HIGHLAND GOLD MINING Ltd.

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20 April 2016

Full Year 2015 Audited Results

Highland Gold Mining Limited (“the “Company”), the AIM-quoted gold producer, presents its final audited results for the year ended 31 December 2015.

FINANCIAL HIGHLIGHTS

IFRS, US$000 (unless stated)	2015	2014
Production (gold and gold eq. oz)	262,485	258,937
Group all-in sustaining costs (US$/oz)	640	809
Total Group cash costs (US$/oz)	480	645
Revenue	276,175	304,230
Operating profit	22,413	55,855
EBITDA	133,317	123,617
Net loss	(10,019)	(24,843)
Loss per share (US$)	(0.032)	(0.077)
Adjusted net profit*	49,570	51,340
Net cash inflow from operations	105,603	104,422
Capital expenditure	42,195	65,538
Net debt position	(229,167)	(247,198)

* free of impairment and exchange rate losses and with a normalised tax rate (please see Financial review)

KEY EVENTS

- Total production at Mnogovershinnoye (MNV), Novoshirokinskoye (Novo) and Belaya Gora for the full year 2015 of 262,485 oz of gold and gold equivalents, an increase of 1.4% compared with 258,937 oz in 2014.

- Average realised price for gold and gold equivalents in 2015 was US$1,062 per oz (2014: US$1,175 per oz)

- Total Cash Costs reduced by 25.6% to US$480 per oz and All-In Sustaining Cash Costs lowered by 20.9% to US$640 per oz.

- Despite lower prices, strong cost performance facilitated a 7.8% increase in EBITDA to US$133.3 million (2014: US$123.6 million), while EBITDA margin reached 48.3% versus 40.6% in 2014.

- Net loss of US$10.0 million compared to net loss of US$24.8 million in 2014, primarily due to impairment of Kekura due to delayed project development and non-cash deferred tax charges related to currency fluctuations.
- Adjusted net profit, free of impairment and exchange rate fluctuations and with a normalised tax rate, amounted to US$49.6 million (2014: US$51.3 million).
- Project development activity focused on advancement of the Kekura project, including the completion of geotechnical studies, pre-design surveys, and data calculation for selection of a processing flowsheet, together with the commencement of design work for the processing plant. A scoping study for the Baley Ore Cluster projects (Taseevskoye, Sredny Golgotay and ZIF-1) was also initiated.
- Exploration efforts focused on promising near-mine targets at MNV designed to extend life of mine.
- New US$50 million three-year pre-export loan agreement concluded between Novo and UniCredit Bank: to be used to refinance existing debt.
- Net debt to EBITDA ratio reduced to 1.7 as of 31 December 2015 from 2.0 a year earlier.
- Interim dividend of £0.020 per share paid for H1 2015 (2014: Interim dividend of £0.025 per share)
- Lost Time Incident Rate (LTI) rate edged up slightly from 2014’s all-time low of 0.27 to 0.30.

POST YEAR EVENTS

- Denis Alexandrov appointed Chief Executive Officer of Highland Gold's Moscow-based management company, Russdragmet LLC, effective January 18. Outgoing CEO Valery Oyf remains with the Company as Non-Executive Director.
- Updated registration of Russian category reserves for 12 ore bodies within the MNV licence with regulatory authorities is underway and is expected to result in an extension of the life of the mine.
- Final dividend of £0.025 per share recommended, making a total distribution of £0.045 per share for the year to 31 December 2015 (2014: £0.045 per share)

TARGETS FOR 2016

- Maintain stable total production of gold and gold equivalents in the range of 255,000-265,000 oz, as the natural decline at MNV, as it approaches the end of mine life, is offset by improvements at Belaya Gora in the 2nd half.

CONFERENCE CALL DIAL-IN DETAILS

The Company will hold a conference call on Wednesday, 20 April 2016 hosted by Denis Alexandrov, CEO, to discuss the final results. The conference call will take place at 10.00 UK time (12.00 Moscow). The link for the online registration is:
http://emea.directeventreg.com/registration/91179765

The Annual General meeting will be held on 25 May 2016.

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CHAIRMAN'S STATEMENT

I am pleased to report that 2015 witnessed significant progress across all the key elements of Highland's production and resource base which, in view of a challenging trading backdrop, were prioritised during the latter part of the preceding year.

The importance of Highland's low cost producer status, in relation to the gold price dynamic, cannot be overstated and a 25.6% reduction in our Total Cash Costs to US$480 per oz, accompanied by a 20.9% fall in All-In Sustaining Cash Costs to US$640 per oz, underlines our acknowledged credentials as one of the lowest cost producers of gold in Russia which, in turn, is among the lowest cost producers of the metal in the world.

The drivers of these key performance indicators were (i) management's dual focus on optimising costs and maximising throughput across the Company's operations and (ii) the devaluation of the Russian Rouble against the US$.

The average gold and gold equivalents price realised during 2015 amounted to US$1,062 per oz (2014: US$1,175 per oz) and should be seen against our All-In Sustaining Cash Costs measurement.

These factors were also reflected in a 7.8% increase in 2015's EBITDA to US$133.3 million, a performance which translates into an EBITDA margin of 48.3% (2014: 40.6%): a comforting litmus test of operating profitability.

Overall production from our three mines in Russia – Mnogovershinnoye (MNV), Novoshirokinskoye (Novo) and Belaya Goya – recorded a modest year-on-year increase from 258,937 oz of gold and gold equivalents in 2014 to a record 262,485 oz, albeit less than our original expectations. This means that, in the space of six years, management has expanded output by more than 60% compared to the 163,208 oz recorded in 2009: a compound annual growth rate of 7%.

Although the output of MNV, our original flagship mine, is in natural decline the old workhorse, so to speak, still accounted for some 36.0% of total output with a contribution of 94,558 oz of gold.

Management continues to focus on extending the life of MNV and further near-mine exploratory activity was pursued during the year with a view to enhancing both the underground and open-pit operations. A reassessment of reserves is under way, the outcome of which is expected to indicate an extension of MNV's life expectancy beyond the JORC-compliant resource estimate of 2017.

Completion of the second stage of the processing plant at Belaya Gora, our youngest mine, enabled the facility to process 1,551,288 tonnes of ore, a 26.4% improvement versus 2014, thereby achieving its annual nameplate capacity of 1.5 million tonnes. Lower than expected grades at Belaya Gora, and related issues with below-forecast recovery rates, during the latter part of 2015 were chiefly responsible for the shortfall against our overall production estimate of 270,000 oz but, despite this, the higher throughput led to a 57.8% increase in the mine's gold production to 61,306 oz.

Novo proved the star performer as a record 691,284 tonnes of processed ore, representing a 18.6% increase over 2014's throughput, yielded a record 106,621 oz of gold and gold equivalents. We are intent on driving our ambitious long-term optimisation model for Novo and underground expansion, designed to access new horizons, is under way, hand in hand with plans to almost double annual processing capacity to 1.3 million tonnes by the end of 2018.

The advancement of our Kekura development, situated in the Chukotka region of North East Russia, gathered momentum. Pre-design studies and surveys were completed in respect of the mining complex and design work commenced on the processing plant.

Kekura’s favourable metallurgy, combined with the utilisation of open-pit and underground mining techniques, could form the basis for a ‘low cost’ operation. We remain positive about the project, despite having to take an impairment charge on the asset for 2015.

In the Zabaikalsky region, where Novo is located, management has initiated a scoping study on the joint development of our Baley Ore Cluster projects which comprise the Taseevskoye and Sredny Golgotay deposits and ZIF-1 tailings. This is being conducted by Amec Foster Wheeler and is scheduled for completion during 2016. Meanwhile, a pilot programme is under way to mine ore at Sredny Golgotay for processing at Novo.

Your Board has constantly emphasised its commitment, subject to all prudent provisions, to the return of profits to shareholders by way of dividend payments. Accordingly, the Board is pleased to recommend the payment of a final dividend of £0.025 per share (2014: £0.020 per share) which, subject to approval at the Annual General Meeting on 25 May 2016, will make a total distribution of £0.045 per share (2014: £0.045 per share) for the financial year to 31 December 2015.

