

RECOMMENDED PRE-CONDITIONAL MANDATORY CASH OFFER

RNS Number : 7345U
Fortiana Holdings Limited
31 July 2020

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

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For immediate release

31 July 2020

RECOMMENDED PRE-CONDITIONAL MANDATORY CASH OFFER

for

HIGHLAND GOLD MINING LIMITED

by

FORTIANA HOLDINGS LIMITED

Summary

- Highland Gold Mining Limited ("**Highland Gold**") and Fortiana Holdings Limited ("**Fortiana**") are pleased to announce that they have reached agreement on the terms of a recommended pre-conditional mandatory cash offer to be made by Fortiana for the Highland Gold Shares not already held or agreed to be acquired by Fortiana (the "**Offer**").
- Today, Fortiana agreed to acquire 145,759,871 Highland Gold Shares, representing 40.06 per cent. of the issued share capital of Highland Gold, from the following Highland Gold Shareholders: Roman Arkadievich Abramovich, Eugene Shvidler, Irina Alexandrovna Panchenko, Andrey Victorovich Gorodilov, Aleksey Leonidovich Polezhaev, New Evolution Trading Limited, Matteson Overseas Limited and Denalot Worldwide Limited (the "**Selling Shareholders**"), at a price of £3.00 per Highland Gold Share (the "**Acquisition**").
- As a result of the Acquisition, under Rule 9 of the Code, Fortiana is required to make the Offer, at a price per Highland Gold Share not less than the price per Highland Gold Share being paid to the Selling Shareholders.
- The making of the Offer will be subject to the satisfaction or waiver of the FAS Pre-Condition. Under the terms of the Offer, which will be subject to the Condition and further terms to be set out in the Offer Document and the Form of Acceptance, Highland Gold Shareholders will be entitled to receive:

for each Highland Gold Share £3.00 in cash

- The terms of the Offer value Highland Gold's entire issued and to be issued share capital at approximately £1,091,690,970.
- The terms of the Offer represent a premium of approximately:
 - 20 per cent. to the volume weighted average Closing Price per Highland Gold Share of £2.51 for the one month period ended on 30 July 2020 (being the last practicable date prior to the date of this Announcement); and
 - 4 per cent. to the Closing Price per Highland Gold Share of £2.89 on 30 July 2020 (being the last practicable date prior to the date of this Announcement).
- The Highland Gold Independent Directors, who have been so advised by Citi as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. In providing advice to the Highland Gold Independent Directors, Citi has taken into account the Highland Gold Independent Directors' commercial assessments. Citi is providing independent financial advice for the purposes of Rule 3 of the Code to the Highland Gold Independent Directors.
- Accordingly, the Highland Gold Independent Directors intend to recommend unanimously that Highland Gold Independent Shareholders accept the Offer.
- Fortiana has received an irrevocable undertaking from Duncan Baxter (Senior Independent Director of Highland Gold) to accept the Offer, when made, in respect of his holding of 20,000 Highland Gold Shares, in aggregate, representing approximately 0.01 per cent. of the issued share capital of Highland Gold as at 30 July 2020 (being the last practicable date prior to this Announcement).
- The Fortiana Board believes there is a compelling strategic and financial rationale for making the Offer:
 - The Offer provides Fortiana with an opportunity to participate in the realisation of Highland Gold's upside potential through production, organic growth and Fortiana's positive outlook on future gold price performance.
 - Highland Gold is one of Russia's leading gold producers operating several mines with a strong track record of sustainable production levels. Highland Gold operates in three regions - Zabaikalsk, Khabarovsk and Chukotka - which are among the top-10 gold producing regions in Russia.
 - Highland Gold's main development project, Kekura, also serves as an expansion of its operations in the Chukotka Region, one of the most prospective gold provinces in Russia. Chukotka holds a significant exploration potential which can be unlocked within several years of investments in exploration but is limited by infrastructure restrictions.
 - Vladislav Sviblov, the ultimate beneficial owner ("**UBO**") of Fortiana, has interests in a number of mining activities in the Buryatiya and Zabaikalsk regions.
- Highland Gold engages in gold mining operations. Highland Gold's portfolio of assets consists of four operating mines, one mine under construction and a pipeline of development projects. Highland Gold's operations are located around three main hubs in the Khabarovsk, Zabaikalsk and Chukotka regions of Russia, as well as in Kyrgyzstan. Highland Gold was incorporated in 2002 for the purpose of acquiring, consolidating and developing high potential gold mining projects and is headquartered in Saint Helier, Jersey. Highland Gold explores for gold, silver, zinc and lead and also offers project engineering services. Highland Gold has been admitted to trading on AIM since 2002.
- Fortiana is a Cyprus registered company majority controlled by Vladislav Sviblov and is part of his wider business interests in the metals and mining industry. Vladislav Sviblov is Chief Executive Officer and majority shareholder of Ozernaya Mining Company which is developing a prominent zinc-lead deposit in the Buryatia region of eastern Siberia in Russia. It also controls a gold producing

group of companies in the Zabaikalsk region in Russia with over 30koz pa gold production and an extensive resource base which provides for a strong Life of Mine ("LOM") production outlook.

- Commenting on the Offer, Vladislav Sviblov, UBO of Fortiana, said:

"This is a strategic investment for us, in line with our aim to build a broader asset portfolio in the natural resources sector in Russia. This transaction adds to our existing strategic investments like the Ozernaya Mining Company, which is developing zinc-lead and gold-zinc deposits, as well as several gold mining assets and prospective deposits in the Zabaikalsk region.

"We believe that Highland Gold is an attractive asset that has sustainable cost advantages, attractive deposits as well as a strong and experienced management team. Highland Gold is fundamentally well positioned to further develop its asset and project portfolio, and to monetise its substantial resource base for the benefit of its shareholders."

- If any dividend or other distribution is authorised, declared, made or paid in respect of Highland Gold Shares on or after the date of this Announcement, Fortiana reserves the right to reduce the offer consideration by the aggregate amount of such dividend or other distribution.
- The making of the Offer by the publication of the Offer Document will take place as soon as reasonably practicable and in any event within 28 days following the satisfaction of the FAS Pre-Condition which relates to the receipt of clearance from the Russian Federal Antimonopoly Service ("FAS").
- It is intended that the Offer will be implemented by way of a takeover offer within the meaning of Article 116 of the Companies Jersey Law and under the Code. The Offer is conditional upon Fortiana having received acceptances in respect of Highland Gold Shares which, together with Highland Gold Shares acquired or agreed to be acquired before or during the Offer, will result in Fortiana and any person acting in concert with it holding Highland Gold Shares carrying more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Highland Gold.
- The Offer is expected to complete in Q4 2020, subject to the satisfaction of the FAS Pre-Condition and the Condition set out in Appendix I to this Announcement.
- Further details of the Offer will be contained in the Offer Document and the Form of Acceptance. Subject to certain restrictions relating to persons resident in Restricted Jurisdictions, the Offer Document and the Form of Acceptance will also be made available on Fortiana's website at <https://fortianaholdings.com/> and Highland Gold's website at <https://www.highlandgold.com/home/offer>.

