HIGHLAND GOLD MINING LIMITED

Interim Results Announcement for H1 2018

04 September 2018

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 2018 ("H1 2018").

FINANCIAL SUMMARY

IFRS, US$000 (unless otherwise stated)	H1 2018	H1 2017
Gold sold (gold and gold eq. oz)	**121,174**	128,503
Total Group cash costs (US$/oz)*	**536**	509
Group all-in sustaining costs (US$/oz)*	**697**	674
Revenue	**146,897**	147,176
Operating profit	**50,666**	43,415
Net profit	**28,639**	25,932
EBITDA*	**71,424**	73,248
EBITDA margin (%)*	**49%**	50%
Earnings per share (US$)	**0.088**	0.079
Net cash inflow from operations	**65,700**	63,211**
Capital expenditure	**26,534**	27,437
Net debt position*	**189,071**	203,538

***** Definitions for non-IFRS terms are provided in the footnotes to the Chief Financial Officer's Report below.
** Withholding tax payment was transferred from operating to financing activities in cash flow statement for H1 2017.

The interim condensed consolidated financial statements of Highland Gold for the six months ended 30 June 2018 are set out below.

H1 2018 HIGHLIGHTS

Financial

- Total first half revenue was flat year-on-year at US$146.9 million despite lower metal sales.
- H1 2018 EBITDA was US$71.4 million, a decrease of 2.5% from H1 2017, chiefly due to increased administrative expenses. EBITDA margin for the period was 49% versus 50% for H1 2017.
- All-in sustaining costs (AISC) per ounce rose to US$697 from US$674 in H1 2017 due to increased administrative expenses and higher maintenance capital expenditure.
- The net debt to EBITDA ratio was stable at 1.23x as of 30 June 2018 versus 1.28x as of 31 December 2017, when net debt was US$198.3 million.

Operations

- Total production at Mnogovershinnoye (MNV), Novoshirokinskoye (Novo) and Belaya Gora for H1 2018 was 128,921 oz of gold and gold equivalent, down 2.2% from 131,785 in H1 2017 due to lower volumes in the first quarter.
- Increased output at MNV in the second quarter ("Q2") of 2018 helped make up ground on last year's first-half production level after the processing plant operated at reduced capacity for much of the first quarter ("Q1") of 2018.
- Belaya Gora achieved improved recoveries as it also returned to full operating capacity in Q2, with first-half output stable year-on-year.
- A general contractor was selected and mobilised for Stage 1 (mine expansion) of the Company's project to boost Novo's mining and processing capacity to 1.3 Mtpa.
- A definitive feasibility study was completed for Kekura, where infrastructure preparation and construction work are now in progress.
- A pre-feasibility study was completed for planned upgrades to the Belaya Gora mill and mining of the nearby Blagodatnoye deposit, including the first JORC-compliant reserve report for Blagodatnoye.

POST HALF YEAR EVENTS

- Interim Dividend of £0.06 per share approved by the Board of Directors
- The Company affirms its forecast for total production of gold and gold equivalent of 265,000-275,000 oz for the full year.

CONFERENCE CALL DETAILS

The Company will hold a simultaneous webcast and conference call to discuss the results, hosted by CEO Denis Alexandrov, on Tuesday, 04 September 2018 at 09:00 UK time (11:00 Moscow).

This event will be streamed live 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=26

To register to participate by telephone and to receive local dial-in numbers, please follow this link:
http://emea.directeventreg.com/registration/8788599

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MESSAGE FROM THE CEO

For Highland Gold, 2018 is a year in which we expect to make incremental progress in our strategy of optimising our existing mines while advancing projects in our growth pipeline. Our performance in the first half of the year supports those objectives, and we succeeded in meeting our production targets despite operating challenges at each of our mines.

During the half, we continued efforts to identify and study new resources in and around existing operations at MNV, which are expected to culminate in a new reserve report due this autumn and an extension of life of mine. Stage One of the Novo capacity expansion is underway. Additionally, we published a pre-feasibility study for Belaya Gora and Blagodatnoye which shows the way forward for that project, and a definitive feasibility study for our premier development project Kekura, where initial infrastructure construction is in progress.

Our expanded focus on improving health and safety is taking root in each of our subsidiaries, as lost-time incidents were down during the half. Nevertheless, we understand that there is still work to do and safe driving has been highlighted as one area in need of particular focus alongside general work on improving the culture of safety.

Likewise, we understand there is work ahead in controlling costs, as demonstrated by a slight uptick in total cash costs (TCC) during the first half. Our management team has developed a series of initiatives which we expect to roll out this autumn to improve efficiency; review and standardise technical and business processes; build a more cohesive corporate culture; encourage continuous improvement and employee initiative; and expand internal and external communications, all with a view toward improving returns to shareholders. We look forward to sharing those efforts with our stakeholders in the coming months.

Denis Alexandrov
Chief Executive Officer

OPERATIONAL REVIEW

KHABAROVSK REGION, RUSSIA

Mnogovershinnoye (MNV)

- Processing volume in H1 2018 was 15% lower year-on-year due to one of two SAG mill lines being out of operation following the discovery of a damaged feed trunnion. The trunnion was replaced in March 2018 and the plant is operating at full capacity.
- Increases in grade and recovery rates helped reduce the impact of lower processing volume, with H1 2018 gold production only 5% lower year-on-year.
- Ore mining fell 18% year-on-year as ore from stockpiles was used and as production plans were adjusted to shift volume to later in the year due to reduced processing capacity in Q1.

MNV	Units	H1 2017	H2 2017	**H1 2018**
Waste stripping	t	3,706,800	2,808,059,	**2,097,446**
Underground development	m	5,423	5,934	**5,923**
Open-pit ore mined	t	160,900	119,106	**140,982**
Open-pit ore grade	g/t	2.00	2.11	**2.23**
Waste dumps ore mined	t	181,065	146,293	**47,296**
Waste dumps ore grade	g/t	1.10	1.15	**1.04**
Underground ore mined	t	388,657	404,083	**407,903**
Underground ore grade	g/t	3.10	3.20	**3.10**

Total ore mined	t	730,622	669,482	**596,181**
Average grade	g/t	2.36	2.56	**2.73**
Ore processed	t	720,463	652,667	**609,226**
Average grade	g/t	2.43	2.67	**2.75**
Recovery rate	%	90.9	91.8	**92.0**
Gold produced	oz	50,749	51,753	**48,090**

Near-mine exploration work at MNV in H1 2018 included the identification of new ore zones at the Intermediate and Deer ore bodies as a result of drilling up from the existing underground mine. Surface drilling was also conducted on the flanks of several ore bodies (Intermediate, Burlivoye and Helicopter) to identify potential new resources.

An update of Russian regulatory economic parameters and registered reserves for MNV was completed in H1 2018, and the results submitted to authorities for review in June. A new JORC-compliant reserve audit, taking into account available data from the ongoing drilling programme, is in progress and is expected to be completed in Q3 2018.

Geochemical prospecting was completed on the greenfield Kulibinskaya and Zamanchivaya licences, located to the southwest and northeast of MNV, in H1 2018. Assay test results showed gold anomalies and were used to develop an exploration programme for the remainder of the year. Trenching began on the Zamanchivaya licence during Q2.

PRODUCTION COSTS

Total cash costs amounted to US$707 per oz (H1 2017: US$595 per oz) while all-in sustaining costs were US$851 per oz (H1 2017: US$737 per oz).

CAPITAL COSTS

A total of US$7.4 million was invested at MNV in H1 2018. This included capitalised expenditures and construction (US$0.5 million), purchase of equipment (US$6.0 million) and exploration (US$0.9 million).

Belaya Gora

- Waste stripping rose 77% and ore mining rose 52% year-on-year in H1 2018 as mining operations moved from stockpiles to the open pit.
- Water supply issues in early Q1 and SAG mill re-lining in Q2 resulted in an 11% drop in processing volume over the six-month period.
- The processing plant recorded improved recovery rates in H1 2018 of 75.4%, compared to 71.7% in H1 2017.

