



## **HIGHLAND GOLD MINING Ltd.**

### **Highland Gold Mining Ltd announces Second Half 2009 Production Results**

**3 February 2010** - Highland Gold Mining Limited ("Highland Gold", or the "Company") is pleased to announce its trading update for the half year ended 31 December 2009.

#### **HIGHLIGHTS**

- **Mnogovershinnoye (MNV) produced 163, 208 oz of gold for the full year 2009 exceeding the full year 2008 gold production by 2.7%**
- **Following commissioning in October, Novoshirokinskoye (Novo) mine remains on track to produce its first concentrates in Q1 2010**
- **Belaya Gora synergies with nearby MNV mine reviewed, providing the potential for fast-tracking open pit production**
- **Taseevskoye metallurgical pilot test works ongoing with results expected in H1 2010**
- **Exploration drilling at Unkurtash continues to return positive intercepts**
- **Work at the two other exploration sites Lyubov and MNV progressed well**
- **Production in 2010 (MNV, Novo and Belaya Gora) is forecasted in the range of 200,000 - 210,000 oz of gold and gold equivalents**

Commenting on today's announcement Valery Oif, CEO of Highland Gold, said: "The achievements of 2009 underline the Company's focus on increasing the productivity at our operations and on pushing forward our development and exploration projects. In 2010 we are determined to step up the pace and to continue improving the Company's performance on all levels".

#### **OPERATIONS**

##### **MNOGOVERSHINNOYE (MNV) - Khabarovsk region**

At the MNV mine a record level of throughput was achieved with 1,081,605 tonnes of ore being milled for the full year 2009, exceeding 2008 full year tonnage by 4%. Process plant recoveries were improved slightly during the year as technological upgrades in the plant continued to take reap rewards.

Mined ore tonnage and grades remained consistent during 2009 from both open pit and underground sources. The previous re-optimisation of reserves completed in 2008 has introduced new sources of low grade ores from surface stockpiles helping to maintain stable ore feed in the process plant.

Flank Ore Body production commenced during the second half of the year providing a second open pit ore source. This is in addition to the Upper Ore Body which continues to be a major source of ounces.

Exploration drilling at the Pebble prospect returned positive results and good potential for near surface resources. Drilling will continue at Pebble and two additional targets during 2010 with a strategy of adding near surface ounces and potentially extending the life of open pit operations beyond 2013.

Total cash costs in 2H 2009 were in line with the number achieved in 1H 2009 (US\$514/oz).

<b>MNV</b>	<b>H2 2009</b>	<b>H1 2009</b>	<b>2009</b>	<b>2008</b>
Open Pit Stripping (000 M <sup>3</sup> )	900,568	1,338,069	2,238,637	2,349,795
U/G Development (Metres)	4,396	4,289	8,685	9,359
Total Ore Mined (Tonnes)	544,435	464,949	1,009,384	1,036,851
Average Grade (g/t)	5.2	5.7	5.4	5.3
Ore Processed (Tonnes)	541,278	540,327	1,081,605	1,039,977
Average Grade (g/t)	5.2	5.3	5.2	5.4
Recovery Rate (%)	88.4	88.6	88.3	88.1
Gold Produced (Ounces)	84,787	78,421	163,208	158,885

#### **Novoshirokinskoye (Novo) - Zabaikalsky region**

Following commissioning of Novo in October, 30,000 tonnes of low grade stockpile ore were processed. The process plant laboratory was certified. In December the skip shaft was commissioned. The mobilisation of necessary manpower continued through to the end of the year. Underground stoping works were initiated 4 January 2010. The operation remains on track for the forecasted build-up in mining and processing during the year (+ 280,000 tonnes). Production of first concentrates is anticipated during Q1 2010.

#### **DEVELOPMENT PROJECTS**

##### **Belaya Gora - Khabarovsk region**

The Company's consultants continued their feasibility analysis at the TOMS Institute in Irkutsk throughout H2 2009 with several alternatives for mining and processing being investigated. The review of synergies between Belaya Gora and nearby MNV confirmed previous assumptions that both mines can be operated in conjunction.