This summary should be read in conjunction with, and is subject to, the full text of this Announcement (including its Appendices).

The Offer is subject to the FAS Pre-Condition and the Condition and further terms that are set out in Appendix I, and to the full terms and conditions which will be set out in the Offer Document and accompanying Form of Acceptance. Appendix II contains the bases and sources of certain information used in this Announcement. Appendix III contains definitions of terms used in this Announcement.

Enquiries:

VTB Capital (Financial adviser to Fortiana)

Alex Metherell

+44 20 3334 8000

Giles Coffey

+44 20 3334 8000

EM (PR adviser to Fortiana)

Denis Denisov +7 985 410 3544
Samuel Vanderlip +44 207 002 7859

Highland Gold

John Mann + 7 495 424 95 21

**Citigroup Global Markets Limited
(Financial adviser to Highland Gold)**

Irackly Mtibelishvily +44 (0) 20 7986 4000
Robert Way
Tom Reid (Corporate Broking)

**Numis Securities Limited (Nominated
Adviser and Joint Broker to Highland
Gold)**

Paul Gillam + 44 (0) 207 260 1000

Skadden, Arps, Slate, Meagher & Flom (UK) LLP is retained as legal adviser to Fortiana.
Weil, Gotshal & Manges (London) LLP is retained as legal adviser to Highland Gold.

Important notices relating to financial advisers

VTB Capital plc, which is authorised in the United Kingdom by the Prudential Regulation Authority and regulated in the United Kingdom by the Prudential Regulation Authority and the Financial Conduct Authority, is acting exclusively for Fortiana and no-one else in connection with the Offer and this Announcement, and will not be responsible to anyone other than Fortiana for providing the protections afforded to clients of VTB Capital plc nor for providing advice in connection with the Offer or this Announcement or any matter referred to herein.

Citigroup Global Markets Limited ("Citi"), which is authorised by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting as sole financial adviser for Highland Gold and for no one else in connection with the Offer and other matters described in this Announcement, and will not be responsible to anyone other than Highland Gold for providing the protections afforded to clients of Citi nor for providing advice in connection with Offer, the contents of this Announcement or any other matters referred to in this Announcement. Neither Citi nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, in delict, under statute or otherwise) to any person who is not a client of Citi in connection with this Announcement, any statement contained herein, the Offer or otherwise.

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as Nominated Adviser and Joint Broker exclusively for Highland Gold and no one else in connection with the matters set out in this Announcement and will not regard any other person as its client in relation to the matters in this Announcement and will not be responsible to anyone other than Highland Gold for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.

Further information

This Announcement is for information purposes only and is not intended to and does not constitute, or form any part of, an offer to sell or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise.

The Offer will be subject to English law and to the applicable requirements of the Code, the Panel, AIM Rules, the London Stock Exchange and the FCA.

The Offer will be made solely by the Offer Document and the accompanying Form of Acceptance, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted. Any acceptance decision or response in relation to the Offer should be made solely on the basis of the Offer Document and the Form of Acceptance. Highland Gold Shareholders are advised to read the formal documentation in relation to the Offer carefully once it has been published. Each Highland Gold Shareholder is urged to consult his or her independent professional adviser regarding the tax consequences of the Offer.

This Announcement does not constitute a prospectus or a prospectus equivalent document.

This Announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside England.

Overseas shareholders

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom (including Restricted Jurisdictions) should inform themselves about, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the United Kingdom or who are subject to the laws of another jurisdiction to accept the Offer, may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Any failure to comply with applicable legal or regulatory requirements of any jurisdiction may constitute a violation of securities laws in that jurisdiction.

The Offer will not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, telephonic or electronic) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, a Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Copies of this Announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported acceptance of the Offer.

Further details in relation to Highland Gold Shareholders in overseas jurisdictions will be contained in the Offer Document.

Forward-looking statements

This Announcement contains certain forward-looking statements with respect to Fortiana and Highland Gold. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "aim", "will", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, economic performance, synergies, financial conditions, market growth, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the operations of the Fortiana Group or the Highland Gold Group; and (iii) the effects of government regulation on the business of the Fortiana Group or the Highland Gold Group. There are many factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among such factors are changes in the global, political, social, economic, business, competitive, market and regulatory forces,

future exchange and interest rates, changes in tax rates and future business combinations or disposals.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. By their nature, these forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this Announcement may cause the actual results, performance or achievements of any such person, or industry results and developments, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. No assurance can be given that such expectations will prove to have been correct and persons reading this Announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this Announcement. All subsequent oral or written forward-looking statements attributable to Fortiana, or Highland Gold, or their respective affiliates or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. Neither Fortiana nor Highland Gold undertakes any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Publication on website

A copy of this Announcement and the documents required to be published pursuant to Rule 26.1 and Rule 26.2 of the Code will be made available (subject to certain restrictions relating to persons resident in Restricted Jurisdictions), free of charge, on Fortiana's website at <https://fortianaholdings.com/> and Highland Gold's website at <https://www.highlandgold.com/home/offer> by no later than 12 noon on the Business Day following the date of this Announcement.

Neither the contents of these websites nor the content of any other website accessible from hyperlinks on either such website is incorporated into, or forms part of, this Announcement.

Hard copy documents

In accordance with Rule 30.3 of the Code, Highland Gold Shareholders and persons with information rights may request a hard copy of this Announcement by contacting Link Asset Services on 0371 664 0300 or email shareholderenquiries@linkgroup.co.uk (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales). For persons who receive a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent unless so requested. Such persons may also request that all future documents, announcements and information be sent to them in relation to the Offer in hard copy form.

Information relating to Highland Gold Shareholders

Please be aware that addresses, electronic addresses and certain other information provided by Highland Gold Shareholders, persons with information rights and other relevant persons for the receipt of communications from Highland Gold may be provided to Fortiana during the Offer Period as required under Section 4 of Appendix 4 of the Code to comply with Rule 2.11(c) of the Code.

