HIGHLAND GOLD MINING LIMITED
03 September 2019

Interim Results Announcement for H1 2019

Highland Gold Mining Limited ("Highland Gold" or the "Company" or "Group", AIM: HGM) today reports its unaudited financial results and production figures for the half year ended 30 June 2019 ("H1 2019").

FINANCIAL SUMMARY

IFRS, US$000 (unless otherwise stated)	H1 2019	H1 2018
Gold sold (gold and gold eq. oz)	**142,609**	121,174
Total Cash Costs (US$/oz)*	**540**	536
All-in Sustaining Costs (US$/oz)*	**778**	697
Revenue	**174,676**	146,897
Operating profit	**57,379**	50,666
Net profit	**45,692**	28,639
EBITDA*	**86,541**	71,424
EBITDA margin (%)*	**50%**	49%
Earnings per share (US$)	**0.125**	0.088
Net cash inflow from operations	**72,566**	65,700
Capital expenditure	**31,327**	26,534
Net debt position*	**216,917**	189,071

***** Definitions for non-IFRS terms are provided in the footnotes to the Chief Financial Officer's Report below.

The interim condensed consolidated financial statements of Highland Gold for the six months ended 30 June 2019 are set out below.

H1 2019 HIGHLIGHTS

Financial

- First half revenue rose 18.9% year-on-year to US$174.7 million, reflecting the contribution from the newly-acquired Valunisty mine and increased sales volume at MNV.
- H1 2019 EBITDA was US$86.5 million, an increase of 21.2% from H1 2018, while EBITDA margin was stable at 50% versus 49% last year.
- All-in sustaining costs (AISC) per ounce rose to US$778, from US$697 in the first half of last year, due to the inclusion of Valunisty and higher maintenance capital expenditure for purchases of new equipment.
- The net debt to EBITDA ratio decreased to 1.29x as of 30 June 2019 versus 1.38x as of 31 December 2018, when net debt was US$211.4 million.

Operations

- Highland Gold produced a total of 142,254 oz of gold and gold equivalent in H1 2019, an increase of 10.3% from 128,921 oz in H1 2018.

- Production at Mnogovershinnoye (MNV) in H1 2019 rose by 23.3% over the same period last year, and a new JORC-compliant reserve report extended the life of mine by seven years to 2029.

- Belaya Gora and Novoshirokinskoye (Novo) saw year-on-year declines in output due to operational issues and lower grades, respectively, although grades at Novo improved in the second quarter.

- Construction work at Kekura and an exploration drilling programme at Klen continued throughout H1 2019, as both projects were officially granted residency in the Chukotka special economic zone.

- The Company affirms its forecast for total 2019 production of 290,000-300,000 oz of gold and gold equivalent.

Speaking on the Company's first half performance, Highland Gold CEO Denis Alexandrov said:

"Highland Gold achieved solid half-year financial performance, buoyed by stable gold prices and a weaker rouble, despite higher maintenance capex for replacing older equipment due to the extension of life of mine at our key production assets, and higher costs at our newest mine, Valunisty, which we are now focusing on bringing in line with our other operating assets.

From an operational standpoint, the Company met its internal targets and increased production over the first half of last year with the aid of Valunisty and a particularly strong performance from MNV. Novo made progress in rectifying some of the issues with metals grades that constrained its output over the past twelve months. Belaya Gora had a difficult half-year, but still managed to minimize the impact of its operational challenges on total production.

We expect higher production levels and stronger operating cash flow in the second half, as well as continued progress on construction at our key development project, Kekura, and on our ongoing projects to improve operations at each of our existing mines."

POST HALF YEAR EVENTS

- Interim Dividend of £0.05 per share approved by the Board of Directors

- In August, to take advantage of falling interest rates, the Company restructured its existing debt portfolio with US$103 million in longer-term credit agreements with Rosbank, Sberbank and Alfa Bank, thereby increasing the average loan tenor from 18.1 to 36.6 months and lowering the average effective interest rate from 4.19% to 4.09%.

- On 16 August 2019, Highland Gold's Senior Independent Director Terry Robinson passed away after a brief illness. Executive Chairman Eugene Shvidler said: "On behalf of the Board and everyone at Highland Gold, I would like to offer our deepest, sincerest condolences to Terry's wife and family. Terry was a true gentleman in every sense of the word, and his experience, judgment, incomparable attention to detail and, most of all, his friendship will be sorely missed." The Company will consider the appointment of a new independent director in due course.

CONFERENCE CALL DIAL-IN DETAILS

The Company will hold a simultaneous webcast and conference call to discuss the results, hosted by CEO Denis Alexandrov, on 03 September 2019 at 10:00 UK time (12:00 Moscow).

This event will be streamed online. To listen and view the slide presentation in real time, it is recommended to access it via computer. The link for online registration is:
https://digital.vevent.com/rt/highlandgoldmining/index.jsp?seid=287

To register to participate by telephone and to receive local dial-in numbers, please follow this link:
http://emea.directeventreg.com/registration/1875585

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OPERATIONAL REVIEW

KHABAROVSK REGION, RUSSIA

Mnogovershinnoye (MNV)

- H1 2019 gold production rose 23.3% year-on-year on the back of particularly strong first quarter.
- Ore mining and processing increased by 17.9% and 15.6% year-on-year, respectively, during the period.
- Waste stripping rose by 25.6% year-on-year, in line with MNV's mining plan, which foresees an increase in average grades in the second half of this year.

MNV	**Units**	H1 2018	H2 2018	**H1 2019**
Waste stripping	t	2,097,446	2,157,753	**2,635,346**
Underground development	m	5,923	5,860	**5,570**
Open-pit ore mined	t	140,982	286,004	**176,189**
Open-pit ore grade	g/t	2.23	2.50	**2.38**
Underground ore mined	t	407,903	402,903	**380,334**
Underground ore grade	g/t	3.10	3.52	**4.01**
Waste dumps ore mined	t	47,296	22,173	**146,249**
Waste dumps ore grade	g/t	1.04	1.04	**1.10**
Total ore mined	t	596,181	711,080	**702,772**
Average grade	g/t	2.73	3.03	**2.99**
Ore processed	t	609,126	701,167	**704,252**
Average grade	g/t	2.75	3.07	**2.92**
Recovery rate	%	92.0	93.2	**91.7**
Gold produced	oz	48,090	64 518	**59,317**

Following the extension of MNV's life of mine from 2022 to 2029, as announced by the Company earlier this year, a scoping study and design documentation were commissioned regarding renovations and upgrades to the mine, its production facilities and infrastructure. Tenders for the projects have been completed, contracts were awarded, and work on the scoping study is already in progress.

A trade-off study on options for increasing tailings storage capacity was also initiated during H1 2019. Solutions under consideration include semi-dry and conventional stockpiling at various possible sites, and utilization of mined-out or abandoned open pits. The study is expected to be completed in the third quarter of this year.

Near-mine exploration at MNV in H1 2019 included drilling in and around the Intermediate, Deer, Quiet, and Upper ore bodies on the MNV licence and on the neighbouring Kulibinskaya licence, as well as trenching at the Deer and

Chainoye ore bodies. Diamond drilling totalled 7,030 m, which is 39% of the total volume planned for the year, while total trenching during the period was 1.2 km.

PRODUCTION COSTS

Total cash costs amounted to US$541 per oz (H1 2018: US$707 per oz) while all-in sustaining costs were US$697 per oz (H1 2018: US$851 per oz).

CAPITAL COSTS

A total of US$8.5 million was invested at MNV in H1 2019. This included capitalised expenditures and construction (US$5.2 million), purchase of equipment (US$3.1 million) and exploration (US$0.2 million).

Belaya Gora

- Operational challenges in H1 2019, including SAG mill repairs and a localised fire incident in the second quarter, resulted in a 7.5% year-on-year decline in production.
- Stripping increased by 83.0% year-on-year, while ore mining volume fell by 3.7%, both due in part to the cutback of the pit walls on upper levels in the second quarter.

Belaya Gora	**Units**	H1 2018	H2 2018	**H1 2019**
Waste stripping	t	2,462,911	2,746,028	**4,506 796**
Ore mined	t	1,055,596	1,039,733	**1,016,752**
Average grade	g/t	0.81	0.86	**0.88**
including:				
- Ore Au >0.7 g/t	t	507,260	668,414	**633,064**
- Average grade	g/t	1.17	1.09	**1.11**
- Ore Au 0.3-0.7 g/t	t	548,336	371,319	**383,687**
- Average grade	g/t	0.47	0.44	**0.50**
Ore from stockpiles	t	162,900	84,047	**211,469**
Average grade	g/t	1.00	1.02	**0.84**
Ore processed	t	718,868	860,022	**778,784**
Average grade	g/t	1.11	1.15	**1.03**
Recovery rate	%	75.4	76.4	**74.9**
Gold produced	oz	19,804	24,281	**18,322**

Data is being assembled for a JORC-compliant audit of reserves in the Kolchansky and Zayachy prospects on the Belaya Gora Flanks licence, based on over 8,000 metres of exploration drilling in 2017 and 2018.

PRODUCTION COSTS

Total cash costs amounted to US$775 per oz (H1 2018: US$795 per oz) while all-in sustaining costs rose to US$1,150 per oz (H1 2018: US$849 per oz) due to higher stripping costs.

CAPITAL COSTS

A total of US$2.1 million was invested at Belaya Gora in H1 2019. This included capitalised expenditures and construction (US$1.9 million), purchase of equipment (US$0.1 million) and exploration (US$0.1 million).

ZABAIKALSKY REGION, RUSSIA

Novoshirokinskoye (Novo)

- Mined ore in H1 2019 was 6.4% lower year-on-year, but ore processing volume rose by 2.2% to 414k tonnes.
- Mined ore grades were substantially lower year-on-year at an average of 4.53 g/t gold equivalent over the six months, but the second quarter saw a higher average of 5.16 g/t.