The health and safety of our employees is paramount and management is ever conscious of the risks and hazards associated with the mining industry as we endeavour to achieve a zero incident rate. Education has always been central to our approach and considerable emphasis is placed on the need for employees to develop a sense of responsibility for the safety of themselves and others. To this end, a series of specialised training courses were, once again, well attended. The mine rescue teams, established at MNV, Novo and Belaya Gora in 2014, remain on call in the event of an emergency. Despite such measures, our Lost Time Incident Rate (LTI) rate (defined as the number of lost time incidents for every 200,000 man hours worked) edged up slightly from 2014’s all-time low of 0.27 to 0.30.

With regard to Highland’s environmental responsibilities, the Company is committed to minimising the impact of its operations. In keeping with this, management continued to meet all applicable environmental laws and implement all relevant recommendations from the supervisory authorities throughout 2015.

The composition of the Board and management team has undergone considerable change since my last Statement, the most significant aspect of which occurred in January 2016, post the period under review, with the appointment of Denis Alexandrov as Chief Executive Officer of Highland's Moscow-based management company, Russdragmet LLC, in succession to Valery Oyf who remains on the Board as a Non-Executive Director. Mr Alexandrov was the former CEO of Auriant Mining AB, a Swedish company engaged in gold exploration and production in Russia, and is also a former Finance Director of Highland. It gives me much pleasure to welcome Mr Alexandrov back to Highland.

I also wish to record the Board’s thanks to Mr Oyf for his excellent stewardship of Highland during an eight-year tenure that witnessed the establishment of Novo and Belaya Gora, substantial growth and an ultra-competitive cost base.

Directors Alla Baranovskaya and Sergey Mineev, together with Non-Executive Director Eugene Tenenbaum, stepped down from the Board in the spring of 2015, although Messrs Baranovskaya and Mineev continue to play a key role as part of the Company’s executive management team. I would like to thank them all, on behalf of the Board, for their valuable contributions to Highland’s development.

At the same time John Mann, the Company’s Head of Communications, was appointed an Executive Director. John is widely versed in public relations, public affairs and investor relations and his experience leaves him admirably qualified to liaise directly with the investment community on behalf of the Board.

Our approach to output levels in 2016, taking into account the run down at MNV, will focus on ‘stability’ with an approximate target of 255,000 to 265,000 oz of gold and gold equivalents. We are intent on progressing the achievements of 2015 and, to this end, our priorities will be to pursue our near-mine exploration programme at MNV; accelerate the expansion of Novo; refine Belaya Gora’s mining and processing operations; and advance our Kekura and Taseevskoye/Baley projects. Your Board remains confident that Highland is well positioned to achieve these value creating objectives.

It now gives me much pleasure, on behalf of the Board, to thank all our employees for the hard work and commitment that brought about the achievements of 2015.

OPERATIONAL REVIEW

Management's focus on minimising costs and maximising operational throughput, together with the weak Rouble, brought considerable rewards during 2015, the most important of which was an extension of the advantage Highland enjoys as one of the lowest cost gold producers in the world.

The priorities in 2016 will be to build on the successes of the year under review – particularly the above-budget performance of Novo and the attainment of nameplate processing capacity at Belaya Gora – and embark on the next stage of our flagship development project, Kekura.

The near-mine exploratory activity at MNV will continue during 2016 as the Company pursues its stated objective of extending the life of the mine beyond 2017: a prospect that waits on a current reassessment of reserves.

Output totals will represent something of a balancing act between the run down at MNV -- which still accounted for more than a third of 2015's peak production of 262,485 oz of gold and gold equivalents -- and envisaged output from the two sister mines. Against this backdrop, management is looking to achieve a stable production outcome of between 255,000 and 265,000 oz of gold and gold equivalents in 2016.

We will also endeavour to further extend our cost advantage over our international and domestic peers, primarily through judicious capital allocation, the utilisation of rigorous cost disciplines and the implementation of innovative operating efficiencies.

Mnogovershinnoye (MNV), Khabarovsk region, Russia

Process plant throughput at MNV totalled 1,412,819 tonnes of ore to yield 94,558 oz of gold in 2015 compared with 122,320 oz in 2014. A decline in the recovery rate from 2014's 91.8% to 90.4% reflected changes in mineral composition and lower gold grades.

Open-pit and underground ore production registered a near 30% increase to 1,503,187 tonnes year-on-year, while underground development increased from 2014's 9,166 metres to 10,450 metres following a 53.5% increase in second half activity to 6,163 metres versus H2 2014.

The average grade of mined ore at 2.17 g/t was 32.0% below the level achieved in 2014. This reflected open-pit mining complications at the Flank ore body which led to the redeployment of operations to lower grade bearing areas.

MNV	Unit	H1 2014	H2 2014	H1 2015	H2 2015	2014	2015
Waste stripping	m3	1,194,036	1,310,227	1,780,663	1,573,547	2,504,263	3,354,210
Underground development	m	5,151	4,015	4,287	6,163	9,166	10,450
Open-pit ore mined	t	300,569	249,270	289,420	448,548	549,839	737,968
Open-pit ore grade	g/t	3.71	3.2	2.08	1.85	3.5	1.94
Underground ore mined	t	292,877	316,779	330,329	434,890	609,656	765,219
Underground ore grade	g/t	3.11	2.7	2.21	2.52	2.91	2.38
Total ore mined	t	593,446	566,049	619,749	883,438	1,159,495	1,503,187
Average grade	g/t	3.42	2.94	2.15	2.18	3.19	2.17
Ore processed	t	629,854	736,604	705,493	707,326	1,366,458	1,412,819
Average grade	g/t	3.31	2.81	2.08	2.49	3.04	2.29

Recovery rate	%	92.5	91.1	89.0	91.5	91.8	90.4
Gold produced	oz	61,761	60,559	42,451	52,107	122,320	94,558

PRODUCTION COSTS
Total cash costs amounted to US$691 per ounce (2014: US$722 per ounce) while all-in sustaining costs were US$881 per ounce (2014: US$835 per ounce).

CAPITAL COSTS
A total of US$10.3 million was invested at MNV in 2015. This included capitalised expenditures and construction (US$3.1 million), purchase of equipment (US$6.2 million) and exploration (US$1.0 million).

OUTLOOK
The acquisitions of the North Western Flank and Lower Horizon licences in 2014 were specifically designed to supplement MNV's resource base, thereby extending the life of the mine. To further this objective, the near-mine exploration activity of 2015 continues in 2016. Targeted resources encompass both the underground and open-pit operations and the anticipated reassessment of reserves has the potential to extend the life of the mine well beyond the current JORC-compliant resource estimate of 2017.

Novoshirokinskoye (Novo), Zabaikalsky region, Russia

The optimisation of mining and processing technology at Novo led to an above budget performance for the year which ultimately resulted in a 9.0% increase in production to a record 106,621 oz of gold and gold equivalents. Mine output achieved a year-on-year increase of 20.2% to 701,419 tonnes, while processed ore recorded a 18.6% advance to 691,284 tonnes: record levels in both instances.

In order to facilitate immediate and prospective increases in throughput, new inter-circuit flotation equipment was installed during H2 2015 with Zn flotation capacity ramped up. This benefited the recovery rate which improved to 86.6% in H2 2015 compared with 85.3% for the corresponding period of 2014.

On site production of granulated explosives commenced in H2 2015: a development designed to reduce costs.

Novo	Units	H1 2014	H2 2014	H1 2015	H2 2015	2014	2015
Underground development	m	5,162	5,155	5,312	5,625	10,317	10,937
Ore mined	t	280,987	302,485	327,629	373,790	583,472	701,419
Average grade *	g/t	5.6	6.6	5.4	5.7	6.2	5.6
Ore processed	t	281,137	301,685	331,551	359,733	582,822	691,284
Average grade *	g/t	5.6	6.6	5.4	5.8	6.2	5.6
Recovery rate *	%	84.3	85.3	85.3	86.6	84.9	86.0
Gold produced *	oz	42,949	54,826	48,634	57,987	97,775	106,621

* in gold equivalents at actual prices.
(metal grade of mined ore = Au 2.85 g/t, Ag 90.40 g/t, Pb 2.77%, Zn 0.75%)

PRODUCTION COSTS
Total cash costs amounted to US$302 per ounce (2014: US$429 per ounce) while all-in sustaining costs were US$353 per ounce (2014: US$517 per ounce).

