29 April 2003

Highland Gold Announces Final Results for the six months to 31 December 2002

Financial Highlights

- Admission to AIM in December 2002 raising US$25 million for the Company after costs
- Turnover
  - Turnover of US$27.4 million for the period
  - Full year pro forma turnover US$55.7 million (2001: US$ 40.1 million)
- Operating profit
  - Operating profit of US$8.6 million,
  - Full year pro forma operating profit US$25.8 million (2001: US$13.6 million)
- Profit before tax
  - US$9.4 million in the period
  - US$14.7 million in the first half for MNV
- Earnings per share of 6.9 cents per share
- Recommended dividend of US$0.01 per share

Business Highlights

- Total 2002 gold production at MNV of 178,000 oz (2001: 153,000 oz)
- Average cash operating cost for the year - $149 per oz
- Acquisition of Novoshirokinskoye
- Capital expenditure of US$11.3 million for the period (excluding acquisition of Novoshirokinskoye)
- Long term licences secured at Darasun and Teremky to 2023 post year end

Commenting on the results, Peter Daresbury, Executive Chairman said:

"Since the successful admission to trading on AIM, we have exceeded our production targets at MNV and have made considerable progress with our development projects at both Darasun and Novoshirokinskoye.

"*In recent months, operating costs, some external, have risen and we expect certain of these costs to continue to rise in 2003. In part this reflects planned increases in expenditure which will enable the Group to continue to optimise the performance of the mining operations at MNV. Furthermore, it is important to note that Russia remains a low cost environment for gold mining. This is illustrated by the Group's average annual cash operating costs of US$149/oz. In the first quarter of 2003, I am pleased to report that the Company processed 209,000 tonnes of ore, a like-for-like increase of 11% against 2002.*

"Highland Gold's existing platform of operational and development assets in Russia, together with its financial, technical and operational expertise, provides a firm foundation for the achievement of the Group's strategic goals. The Board is confident that with the number and quality of opportunities that it is pursuing and the access to international capital that the admission to AIM has provided, the Group has all that is necessary to allow it to become a mid-tier gold producer."

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Highland Gold	Lord Daresbury, Executive Chairman Ivan Koulakov, Managing Director
Brunswick	Patrick Handley Mark Antelme

CHAIRMAN'S STATEMENT

It gives me great pleasure to present Highland Gold's first results to shareholders for the six month period to 31 December 2002. We have made substantial progress since the Company's incorporation in May 2002 and the subsequent acquisition of a suite of gold producing and development assets in Russia centred on MNV, one of Russia's largest producing gold mines in 2002.

We successfully completed the admission of the Company's shares to AIM in December and, in doing so, became the second largest company on AIM by market capitalisation. A total of US$39 million was raised in difficult market conditions (of which US$25 million was new money for the Company) and it is testament to the quality of the assets and the Company's management team that such a significant capital raising was achieved.

Results and progress since admission to AIM

In the six months to 31 December 2002 the Group reported revenue of $27.4 million, operating cash flow before capital expenditure of US$9.4 million and profit after tax of US$7.1 million. The Company reported earnings per share for the period of 6.9 cents per share. The Company's operating mine at MNV produced 87,300 oz during the period at an average recovered grade of 6.5 grammes per tonne.

It is perhaps more appropriate to comment on the pro forma results of MNV for the full year. Pro forma turnover rose by 39% to US$55.7 million – for the twelve months to 31 December 2002 (US$40.1 million in 2001) and pro forma operating profit rose by 90% to US$25.8 million (US$13.6 million in 2001). Annual production at MNV for the year ended 31 December 2002 was 178,000 oz of gold, ahead of our expectations, with an average recovered grade of 6.9 grammes per tonne.

MNV reported pro forma operating profits of US$10.1 million for the six month period against US$15.7 million for the first half of the year. Absolute operating costs have increased in the second half and the reasons are more fully explained in the Managing Director's Review and the Financial Review.

Proceeds from the placing in December, available bank facilities and the operating cash flow from MNV, provides the Group with sufficient financial resources to continue the development of MNV and to bring the Darasun and Novoshirokinskoye projects into full production.

At the time of Admission we stated the Group's intention to adopt a progressive dividend policy whilst maintaining a close watch on the capital requirements of the business and taking a prudent view on the Group's debt position. I believe this is an important element of the investment proposition and I am pleased to recommend the Company's first dividend of US$0.01 per share.