Rounding

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Rule 2.9 of the Code

For the purposes of Rule 2.9 of the Code, Highland Gold confirms that, as at 30 July 2020, it has in issue 363,896,990 ordinary shares of £0.001 each, none of which are held in treasury. The International Securities Identification Number (ISIN) of the ordinary shares is GB0032360173.

Important Information

If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial advisor duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are a resident in the United Kingdom or, if not, from another appropriately authorised independent financial advisor.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th Business Day (as defined in the Code) following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day (as defined in the Code) following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the Business Day (as defined in the Code) following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44(0)20 7638 0129.

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

For immediate release

31 July 2020

RECOMMENDED PRE-CONDITIONAL MANDATORY CASH OFFER

for

HIGHLAND GOLD MINING LIMITED

by

FORTIANA HOLDINGS LIMITED

1. Introduction

Highland Gold and Fortiana are pleased to announce that they have reached agreement on the terms of a recommended pre-conditional mandatory cash offer to be made by Fortiana for the Highland Gold Shares not already held or agreed to be acquired by Fortiana.

Today, Fortiana agreed to acquire 145,759,871 Highland Gold Shares, representing 40.06 per cent. of the issued share capital of Highland Gold, from the following Highland Gold Shareholders: Roman Arkadievich Abramovich, Eugene Shvidler, Irina Alexandrovna Panchenko, Andrey Victorovich Gorodilov, Aleksey Leonidovich Polezhaev, New Evolution Trading Limited, Matteson Overseas Limited and Denalot Worldwide Limited (the "**Selling Shareholders**"), at a price of £3.00 per Highland Gold Share (the "**Acquisition**").

As a result of the Acquisition, under Rule 9 of the Code, Fortiana is required to make the Offer, at a price per Highland Gold Share not less than the price per Highland Gold Share being paid to the Selling Shareholders.

2. The Offer

The making of the Offer will be subject to the satisfaction or waiver of the FAS Pre-Condition. Under the terms of the Offer, which will be subject to the Condition and further terms to be set out in the Offer Document and the Form of Acceptance, Highland Gold Shareholders will be entitled to receive:

for each Highland Gold Share £3.00 in cash

The terms of the Offer value Highland Gold's entire issued and to be issued share capital at approximately £1,091,690,970.

The terms of the Offer represent a premium of approximately:

- 20 per cent. to the volume weighted average Closing Price per Highland Gold Share of £2.51 for the one month period ended on 30 July 2020 (being the last practicable date prior to the date of this Announcement); and
- 4 per cent. to the Closing Price per Highland Gold Share of £2.89 on 30 July 2020 (being the last practicable date prior to the date of this Announcement).

If any dividend or other distribution in respect of the Highland Gold Shares is announced, declared, payable or paid in respect of the Highland Gold Shares on or after the date of this Announcement, Fortiana reserves the right to reduce the consideration payable for each Highland Gold Share by the amount of all or part of any such dividend or other distribution.

3. Background to and reasons for the Offer

Fortiana believes there is a compelling strategic and financial rationale for the Acquisition and for the making of the Offer.

Highland Gold is one of Russia's leading gold producers with an attractive portfolio of operating assets and a pipeline of development projects. Highland Gold has a track record of sustained production increases and is positioned as a low cost producer with total cash costs of US\$556/oz as of FY2019. Highland Gold's main development projects, including Kekura, Taseevskoye, Klen and Unkurtash provide a pathway to growth in production in the medium term.

Notwithstanding the gold price having achieved an all-time high of US\$1,971/oz in July 2020, Fortiana has a positive outlook for gold in the medium term in the context of current global trade uncertainty.

Vladislav Sviblov, the ultimate beneficial owner of Fortiana, has interests in a number of mining assets including in the precious metals sector and the Offer provides Fortiana with an opportunity to participate in the realisation of Highland Gold's upside potential. In particular, Fortiana believes that the Kekura project in the Chutkotka region represents a solid development opportunity in one of the most prospective gold provinces in Russia. While the regions of Highland Gold's operations have a number of infrastructure restrictions and a number of its potential development assets bear certain development risks, Fortiana is comfortable to assume such execution risks and believes it can support Highland Gold's future development.

The Offer provides Highland Gold Shareholders with an opportunity to crystallize the value of their Highland Gold Shares for cash at an attractive premium, providing a liquidity event for Highland Gold's shareholders.

This premium is being offered notwithstanding the record prevailing gold pricing environment. Highland Gold's share price has increased 47.15 per cent. since 1 January 2020.

Fortiana considers the terms of the Offer to be attractive for Highland Gold's shareholders representing a premium of approximately:

- 20 per cent. to the volume weighted average Closing Price per Highland Gold Share of £2.51 for the one month period ended on 30 July 2020 (being the last practicable date prior to the date of this Announcement); and
- 4 per cent. to the Closing Price per Highland Gold Share of £2.89 on 30 July 2020 (being the last practicable date prior to the date of this Announcement).

Fortiana believes that such a premium is in line with other recent premia paid in precedent transactions in the mining sector.

4. Recommendation of the Highland Gold Independent Directors

The Highland Gold Independent Directors, who have been so advised by Citi as to the financial terms of the Offer, consider the terms of the Offer to be fair and reasonable. In providing advice to the Highland Gold Independent Directors, Citi has taken into account the Highland Gold Independent Directors' commercial assessments. Citi is providing independent financial advice for the purposes of Rule 3 of the Code to the Highland Gold Independent Directors.

Given that certain members of the Highland Gold Board are Selling Shareholders or are connected to Selling Shareholders, for the purpose of considering the Offer, the Highland Gold Board constituted a committee comprising the Highland Gold Independent Directors to consider the Offer.