Novo	Units	H1 2018	H2 2018	H1 2019
Underground development	m	6,184	5,258	**5,295**
Ore mined	t	439,430	426,332	**411,175**
Average grade*	g/t	5.60	4.65	**4.53**
Ore processed	t	405,509	427,714	**414,321**
Average grade*	g/t	5.83	4.72	**4.73**
Recovery rate*	%	80.3	79.8	**79.0**
Gold produced (100%)*	oz	61,027	51,780	**49,742**

* In gold equivalent at actual prices
(Metal grade of mined ore = Au 2.76 g/t, Ag 51.96 g/t, Pb 0.99%, Zn 0.47%, Cu 0.25%).

Work on the Novo 1.3 Mtpa expansion project progressed throughout H1 2019. Highlights included:

- Construction work on a water pumping station at the +637m level in the underground mine, with completion expected in November 2019 after the installation and adjustment of electrical equipment;
- The selection of contractors for work on the key remaining facilities for Stage 1 of the project (mine capacity expansion), covering reconstruction of the skip hoist and main ventilation system; and
- The initiation of work on design documentation for expanding the tailings dam in preparation for Stage 2 of the project (processing plant capacity expansion).

Also during the period, the Company continued to undertake studies on future ore mining at Novo, with intensified production drilling over the past few months. The deliverable of this exercise will be an updated model of the mine's mineralogical and metallurgical balance.

PRODUCTION COSTS

Total cash costs amounted to US$385 per oz (H1 2018: US$299 per oz) while all-in sustaining costs were US$460 per oz (H1 2018: US$366 per oz).

CAPITAL COSTS

A total of US$4.9 million was invested at Novo in H1 2019. This included capitalised expenditures and construction (US$3.7 million) and purchase of equipment (US$1.2 million).

Baley ore cluster (Teseevskoye, Sredny Golgotay and ZIF-1)

Activity at the Company's Baley group of licences in H1 2019 focused on continued design work on a heap leach facility with an annual processing capacity of 840k tonnes for the Baley ZIF-1 tailings licence. Design documentation has undergone a preliminary review process at the State Expert Panel in Krasnoyarsk, and is being updated based on their feedback. The submission of project documentation for final expert review is underway, with approval expected in Q3 2019.

A scoping study for Sredny Golgotay, including a trade-off analysis of various options for developing the deposit, neared completion during the reporting period. The technical and financial parameters in a preliminary report received earlier this year are in the process of being reviewed, updated, and approved. The final report is expected in Q3 2019.

CHUKOTKA AUTONOMOUS DISTRICT, RUSSIA

As per the Company's announcement earlier this year, a key highlight of H1 2019 was the completion of an agreement with Russia's Far East Development Corporation officially confirming residency in the Chukotka Advanced Special Economic Zone (ASEZ) for the Kekura and Klen projects, which was then signed on 03 July 2019. The ASEZ programme offers certain tax breaks and other incentives over the first five to ten years of operations.

Valunisty

- Waste stripping was 16.5% lower for H1 2019 due to equipment downtime and the redeployment of equipment for snow ploughing.
- Ore mining increased by 15.5% year-on-year in H1 2019, while ore processing rose by 28.6%.
- Grades were lower, as expected, as the mill processed ore from Valunisty's Glavnaya and Novaya zones, as opposed to the main Valunisty ore body and the satellite Gorny mine as in H1 2018.

Valunisty	**Units**	H1 2018**	H2 2018**	**H1 2019**
Waste stripping	t	2,955,788	3,583,448	**2,467 662**
Ore mined	t	116,425	187,250	**134,415**
Average grade*	g/t	3.66	3.35	**2.76**
Ore processed	t	102,322	137,310	**131,593**
Average grade*	g/t	5.62	4.02	**3.37**
Recovery rate	%	95.9	95.7	**95.2**
Gold produced*	oz	19,117	17,794	**14,873**

* gold equivalent, including silver
** figures for 2018 (prior to acquisition by Highland Gold) shown for comparison only

Over the course of the half year, engineering studies and project design work continued on the planned expansion of Valunisty's processing plant capacity from 250k tonnes to 350k tonnes of ore per annum, and for the beginning of underground mining at the site. Tests were conducted using XRT ore sorting technology, with the results now under review, and inspections were carried out on the existing processing plant buildings and foundations. Mining options were also reviewed along with cost estimates for mining equipment.

PRODUCTION COSTS

Total cash costs amounted to US$730 per oz while all-in sustaining costs were US$1,123 per oz.

CAPITAL COSTS

A total of US$1.6 million was invested at Valunisty in H1 2019. This included capitalised expenditures and construction (US$0.6 million), purchase of equipment (US$0.4 million) and exploration (US$0.6 million).

Kekura

The current phase of construction and preparations for subsequent stages were a key focus of the Company throughout the first half of the year. Preparations for the next two phases of construction at Kekura included engineering studies, technical audits, site surveys, design work, tenders for contractors, and the preparation and submission of various types of documentation for regulatory approval.

Progress was made in the ongoing construction of the assay laboratory, where the foundation and structural frame are now in place, and the communications tower, where the mast has been raised and equipment block installed. The Company also reinforced the steel structures of the main building of the pilot processing plant on site. Start-up and adjustment work was carried out on the power substation, which is expected to be connected to the regional power network later this year.

Ground regrading work got underway in preparation for construction of an expanded camp. Work also began on an internal power line network to connect buildings around the site to the power substation.

In June, Russian regulators approved Kekura's mine allotment for the open pit, as well as the Company's methodology for production exploration and grade control drilling. RC drilling commenced on site towards the end of the month. The Company plans to begin stripping and initial ore mining later this year.

On the exploration front, about 1,300 metres of drilling on the Zapadny prospect on the broader Kekura licence was completed last spring. Preliminary desktop studies of existing data show a steeply dipping vein and veinlet impregnated zone with intervals reaching 3-5 metres at 5-6 g/t, potentially providing additional resources for the Kekura project.

CAPITAL COSTS

A total of US$10.9 million was invested at Kekura in H1 2019. This included capitalised expenditures and construction (US$9.5 million), purchase of equipment (US$0.8 million) and exploration (US$0.6 million).

Klen

The Company made preparations for conducting XRT bulk sorting tests on Klen ore late in H1 2019 to see if this ore sorting technology could be used for the project. A more representative sample in terms of volume and extraction method is being tested during the third quarter.

While waiting for the tests to be conducted, a decision was made to review new alternatives for development of the deposit with a view towards reducing projected construction costs. The Company is preparing a tender for contractors for the technical design assignment.

Exploration drilling was carried out on the northern flank of the Klen deposit and on the surrounding Verkhne-Krichalskaya license area during the spring. A total of 5,348 metres was drilled and samples sent for further analysis.

HEALTH, SAFETY AND ENVIRONMENT

Highland Gold's key health and safety goals include ensuring safe labour conditions, managing operational risks, offering ongoing employee training programmes and encouraging personal accountability for safety at the workplace.

The Board of Directors' HSE Committee approved a new HSE Policy and a set of targets and goals for the year at its meeting in March. Since then, a new corporate standard on "Analysis of Safe Workplace Practices" was developed. The standard and a related set of tools are currently being rolled out across the Company and its subsidiaries.

Despite these efforts, Highland Gold witnessed three workplace fatalities and one on-site medical emergency leading to death over the course of H1 2019. As a result, in addition to stepping up implementation of its new corporate standards, the Company is reviewing options for involving outside consultants to ensure that its health and safety goals are achieved.

The Company's overall Lost Time Incident Frequency Rate (LTIFR, calculated as the number of incidents for every 1,000,000 man-hours) in H1 2019 decreased to 2.77 from 5.04 in the first half of last year. There was a total of 10 lost-time incidents registered during the period – six at Novo, two at Belaya Gora and one each at MNV and Valunisty – versus 14 lost-time incidents in H1 2018.

Training sessions conducted in H1 2019 included a "Conscious Safety Management" course for 336 employees at the Moscow office, Valunisty, Novo and MNV; an "Internal Incident Investigation" course for 15 people from Valunisty; a "Defensive Driving" course for 81 people at MNV and Belaya Gora; a "Risk Assessment" course for 67 people from MNV, Novo and Valunisty; and “Conscious Safety Attitude” instruction for 502 employees at Novo, MNV and Belaya Gora.

A self-assessment of labour safety management systems was undertaken at Novo, MNV, Kekura and Valunisty in May of this year. The audit findings were used to develop an action plan aimed at further introducing improved labour safety management processes. In addition, a company-wide risk assessment project is in progress with the aim of developing a risk registry in accordance with corporate standards.

Highland Gold continues to adhere to its stated policy of protecting the environment and operating in accordance with all relevant regulatory requirements. An environmental monitoring system is in place at each of the Company's operations, and reducing the impact of its operations on the environment remains one of the Company's key priorities.

Over the course of H1 2019, in-house audits of environmental management systems were performed at MNV and Belaya Gora to ensure their compliance with environmental legislation. An action plan was developed based on the audits' findings in order to minimize the causes of systematic violations.

Across the Company, 1,117 employees underwent refresher training on environmental safety during the quarter. Another 270 employees were trained and tested on management of class I-IV hazardous materials. Eight managers and specialists attended external environmental safety courses.

FINANCIAL REVIEW

CHIEF FINANCIAL OFFICER'S REPORT

Highland Gold's financial performance in H1 2019 was supported by stable gold prices and a weaker local currency, with the average rouble-dollar exchange rate increasing by 9.5% y-o-y.

