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If you have sold or otherwise transferred all of your Ordinary Shares in Highland Gold Mining Limited, please forward this document together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold part only of your holding of Ordinary Shares in Highland Gold Mining Limited please consult the bank, stockbroker or other agent through whom the sale or transfer was effected, as to the action you should take.

Each of JPMorgan Cazenove Limited and N M Rothschild & Sons Limited, which are authorised and regulated in the UK by the UK Financial Services Authority and are a member of the London Stock Exchange, are acting for Highland Gold Mining Limited and no one else in connection with the matters described in this document and are not advising any other person and accordingly will not be responsible to any person other than Highland Gold Mining Limited for providing the protections afforded to its respective clients, or for providing advice in relation to the matters described in this document. JPMorgan Cazenove Limited acts as the Nominated Adviser for Highland Gold Mining Limited.

Application will be made for Admission of the Second Subscription Shares for trading on AIM following Second Completion and it is expected that Admission will occur on or about 16 January 2008. This document does not constitute a prospectus or an admission document and has not been approved by the UK Financial Services Authority. This document does not constitute or form part of any offer or invitation to acquire or apply for any securities in the Company. A copy of this document has not been delivered to the Registrar of Companies in Jersey.

A copy of this document is available on the website of Highland Gold Mining Limited at www.highlandgold.com.

Highland Gold Mining Limited

(Incorporated and registered in Jersey under the Companies (Jersey) Law 1991, as amended, with registered number 83208)

Proposed equity subscription by Millhouse LLC

and

Notice of Extraordinary General Meeting

Your attention is drawn to the letter from the Chairman of Highland Gold Mining Limited which is set out in Part I of this document. The letter contains the recommendation that you vote in favour of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

Notice of an Extraordinary General Meeting of the Company to be held at 11.00 a.m. at 26 New Street, St. Helier, Jersey JE2 3RA on Monday, 14 January 2008 is set out at the end of this document. A Form of Proxy for use in connection with the resolutions to be proposed at the Extraordinary General Meeting is enclosed with this document. Whether or not you intend to attend the Extraordinary General Meeting in person, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible but, in any event, so as to be received by the Company's transfer agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, England BR3 4TU, no later than 11.00 a.m. on 12 January 2008.

Your attention is drawn to the risk factors set out in Part II of this document.

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Forward looking statements

Statements contained in this document that are not historical facts are forward-looking statements. These forward-looking statements are based on current expectations about future events and involve risks and uncertainties, including, but not limited to, the risks and uncertainties detailed in the section headed “Risk Factors” at Part II of this document. These forward-looking statements speak only as at the date of this document. The Company will not undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or risks or otherwise, save in respect of any requirement under applicable laws, the AIM Rules and other regulations. New information, future events or risks may cause actual results to differ materially from those expressed or implied in forward-looking statements made in this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Date of this document	18 December 2007
Latest time and date for receipt of Forms of Proxy	11.00 a.m. 12 January 2008
Extraordinary General Meeting	11.00 a.m. 14 January 2008
Completion of the Second Subscription	on or about 15 January 2008
Admission of the Second Subscription Shares	on or about 16 January 2008

PART I

LETTER FROM THE CHAIRMAN OF HIGHLAND GOLD MINING LIMITED

Directors:

James Cross (*Non-Executive Chairman*)
Ivan Koulakov (*Executive Deputy Chairman*)
Henry Horne (*Managing Director*)
Duncan Baxter (*Corporate Affairs Director*)
Scott Perry (*Finance Director*)
Christopher Palmer-Tomkinson (*Senior Independent Non-Executive Director*)
Tim Wadeson (*Non-Executive Director*)
David Fish (*Non-Executive Director*)
Alex Davidson (*Non-Executive Director*)
Nicholas Nikolakakis (*Non-Executive Director*)

Registered Office:

26 New Street
St. Helier
Jersey
JE2 3RA

18 December 2007

Dear Shareholder,

PROPOSED EQUITY SUBSCRIPTION BY MILLHOUSE LLC

1. Introduction

The Company announced on 4 December 2007 that it had signed a Subscription Agreement with Millhouse LLC whereby Millhouse LLC would subscribe in cash for a total of 130,100,000 Ordinary Shares at a price of £1.51 per Ordinary Share. The Subscription Agreement provides for a First Subscription and a Second Subscription, each of which are in respect of 65,050,000 Ordinary Shares.

Completion of the First Subscription took place on 10 December 2007 and was made pursuant to existing shareholder authorities. On completion of the First Subscription the Company received the sum of £98,225,500 from Millhouse LLC. The Ordinary Shares issued on Completion of the First Subscription were admitted to trading on AIM and trading commenced on 11 December 2007. Millhouse LLC's shareholding, following the First Subscription, represents approximately 25.0 per cent. of the Company's issued Ordinary Shares.

The requisite Resolutions to allow completion of the Second Subscription will be proposed at an Extraordinary General Meeting which has been convened for 11.00 a.m. on 14 January 2008. Details of the Resolutions are set out in paragraph 11 below and in the Notice of EGM at the end of this document.

Subject to the passing of the Resolutions, completion of the Second Subscription is expected to take place on or about 15 January 2008. Upon completion of the Second Subscription the Company will receive the sum of £98,225,500. It is expected that admission and commencement of trading in the Second Subscription Shares on AIM will commence at 8.00 a.m. on or about 16 January 2008. Following completion of the Second Subscription, Millhouse LLC's shareholding will represent 40.0 per cent. of the then issued Ordinary Shares.

The purpose of this document is to give you details of the First and Second Subscriptions and to ask you to vote in favour of the Resolutions at the EGM, notice of which is set out at the end of this document.

2. Background to and reasons for the Transaction

The Company's portfolio of development assets, most notably Mayskoye and Taseevskoye, will require a significant amount of investment over the next two to three years to progress the projects towards production. In addition, the joint venture at Novoshirokinskoye, which is being developed in partnership with Kazzinc, will require funding in order to bring it into production planned for Q4 2008. Taking into account all these

funding requirements and the Company's current net debt position of approximately US\$160 million, the Board decided that a fresh injection of equity is required as an essential component of the Company's capital structure. The proceeds of the First and Second Subscriptions will allow the Company to proceed with this very active development programme and will reduce its reliance on debt financing.