With regard to our assets, as envisaged at the time of Admission, long-term licences have been secured at two key deposits at the Darasun development and the registration of important assets at MNV has now been completed. We are continuing to consolidate our key strategic assets and are on track to bring our development projects into full production.

The economic and regulatory environment

Since 1998 the Russian gold industry has undergone a period of fundamental change that has created a more favourable climate for the development and operation of gold mines in Russia. Furthermore, continued structural reform has led to a more open environment for overseas initiatives, and a number of recent investments by foreign companies and the improvement of Russia's credit rating support this.

Despite Russia's significant gold reserves, there is no single gold company producing in excess of 1 million oz of gold per annum. Russia's gold assets have not been fully developed and remain under-capitalised. In our view, this reflects the slow evolution of the regulatory environment governing the gold mining industry, compared with other mineral and resource sectors.

This environment, coupled with the recent positive developments both in Russia and in the Russian gold industry, provides an opportunity for Highland Gold to follow a strategy of establishing a portfolio of Russian gold projects that fulfil the Group's technical and economic development criteria. In actively pursuing this strategy, the Group is able to apply the considerable experience it has accumulated during the development of the MNV mine.

Much has changed in the regulatory environment and the Group has made progress in moving towards major aspects of the Combined Code and best practice initiatives. Principally we have focused on: the constitution of the Board of Directors to ensure there is an appropriate balance of executive and non-executive directors with suitable experience; relations with shareholders; social and environmental risks; and internal control and risk management.

Board and management

On 10 February 2002, after our financial year end, we announced the resignation of Ted Grobicki from the Board (together with Peter McKenna, his alternate) and Mike Pleming replaced him as a non-executive director. At the time I expressed our gratitude for the considerable input from Ted and Peter, both of whom are executives of Harmony Gold Mining Company, in developing our strategy and welcomed Mike, a non-executive director of both Harmony Gold Mining Company and Impala Platinum Holdings who comes with many years' mining and exploration experience.

The Group has a successful Russian executive management team which, together with the Directors, is committed to the expansion of the Group's production base whilst ensuring rigorous financial and operational controls.

I would like to take the opportunity to thank the management and the entire work force for a successful year in 2002. Without them we would not be so ideally placed to take our business forward.

Strategic development

The Directors currently envisage that, in the near term, emphasis will be placed on the optimisation of the existing operations at MNV, the development of the Darasun project, and the completion and development of Novoshirokinskoye. We look forward to first gold production at Darasun in the first half of 2004, and based on the successful completion of the Darasun and Novoshirokinskoye projects, the Group has the potential to increase production by a further 160,000oz of gold per year.

Mining acquisition opportunities are being pursued which should add further to our record of profitable growth and deliver more value to shareholders. We look forward to updating the market on these developments.

Outlook

The overall market for gold producers has recently been affected by the weakening of the US dollar and the reduction in the gold price from its recent high, but we are pleased with the Company's overall performance since admission to AIM. Macroeconomic factors such as the gold price and the US dollar/Russian rouble exchange rate will continue to influence our results and it is therefore important that the Company maintains a firm control of its own costs.

In recent months, operating costs, some external, have risen and we expect certain of these costs to continue to rise in 2003. In part this reflects planned increases in expenditure which will enable the Group to continue to optimise the performance of the mining operations at MNV. Furthermore, it is important to note that Russia remains a low cost environment for gold mining. This is illustrated by the Group's average annual cash operating costs of US$149/oz. In the first quarter of 2003, I am pleased to report that the Company processed 209,000 tonnes of ore, a like-for-like increase of 11% against 2002.

In carrying out our intended strategy of developing the Group as a platform for further growth and consolidation in the Russian gold mining industry, we have made a number of improvements to the Group's processes and controls and made appointments at the executive management level. We will continue to review the composition of the Board and executive management team.

Highland Gold’s existing platform of operational and development assets in Russia, together with its financial, technical and operational expertise, provides a firm foundation for the achievement of the Group’s strategic goals. The Board is confident that with the number and quality of opportunities that it is pursuing and the access to international capital that the admission to AIM has provided, the Group has all that is necessary to allow it to become a mid-tier gold producer.