Overall revenue increased to US$174.7 million, reflecting the acquisition of Valunisty mine and increased sales volumes at MNV during the period. Revenue from gold and silver sales amounted to US$124.5 million (H1 2018: US$87.9 million) during the half. Lead and zinc concentrate revenue showed a decline from US$58.8 million in H1 2018 to US$49.7 million in H1 2019. The Company continued to pursue a “no hedge” policy.

Over the reporting period, the Company sold 142,609 ounces of gold and gold equivalent, compared to 121,174 ounces in H1 2018. MNV increased its sales volume by 28.3% from 47,144 in H1 2018 to 60,492 ounces in H1 2019. Belaya Gora sales remained flat at 19,554 ounces (H1 2018: 19,224 oz). Valunisty sold 14,680 oz of gold equivalent in H1 2019. The average price of gold realised by MNV, Belaya Gora and Valunisty (net of commission) was US$1,308 per oz, in line with the average market price[1].

Novo’s sales decreased to 47,883 eq. oz (down 12.6% y-o-y), mainly due to lower average grades and changes in the proportions of gold and other metals. The average price of gold equivalent realised by Novo was US$1,038 per eq. oz in H1 2019 versus US$1,073 per eq. oz in H1 2018 due to lead and zinc prices trading at 21% and 18% lower, respectively. There were also penalties for exceeding limits on arsenic and stibium content in the concentrate. The average price at Novo is based on the spot prices for metals contained in the concentrates (gold, lead, zinc, silver and copper), net of fixed processing and refining costs at third-party plants. Final adjustments are made within a maximum of 4 months after the date of shipment.

Gold and Gold Equivalent Sold by Mine, oz

	H1 2019	H1 2018
MNV	60,492 (42.4%)	47,144 (38.9%)
Novo	47,883 (33.6%)	54,806 (45.2%)
Belaya Gora	19,554 (13.7%)	19,224 (15.9%)
Valunisty	14,680 (10.3%)	-
Total	142,609	121,174

The Company’s cost of sales net of depreciation increased by 17.8% to US$77.7 million in H1 2019 (H1 2018: US$66.0 million). The increase was primarily driven by the acquisition of Valunisty, with costs of sales net of depreciation in H1 2019 amounting to US$10.7 million. The Company registered additional costs for third-party services at Belaya Gora as a result of outsourcing of several functions, such as mill and plant maintenance, operational drilling, excavation and transportation. Ore stockpiles increased by US$7.5 million, including an increase of US$6.1 million at Belaya Gora and Valunisty.

Depreciation was US$23.5 million, up 13.4% y-o-y, mainly as a result of the acquisition of Valunisty.

Cash Operating Costs

Cash operating costs - breakdown	H1 2019 US$000	H1 2018 US$000	y-o-y change
Cost of sales	**101 268**	**86 763**	**16.7%**
- depreciation, depletion and amortisation	(23 532)	(20 746)	13.4%
Cost of sales, net of depreciation, depletion and amortisation	**77 736**	**66 017**	**17.8%**
Breakdown per item:			
Labour	29 700	24 524	21.1%
Consumables and spares	22 916	19 987	14.7%
Power	6 297	5 677	10.9%

Movement in ore stockpiles, finished goods and stripping assets	(12 435)	(4 336)	186.8%
Maintenance, repairs and third parties services	21 674	11 919	81.8%
Taxes other than income tax	9 584	8 246	16.2%

Total cash costs[2] per ounce (TCC) remained practically unchanged at US$540 per oz, still well below the industry median. Poorer ore at Novo and the acquisition of Valunisty, which had higher costs, were partially offset by a higher average rouble-dollar exchange rate (+9.5%). Breaking TCC down by operating unit, total cash costs at Novo were US$385 per eq. oz (H1 2018: US$299 per eq. oz), reflecting the lower grade and, as a consequence, a decreased recovery rate. MNV significantly improved total cash costs to US$541 per oz (H1 2018: US$707 per oz) as a result of the rise in production volumes and improved grades. TCC at Belaya Gora decreased to US$775 per oz (H1 2018: US$795 per oz), while TCC at the newly acquired Valunisty amounted to US$730 per oz.

TCC and AISC calculation	**H1 2019 US$000**	**H1 2018 US$000**	**y-o-y change**
Cost of sales, net of depreciation, depletion and amortisation	**77 736**	**66 017**	**17.8%**
- cost of by-products and other sales	(644)	(848)	(24.1%)
- taxes other than income tax at non-operating entities	(80)	(191)	(58.1%)
Total cash costs (TCC)	**77 012**	**64 978**	**18.5%**
+ administrative expenses	7 667	7 920	(3.2%)
+ accretion and amortisation on site restoration provision	776	828	(6.3%)
+ movement in ore stockpiles obsolescence provision	5 678	-	100.0%
+ sustaining capital expenditure	19 864	10 721	85.3%
Total all-in sustaining costs (AISC)	**110 997**	**84 447**	**31.4%**
Gold sold (gold and gold eq.oz)	142 609	121 174	17.7%
TCC (US$/oz)	**540**	**536**	**0.7%**
AISC (US$/oz)	**778**	**697**	**11.7%**
Average realised price of gold equivalent (US$/oz)	**1 204**	**1 204**	**(0.0%)**
Headroom (US$/oz)	**426**	**507**	**(16.1%)**

All-in sustaining costs (AISC) increased by 11.7% to US$778 per oz in H1 2019 from US$697 per oz in H1 2018, but nevertheless delivered strong headroom of US$426 per oz. During the period, US$5.7 million of low-grade ore in stockpiles were written down at Belaya Gora and Valunisty. Sustaining capital expenditure increased by 85.3% to US$19.9 million, largely reflecting the replacement of worn-out equipment as budgeted for in 2019 in light of the extension of life of mine at our key production assets.

With higher revenue and flat cash costs, EBITDA rose by 21.2% y-o-y to US$86.5 million, aided by a US$8.2 million contribution from Valunisty and better performance at MNV. The EBITDA margin[3] increased from 48.6% to 49.5%, which remains within range of the most efficient gold miners. Broken down by business unit, EBITDA margin was 57.4% at Novo (H1 2018: 67.8%), 52.2% at MNV (H1 2018: 39.2%), 40.2% at Belaya Gora (H1 2018: 38.8%), and 41.9% at Valunisty.

EBITDA Reconciliation to Operating Profit

	H1 2019 US$000	**H1 2018 US$000**
Operating profit	**57 379**	**50 666**
Depreciation and amortisation	23 532	20 746
Movement in ore stockpiles obsolescence provision	5 678	-
Movement in raw materials and consumables obsolescence provision	(48)	12
EBITDA	**86 541**	**71 424**

HGML EBITDA Bridge, US$ million

H1 2018	**71.4**
+ Valunisty	8.8
+ Exchange Rate	7.0
- Metal Prices	(2.2)
+ Volume of Sales	5.7
- Costs	(4.2)
H1 2019	**86.5**

The increase in other operating expenses from US$1.8 million in H1 2018 to US$9.1 million in H1 2019 was mainly related to a US$5.7 million movement in ore stockpiles obsolescence provision at Belaya Gora and Valunisty during the reporting period.

In H1 2019, the Company recognised a net finance cost of US$0.8 million (H1 2018: US$0.8 million). The principal components were accretion expense on site restoration liability amounting to US$0.9 million (H1 2018: US$0.8 million) and interest expense on leasing of US$0.2 million in H1 2019 (H1 2018: US$0.1 million). The majority of interest expense was capitalised into the cost of qualifying assets at Kekura.

A foreign exchange loss of US$0.5 million (H1 2018: gain of US$0.3 million) resulted from the settlement of foreign currency transactions and the retranslation of monetary assets and liabilities denominated in Russian roubles into US dollars.

Income tax charges equalled US$10.4 million in H1 2019 compared with US$21.5 million in H1 2018. Current tax expense rose to US$16.9 million (MNV: US$9.6 million, Novo: US$6.1 million, Belaya Gora: US$0.5 million and Valunisty: US$0.7 million), US$6.8 million higher than in H1 2018 as a result of increased sales at MNV. The higher current tax was offset by a substantial US$9.1 million deferred tax release in H1 2019 (H1 2018: deferred tax expense of US$7.0 million), largely because of future tax revaluation following the rouble's appreciation at the end of the period. Withholding tax expense was recorded at US$2.6 million (H1 2018: US$4.6 million).

Net profit for the first half of 2019 totalled US$45.7 million compared to a profit of US$28.6 million in H1 2018. Earnings per share rose to US$0.125 (H1 2018: US$0.088).

The Company's cash inflow from operating activities was US$72.6 million (H1 2018: US$65.7 million).

Cash capital expenditures for the reporting period totalled US$31.3 million versus US$26.5 million in H1 2018. This largely reflected sustaining capex at MNV for replacing ageing equipment and development capex at Kekura. Capital expenditures included US$8.5 million at MNV, US$4.9 million at Novo, US$2.1 million at Belaya Gora, US$10.9 million at Kekura, US$1.6 million at Valunisty, US$1.2 million at Taseevskoye, US$1.1 million at Klen and US$1.0 million related to other exploration and development assets. Capital expenditures were entirely funded by operating cash flow.

The Company’s debt is denominated in US dollars. Gross debt was reduced by 10.8% to US$221.0 million as of 30 June 2019 (31 December 2018: US$247.9 million) over the reporting period. The average effective interest rate (free of modification) was 4.2%, unchanged compared to the end of 2018.

At the end of the reporting period, cash and cash equivalents amounted to US$8.3 million, compared to US$38.7 million as of 31 December 2018. The Company’s net debt position[4] including lease liabilities was US$216.9 million.