5. Background to and reasons for the Highland Gold Independent Directors' recommendation

In considering the Offer, the Highland Gold Independent Directors have taken account of the following important factors:

- A number of Highland Gold's largest shareholders (including its Chairman, Eugene Shvidler), who have been long-term Highland Gold Shareholders, have agreed to the sale of their Highland Gold Shares at the Offer price.
- The Highland Gold Independent Directors understand that the Selling Shareholders have been exploring a number of options over a period of time and have concluded that the Offer represents an attractive price for them to exit.
- The Offer provides a liquidity opportunity for all Highland Gold Shareholders to realise their investment in Highland Gold in full in cash if they wish.
- The current share price recently reached a near all-time high, and has increased 47 per cent. over the year to date.
- Whilst the Highland Gold Independent Directors are confident of the future prospects of the Highland Gold Group, they believe that the Offer represents fair value on the basis of their commercial assessments of Highland Gold, including market consensus on the long-term price of gold, which is significantly below the current spot price. The Highland Gold Independent Directors also believe the Offer recognises the production growth potential of the Highland Gold Group in the medium-term, whilst providing certainty, in cash, to Highland Gold Shareholders. In particular:
 - Highland Gold's share price recently reached its highest closing price for over 14 years on 29 July 2020, and is currently trading at near all-time highs, closing at £2.89 per share on 30 July 2020 (being the last practicable date prior to the date of this Announcement);
 - the Highland Gold Group is materially exposed to the price of gold, which reached an all-time high price of US\$1,971/oz in July 2020;
 - there are risks in the Highland Gold Group's development of its Kekura site, which remains several years away from commercial production; and
 - the Offer represents a premium of approximately:
 - 35 per cent. to the six-month volume weighted average Closing Price per Highland Gold Share;
 - 21 per cent. to the three-month volume weighted average Closing Price per Highland Gold Share;
 - 20 per cent. to the one-month volume weighted average Closing Price per Highland Gold Share; and
 - 4 per cent. to the Closing Price per Highland Gold Share of £2.89 on 30 July 2020 (being the last practicable date prior to the date of this Announcement).
- The Condition (which relates to the threshold of acceptances needed for the Offer to become unconditional) is set at not less than 50 per cent.. If the FAS Pre-Condition is satisfied, Fortiana will acquire interests over 40 per cent. of the Highland Gold Shares pursuant to the Acquisition, requiring only a relatively small number of Independent Highland Gold Shareholders to accept the Offer to satisfy the Condition. Fortiana would then have control over the Highland Gold Group and the trading in Highland Gold Shares may become increasingly illiquid. If Fortiana acquires interests in excess of 75 per cent. of the share capital of Highland Gold, Fortiana may seek to terminate the admission of the Highland Gold Shares to trading on AIM, thereby further reducing liquidity.

- Given the significant impact of the gold price on the Highland Gold share price, the Highland Gold Independent Directors would note that, if Independent Highland Gold Shareholders have a view of future gold prices that is meaningfully higher than the current consensus forecasts, the Offer may be relatively less attractive to them.

6. Irrevocable undertaking

Fortiana has received an irrevocable undertaking to accept the Offer, when made, from Duncan Baxter (Senior Independent Director of Highland Gold), in respect of his entire beneficial holding, amounting to 20,000 Highland Gold Shares, in aggregate, representing approximately 0.01 per cent. of the issued share capital of Highland Gold as at 30 July 2020 (being the last practicable date prior to this Announcement).

The irrevocable undertaking given by Duncan Baxter will continue to be binding in the event that a higher competing offer is made for Highland Gold and will cease to be binding if: (a) Fortiana does not publish the Offer Document within 28 days (or such longer period as the Panel may agree) after the date of satisfaction or waiver of the FAS Pre-Condition; (b) Fortiana announces, with the consent of the Panel and prior to the publication of the Offer Document that it does not intend to proceed with the Offer; or (c) the Offer lapses or is withdrawn in accordance with its terms.

7. Information on Fortiana

Fortiana is a Cyprus registered company majority controlled by Vladislav Sviblov and is part of his wider business interests in the metals and mining industry. Vladislav Sviblov is Chief Executive Officer and majority shareholder of Ozernaya Mining Company which is developing a prominent zinc-lead deposit in the Buryatia region of eastern Siberia in Russia. It also controls a gold producing group of companies in the Zabaikalsk region in Russia with over 30koz pa gold production and an extensive resource base which provides for a strong LOM production outlook.

8. Information on Highland Gold

Highland Gold engages in gold mining operations. Highland Gold's portfolio of assets consists of four operating mines, one mine under construction and a pipeline of development projects. Highland Gold's operations are located around three main hubs in the Khabarovsk, Zabaikalsk and Chukotka regions of Russia, as well as in Kyrgyzstan. Highland Gold was incorporated in 2002 for the purpose of acquiring, consolidating and developing high potential gold mining projects and is headquartered in Saint Helier, Jersey. Highland Gold explores for gold, silver, zinc, and lead and also offers project engineering services. Highland Gold has been admitted to trading on AIM since 2002.

9. Financing

Fortiana intends to finance the cash consideration payable to Highland Gold Shareholders pursuant to the Offer using third party debt to be provided under a facilities agreement arranged by VTB Bank (the "**Facilities Agreement**"). The term loan facilities provided under the Facilities Agreement (the "**Facilities**") are committed and are secured by security granted by Fortiana and certain of its affiliates. The Facilities have a three year term.

In connection with the Facilities Agreement, Fortiana has entered into a foreign exchange agreement with VTB Bank in order to facilitate the payment of the cash consideration payable to Highland Gold Shareholders pursuant to the Offer.

VTB Capital, as financial adviser to Fortiana, is satisfied that sufficient resources are available to Fortiana to enable it to satisfy in full the cash consideration payable to Highland Gold Shareholders under the terms of the Offer.

Further information on the financing of the Offer will be set out in the Offer Document.

10. Strategic plans, management, employees, pensions, research and development, locations

Fortiana's strategic plans for Highland Gold

Fortiana believes there is a compelling strategic and financial rationale for making the Offer, which provides Fortiana with an opportunity to participate in the realisation of Highland Gold's upside potential. Fortiana believes it can support Highland Gold's future development.

Employees, management, existing rights and pensions

Fortiana attaches great importance to the skills and experience of existing management and employees of Highland Gold. Fortiana intends that the existing contractual and statutory employment rights, including in relation to pensions, of all Highland Gold management and employees will be fully safeguarded in accordance with applicable law. Fortiana does not anticipate making any material changes to the balance of skills and functions of Highland Gold's employees and management nor does Fortiana intend to initiate any material headcount reductions within the organisation.

Highland Gold has confirmed to Fortiana that it does not have any defined benefit pension schemes in place.

Fortiana is committed to high standards of corporate governance.

Fortiana intends that Highland Gold will continue to operate as a standalone business and the Relationship Agreement (as further described in Section 11 (*Offer-related arrangements*)) ensures that the relationship between Fortiana and Highland Gold is managed to ensure that, among other things, Highland Gold carries on business independently of Fortiana.

Fortiana understands that the Board of Directors of Highland Gold resolved in August 2018 to adopt the QCA Corporate Governance Code as its blueprint for ensuring an effective and transparent system of corporate governance. Fortiana has reviewed the principles of good governance in the QCA Corporate Governance Code and is committed to their continued implementation by Highland Gold.

