



## **HIGHLAND GOLD MINING Ltd.**

### **HIGHLAND GOLD MINING LIMITED TRADING UPDATE FOR THE FIRST HALF OF 2010**

**12 August 2010** - Highland Gold Mining Limited ("Highland Gold", or the "Company") is pleased to announce its trading update for the half year ended 30 June 2010. Full financial results for this period will be released on or about 20 September 2010.

#### **HIGHLIGHTS**

- **Mnogovershinnoye ("MNV") and Novosirokinskoye ("Novo") (48.3%) combined produced 86,505 oz of gold and gold equivalents - a 10% increase on 1H 2009 production**
- **After first shipments of concentrate in February 2010, Novo continues to ramp up mining and processing levels**
- **Preparation of open pit production at Belaya Gora remains on track with 100,000 tonnes of ore to be processed at MNV during H2 2010**
- **Taseevskoye metallurgical pilot test works are ongoing**
- **Exploration drill works at Unkurtash continue to return positive drill intercepts and increase confidence for a substantial size deposit**
- **Exploration drill works at Lyubov extended to accelerate project towards reserve registration**
- **Purchase of the Blagodatnoye exploration property increases the mining potential in the Khabarovsk region**
- **Purchase of Belaya Gora Flanks exploration property adds near-mine exploration potential for the operation**
- **Company remains on track to produce 200,000 - 210,000 oz of gold and gold equivalents in 2010**

#### **OPERATIONS**

##### **Mnogovershinnoye (MNV) - Khabarovsk region, Russia**

At the MNV mine, production remained in-line with targets. First half, process plant throughput reached 521,855 tonnes of ore and 75,771 oz of gold were produced. Process plant recoveries were in-line with those of 2009 and plans to implement gravity re-design and retrofitting during the year is expected to improve recovery by the year end.

Mined ore tonnes and grades remained consistent from both open pit and underground sources. New capital equipment including underground drills, trucks, scooptrams and surface haulage

trucks ordered to replace less efficient older units were received on site and are expected to improve productivity levels as well as help in controlling operating costs going forward.

<b>MNV</b>		<b>6 months ended 30 June</b>	
	units	<b>2010</b>	2009
<b>Mine development</b>			
Stripping	m3	<b>713,390</b>	1,338,000
Underground development	metres	<b>3,627</b>	4,289
<b>Mining</b>			
Total ore mined	tonnes	<b>550,018</b>	464,949
Average grade	g/t	<b>5.1</b>	5.7
<b>Ore processing</b>			
Ore processed	tonnes	<b>521,855</b>	540,327
Average grade	g/t	<b>5.2</b>	5.3
Recovery rate	%	<b>88.1</b>	88.6
Gold produced	oz	<b>75,771</b>	78,421

#### **Novoshirokinskoye - Zabaikalsky region, Russia**

First concentrates were shipped during February 2010 and production has continued to ramp up as planned. Productivity improvements are anticipated in both mining and process operations with more than 300,000 tonnes of ore production expected by year end. During the first half underground ore production and waste development metres were both on target while processed throughput exceeded target. Access to additional stoping blocks in the coming months should provide additional flexibility for future ore supply.

<b>Novoshirokinskoye 100%</b>		<b>6 months ended 30 June 2010</b>
	units	
<b>Mine development</b>		
Underground development	metres	<b>3,143</b>
<b>Mining</b>		
Ore mined	tonnes	<b>121,748</b>
Average grade *	g/t	<b>6.12</b>
<b>Processing</b>		
Ore processed	tonnes	<b>163,323</b>
Average grade *	g/t	<b>5.38</b>
Recovery rate *	%	<b>78</b>
Gold Produced *	oz	<b>22,224</b>
HGML (48.3%) interest	oz	<b>10,734</b>

\*calculated Au equivalent

## **DEVELOPMENT PROJECTS**

### **Belaya Gora - Khabarovsk region, Russia**

The test work to identify the optimal mining and processing methodologies continue at Belaya Gora and are making good progress. The review of synergies between Belaya Gora and nearby MNV has led to preparations for selective mining of near surface ores for delivery to the MNV process plant. This is expected to commence during the second half of the year and is expected to contribute approximately 15,000 oz of gold from 100,000 tonnes of ore by year end.

### **Taseevskoye - Zabaikalsky region, Russia**

The determination of appropriate metallurgical technologies was concluded during the first half of 2010 with a pressure oxidation and cyanidation route providing the most economic scenario according to the test results. A semi-industrial pilot test will now focus on this specific process technology with expectations that the final results will be included in a full feasibility study.

