition, waste stripping in the open pit for H1 2008 totaled 1,293,831 cubic metres, which was an increase of 49% over the volume stripped in H1 2007. Greater production from the open pit is forecast for the second half of the year as the operation reaches areas containing higher grade ore. In addition, development of the Flank Ore body has been brought forward from 2009 to maintain tonnage and gold production in the years ahead.

The improvements to the MNV processing facility that were completed during H2 2007 enabled the operation to increase its average daily mill throughput for the H1 2008 by 27.0% over H1 2007. In total the mill processed 484,092 tonnes of ore at an average head grade of 5.0g/t Au and achieved an overall gold recovery of 88.1% during the period. Additional upgrades to the processing facility that are currently in progress are focused upon improvements to the adsorption and regeneration circuits, which are designed to increase gold recovery and reduce reagent consumption.

#### **NOVOSHIROKINSKOYE - Transbaikalia Region, Russia**

All major infrastructure facilities and equipment are in place or will be in the next few months and the mine is on track for commissioning before the end of the year. Novo will enhance Company cash flows in 2009, with an estimated 50,000ozs of gold equivalent on average per annum throughout the life of the mine. Initial feedback is that the lead and zinc concentrates have few impurities and can be expected to attract market prices.

#### **DEVELOPMENT PROJECTS**

The Company has two other mine projects that are at various stages of development – Mayskoye, and Taseevskoye. The current status of each is as follows:

#### **MAYSKOYE DEVELOPMENT PROJECT – Chukotka Region, Russia**

Mayskoye will be an 850,000 tonne underground operation producing on average 275,000 ozs Au over an initial 15 year mine life.

The SAG mill, has been ordered, with delivery scheduled for Q3 2009. All major bulk commodities have been ordered and are in the process of being delivered. It is anticipated that 30,000 tonnes of cargo is being shipped into the port at Pevek and then transported onward to Mayskoye. A 200-man construction camp has been ordered and will be delivered during the 2008 shipping season. For the 2008/2009 construction season, the main site activities will be site excavations and construction of the plant and major infrastructure foundations.

## **TASEEVSKOYE DEVELOPMENT PROJECT - Transbaikalia Region, Russia**

An extension to the Mining License for Taseevskoye has been granted, extending the requirement for plant start up to 1 June 2013 which makes the project more manageable from a funding and resource point of view. Other license agreement milestones have been adjusted proportionately.

The ore cut-off study is currently under review with GKZ (State Committee on Reserves). The feasibility study is advancing, and confirmatory metallurgical test work is currently underway.

## **EXPLORATION**

The Company made good progress with its exploration projects during the period.

### **Belaya Gora – Khabarovsk Region, Russia**

In the first half of the year the Company completed a 7,500 metres resource delineation drilling programme at the Stockwork exploration target as planned. An additional 480 metres of drilling for hydro-geological testing has been started in Q2 and is to be completed by the end of Q3. More than 7,000 drill core samples have been assayed and results further corroborate our geological model which is estimated within the C1+C2 Russian reserve category at 22 million tonnes grading 1.7g/t Au. The pre-feasibility study is progressing well and the report is on track to be submitted for state approval by year-end 2008 in compliance with the license agreement.

### **Lyubov – Transbaikalia Region, Russia**

The Company completed 4,700 metres of diamond drilling out of a total of 9,500 metres of the resource delineation drilling programme planned for 2008. The programme is to delineate the overall resource potential of the entire Evgraf zone, a wide area of mainly intrusion-hosted stockwork mineralisation which the company previously evaluated to host a multi-million ounce potential (C1+C2+P1) grading 1.5g/t Au. Several holes have intersected strongly altered and sulphide-mineralised granodiorite at the eastern Evgraf area. Partial assay results received to date from this area are in support of the Company's geological model. Completion of the drilling programme and evaluation of final results is expected by the end of Q3.

### **Unkurtash – Kyrgyzstan**

In Q2 the Company started drilling programmes at three prospects (Unkurtash, Sarytube and Karatube) for a planned volume of 12,500 metres to be completed by the end of Q3. Based on the Company's and previous third party results the Company estimates that the combined potential of the three prospects amounts to several million ounces with an average grade in the range of 1.5 – 1.8g/t Au.