Gross and Net Debt Comparison

	31 Dec 2018 US$000	**30 June 2019 US$000**
Gross debt	247,851	221,025
Net debt	211,433	216,917
Interest rate	4.24%	4.19%
LIBOR	2.51%	2.39%
Net debt/EBITDA	1.38x	1.29x

The ratio of net debt to EBITDA decreased from 1.38 as of 31 December 2018 to 1.29 as of 30 June 2019, which is well within the Board of Directors' debt policy.

Cash Position Bridge, US$ million

Cash & Cash equivalents (1 Jan 2019)	**39**
+ Net cash flow from operating activities	73
- Cash capital expenditure	(31)
- Increase in stripping activity assets	(5)
- Interest paid, including capitalised	(5)
- Repayment of borrowings	(28)
- Dividends paid to equity holders of the parent	(32)
- Withholding tax expense	(3)
Cash & Cash equivalents (30 June 2019)	**8**

EVENTS AFTER THE REPORTING PERIOD

In August, to take advantage of falling interest rates, the Company restructured its existing debt portfolio with US$103 million in longer-term credit agreements with Rosbank, Sberbank and Alfa Bank, thereby increasing the average loan tenor from 18.1 to 36.6 months and lowering the average effective interest rate from 4.19% to 4.09%.

PAYMENT OF DIVIDENDS

The Board has approved an interim dividend of GBP 0.05 per share to be paid to shareholders on 04 October 2019. The ex-dividend date is 12 September 2019 and the record date is 13 September 2019.

The Company offers an option for shareholders to elect to receive their dividends in pounds sterling or in US dollars. Payments in US dollars will be fixed at an exchange rate of 1.2066 GBP/US$, or US$0.06 per share. To receive payment in US dollars, shareholders should complete and file the Currency Election Form no later than the election deadline of 13 September 2019. The Currency Election Form and instructions for filing them are available on the Company's website at address: https://www.highlandgold.com/home/investors/dividends

At the Company's AGM in May 2018, shareholders approved a scrip dividend scheme, which would offer an additional option to receive dividends as new shares. However, the Board of Directors has decided not to offer a scrip dividend for the interim dividend.

Alla Baranovskaya
Chief Financial Officer

Rounding of figures may result in computational discrepancies

Glossary

[1] Average H1 2019 LBMA price was US$1,307 per oz

[2] Total cash costs include mine site operating costs such as mining, processing, administration, royalties and production taxes, but are exclusive of depreciation, depletion and amortisation, capital and exploration costs. Total cash costs are then divided by ounces sold to arrive at the total cash costs per ounce. This data provides additional information and is a non-GAAP measure.

[3] EBITDA margin is defined as EBITDA divided by total revenue

[4] Net debt is defined as cash at bank, deposits and bonds, decreased by any bank borrowing and lease obligations

Interim consolidated statement of comprehensive income

for the six months ended 30 June

	Notes	2019 unaudited US$000	2018 unaudited US$000
Revenue	3	174,676	146,897
Cost of sales	3	(101,268)	(86,763)
Gross profit		**73,408**	**60,134**
Administrative expenses		(7,667)	(7,920)
Other operating income		735	293
Other operating expenses		(9,097)	(1,841)
Operating profit		**57,379**	**50,666**
Foreign exchange (loss)/ gain		(469)	255
Finance income	4.1	306	144
Finance costs	4.2	(1,112)	(901)
Profit before income tax		**56,104**	**50,164**
Current income tax expense	5	(16,935)	(10,092)
Withholding tax	5	(2,626)	(4,401)
Deferred income tax credit/ (expense)	5	9,149	(7,032)
Total income tax expense	5	**(10,412)**	**(21,525)**
Profit for the period		**45,692**	**28,639**
Total comprehensive income for the period		**45,692**	**28,639**
Attributable to:			
Equity holders of the parent		45,403	28,557
Non-controlling interests		289	82
Earnings per share (US$ per share)			
• Basic, for the profit for the period attributable to ordinary equity holders of the parent	14	0.125	0.088
• Diluted, for the profit for the period attributable to ordinary equity holders of the parent	14	0.125	0.088

The Group does not have any items of other comprehensive income or any discontinued operations.

Interim consolidated statement of financial position

as at 30 June 2019

	Notes	30 June 2019 unaudited US$000	31 December 2018 audited US$000	30 June 2018 unaudited US$000
Assets				
Non-current assets				
Exploration and evaluation assets	6	96,270	92,972	90,407
Mine properties	6	666,678	649,716	593,014
Property, plant and equipment	6	320,470	316,928	291,812
Intangible assets	3	63,651	63,651	57,802
Inventories	9	2,963	2,566	2,015
Other non-current assets		14,742	12,338	9,529
Deferred income tax asset		3,243	2,163	-
Total non-current assets		**1,168,017**	**1,140,334**	**1,044,579**
Current assets				
Inventories	9	59,681	70,459	56,563
Trade and other receivables		30,239	29,969	24,414
Income tax prepaid		5,652	3,074	1,718
Prepayments		6,789	2,429	2,364
Cash and cash equivalents	10	8,284	38,736	10,906
Other current assets		2,083	2,107	1,879
Total current assets		**112,728**	**146,774**	**97,844**
Total assets		**1,280,745**	**1,287,108**	**1,142,423**
Equity and liabilities				
Equity attributable to equity holders of the parent				
Issued capital	12	634	634	585
Share premium		786,496	786,496	718,419
Assets revaluation reserve		832	832	832
Retained earnings		75,316	40,905	59,765
Total equity attributable to equity holders of the parent		**863,278**	**828,867**	**779,601**
Non-controlling interests		2,620	2,331	2,395
Total equity		**865,898**	**831,198**	**781,996**
Non-current liabilities				
Interest-bearing loans and borrowings	7, 11	114,167	153,674	169,550
Liability under leases	7	2,821	1,558	1,827
Long-term accounts payable		417	355	347
Income tax payable		1,916	1,600	-
Provisions		31,754	24,777	20,175
Deferred income tax liability		125,155	133,226	114,517
Total non-current liabilities		**276,230**	**315,190**	**306,416**
Current liabilities				
Trade and other payables		30,404	45,412	25,404
Interest-bearing loans and borrowings	7, 11	106,858	94,177	27,752
Income tax payable		-	371	7
Liability under leases	7	1,355	760	848
Total current liabilities		**138,617**	**140,720**	**54,011**
Total liabilities		**414,847**	**455,910**	**360,427**
Total equity and liabilities		**1,280,745**	**1,287,108**	**1,142,423**

The financial statements were approved by the Board of Directors on 02 September 2019 and signed on its behalf by: John Mann and Olga Pokrovskaya.

Interim consolidated statement of changes in equity

for the six months ended 30 June 2019

	Attributable to equity holders of the parent						
	Issued capital US$000	**Share premium US$000**	**Asset revaluation reserve US$000**	**Retained earnings US$000**	**Total US$000**	**Non-controlling interest US$000**	**Total equity US$000**
At 31 December 2018	**634**	**786,496**	**832**	**40,905**	**828,867**	**2,331**	**831,198**
Total comprehensive income for the period	-	-	-	45,403	**45,403**	289	**45,692**
Dividends paid to equity holders of the parent	-	-	-	(10,992)	**(10,992)**	-	**(10,992)**
At 30 June 2019 (unaudited)	**634**	**786,496**	**832**	**75,316**	**863,278**	**2,620**	**865,898**

for the six months ended 30 June 2018

		Attributable to equity holders of the parent						
		Issued capital US$000	**Share premium US$000**	**Asset revaluation reserve US$000**	**Retained earnings US$000**	**Total US$000**	**Non-controlling interest US$000**	**Total equity US$000**
At 31 December 2017		**585**	**718,419**	**832**	**55,371**	**775,207**	**2,309**	**777,516**
Total comprehensive income for the period		-	-	-	28,557	28,557	82	28,639
Novo share redemption	13	-	-	-	(4)	(4)	4	-
Dividends paid to equity holders of the parent		-	-	-	(24,159)	(24,159)	-	(24,159)
At 30 June 2018 (unaudited)		**585**	**718,419**	**832**	**59,765**	**779,601**	**2,395**	**781,996**

Interim consolidated cash flow statement

for the six months ended 30 June

	Notes	2019 unaudited US$000	2018 unaudited US$000
Operating activities			
Profit before income tax		56,104	50,164
Adjustments to reconcile profit before income tax to net cash flows from operating activities:			
Depreciation of mine properties and property, plant and equipment	6	23,532	20,746
Movement in ore stockpiles obsolescence provision	9	5,678	-
Movement in raw materials and consumables obsolescence provision	9	(48)	12
Write-off of mine properties and property, plant and equipment	6	595	254
Loss/ (gain) on disposal of property, plant and equipment		168	(85)
Bank interest receivable	4.1	(306)	(143)
Interest expense on bank loans	4.2	-	11
Accretion expense on site restoration provision	4.2	936	758
Net foreign exchange loss/ (gain)		469	(255)
Movement in provisions		6	-
Other non-cash expenses		1	387
Working capital adjustments:			
(Increase)/ decrease in trade and other receivables and prepayments		(5,588)	6,691
Decrease in inventories		4,626	1,015
Increase/ (decrease) in trade and other payables		5,924	(1,667)
Income tax paid		(19,531)	(12,188)
Net cash flows from operating activities		**72,566**	**65,700**
Investing activities			
Proceeds from sale of property, plant and equipment		155	380
Purchase of property, plant and equipment	3	(31,327)	(26,534)
Capitalised interest paid	3, 6, 7	(4,894)	(3,522)
Increase in stripping activity assets	6	(5,090)	(738)
Interest received from deposits		306	143
Net cash flows used in investing activities		**(40,850)**	**(30,271)**
Financing activities			
Proceeds from borrowings	7	13,751	31,344
Repayment of borrowings	7	(41,658)	(38,900)
Dividends paid to equity holders of the parent		(31,873)	(24,159)
Withholding tax paid		(2,626)	(4,648)
Payment under lease	7	(809)	(746)
Net cash flows used in financing activities		**(63,215)**	**(37,109)**
Net decrease in cash and cash equivalents		(31,499)	(1,680)
Effects of exchange rate changes		1,047	198
Cash and cash equivalents at 1 January		38,736	12,388
Cash and cash equivalents at 30 June		**8,284**	**10,906**

1. Corporate information

These interim condensed consolidated financial statements of Highland Gold Mining Limited for the six months ended 30 June 2019 were authorised for issue in accordance with a resolution of the Directors on 02 September 2019.