In addition, the Company now has a shareholder of notable standing in Russia and this relationship will supplement the existing relationship with Barrick, creating a strong platform for exploiting the Company's attractive asset base.

Barrick, a significant shareholder in the Company which increased its participation to 34 per cent. in December 2006, is supportive of the transaction. Barrick's ownership level will fall from 34 per cent. to 20 per cent. following the Second Subscription.

A Relationship Agreement has been put in place between the Company and Millhouse LLC to protect the rights of minority shareholders and maintain the independence of the Company.

3. Information on Millhouse LLC

Millhouse LLC is a Moscow-based asset management company overseeing investments in a variety of industries including mining and metallurgy, real estate, pharmaceuticals, consumer products and media. Assets under management include a significant stake in steel and mining major Evraz Group and a majority interest in the Dvoinoe gold project.

4. Principal terms and conditions of the Subscription Agreement and the Millhouse LLC Relationship Agreement

The Company and Millhouse LLC have signed the Subscription Agreement setting out the terms of the First Subscription and the Second Subscription.

The Ordinary Shares issued and to be issued to Millhouse LLC are to be credited as fully paid and are to rank *pari passu* in all respects with the existing Ordinary Shares. A summary of the principal terms of the Subscription Agreement is set out at paragraph 3.1 of Part III of this document.

The Company and Millhouse LLC have also entered into the Millhouse LLC Relationship Agreement which seeks to ensure, amongst other things, that the Company carries on business independently of, and at arm's length to, Millhouse LLC. Under the Millhouse LLC Relationship Agreement, Millhouse LLC will have the right to appoint, subject to Jersey law and the Articles, a number of directors to the Board depending on the size of its shareholding. Following completion of the First Subscription, Millhouse LLC was, subject to Jersey law and the Articles, entitled to appoint three directors out of a Board comprising nine directors and this will remain the case following completion of the Second Subscription. Millhouse LLC also has the right to appoint a chief executive officer who will not serve on the Board. I, James Cross, will remain as Chairman of the Board.

A summary of the principal terms of the Millhouse LLC Relationship Agreement is set out at paragraph 3.2 of Part III of this document.

5. Board changes

In accordance with its rights under the Millhouse LLC Relationship Agreement, Millhouse LLC has nominated the following individuals for appointment to the Board:

Name

Eugene Shvidler

Eugene Tenenbaum

Olga Pokrovskaya

Mr. Shvidler, born in 1964, has been with the Millhouse group since 2001. He worked at Russian oil major Sibneft from 1996 through 2005, initially as senior vice president and, from 1998, as president of the company. Prior to that, he was a member of the international tax group at Deloitte & Touche in New York from 1992 until 1994. Mr. Shvidler is a graduate of the I. M. Gubkin Moscow Institute of Oil and Gas with a specialty in applied mathematics and received an MBA in finance and international tax accounting from Fordham University in 1991. He is currently Chairman of Millhouse group and is a member of the Board of Evraz Group S.A.

Mr. Tenenbaum, born in 1964, served as head of corporate finance for Sibneft in Moscow from 1998 through 2001. In 1994, he joined Salomon Brothers as a director for corporate finance, where he worked until 1998. Prior to that, he spent five years in corporate finance with KPMG in Toronto, Moscow and London, including three years (1990-1993) as national director at KPMG International in Moscow. He was an accountant in the Business Advisory Group at Price Waterhouse in Toronto from 1987 until 1989. Mr. Tenenbaum is a chartered accountant and holds a bachelors degree in commerce and finance from the University of Toronto. He is currently managing director of Millhouse Capital UK Ltd and a member of the Boards of Chelsea FC Plc and Evraz Group S.A.

Ms. Pokrovskaya, born in 1969, joined Millhouse LLC as head of corporate finance in July 2006. She previously held several key finance positions in Sibneft since 1997, including serving as head of corporate finance since 2004. From 1991 until 1997, she worked as a senior audit manager at accountancy firm Arthur Andersen. Ms. Pokrovskaya graduated with honours from the State Financial Academy in 1991. She is currently Head of Corporate Finance, Millhouse LLC and is a member of the Board of Evraz Group S.A.

Subject to Jersey law and the Articles, it is expected that these appointments to the Board will become effective in due course. Upon these appointments, it is expected that the Board will be reconfigured to comprise nine Directors in total. Further details on the new composition of the Board and the executive will be announced on or before the date on which the Millhouse LLC nominees are appointed to the Board.

6. Senior management changes

Millhouse LLC has the right to appoint the chief executive officer of the Company and this appointment is expected to take place in due course. The CEO to be appointed by Millhouse LLC will not be a director of the Company.

7. Barrick Cooperation Agreement

The existing cooperation agreement between the Company and Barrick will remain in effect subject to certain consequential amendments to reflect the terms of the Millhouse LLC Relationship Agreement. These amendments include a reduction in the number of directors that may be appointed by Barrick from three to two. Following completion of the First Subscription, Barrick's holding of Ordinary Shares represents 25 per cent. of the issued Ordinary Shares. Following Completion of the Second Subscription it will represent 20 per cent. of the then issued Ordinary Shares.

A summary of the principal terms of the Barrick Cooperation Agreement is set out at paragraph 4 of Part III of this document.

8. Current trading

Mnogovershinnoe (MNV) has increased open pit production with better than anticipated ore grades and improved milling performance with greater tonnage throughput and higher recoveries. This has led to higher than forecast ounce production in November and December month-to-date. The Company is on track to meet its production target of 150,000 ounces of gold for 2007.

Development work due to lead to the commissioning of the Novosirokinskoye project in Q4 2008 remains on schedule. Infrastructure construction is ongoing, with a workforce of more than 600 employees currently on site. All pre-winter activities have now been completed and orders have been placed for all long-lead-time major processing and mining equipment. Underground mine development is underway on four working levels and a study commissioned on the ore reserve base to JORC code standards will be completed in Q1 2008.

At the Taseevskoye project the Company expects the reconciliation of the reserve/resource base to be finalised in Q1 2008. Options for various ore processing methods are currently under review and an ore-grade cut-off study is being prepared for submission to the Russian Government Commission For Natural Resources Reserves (GKZ) in Q1 2008. Taseevskoye is scheduled to begin operations in 2010.