Belaya Gora	Units	H1 2017	H2 2017	**H1 2018**
Waste stripping	t	1,389,963	1,545,570	**2,462,911**
Ore mined	t	695,068	384,725	**1,055,596**
Average grade	g/t	0.81	0.70	**0.81**
Including:				
- Ore Au >0.7 g/t	t	311,592	149,816	**507,260**
- Average grade	g/t	1.14	1.09	**1.17**
- Ore Au 0.3-0.7 g/t	t	383,476	234,909	**548,336**
- Average grade	g/t	0.53	0.45	**0.47**
Ore from stockpiles	t	633,871	691,478	**162,900**

Average grade	g/t	1.01	1.11	**1.00**
Ore processed	t	810,549	886,261	**718,868**
Average grade	g/t	1.12	1.10	**1.11**
Recovery rate	%	71.7	73.3	**75.4**
Gold produced	oz	20,033	23,132	**19,804**

The Company published details of a pre-feasibility study (PFS) covering planned Belaya Gora processing plant upgrades and the nearby Blagodatnoye deposit in February of this year. The study included updated reserve figures for Belaya Gora.

The process of registering Belaya Gora's updated reserves with regulators, based on the results of 2017 diamond drilling on Belaya Gora's deep horizons and northeastern flank, was completed in the second quarter of the year.

The Company selected Kazgipertsvetmet and SGS Bateman to prepare technical design documentation for the Belaya Gora processing plant upgrade, which will include the addition of a carbon-in-pulp (CIP) circuit in order to improve recoveries.

New exploration drilling over the course of H1 2018 totalled over 7,500 metres and focussed on the Kolchansky and Zayachy prospects on the adjacent Belaya Gora Flanks licence. The work is expected to be completed in Q3 2018.

PRODUCTION COSTS

Total cash costs amounted to US$795 per oz (H1 2017: US$880 per oz) while all-in sustaining costs were US$849 per oz (H1 2017: US$1,114 per oz).

CAPITAL COSTS

A total of US$1.5 million was invested at Belaya Gora in H1 2018. This included capitalised expenditures and construction (US$0.8 million) and exploration (US$0.7 million).

Blagodatnoye

The Company's first JORC-compliant reserve report for Blagodatnoye was published earlier this year together with the Belaya Gora PFS. Work on the project in H1 2018 focused on interpreting data from previous exploration, preparing a Russian-standard feasibility study for reserve calculation, and registering those reserves with state regulators.

The PFS calls for Blagodatnoye ore to be processed at the Belaya Gora process plant beginning in 2023, thereby extending the life of the combined project until 2032.

ZABAIKALSKY REGION, RUSSIA

Novoshirokinskoye (Novo)

- Total Au equivalent production in H1 2018 was flat year-on-year.
- Higher processed grades for H1 2018 were offset by a drop in recovery rates due to a shift in the composition of mined ore, with lower lead content and higher gold grade. Processing adjustments to account for the change in ore are being reviewed.

Novo	Units	H1 2017	H2 2017	**H1 2018**
Underground development	M	5,720	5,659	**6,184**

Ore mined	T	414,863	443,243	**439,430**
Average grade *	g/t	5.45	5.58	**5.60**
Ore processed	T	404,595	421,224	**405,509**
Average grade *	g/t	5.50	5.72	**5.83**
Recovery rate *	%	85.24	84.7	**80.3**
Gold produced *	oz	61,002	65,604	**61,027**

* Calculated in Au equivalent at actual prices
(Metal grade of mined ore = Au 3.65 g/t, Ag 50.31 g/t, Pb 1.28 %, Zn 0.41 %).

Work on the Novo 1.3 Mtpa expansion project in H1 2018 included: geotechnical surveys on the site of a planned stormwater treatment facility; comprehensive examinations of the mine's existing winding engine building, headframe, crusher building, QC and main ventilation fan building; and inspections of the foundations of other existing buildings and structures, as per requirements determined by the Russian State Expert Board.

Stage 1 of the expansion project (mine upgrades) involves construction of a new main ventilation fan building, new boiler, and water treatment plant; upgrades to the main rock hoisting shaft, including winding engine, headframe, loading boxes, primary crusher; and modification to associated surface buildings. Design documentation is currently being revised based on recommendations received from the State Expert Board earlier in the year.

The Company completed a tender to select a general contractor for construction and installation of Stage 1 facilities in H1 2018. Preparation work on the construction sites is underway. Additional tenders were held and delivery contracts signed for key equipment for the main rock hoisting shaft upgrade.

For Stage 2 of the expansion project (process plant and tailings storage improvements), the Company is reviewing the potential for using dense media separation (DMS) or X-ray separation to reduce capital costs. Studies are in progress on the use of these technologies on Novo ore, and a financial evaluation is being conducted together with consultants SGS Bateman.

Novo commenced a new exploration drilling programme from both surface and underground late in the first half with the aim of developing a more detailed geological model of the deposit and optimising mining activities. The work is being supervised by SRK Consulting.

PRODUCTION COSTS

Total cash costs amounted to US$299 per oz (H1 2017: US$305 per oz) while all-in sustaining costs were US$366 per oz (H1 2017: US$344 per oz).

CAPITAL COSTS

A total of US$6.7 million was invested at Novo in H1 2018. This included capitalised expenditures and construction (US$4.9 million) and purchase of equipment (US$1.8 million).

Baley Ore Cluster (Taseevskoye, Sredny Golgotay and ZIF-1)

Project engineering by general contractor Geotekhproekt for an 840 ktpa heap leach operation on the Baley ZIF-1 tailings licence got underway in H1 2018. The first stage included site surveys and the selection of key technical solutions, which have been completed. Public hearings on an Environmental Impact Assessment of the project have been held. Project engineering documentation has been developed in preparation for submission to the State Environmental Expert Board and mining regulators for approval in Q3 2018.

Micromine Consulting Services was retained to draft initial mineral resource estimates for the Sredny Golgotay deposit, which will be used as the basis for a Scoping Study for the project.

Tenders are underway to select contractors for the study as well as for development of an exploration and development programme.

At the Taseevskoye deposit, the Company has retained a contractor to perform experimental methodical geophysical studies to determine the boundaries of the former mine's underground workings. The results would be used to inform future exploration at the site. Work on the study will begin in Q3 2018.

CHUKOTKA AUTONOMOUS DISTRICT, RUSSIA

Kekura

In early H1 2018, the Company published details of a definitive feasibility study (DFS) for Kekura, including an updated JORC-compliant reserve report for the deposit. Preparations and construction work on key infrastructure and facilities at the Kekura site got underway during the reporting period. Furthermore, a technical audit of existing buildings and structures at Kekura was conducted earlier this year, and repairs carried out where warranted.

Detailed engineering for an assay laboratory was completed in Q2, with construction work beginning this summer. Project engineering for technical upgrades to the explosives storage facility also were undertaken and work on the facility is scheduled to begin in September.

Earthwork at the site of the planned fuel and lubricant storage facility was carried out in May and June, including drilling for cast piles installation. Equipment installation is likewise set to start in September of this year.

In June, work on a shovel assembly for future open pit mining was initiated. Also during the month, a road connecting the camp to the site of a planned communications tower was completed, setting the stage for foundation work on the tower and related buildings to begin this summer.

Earthwork, foundations, and grounding installations were completed for Kekura's 110/6 kV power substation over the course of Q2 2018. The step-down substation is designed to receive power from the Bilibino-Kekura-Peschanka-Omsukchan power line currently being constructed by the government. Electrical equipment installation will commence in Q3 2018.

The Company held a tender in May for a contractor to identify groundwater supplies near the Khrebtovaya River to be used for drinking and household water. NIF Rosnedra Ltd was selected and commenced hydrogeological work for the project in June. The Company expects to submit the project for review by the State Geological Expert Board in Q3 2018.

Exploration drilling in the first half totalled 6,500 metres and focused on the Granat prospect within the broader Kekura licence area. Granat is being targeted to potentially add more open pit reserves to the Kekura operation.