Peter Daresbury

Chairman

MANAGING DIRECTOR'S REVIEW

It gives me great pleasure to comment on the results of the Group in our first year as a publicly quoted company. After the success of our AIM admission and placing, the pro forma results for the full year to 31 December 2002 are particularly pleasing and show the continued progress of the Group.

Group operations and reserves

The Group has an aggregate resource base of 8.0 million oz of gold, comprising 7.2 million oz of gold and approximately 0.8 million oz of gold equivalents at the gold and polymetallic deposit at Novoshirokinskoye.

Highland Gold owns and operates the MNV gold mine which is situated near to Nikolaevsk in the Khabarovsk Region of Far East Russia, approximately 650km north of the city of Khabarovsk. MNV owns the licence for gold mining there which is valid until the end of 2018. Operations at MNV consist of both underground and open-pit mining of several high grade gold deposits. MNV was one of Russia's largest gold producers in 2002 and has reserves of 2.3 million oz of gold at an average grade of 8.9 grammes per tonne and resources of 3.0 million oz of gold at an average grade of 9.7 grammes per tonne.

During the year we produced 806,000 tonnes of ore at MNV (of which 388,000 tonnes were from open pit operations and 375,000 were from the underground mine, the remaining 43,000 tonnes being released from the stockpile) at an average recovered grade of 6.9 grammes per tonne and average recovery of 91.7%. A total of 178,000 oz of gold was produced, an increase of 16% over our 2001 production of 153,000 oz. I am pleased to add that this performance has continued into 2003 with 209,000 tonnes of ore processed in the first quarter, a like for like increase of 11% against the same period in 2002.

We continue to seek to optimise the performance of operations at MNV and to develop the gold reserves there. We spent a total of US$4.5 million on capital expenditure during the second half of 2002 and plan to spend approximately US$6.1 million during 2003, mainly on the upgrading of mining equipment.

The Darasun project is situated in the Chita Region of Eastern Russia and consists of an existing, but currently non-operational, gold mining complex having open-pit and underground mining development and mineral processing facilities. It consists of three deposits, Darasun, Teremky and Talatui. The Company holds a 100% interest in Darasun which holds certain assets of the Darasun project including the gold mining licences at Darasun and Teremky which expire in 2023 and which were recently awarded to Darasun. It is anticipated that mining production will commence in the first half of 2004 with full production of an estimated 450,000 tonnes of ore in 2005. We are planning to spend approximately $22.6 million on capital expenditure at Darasun in 2003, predominantly on mill construction and development of the underground infrastructure.

The Novoshirokinskoye gold and polymetallic mining project is also located in the Chita region, close to Darasun. The Group acquired an 81.29% interest in Novoshirokinskoye, which holds certain key assets essential to the future development of this project. A further 2.17% had been acquired by the end of 2002 and a further 3.62% has since been acquired in 2003. We continue to work closely with Irkutsk Scientific Research Institute on the feasibility study for the Novoshirokinskoye project and we expect to complete this work by the end of the year. In addition, we are also working closely with the local administration in Chita to ensure that the Group fully complies with all aspects of the gold mining licence. We expect to spend approximately US$2 million of capital expenditure at this project in 2003 and assuming that the above-mentioned work programmes are completed to our satisfaction, we anticipate being able to bring the mine into production during 2005.

Operating costs at MNV have increased in the period. This can be attributed to a number of factors including:

- Certain planned cost increases relating to the transition of mining operations to a new ore body;
- Increased production costs associated with processing of higher volumes of lower grade ore;
- Increases in the price of consumables used in the extraction process;
- Electricity and transportation costs.

Furthermore, a higher proportion of our production came from the relatively more expensive underground mining in the second half of the year.

We have continued to analyse our cost base to ensure that cost increases are mitigated. We have already commenced the construction of our own power supply at MNV to ensure not only efficiency and reliability of our power supply, but also control over our costs.

We continue to maintain excellent working relationships with the local governments of Khabarovsk and Chita. The mining operations have a significant impact on the local economies as the major employers in the area and we look forward to continuing to provide opportunity and prosperity in these regions.

Future projects and acquisitions

The Group has an outstanding body of proven mining and metallurgical expertise and experience. With this skills base Highland Gold is well positioned to capitalise on any acquisition the Board identifies as value enhancing for shareholders.