Highland Gold Mining Limited is a public company incorporated and domiciled in Jersey. The registered office is located at 26 New Street, St Helier, Jersey JE2 3RA. Its ordinary shares are traded on the Alternative Investment Market (AIM).

The principal activity is building a portfolio of gold mining operations within the Russian Federation and Kyrgyzstan.

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. The annual financial statements of the Group for the year ended 31 December 2018 were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Companies (Jersey) Law 1991.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2018.

Having made relevant enquiries, the Directors believe that it is appropriate to adopt the going concern basis in the preparation of the interim condensed consolidated financial statements in view of the fact that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

The impact of seasonality or cyclicality on operations is not considered significant to the interim condensed consolidated financial statements.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective as of 1 January 2019. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Effective 1 January 2019, the Group applies, for the first time, IFRS 16 Leases.

The nature and the impact of each amendment is described below:

New Standards and Interpretations adopted by the Group

The following is a list of new or amended IFRS standards and interpretations that have been applied by the Group for the first time in these interim condensed consolidated financial statements.

Title	Subject	Effective for annual periods beginning on or after	Effect on the condensed consolidated interim financial statements
IFRS 16	Leases	1 January 2019	Please see below
Amendments to IFRS 9	Prepayment features with negative compensation and modifications of financial liabilities	1 January 2019	No effect
IFRIC 23	Uncertainty over income tax treatment	1 January 2019	No effect
Amendments to IAS 12	Income tax consequences of dividends	1 January 2019	No effect
Amendments to IAS 19	Plan amendments, curtailment and settlement	1 January 2019	No effect
Amendments to IAS 23	Treatment of borrowings after the related asset is ready for its intended use or sale	1 January 2019	No effect

IFRS 16 Leases

Starting from 1 January 2019, the Group applied, for the first time, IFRS 16 “Leases” (hereinafter “IFRS 16”) issued by the International Accounting Standard Board. IFRS 16 does not apply to leases to explore for or use minerals, oil, natural gas and similar non-regenerative resources.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requires the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The Group assesses whether a contract is or contains a lease, at inception of the contract. Starting from 1 January 2019, the Group recognised a right-of-use asset and a corresponding lease liability with respect to in-scope lease arrangements in which it is the lessee. Previously, such a liability except for finance leases was not recognised in the financial statements due to the fact that it was treated as an operating lease in accordance with IAS 17 “Leases”.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within lease liability in the condensed consolidated interim statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within Property, Plant and Equipment in the condensed consolidated interim statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss when incurred.

Transition to IFRS 16

The Group has elected to apply the modified retrospective approach on transition to IFRS 16 with the overall effect of the initial application of the standard, recognised in accordance with the approach described in paragraph C7-C8 IFRS 16 Leases and presented below:

- In the condensed consolidated interim financial statements for six months ended 30 June 2019, the Group has not restated comparative information for six months ended 30 June 2018 and as of 31 December 2018;
- As at 1 January 2019, the Group recognised an additional lease liability in the amount of US$2.3 million, calculated as the net present value of the remaining lease payments (as of the application date), discounted using the discount rate of 7.66% as of 1 January 2019;
- As of 1 January 2019, The Group elected to record the right-of-use asset at an amount equal to the lease liability at the date of transition and recognised an asset in the form of a right-of-use in the amount of US$2.3 million;
- The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under IAS 17). The requirements of IFRS 16 was applied to these leases from 1 January 2019.

The Group has applied the following exemptions available on the date of transition to IFRS 16 and for subsequent accounting:

- Short-term lease agreements that expire within 12 months from the date of initial application;
- Leases for which the underlying assets is of low value when it is new (regardless of whether those leases are material to the lessee in aggregate).

Lease payments associated with such leases are recognised as an expense on a straight line basis.

The following table reconciles the Group's lease obligations at 31 December 2018, as previously disclosed in the Group's consolidated financial statements, to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019.

	US$000
Finance lease commitments at 31 December 2018	2,318
Operating lease commitments at 31 December 2018	2,737
Effect of discounting	(418)
Lease liabilities recognised as of 1 January 2019	2,319
Total lease liabilities as of 1 January 2019	4,637

Additional IFRS 16 leases are mostly represented by offices lease.

IFRS standards to be applied after 2019

The following standards and interpretations, which have not been applied in these condensed consolidated interim financial statements, were in issue but not yet effective:

Title	Subject	Effective for annual periods beginning on or after	Expected effect on the condensed consolidated financial statements
Amendment to IFRS 3	Business combinations	1 January 2020	No effect anticipated
Amendment to IAS 1 and IAS 8	Definition of material	1 January 2020	No effect anticipated
Amendments to references to the Conceptual Framework in IFRS Standards	Updates of references to or from the Conceptual Frameworks to the IFRS standards	1 January 2020	No effect anticipated
IFRS 17	Insurance contracts	1 January 2021	No effect anticipated

3. Segment information

For management purposes, the Group is organised into business units based on the nature and geography of their activities, and has five reportable segments as follows:

- Gold production of Khabarovsk region;
- Gold production of Chukotka region;
- Polymetallic concentrate production;
- Development and exploration; and

- Other.

The gold production of Khabarovsk region reportable segment comprises two operating segments, namely Mnogovershinnoye (MNV) and Belaya Gora (BG) at which level management monitors its results for the purpose of making decisions about resource allocation and evaluating the effectiveness of its activity. MNV and BG have been aggregated into one reportable segment as they exhibit similar long-term financial performance and have similar economic characteristics: nature of products (gold and silver), nature of the production processes, type of customer for their products (banks), methods used to distribute their products and nature of the environment (both are located in the Khabarovsk region).

Following the acquisition of subsidiaries in late December 2018, the Group identified a new reportable segment - the gold production of Chukotka region. This new segment consists of three companies, namely Rudnik Valunisty (RV), Kanchalano-Amguemskaya Square (KAS) and Severo-Vostochnaya Gorno-Geologicheskaya Company (Kayen). All three companies operate in the same region and have similar economic characteristics. They produce gold and silver and perform exploration work with the aim of extending their reserves base.

The polymetallic concentrate production segment, namely Novoshirokinskoye (Novo), is analysed by management separately due to the fact that the nature of its activities differs from the gold production process.

The development and exploration segment contains entities which hold licenses in the development and exploration stages: Kekura, Klen, Taseevskoye, Unkurtash, Lubov, and related service entities: Zabaykalzolotoproyekt (ZZP) and BSC.

The ‘other’ segment includes head office, management company and other non-operating companies which have been aggregated to form the reportable segment.

Segment performance is evaluated based on EBITDA (defined as operating profit excluding depreciation and amortisation, impairment losses, movement in ore stockpiles obsolescence provision, movement in raw materials and consumables obsolescence provision and gain on settlement of contingent consideration). The development and exploration segment is evaluated based on the life of mine models in connection with the capital expenditure spent during the reporting period.

The following tables present revenue, EBITDA and assets information for the Group’s reportable segments. The segment information is reconciled to the Group’s profit after tax for the period.

The finance costs, finance income, income taxes, foreign exchange gains are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm’s length basis in a manner similar to transactions with third parties.

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2 of the interim condensed consolidated financial statements.

Revenue from several customers was greater than 10% of total revenues.

In the first half of 2019 the gold and silver revenue reported in the gold production segment of Khabarovsk region was received from sales to Gazprombank in the amount of US$78.6 million (H1 2018: US$87.9 million) and to Sberbank in the in the amount of US$26.7 million (H1 2018: US$0.0 million) in the territory of the Russian Federation.

In the first half of 2019 the gold and silver revenue reported in the gold production segment of Chukotka region was received from sales to Gazprombank in the amount US$19.2 million in the territory of the Russian Federation.

In the first half of 2019 the concentrate revenue reported in the polymetallic concentrate production segment in the total amount of US$49.7 million was received from sales: to Kazzinc in the territory of the Republic of Kazakhstan (H1 2019: US$32.5 million; H1 2018: US$27.8 million) and to Hyosung TNC in the territory of the People's Republic of China (H1 2019: US$17.2 million; and H1 2018: US$29.1 million).

Other third-party revenues in both H1 2019 and H1 2018 were received in the territory of the Russian Federation.

Inter-segment revenues mostly represent management services.