Klen

Earlier this year, state regulators signed off on changes to the mining schedule for the Klen deposit. Their decision formed the basis of an application by the Company to the Chukotka regional resources agency requesting amendments to the terms of the Klen licence agreement so as to delay the start of mining. A decision is expected in Q3 2018.

Additionally, the Company selected Giprotsvetmet for project engineering on the mine and process plant and other major technical solutions at Klen. Separately, work began on testing Klen ore properties for preliminary separation by the XRT method and sample collection for testing is set to begin this summer.

KYRGYZSTAN

Unkurtash

Last year, the Company published a scoping study for Unkurtash envisioning mining at two open pits and an 18-year life of mine, with annual production of 133k oz of gold at an average operating cost of US$ 616/oz. Total capital expenditure to start production is estimated at US$322 million.

In H1 2018, the Company continued to develop and review various alternatives for proceeding with the project, including partnering with another strategic investor to co-develop Unkurtash. While this review is in progress, activity at the site is focused solely on meeting any legal licence obligations.

VALUNISTY ACQUISITION

On April 26, 2018, the Company announced its intention to acquire three companies with assets in the Russian region of Chukotka, including:

- Valunisty, an operating gold mine and processing plant with annual production of 31 koz (2017);
- The Kanchalano-Amguemskaya Square ("KAS") licence, which covers territory surrounding Valunisty and hosts several satellite deposits including the operating Gorny open pit and the Zhilny deposit; and
- Kayenmivaam ("Kayen"), an exploration licence with several promising target deposits, located 130 km to the southeast of Kinross Gold's Kupol mine.

At an Extraordinary General Meeting held on May 24, Highland Gold shareholders were asked to vote on a measure granting the Company's Board of Directors authority to issue shares to complete the transaction. In addition, because the acquisition is a related-party transaction, shareholders unaffiliated with the sellers were asked to vote on a waiver of the obligation that would otherwise arise under Rule 9 of the Takeover Code to make an offer for those shares in the Company not already held by the sellers. Both measures passed.

The transaction is subject to approval by Russia's Federal Antimonopoly Service (FAS) and Foreign Investment Advisory Council (FIAC). Completion is expected in Q4 2018.

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 Lost Time Incidents Frequency Rate (LTIFR) in H1 2018 was 5.04, down from 6.84 in the same period last year. There were a total of 14 loss-time incidents registered across the Group during the period – eight at Novo, five at MNV and one at the Moscow office. That compares to a total of 18 incidents and one fatality in the first half of 2017.

The Company drafted and implemented a corporate standard for Contractors' Safety Management in H1 2018. Tools are being introduced in each operating unit in accordance with these standards.

Another area of focus was transportation safety, with the Company offering a Defensive Driving course attended by 54 employees at Novo, 17 at MNV and eight from Moscow.

Senior staff from the Moscow office (19), MNV (17), Novo (12), and Kekura (24) attended a course on Conscious Safety Management during the reporting period. Employees at Novo (10), MNV (12) and Kekura (11) also took part in courses on Internal Accident Investigation. Another 16 people at Novo attended courses entitled "Safety Management System Audit". In addition, work began to prepare seven in-house trainers/coaches at Novo to conduct additional workshops on Conscious Safety Management.

In June, an audit of the work safety management system was conducted at Novo, MNV, and Kekura. Based on the audit results, each subsidiary is developing an action plan on continued implementation of work safety management processes.

Protecting the environment and complying with regulatory requirements likewise remains a priority for Highland Gold. One of the Company's key goals this year is to find new ways to decrease the environmental impact of its operations.

Regular internal audits of the Company's environmental management system were conducted at MNV, Belaya Gora and Novo in both Q1 and Q2, with a focus on compliance with environmental protection legislation. Each audit is followed by the drafting of measures to minimise potential causes of system failures.

Environmental safety training was provided to over 1500 employees during the reporting period, while over 500 employees completed training and testing on class I-IV hazard waste management. The Company sent 50 managers and specialists for further career development through training in outside professional environmental programmes.

FINANCIAL REVIEW

CHIEF FINANCIAL OFFICER'S REPORT

Highland Gold's financial performance in H1 2018 was supported by a variety of macroeconomic factors, such as the weaker rouble and stronger prices for precious and base metals. Simultaneously, it was under pressure from rising prices for oil and increasing interbank lending rates (LIBOR). Management concentrated on increasing operating cash flow in order to meet its goals of maintaining a strong cash position and paying dividends to shareholders.

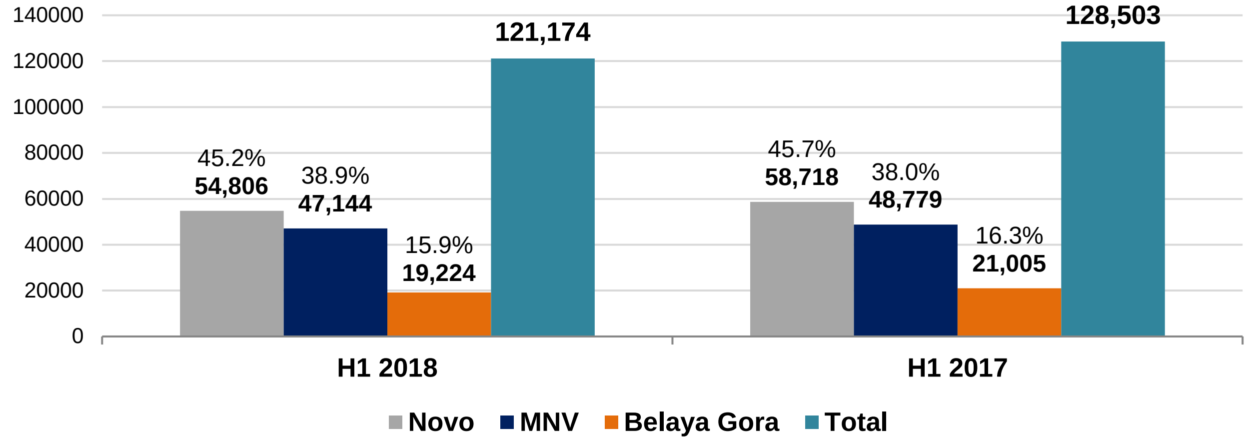
Over the reporting period, the Company sold 121,174 ounces of gold and gold equivalent, compared to 128,503 ounces in H1 2017. Overall revenue was broadly level year-on-year at US$146.9 million.

Revenue from gold sales amounted to US$87.1 million (H1 2017: US$86.4 million) during the half. MNV decreased its sales volume by 3.4% from 48,779 in H1 2017 to 47,144 ounces in H1 2018. Belaya Gora saw its sales volume slip to 19,224 ounces (H1 2017: 21,005 oz), a decrease of 8.5%. The Company continued to employ a “no hedge” policy. The average price of gold realised by MNV and Belaya Gora (net of commission) was US$1,313 per oz, in line with the average market price[1] demonstrating an increase of 6.0% year-on-year.

Concentrate revenue of US$58.8 million was stable y-o-y. Novo’s sales slightly decreased to 54,806 eq. oz (down 6.7% y-o-y), reflecting the increased volume of concentrates in transit for which control had not passed to the buyer and a higher volume of concentrates in stock as we prepare a lot for a new purchaser. The average price of gold equivalent realised by Novo increased 5.9% to US$1,073 per eq. oz in H1 2018 from US$1,013 per eq. oz in H1 2017. 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.

[1] *average H1 2018 LBMA price was US$1,319 per oz*

Gold and Gold Equivalent Sold by Mine, oz



Lower production volume at MNV and Belaya Gora, the pressure of increasing prices for oil and coal, as well as overall inflation (about 2.5% in H1 2018) were partially offset by the depreciation of the local currency (with the average rouble/dollar exchange rate increasing by 3.0% y-o-y). Cost of sales net of depreciation decreased by 1.2% to US$66.0 million in H1 2018 (H1 2017: US$66.8 million).

Depreciation was US$20.7 million, down 20.6% y-o-y, mainly, as a result of the extension of life of mine at operating assets (the MNV LOM model was extended from 2022 to 2032 and Belaya Gora from 2026 to 2032, both reflecting the inclusion of Blagodatnoye, while Novo was extended from 2029 to 2033).