The feasibility study for the Mayskoye project is scheduled for completion by year end, at which time it will undergo an internal review process. Work on the JORC ore resource update is also in progress. Orders have been placed for the first phase of underground mining equipment, with the start-up of development works planned for the summer of 2008. The Company expects operations at Mayskoye to begin towards the end of 2010.

In addition, the Company has several exploration projects in its portfolio, one of which, Belaya Gora (Khabarovsk region), is in an advanced stage of exploration works.

9. Takeover Code

Although the Company has its registered office in Jersey, its place of central management and control is currently located outside the UK, the Channel Islands and the Isle of Man. Accordingly, the Panel has previously confirmed that the Company is not subject to the Takeover Code.

This was the position when Barrick increased its participation in the Company to 34 per cent. in December 2006 as detailed in the circular to Shareholders dated 20 November 2006 and it is not expected that it will change as a result of the arrangement with Millhouse LLC described in this document. If circumstances change, the Company will consult with the Panel to ascertain whether this will affect the central management and control of the Company. If the Panel determines that, as a result of such changes, the place of central management and control of the Company is located in the UK, the Channel Islands or the Isle of Man such that the Takeover Code then becomes applicable to the Company, an announcement will be made.

As the Company is not currently a company subject to the Takeover Code, Shareholders will not benefit from the protections offered by the Code. Shareholders (including Barrick and Millhouse LLC) are able to increase their interests in voting rights in the Company to any level without having to make a mandatory offer under the Takeover Code.

10. Risk Factors

Shareholders should consider fully and carefully the risk factors associated with the Company. Your attention is drawn to the risk factors set out in Part II of this document.

11. Extraordinary General Meeting

The issue of the Second Subscription Shares is conditional upon, *inter alia*, the passing of the Resolutions to be proposed at the Extraordinary General Meeting to be held at 11.00 a.m. on 14 January 2008 at 26 New Street, St. Helier, Jersey JE2 3RA, notice of which is set out at the end of this document.

At the Extraordinary General Meeting, the following Resolutions will be proposed as special resolutions:

- (1) to increase the authorised share capital of the Company from £400,000 divided into 400,000,000 Ordinary Shares of £0.001 each to £750,000 divided into 750,000,000 Ordinary Shares of £0.001 each; and
- (2) (a) to revoke the authority given to the Directors by special resolution of the Company passed on 13 December 2006, but without prejudice to any allotment already effected under that resolution (including, without limitation, the 65,050,000 Ordinary Shares which have already been allotted pursuant to the Subscription Agreement), and provided also that the Directors may allot Ordinary Shares in pursuance of any offer or agreement to do so (excluding the 65,050,000 further Ordinary Shares to be allotted pursuant to the Subscription Agreement), conditional upon, *inter alia*, the passing of Resolution 1 and this Resolution 2, but including, without limitation, pursuant to any share options granted by the Company and any Ordinary Shares remaining to be allotted under the Barrick Share Exchange Agreement (as defined in the

circular to shareholders dated 20 November 2006) made by the Company before the date of the passing of this Resolution 2, as if the authority given by that resolution continued in full force and effect; and

- (b) to generally and unconditionally authorise the Directors to allot and grant rights to subscribe for or to convert securities into shares of the Company without first making an offer to existing Shareholders, up to a maximum nominal amount equal to 33 per cent. of the nominal amount of the authorised but unissued share capital of the Company at the date of the passing of this Resolution 2 (taking into account the increase in authorised share capital passed pursuant to Resolution 1), to such persons at such times and on such terms as they think proper, such authority to expire at the annual general meeting of the Company in 2011 unless previously renewed or varied.

Under Jersey law and the Articles, the Resolutions require a two-third majority of votes cast in person or by proxy in favour at the Extraordinary General Meeting.

The Ordinary Shares issued on completion of the Second Subscription will be allotted pursuant to the authority granted by Resolution 2. Following issue of these shares, the Directors will have authority to allot Ordinary Shares representing 29.7 per cent. of the then issued Ordinary Shares.

The full text of the Resolutions is set out in the Notice at the end of this document.

12. Action to be taken

Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Extraordinary General Meeting. Whether or not you intend to be present at the Extraordinary General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions printed on it and return it as soon as possible, but in any event so as to be received by the Company's transfer agent, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, England BR3 4TU, no later than 11.00 a.m. on 12 January 2008. Completion and return of the Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you so wish.

13. Recommendation

The Directors unanimously recommend that you vote in favour of the Resolutions, as they intend to do in respect of their own beneficial shareholdings, amounting in aggregate to 21,397,149 Ordinary Shares, representing approximately 8.2 per cent. of the issued Ordinary Shares following completion of the First Subscription.

The Directors have received financial advice from JPMorgan Cazenove and Rothschild. In providing their advice, JPMorgan Cazenove and Rothschild have relied upon the Directors' commercial assessment of arrangements contemplated by the Subscription Agreement and the Millhouse LLC Relationship Agreement.

Barrick, Millhouse LLC and Ivan Koulakov have each undertaken to vote in favour of the Resolutions in respect of their holdings of Ordinary Shares of 25.4 per cent., 25.0 per cent. and 7.8 per cent. respectively, which amount to 151,478,116 Ordinary Shares in aggregate, representing approximately 58.2 per cent. of the issued Ordinary Shares.

Yours faithfully



James Cross
Chairman

PART II

RISK FACTORS

This Part II addresses certain risks to which the Group is exposed which could adversely affect the business, cash flow, financial condition, turnover, profits, assets, liquidity and capital resources of the Group. Shareholders should consider these risks fully and carefully, together with all the information set out in this document.

This Part II is divided into risks which are specific to the Company (Part A) and those which are general risks associated with the mining industry (Part B). It should be noted that this list is not exhaustive and that other risk factors may apply. Any one or more of these risks could have a material adverse effect on the value of the Company and should be taken into account in assessing the Group.

The risks identified below are not intended to be presented in any assumed order of priority.

A. Risks specific to the Company

Exchange rates and currency risk

As a consequence of the international nature of the Group's business, the Group is exposed to the risk of changes in foreign currency exchange rates. This may result in gains or losses with respect to movements in exchange rates that may be material and may also cause fluctuations in reported financial information that are not necessarily related to the Group's operating results.