Fortiana is committed to a balanced Board of Directors which comprises Executive Directors, Non-Executive Directors and Independent Non-Executive Directors. Fortiana recognises the skills and experience of Duncan Baxter, Deborah Gudgeon and Colin Belshaw (together, the "**Independent Directors**") and is pleased that they have confirmed their intention to continue to serve on the Board of Highland Gold in the event that Highland Gold's admission to trading on AIM remains. Fortiana intends to appoint two new directors to the Highland Gold Board, nominated by Fortiana in accordance with the terms of the Relationship Agreement.

The Relationship Agreement entitles Fortiana to nominate an individual of suitable experience to be appointed as chief executive of Highland Gold. Fortiana recognises the experience and track record of Denis Alexandrov and has no intention to change the executive leadership of Highland Gold. In the event that Fortiana determines, in the future to nominate an alternative candidate for chief executive it would be Fortiana's intention to nominate a high calibre industry professional with the requisite experience and track record to support the growth of Highland Gold in the interests of all shareholders and stakeholders. The appointment of any future chief executive shall be subject to the approval of the Highland Gold Board in accordance with the terms of the Relationship Agreement.

In the event that the Offer becomes or is declared wholly unconditional, Fortiana intends to review the management, governance and incentive structure of Highland Gold. Fortiana has not entered into and has not had discussions on proposals to enter into, any new incentivisation arrangements with members of Highland Gold's management but may have discussions and enter into such discussions for certain members of the Highland Gold management team in the event that the Offer becomes or is declared wholly unconditional.

Headquarters, locations, research and development and fixed assets

Fortiana does not have intentions to change the location of Highland Gold's business, including the location of Highland Gold's headquarters and headquarters functions.

Highland Gold does not have any research and development functions and Fortiana does not intend to redeploy any of Highland Gold's fixed assets.

Maintenance of existing trading facilities

In the event that the Offer does not become or is not declared wholly unconditional, Fortiana does not anticipate that the Acquisition will result in a change to Highland Gold's admission to trading on AIM and in such context Fortiana remains committed to the development of its business interests in the mining sector as a publicly listed entity.

If the Offer does become wholly unconditional, Fortiana does not intend to cancel the admission to trading of the Highland Gold Shares on AIM. However, while Fortiana does not have such an intention, Fortiana reserves the right to procure that Highland Gold will make a request for the cancellation of the admission to trading of Highland Gold Shares on AIM if considered necessary or advisable by Highland Gold's Nominated Adviser or otherwise required by applicable regulation, including the AIM Rules.

No statements in this Section 8 (*Management, employees, pensions, research and development, locations*) constitute "post-offer undertakings" for the purposes of Rule 19.5 of the Code.

11. Offer-related arrangements

Share Purchase Agreement

Fortiana and the Selling Shareholders entered into a sale and purchase agreement in connection with the Acquisition (the "**SPA**") on 31 July 2020, which commits Fortiana to buy, and the Selling Shareholders to sell, 145,759,871 Highland Gold Shares, representing 40.06 per cent. of the Total Highland Gold Shares, at a price of £3.00 per Highland Gold Share.

The SPA provides for the Acquisition to take place in two stages. Firstly, Fortiana will acquire 23.95 per cent. of Highland Gold pro rata from each of the Selling Shareholders, conditional only upon Fortiana making this Announcement. The acquisition of the remaining Highland Gold Shares held by the Selling Shareholders is conditional upon Fortiana obtaining clearance by the Russian Federal Antimonopoly Service ("**FAS**").

Confidentiality Agreement

Fortiana and Highland Gold entered into a confidentiality agreement on 28 July 2020 (the "**Confidentiality Agreement**"), pursuant to which Fortiana has undertaken to keep confidential information relating to Highland Gold and the Offer and not to disclose it to third parties (with certain exceptions). These confidentiality obligations will remain in force until the second anniversary of the date of the Confidentiality Agreement. The Confidentiality Agreement contains restrictions on Fortiana contacting any current or former directors or employees of the Highland Gold Group (other than the Selling Shareholders) in relation to the sale of their Highland Gold Shares pursuant to the SPA, or any person which Fortiana knows to be a customer, client, supplier or agent of the Highland Gold Group, other than in the ordinary course of business. The Confidentiality Agreement also contains provisions pursuant to which Fortiana has agreed not to solicit directors, management or senior employees of Highland Gold, subject to customary carve-outs, for a period of twelve months.

Co-operation Letter

On 31 July 2020, Fortiana and Highland Gold entered into a letter whereby each party undertakes to the other to co-operate in order to satisfy the FAS Pre-Condition (the "**Co-operation Letter**"). Under the Co-operation Letter, Fortiana undertakes to use best efforts to take any and all actions necessary to avoid, eliminate, and resolve any and all impediments as may be required by FAS to satisfy the FAS Pre-Condition as soon as reasonably practicable following the date of the Confidentiality Letter. In addition, Fortiana agrees not to seek to invoke the FAS Pre-Condition so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the FAS Pre-Condition are of material significance to Fortiana in the context of the Offer in accordance with the Code.

Relationship Agreement

On 31 July 2020, Fortiana and Highland Gold entered into a relationship agreement to ensure, among other things, that Highland Gold carries on its business independently of Fortiana (the "**Relationship Agreement**"). Under the Relationship Agreement, Fortiana is entitled, subject to it satisfying the FAS Pre-Condition and it having a certain level of shareholding in Highland Gold, to appoint non-executive directors to the Highland Gold Board. Prior to satisfying the FAS Pre-Condition, Fortiana is also entitled to appoint an observer to attend meetings of the Highland Gold Board, subject to certain conditions set out in the Relationship Agreement. In addition, Fortiana agrees to certain undertakings in connection with Highland Gold carrying on its business independently of Fortiana.

The Relationship Agreement will terminate (save for accrued rights) if Fortiana holds less than 15 per cent. or 75 per cent. or more of the voting share capital of Highland Gold.

Further details of the Relationship Agreement are described in Section 10 (*Management, employees, pensions, research and development, locations*).

12. Structure of the Offer

The making of the Offer by the publication of the Offer Document will take place as soon as reasonably practicable and in any event within 28 days following the satisfaction of the FAS Pre-Condition.

It is intended that the Offer will be implemented by way of a takeover offer within the meaning of Article 116 of the Companies Jersey Law and under the Code. The Offer is conditional upon Fortiana having received acceptances in respect of Highland Gold Shares which, together with Highland Gold Shares acquired or agreed to be acquired before or during the Offer, will result in Fortiana and any person acting in concert with it holding Highland Gold Shares carrying more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Highland Gold.