The Company registered 5.1% growth in labour costs in H1 2018 (reflecting annual selective salary increases) and additional costs for third-party services as we move to outsource some functions, such as mill and plant maintenance, operational drilling, and lining.

Cash Operating Costs

Total Cash costs breakdown

	H1 2018 US$000	H1 2017 US$000	y-o-y change, %
Cost of sales	**86,763**	**92,957**	**(6.7%)**
- depreciation, depletion and amortisation	(20,746)	(26,138)	(20.6%)
Cost of sales, net of depreciation, depletion and amortisation	**66,017**	**66,819**	**(1.2%)**
Breakdown per item:			
Labour	24,524	23,334	5.1%
Consumables and spares	19,987	19,924	0.3%
Power	5,677	5,810	(2.3%)
Movement in ore stockpiles, finished goods and stripping assets	(4,336)	(1,629)	166.2%
Maintenance, repairs and third parties services	11,919	11,034	8.0%
Taxes other than income tax	8,246	8,346	(1.2%)

Total cash costs[2] per ounce (TCC) went up by 5.3% to US$536 per oz, still well below the industry median. Breaking it down by business unit, total cash costs at Novo were US$299 per eq. oz (H1 2017: US$305 per eq. oz), declining by 2.2% y-o-y and reflecting the depreciation of the rouble. MNV had total cash costs of US$707 per oz (H1 2017: US$595 per oz) as a result of the lower volume of ore mined and processed, as capacity was reduced in Q1 due to a damaged feed trunnion at the mill. At Belaya Gora, improved recovery rates, the weaker local currency, and

[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.*

feeding the plant with cheaper current ore (in H1 2017 78% of the processed ore represented older stock) all contributed to a reduction in total cash costs to US$795 per oz from US$880 a year earlier.

TCC and AISC calculation

	H1 2018 US$000	H1 2017 US$000	y-o-y change, %
Cost of sales, net of depreciation, depletion and amortisation	**66,017**	**66,819**	**(1.2%)**
- cost of other sales	(1,039)	(1,398)	(25.7%)
Total cash costs (TCC)	**64,978**	**65,421**	**(0.7%)**
+ administrative expenses	7,920	7,005	13.1%
+ accretion and amortisation on site restoration provision	828	706	17.3%
+ movement in ore stockpiles obsolescence provision	-	3,185	100.0%
+ sustaining capital expenditure	10,721	10,264	4.5%
Total all-in sustaining costs (AISC)	**84,447**	**86,581**	**(2.5%)**
Gold sold (gold and gold eq.oz)	121,174	128,503	(5.7%)
TCC (US$/oz)	**536**	**509**	**5.3%**
AISC (US$/oz)	**697**	**674**	**3.4%**

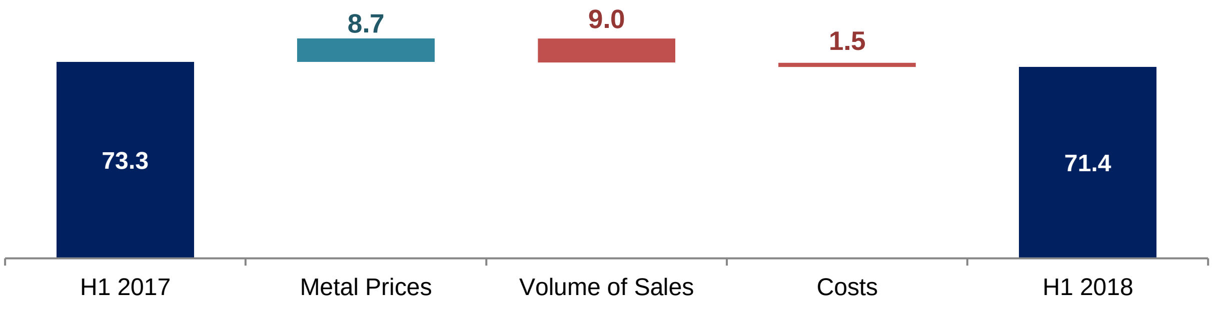
All-in sustaining costs (AISC) increased by 3.4% to US$697 per oz in H1 2018 from US$674 per oz in H1 2017, mainly due to the lower volume of sales. In H1 2018, there were no write-downs of Belaya Gora low-grade ore in stockpiles (H1 2017: negative effect of US$3.2 million), while sustaining capital expenditure increased by 4.5% to US$10.7 million.

During H1 2018, the Company demonstrated stable revenue and flat cash costs. EBITDA slightly decreased by 2.5% to US$71.4 million, reflecting higher administrative expenses following higher legal costs related to the proposed Valunisty transaction. The EBITDA margin[3] decreased from 49.8% to 48.6%, which remains within range of the most efficient gold miners. Broken down by business unit, EBITDA margin was 67.8% at Novo (H1 2017: 65.1%), 39.2% at MNV (H1 2017: 45.5%), and 38.8% at Belaya Gora (H1 2017: 28.9%).

EBITDA Reconciliation to Operating Profit

	H1' 2018 US$'000	H1' 2017 US$'000
Operating profit	**50,666**	**43,415**
depreciation and amortisation	20,746	26,138
individual impairment losses (including reversal)	-	193
movement in ore stockpiles obsolescence provision	-	3,185
movement in raw materials and consumables obsolescence provision	12	317
EBITDA	**71,424**	**73,248**

HGML EBITDA Bridge, USD M



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

The Company analysed internal and external indicators of impairment or reversal of previously recognised impairment losses and discovered no such indicators.

In H1 2018, the Company recognised a net finance cost of US$0.8 million compared to US$1.4 million in H1 2017. The principal components were interest expense on bank loans and leasing for US$0.1 million in H1 2018 (H1 2017: US$0.7 million) and accretion expense on site restoration liability amounting to US$0.8 million (H1 2017: US$0.8 million). The main amount of interest expense was capitalised into the cost of qualified assets at Kekura.

A foreign exchange gain of US$0.3 million (H1 2017: US$1.5 million) resulted from the settlement of foreign currency transactions and the transfer of monetary assets and liabilities denominated in currencies such as Russian roubles into US dollars.

Income tax charges equalled US$21.5 million in H1 2018 compared with US$17.6 million in H1 2017. The growth resulted from a substantial US$8.3 million increase in deferred tax expense, largely because of future tax revaluation following the rouble's depreciation at the end of the period. Withholding tax expense was recorded at US$4.6 million (H1 2017: US$3.9 million).

Current tax expenses totalled US$10.1 million (Novo: US$6.7 million and MNV: US$3.4 million), which was US$4.8 million lower than in H1 2017.

Net profit for the first half of 2018 totalled US$28.6 million compared to a profit of US$25.9 million in H1 2017, mainly reflecting lower depreciation charges and no impairment loss for Belaya Gora ore, partially offset by higher tax expenses. Earnings per share amounted to US$0.088 (H1 2017: US$0.079).

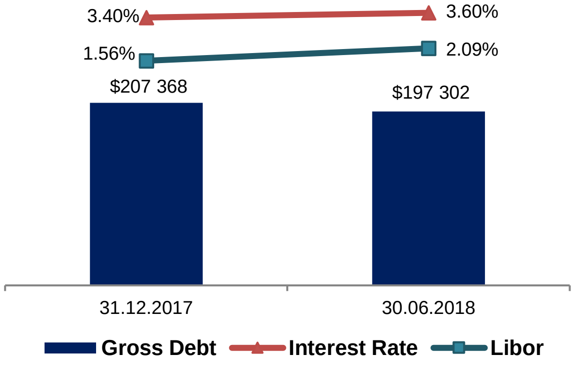
The Company's cash inflow from operating activities was US$65.7 million (H1 2017: US$63.2 million).