Any future Group income from its product sales will be subject to exchange rate fluctuations and could become subject to exchange controls or similar restrictions. Currency conversion may have an adverse effect on income or asset values.

Physical infrastructure and power supply

The activities of the Group are dependent on road and rail links throughout Russia to transport raw materials, supplies, products and people over long distances between its facilities and ports/airports. Road and rail networks, power supply and communication systems may not be adequately maintained in certain areas. Any deterioration of infrastructure may harm the national economy, disrupt the transportation of goods and supplies, add cost to doing business in Russia and could interrupt business operations, thereby having a material adverse effect on the Group.

Although, the Group has taken precautions to ensure that it has facilities to provide power independently of the relevant regional power suppliers, any disruption to the power supply could adversely affect production and could be caused by factors outside the Group's control.

Weather conditions

Adverse weather conditions can hinder access to the Group's facilities and cause severe disruption to its business operations.

Insurance coverage

There are significant exploration and operating risks associated with exploration for gold, including adverse weather conditions, environmental risks and fire, all of which can result in injury to persons as well as damage to or destruction of the extraction plant, equipment, formations and reserves, production facilities and other property. In addition, the Group may be subject to liability for environmental risks such as pollution and abuse of the environment. Although the Group will exercise due care in the conduct of its business and will maintain what it believes to be customary insurance coverage for companies engaged in similar operations, the Group is not fully insured against all risk in its business. The insurance industry is not yet well developed in Russia meaning that many forms of insurance protection used in economically more developed countries are unavailable on the terms common in such countries. In addition, the Group may

become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. The Group may incur a liability to third parties in excess of any insurance cover arising from pollution or other damage or injury. The occurrences of a significant event against which the Group is not fully insured could have a material adverse effect on its operations and financial performance.

Environmental factors

The Group's operations are subject to environmental regulation (including regular environmental impact assessments and permitting). Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Group may also be subject under such regulations to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and permitting are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Licences and Regulatory Approvals

The Company believes that it currently holds all necessary approvals, licences and permits under applicable laws and regulations in respect of its exploration, mining and processing activities and believes it is presently complying in all material respects with the terms of such approvals, licences and permits.

Exploration, mining and processing activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be granted for a defined time only, withdrawn or made subject to limitations and/or conditions, including starting production capacity by a prescribed date. There can be no assurance that the Company will be able to obtain or maintain or renew (and if so, on what terms) all necessary approvals, licences and permits that may be required. Delays in production start dates due to general mining and/or processing risks may have an impact on the ability of the Company to maintain or renew its licences, concessions, leases, permits and/or regulatory consents and reference should be made to the general risks identified in Part B below.

Financing

The successful extraction of gold requires very significant capital investment. Delays in the construction and commissioning of any of the Group's mining projects or drilling projects or other technical difficulties may result in projected target dates for related production being delayed and/or further capital expenditure being required. In common with all mining and drilling operations, there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in laboratory conditions. The Group's ability to raise further funds will depend on the success of existing and acquired operations. The Group may not be successful in procuring the requisite funds and, if such funding is unavailable, the Group may be required to reduce the scope of its operations or anticipated expansion. In the event that financing is successful it may mean that new Ordinary Shares need to be issued on a non-preemptive basis, thus diluting the interests of investors at that time.

A portion of the Group's activities will be directed to the search for and the development of new mineral deposits. Significant capital investment will be required to achieve commercial production from the Group's existing exploration projects and from successful exploration efforts. There is no assurance that the Company will be able to raise the required funds to continue these activities and there can be no guarantee that such funding will ultimately be available.

Management of Growth

If the Company grows as expected, it must successfully increase and implement additional resources to support its operations. If growth cannot be managed effectively, the Company's business, financial conditions and results from operations could be adversely affected.

Health and safety

A violation of health and safety laws relating to a mine, or other plant or a failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of the mine, or other plant, a loss of the right to mine or other plant or the imposition of costly compliance procedures. If health and safety authorities require the Group to shut down all or a portion of a mine, or other plant or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have a material adverse effect on the Group's results of operations or financial condition.

Following the fire at Darasun in September 2006, criminal proceedings have been commenced against five Darasun employees who are accused of breach of mining safety rules. Final verdicts are anticipated in early 2008. Notwithstanding that the Company no longer owns the Darasun mine, the Company has voluntarily agreed to reimburse the legal expenses incurred both during the criminal investigation and the subsequent court proceedings.

As part of the contractual arrangements with the purchaser of Darasun, the Company has agreed to compensate Darasun for the losses it continues to incur in civil litigation claims brought by the families of the victims against Darasun. Due to the uncertainty as to the number and the amounts of further successful claims, the Company has estimated its further potential exposure to be approximately US\$300,000 which has been provided for.

Property rights

Whilst the Group has diligently investigated title to all mineral claims and, to the best of its knowledge, titles to all properties are in good standing, this should not be construed as a guarantee of title. The properties may be subject to undetected title defects. If a title defect does exist it is possible that the Group may lose all or part of its interest in properties to which the title defect relates.

Legislation has been enacted in Russia relatively recently to protect private property against expropriation and nationalisation. However, there are certain risks associated with the Russian legal system, including a high degree of discretion on the part of the governmental authorities and conflicting local, regional and federal laws and regulations.

Takeover Code

Although the Company has its registered office in Jersey, its place of central management and control is currently located outside the UK, the Channel Islands and the Isle of Man. Accordingly, the Panel has previously confirmed that the Company is not subject to the Takeover Code.

This was the position when Barrick increased its participation in the Company to 34 per cent. in December 2006 as detailed in the circular to Shareholders dated November 2006 and it is not expected that it will change as a result of the arrangement with Millhouse LLC described in this document. If circumstances change, the Company will consult with the Panel to ascertain whether this will affect the central management and control of the Company. If the Panel determines that, as a result of such changes, the place of central management and control of the Company is located in the UK, the Channel Islands or the Isle of Man such that the Takeover Code then becomes applicable to the Company, an announcement will be made.

As the Company is not currently a company subject to the Takeover Code, Shareholders will not benefit from the protections offered by the Code. Shareholders (including Barrick and Millhouse LLC) are able to increase their interests in voting rights in the Company to any level without having to make a mandatory offer under the Takeover Code.