The Highland Gold Shares shall be acquired by Fortiana under the Offer with full title guarantee, fully paid and free from all liens, equitable interests, charges, encumbrances, options, rights of pre-emption and any other third party rights and interests of any nature and together with all rights now or hereafter attaching or accruing to them, including voting rights and the right to receive and retain in full all dividends and other distributions (if any) declared, made or paid thereafter.

The Offer Document and Form of Acceptance will include full details of the Offer and the expected timetable, and will specify the actions to be taken by Highland Gold Shareholders in connection with the Offer. It is expected that the Offer Document will be published as soon as practicable and in any event within 28 days following the satisfaction or waiver of the FAS Pre-Condition unless Fortiana and Highland Gold otherwise agree with the consent of the Panel.

Highland Gold Shareholders are urged to read the Offer Document and the accompanying Form of Acceptance when they are sent to them because they will contain important information. An indicative timetable setting out the expected dates for implementation of the Offer will be included in the Offer Document.

13. Disclosure of interests in Highland Gold

As at the close of business on 30 July 2020 (being the last practicable date prior to the date of this Announcement), save for: (i) the Highland Gold Shares acquired or to be acquired pursuant to the Acquisition; and (ii) the irrevocable undertaking referred to in Section 4 (*Irrevocable undertaking*), none of Fortiana or any of its directors or, so far as Fortiana is aware, any person acting, or deemed to be acting, in concert with Fortiana had:

- any interest in, or right to subscribe for, relevant securities of Highland Gold;
- any short position in (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery of, relevant securities of Highland Gold;

- procured an irrevocable commitment or letter of intent to accept the terms of the Offer in respect of relevant securities of Highland Gold; or
- borrowed or lent any Highland Gold Shares.

Furthermore, no dealing arrangement (of the kind referred to in Note 11 of the definition of "acting in concert" in the Code) exists between Fortiana or Highland Gold or any person acting in concert with Fortiana or Highland Gold in relation to Highland Gold Shares.

14. General

The Offer will be subject to the FAS Pre-Condition and the Condition and other terms set out in Appendix I and to be set out in the Offer Document and accompanying Form of Acceptance.

Appendix II contains the bases and sources of certain information used in this Announcement. Appendix III contains definitions of terms used in this Announcement.

Each of VTB Capital, Citi and Numis has given and not withdrawn its consent to the inclusion in this Announcement of the references to its name in the form and context in which they appear.

15. Documents available on a website

Subject to certain restrictions relating to persons in Restricted Jurisdictions, copies of the following documents will, by no later than 12 noon on the Business Day following the date of this Announcement, be made available on Fortiana's website at <https://fortianaholdings.com/> and on Highland Gold's website at <https://www.highlandgold.com/home/offer> until the end of the Offer Period:

- (a) this Announcement;
- (b) the SPA;
- (c) the Confidentiality Agreement;
- (d) the Co-operation Letter;
- (e) the Relationship Agreement;
- (f) the irrevocable undertaking referred to in Section 6 (*Irrevocable undertaking*); and
- (g) the documents relating to the financing of the Offer referred to in Section 9 (*Financing*).

Neither the contents of Fortiana's website nor Highland Gold's website, nor the content of any other website accessible from hyperlinks on either such website, is incorporated into or forms part of, this Announcement.

Enquiries:

VTB Capital (Financial adviser to Fortiana)

Alex Metherell +44 20 3334 8000

Giles Coffey +44 20 3334 8000

EM (PR adviser to Fortiana)

Denis Denisov +7 985 410 3544

Samuel Vanderlip +44 207 002 7859

Highland Gold

John Mann + 7 495 424 95 21

**Citigroup Global Markets Limited
(Financial adviser to Highland Gold)**

Irackly Mtibelishvily

+44 (0) 20 7986 4000

Robert Way

Tom Reid (Corporate Broking)

**Numis Securities Limited (Nominated
Adviser and Joint Broker to Highland
Gold)**

Paul Gillam

+ 44 (0) 207 260 1000

Skadden, Arps, Slate, Meagher & Flom (UK) LLP is retained as legal adviser to Fortiana.
Weil, Gotshal & Manges (London) LLP is retained as legal adviser to Highland Gold.

Important notices relating to financial advisers

VTB Capital plc, which is authorised in the United Kingdom by the Prudential Regulation Authority and regulated in the United Kingdom by the Prudential Regulation Authority and the Financial Conduct Authority, is acting exclusively for Fortiana and no-one else in connection with the Offer and this Announcement, and will not be responsible to anyone other than Fortiana for providing the protections afforded to clients of VTB Capital plc nor for providing advice in connection with the Offer or this Announcement or any matter referred to herein.

Citigroup Global Markets Limited ("Citi"), which is authorised by the Prudential Regulation Authority and regulated in the UK by the Financial Conduct Authority and the Prudential Regulation Authority, is acting as sole financial adviser for Highland Gold and for no one else in connection with the Offer and other matters described in this Announcement, and will not be responsible to anyone other than Highland Gold for providing the protections afforded to clients of Citi nor for providing advice in connection with Offer, the contents of this Announcement or any other matters referred to in this Announcement. Neither Citi nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, in delict, under statute or otherwise) to any person who is not a client of Citi in connection with this Announcement, any statement contained herein, the Offer or otherwise.

Numis Securities Limited ("Numis"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as Nominated Adviser and Joint Broker exclusively for Highland Gold and no one else in connection with the matters set out in this Announcement and will not regard any other person as its client in relation to the matters in this Announcement and will not be responsible to anyone other than Highland Gold for providing the protections afforded to clients of Numis, nor for providing advice in relation to any matter referred to herein.

Further information

This Announcement is for information purposes only and is not intended to and does not constitute, or form any part of, an offer to sell or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Offer or otherwise.

The Offer will be subject to English law and to the applicable requirements of the Code, the Panel, AIM Rules, the London Stock Exchange and the FCA.

The Offer will be made solely by the Offer Document and the accompanying Form of Acceptance, which will contain the full terms and conditions of the Offer, including details of how the Offer may be accepted. Any acceptance decision or response in relation to the Offer should be made solely on the basis of the Offer Document and the Form of Acceptance. Highland Gold Shareholders are advised to read the formal documentation in relation to the Offer carefully once it has been published. Each Highland Gold Shareholder

is urged to consult his or her independent professional adviser regarding the tax consequences of the Offer.

This Announcement does not constitute a prospectus or a prospectus equivalent document.

This Announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside England.