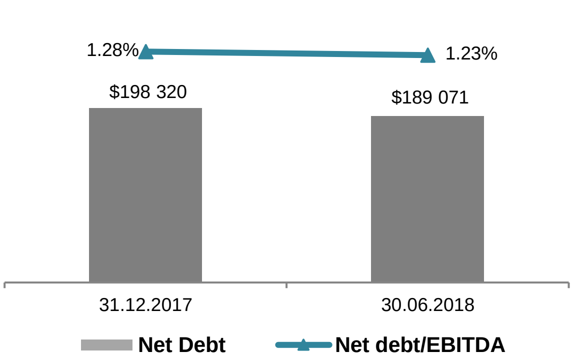
Capital expenditures for the reporting period totalled US$26.5 million versus US$27.4 million in H1 2017. This largely reflected higher development CAPEX at MNV for near-mine exploration designed to replace reserves; expenses for the Novo 1.3 mtpa expansion project; and the development of Kekura. Capital expenditures included US$7.4 million at MNV, US$6.7 million at Novo, US$1.5 million at Belaya Gora, US$7.9 million at Kekura, US$1.2 million at Taseevskoye, US$0.8 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 4.9% to US$197.3 million as of 30 June 2018 (31 December 2017: US$207.4 million) over the reporting period. The effective interest rate was 3.6% vs 3.4% at the end of 2017.

At the end of the reporting period, cash and cash equivalents amounted to US$10.9 million, compared to US$12.4 million as of 31 December 2017. The Company’s net debt position[1] including lease liabilities was US$189.1 million.

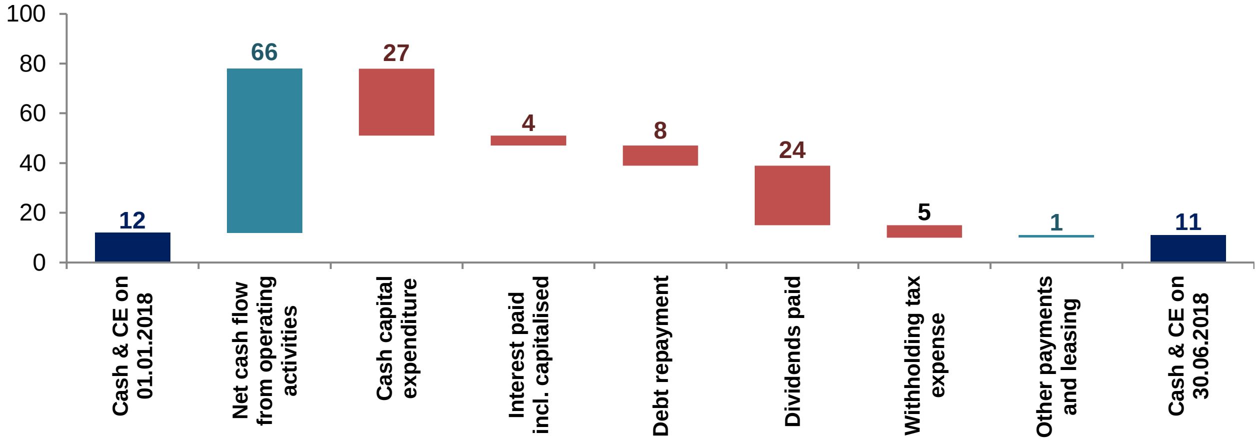
Gross and Net Debt Comparison, mln. USD





The ratio of net debt to EBITDA decreased from 1.28 on 31 December 2017 to 1.23 on 30 June 2018, which is well within the Board of Directors' debt policy.

Cash Position Bridge, USD M



EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the reporting period, except for dividends declared.

PAYMENT OF DIVIDENDS

The Board of Directors has approved an interim dividend of £0.06 per share, to be paid to shareholders on 05 October 2018. The ex-dividend date is 13 September 2018 and the record date is 14 September 2018.

The Company offers an option for shareholders to elect to receive their dividends in US dollars. Payments for dividends in US dollars are fixed at an exchange rate of 1.2878 GBP/US$, or US$ 0.077 per share. To receive payment in US dollars, shareholders should complete and file the Currency Election Form no later than the record date (Election Deadline), 14 September 2018. The form and instructions for filing it are available on the Shares & Dividends page of the Highland Gold website (www.highlandgold.com).

At the AGM earlier this year, shareholders approved the Company's proposed scrip dividend scheme, which would have additionally offered the option to receive dividends as new shares. However, the Board of Directors has decided not to offer a scrip dividend at this time.

Alla Baranovskaya
Chief Financial Officer

Rounding of figures may result in computational discrepancies

Glossary

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[1] *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	2018 unaudited US$000	2017 unaudited US$000
Revenue	3	146,897	147,176
Cost of sales	3	(86,763)	(92,957)
Gross profit		**60,134**	**54,219**
Administrative expenses		(7,920)	(7,005)
Other operating income		293	1,240
Other operating expenses		(1,841)	(5,039)
Operating profit		**50,666**	**43,415**
Foreign exchange gain		255	1,522
Finance income	4.1	144	100
Finance costs	4.2	(901)	(1,520)
Profit before income tax		**50,164**	**43,517**
Current income tax expense	5	(10,092)	(14,939)
Withholding tax	5	(4,401)	(3,904)
Deferred income tax (expense)/ release	5	(7,032)	1,258
Total income tax expense	5	**(21,525)**	**(17,585)**
Profit for the period		**28,639**	**25,932**
Total comprehensive income for the period		**28,639**	**25,932**
Attributable to:			
Equity holders of the parent		28,557	25,687
Non-controlling interests		82	245
Earnings per share (US$ per share)			
• Basic, for the profit for the period attributable to ordinary equity holders of the parent	14	0.088	0.079
• Diluted, for the profit for the period attributable to ordinary equity holders of the parent	14	0.088	0.079

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 2018

	Notes	30 June 2018 unaudited US$000	31 December 2017 audited US$000	30 June 2017 unaudited US$000
Assets				
Non-current assets				
Exploration and evaluation assets	6	90,407	88,926	87,129
Mine properties	6	593,014	588,035	575,645
Property, plant and equipment	6	291,812	289,162	292,714
Intangible assets	3	57,802	57,802	57,802
Inventories	9	2,015	624	1,877
Other non-current assets		9,529	10,858	10,041
Deferred income tax asset		-	129	23
Total non-current assets		**1,044,579**	**1,035,536**	**1,025,231**
Current assets				
Inventories	9	56,563	58,620	58,943
Trade and other receivables		24,414	27,687	27,886
Income tax prepaid		1,718	1,494	3,019
Prepayments		2,364	4,026	4,057
Cash and cash equivalents	10	10,906	12,388	4,268
Other current assets		1,879	2,401	1,055
Total current assets		**97,844**	**106,616**	**99,228**
Total assets		**1,142,423**	**1,142,152**	**1,124,459**
Equity and liabilities				
Equity attributable to equity holders of the parent				
Issued capital	12	585	585	585
Share premium		718,419	718,419	718,419
Assets revaluation reserve		832	832	832
Retained earnings		59,765	55,371	37,098
Total equity attributable to equity holders of the parent		**779,601**	**775,207**	**756,934**
Non-controlling interests		2,395	2,309	1,974
Total equity		**781,996**	**777,516**	**758,908**
Non-current liabilities				
Interest-bearing loans and borrowings	7,11	169,550	192,351	180,438
Liability under finance lease	7	1,827	2,260	2,357
Long-term accounts payable		347	331	219
Provisions		20,175	20,830	19,444
Deferred income tax liability		114,517	107,614	112,810
Total non-current liabilities		**306,416**	**323,386**	**315,268**
Current liabilities				
Trade and other payables		25,404	23,454	24,730
Interest-bearing loans and borrowings	7,11	27,752	15,017	23,850
Income tax payable		7	1,699	542
Liability under finance lease	7	848	1,080	1,161
Total current liabilities		**54,011**	**41,250**	**50,283**
Total liabilities		**360,427**	**364,636**	**365,551**
Total equity and liabilities		**1,142,423**	**1,142,152**	**1,124,459**

The financial statements were approved by the Board of Directors on 03 September 2018 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 2018