AIM and liquidity of the Ordinary Shares

The Ordinary Shares are quoted on AIM and not on the Official List. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies, which tend to be listed on the Official List. The AIM Rules are less demanding than those of the Official List. The fact that the Ordinary Shares are admitted to trading on AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. An investment in the Ordinary Shares may thus be difficult to realise.

Possible volatility of the price of the Ordinary Shares

Investors should be aware that the value of the Ordinary Shares may be volatile and, as a consequence, the value of the Ordinary Shares may go down as well as up. Investors may, on disposing of Ordinary Shares, realise less than their original investment or may lose their entire investment. The Ordinary Shares may, therefore, not be suitable as a short-term investment. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group's net assets.

The market price at which the Ordinary Shares will be traded on AIM and the price at which investors may realise their Ordinary Shares could be subject to significant fluctuations due to various factors and events, including, but not limited to, any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, developments in the Group's business or its competitors, large purchases or sales of the Ordinary Shares or general economic conditions. The Group's operating results and prospects from time to time may be below the expectations of market analysts and investors. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to the Group's operating performance. Any of these events could result in a decline in the market price of the Ordinary Shares.

Substantial control over the Company following the Second Subscription

Certain shareholders own a significant proportion of the issued Ordinary Shares, which proportion may be increased as a result of further purchases of Ordinary Shares either on or off the AIM market. As a result, these shareholders will be able to exercise significant control over all matters requiring shareholder approval. The ability of such shareholders to exercise significant control could cause the price of the Ordinary Shares to decline or fluctuate significantly.

The Company has entered into agreements with two such Shareholders, Barrick and Millhouse LLC, which entitle them to appoint subject to Jersey law and the Articles two and three of the directors to the Board, respectively. As a result, Barrick and Millhouse LLC, if acting together, will be able to exercise control over the majority of the Board following the Second Completion. These agreements also regulate their conduct to ensure, in essence, amongst other things, that the Company carries on business independently of, and at arm's length to, those shareholders.

Attraction and retention of key employees and general labour risk

The Group depends on its Directors and other key employees. Whilst it has entered into contractual arrangements with these individuals with the aim of securing the services of each of them, retention of these services cannot be guaranteed.

Equally the ability to attract new employees with the appropriate expertise and skills cannot be guaranteed. The Company may experience difficulties in employing appropriate staff and the failure to do so may have a detrimental effect upon the trading performance of the Group.

Some of the Group's employees are unionised. Whilst the Group has not been materially adversely affected by any labour related developments or industrial actions in the past there can be no assurance that such developments or actions may not occur in the future. Such occurrences may affect the financial results or financial condition of the Group.

Taxation framework

The Company is a Jersey incorporated company. The Directors currently intend to ensure that the Company continues to meet the conditions for exempt company status so that it continues to be treated as non-resident in Jersey for tax purposes. With effect from the year of assessment 2009, the Income Tax (Amendment No. 28) (Jersey) Law 2007 provides for the replacement of the Jersey exempt company regime with a general zero rate of corporate tax (subject to certain limited exceptions).

Under current legislation in Jersey, dividends paid by the Company to UK resident shareholders will not be subject to any Jersey withholding tax. It is possible that in the future the Group's tax position could change as a result of a change of law or practice of any relevant taxation authority in the jurisdictions in which the Group operates or the renegotiation of any double taxation treaty, or as a result of any change in the management or conduct of the Group's affairs.

Political and economic risk

Future stability of the Russian economy is largely dependent on the continuing economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy and the effectiveness of economic, financial and monetary measures undertaken by the government. Changes may occur in Russia's political, economic, fiscal and legal systems which might affect the ownership or operation of the Group's interests, including, *inter alia*, changes in exchange control regulations, ownership of mining rights, changes of government and changes in legislative or regulatory regimes. There is no guarantee that future changes in legislation will not affect the Group retrospectively.

In addition, in view of the Group's activities in overseas jurisdictions, legal uncertainties, ambiguities, inconsistencies and anomalies, which would not necessarily exist in the UK or Jersey, may arise. In particular, difficulties may arise in seeking to obtain redress through the legal courts in overseas jurisdictions.

B. General risks associated with the mining industry

General mining and processing risk

There are risks inherent in the development and exploitation of mineral deposits. The operations of the Group may therefore be disrupted by a variety of risks and hazards which are beyond the control of the Group, including, but not limited to, geological, geotechnical and seismic factors, environmental hazards, industrial and mechanical accidents, occupational and health hazards, technical failures, unscheduled plant shutdowns or other processing problems or labour disputes. Furthermore, the exploitation, development and production of natural resources are activities that involve financial risk. The occurrence of any of these hazards can delay activities of the Group and may result in monetary losses and/or in legal liability.

As is common with all mining operations, there is uncertainty and therefore risk associated with the Group's operating parameters and costs. These can be difficult to predict and are often affected by factors outside the Group's control.

Substantial expenditures are required to establish ore reserves through drilling, to determine metallurgical processes to extract metals from ore and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

General mining and exploration risk

The business of exploration for minerals is highly speculative and involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The mineral deposits to be assessed by the Group may not contain economically recoverable volumes of resources. Should the mineral deposits contain economically recoverable resources then delays in the construction and commissioning of mining projects or other technical difficulties may result in the Group's current or future projected target dates for production being delayed or further capital expenditure being required. There can, therefore, be no assurance that any mineralisation discovered will result in proven and probable reserves being attributed to the Group. If reserves are developed, it can take a number of years from the initial phases of drilling until production is possible, during which time the economic feasibility of production may change.

Exploration projects

Exploration projects have no operating history upon which to base estimates of future cash operating costs. For exploration projects, estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors.

The proposed exploration expenditure to be undertaken by the Group is based on certain assumptions with respect to the method and timing of exploration. By their nature these estimates and assumptions are subject to uncertainties and accordingly the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice. As a result, it is possible that actual cash operating costs and economic returns may differ from those currently estimated.

Reserve and resource estimates

The Group has derived its ore reserves and resource figures, as most recently presented in the Company's Annual Report and Accounts 2006, from the calculations and estimates prepared by its management. Reserve figures are estimates and there can be no assurance that they will be recovered or that they can be brought to profitable production. Reserve and resource estimates may require revision based on actual production experience. Furthermore, a decline in metal prices may render lower grade material uneconomic to recover and may in certain circumstances ultimately lead to a restatement of reserves.