CAPITAL COSTS
A total of US$4.9 million was invested at Novo in 2015. This included capitalised expenditures and construction (US$2.2 million) and purchase of equipment (US$2.7 million).

OUTLOOK
Significant expansion is planned at Novo in accordance with our long-term model and the extension of underground mining operations, designed to access new horizons, will continue during 2016. In the wake of studies initiated in H2 2015, plans have been approved for a near doubling of processing capacity to 1.3 million tonnes per annum by the end of 2018.

Belaya Gora, Khabarovsk region, Russia

Total production of gold and gold equivalents at Belaya Gora recorded a 57.8% increase to 61,306 oz in 2015 compared with 38,842 oz in 2014. The scale of increase in activity is reflected in the quantity of ore mined which more than doubled to 2,223,104 tonnes in 2015 following a second half increase of 118.8% to 1,337,790 tonnes versus H2 2014.

The commissioning of the second stage gravity circuit of the Belaya Gora processing plant enabled the facility to attain its nameplate capacity of 1.5 million tonnes. Processed ore totalled 1,551,288 tonnes: a 26.4% increase compared with 2014's 1,227,305 tonnes. The year-on-year recovery rate showed a 22.2% improvement to 75.4%.

Partial flooding of the open pit in Q4 2015, due to severe weather conditions, disrupted the mining plan and was partly responsible for a significant decline in the average grade of mined ore to 1.32 g/t in H2 2015 compared with 1.63 g/t in the first half. This, in turn, contributed to the shortfall against the Company's overall production target of 270,000 oz of gold and gold equivalents in respect of 2015.

Design work on plant automation systems made good progress and installation is currently underway, aimed at maintaining steady state operations and optimising reagent consumption. Additional test and design work is underway for further modifications to the circuit in order to improve overall plant recoveries.

Preliminary work has commenced on the construction of a solid waste storage facility near Chlya, located some 12 kilometres to the west of the plant. The land has been cleared, site grading has begun and completion is expected in 2016.

Belaya Gora	Units	H1 2014	H2 2014	H1 2015	H2 2015	2014	2015
Waste stripping	m3	767,690	1,137,601	1,557,257	2,160,512	1,905,291	3,717,769
Ore mined	t	465,610	611,457	885,314	1,337,790	1,077,067	2,223,104
Average grade	g/t	1.32	1.52	1.63	1.32	1.43	1.45
Ore processed	t	462,333	764,972	674,985	876,303	1,227,305	1,551,288
Average grade	g/t	1.81	1.45	1.87	1.47	1.58	1.64
Recovery rate	%	62.79	61.6	75.89	74.9	61.7	75.4
Gold produced	oz	15,411	23,431	30,157	31,149	38,842	61,306

PRODUCTION COSTS
Total cash costs amounted to US$465 per ounce (2014: US$926 per ounce) while all-in sustaining costs were US$551 per ounce (2014: US$1,038 per ounce).

CAPITAL COSTS
A total of US$11.5 million was invested at Belaya Gora in 2015. This included capitalised expenditures and construction (US$9.2 million) and purchase of equipment (US$2.3 million).

OUTLOOK
Following the increased throughput figures recorded at Belaya Gora in the year under review the focus in 2016 will be on improving grade control and achieving a further increase in recovery rates. The installation of a new crushing unit in Q4 2015 is expected to facilitate a more stable mill operation.

Sredny Golgotay, Zabaikalsky region, Russia

Preparatory mining operations commenced on the Kaftanovsky zone of the Sredny Golgotay deposit, part of the Taseevskoye group of licences, during the second half of 2015. Initial activity included re-entering and refurbishing the adit access, development of the site infrastructure and gaining regulatory approval for 2016's mining plan.

CAPITAL COSTS
A total of US$0.7 million was invested at Sredny Golgotay in 2015. This included capitalised expenditures and construction.

OUTLOOK
The aforementioned mining plan calls for the extraction of 40,000 tonnes of ore in 2016 to be processed at Novo for the purpose of producing flotation concentrate.

DEVELOPMENT PROJECTS

Kekura, Chukotka region, Russia

More than 6,000 tonnes of material and equipment were delivered to the Kekura site during H1 2015 to facilitate ongoing activities and pave the way for construction.

The first half of the year also brought approval from the State Committee on Reserves (GKZ) in respect of 62.1 tonnes (1.99 million oz) of compliant (C1+C2 category) gold reserves at the project. The principal focus during the second half of 2015 was the development of design documentation in respect of the mine and the processing plant.

Progress on the respective designs was as follows:

- Mining complex and infrastructure – Pre-design studies and surveys were completed and public hearings held regarding the design documentation.
- Processing plant and auxiliary facilities – Process studies were completed and calculations made for the selection of a processing flowsheet. The process flowsheet, selected in early 2016, consists of single stage crushing, SAG and ball mill, single stage gravity recovery, with CIL.

A draft report relating to an independent estimate of JORC reserves, conducted by Wardell Armstrong, was received during H2 2015. The proposed parameters in the draft are currently being adjusted and developed in further detail to the level of a Mining Feasibility Study. Publication of the report is expected in mid-2016.

The priorities at Kekura during 2016 will be (i) to receive approval of first-stage mining design and documentation from the relevant state mining and environmental agencies (ii) obtain a construction permit (iii) complete design documentation for the second stage of project development and apply for regulatory approval and (iv) prepare for the onset of construction work.

Taseevskoye, Zabaikalsky region, Russia

During the second half of 2015 we initiated a Scoping Study for the Baley Ore Cluster projects comprised of: Taseevskoye, Sredny Golgotay and ZIF-1 Tailings. This work is expected to be completed by mid-2016.

Klen, Chukotka region, Russia

With Kekura the priority in the Chukotka region, the Klen site is on care and maintenance.

EXPLORATION

The Company completed more than 28,800 metres of exploration drilling in 2015, primarily at MNV. Overall expenditure on exploration projects totalled US$8.5 million for the year, compared with US$18.0 million in 2014.

Mnogovershinnoye – Khabarovsk region, Russia

The Company's focus on near-mine exploration at MNV, designed to extend the life of the mine's underground and open-pit operations, continued throughout 2015 and encompassed the upgrading of existing resources and targeting of additional resources.

In late Q2 2015, at the Lower Horizon MNV licence, management initiated an underground exploration drilling programme at the lower horizons of the Severnoye ore body to delineate additional resources in the vicinity of existing underground infrastructure. By the end of 2015, approximately 9,300 metres of drilling had been completed which intersected ore grade gold mineralisation. Results warranted a follow-up programme with more than 10,000 metres of drilling scheduled for completion in 2016.

Diamond core drilling activity in respect of all underground resource conversion in 2015 totalled 17,961 metres.

At the Western Flank MNV licence, immediately adjacent to the mine's operations (Chaynoye prospect), management compiled and submitted to the regulator a report on the exploration results to date. A follow-up trenching and drilling programme is planned for 2016, targeting a potential open-pit resource at the site of a prominent gold anomaly identified during 2014's exploration activities.

Kekura – Chukotka region, Russia

The Company, in line with its ongoing development studies at Kekura, advanced an updated JORC-compliant resource/reserve evaluation by an international consultancy, with final results expected in Q2 2016.

A substantial resource conversion drilling programme is planned in 2016 for sections of the deposit designated for underground mining.

A multi-year exploration programme targeting near-mine upside potential at identified prospects adjacent to the Kekura deposit has been devised and awaits regulatory approval.

A modest exploration programme for alluvial gold, carried out at selected prospects in the vicinity of the Kekura deposit, was completed in H2 2015.

Other Projects

Reflecting the prioritisation of other projects, no field work was conducted at the Belaya Gora Flanks, Blagodatnoye, Verkhne-Krichalskaya and Unkurtash projects during 2015.

HEALTH, SAFETY & ENVIRONMENT

The Company continued to focus on occupational safety and risk management on site throughout 2015 as we strived towards our goal of zero workplace incidents. Various staff training courses were properly attended and, as is customary, employees were encouraged to assume a sense of personal responsibility for their safety and for the safety of their colleagues.