At the Karatube prospect to the east a 3,000 metres diamond drilling programme is targeting gold-bearing skarn mineralisation in the 3 - 4g/t Au range and by the end of H2 1,500 metres will have been completed.

### **Mnogovershinnoye - Khabarovsk Region, Russia**

With the objective of expanding resources for underground and open-pit operations at MNV and thus extending its mine life, a near-mine exploration programme was initiated which includes a 4,000 metres drill testing programme in addition to trenching and a geophysical survey. Following a comprehensive re-evaluation of previous exploration work the company identified a high potential for discovering additional resources in under explored areas in-

between and along strike of the known ore zones. By the end of H1, 400 metres of drilling were completed, and geophysical work is now underway along three profiles. Results and evaluation of this programme are expected by the end of Q3.

## HEALTH AND SAFETY

In 2008 the Company continued its efforts to ensure a safe working environment at all of its sites for its employees as well as for contractor employees. Progress has been achieved by the Company in its safety programmes. Since January 2008 more than 1,000 employees have attended safety training courses. The lost time Incident rate (the LTI rate is the number of the lost time incidents for every 200,000 man hours worked) for H1 2008 was 0.58 which is in line with the result for H1 2007 (0.54).

## FINANCIAL REVIEW

Highland Gold posted a profit of US\$22.2 million in H1 2008 versus a loss of US\$2.8 million for the corresponding period in 2007.

Gold revenue for H1 2008 increased by 77% over the same period in 2007 to US\$73.7 million on sales of 81,036oz. Increased revenues were due to the strong production at MNV being the result of the mine initiatives implemented in 2007. Our "no hedge" policy also allowed the Group to fully participate in stronger gold prices. The price received per ounce sold of US\$909 represented a 39% increase over H1 2007.

The upgrades to the mobile equipment fleets for both the open pit and underground operations that were made in H2 2007 continued to pay off, as evidenced by the increases in the tonnages mined in both venues. In total, mining operations produced 492,079 tonnes of ore containing 79,100oz Au at an average grade of 5.0g/t Au, a 22% increase over the tonnes mined in H1 2007. In addition, waste stripping in the open pit for H1 2008 totaled 1,293,831 cubic metres, which was an increase of 49% over the volume stripped in H1 2007. Greater production from the open pit is forecast for H2 as the operation reaches areas containing higher grade ore. In addition, development of the Flank Ore body has been brought forward from 2009 to maintain tonnage and gold production in the years ahead.

The Group's cost of sales increased by 59%, or US\$19.1 million over the prior year corresponding period in 2007. Operating costs at the MNV operation increased by 46% to US\$38.2 million in H1 2008 while the total cash cost per ounce was US\$529 compared to US\$458 per ounce in the prior period. Negatively impacting cost of sales at the Mnogovershinnoye operation was increased energy, material and manpower costs. Increased operating costs as a result of higher input costs were further impacted by higher royalties and an appreciating Rouble to Dollar exchange rate.

US\$3.3 million of capitalised exploration costs for the Sovinoye property have been written off to "Other operating expenses" during H1 2008. The Company's drilling programme confirmed that gold-mineralisation at Sovinoye is of too low a grade to warrant further exploration on the property.

The income tax expense of US\$4.4 million was higher compared to the prior period tax credit of US\$0.7 million. The charge consists of US\$6.7 million current tax expenses (US\$6.0 million current income tax charge at MNV and \$0.7 million at other operations), US\$0.2 million tax charge as a result of the tax inspection at MNV and US\$2.5 million of deferred tax credit.

All entities within the Group, with the exception of MNV, are either development projects or have suffered a tax loss during the period. These tax losses have not been recognised until such time as there is sufficient evidence of future taxable profits in those entities, against which the losses can be utilised. In total, US\$2.4 million of tax losses have not been recognised at the end of June 2008. The application of this policy may lead to previously

unrecognised deferred tax assets being recognised in the future, as projects are determined to be economically viable, resulting in a credit to income taxes.

