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Good afternoon, ladies and gentlemen.

I would like first to thank Stephen Jennings and Renaissance Capital for inviting Highland Gold to share such a distinguished platform.

I think it would be presumptuous of me to claim that we are already opinion-makers. But the future for Russian business will lie with new companies as well as with established ones, and I do believe that Highland Gold is at the forefront of a new wave in the Russian economy that will shape opinion about investment in Russia. That is what I would like to talk about today.

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I'll start with a brief reminder of the context in which we operate.

The pattern of gold production around the world is changing. Social, legal and political challenges have caused the amount of gold produced in South Africa, which dominated global production for many years, to decrease sharply, as you can see from this slide. The US and Australia, No. 2 and No. 3 respectively in the global league table, have also lost share. In 2002, the amount of gold produced by countries such as China, Indonesia, Uzbekistan and Peru increased, and the proportion of the world's gold produced by Russia outstripped that of Canada for the first time. There is a distinct shift from

developed countries into developing ones, and the assets of Russia are becoming increasingly productive.

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The Russian gold sector has strong fundamentals which will underpin its continuing growth. Firstly, it is clearly rich in gold, with 10,000 tonnes of the world's known reserves located in the Russian Federation. But with 183 tonnes mined in 2002, most of that gold is yet to be brought into production.

Estimating the cost of doing so is greatly helped by the fact that Russian resources have been extensively explored, with much valuable work carried out in the 1970s and 1980s. In many cases projects have been partially developed, and consequently a highly trained workforce already exists. Also, production costs in Russia remain relatively low. And finally, Russian classification systems are characteristically meticulous, and broadly comparable to the JORC system more familiar in the West.

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Despite these strong fundamentals, the Russian gold sector developed slowly in the 1990s. Budgets were squeezed, and development curtailed. Lack of working capital, commercially inexperienced management and economic crisis drove producing assets into bankruptcy – like our mine MNV, which was taken over by its present management after it ran into difficulties for these very reasons. While Western capital remained wary of Russia, the major

local metals producers, like Norilsk, focused on restructuring and improving efficiency. It was only from the end of the 1990s that we saw the formation of small entrepreneurial groups whose purpose was to restructure existing gold mining facilities and develop assets that had already been explored.

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Today, the Russian gold sector is poised for growth. The assets of the world's traditional producing countries are becoming depleted, and little exploration work is being carried out in their territories, while we are experiencing a sustained global demand for gold, reflected in its continuing price recovery. At the same time, as you are well aware, the Russian business environment is much improved. The combination of easier access to international capital, lower US\$ lending rates for Russian borrowers, decreasing inflation, improving corporate governance, and increasingly favourable regulatory and tax regimes provides a powerful stimulus for new investment.

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Currently, the sector is highly fragmented, with over 700 individual, generally small producing entities.

We are already seeing evidence of increased investment, including from Highland Gold, leading to further growth of the sector. We believe that we could see Russian production increase from 186 tonnes of gold this year to as much as 300 tonnes over the next 5 or 6 years. Against the background of rapid development I am

describing, there are only a few players that can combine efficient management and local operating skills with a solid growth platform and access to capital for serious projects. Over the next two to three years I believe we will see a substantial rise in valuation multiples as investors recognise the potential of the Russian gold sector, and seize the best opportunities it offers.

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Highland Gold was formed to unlock the value of Russian gold opportunities. It was listed on the Alternative Investment Market of the London Stock Exchange on 17 December 2002, when its shares traded at 200 p. This morning they opened at 250 p. The Group has 4 key assets: MNV, Darasun, Novoshirokinskoye and Mayskoye. Of these, MNV and Mayskoye are two of the largest known deposits in Russia.

MNV was the third largest producing gold mine in Russia in 2002, with a total of 178,000 oz of gold, or 3.6% of the country's production. Our plans to develop the projects we already own will take Group production to 575,000 oz of gold in 2007, which represents approximately 10% of today's base.

Our three assets in development are:

- Darasun, a very well-known mine in Chita, with 3 deposits;
- Novoshirokinskoye, a gold and polymetallic project in the same region, where we are completing a feasibility study;

- And Mayskoye, a world-class gold deposit in Chukotka, whose acquisition for \$34.9m we announced in early September.

We plan to bring all three of these projects into production in sequence over the next three years, while continuing to look for further acquisition opportunities.

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I would like to emphasize the extent to which all our projects are advanced. I think this slide, which shows you the full picture of mining development from its earliest exploratory stages right the way through to production, helps to make my point. MNV is fully operational. Darasun is very close to production – the mill is largely built and will be in operation next year. Novosirokinskoye and Mayskoye are both in the feasibility stage, where optimisation of recoveries is being studied and operating costs refined. In all four projects, you can see how much preparatory work has already been done.

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Our strategy is to build the most profitable – most efficient – Russian gold mining group. We aim to do this by acquiring and consolidating high quality gold mining assets at various stages of exploration, development and production. We believe we can achieve this goal, and deliver consistent returns to our shareholders, because we have a highly competent management team. This team has a track record

of producing consistent production, profit and cash flow growth at MNV. We only commit to what we know we can deliver. We do not overpromise. This has helped us form relationships of trust and a network of contacts through which we can access capital for further development also, we do not hedge production against future sales.