A total of 12 incidents (2014: 9) were recorded across the Group during the year, three of which were attributable to MNV (one of which was serious); five to Novo and four to BG (one of which involved a contractor). Regrettably, our Lost Time Incident (LTI) rate (defined as the number of lost time incidents for every 200,000 man-hours worked) increased slightly from 2014's all-time low of 0.27 to 0.30.

A total of 1,546 employees attended an induction safety course (1 day), 1,176 received training in safe operating methods at hazardous facilities (3-5 day course), and 380 received a 7-30 day training course in industrial safety with subsequent certification. We have retained the auxiliary mine rescue crews, formed in 2014, as an additional resource in the event of an emergency.

During H2 2015, MNV received a licence for the safe operation of explosive, fire, and chemically-hazardous production substances. Novo was granted a licence for the production of industrial-grade explosives.

The Company is totally committed to meeting all applicable environmental laws and implementing all relevant recommendations from the supervising authorities. In November 2015, MNV and Russdragmet (Moscow office) successfully completed re-certification audits for the adherence of in-situ environmental management systems to the ISO 14001 standard. The audits confirmed compliance with environmental regulations.

In addition, the Company successfully implemented a certified ISO 14001 standard environmental management system at Belaya Gora and Novo.

Environmental protection courses were provided to 530 employees, while 625 employees received training with regard to the safe handling of industrial waste.

Public hearings were successfully held in Bilibino, Chukotka region, during October, to discuss the design of the Kekura mining complex and infrastructure, together with the materials involved, in order to assess the impact on the environment.

FINANCIAL REVIEW

In an environment of lower prices for precious and base metals in 2015, the Company succeeded in maintaining a stable level of production while keeping costs under control, reducing debt, and paying competitive dividends.

Overall Group revenue was US$276.2 million in 2015 compared to US$304.2 million in 2014. The negative impact of lower metals prices resulted in a 9.2% decrease in revenue. Over the reporting period, the Company sold 258,292 ounces of gold and gold equivalents compared to 257,111 ounces in 2014. Novo and BG considerably increased their share in the Group's total sales volume, with Novo's sales growing to 105,299 eq. oz (up 13.4% y-o-y) and accounting for 40.8% of the total, while Belaya Gora sold 59,971 ounces in 2015 for a 23.2% share. MNV, with its share of 36.0%, remained a significant contributor to total sales volume with 93,022 ounces.

The Group continued to practice a "no hedge" policy in 2015. The average price of gold realised by MNV and Belaya Gora (net of commission) was US$1,154 per oz, in line with the average market price (average 2015 LBMA price was US$1,160 per oz) and down by 8.6% y-o-y. The average price of gold equivalents realised by Novo was US$927 per eq. oz in 2015, compared to US$1,018 per eq. oz in 2014. The average price at Novo is based on the spot price for metals contained in the concentrates (gold, lead, zinc and silver), net of fixed processing and refining costs at the Kazzinc plant. The Company's average realised price of gold and gold equivalents amounted to US$1,062 per oz in 2015, compared with US$1,175 per oz in 2014, a decline of 9.6%.

The Company's cost of sales net of depreciation decreased by 25.0% to US$126.8 million in 2015 (2014: US$169.1 million). The positive effect of the Russian Rouble's devaluation enabled the Company to offset the negative impact of the overall inflation (12.9%) and an increase in prices for energy and some major consumables. Depreciation was US$72.6 million, up 22.2% y-o-y, largely resulting from the BG plant launch.

Cash Operating Costs

	2015 US$000	2014 US$000	y-o-y change, %
Cost of sales	**199 365**	**228 518**	**(12,8%)**
- depreciation, depletion and amortisation	(72 583)	(59 392)	22,2%
Cost of sales, net of depreciation, depletion and amortisation	**126 782**	**169 126**	**(25,0%)**
Breakdown per item:			
Labour	40 448	52 101	(22,4%)
Consumables and spares	48 127	47 403	1,5%
Power	8 736	11 785	(25,9%)
Movement in ore stockpiles, finished goods and stripping assets	(12 745)	7 181	(277,5%)
Maintenance and repairs	26 286	31 205	(15,8%)
Taxes other than income tax	15 930	19 451	(18,1%)

Total cash costs[1] (TCC) decreased by a significant 25.6% to US$480 per oz, some 20.0% below the industry average. Breaking it down by business unit, total cash costs at Belaya Gora halved from US$926 per oz to US$465 per oz y-o-y as a result of economies of scale, improved grades and recovery rates. Total cash costs at Novo were US$302 per eq. oz, falling by 29.5% from the previous year, largely reflecting the rise in production volumes. MNV, our oldest mine, also saw decreased total cash costs of US$691 per oz (2014: US$722 per oz) despite a considerable 24.7% reduction in average grade.

All-in sustaining costs[2] (AISC) per ounce dropped by 20.9% to US$640 per oz in 2015 from US$809 per oz in 2014.

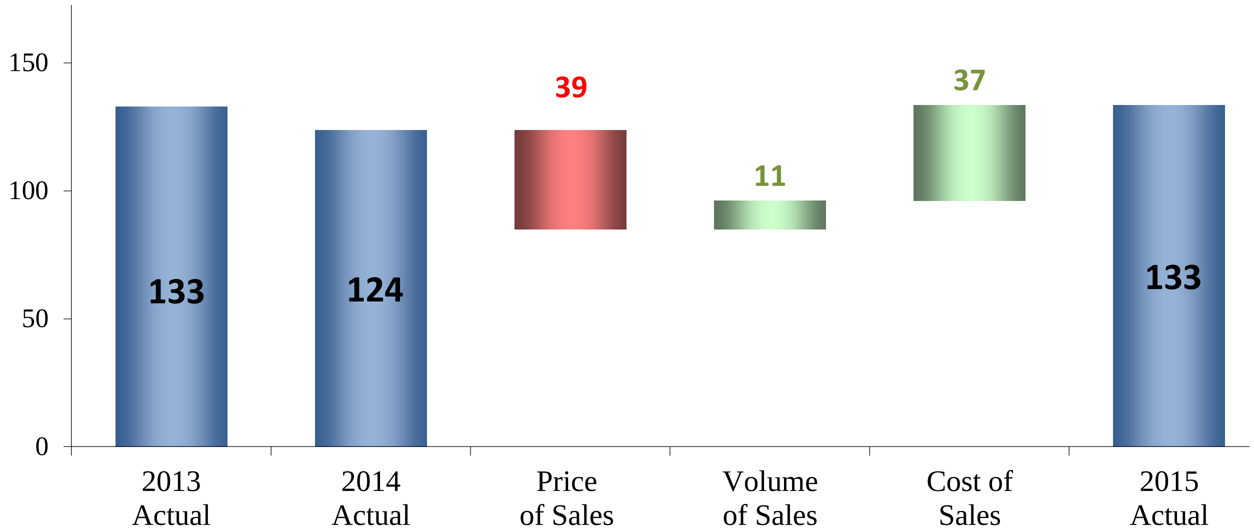
TCC and AISC Calculations

	2015 US$000	2014 US$000	y-o-y change, %
Cost of sales, net of depreciation, depletion and amortisation	**126 782**	**169 126**	**(25,0%)**
- cost of by-products and other sales	(2 374)	(2 962)	(19,9%)
- taxes other than income tax at other entities	(392)	(307)	27,7%
Total cash costs (TCC)	**124 016**	**165 857**	**(25,2%)**
+ administrative expenses	13 127	15 464	(15,1%)
+ accretion and amortisation on site restoration provision	2 541	3 704	(31,4%)
+ movement in ore stockpiles obsolescence provision	120	664	(81,9%)
+ sustaining capital expenditure	25 561	22 324	14,5%
Total all-in sustaining costs (AISC)	**165 365**	**208 013**	**(20,5%)**
Gold sold (gold and gold eq.oz)	258 292	257 111	0,5%
TCC (US$/oz)	**480**	**645**	**(25,6%)**
AISC (US$/oz)	**640**	**809**	**(20,9%)**

The Group's administrative expenses fell by 15.1% y-o-y, to $13.1 million. Reduction in both production and administrative costs is owed to the weaker Rouble and expense optimisation measures.