The Group's cash inflow from operating activities was US\$10.7 million compared to a cash outflow of US\$26.0 million in the first half of the prior year.

Highland Gold continued the steady advance of its development and exploration project pipeline investing US\$43.0 million in the first six months to 30 June 2008 compared to US\$19.3 million in the first six months to 30 June 2007. H1 capital expenditure comprised of the development project advancement expenditures for Novo's construction and commissioning (key processing plants, infrastructure, tailings storage, water reclaim lines), Mayskoye's feasibility programme, preparation of the feasibility study at Taseevskoye and exploration works on Belaya Gora, Lyubov and Unkurtash.

The Group's interest and loan repayments were US\$68 million versus US\$36 million in the prior period while US\$11.6 million in Russian income tax was paid in H1 of 2008 versus US\$0.2 million of refunded tax in H1 of the prior year due to the increased revenue in the first quarter 2008 at MNV.

The Company recognised a foreign exchange translation gain of US\$5.2 million versus US\$1.5 million in 2007. The gain is mainly caused by the exchange rate movement associated with the deposits in GBP.

The investing and financing outflows, together with the Group's operating outflows, were financed by existing cash reserves of US\$211.3 million, net financing cash in-flows comprising of the receipt of US\$192.5 million of the second subscription with Millhouse LLC, receipt of US\$10.9 from Kazzinc to finance Novo joint venture. These inflows were partially offset by the early repayment of the US\$15.0 million existing Loan Facility with Gazprombank, repayment on maturity date of Rouble corporate Bond of US\$30.6 million and US\$1 million in equipment lease payments.

Cash and short term deposits at 30 June 2008 were US\$308.7 million versus US\$15.5 million (including US\$0.6 of cash attributable to a discontinued operation) at 30 June 2007 while the net cash position of the Group was US\$178.7 million versus a net debt position of US\$101.6 million at 30 June 2007. The net cash of the Group comprises Cash at Bank, less Bank Borrowings, and finance lease payables. The increase in net cash was as a result of the subscriptions from Millhouse LLC and a positive cash flow from MNV.

The Group arranged a new long-term loan with MDM bank in the amount of US\$20 million which was drawn down on 15 September 2008. This new financing facility will be used for financing the capital expenditure programme. We are also in the process of finalising additional financing initiatives.

H1 2008 overall results, production increase and cash reserves have been positive for Highland Gold and we look forward to seeing further progress being made during the rest of the year. I would like to extend my thanks to all of our staff and Board for their contribution during the period.

**Duncan Baxter**  
**Non-Executive Chairman**  
24 September 2008

**INTERIM CONSOLIDATED INCOME STATEMENT**  
for the six months ended 30 June 2008

	<i>For the six months ended 30 June</i>	
	2008	2007
	Unaudited	
	US\$000	US\$000
<b>Continuing operations</b>		
Revenue	76,494	43,387
Cost of sales	(51,269)	(32,155)
<b>Gross profit</b>	<b>25,225</b>	<b>11,232</b>
Administrative expenses	(6,030)	(6,900)
Other operating expenses	(4,784)	(167)
<b>Operating profit</b>	<b>14,411</b>	<b>4,165</b>
Foreign exchange gain	5,152	1,450
Finance income	7,907	535
Finance costs	(854)	(1,154)
<b>Profit before income tax</b>	<b>26,616</b>	<b>4,996</b>
Income tax (expense)/credit	(4,406)	705
<b>Profit for the period from continuing operations</b>	<b>22,210</b>	<b>5,701</b>
<b>Discontinued operation</b>		
Loss after tax for the period from a discontinued operation	-	(8,485)
<b>PROFIT /(LOSS) FOR THE PERIOD</b>	<b>22,210</b>	<b>(2,784)</b>
<b>Attributable to:</b>		
Equity holders of the parent	22,210	(2,784)
Minority interests	-	-
Earnings/(loss) per share		
• Basic, attributable to ordinary equity holders of the parent	0.069	(0.014)
• Diluted, attributable to ordinary equity holders of the parent	0.068	(0.014)
Earnings per share from continuing operations		
• Basic, for the profit from continuing operations attributable to ordinary equity holders of the parent	0.069	0.029
• Diluted, for the profit from continuing operations attributable to ordinary equity holders of the parent	0.068	0.029