Volatility of price of gold and other metals

The market price of gold is volatile and is affected by numerous factors which are beyond the Group's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Purchases and sales of gold bullion holdings by central banks or other large holders or dealers may also have an impact on the market and price. Sustained downward movements in gold market prices could render less economic, or uneconomic, some or all of the exploration and/or extraction activities to be undertaken by the Group.

Historically, other metal prices have displayed wide ranges and are also affected by such factors over which the Group does not have any control. The aggregate effect of these factors is impossible to predict, making price forecasting difficult or imprecise.

Governmental regulations

Governmental approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Group must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the Group's results of operations and financial condition.

Competition

The mineral exploration and mining business is competitive in all of its phases. The Group competes with numerous other companies and individuals, including competitors with substantial financial, technical and other resources, in the search for and acquisition of exploration and development rights on attractive mineral properties. The Group's ability to acquire exploration and development rights on properties in the future will depend not only on its ability to develop the properties on which it currently has exploration and development rights, but also on its ability to select and acquire exploration and development rights on suitable properties for exploration and development. There is no assurance that the Group will continue to be able to compete successfully in acquiring exploration and development rights on such properties.

PART III

ADDITIONAL INFORMATION

1. Directors' interests

The interests of the Directors, and the individuals expected to be appointed as Directors by Millhouse LLC, their immediate families and (so far as is known to them or could with reasonable diligence be ascertained by them) persons connected (as defined in the Articles) with the Directors in the issued share capital of the Company (all of which are beneficial unless stated) as at 18 December 2007 and following the Second Subscription will be as follows:

<i>Name</i>	<i>Number of Ordinary Shares as at 18 December 2007</i>
James Cross	340,000
Ivan Koulakov	20,372,500
Christopher Palmer-Tomkinson	664,649
Duncan Baxter	20,000

As at 18 December 2007, the Directors and the individuals expected to be appointed as Director by Millhouse LLC hold the following options to subscribe for Ordinary Shares:

<i>Name</i>	<i>Number of Ordinary Shares under option</i>	<i>Exercise price (pence)</i>	<i>Expiry Date</i>
James Cross	500,000	160.45	8 December 2014
Henry Horne	250,000	211	22 September 2012
	250,000	302	26 April 2013
	125,000	96.33	24 September 2014
Ivan Koulakov	750,000	302	26 April 2013
Duncan Baxter	200,000	211	22 September 2012
	100,000	96.33	24 September 2014
Scott Perry	140,000	96.33	24 September 2014
	110,000	122	23 October 2014

2. Details of the Company's issued share capital

As at the date of this document, the issued share capital of the Company following the First Subscription is 259,967,450 Ordinary Shares. Following the Second Completion, the issued share capital of the Company will be 325,017,450 Ordinary Shares.

Pursuant to the Barrick Cooperation Agreement, the Company anticipates issuing to Barrick 179,648 Ordinary Shares on or before the end of January 2008.

3. Summaries of Subscription Agreement and Millhouse LLC Relationship Agreement

3.1 Subscription Agreement

On 4 December 2007, the Company and Millhouse LLC entered into the Subscription Agreement setting out the terms and conditions of the First Subscription and Second Subscription.

First Subscription

- Millhouse LLC subscribed for and the Company has issued and allotted 65,050,000 Ordinary Shares, being the First Subscription Shares, to Primerod International Limited, Millhouse LLC's nominee, in consideration for the cash payment by Millhouse LLC of £98,225,500.
- The First Subscription Shares rank *pari passu* in all respects with the Ordinary Shares in issue.

- Completion of the First Subscription took place on 10 December 2007 and admission of the First Subscription Shares to trading on AIM took place on 11 December 2007.

Second Subscription

- Subject to the passing of the Resolutions, Millhouse LLC has subscribed for and the Company has agreed to issue and allot 65,050,000 new Ordinary Shares, being the Second Subscription Shares, to Millhouse LLC or to Millhouse LLC's nominee which is expected to be Primerod International Limited, in consideration of the payment by Millhouse LLC of £98,225,500.
- Subject to the passing of the Resolutions, the Second Subscription Shares are to be issued and allotted in accordance with the terms and conditions of the Subscription Agreement at the price of £1.51 per Subscription Share as fully-paid and ranking *pari passu* in all respects with the Ordinary Shares in issue.
- Completion of the Second Subscription is conditional upon (i) the passing of the Resolutions by the Shareholders to increase the Company's authorised share capital, disapply pre-emption rights and increase the Directors' authority to allot Ordinary Shares (as further detailed in the Notice of the EGM at the end of this document), (ii) the parties being satisfied that the representations and warranties given by the other are true and correct, (iii) the Company receiving the full payment from Millhouse LLC for the Second Subscription and (iv) the Company being satisfied that there has been no material change to the information provided to it prior to the execution of the Subscription Agreement relating to the entities and/or persons that directly and/or indirectly control Millhouse LLC.
- Subject to the passing of the Resolutions, completion of the Second Subscription is expected to take place on or around 15 January 2008 and an application is expected to be made to the London Stock Exchange for admission of the Second Subscription Shares to trading on AIM, such admission expected to take place on or around 16 January 2008.

Representations and warranties

- Each of the Company and Millhouse LLC has given limited representations and warranties relating to capacity, authorisation and non-conflict with laws or regulations.

3.2 Millhouse LLC Relationship Agreement

On 4 December 2007, the Company entered into a Relationship Agreement with Millhouse LLC to address the ongoing relationship between the parties on the following principal terms.

Independence of the Company

- Millhouse LLC undertakes to the Company (and agrees to procure, so far as it is within its power, that all persons connected with it shall undertake) to act in the best interests of the Group and gives certain undertakings so as to maintain the independence of the Company and the Group, including (i) to conduct all transactions and relationships on arm's length commercial terms and on a normal commercial basis, (ii) to exercise voting rights to procure that each member of the Group is capable of carrying on its business independently of Millhouse LLC, (iii) not to do anything to frustrate the Company's compliance with the AIM Rules, (iv) to ensure no variations are made to the Company's Articles which would be contrary to the maintenance of the ability of the Company to carry on its business independently of Millhouse LLC and (v) to exercise voting rights to procure that the Company shall not be delisted from AIM.