The Group's EBITDA[3] increased by 7.8% in 2015 to US$133.3 million, compared to US$123.6 million in 2014. The EBITDA margin[4] increased from 40.6% to 48.3%, within range of the most efficient gold miners. Broken down by business unit, EBITDA margin was 34.1% at MNV (2014: 41.9%) and 64.2% at Novo (2014: 53.4%). The EBITDA margin at BG showed significant growth from 21.5% to 57.7% due to increased production volume.

HGML EBITDA Bridge (USD m)



The Company analysed any potential impairments as of 31 December 2015 and determined that there were, in fact, indicators of impairment loss at Kekura, namely the effect of lower gold price assumptions and changes to the mine plan. Kekura's goodwill was impaired by US$16.8 million, its exploration and evaluation assets were impaired by US$14.0 million and its property, plant and equipment were impaired by US$5.2 million.

In 2015, the Group recorded a net finance loss of US$4.2 million compared to a loss of US$0.8 million in 2014. During the period, the fair value of bonds increased by US$1.2 million whereas in 2014 the gain was higher (US$3.3 million). Interest expense on bank loans was recorded in the amount of US$3.3 million in 2015 versus US$1.9 million in 2014. This increase resulted from zero capitalisation of BG interest due to the launch of the plant, while US$1.7 million of interest expense was capitalised at this business unit in 2014.

A foreign exchange loss of US$4.3 million (2014: loss of US$9.6 million) resulted from the settlement of foreign currency transactions and the transfer of monetary assets and liabilities denominated in currencies such as Russian Roubles and Pounds Sterling into US Dollars.

Income tax charges totalled US$23.9 million in 2015 compared to US$70.3 million in 2014. The tax figure is comprised of US$15.9 million of current tax expenses (US$9.7 million at MNV, US$6.1 million at Novo and other US$0.1 million), US$1.5 million of prior year tax adjustment and US$6.5 million of deferred tax. The reduction of income tax was primarily a result of decreased foreign exchange movement.

A lower net loss of US$10.0 million for the year, compared to a net loss of US$24.8 million in 2014, reflects a substantial reduction in foreign exchange fluctuations compared to 2014, which in that year resulted in a large deferred tax charge, but were somewhat offset by higher impairment charges. Loss per share amounted to US$0.032 (2014: US$0.077).

Adjusted Net Profit[5] Calculation

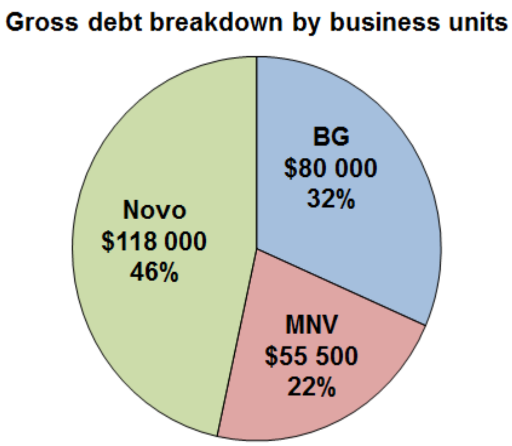
	2015 US$000	2014 US$000	y-o-y change, %
Loss for the year	**(10 019)**	**(24 843)**	**(59,7%)**
- Impairment losses	35 982	11 401	215,6%
+ foreign exchange loss	4 321	9 599	(55,0%)
+ normalisation of income tax	19 286	55 183	(65,1%)
Adjusted net profit	**49 570**	**51 340**	**(3,4%)**

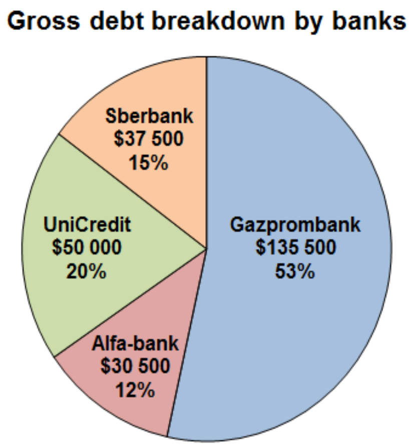
The Group's cash inflow from operating activities totalled US$105.6 million (2014: US$104.4 million) despite falling metal prices.

The Company invested US$42.2 million in capital expenditures over the course of 2015, compared to US$65.5 million in the prior year. This decline was a result of lower spending on BG, strict controls on capital allocation, and the Russian Rouble devaluation. Capital expenditures included US$10.3 million at MNV, US$4.9 million at Novo, US$11.5 million at Belaya Gora, US$11.8 million at Kekura, US$2.8 million at Taseevskoye and US$0.9 million related to other exploration and development projects within the Group. Capital expenditures were funded by operating cash flow.

Debt decreased by 16.4% to US$253.4 million as of 31 December 2015. The Company's debt is denominated in USD with an effective annual interest rate of 5.49%. The interest rate increased by 1.0% due to a lack of bank liquidity and overall higher borrowing costs in Russia

Capitalised interest for 2015 includes US$12.4 million of borrowing costs capitalised at Kekura at interest rates between 4.0% and 7.0%.



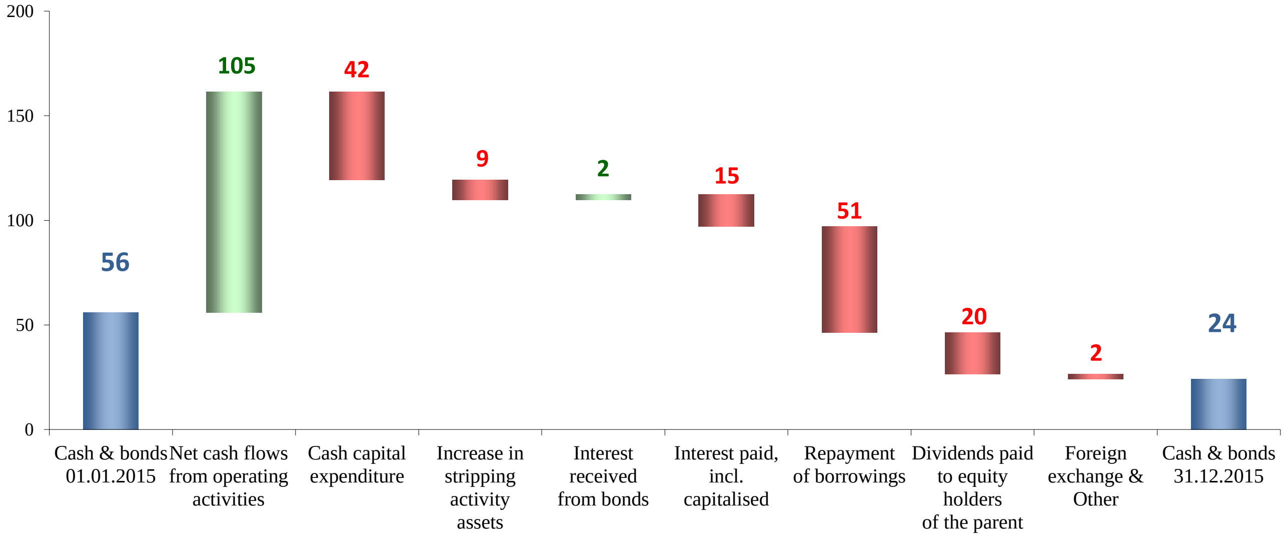


Figures in thousand US$

The Group's net debt position[6] as of 31 December 2015 was US$229.2 million, compared to US$247.2 million as of 31 December 2014. Cash and GBP-denominated bonds as of 31 December 2015 amounted to US$24.2 million, compared to US$55.9 million as of 31 December 2014.

The present ratio of net debt to EBITDA is 1.7, which is in line with the Board's policy.

Cash Position Bridge (USD m)



Management demonstrated its ability to deliver stable financial results despite exacting market trends during the reporting year.

PAYMENT OF DIVIDENDS

A final dividend for the year ending 31 December 2014 in the amount of US$10.1 million was paid on 21 May 2015.