## INTERIM CONSOLIDATED BALANCE SHEET at 30 June 2008

	30 June 2008 Unaudited US\$000	31 December 2007 Audited US\$000	30 June 2007 Unaudited US\$000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	352,655	311,583	257,156
Intangible assets	65,231	65,231	65,231
Financial assets	23,529	11,010	-
Other non-current assets	3,902	3,812	3,902
<b>Total non-current assets</b>	<b>445,317</b>	<b>391,636</b>	<b>326,289</b>
<b>Current assets</b>			
Inventories	59,590	54,452	39,280
Trade and other receivables	35,585	35,383	19,746
Income tax prepaid	3,429	-	-
Prepayments	8,118	6,158	11,199
Cash and cash equivalents	308,650	211,275	14,840
<b>Total current assets</b>	<b>415,372</b>	<b>307,268</b>	<b>85,065</b>
Assets of disposal group classified as held for sale	-	-	12,017
<b>TOTAL ASSETS</b>	<b>860,689</b>	<b>698,904</b>	<b>423,371</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued capital	585	458	325
Share premium	718,370	525,465	334,800
Shares to be issued	-	510	510
Assets revaluation reserve	790	790	790
Accumulated losses	(46,169)	(68,555)	(90,257)
<b>TOTAL EQUITY</b>	<b>673,576</b>	<b>458,668</b>	<b>246,168</b>
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	98,510	104,454	70,145
Provisions	9,280	7,437	7,258
Deferred income tax liability	19,672	22,130	19,580
<b>Total non-current liabilities</b>	<b>127,462</b>	<b>134,021</b>	<b>96,983</b>
<b>Current liabilities</b>			
Trade and other payables	21,324	25,741	5,444
Interest-bearing loans and borrowings	31,125	71,968	49,385
Income tax payable	4,781	6,334	2,233
Provisions	2,421	2,172	9,088
<b>Total current liabilities</b>	<b>59,651</b>	<b>106,215</b>	<b>66,150</b>
Liabilities directly associated with the assets classified as held for sale	-	-	14,070

<b>TOTAL LIABILITIES</b>	<b>187,113</b>	<b>240,236</b>	<b>177,203</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>860,689</b>	<b>698,904</b>	<b>423,371</b>

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 June 2008

	Attributable to equity holders of the parent					
	Issued capital	Share premium	Shares to be issued	Asset revaluation reserve	Accumulated losses	Total equity
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
<b>At 1 January 2008</b>	<b>458</b>	<b>525,465</b>	<b>510</b>	<b>790</b>	<b>(68,555)</b>	<b>458,668</b>
Profit for the year	-	-	-	-	22,210	22,210
Issue of share capital	127	192,905	(510)	-	-	192,522
Share-based payment	-	-	-	-	176	176
<b>At 30 June 2008 (unaudited)</b>	<b>585</b>	<b>718,370</b>	<b>-</b>	<b>790</b>	<b>(46,169)</b>	<b>673,576</b>

for the six months ended 30 June 2007

	Attributable to equity holders of the parent					
	Issued capital	Share premium	Shares to be issued	Asset revaluation reserve	Accumulated losses	Total equity
	US\$000	US\$000	US\$000	US\$000	US\$000	US\$000
<b>At 1 January 2007</b>	<b>325</b>	<b>334,800</b>	<b>510</b>	<b>790</b>	<b>(87,969)</b>	<b>248,456</b>
Loss for the period	-	-	-	-	(2,784)	(2,784)
Share-based payment	-	-	-	-	496	496
<b>At 30 June 2007 (unaudited)</b>	<b>325</b>	<b>334,800</b>	<b>510</b>	<b>790</b>	<b>(90,257)</b>	<b>246,168</b>