## **EXPLORATION**

In 2010 the Company has substantially increased its exploration budget and the following work programmes are now underway.

### **Unkurtash - Kyrgyzstan**

In Q2 the Company continued with its drilling programmes at three targets - Unkurtash, Sarytube and Karatube where in 2010 a total of 17,000 metres of reverse circulation and diamond drilling along with significant underground development is planned for further delineation of mineral resources. Drilling results obtained to date continue to support the potential of the property for hosting a large open-pit mineable resource with an average grade in the range of 1.4 - 1.7 g/t. Final assays with evaluation of results are expected to be completed in Q4 2010 - Q1 2011.

Despite the recent political events in Kyrgyzstan, we can confirm our operations in the country have been unaffected and continue to operate normally.

### **Lyubov - Zabaikalsky Region, Russia**

In Q2 the Company completed 6,000 metres drilling programme designed to convert part of prognostic P1 resources into the C1+C2 category at the Evgraf target. As previously reported by the Company to regulatory authorities, the Evgraf target was estimated to contain C2+P1 resources of 52.08 tonnes of gold (1.67 million oz) at an average grade of 1.78 g/t and a cut-off grade of 0.75 g/t (unaudited in-house estimate). In order to accelerate the project towards reserve registration, an additional 6,000 metres of drilling is now underway. Drilling results obtained to date are in-line with the Company's own resource model and final assays with evaluation of results are expected to be completed by Q1 2011. Recently completed metallurgical test work results support conventional processing options which will be further corroborated by independent test work planned for completion by the end of H2 2010.

### **Blagodatnoye - Khabarovsk region, Russia**

In Q1 the Company acquired a license for exploration and mining rights for the Blagodatnoye prospect in the Khabarovsk Region located in strategic proximity to the future Belaya Gora operation. Blagodatnoye has a reported prognostic resource estimate of 161,000 oz of gold and has good potential to increase the mineral resource. The Blagodatnoye prospect features stockwork-type gold mineralisation with reported average gold grades in the range of 1.5 - 2 g/t. A multi-disciplinary exploration programme has been designed to verify and expand the known mineralised zones.

#### **Belaya Gora Flanks - Khabarovsk region, Russia**

In Q2 the Company acquired exploration and mining rights for the Belaya Gora Flanks (BGF) license area (a total of 33 sq km) which encapsulates the Belaya Gora deposit and represents excellent near-mine exploration potential for planned operations there. Partially explored in the past the BGF license area hosts a reported prognostic resource estimate of 200,000 oz of gold. The BGF license covers several known gold prospects and a number of underexplored altered intrusives potentially hosting similar gold mineralisation as at Belaya Gora. A multi-disciplinary exploration programme is being designed which will include trenching and drilling programmes for verifying and expanding the known mineralised prospects as well as testing unexplored areas.

#### **Mnogovershinnoye - Khabarovsk region, Russia**

At the Pebble prospect the Company continues with its near-mine exploration programme which in 2010 allocates 6,000 metres of resource definition drilling including the testing of 1.5 kilometres of undrilled sections along the entire length of the Pebble zone. Assay results received to date concur with the reserve model for this prospect currently estimated at 190,000 oz of gold contained in open-pit mineable ore grading between 3.0 - 5.0 g/t.

#### **Iska - Khabarovsk region, Russia**

Field work at the Iska prospect, again close to Belaya Gora, resumed during Q2 and includes reconnaissance and reconciliation work with selected core assaying of the previously drilled alunite deposit on the property. Final assays and evaluation of results are expected by the end of Q3 2010.

### **HEALTH, SAFETY & ENVIRONMENT**

Provision of a safe working environment, management of production risks, training of personnel and improvement of personal responsibility for site safety, remains of paramount importance to the Company.

As a result of this work the lost time incident ("LTI") rate (the LTI rate is the number of lost time incidents for every 200,000 man hours worked) decreased to 0.25 during H1 2010 translating into a solid improvement over the full-year 2009 LTI rate (0.55). During January, February, March, and June there were zero LTI incidents registered at all sites of the Group.

823 employees went through introductory (1 day) safety training, 250 employees went through a course of introductory hazardous work (5 days) safety training and 94 employees were involved in industrial safety certification and training courses.

Environmental compliance remained in good standing with regulatory authorities. In particular, environmental audit procedures for all sites of the Company were implemented during H1. Environmental safety requirements training was provided to 62 employees at MNV and Taseevskoye, while an additional 24 MNV employees were provided with environmental risks and assessments training.

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

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