The Group paid an interim dividend of GBP 0.020 per share (2014: an interim dividend of GBP 0.025 per share), which resulted in an aggregate interim dividend payment of US$10.0 million (2014: US$13.1 million). The interim dividend was paid on 12 October 2015.

The Board has recommended a final dividend for 2015 of GBP 0.025 per share which, taking into account the interim dividend paid in October 2015, makes a total dividend of GBP 0.045 per share for the year (2014: GBP 0.045 per share). The final dividend will be paid on 27 May 2016 to shareholders on the register at the close of business on 29 April 2016 (the record date). The ex-dividend date will be 28 April 2016.

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[1] *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 of sales. This data provides additional information and is a non-GAAP measure.*

[2] *In line with guidance issued by the World Gold Council, the formula used to define all-in sustaining cash costs measure commences with total cash costs per ounce sold and then adds sustaining capital expenditures, corporate general and administrative costs, mine site exploration and evaluation costs and environmental rehabilitation costs. This data seeks to represent the total costs of producing gold from current operations and therefore it does not include capital expenditures attributable to projects or mine expansions, exploration and evaluation costs attributable to growth projects, income tax payments, interest costs or dividend payments.*

[3] *EBITDA is defined as operating profit/ (loss) excluding depreciation and amortisation, impairment losses, movement in ore stockpiles obsolescence provision, movement in raw materials and consumables obsolescence provision, result of disposal of a non-core entity and gain on settlement of contingent consideration*

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

[5] *Adjusted net profit is defined as net profit/(loss) free of impairment losses and foreign exchange, and applying a 33.3% effective income tax rate (consistent with prior years in order to remove the foreign exchange effect related to deferred tax)*

[6] *Net debt is defined as cash at bank, deposits and bonds, decreased by any bank borrowings*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

	2015	***2014***
	US$000	***US$000***
Revenue	276,175	304,230
Cost of sales	(199 365)	(228,518)
Gross profit	**76,810**	**75,712**
Administrative expenses	(13,127)	(15,464)
Other operating income	2,882	8,634
Other operating expenses	(8,170)	(7,248)
Impairment losses	(35,982)	(11,401)
Gain on settlement of contingent consideration	-	5,622
Operating profit	**22,413**	**55,855**
Foreign exchange loss	(4,321)	(9,599)
Finance income	1,331	3,457
Finance costs	(5,529)	(4,226)
Profit before income tax	**13,894**	**45,487**
Current income tax expense	(15,867)	(20,677)
Adjustments in respect of prior year income tax	(1,542)	(249)
Deferred income tax expense	(6,504)	(49,404)
Total income tax expense	**(23,913)**	**(70,330)**
Loss for the year	**(10,019)**	**(24,843)**
Total comprehensive loss for the year	**(10,019)**	**(24,843)**
Attributable to:		
Equity holders of the parent	(10,316)	(24,942)
Non-controlling interests	297	99
Loss per share (US$ per share)		
Basic, for the profit for the year attributable to ordinary equity holders of the parent	(0.032)	(0.077)
Diluted, for the profit for the year attributable to ordinary equity holders of the parent	(0.032)	(0.077)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at

	31 December 2015 US$000	*31 December 2014 US$000*
ASSETS		
Non-current assets		
Exploration and evaluation assets	309,101	296,739
Mine properties	318,068	321,407
Property, plant and equipment	320,986	359,466
Intangible assets	70,365	87,119
Inventories	16,372	6,664
Other non-current assets	3,845	3,580
Deferred income tax asset	-	82
Total non-current assets	**1,038,737**	**1,075,057**
Current assets		
Inventories	67,758	77,337
Trade and other receivables	31,188	28,889
Income tax prepaid	3,770	3,711
Prepayments	888	2,000
Financial assets	21,150	42,957
Cash and cash equivalents	3,058	12,946
Other current assets	602	899
Total current assets	**128,414**	**168,739**
TOTAL ASSETS	**1,167,151**	**1,243,796**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Issued capital	585	585
Share premium	718,419	718,419
Assets revaluation reserve	832	832
Retained earnings	18,176	47,698
Total equity attributable to equity holders of the parent	**738,012**	**767,534**
Non-controlling interests	1,566	2,570
TOTAL EQUITY	**739,578**	**770,104**
Non-current liabilities		
Interest-bearing loans and borrowings	183,000	145,443
Liability under finance lease	1,526	-
Long-term accounts payable	223	305
Provisions	16,026	15,699
Deferred income tax liability	135,457	129,035
Total non-current liabilities	**336,232**	**290,482**
Current liabilities		
Trade and other payables	20,201	22,134
Interest-bearing loans and borrowings	70,375	157,658
Income tax payable	16	3,418
Liability under finance lease	749	-
Total current liabilities	**91,341**	**183,210**
TOTAL LIABILITIES	**427,573**	**473,692**
TOTAL EQUITY AND LIABILITIES	**1,167,151**	**1,243,796**

The financial statements were approved by the Board of Directors on 19 April 2016 and signed on its behalf by: Denis Alexandrov and Alla Baranovskaya.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

	2015 ***US$000***	***2014*** ***US$000***
Operating activities		
Profit before income tax	13,894	45,487
	13,894	**45,487**
Adjustments to reconcile profit before income tax to net cash flows from operating activities:		
Depreciation of mine properties and property, plant and equipment	72,583	59,392
Impairment losses related to cash-generating units	35,982	11,401
Movement in ore stockpiles obsolescence provision	120	664
Movement in raw materials and consumables obsolescence provision	521	509
Write-off of mine properties and property, plant and equipment	1,916	393
Individual impairment of property, plant and equipment	1,698	500
Loss on disposal of property, plant and equipment	172	781
Bank interest receivable	(75)	(160)
Bonds fair value movement	(1,246)	(3,265)
Interest expense on bank loans	3,297	1,871
Accretion expense on site restoration provision	2,117	2,355
Gain on change in estimation – site restoration asset	(2,104)	(7,535)
Gain on settlement of contingent consideration	-	(5,622)
Net foreign exchange loss	4,321	9,599
Movement in provisions	177	(149)
Loss from disposal of an entity	-	918
Other non-cash expenses/ (income)	983	(32)
Working capital adjustments:		
(Increase)/ decrease in trade and other receivables and prepayments	(8,295)	7,671
Decrease in inventories	147	950
Increase/ (decrease) in trade and other payables	839	(2,241)
Income tax paid	(21,444)	(19,065)
Net cash flows from operating activities	**105,603**	**104,422**
Investing activities		
Proceeds from sale of property, plant and equipment	98	330
Purchase of property, plant and equipment	(42,195)	(65,538)
Capitalised interest paid	(12,359)	(10,995)
Increase in stripping activity assets	(9,399)	(5,554)
Interest received from deposits	75	159
Interest received from bonds	2,534	4,058
Purchase of investments – bonds	(3,818)	-
Novo shares purchase	(432)	-
Sale of investments – bonds	24,337	6,449
Net cash flows used in investing activities	**(41,159)**	**(71,091)**
Financing activities		
Proceeds from borrowings	673,924	136,560
Repayment of borrowings	(724,472)	(140,896)
Dividends paid to equity holders of the parent	(20,075)	(26,804)
Payment under finance lease, including interest	(827)	-
Interest paid	(3,087)	(1,502)
Net cash flows used in financing activities	**(74,537)**	**(32,642)**
Net (decrease)/ increase in cash and cash equivalents	(10,093)	689
Effects of exchange rate changes	205	4,319
Cash and cash equivalents at 1 January	12,946	7,938
Cash and cash equivalents at 31 December	**3,058**	**12,946**

SELECTED POLICIES AND NOTES TO THE FINANCIAL INFORMATION

Corporate information

The consolidated financial statements of Highland Gold Mining Limited for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the Directors on 19 April 2016.

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.

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value through profit or loss and assets and liabilities acquired in business combination that have been measured at fair value. The consolidated financial statements are presented in US dollars, which is the parent company's functional and the Group's presentation currency. All values are rounded to the nearest thousand (US$000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements of Highland Gold Mining Limited and all its subsidiaries (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Companies (Jersey) Law 1991.