		Attributable to equity holders of the parent						
		Issued capital	Share premium	Asset revaluation reserve	Retained earnings	Total	Non-controlling interest	Total equity
		US$000	US$000	US$000	US$000	US$000	US$000	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**

for the six months ended 30 June 2017

		Attributable to equity holders of the parent						
		Issued capital	Share premium	Asset revaluatio n reserve	Retained earnings	Total	Non-controlling interest	Total equity
		US$000	US$000	US$000	US$000	US$000	US$000	US$000
At 31 December 2016		**585**	**718,419**	**832**	**33,947**	**753,783**	**1,859**	**755,642**
Total comprehensive income for the period		-	-	-	25,687	25,687	245	25,932
Novo shares purchase	13	-	-	-	80	80	(130)	(50)
Dividends paid to equity holders of the parent		-	-	-	(22,616)	(22,616)	-	(22,616)
At 30 June 2017 (unaudited)		**585**	**718,419**	**832**	**37,098**	**756,934**	**1,974**	**758,908**

Interim consolidated cash flow statement

for the six months ended 30 June

	Notes	2018 unaudited US$000	2017 unaudited US$000
Operating activities			
Profit before income tax		50,164	43,517
Adjustments to reconcile profit before income tax to net cash flows from operating activities:			
Depreciation of mine properties and property, plant and equipment	6	20,746	26,138
Movement in ore stockpiles obsolescence provision	9	-	3,185
Movement in raw materials and consumables obsolescence provision	9	12	317
Write-off of mine properties and property, plant and equipment	6	254	161
Individual impairment of property, plant and equipment and mine assets	6	-	193
Gain on disposal of property, plant and equipment		(85)	(424)
Bank interest receivable	4.1	(143)	(99)
Interest expense on bank loans	4.2	11	608
Accretion expense on site restoration provision	4.2	758	780
Net foreign exchange loss/(gain)		(255)	(1,522)
Other non-cash (income)/expenses		387	323
Working capital adjustments:			
Increase in trade and other receivables and prepayments		6,691	2,350
Increase in inventories		1,015	1,202
Increase/ (decrease) in trade and other payables		(1,667)	4,458
Income tax paid		(12,188)	(17,976)
Net cash flows from operating activities		**65,700**	**63,211**
Investing activities			
Proceeds from sale of property, plant and equipment		380	772
Purchase of property, plant and equipment	3	(26,534)	(27,437)
Capitalised interest paid	3, 6, 7	(3,522)	(3,892)
Increase in stripping activity assets	6	(738)	(1,833)
Interest received from deposits		143	99
Novo shares purchase		-	(50)
Net cash flows (used in)/from investing activities		**(30,271)**	**(32,341)**
Financing activities			
Proceeds from borrowings	7	31,344	155,680
Repayment of borrowings	7	(38,900)	(163,054)
Dividends paid to equity holders of the parent		(24,159)	(22,616)
Withholding tax paid		(4,648)	(3,895)
Payment under finance lease, including interest	7	(746)	(800)
Interest paid		-	(631)
Net cash flows (used in)/ from financing activities		**(37,109)**	**(35,316)**
Net (decrease)/increase in cash and cash equivalents		(1,680)	(4,446)
Effects of exchange rate changes		198	(34)
Cash and cash equivalents at 1 January		12,388	8,748
Cash and cash equivalents at 30 June		**10,906**	**4,268**

1. Corporate information

These interim condensed consolidated financial statements of Highland Gold Mining Limited for the six months ended 30 June 2018 were authorised for issue in accordance with a resolution of the Directors on 03 September 2018.

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 2018 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 2017 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 2017.

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 and presentation rules

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 2017, except for the adoption of new standards and interpretations effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Effective 1 January 2018, the Group applies, for the first time, IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments.

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

New Standards and Interpretations adopted by the Group

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The Group adopted IFRS 15 "Revenue from Contracts with Customers" using a modified retrospective method of adoption on the required effective date:

• The comparative information for each of the primary financial statements is presented based on the requirements of IAS 18 and related Interpretations.

• As a result of the assessment of the impact of IFRS 15 on prior periods, the Group did not identify any material impact of the new accounting requirements and therefore no catch-up adjustments have been recognised in the statement of changes in equity.

For further information please refer to the 2017 consolidated financial statements for more details on the Company's impact assessment and the related judgements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on 1 January 2018, bringing together two important aspects of the accounting for financial instruments project: classification and measurement, and impairment.

The Group adopted the new standard on the required effective date using a modified retrospective method of adoption and did not restate comparative information, which follows the classification, measurement and disclosure requirements of IAS 39. The effect of the modified loans as at 1 January 2018 is recognised in the cost of the mining assets at Kekura due to the modified loans have been withdrawn in order to develop qualified assets at this project.

The effect on the Group of adopting IFRS 9 is, as follows:

- *Loan modification*

IFRS 9 changes accounting for loan modifications, which the Group may experience from time to time. According to the new requirements:

• The Company should recalculate the amortised cost of the bank loans when the terms are modified. The estimated future cash flows under new terms (inflated at the new interest rate) should be discounted at the original effective interest rate. As a result, IFRS bank loan liabilities will differ from the liabilities under the bank loan agreements.

• The effect of the loans recalculation should be recognised in the statement of comprehensive income or in the cost of the qualified assets.

• A change in index (e.g. LIBOR) of the floating-rate loans does not represent a modification.

• New tranches of the revolving agreements are treated as new loans under IFRS 9 and modifications are not required.

Impact of the loan modification on the statement of financial position at the recognition date is the following:

	Balance at 31.12.2017 published	**Loan modification under IFRS 9**	**Balance at 01.01.2018**
	US$000	**US$000**	**US$000**
Mining assets	588,035	(3,417)	584,618
Interest-bearing loans and borrowings	207,368	(3,417)	203,951

- *Embedded derivatives*

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model. Embedded derivatives attached to Novo's concentrate sales will be shown within trade receivables.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by IAS 39.

- *Impairment*

The standard also introduces expected credit losses (ECL) impairment model, which means that anticipated as opposed to incurred credit losses will be recognised resulting in earlier recognition of impairment. The adoption of the ECL requirements of IFRS 9 revealed no additional material impairment of the Group's financial assets.

For further information, please refer to the 2017 consolidated financial statements for more details on the Company's impact assessment and the related judgements.

New Standards and Interpretations that will be adopted in future periods

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

In 2017, the Group assembled a project team to begin the process of assessing the impact of the lease standard. We analysed the main contracts, segregated them by types, defined our initial approach.
The Group expect that IFRS 16 will result in an increase in assets and liabilities as fewer leases will be expensed as payments are made. Also we expect an increase in depreciation and accretion expenses and also an increase in cash flow from operating activities as lease payments will be reclassified as a financing outflow in our cash flow statements.

In 2018, the Group continues to assess the potential effect of IFRS 16 on its consolidated financial statements and to quantify the adjustments that will be required upon implementation of the new standard in 2019.

3. Segment information

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

- Gold production;
- Polymetallic concentrate production;
- Development and exploration; and
- Other.

The gold production 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).

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 2018 the gold and silver revenue reported in the gold production segment was received from sales to Gazprombank (US$87.9 million) in the territory of the Russian Federation.

In the first half of 2017 the gold and silver revenue reported in the gold production segment was received from sales to Gazprombank (US$87.6 million) in the territory of the Russian Federation.

In the first half of 2018 the concentrate revenue reported in the polymetallic concentrate production segment in the amount of US$58.8 million was received from sales to Kazzinc in the territory of the Republic of Kazakhstan (H1 2018: US$27.8 million; H1 2017: US$35.2 million), to Hyosung and Trafigura corporation in the territory of the People's Republic of China (H1 2018: US$29.1 million; H1 2017: US$24.3 million and H1 2018: US$1.9 million; H1 2017: US$Nil respectively).

Other third-party revenues in both H1 2018 and H1 2017 were received in the territory of the Russian Federation.

Inter-segment revenues mostly represent management services.

Period ended 30 June 2018	Gold production segment US$000	Polymetallic concentrate production segment US$000	Development & exploration US$000	Other US$000	Eliminations US$000	Total 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
Goodwill	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 embedded derivatives.
**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.