Period ended 30 June 2019	Gold production of Khabarovsk region	Gold production of Chukotka region	Polymetallic concentrate production segment	Development & Exploration	Other	Eliminations	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Revenue							
Gold revenue	104,706	17,314	-	-	-	-	122,020
Silver revenue	574	1,879	-	-	-	-	2,453
Concentrate revenue*	-		49,701	-	-	-	49,701
Other third-party	41	299	129	33	-	-	502
Inter-segment	19		-	40	7,925	(7,984)	-
Total revenue	**105,340**	**19,492**	**49,830**	**73**	**7,925**	**(7,984)**	**174,676**
Cost of sales	61,690	13,350	25,706	106	416	-	101,268
EBITDA	51,865	8,104	28,601	(1,477)	(552)	-	86,541
Other segment information							
Depreciation	(13,206)	(2,621)	(7,286)	(3)	(416)	-	(23,532)
Movement in ore stockpiles obsolescence provision	(1,799)	(3,879)	-	-	-	-	(5,678)
Movement in raw materials and consumables obsolescence provision	(1)	-	49	-	-	-	48
Finance income							306
Finance costs							(1,112)
Foreign exchange loss							(469)
Profit before income tax							**56,104**
Income tax							(10,412)
Profit for the period							**45,692**
Segment assets at 30 June 2019							
Non-current assets							
Capital expenditure**	173,326	74,105	156,536	676,338	3,113	-	1,083,418
Intangible assets	9,690	5,848	5,134	42,978	-	-	63,651
Other non-current assets***	8,568	6,877	1,369	3,651	483	-	20,948
Current assets****	59,880	25,898	36,246	3,908	4,195	(17,399)	112,728
Total assets							**1,280,745**
Capital expenditure - addition during the first half of 2019*****, including:	15,425	2,580	4,396	18,951	167	-	41,519
Stripping activity assets	4,527	563	-	-	-	-	5,090
Capitalised interest	-		-	5,832	-	-	5,832
Unpaid/ (settled) accounts payable	279		(541)	(468)	-	-	(730)
Cash capital expenditure	10,619	2,017	4,937	13,587	167	-	31,327

*Concentrate revenue contains US$47.7 million of IFRS 15 revenue, a positive provisional price adjustment of US$1.5 million which represents changes in the fair value of the provisional pricing feature in the trade receivables of 2019 and a positive price adjustment of US$0.5 million related to 2018.
**Capital expenditure is the sum of exploration and evaluation assets, mine properties and property, plant and equipment.
***Other non-current assets include long term prepayments of US$11.3 million (31 December 2018: US$9.3 million)
****Current assets at 30 June 2019 include corporate cash and cash equivalents of US$8.3 million, inventories of US$59.7 million, trade and other receivables of US$35.9 million and other assets of US$8.9 million. Eliminations relate to intercompany accounts receivable.
***** Capital expenditure for the first half of 2019 includes additions to property, plant and equipment of US$34.0 million (Note 6), capitalised interest of US$5.8 million (Note 6) (incl. cash interest expense of US$4.8 million, US$0.9 million of modification effect and US$0.1 million of capitalised upfront commission) and prepayments previously made for property, plant and equipment of US$1.7 million.

Non-current assets at 30 June 2019 are located in the Russian Federation (US$1,121.6 million) and in the Kyrgyz Republic (US$46.5 million). Current assets at 30 June 2018 are located in the Russian Federation.

Period ended 30 June 2018	Gold production segment	Polymetallic concentrate production segment	Development & exploration	Other	Eliminations	Total
	US$000	US$000	US$000	US$000	US$000	US$000
Revenue						
Gold revenue	87,122	-	-	-	-	87,122
Silver revenue	759	-	-	-	-	759
Concentrate revenue*	-	58,815	-	-	-	58,815
Other third-party	32	118	51	-	-	201
Inter-segment	36	-	-	6,739	(6,775)	-
Total revenue	**87,949**	**58,933**	**51**	**6,739**	**(6,775)**	**146,897**
Cost of sales	62,241	24,236	254	32	-	86,763
EBITDA	34,373	39,949	(585)	(2,313)	-	71,424
Other segment information						
Depreciation	(12,843)	(7,868)	(3)	(32)	-	(20,746)
Movement in ore stockpiles obsolescence provision	-	-	-	-	-	-
Movement in raw materials and consumables obsolescence provision	6	(18)	-	-	-	(12)
Individual impairment						-
Finance income						144
Finance costs						(901)
Foreign exchange gain						255
Profit before income tax						**50,164**
Income tax						(21,525)
Profit for the period						**28,639**
Segment assets at 30 June 2018						
Non-current assets						
Capital expenditure**	174,418	158,443	641,439	933	-	975,233
Intangible assets	9,690	5,134	42,978	-	-	57,802
Other non-current assets	4,714	2,791	3,660	379	-	11,544
Current assets***	70,972	33,796	4,551	4,368	(15,843)	97,844
Total assets						**1,142,423**
Capital expenditure - addition during the first half of 2018****, including:	12,304	6,741	11,970	733	-	31,748
Stripping activity assets	738	-	-	-	-	738
Capitalised interest	-	-	1,017	-	-	1,017
Unpaid/ (settled) accounts payable	2,658	37	574	190	-	3,459
Cash capital expenditure	8,908	6,704	10,379	543	-	26,534

*Concentrate revenue contains US$61.8 million of IFRS 15 revenue, based on initial invoices, and a negative provisional price adjustment of US$3.0 million which represents changes in the fair value of provisionaly priced trade receivables.
**Capital expenditure is the sum of exploration and evaluation assets, mine properties and property, plant and equipment.

***Current assets at 30 June 2018 include corporate cash and cash equivalents of US$10.9 million, inventories of US$56.6 million, trade and other receivables of US$26.1 million and other assets of US$4.2 million. Eliminations relate to intercompany accounts receivable.
**** Capital expenditure for the first half of 2018 includes additions to property, plant and equipment of US$31.7 million (Note 6), capitalised interest of US$0.9 million (Note 6) and capitalised upfront commission US$0.1 million (Note 6) and prepayments previously made for property, plant and equipment of US$(1.0) million.
Non-current assets at 30 June 2018 are located in the Russian Federation (US$999.2 million) and in the Kyrgyz Republic (US$45.4 million). Current assets at 30 June 2018 are located in the Russian Federation.

4. Finance income and costs

4.1 Finance income

	For the six months ended 30 June	
	2019 unaudited US$000	2018 unaudited US$000
Bank interest	306	143
Other	-	1
Total finance income	**306**	**144**

4.2 Finance costs

	For the six months ended 30 June	
	2019 unaudited US$000	2018 unaudited US$000
Accretion expense on site restoration provision	936	758
Interest expense on bank loans	-	11
Interest expense on lease	176	132
Total finance costs	**1,112**	**901**

5. Income tax

The major components of income tax expense in the interim consolidated statement of comprehensive income are:

	For the six months ended 30 June	
	2019 unaudited US$000	2018 unaudited US$000
Current income tax		
Current income tax charge	16,935	10,092
Withholding tax on dividends*	2,626	4,648
Adjustments in respect of prior year current tax	-	(247)
Deferred income tax		
Relating to origination and (reversal) of temporary differences**	(9,149)	7,032
Income tax expense	**10,412**	**21,525**

There are no tax amounts recognised directly in equity during the first half of 2019 (H1 2018: Nil).

The majority of the Group entities are Russian tax residents. Effective tax rate for the six months ended 30 June 2019 is charged at 13.9% (H1 2018: 33.6%), representing the best estimate of the average annual effective income tax rate expected for the full year, excludes withholding tax, applied to the pre-tax income of the six months period. The effective income tax rate in the first half of 2019 is lower than the statutory rate of 20% for the Russian Federation mainly due to non-deductible expenses and the lower tax rates on overseas losses.

The actual tax expense differs from the amount which would have been determined by applying the statutory rate of 20% for the Russian Federation to profit before income tax as a result of the application of relevant jurisdictional tax regulations, which disallow certain deductions which are included in the determination of accounting profit.

*Withholding tax on dividends represents 15% of dividends paid by Russian subsidiaries to holding company.

**Changes in the in temporary difference was caused by future tax revaluation of the rouble depreciation as at the end of the period.

6. Mine properties, exploration and evaluation assets, and property, plant and equipment

Reconciliation of fixed assets for the period ending 30 June 2019

	Exploration and evaluation assets US$000	Mining assets US$000	Stripping activity assets US$000	Freehold building US$000	Plant and equipment US$000	Construction in progress US$000	Total US$000
Cost							
At 31 December 2018	**93,503**	**848,688**	**18,785**	**233,402**	**260,477**	**91,159**	**1,546,014**
Additions	3,227	9,082	5,090	-	8	16,600	34,007
Lease under IFRS16****	-	-	-	2,319	-	-	2,319
Transfers	209	860	-	2,462	5,722	(9,253)	-
Write-off*	(301)	-	-	(370)	(3,893)	-	(4,564)
Disposals	-	-	-	(24)	(1,139)	(85)	(1,248)
Capitalised depreciation	163	2,110	-	-	-	401	2,674
Capitalised interest**		5,832	-	-	-	-	5,832
Change in estimation – site restoration asset***	-	5,707	-	347	-	-	6,054
Other movement		191	-	-	(84)	578	685
At 30 June 2019	**96,801**	**872,470**	**23,875**	**238,136**	**261,091**	**99,400**	**1,591,773**
Depreciation and impairment							
At 31 December 2018	**531**	**207,346**	**10,411**	**106,139**	**160,109**	**1,862**	**486,398**
Provided during the year	-	10,515	1,087	3,345	8,585	-	23,532
Transfers	-	296	-	(296)	-	-	-
Write-off*	-	1	-	(138)	(3,832)	-	(3,969)
Disposals	-	-	-	(17)	(908)	-	(925)
Capitalised depreciation	-	9	-	1,546	1,119	-	2,674
Capitalised to inventory	-	2	-	195	448	-	645
Impairment		-	-	-	-	-	-
At 30 June 2019	**531**	**218,169**	**11,498**	**110,774**	**165,521**	**1,862**	**508,355**
Net book value:							
At 31 December 2018	**92,972**	**641,342**	**8,374**	**127,263**	**100,368**	**89,297**	**1,059,616**
At 30 June 2019	**96,270**	**654,301**	**12,377**	**127,362**	**95,570**	**97,538**	**1,083,418**

* Write-off for the first half of 2019 in the amount of US$0.6 million relates to retirement of old inefficient equipment.