Basis of consolidation

The consolidated financial statements comprise the financial statements of Highland Gold Mining Limited and all its subsidiaries as at 31 December each year.

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity (known as the parent). Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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 stage: 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/ (loss) excluding depreciation and amortisation, impairment losses, movement in ore stockpiles obsolescence provision, movement in raw materials and consumables obsolescence provision, result of disposal of a non-core entity 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 loss after tax for the year.

The finance costs, finance income, income taxes, foreign exchange losses, other non-current assets and current assets 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 3 of the financial statements.

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

In 2015 the gold and silver revenue reported in the gold production segment was received from sales to Gazprombank (US$178.1 million) in the territory of the Russian Federation.

In 2014 the gold and silver revenue reported in the gold production segment was received from sales to Gazprombank (US$207.3 million) and MDM Bank (US$1.6 million) in the territory of the Russian Federation.

In 2015 the concentrate revenue reported in the polymetallic concentrate production segment in the amount of US$97.6 million was received from sales to Kazzinc (2014: US$94.5 million) in the territory of the Republic of Kazakhstan.

Other third-party revenues in both 2015 and 2014 were received in the territory of the Russian Federation.

Inter-segment revenues mostly represent management services.

Year ended 31 December 2015	Gold production segment	Polymetallic concentrate production segment	Develop-ment & exploration	Other	Eliminations	Total
	US$000	US$000	US$000	US$000	US$000	US$000
Revenue						
Gold revenue	176,625	-	-	-	-	176,625
Silver revenue	1,519	-	-	-	-	1,519
Concentrate revenue	-	97,602	-	-	-	97,602
Other third-party	221	186	22	-	-	429
Inter-segment	76	-	5	11,639	(11,720)	-
Total revenue	**178,441**	**97,788**	**27**	**11,639**	**(11,720)**	**276,175**
Cost of sales	145,201	53,202	873	89	-	199,365
EBITDA	77,285	62,816	(4,558)	(2,226)	-	133,317
Other segment information						
Depreciation	(51,276)	(21,185)	(37)	(85)	-	(72,583)
Movement in ore stockpiles obsolescence provision	(120)	-	-	-	-	(120)
Movement in raw materials and consumables obsolescence provision	(518)	(3)	-	-	-	(521)
Impairment losses related to cash-generating units	-	-	(35,982)	-	-	(35,982)
Individual impairment of property, plant and equipment	-	-	(1,698)	-	-	(1,698)
Finance income						1,331
Finance costs						(5,529)
Foreign exchange loss						(4,321)
Profit before income tax						**13,894**
Income tax						(23,913)
Loss for the year						**(10,019)**
Segment assets at 31 December 2015						
Non-current assets						
Capital expenditure*	210,489	170,688	566,426	552	-	948,155
Goodwill	22,253	5,134	42,978	-	-	70,365
Other non-current assets	18,959	387	544	327	-	20,217
Current assets**	83,545	26,101	4,098	28,656	(13,986)	128,414
Total assets						**1,167,151**
Capital expenditure – additions in 2015*, including:**	31,907	6,801	28,309	86	-	67,103
Stripping activity assets	9,399	-	-	-	-	9,399
Capitalised bank interest	-	-	12,359	-	-	12,359
Unpaid/ (settled) accounts payable	733	1,924	557	(64)	-	3,150
Cash capital expenditure	21,775	4,877	15,393	150	-	42,195

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

** Current assets include corporate cash and cash equivalents of US$3.1 million, investments of US$21.2 million, inventories of US$67.8 million, trade and other receivables of US$31.2 million and other assets of US$5.1 million. Eliminations relate to intercompany accounts receivable.

*** Capital expenditure – additions in 2015 – includes additions to property, plant and equipment of US$54.5 million (Note 15), capitalised interest of US$12.4 million (Note 15) and prepayments made for property, plant and equipment of US$0.2 million.

Non-current assets for 2015 are located in the Russian Federation (US$995.7 million) and in the Kyrgyz Republic (US$43.0 million). Current assets for 2015 are located in the Russian Federation.

Year ended 31 December 2014	Gold production segment	Polymetallic concentrate production segment	Develop-ment & exploration	Other	Eliminations	Total
	US$000	US$000	US$000	US$000	US$000	US$000
Revenue						
Gold revenue	207,326	-	-	-	-	207,326
Silver revenue	1,571	-	-	-	-	1,571
Concentrate revenue	-	94,521	-	-	-	94,521
Other third-party	314	265	233	-	-	812
Inter-segment	107	-	673	13,032	(13,812)	-
Total revenue	**209,318**	**94,786**	**906**	**13,032**	**(13,812)**	**304,230**
Cost of sales	166,925	60,338	1,172	83	-	228,518
EBITDA	78,291	50,661	(2,396)	(2,939)	-	123,617
Other segment information						
Depreciation	(39,024)	(20,246)	(47)	(75)	-	(59,392)
Movement in ore stockpiles obsolescence provision	(664)	-	-	-	-	(664)
Movement in raw materials and consumables obsolescence provision	(605)	96	-	-	-	(509)
Impairment losses related to cash-generating units	-	-	(11,401)	-	-	(11,401)
Individual impairment of construction in progress	-	-	(500)	-	-	(500)
Gain on settlement of contingent consideration						5,622
Loss from disposal of an entity						(918)
Finance income						3,457
Finance costs						(4,226)
Foreign exchange loss						(9,599)
Profit before income tax						**45,487**
Income tax						(70,330)
Loss for the year						**(24,843)**
Segment assets at 31 December 2014						
Non-current assets						
Capital expenditure*	231,553	185,696	559,811	552	-	977,612
Goodwill	22,253	5,134	59,732	-	-	87,119
Other non-current assets	8,060	357	1,446	463	-	10,326
Current assets**	111,555	35,225	7,216	50,327	(35,584)	168,739
Total assets						**1,243,796**
Capital expenditure – additions in 2014*, including:**	38,368	7,829	25,256	106	-	71,559
Stripping activity assets	5,554	-	-	-	-	5,554
Capitalised bank interest	1,714	-	9,281	-	-	10,995
Settled accounts payable	(2,161)	(132)	(8,197)	(38)	-	(10,528)
Cash capital expenditure	33,261	7,961	24,172	144	-	65,538

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

** Current assets include corporate cash and cash equivalents of US$12.9 million, investments of US$43.0 million, inventories of US$77.3 million, trade and other receivables of US$28.9 million and other assets of US$6.6 million. Eliminations relate to intercompany accounts receivable.

*** Capital expenditure – additions in 2014 – includes additions to property, plant and equipment of US$67.7 million (Note 15) and capitalised interest of US$11.0 million (Note 15) less prepayments previously made for property, plant and equipment of US$7.1 million.

Non-current assets for 2014 are located in the Russian Federation (US$1,032.4 million) and in the Kyrgyz Republic (US$42.7 million). Current assets for 2014 are located in the Russian Federation.

Income tax

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	2015 *US$000*	*2014* *US$000*
Consolidated statement of comprehensive income		
Current income tax:		
Current income tax charge	15,867	20,677
Adjustments in respect of prior year tax	804	249
Adjustments in respect of prior year withholding tax	738	-
	17,409	**20,926**
Deferred income tax:		
Relating to origination of temporary differences	6,504	49,404
Income tax expense reported in the statement of comprehensive income	**23,913**	**70,330**

The majority of the Group entities are Russian tax residents. A reconciliation between the actual tax expense and the expected tax expense based on the accounting profit multiplied by Russian statutory tax rate of 20% for the year ended 31 December 2015 and 2014 is as follows:

	2015 *US$000*	*2014* *US$000*
Accounting profit before income tax	**13,894**	**45,487**
At Russian statutory income tax rate of 20%	2,779	9,097
Non-deductible expenses	2,748	2,143
Effect of translation of tax base denominated in foreign currency	8,758	52,204
Adjustments in respect of prior year tax	804	249
Adjustments in respect of prior year withholding tax	738	-
Lower tax rates on overseas losses	3,218	2,293
Unrecognised losses	1,305	4,874
Loss/ (gain) from other unrecognised temporary differences	212	(530)
Losses arising from goodwill impairment	3,351	-
Income tax expense at the effective tax rate of 172% (2014: 155%)	**23,913**	**70,330**
Income tax expense reported in the consolidated statement of comprehensive income	**23,913**	**70,330**