Period ended 30 June 2017	Gold production segment US$000	Polymetallic concentrate production segment US$000	Development & exploration US$000	Other US$000	Eliminations US$000	Total US$000
Revenue						
Gold revenue	86,415	-	-	-	-	86,415
Silver revenue	1,169	-	-	-	-	1,169
Concentrate revenue	-	59,460	-	-	-	59,460
Other third-party	40	84	8	-	-	132
Inter-segment	31	-	-	6,726	(6,757)	-
Total revenue	**87,655**	**59,544**	**8**	**6,726**	**(6,757)**	**147,176**
Cost of sales	66,303	26,421	198	35	-	92,957
EBITDA	35,548	38,756	(636)	(420)	-	73,248
Other segment information						
Depreciation	(17,607)	(8,487)	(10)	(34)	-	(26,138)
Movement in ore stockpiles obsolescence provision	(3,185)	-	-	-	-	(3,185)
Movement in raw materials and consumables obsolescence provision	(206)	(111)	-	-	-	(317)
Individual impairment						(193)
Finance income						100
Finance costs						(1,520)
Foreign exchange gain						1,522
Profit before income tax						**43,517**
Income tax						(17,585)
Profit for the period						**25,932**
Segment assets at 30 June 2017						
Non-current assets						
Capital expenditure*	177,933	163,998	613,432	125	-	955,488
Goodwill	9,690	5,134	42,978	-	-	57,802
Other non-current assets	3,204	470	7,958	309	-	11,941
Current assets**	63,228	30,331	6,402	4,407	(5,140)	99,228
Total assets						**1,124,459**
Capital expenditure - addition during the first half of 2017***, including:	**11,260**	**6,057**	**20,678**	**6**	**-**	**38,001**
Stripping activity assets	1,833	-	-	-	-	1,833
Capitalised interest	-	-	3,967	-	-	3,967
Unpaid/ (settled) accounts payable	2,710	1,751	380	(77)	-	4,764
Cash capital expenditure	6,717	4,306	16,331	83	-	27,437

*Capital expenditure is the sum of exploration and evaluation assets, mine properties and property, plant and equipment.

** Current assets at 30 June 2017 include corporate cash and cash equivalents of US$4.3 million, inventories of US$58.9 million, trade and other receivables of US$30.9 million and other assets of US$5.1 million. Eliminations relate to intercompany accounts receivable.

*** Capital expenditure for the first half of 2017 includes additions to property, plant and equipment of US$29.0 million (Note 6) and capitalised interest of US$3.9 million (Note 6), capitalised upfront commission US$0.1 million (Note 6) and prepayments previously made for property, plant and equipment of US$5.0 million.

Non-current assets at 30 June 2017 are located in the Russian Federation (US$981.3 million) and in the Kyrgyz Republic (US$43.9 million). Current assets at 30 June 2017 are located in the Russian Federation.

4. Finance income and costs

4.1 Finance income

	For the six months ended 30 June	
	2018	2017
	US$000	US$000
Bank interest	143	99
Other finance income	1	1
Total finance income	**144**	**100**

4.2 Finance costs

	For the six months ended 30 June	
	2018	2017
	US$000	US$000
Accretion expense on site restoration provision	758	780
Interest expense on bank loans*	11	608
Interest expense on finance lease	132	132
Total finance costs	**901**	**1,520**

*During the first half of 2018, the Company incurred borrowing costs in the amount of US$4.4 million (including the modification effect (Note 6)). The full amount, with the exception for U$11 thousand related to acquisition of trucks, was capitalised at Kekura mining assets.

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	
	2018	2017
	US$000	US$000
Current income tax		
Current income tax charge	10,092	14,939
Withholding tax on dividends	4,648	3,895
Adjustments in respect of prior year current tax	(247)	9
Deferred income tax		
Relating to origination and reversal of temporary differences	7,032	(1,258)
Income tax expense	**21,525**	**17,585**

There are no tax amounts recognised directly in equity during the first half of 2018 (H1 2017: Nil).

The majority of the Group entities are Russian tax residents. Income tax for the six months ended 30 June 2018 is charged at 33.6% (H1 2017: 31.5%), representing the best estimate of the average annual effective income tax rate expected for the full year, applied to the pre-tax income of the six months period. The effective income tax rate in the first half of 2018 is higher 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 related to dividends paid by MNV to Stanmix Holding Limited.

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

Reconciliation of fixed assets for the period ending 30 June 2018

	Exploration and evaluation assets	Mining assets	Stripping activity assets	Freehold building	Plant and equipment	Construction in progress	Total
	US$000	US$000	US$000	US$000	US$000	US$000	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 properties 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 2017

	Exploration and evaluation assets	Mine assets	Stripping activity assets	Freehold building	Plant and equipment	Construction in progress	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Cost							
At 31 December 2016	**85,459**	**737,342**	**21,638**	**214,538**	**229,190**	**63,997**	**1,352,164**
Additions	1,658	8,175	1,833	-	226	17,156	29,048
Transfers	(125)	1,453	-	(152)	5,955	(7,609)	(478)
Write-off*	-	(22)	-	(80)	(1,468)	-	(1,570)
Disposals	-	(205)	-	-	(193)	(319)	(717)
Capitalised depreciation	137	3,165	-	-	-	289	3,591
Capitalised interest**	-	3,967	-	-	-	-	3,967
Change in estimation – site restoration asset***	-	1,034	-	443	-	-	1,477
At 30 June 2017	**87,129**	**754,909**	**23,471**	**214,749**	**233,710**	**73,514**	**1,387,482**
Depreciation and impairment							
At 31 December 2016	**-**	**180,465**	**10,753**	**84,223**	**126,860**	**1,623**	**403,924**
Provided during the period	-	9,237	2,356	4,618	9,927	-	26,138
Transfers	-	-	-	(171)	(307)	-	(478)
Write-off*	-	(21)	-	(54)	(1,334)	-	(1,409)
Disposals	-	(202)	-	-	(167)	-	(369)
Capitalised depreciation	-	133	-	1,556	1,902	-	3,591
Capitalised to inventory	-	14	-	189	201	-	404
Impairment	-	-	-	-	-	193	193
At 30 June 2017	**-**	**189,626**	**13,109**	**90,361**	**137,082**	**1,816**	**431,994**
Net book value:							
At 31 December 2016	**85,459**	**556,877**	**10,885**	**130,315**	**102,330**	**62,374**	**948,240**
At 30 June 2017	**87,129**	**565,283**	**10,362**	**124,388**	**96,628**	**71,698**	**955,488**

* Write-off for the first half of 2017 in the amount of US$0.2 million relates to retirement of old inefficient equipment.

** Capitalised interest for the first half of 2017 includes US$3.9 million of borrowing costs capitalised at Kekura at interest rates between 2.3% and 5.2% and capitalised upfront commission of US$0.1 million.

*** During the first half of 2017 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$1.5 million (increase of US$0.4 million at MNV, increase of US$0.6 million at Novo, increase of US$ 0.3 million at BG and increase of US$ 0.2 million at Kekura) which was booked as an increase to mining assets and non-current provisions.

No plant and equipment has been pledged as security for bank loans in the first half of 2017.

Mine properties 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.

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

	30 June 2018	Level 1	Level 2
	US$000	US$000	US$000
Trade receivables, incl. embedded derivative	12,222	-	12,222

	30 June 2017	Level 1	Level 2
	US$000	US$000	US$000
Trade receivables (embedded derivative only)	275	-	275

In H1 2017, trade receivables included a US$0.3 million positive fair value balance relating to an embedded derivative relating to the price adjustment at Novo. Following adoption of IFRS 9, an embedded derivative is no longer separated from the host receivables, which are carried at fair value and amounted to US$12,222 at 30 June 2018.