Overseas shareholders

The release, publication or distribution of this Announcement in jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom (including Restricted Jurisdictions) should inform themselves about, and observe, any applicable legal or regulatory requirements. In particular, the ability of persons who are not resident in the United Kingdom or who are subject to the laws of another jurisdiction to accept the Offer, may be affected by the laws of the relevant jurisdictions in which they are located or to which they are subject. Any failure to comply with applicable legal or regulatory requirements of any jurisdiction may constitute a violation of securities laws in that jurisdiction.

The Offer will not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, telephonic or electronic) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, a Restricted Jurisdiction, and the Offer will not be capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Copies of this Announcement and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction or any jurisdiction where to do so would constitute a violation of the laws of such jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported acceptance of the Offer.

Further details in relation to Highland Gold Shareholders in overseas jurisdictions will be contained in the Offer Document.

Forward-looking statements

This Announcement contains certain forward-looking statements with respect to Fortiana and Highland Gold. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "aim", "will", "may", "would", "could" or "should" or other words of similar meaning or the negative thereof. Forward-looking statements may include statements relating to the following: (i) future capital expenditures, expenses, revenues, economic performance, synergies, financial conditions, market growth, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the operations of the Fortiana Group or the Highland Gold Group; and (iii) the effects of government regulation on the business of the Fortiana Group or the Highland Gold Group. There are many factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among such factors are changes in the global, political, social, economic, business, competitive, market and regulatory forces, future exchange and interest rates, changes in tax rates and future business combinations or disposals.

These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. By their nature, these forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. The factors described in the context of such forward-looking statements in this Announcement may cause the actual results, performance or achievements of any such person, or industry results and developments, to be materially different from any results, performance or achievements expressed or implied

by such forward-looking statements. No assurance can be given that such expectations will prove to have been correct and persons reading this Announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this Announcement. All subsequent oral or written forward-looking statements attributable to Fortiana, or Highland Gold, or their respective affiliates or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. Neither Fortiana nor Highland Gold undertakes any obligation to update publicly or revise forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent legally required.

Publication on website

A copy of this Announcement and the documents required to be published pursuant to Rule 26.1 and Rule 26.2 of the Code will be made available (subject to certain restrictions relating to persons resident in Restricted Jurisdictions), free of charge, on Fortiana's website at <https://fortianaholdings.com/> and Highland Gold's website at <https://www.highlandgold.com/home/offer> by no later than 12 noon on the Business Day following the date of this Announcement.

Neither the contents of these websites nor the content of any other website accessible from hyperlinks on either such website is incorporated into, or forms part of, this Announcement.

Hard copy documents

In accordance with Rule 30.3 of the Code, Highland Gold Shareholders and persons with information rights may request a hard copy of this Announcement by contacting Link Asset Services on 0371 664 0300 or email shareholderenquiries@linkgroup.co.uk (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30, Monday to Friday excluding public holidays in England and Wales). For persons who receive a copy of this Announcement in electronic form or via a website notification, a hard copy of this Announcement will not be sent unless so requested. Such persons may also request that all future documents, announcements and information be sent to them in relation to the Offer in hard copy form.

Information relating to Highland Gold Shareholders

Please be aware that addresses, electronic addresses and certain other information provided by Highland Gold Shareholders, persons with information rights and other relevant persons for the receipt of communications from Highland Gold may be provided to Fortiana during the Offer Period as required under Section 4 of Appendix 4 of the Code to comply with Rule 2.11(c) of the Code.

Rounding

Certain figures included in this Announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Rule 2.9 of the Code

For the purposes of Rule 2.9 of the Code, Highland Gold confirms that, as at 30 July 2020, it has in issue 363,896,990 ordinary shares of £0.001 each, none of which are held in treasury. The International Securities Identification Number (ISIN) of the ordinary shares is GB0032360173.

Important Information

If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial advisor duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are a resident in the United Kingdom or, if not, from another appropriately authorised independent financial advisor.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1 per cent. or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified.

An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th Business Day (as defined in the Code) following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th Business Day (as defined in the Code) following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 per cent. or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the Business Day (as defined in the Code) following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the Offer Period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44(0)20 7638 0129.

APPENDIX I

PRE-CONDITION AND CONDITION AND FURTHER TERMS OF THE OFFER

Part A

Pre-Condition to the making of the Offer

1. The making of the Offer by the publication of the Offer Document shall take place as soon as reasonably practicable and in any event within 28 days following the granting of clearance, whether unconditionally or subject to conditions, in connection with the Offer in accordance with Russian Federal Law No. 135-FZ On Protection of Competition, dated 26 July 2006 (as amended) (the "**FAS Pre-Condition**").

Condition to the Offer

2. The Offer will be subject to the following Condition:

Acceptance of the Offer

valid acceptances of the Offer being received (and not, where permitted, withdrawn) by Fortiana by no later than 1.00 p.m. (London time) on the first closing date of the Offer (or such later time(s) and/or date(s) as Fortiana may, subject to the Code or with the consent of the Panel, decide) in respect of Highland Gold Shares which, together with Highland Gold Shares acquired or agreed to be acquired before such time, will result in Fortiana and any person acting in concert with it holding Highland Gold Shares carrying, in aggregate, more than 50 per cent. of the voting rights then normally exercisable at a general meeting of Highland Gold, including (to the extent, if any, required by the Panel for this purpose) any such voting rights attaching to Highland Gold Shares that are unconditionally allotted or issued before the Offer becomes or is declared unconditional as to acceptances, whether pursuant to the exercise of any outstanding subscription or conversion rights or otherwise.

For the purposes of this Condition:

- (i) all percentages of voting rights, share capital and relevant securities are to be calculated by reference to the percentage held and in issue outside treasury;
- (ii) Highland Gold Shares that have been unconditionally allotted but not issued shall be deemed to carry the voting rights that they will carry upon issue; and
- (iii) valid acceptances shall be treated as having been received in accordance with the Code (including but not limited to Rule 10, the notes to Rule 10 and Appendix 4).

Part B

Certain further terms of the Offer

1. The availability of the Offer to persons not resident in the UK may be affected by the laws of the relevant jurisdictions. Persons who are not resident in the UK should inform themselves about, and observe, any applicable requirements. Highland Gold Shareholders who are in any doubt about such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay and observe any applicable requirements.
2. This Offer will be governed by English law and be subject to the jurisdiction of the English courts and to the Condition set out in the Offer Document. The Offer will comply with the applicable rules and regulations of the FCA, the London Stock Exchange and the Code.
3. The Highland Gold Shares will be acquired by Fortiana with full title guarantee, fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and any other third party rights or interests whatsoever and together with all rights existing at the date of this Announcement or thereafter attaching thereto, including (without limitation) the right to receive and retain, in full, all dividends and other distributions (if any) declared, made or paid or any other return of capital (whether by way of reduction of share capital or share premium account or otherwise) made thereafter in respect of the Highland Gold Shares.
4. Fortiana reserves the right to reduce the Offer consideration by the amount of any dividend (or other distribution) which is paid or becomes payable by Fortiana to the holders of Highland Gold Shares.
5. Under Rule 13.5(a) of the Code, Fortiana may not invoke the FAS Pre-Condition to the Offer so as to cause the Offer not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the FAS Pre-Condition are of material significance to Fortiana in the context of the Offer.