Deferred income tax

Deferred income tax at 31 December relates to the following:

	Consolidated statement of financial position		*Consolidated statement of comprehensive income*	
	2015 *US$000*	*2014* *US$000*	*2015* *US$000*	*2014* *US$000*
Deferred income tax liability				
Property, plant and equipment	(146,570)	(142,271)	4,299	36,639
Inventory	(9,384)	(9,880)	(496)	6,641
Accounts receivable and other debtors	(710)	(803)	(93)	644
Deferred financing costs	(25)	(58)	(33)	(34)
	(156,689)	**(153,012)**	**3,677**	**43,890**
Deferred income tax assets				
Accounts receivable and other debtors	(60)	664	724	376
Finance lease obligations	212	-	(212)	-
Trade accounts and notes payable	772	1,093	321	(251)

Tax losses	20,308	22,302	1,994	5,389
	21,232	**24,059**	**2,827**	**5,514**
Net deferred income tax liabilities	**(135,457)**	**(128,953)**	**6,504**	**49,404**

Entity-specific deferred tax positions are presented below:

	2015 US$000	***2014 US$000***
Deferred income tax assets	-	82
Deferred income tax liabilities	(135,457)	(129,035)
Deferred tax liabilities net	**(135,457)**	**(128,953)**

No deferred tax benefits are recognised in relation to site restoration provisions and obsolescence provisions. Restoration expenses are tax deductible when incurred. However, it is not certain that there will be sufficient income towards the end of the mine's life against which the restoration expenditure can be offset and therefore future tax relief has not been assumed.

The amount of the deductible temporary differences for which no deferred tax asset has been recognised in respect of the site restoration provision at 31 December 2015 is US$15.3 million (31 December 2014: US$14.9 million).

No deferred tax benefit is recognised in relation to the provision for obsolete inventory. These materials are unlikely to be used for production purposes in the future and therefore future tax relief is not assumed. The amount of the deductible temporary differences for which no deferred tax asset has been recognised in respect of the obsolescence provision at 31 December 2015 is US$15.9 million (31 December 2014: US$15.3 million).

The amount of the deductible temporary differences for which no deferred tax asset has been recognised in respect of the tax losses at 31 December 2015 is US$32.5 million (31 December 2014: US$32.2 million). The non-recognition of tax losses is due to insufficient expected future income against which these losses could be offset.

According to Russian tax legislation, tax losses expire if not utilised within 10 years of accruing.

The temporary differences associated with investments in subsidiaries, for which deferred tax liability in respect of withholding tax on dividends has not been recognised aggregate to US$298.2 million (2014: US$321.8 million). No deferred tax liability has been recognised in respect of these differences because the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The total deferred tax liabilities arising from these temporary differences should be between US$0 and US$14.9 million (2014: US$0 and US$16.1 million), depending on the manner in which the investments are ultimately realised.

Profits arising in the Company for the 2015 and 2014 years of assessment will be subject to Jersey tax at the standard corporate income tax rate of 0%.

Impairment testing of non-current assets

In accordance with the accounting policies and processes, each asset or CGU is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

Management has determined the recoverable amounts in 2015 and 2014 using fair value less costs of disposal (FVLCD) calculations. FVLCD is determined at the cash-generating unit level, in this case being the separate gold production and development and exploration assets, by discounting the expected cash flows estimated by management over the life of the mine:

- MNV till 2018;
- BG – 2023;
- Novo – 2029;
- Klen – 2030;
- Kekura – 2029;
- Taseevskoye – 2029;
- Unkurtash – 2036;
- Lubov – 2027.

The calculation of the FVLCD is sensitive to the following assumptions:

- Recoverable reserves and resources;

- Production volumes;
- Real discount rates;
- Metal prices;
- Capital expenditure and
- Operating costs.

Recoverable reserves and resources are based on the proven and probable reserves and a portion of resources expected to be converted into reserves in existence at the end of the year.

Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines approved by management as part of the long-term planning process.

Metal prices are based on management judgement with reference to well-known analysts forecasts.

Operating costs are based on management's best estimate over the life of the mine.

Discount rates represent the current market assessment of the risks specific to each project, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates.

The table below shows the key assumptions used in the fair value calculation at 31 December 2015 and 2014.

	2015	***2014***
Post-tax discount rate for cash flows in the operating gold mining company (MNV), %	7.54	9.35
Post-tax discount rate for cash flows in the operating gold mining company (BG), %	8.54	10.35
Post-tax discount rate for cash flows in the polymetallic mining company (Novo), %	7.54	10.35
Post-tax discount rate for cash flows in the gold mining company being at development stage (Klen), %	9.54	11.35
Post-tax discount rate for cash flows in the gold mining company being at development stage (Taseevskoye), %	9.54	11.35
Post-tax discount rate for cash flows in the gold mining company being at exploration stage (Kekura), %	9.54	11.35
Post-tax discount rate for cash flows in the gold mining company being at exploration stage (Unkurtash)*, %	9.54	11.35
Post-tax discount rate for cash flows in the gold mining company being at exploration stage (Lubov), %	9.54	11.35
Gold price, US$ per ounce in the future year	1,050	1,200
Gold price, US$ per ounce in the year after the next	1,150	1,200
Silver price, US$ per ounce in the future periods	15	16
Lead price, US$ per tonne in the future periods	1,700	2,200
Zinc price, US$ per tonne in the future periods	1,700	2,200

* No income tax in Kyrgyzstan since 2012.

As a result of the recoverable amount analysis performed during the year, the following impairment losses were recognised:

	2015 US$000	***2014 US$000***
Goodwill	16,754	10,205
Exploration and evaluation assets	14,016	-
Property, plant and equipment	5,212	-
Mine properties	-	1,196
Total impairment losses	**35,982**	**11,401**

An impairment loss was recognised in 2015 in relation to the Kekura project. The triggers for the impairment loss recognition were primarily the effect of lower gold price assumption and changes to the mine plan which resulted in postponing the development activities at Kekura. As part of the Group's annual impairment assessment, it was determined that due to the changes in estimates of the mine plan, the carrying amount of goodwill and exploration and evaluation assets exceeded their recoverable amounts. The carrying amount of goodwill allocated to Kekura has been reduced to Nil via the recognition of an impairment loss of US$16.8 million during the year ended 31 December 2015. US$14.0 million was recognised as an impairment loss in respect of exploration and evaluation assets at Kekura and US$5.2 million was recognised as an impairment loss in respect of property, plant and equipment at Kekura.

Any rise in the post-tax discount rate, any decrease in gold prices below 1,150 per ounce or any increase in operating or capital costs at Kekura would result in a further impairment of exploration and evaluation assets and property, plant and equipment.

An impairment loss was recognised in 2014 in relation to the Klen project. The triggers for the impairment test were primarily the effect of changes to the mine plan which resulted in postponing the development activities at Klen. As part of the Group's annual impairment assessment, it was determined that due to the changes in estimates of the mine plan, the carrying amount of goodwill and mine properties exceeded their recoverable amounts. The carrying amount of goodwill allocated to Klen and representing a deferred tax liability was reduced to Nil via the recognition of an impairment loss of US$10.2 million during the year ended 31 December 2014. Another US$1.2 million was recognised as an impairment loss in respect of mine properties at Klen.

For impairment of property, plant and equipment and intangible assets, fair value less costs of disposal are determined by discounting the post-tax cash flows expected to be generated from future gold production net of selling costs taking into account assumptions that market participants would typically use in estimating fair values. These estimates are categorised within Level 3 of the fair value hierarchy. Post-tax cash flows are derived from projected production profiles for each asset taking into account forward market commodity prices over the relevant period and where external forward prices are not available the Group's Board approved life-of-mine model assumptions are used. As each asset has different reserve and resource characteristics and contractual terms, the post-tax cash flows for each asset are calculated using individual economic models which include assumptions around the amount of recoverable reserves, production costs, life of mine/ licence period and the selling price of the gold produced. Refer to Note 31 for fair value disclosures in respect of assets carried at fair value.