Composition and independence of the Board

- Whilst the Millhouse LLC Relationship Agreement is in force, the Board shall consist of nine directors.

- Subject to Jersey law and the Articles, for so long as Millhouse LLC holds not less than 15 per cent. but less than 25 per cent. of the Ordinary Shares in issue, it shall be entitled to appoint up to two non-executive directors to the Board.
- Subject to Jersey law and the Articles, for so long as Millhouse LLC holds 25 per cent. or more of the Ordinary Shares in issue, it shall be entitled to appoint up to the “Relevant Number” of members of the Board as non-executive directors. The “Relevant Number” shall be the product of the total number of members of the Board and the lower of 66.7 per cent. and the percentage of then issued Ordinary Shares held by Millhouse LLC rounded down to the nearest whole number while Millhouse holds 50 per cent. or less of the then issued Ordinary Shares and rounded to the nearest integer (with 0.5 rounding up) otherwise, provided that the Relevant Number shall not be less than 3.
- All Millhouse LLC appointees will be entitled to receive the normal director’s fee for non-executive directors as agreed by the Board from time to time.
- All Millhouse LLC appointees may only be removed by ordinary resolution of the Company in general meeting or otherwise as required by Jersey law and the Articles.
- Save in respect of the Resolutions, Millhouse LLC shall not be entitled to vote at any general meeting of the Company in respect of any resolution concerning any contract or arrangement or transaction of any type between Millhouse LLC or any person connected with it and any member of the Group or on which Millhouse LLC or a Connected Person (as defined in the Agreement) has a material interest and any Millhouse LLC appointees to the Board shall abstain from voting at any meeting of the Board in respect of such a resolution.
- Millhouse LLC has the right to appoint an individual with suitable experience to be appointed as chief executive of the Company provided that such appointment is approved by the Board (not to be unreasonably withheld or delayed). Such appointee shall not serve as a director of the Company.

Additional undertakings

- Millhouse LLC undertakes that the aggregate interests of Millhouse LLC (or a Connected Person (as defined in the Agreement) or any person acting in concert (as defined in the Takeover Code) with Millhouse LLC) in the Ordinary Shares shall at no time exceed, 40 per cent. of the Ordinary Shares in issue without first giving a minimum of three business days notice to the Board of its intention to increase its holding and provided that the Company is not at that time in a close period (as defined in the AIM Rules).

Termination

- The Millhouse LLC Relationship Agreement shall remain in force until such time as Millhouse LLC, together with any Connected Person (as defined in the Agreement), holds less than 15 per cent. or more than 75 per cent. of the voting rights attached to the Ordinary Shares.

4. Summary of Barrick Cooperation Agreement

The Company entered into a Cooperation Agreement with Barrick on 17 November 2006 following Barrick’s subscription for shares in the Company. In contemplation of the Millhouse LLC investment, the Company and Barrick agreed to amend and restate the Cooperation Agreement and on 3 December 2007 the parties entered into the Barrick Cooperation Agreement to address the ongoing relationship between the parties following Millhouse LLC’s new investment in the Company, the principal terms of which are detailed below.

Independence of the Company

- Barrick undertakes to the Company (and agrees to procure, so far as it is within its power, that all persons connected with it shall undertake) to act in the best interests of the Group and gives certain undertakings so as to maintain the independence of the Company and the Group, including (i) to

conduct all transactions and relationships on arm's length commercial terms and on a normal commercial basis, (ii) to exercise voting rights to procure that each member of the Group is capable of carrying on its business independently of Barrick, (iii) not to do anything to frustrate the Company's compliance with the AIM Rules, (iv) to ensure no variations are made to the Company's Articles which would be contrary to the maintenance of the ability of the Company to carry on its business independently of Barrick and (v) to exercise voting rights to procure that the Company shall not be delisted from AIM.

Composition and independence of the Board

- Whilst the Barrick Cooperation Agreement is in force, the Board shall consist of nine directors.
- Subject to Jersey law and the Articles, for so long as Barrick holds not less than 15 per cent. but less than 25 per cent. of the Ordinary Shares in issue, it shall be entitled to appoint up to two non-executive directors to the Board.
- Subject to Jersey law and the Articles, for so long as Barrick holds 25 per cent. or more of the Ordinary Shares in issue, it shall be entitled to appoint up to the "Relevant Number" of members to the Board as non-executive directors. The "Relevant Number" shall be the product of the total number of members of the Board and the lower of 66.7 per cent. and the percentage of the then issued Ordinary Shares held by Barrick rounded down to the nearest number.
- All Barrick appointees will be entitled to receive the normal director's fee for non-executive directors as agreed by the Board from time to time.
- Barrick shall not be entitled to vote at any general meeting of the Company, in respect of any resolution on which Barrick or a Connected Person (as defined in the Agreement) has a material interest and any Barrick appointees to the Board shall abstain from voting at any meeting of the Board in respect of such a resolution.

Termination

- The Barrick Cooperation Agreement shall remain in force until such time as Barrick, together with any Connected Person, holds less than 15 per cent. or more than 75 per cent. of the voting rights attached to the Ordinary Shares.

5. Consent

Each of JPMorgan Cazenove and Rothschild has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

6. Publication of this document

A copy of this document shall be available on the Company's website at www.highlandgold.com.

7. Documents available for inspection

Copies of the Memorandum and Articles will be available for inspection at the EGM.

DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meanings:

“ Admission ”	admission of the First Subscription Shares or the Second Subscription Shares, as the case may be, to trading on AIM;
“ AIM ”	the market of the same name operated by the London Stock Exchange;
“ AIM Rules ”	the rules relating to AIM companies and their nominated advisers as published by the London Stock Exchange from time to time;
“ Articles ”	the articles of association of the Company;
“ Barrick ”	Barrick Gold Corporation, a company incorporated in Canada with registered number 1698168, whose registered office is at 161 Bay Street, Suite 3700, Toronto, Ontario, Canada M5J 2S1;
“ Barrick Cooperation Agreement ”	the restated and amended agreement dated 4 December 2007 between (1) Barrick and (2) the Company regulating the ongoing relationship between each other, as more particularly described in paragraph 4 of Part III of this document;
“ Board ”	the board of directors of the Company from time to time;
“ Company ”	Highland Gold Mining Limited, a company incorporated in Jersey with company number 83208, whose registered office is at 26 New Street, St. Helier, Jersey JE2 3RA;
“ Directors ”	the directors of the Company whose names are set out in the letter from the Chairman at Part I of this document;
“ EGM ” or “ Extraordinary General Meeting ”	the extraordinary general meeting of the Company, convened for 11.00 a.m. on 14 January 2008 (and any adjournment thereof) notice of which is set out at the end of this document;
“ First Subscription Shares ”	the 65,050,000 new Ordinary Shares issued and allotted and credited as fully-paid to Millhouse LLC on 10 December 2007;
“ Form of Proxy ”	the form of proxy enclosed with this document for use by Shareholders in connection with the EGM;
“ Group ”	the Company together with its subsidiaries, and associated undertakings, from time to time;
“ JPMorgan Cazenove ”	JPMorgan Cazenove Limited;
“ Kazzinc ”	Joint Stock Company (AO) Kazzinc;
“ London Stock Exchange ”	London Stock Exchange plc;
“ Memorandum ”	the memorandum of association of the Company;
“ Millhouse LLC ”	Millhouse LLC, a company incorporated in the Russian Federation whose registered office is at 34 ulitsa Sadovnicheskaya, Moscow 115035, Russia;

“Millhouse LLC Relationship Agreement”	the agreement dated 4 December 2007 between (1) Millhouse LLC and (2) the Company regulating the ongoing relationship between the parties, as more particularly described in paragraph 3.2 of Part III of this document;
“Notice”	the notice of EGM set out at the end of this document;
“Ordinary Shares”	ordinary shares of £0.001 each in the capital of the Company;
“Panel”	the Panel on Takeovers and Mergers;
“Primerod International Limited”	Primerod International Limited, a company incorporated in the British Virgin Islands with registered number 477133, whose registered office is at Caribbean Corporate Services Limited, 3rd floor, Omar Hodge Building, Wickhams Cay I, P.O. Box 362, Road Town, Tortola, British Virgin Islands;
“Resolutions”	the special resolutions to be proposed at the EGM to enable the issue and allotment of the Second Subscription Shares, as set out in the Notice;
“Rothschild”	N M Rothschild & Sons Limited;
“Second Completion”	completion of the subscription for, issue and allotment and delivery of, and payment for, the Second Subscription Shares in accordance with the provisions of the Subscription Agreement;
“Second Subscription Shares”	the 65,050,000 new Ordinary Shares to be issued and allotted and credited as fully-paid to Millhouse LLC pursuant to the terms of the Subscription Agreement and conditional, <i>inter alia</i> , on the passing of the Resolutions;
“Shareholders”	holders of Ordinary Shares from time to time;
“Subscription Agreement”	the agreement dated 4 December 2007 between (1) Millhouse LLC and (2) the Company setting out the terms of the First Subscription and the Second Subscription, as more particularly described in paragraph 3.1 of Part III of this document;
“Subscription Shares”	all or any of the First Subscription Shares or the Second Subscription Shares, as the case may be;
“Takeover Code”	the City Code on Takeovers and Mergers; and
“UK”	the United Kingdom of Great Britain and Northern Ireland.

HIGHLAND GOLD MINING LIMITED (the “Company”)

(Incorporated and Registered in Jersey
under the Companies (Jersey) Law 1991, as amended, with registered number 83208)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Highland Gold Mining Limited (the “Company”) will be held at 11.00 a.m. on 14 January 2008 at 26 New Street, St. Helier, Jersey JE2 3RA for the purposes of considering and, if thought fit, passing the following as special resolutions.

SPECIAL RESOLUTIONS

1. **THAT** the authorised share capital of the Company be and is hereby increased from £400,000 divided into 400,000,000 Ordinary Shares of £0.001 each to £750,000 divided into 750,000,000 Ordinary Shares of £0.001 each.
2. **THAT** conditional upon the passing of Resolution 1:
 - (a) the authority given to the Directors by special resolution of the Company passed on 13 December 2006 be and is hereby revoked, but without prejudice to any allotment already effected under that resolution (including, without limitation, the 65,050,000 Ordinary Shares which have already been allotted pursuant to the Subscription Agreement (as defined in the circular to shareholders dated 18 December 2007 (the “**Subscription Agreement**”)) and provided also that the Directors may allot Ordinary Shares in pursuance of any offer or agreement to do so (excluding the 65,050,000 further Ordinary Share to be allotted pursuant to the Subscription Agreement, conditional upon, *inter alia*, the passing of Resolution 1 and this Resolution 2, but including, without limitation, pursuant to any share options granted by the Company and any Ordinary Shares remaining to be allotted under the Barrick Share Exchange Agreement (as defined in the circular to shareholders dated 20 November 2006) made by the Company before the date of the passing of this Resolution 2, as if the authority given by that resolution continued in full force and effect; and
 - (b) the Directors be and are hereby generally and unconditionally authorised to allot and grant rights to subscribe for or to convert securities into shares of the Company up to a maximum nominal amount equal to 33 per cent. of the nominal amount of the authorised but unissued share capital of the Company at the date of the passing of this Resolution 2 (taking into account the increase in authorised share capital passed pursuant to Resolution 1) to such persons at such times and on such terms as they think proper without first making an offer to each person who holds shares in the Company, such authority to expire at the annual general meeting of the Company in 2011 unless previously renewed or varied save that the Directors may, notwithstanding such expiry, allot any shares or grant such rights under this authority in pursuance of any offer or agreement to do so made by the Company before the expiry of this authority.

Dated 18 December 2007

By order of the Board

Duncan Baxter
Director

1. *A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not also be a member of the Company.*
2. *A form of proxy is enclosed which, to be effective, must be completed and received at the address shown on the form of proxy not later than 48 hours before the time fixed for the meeting (or any adjournment of such meeting).*
3. *Completion and return of a form of proxy does not preclude a member from attending and voting in person.*
4. *Only those shareholders registered in the register of members of the Company as at 48 hours prior to the time fixed for the meeting (or, in the cause of an adjournment, as at 48 hours before the time of the adjourned meeting) shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Pursuant to Article 40(2) of the Companies (Uncertificated Securities Jersey) Order 1999, changes to entries on the register of members after such time shall be disregarded in determining the rights of any person to attend and vote.*