## INTERIM CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008

	<i>For the six months ended 30 June</i>	
	2008	2007
	US\$000	US\$000
<b>Operating activities</b>		
Profit before tax from continuing operations	26,616	4,996
Loss before tax from discontinued operations	-	(8,485)
	26,616	(3,489)
<b>Adjustments to reconcile profit/(loss) before tax to net cash flows from operating activities:</b>		
Depreciation of property, plant and equipment	5,989	4,039
Write off of property, plant and equipment	3,468	19
Share-based payments expense	82	496
Interest income	(7,907)	(535)
Interest expense	854	1,337
Net foreign exchange gains	(5,152)	(465)
Movement in provisions	769	(1,064)
Increase in trade and other receivables	(2,498)	(11,307)
Increase in inventories	(5,956)	(7,807)
Increase/(decrease) in trade and other payables	6,693	(6,148)
Increase in deferred costs	(640)	(1,265)
Income tax (paid) /refunded	(11,603)	226
<b>Net cash flows from operating activities</b>	<b>10,715</b>	<b>(25,963)</b>
<i>Of which discontinued operations</i>	-	(6,235)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(43,011)	(19,328)
Proceeds received from Darasun disposal	5,000	-
Loans given to joint venture	(12,806)	-
Interest received	8,333	535
<b>Net cash flows from investing activities</b>	<b>(42,484)</b>	<b>(18,793)</b>
<i>Of which discontinued operations</i>	5,000	(106)
<b>Cash flows from financing activities</b>		
Issue of ordinary shares	192,522	-
Proceeds from borrowings	4,870	61,039
Share issue costs	(10,156)	-
Repayment of borrowings	(61,648)	(30,772)

Interest paid	(6,402)	(5,251)
Receipt from Kazzinc to finance the Novosirokinskoye joint venture	10,938	5,326
Lease payments	(980)	(1,687)
<b>Net cash flows from financing activities</b>	129,144	28,655
<i>Of which discontinued operations</i>	-	(886)
Net increase/(decrease) in cash and cash equivalents	97,375	(16,101)
Cash and cash equivalents at 1 January	211,275	31,576
<b>Cash and cash equivalents at 30 June</b>	<b>308,650</b>	<b>15,475</b>

## 1. Property, plant and equipment

During the six months ended 30 June 2008, the Group invested US\$48.7 million (2007: US\$26.1 million) into property, plant and equipment. The main items were the following:

- Plant and equipment with a cost of US\$10.2 million (2007: US\$12.1 million); and
- Capitalised mine development costs totalling US\$33.7 million (2007: US\$12.1 million).
- Capitalised exploration and evaluation costs totalling US\$4.8 million (2007: US\$1.9 million).

Assets with a net book value of US\$3.47 million were written off by the Group during the six months ended 30 June 2008 (2007: US\$0.02 million). This amount primarily represents the write-off of US\$3.32 million of costs capitalised in relation to the Sovinoye exploration project following a decision by the Group to cease exploration activities in relation to this project.

## 2. Interest-bearing loans and borrowings

During the first half of 2008 the Group repaid the US\$15 million short term loan received from Gazprombank in 2006, fully repaid the Rouble corporate bond in the amount of US\$31 million, and repaid US\$11.2 million of other loans facilities in accordance with their schedule of repayments. In addition, the Group drew down, and repaid, US\$4.8 million of the Group's overdraft facility during the period. During the first half of 2007, the Group repaid US\$30.7 million of Syndicated Loan Facility.

## 3. Share Capital

*Ordinary shares issued and fully paid*

	<b>Number of Shares</b>	<b>Amount US\$000</b>
At 30 June 2007	194,917,450	325
Issued on 4 December to Millhouse	65,050,000	133
At 31 December 2007	259,967,450	458
Issued on 16 January to Millhouse	65,050,000	127
Issued on 24 January to Barrick Gold Corporation	179,648	0.4
At 30 June 2008	325,197,098	585

On 16 January 2008, Millhouse LLC completed the second subscription for 65,050,000 new ordinary shares in Highland Gold Mining Limited at a price of 151 pence per share. As a result, the Group received US\$192,522 of cash. A second tranche of 179,648 new ordinary shares was issued to Barrick Gold Corporation on 24 January 2008.

## 4. Events after the balance sheet date

The Group arranged a new long-term loan with MDM bank in the amount of US\$20.0 million which was drawn down on 15 September 2008. The new financing facility will be used for financing the capital expenditure programme.