** Borrowing costs capitalised at Kekura mining assets for the first half of 2019 include US$5.8 million of interest expense (containing US$4.8 million of interest as per agreement increased by US$0.9 million of the modification effect during H1 2019 and capitalised upfront commission of US$0.1 million). The modified effective interest rates were between 3.42% and 6.2% (actual effective interest rates as per agreements: 3.42% and 4.9%).

*** During the first half of 2019 there was a change in the rehabilitation estimate associated with the change in volumes of expected site restoration activities, discount and inflation rates. The net present value of the increase in the cost estimate is US$6.1 million (increase of US$2.3 million at MNV, increase of US$1.0 million at RV, increase of US$1.6 million at Novo, increase of US$ 0.8 million at BG, increase of US$0.1 million at Klen and increase of US$ 0.3 million at Kekura) which was booked as an increase to mining assets and non-current provisions.

**** Addition under IFRS 16 for the first half of 2019 represent right-of-use RDM office in lease in amount of US$2.3 million.

No plant and equipment has been pledged as security for bank loans in the first half of 2019.

Mine assets in the interim consolidated statement of financial position comprise mine assets and stripping activity assets.

Property, plant and equipment in the interim consolidated statement of financial position comprise freehold building, plant and equipment and construction in progress.

Reconciliation of fixed assets for the period ending 30 June 2018

	Exploration and evaluation assets US$000	Mining assets US$000	Stripping activity assets US$000	Freehold building US$000	Plant and equipment US$000	Construction in progress US$000	Total US$000
Cost							
At 31 December 2017	**88,926**	**768,181**	**19,724**	**218,474**	**237,103**	**76,852**	**1,409,260**
Additions	2,139	7,490	738	14	79	21,218	31,678
Transfers	(258)	4,968	-	(583)	8,239	(12,366)	-
Write-off*	-	-	-	(176)	(1,560)	-	(1,736)
Disposals	-	-	-	(174)	(433)	(264)	(871)
Capitalised depreciation	131	2,477	-	-	-	612	3,220
Capitalised interest**	-	1,017	-	-	-	-	1,017
Change in estimation – site restoration asset***	-	(1,403)	-	-	-	-	(1,403)
Other movement	-	-	-	-	(111)	(66)	(177)
At 30 June 2018	**90,938**	**782,730**	**20,462**	**217,555**	**243,317**	**85,986**	**1,440,988**
Depreciation and impairment							
At 31 December 2017	**-**	**191,223**	**8,647**	**96,375**	**145,302**	**1,590**	**443,137**
Provided during the year	-	7,974	2,202	2,940	7,630	-	20,746
Transfers	-	-	-	-	-	-	-
Write-off*	-	-	-	(50)	(1,432)	-	(1,482)
Disposals	-	-	-	(155)	(421)	-	(576)
Capitalised depreciation	-	130	-	1,561	1,529	-	3,220
Capitalised to inventory	-	2	-	193	(16)	-	179
Impairment	531	-	-	-	-	-	531
At 30 June 2018	**531**	**199,329**	**10,849**	**100,864**	**152,592**	**1,590**	**465,755**
Net book value:							
At 31 December 2017	**88,926**	**576,958**	**11,077**	**122,099**	**91,801**	**75,262**	**966,123**
At 30 June 2018	**90,407**	**583,401**	**9,613**	**116,691**	**90,725**	**84,396**	**975,233**

* Write-off for the first half of 2018 in the amount of US$0.3 million relates to retirement of old inefficient equipment.

** Borrowing costs capitalised at Kekura mining assets for the first half of 2018 include US$0.9 million of interest expense (containing US$3.5 million of interest as per agreement increased by US$0.8 million of the modification effect during H1 2018 decreased by US$3.4 million of the modification effect as at 01 January 2018) and capitalised upfront commission of US$0.1 million. The modified effective interest rates were between 3.0% and 6.2% (actual effective interest rates as per agreements: 3.0% and 4.7%).

*** During the first half of 2018 there was a change in the rehabilitation estimate associated with the change in volumes of expected site restoration activities, discount and inflation rates. The net present value of the decrease in the cost estimate is US$1.4 million (decrease of US$1.3 million at MNV, decrease of US$0.4 million at Novo, increase of US$ 0.3 million at BG and decrease of US$ 0.04 million at Kekura) which was booked as an decrease to mining assets and non-current provisions.

No plant and equipment has been pledged as security for bank loans in the first half of 2018.

Mine assets in the interim consolidated statement of financial position comprise mine assets and stripping activity assets.

Property, plant and equipment in the interim consolidated statement of financial position comprise freehold building, plant and equipment and construction in progress.

7. Financial assets and liabilities

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The carrying amounts of financial instruments, such as cash, accounts receivable and payable, loans payable, approximate their fair value. These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant quotational period (QP) stipulated in the contract.

The Group held the following financial instruments measured at fair value:

Assets measured at fair value	**30 June 2019**	**Level 1**	**Level 2**
	US$000	**US$000**	**US$000**
Trade receivables, incl. Provisionaly priced trade receivables	16,441	-	16,441

In H1 2019, concentrate sales include a positive fair value movement of US$1.5 million (H1 2018: US$0.3 million) relating to a provisionaly priced trade receivables.

Changes in liabilities arising from financing activities

	1 January 2019	**New leases under IFRS 16 as at 1 January 2019**	**Cash flow**	**Accrued interest**	**Foreign exchange movement**	**Modification**	**Other**	**30 June 2019**
	US$000	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Interest bearing loans and borrowings (excluding items listed below)	247,851	-	(32,787)	4,894	143	863	61	221,025
Obligations under leases and hire purchase contracts	2,318	2,319	(809)	175	259	-	(86)	4,176
Total liabilities from financing activities	**250,169**	**2,319**	**(33,596)**	**5,069**	**402**	**863**	**(25)**	**225,201**

8. Commitments and contingencies

Capital commitments

At 30 June 2019, the Group had commitments of US$20.0 million (at 31 December 2018: US$8.2 million, at 30 June 2018: US$24.2 million) principally relating to development assets and US$3.6 million (at 31 December 2018: US$3.2 million, at 30 June 2018: US$2.6 million) for the acquisition of new machinery.

Contingent liabilities

Management has identified possible tax claims within the various jurisdictions in which the Group operates totalling US$ nil million at 30 June 2019 (at 31 December 2018: US$0.3 million, at 30 June 2018: US$0.4 million).

9. Inventories

Non-current*	30 June 2019 unaudited US$000	31 December 2018 audited US$000	30 June 2018 unaudited US$000
Ore stockpiles	26,634	21,072	19,708
Ore stockpile obsolescence provision**	(23,671)	(18,506)	(17,693)
Total non-current inventories	**2,963**	**2,566**	**2,015**

Current	30 June 2019 unaudited US$000	31 December 2018 audited US$000	30 June 2018 unaudited US$000
Raw materials and consumables	47,164	59,371	46,659
Ore stockpiles	16,709	14,785	13,507
Gold in progress	5,488	5,202	6,081
Finished goods	3,035	3,351	2,630
	72,396	**82,709**	**68,877**
Raw materials and consumables obsolescence provision***	(12,202)	(12,250)	(12,223)
Ore stockpile obsolescence provision**	(513)	-	(91)
Total current inventories	**59,681**	**70,459**	**56,563**

* The portion of the ore stockpiles that is to be processed in more than 12 months from the reporting date is classified as non-current inventory.

** Stockpiled low-grade ore at BG and RV is tested for impairment semi-annually. Movement in ore stockpile obsolescence provision at BG amounted to US$1.8 million (H1 2018: US$Nil) and at RV amounted to US$3.9 million in H1 2019 recognised in other operating expenses.

*** Movement in raw materials and consumables obsolescence provision amounted to US$0.05 million in the first half of 2019 (H1 2018: US$0.02 million). No inventory has been pledged as security.

10. Cash and cash equivalents

Cash at bank earns interest at fixed rates based on daily bank deposit rates. The fair value of cash and cash equivalents is equal to the carrying value.

For the purpose of the interim consolidated cash flow statement, cash and cash equivalents comprise the following:

	30 June 2019 unaudited US$000	31 December 2018 audited US$000	30 June 2018 unaudited US$000
Cash at bank and in hand	1,914	8,291	8,683
Short term deposits	6,370	30,445	2,223
	8,284	**38,736**	**10,906**

11. Interest-bearing loans and borrowings

	Nominal interest rate as per agreement %	Effective interest rate %	Modification	Maturity	30 June 2019 unaudited US$000*	31 December 2018 audited US$000*	30 June 2018 unaudited US$000*
Current							
UniCredit loan (3)	4.53 (2018: 4.58)	6.2	Modified	June 2020	49,171	25,000	-
Raiffaizen loan (4)	(2018: 4.60)	5.64	Modified	November 2019	-	10,865	11,000
UniCredit loan (5)	3.4 (2018: 3.4)	3.78	Modified	October 2020	24,119	24,887	16,517
Sberbank loan (7)	1.50	1.50	Non-modified	May 2022	320	239	235
Rosbank loan (10)	3.96	3.96	Non-modified	September 2019	25,000	25,000	-
Rosbank loan (11)	3.97	3.97	Non-modified	September 2019	8,000	8,000	-
Sberbank loan (15)	1.5	1.5	Non-modified	July 2022	248	186	
Total current loans					**106,858**	**94,177**	**27,752**
Non-current							
Gazprombank loan (1)	3.10	3.10	Non-modified	March 2020	-	-	40,630
Sberbank loan (2)	3.42	3.42	Non-modified	August 2021	20,000	20,000	20,000
UniCredit loan (3)	4.1 (2017: 3.6)	6.2 (2017: 3.6)	Modified	June 2020	-	23,515	47,836
Raiffaizen loan (4)	(2018: 4.60)	5.6	Modified	November 2019	-	-	5,207
UniCredit loan (5)	3.4 (2018: 3.4)	3.78	Modified	October 2020	8,330	20,747	33,172
Alfa-bank loan (6)	3.0	3.0	Non-modified	December 2019	-	-	22,000
Sberbank loan (7)	1.5	1.5	Non-modified	May 2022	471	598	705
Raiffaizen loan (8)	4.9; 4.55	4.9; 4.55	Non-modified	September 2022	20,000	6,250	-
Raiffaizen loan (9)	4.8; 3.97	4.8; 3.97	Non-modified	September 2022	40,000	40,000	-
UniCredit loan (12)	4.80	4.80	Non-modified	December 2023	25,000	25,000	-
Gazprombank loan (13)	5.55	5.55	Non-modified	April 2021	-	7,329	
Expobank loan (14)	5.00	5.00	Non-modified	April 2022	-	9,770	-
Sberbank loan (15)	1.50	1.50	Non-modified	July 2022	366	465	
Total non-current loans					**114,167**	**153,674**	**169,550**
Total interest-bearing loans					**221,025**	**247,851**	**197,302**

*** include current portion of non-current loans**

(1) The loan was repaid in September 2018.