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It may be helpful to see the location of our existing assets on a map. People who make jokes about Chukotka being remote will appreciate how close it is to US territory!

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Group reserves today stand at 8.1m oz of gold and gold equivalents, worth approximately \$3bn at current market prices. Resources amount to 17m oz. Our figures do not include resources in the Russian P category, which represents further exploration potential.

You can see from this slide how we have advanced since 2001, when reserves and resources derived only from MNV. Adding Darasun and Novosirokinskoye in 2002, we more than doubled our resource base, and with the acquisition of Mayskoye last month, we more than doubled it again.

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This slide compares Highland Gold with its international peers in terms of resource growth. It shows the rate at which we have grown

our resources – by approximately 400% on a per share basis – with only limited dilution.

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As we draw on this base to bring projects into production, we are projecting rapid growth in ounces of gold produced. We are on track to produce 194,000 oz from MNV for the full year 2003. Next year, we expect Darasun to begin production, initially at 40,000 oz, then moving up rapidly to achieve its full potential of 120,000 oz from 2005.

By then, we also anticipate a first contribution from Novosibirskoye, which is due to climb to a run rate of 75,000 oz from 2006. When Mayskoye comes on stream in 2006, we will pass the half-million mark, and when it is in full production in 2007 we expect to produce 575,000 oz from these 4 assets.

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How are we going to finance this growth? You can see in the far right of the top column in this table that over 4 years our total projected investment is \$238m. Reading down that column, at a gold price of \$350/oz, our development would be financed by \$147m of cashflow, and we would need an additional \$90m of financing. If the gold price is better than that, at \$400/oz, we would only need \$47m – and we have already negotiated a banking facility of \$67m.

On a year by year basis, at \$350/oz we have ample headroom in 2003, rather less in 2004, and would need to readdress our capital structure in 2005. There are a number of options open to us here and we have time to consider them. At \$400/oz, of course, we have even more headroom.

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I would like to spend a moment now on a subject of obvious interest to investors: risk.

Your questions will be likely to include the following:

Firstly, resources. Do we have what we claim to have?

The risk to Highland Gold's resources and reserves is low. Soviet, and later Russian, authorities adopted a more conservative approach to assessment than many of their Western counterparts, and their calculations were verified by the State Committee for Reserves.

Again, I cannot over emphasise just how much exploration work has already been done on our assets, which obviously limits the potential for resource risk.

Secondly, financing. Can we afford to develop the reserves?

Beyond the structure I outlined on my previous slide, I would add that where financial risks are concerned, margin is protected by the fact that our revenues are US\$-indexed, and 60% of our costs are rouble-denominated. Despite having low cash costs of \$152 an ounce, we have introduced comprehensive, frequent reporting systems to

ensure we maintain strict control of costs. And, as I said, we operate a no-hedging policy.

Thirdly, operations. Can we execute our plans? Operating risk is limited by several factors. All our projects are extensively explored, with high-grade, easily accessible ore and significant infrastructure already in place. The key licences are held until 2018 and 2023. Our experienced management team is skilled in the use of proven technologies which have been tested on the ores in our deposits. And the extent of existing facilities translates into decreased construction risk, with lower building costs and less likelihood of overruns on construction schedules.

I know ownership is an issue that concerns investors in Russia. In the case of our 3 major deposits – MNV, Darasun and Mayskoye – we own 100% of the operating companies and through them the assets of each deposit. In the case of Novosirokinskoye, we already own 87% of the equity and expect that figure to rise further. We have no local joint venture partners.

Finally, the interests of management are certainly aligned with those of our shareholders, since managing director Ivan Koulakov is a shareholder, as are other directors.

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I'd now like to draw together a few points about the valuation of Highland Gold.

Today, we are capitalised at \$470m on an estimated 2003 production of 194,000 oz of gold, rising to 575,000 oz in 2007. Our reserves and resources amount to 8.1m oz and 17m oz respectively, giving us considerable scope for development.

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Now if you look at the 2 graphs on this slide you will see our capitalisation per oz of reserves, and per oz of production, relative to our peers.

On the left-hand graph, the 7 companies shown on the left-hand side have average reserves of 5.2m oz, against our 8.1m oz.

On the right-hand graph, the 2003 estimated production of our entire peer group is 325,000 oz – the same annualised production as Highland Gold will have from June next year. Looking out to 2007, that same peer group will have an estimated aggregate production of 592,000 oz – very comparable to the 575,000 oz projected for Highland Gold.

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I think that brings me back to where I began, when I said I would try to explain why Highland Gold was part of a new wave in the Russian economy. The basis on which we are rapidly building a mid-tier, world class gold player depends on our ability to bring together Russian opportunities and Russian skills with Western standards of transparency and corporate governance and reliable access to a

worldwide pool of capital. I hope I have demonstrated why this particular combination of features is so important, both for our own development of course, but also in a wider sense for the future of investment in Russia.