Ivan Koulakov

Managing Director

FINANCIAL REVIEW

Highland Gold was incorporated on 23 May 2002 and its first accounting period was the 37 days to 30 June 2002. These financial statements include the results for the accounting period for the six months ended 31 December 2002, the first accounting period following the successful admission to the Alternative Investment Market of the London Stock Exchange ("AIM").

During this period, the only significant contributor to Highland Gold's results has been its main operating subsidiary, MNV. Therefore, in addition to its reported results, Highland Gold is also presenting pro forma results for the six months ended 30 June 2002 and the twelve months ended 31 December 2002, in order to enable shareholders to assess the current performance in the context of the past performance of MNV. The pro forma results include adjustments for specified items and have been derived from the UK GAAP accounting information.

Reconciliation of reported profit to pro forma result

	Reported	Administrative expenses of other group companies (a)	Impact of fair value adjustments (b)	Pro forma result six months ended 31 December 2002	MNV Six months to 30 June 2002 (c)	Pro forma result year to 31 December 2002	MNV Year to 31 December 2001 (c)
	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000	US $'000
Turnover	27,420	-	-	27,420	28,264	55,684	40,108
Cost of sales	(15,329)	-	419	(14,910)	(10,450)	(25,360)	(20,749)
Gross profit	12,091	-	419	12,510	17,814	30,324	19,359
Administrative expenses	(3,479)	1,109	-	(2,370)	(2,108)	(4,478)	(5,771)
Operating profit	8,612	1,109	419	10,140	15,706	25,846	13,588

(a) Jersey and Moscow head office expenses

(b) Impact of amortisation of purchase premium

(c) Previously reported UK GAAP figures for MNV

Financial performance

For the period ending 31 December 2002 the Group reported revenue of US$27.4 million, operating profit of US$8.6 million and profit after taxation of US$7.1 million. This includes a one-off gain of US$2.0 million from the renegotiation of a loan with a supplier of fixed assets to MNV.

Pro forma revenue for the full year rose by 39% from US$40.1 million in 2001 to US$55.7 million.

Tonnes of ore processed rose from 389,000 in the first half of the year to 417,000 in the second half.

Pro forma cost of sales have increased by 43% from US$10.5 million to US$14.9 million in the second half of the year. As outlined in the Managing Director's Review, this can be attributed to a number of factors including:

- Certain planned cost increases relating to the transition of mining operations to a new ore body;
- Increased production costs associated with processing of higher volumes of lower grade ore;
- Increases in the price of consumables used in the extraction process;
- Electricity and transportation costs.

Furthermore, a higher proportion of our production came from the relatively more expensive underground mining in the second half of the year.

The group is taking a number of steps to mitigate its exposure to such cost fluctuations including development of a proprietary power supply, consideration of more efficient transportation routes and improvement in production processes through a full review of its cost structure to be commissioned in 2003.

Pro forma operating profit increased by 90% from US$13.6 million in 2001 to US$25.8 million in 2002. Savings in administration costs of 22% were achieved at MNV. However, additional administration expenses were incurred on the introduction of certain costs at Highland Gold necessary to create the platform for future growth and consolidation and to address the requirements of becoming a publicly quoted company.

1. CONSOLIDATED PROFIT AND LOSS ACCOUNT

	184 day period ended 31 December 2002	*37 day period ended 30 June 2002*
	US$000	***US$000***
TURNOVER		
Continuing operations	27,420	4,711
Cost of sales	(15,329)	(1,836)
GROSS PROFIT	12,091	2,875
Administrative costs	(3,479)	(370)
OPERATING PROFIT	**8,612**	**2,505**
Bank interest receivable	41	2
Gain on loan renegotiation	2,032	-
Bank interest payable and similar charges	(1,192)	(24)
Foreign exchange (losses)/gains	(59)	137
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**9,434**	**2,620**
Tax on profit on ordinary activities	(2,338)	(800)
PROFIT FOR THE FINANCIAL PERIOD	**7,096**	**1,820**
Dividends	(1,105)	-
PROFIT RETAINED FOR THE FINANCIAL PERIOD	**5,991**	**1,820**
RETAINED EARNINGS BROUGHT FORWARD	**1,820**	**-**
RETAINED EARNINGS CARRIED FORWARD	**7,811**	**1,820**