Changes in liabilities arising from financing activities

	1 January 2018	Cash flow	Accrued interest as per agreements	Adjustment on accrued interest as per IFRS 9	Foreign exchange movement	IFRS 9 adjustment – effect on opening balance	Other	31 June 2018
	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)	207,368	(11,078)	3,532	836	(4)	(3,417)	65	197,302
Obligations under finance leases and hire purchase contracts	3,340	(746)	132		(51)	-	(0)	2,675
Total liabilities from financing activities	**210,708**	**(11,824)**	**3,664**	**836**	**(55)**	**(3,417)**	**65**	**199,977**

8. Commitments and contingencies

Capital commitments

At 30 June 2018, the Group had commitments of US$24.2 million (at 31 December 2017: US$14.2 million, at 30 June 2017: US$9.3 million) principally relating to development assets and US$2.6 million (at 31 December 2017: US$3.0 million, at 30 June 2017: US$8.7 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$0.4 million at 30 June 2018 (at 31 December 2017: US$2.2 million, at 30 June 2017: US$2.1 million).

9. Inventories

Non-current*	30 June 2018 unaudited US$000	31 December 2017 audited US$000	30 June 2017 unaudited US$000
Ore stockpiles	19,708	16,256	15,901
Ore stockpile obsolescence provision**	(17,693)	(15,632)	(14,024)
Total non-current inventories	**2,015**	**624**	**1,877**

Current	30 June 2018 unaudited US$000	31 December 2017 audited US$000	30 June 2017 unaudited US$000
Raw materials and consumables	46,659	51,108	50,449
Ore stockpiles	13,507	15,709	17,144
Gold in progress	6,081	5,004	6,325
Finished goods	2,630	1,156	891
	68,877	**72,977**	**74,809**
Raw materials and consumables obsolescence provision***	(12,223)	(12,205)	(12,106)
Ore stockpile obsolescence provision**	(91)	(2,152)	(3,760)
Total inventories	**56,563**	**58,620**	**58,943**

* 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 is tested for impairment semi-annually. Movement in ore stockpile obsolescence provision amounted to US$Nil in H1 2018 (H1 2017: US$3.2 million).

*** Movement in raw materials and consumables obsolescence provision amounted to US$0.02 million in the first half of 2018 (H1 2017: US$0.3 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 2018 unaudited US$000	31 December 2017 audited US$000	30 June 2017 unaudited US$000
Cash at bank and in hand	8,683	10,565	4,268
Short term deposits	2,223	1,823	-
	10,906	**12,388**	**4,268**

11. Interest-bearing loans and borrowings

	Effective interest rate as per agreement %	Effective interest rate under IFRS 9 %	Modification	Maturity	30 June 2018 unaudited US$000	31 December 2017 audited US$000	30 June 2017 unaudited US$000
Current							
Raiffaizen loan (6)	4.2 (2017: 3.7)	5.6 (2017: 3.7)	Modified	November 2019	11,000	11,000	7,333
UniCredit loan (7)	3.6 (2017: 3.6)	3.8 (2017: 3.6)	Modified	October 2020	16,517	4,017	16,517
Sberbank loan (9)	8.8	8.8	Non-modified	May 2022	235	-	-
					27,752	**15,017**	**23,850**
Non-current							
Gazprombank loan (1)	3.1	3.1	Non-modified	March 2020	40,630	43,630	26,340
Sberbank loan (2)	3.4	3.4	Non-modified	August 2021	20,000	20,000	-
Gazprombank loan (3)	4.7	4.7	Non-modified	December 2018	-	-	14,285
UniCredit loan (4)	4.1 (2017: 3.6)	6.2 (2017: 3.6)	Modified	June 2020	47,836	50,000	50,000
Alfa-bank loan (5)	4.3	4.3	Non-modified	December 2018	-	-	42,000
Raiffaizen loan (6)	4.2 (2017: 3.7)	5.6 (2017: 3.7)	Modified	November 2019	5,207	11,000	14,667
UniCredit loan (7)	3.6 (2017: 3.6)	3.8 (2017: 3.6)	Modified	October 2020	33,172	45,721	33,146
Alfa-bank loan (8)	3.0	3.0	Non-modified	December 2019	22,000	22,000	-
Sberbank loan (9)	8.8	8.8	Non-modified	May 2022	705	-	-
					169,550	**192,351**	**180,438**
Total					**197,302**	**207,368**	**204,288**

(1) In March 2017, the Group secured a revolving facility with Gazprombank with the draw period set until 1 March 2020. The interest rate is set for every instalment separately. The loan is repayable in instalments between March 2017 and March 2020. The drawn down payable balance obtained under the agreement at 30 June 2018 is US$40.6 million (31 December 2017: US$43.6 million; 30 June 2017: US$26.3). The outstanding bank debt is subject to the following covenants: the ratio of total 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.

(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 2018 is US$20.0 million (31 December 2017: US$20.0 million; 30 June 2017: Nil). 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) The loan was repaid in September 2017.

(4) In December 2015, the Group raised financing with UniCredit bank. In November 2017, the interest rate per agreement 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 2018 is US$50.0 million (31 December 2017: US$50.0 million; 30 June 2017: US$50.0 million). Due to implementation of new requirement of IFRS 9 book value of the loan was modified and at 30 June 2018 is US$47.8 million (31 December 2017: US$50.0 million; 30 June 2017: US$50.0 million). For more information about transition adjustment, please see Note 2.
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.

(5) The loan was repaid in September 2017.

(6) In August 2016, the Group raised financing with Raiffeisenbank at a LIBOR USD 1M + 2.1% (till May 2017 LIBOR USD 1M + 4.4%; till November LIBOR USD 1M + 2.75%) interest rate with the draw period set until 23 September 2016. Due to implementation of new requirement of IFRS 9 effective rate is LIBOR 1M at the date of modification + 4.4%. The loan is repayable in November 2019. The drawn down payable balance obtained under the agreement at 30 June 2018 is US$16.5 million (31 December 2017: US$22.0 million; 30 June 2017: US$22.0 million). Due to implementation of new requirement of IFRS 9 book value of the loan

was modified and at 30 June 2018 is US$16.2 million (31 December 2017: US$22.0 million; 30 June 2017: US$22.0 million). For more information about transition adjustment, please see Note 2. 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.

(7) In October 2016, the Group raised financing with UniCredit bank adjusted for an upfront fee amounting to 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 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 2018 is US$49.8 million (31 December 2017: US$49.7 million; 30 June 2017: US$49.7 million). Due to implementation of new requirement of IFRS 9 book value of the loan was modified and at 30 June 2018 is US$49.7 million (31 December 2017: US$49.7 million; 30 June 2017: US$49.7 million). For more information about transition adjustment, please see Note 2. 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.

(8) In August 2016, the Group secured a revolving facility with Alfabank with the draw period set until 31 December 2019. The interest rate is set for every instalment separately. The loan is repayable in instalments between August 2016 and December 2019. The drawn down payable balance obtained under the agreement at 30 June 2018 is US$22.0 million (31 December 2017: US$22.0 million; 30 June 2017: Nil). 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.

(9) In May 2018, the Group secured a facility with Sberbank with the draw period set until 31 August 2018. The interest rate is 8.75%. The loan is repayable in instalments between September 2018 and May 2022. The drawn down payable balance obtained under the agreement at 30 June 2018 is US$0.9 million (31 December 2017: Nil; 30 June 2017: Nil). 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 total outstanding bank debt of the Group at 30 June 2018 is US$197.3 million. There were no covenant breaches as at 30 June 2018.

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 325,222,098 shares, representing US$585 thousand.

13. Related party transactions

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.

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	
	2018	**2017**
	US$000	**US$000**
Net profit attributable to ordinary equity holders of the parent	28,557	25,687
	Thousands	**Thousands**
Weighted average number of ordinary shares for basic earnings per share	325,222	325,222
Weighted average number of ordinary shares adjusted for the effect of dilution	**325,222**	**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.

In the first half of 2018 there was no indicator of impairment of non-current assets, including goodwill.

16. Events after the reporting period

There were no significant events after the reporting period, except for dividends declared.

The Board of Directors has approved an interim dividend of £0.06 per share, to be paid to shareholders on 5 October 2018. The ex-dividend date is 13 September 2018 and the record date is 14 September 2018.