(2) In August 2017, the Group secured a revolving facility with Sberbank with the draw period set until 14 August 2021. The interest rate is set for every instalment separately. The loan is repayable in instalments between August 2017 and August 2021. The drawn down payable balance obtained under the agreement at 30 June 2019 is US$20.0 million (31 December 2018: US$20.0 million). The outstanding bank debt is subject to the following covenants: the ratio of net debt to EBITDA should be equal to or lower than 3.5.

(3) In December 2015, the Group raised financing with UniCredit bank. In November 2017, the interest rate decreased to LIBOR USD 1M + 2.05% from LIBOR USD 1M + 2.8% in June 2017 (2016: LIBOR USD 1M + 4.0%) with the draw period set until 17 January 2016. Due to implementation of new requirement of IFRS 9 effective rate is LIBOR 1M at the date of modification + 5%. The loan is repayable in instalments between July 2019 and June 2020 (2016: between July 2017 and December 2018). The drawn down payable balance obtained under the agreement at 30 June 2019 is US$50.0 million (December 2018: US$50.0). Due to implementation of new requirement of IFRS 9 book value of the loan was modified and at 30 June 2019 is US$49.2 million (31 December 2018: US$48.5 million). The outstanding bank debt is subject to the following covenants: the ratio of net debt to EBITDA should be equal to or lower than 3.5 and the Group EBITDA to interest expense ratio should be equal to or higher than 4.0.

(4) The loan was repaid in March 2019.

(5) In October 2016, the Group raised financing with UniCredit bank adjusted for an upfront fee 0.9% with the draw period set until 20 November 2016. In November 2017, the interest rate decreased to 3.4% from 3.55% in 2016. Due to implementation of new requirement of IFRS 9 the effective rate is 3.8%. The loan is repayable October 2020 (2016: October 2019). The drawn down payable balance obtained under the agreement at 30 June 2019 is US$32.5 million (December 2018: US$45.8). Due to implementation of IFRS 9 the book value of the loan was modified and at 30 June 2019 is US$32.5 million (31 December 2018: US$45.6). The outstanding bank debt is subject to the following covenants: the ratio of net debt to EBITDA should be equal to or lower than 3.5; the ratio of EBITDA to interest expenses should be equal to or higher than 4.0.

(6) The loan was repaid in September 2018.

(7) In May 2018, the Group raised financing with Sberbank with the draw period set until 31 August 2018. The rouble-based interest rate of 8.75% was decreased to 1.50% upon receipt of Belarus governmental compensation. The loan is repayable in instalments between September 2018 and May 2022. The drawn down payable balance obtained under the agreement at 30 June 2019 is US$0.8 million (31 December 2018: 0.8). The outstanding bank debt is subject to the following covenants: the ratio of net debt to EBITDA should be equal to or lower than 3.5.

(8) In September 2018, the Group secured a revolving facility with Raiffeisenbank with the draw period set until 14 January 2019. The interest rate is set for every instalment separately. The loan is repayable in instalments until 14 September 2022. The drawn down payable balance obtained under the agreement at 30 June 2019 is US$20.0 million (31 December 2018: US$ 6.3 million). The outstanding bank debt is subject to the following covenants: the ratio of total net debt to EBITDA should be equal to or lower than 4.0; the ratio of EBITDA to interest expense should be equal to or higher than 4.0; the ratio of total net debt to Equity should be lower than 0.6.

(9) In September 2018, the Group (MNV) secured a revolving facility with Raiffeisenbank with the draw period set until 09 January 2019. The interest rate is set for every instalment separately. The drawn down payable balance obtained under the agreement at 30 June 2019 is US$40.0 million (31 December 2018: US$40.0 million). The outstanding bank debt is subject to the following covenants: the ratio of total net debt to EBITDA should be equal to or lower than 4.0; the ratio of EBITDA to interest expense should be equal to or higher than 4.0; the ratio of total net debt to Equity should be lower than 0.6.

(10) In September 2017, the Group (MNV) secured a revolving facility with Rosbank. The interest rate is set for every instalment separately. The drawn down payable balance obtained under the agreement at 30 June 2019 is US$25.0 million (31 December 2018: US$25.0 million). The outstanding bank debt is subject to the following covenants: the ratio of net debt to EBITDA should be equal to or lower than 3.5; the ratio of EBITDA to interest expense should be equal to or higher than 4.0.

(11) In September 2017, the Group (BG) secured a revolving facility with Rosbank. The interest rate is set for every instalment separately. The drawn down payable balance obtained under the agreement at 30 June 2019 is US$8.0 million (31 December 2018: US$8.0 million). The outstanding bank debt is subject to the following covenants: the ratio of net debt to EBITDA should be equal to or lower than 3.5; the ratio of EBITDA to interest expense should be equal to or higher than 4

(12) In December 2018, the Group secured a revolving facility with UniCreditbank with the draw period set until 27 November 2023. The interest rate is set for every instalment separately. The loan is repayable in instalments between December 2018 and December 2023. The drawn down payable balance obtained under the agreement at 30 June 2019 is US$25.0 million (31 December 2018: US$25.0 million). The outstanding bank debt is subject to the following covenants: the ratio of net debt to EBITDA should be equal to or lower than 3.5; the ratio of EBITDA to interest expense should be equal to or higher than 4.0

(13) The loan was repaid in March 2019.

(14) The loan was repaid in March 2019.

(15) Loan agreement with Sberbank signed on 06 July 2018 with the draw period set until 20 October 2018. The rouble-based interest rate of 8.75% was decreased to 1.50% upon receipt of Belarus governmental compensation. The loan is repayable in instalments between 25 October 2018 and 05 July 2022. The drawn down payable balance obtained under the agreement at 30 June 2019 is US$0.6 million (31 December 2018: US$0.7 million). The outstanding bank debt is subject to the following covenant: the ratio of net debt to EBITDA should be equal to or lower than 3.5

The total outstanding bank debt of the Group at 30 June 2019 is US$221.0 million. There were no covenant breaches as at 30 June 2019.

12. Share Capital

The total amount of the authorised ordinary shares of £0.001 each remained unchanged and equalled 750,000,000. Ordinary shares issued and fully paid amounted to 363,843,441 shares, representing US$634 thousand.

13. Related party transactions

There were no related party transactions during the first half of 2019.

During the first half of 2018 OJSC Novo-Shirokinsky Rudnik performed a partial redemption of its shares acquired in prior periods. As a result, the share of non-controlling interest increased by US$4 thousand.

The Group had applied the provisional accounting approach for the companies Rudnik Valunisty LLC, Kanchalano-Amguemskaya Square LLC and Severo-Vostochnaya Gorno-Geologicheskaya Company LLC under purchase price allocation due to the complexity of the acquisition. The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within in December 2019. There were no updates to the provisional fair value calculation as at 30 June 2019.

14. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the exercise of share options into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	For the six months ended 30 June	
	2019	**2018**
	US$000	**US$000**
Net profit attributable to ordinary equity holders of the parent	45,403	28,557
	Thousands	**Thousands**
Weighted average number of ordinary shares for basic earnings per share	363,843	325,222

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

The share capital comprises only one class of ordinary shares, which carry a voting right and the right to a dividend. There are no restrictions on the distribution of dividends and the repayment of capital.

15. Impairment of goodwill and non-current assets

In accordance with the Group's accounting policy, goodwill is tested for impairment annually and when circumstances indicate the carrying value may be impaired.

When there is an indicator of impairment of non-current assets within a cash-generating unit (CGU) or a group of CGUs containing goodwill, non-current assets are tested for impairment first at each CGU and any impairment loss on the non-current assets is recognised before testing the groups of CGUs for potential goodwill impairment. Impairment is recognised when the carrying amount exceeds the recoverable amount.

Non-current assets are tested for impairment when events or changes in circumstances suggest that the carrying amount may not be recoverable. The assessment is done at the CGU level, which is the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets.

16. Events after the reporting period

In August, to take advantage of falling interest rates, the Company restructured its existing debt portfolio with US$103 million in longer-term credit agreements with Rosbank, Sberbank and Alfa Bank, thereby increasing the average loan tenor from 18.1 to 36.6 months and lowering the average effective interest rate from 4.2% to 4.09%.

The Board of Directors has approved an interim dividend of £0.05 per share, to be paid to shareholders on 04 October 2019. The ex-dividend date is 12 September 2019 and the record date is 13 September 2019.