2. CONSOLIDATED BALANCE SHEET

	At 31 December 2002	*At 30 June 2002*
	US$000	***US$000***
FIXED ASSETS		
Tangible assets	55,874	48,314
Investments	-	1,052
	55,874	49,366
CURRENT ASSETS		
Stocks	13,355	8,919
Debtors	10,931	13,011
Cash at bank and in hand	26,525	1,782
	50,811	23,712
CREDITORS: amounts falling due within one year	(24,242)	(14,591)
NET CURRENT ASSETS	**26,569**	**9,121**
TOTAL ASSETS LESS CURRENT LIABILITIES	**82,443**	**58,487**
CREDITORS: amounts falling due after more than one year	(8,570)	(12,602)
PROVISIONS FOR LIABILITIES AND CHARGES	(10,722)	(14,372)
MINORITY INTERESTS - EQUITY	(482)	-
	62,669	**31,513**
CAPITAL AND RESERVES		
Called up share capital	162	146
Share premium	54,696	29,919
Share issue cost reserve	-	(372)
Profit and loss account	7,811	1,820
	62,669	**31,513**

3. COMPANY BALANCE SHEET

	At 31 December 2002	*At 30 June 2002*
	US$000	***US$000***
FIXED ASSETS		
Investments	30,901	30,901
CURRENT ASSETS		
Debtors	1,814	56
Cash at bank and in hand	25,933	24
	27,747	80
CREDITORS: amounts falling due within one year	(3,770)	(1,109)
NET CURRENT ASSETS/(LIABILITIES)	23,977	(1,029)
TOTAL ASSETS LESS CURRENT LIABILITIES	**54,878**	**29,872**
CREDITORS: amounts falling due after more than one year	-	(178)
	54,878	**29,694**
CAPITAL AND RESERVES		
Called up share capital	162	146
Share premium	54,696	29,919
Share issue cost reserve	-	(372)
Profit and loss account	20	1
	54,878	**29,694**

4. CONSOLIDATED CASH FLOW STATEMENT

	184 day period ended 31 December 2002	*37 day period ended 30 June 2002*
	US$000	***US$000***
NET CASH INFLOW FROM OPERATING ACTIVITIES	9,399	3,748
RETURN OF INVESTMENT AND SERVICING OF FINANCE		
Interest received	41	2
Interest paid on bank loans	(686)	(11)
Interest paid on finance leases	-	(8)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	(645)	(17)
TAXATION		
Overseas tax paid	(3,913)	(800)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Payments to acquire tangible fixed assets	(10,799)	(322)
Receipts from sale of tangible fixed assets	350	-
Payments to acquire investments	(541)	(477)
Receipts from repayment of investments	768	44
NET CASH OUTFLOW ON CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(10,572)	(755)
ACQUISITIONS AND DISPOSALS		
Purchase of subsidiary undertakings	(2,430)	(30,000)
Net cash acquired with subsidiary undertakings	-	71
NET CASH OUTFLOW ON ACQUSITIONS AND DISPOSALS	(2,430)	(29.929)
NET CASH OUTFLOW BEFORE FINANCING	(7,811)	(27,753)
FINANCING		
Issue of ordinary share capital	31,838	31,529
Receipts from new loans	8,932	-
Share issue costs	(7,045)	(1,510)
Repayment of capital element of finance leases	(1,379)	(498)
CASH INFLOW FROM FINANCING	32,346	29,521
INCREASE IN CASH	24,535	1,768
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
Increase in cash	24,535	1,768
Repayment of capital element of finance leases	1,379	498
Cash inflow from increase in loans	(8,932)	-

MOVEMENTS IN NET DEBT ARISING FROM CASHFLOWS	16,982	2,266
Re-negotiation of loan	2,032	-
New finance leases and fair value adjustments	(585)	-
Finance leases acquired with subsidiary undertakings	-	(7,634)
Loans/long term creditors acquired with subsidiary undertakings	-	(10,972)
Exchange differences	208	14
MOVEMENT IN NET DEBT	18,637	(16,326)
NET DEBT AT BEGINNING OF PERIOD	(16,326)	-
NET CASH/(DEBT) AT END OF PERIOD	2,311	(16,326)