As a first step the start of initial mining preparations is now scheduled for Q2 2010 with direct trucking of high grade ore to the MNV process plant planned as early as H2 2010.

##### **Taseevskoye - Zabaikalsky region**

A bulk sample for test works was mined and delivered to metallurgical consultants during H2 2009 and tests are now underway to determine best processing and recovery methodologies: pressure oxidation (POX), bio-oxidation and ultra-fine grinding of concentrates.

## **EXPLORATION**

Good progress was made at our exploration sites advancing the projects towards the development stage.

### **Unkurtash - Kyrgyzstan**

Exploration drilling at the Unkurtash project continues to return positive intercepts. While the exploration programme will be accelerated on the basis of the recent results, guidance has also been provided to the project team to initiate engineering studies to support potential project development. In H2 the Company completed RC and diamond drilling programmes for a total of 5,683 metres at two of three targets (Unkurtash, Karatube) and continued to receive excellent drilling results. At the main target Unkurtash with stockwork-type gold mineralisation RC drilling returned several intersects tens of metres wide with average grades ranging from 1 to 6 g/t. Drilling results obtained to date are in line with the model for a large open-pit mineable resource with a potential average grade in the range of 1.4 - 1.7 g/t. Additional resource definition drilling including underground exploration development is planned for 2010 to further increase the resource potential.

### **MNV - Khabarovsk Region**

Excellent drilling results have been received from the Company's ongoing near-mine exploration programme as reported in a separate release on November 3, 2009. At the Pebble prospect 4,450 metres of drilling have been completed to date and assay results concur with a reserve model for this prospect now estimated at 190,000 ounces of gold contained in shallow, open-pit mineable ore grading between 3.0-5.0 g/t. These results are more than double the originally defined gold reserves at Pebble and are expected to contribute considerably to MNV's open-pit operations in the near future.

In 2010 resource definition will continue for which 6,000 metres of drilling have been allocated including testing of 1.5 kilometres of undrilled sections along the entire length of the Pebble zone.

### **Lyubov - Chita Region, Russia**

In compliance with the license agreement a summary report compiling previous external and our own exploration results to date including a resource calculation has been submitted to the regulatory authorities. Accordingly at a cut-off grade of 0.75 g/t the Evgraf target was reported as per GKZ resource methodology to hold a P1+C2 resource of 52.08 tonnes of gold at an average grade of 1.78 g/t. A 6,000 metres drilling

programme planned for 2010 is to convert part of the P resources into the C1+C2 category and should further increase the resource base at Evgraf. Metallurgical test work has been started on a 320 kg composite sample for which initial bottle-roll testing returned positive results with high gold recoveries up to 89% while results from column leach testing are expected in Q1 2010. An additional 1,200 kg sample has been collected for which a full flow sheet of processing options for Lyubov ore is to be determined and which will be received in H2 2010.

## **Health & Safety**

Provision of a safe working environment, management of occupational risks, training of personnel and the improvement of personal responsibility for site safety are integral parts of the Company's health and safety policy.

As a result of these efforts the lost time incident rate (the LTI rate is the number of lost time incidents for every 200, 000 man hours) decreased to 0.55 in 2009, a 10% improvement compared to the LTI rate in 2008 (0.60).

In January, April and November 2009 no LTIs were registered at any of the Group's sites. 1,150 employees attended HSE training courses during the year, while 170 employees were certified in Industrial Safety.

Environmental compliance with Regulatory Authorities remained in good standing throughout the year.

*Mr. Werner Klemens, Head of Exploration at Highland Gold has reviewed and verified the information contained in this release with respect to drilling and resource /reserves matters. Mr. Klemens holds a Ph.D. in Geology from the University of Toronto. He has 11 years experience in mineral exploration and is a fellow of the Geological Association of Canada. A rigorous quality assurance programme complying with international standards is in effect at all exploration projects and includes duplicate sampling, insertion of standards and check assaying at external laboratories.*

Financial results for the year to 31 December 2009 will be announced at the end of April 2010.

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