APPENDIX II

SOURCES OF INFORMATION AND BASES OF CALCULATION

In this Announcement, unless otherwise stated, or the context otherwise requires, the following bases and sources have been used:

- (i) the value of the Offer is based upon the Offer price of £3.00 for each Highland Gold Share and 363,896,990 Highland Gold Shares being in issue on 30 July 2020 (being the last practicable date prior to the date of this Announcement);
- (ii) unless otherwise stated, all prices for Highland Gold Shares are the Closing Price derived from Bloomberg for the relevant date;
- (iii) the all-time gold price high of US\$1,971/oz in July 2020 is sourced from Bloomberg; and
- (iv) the premia paid in precedent transactions in the mining sector referenced in the context of the premium offered to Highland Gold Group's one-month weighted average Closing Price were sourced from Mergermarket.

APPENDIX III

DEFINITIONS

The following definitions apply throughout this Announcement, unless the context otherwise requires:

Acquisition	the acquisition of Highland Gold Shares by Fortiana from the Selling Shareholders pursuant to the SPA, as further described in Sections 1 (<i>Introduction</i>) and 11 (<i>Offer-related arrangements</i>) of this Announcement
Announcement	this announcement made pursuant to Rule 2.7 of the Code
AIM	AIM, a market of the London Stock Exchange
AIM Rules	the AIM Rules for Companies as published by the London Stock Exchange (as amended from time to time)
Business Day	a day (other than a Saturday, Sunday, public or bank holiday) on which banks are generally open for business in London, Nicosia and Moscow
Citi	Citigroup Global Markets Limited
Closing Price	the closing middle market quotation of a share derived from the Daily Official List of the London Stock Exchange
Code	the City Code on Takeovers and Mergers
Companies Jersey Law	the Companies (Jersey) Law 1991
Condition	the condition to the Offer set out in Part A of Appendix I and to be set out in the Offer Document
Co-operation Letter	the co-operation letter between Fortiana and Highland Gold dated 31 July 2020, as further described in

FAS	the Russian Federal Antimonopoly Service
FAS Pre-Condition	the pre-condition to the Offer set out in Part A of Appendix I
FCA	the UK Financial Conduct Authority
Facility Agreement	the facility agreement between Fortiana (as borrower) and VTB Bank (as lender) dated 31 July 2020, as further described in Section 9 (<i>Financing</i>)
Form of Acceptance	the form of acceptance, authority and election, for use by Highland Gold Shareholders in connection with the Offer, which shall accompany the Offer Document
Fortiana	Fortiana Holdings Limited, a company registered in Cyprus with its registered address at Agías Elénis, 36, Galaxias Commercial Centre, Floor 4, Office 403, 1061 Nicosia, Cyprus
FSMA	the Financial Services and Markets Act 2000
Highland Gold	Highland Gold Mining Limited, a public limited company incorporated in Jersey with registered number 83208 and with its registered office at 26 New Street St Helier Jersey JE2 3RA
Highland Gold Board	the board of directors of Highland Gold
Highland Gold Group	Highland Gold and its subsidiaries from time to time
Highland Gold Independent Directors	Duncan Baxter, Deborah Gudgeon and Colin Belshaw
Highland Gold Shareholders	the holders of Highland Gold Shares from time to time
Highland Gold Shares	the ordinary shares of £0.001 each in the capital of Highland Gold
Independent Highland Gold Shareholders	the Highland Gold Shareholders other than the Selling Shareholders
LOM	Life of Mine
London Stock Exchange	London Stock Exchange plc
Offer	the recommended pre-conditional mandatory cash offer to be made, subject to the satisfaction or waiver of the FAS Pre-Condition, by Fortiana for the Highland Gold Shares that it does not already own or has agreed to acquire pursuant to the Acquisition on the terms and conditions set out in Appendix I to this Announcement and to be set out in the Offer Document and Form of Acceptance
Offer Document	the document to be sent to Highland Gold Shareholders which will contain the terms of and the Condition to the Offer and certain information about Highland Gold and Fortiana
Offer Period	the period commencing on the date of this Announcement and ending on the earlier of the date on which the Offer has become of has been declared

	unconditional as to acceptances or lapses or is withdrawn (or such other date as the Panel may decide)
Official List	the official list maintained by the FCA pursuant to Part 6 of FSMA
Opening Position Disclosure	an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to an offer if the person concerned has such a position, as defined in Rule 8 of the Code
Panel	the UK Panel on Takeovers and Mergers
QCA Corporate Governance Code	QCA Corporate Governance Code, issued by the Quoted Companies Alliance in April 2018
Relationship Agreement	the agreement entered into on 31 July 2020 between Fortiana and Highland Gold as further described in Sections 8 (<i>Management, employees, pensions, research and development, locations</i>) and 11 (<i>Offer-related arrangements</i>)
Restricted Jurisdiction	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Offer is sent or made available to Highland Gold Shareholders in that jurisdiction
Selling Shareholders	Roman Arkadievich Abramovich, Eugene Shvidler, Irina Alexandrovna Panchenko, Andrey Victorovich Gorodilov, Aleksey Leonidovich Polezhaev, New Evolution Trading Limited, Matteson Overseas Limited and Denalot Worldwide Limited
SPA	the agreement entered into on 31 July 2020 between Fortiana and the Selling Shareholders as further described in Section 9 (<i>Offer-related arrangements</i>)
UBO	Ultimate Beneficial Owner
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
US or United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
VTB Bank	VTB Bank PAO, as lender to Fortiana
VTB Capital	VTB Capital plc, as financial adviser to Fortiana

All references to GBP, pence, Sterling, Pounds, Pounds Sterling, p or £ are to the lawful currency of the United Kingdom. All references to USD, dollars or US\$ are to the lawful currency of the United States of America.

All references to statutory provision or law or to any order or regulation shall be construed as a reference to that provision, law, order or regulation as extended, modified, amended, replaced or re-enacted from time to time and all statutory instruments, regulations and orders from time to time made thereunder or deriving validity therefrom.

All the times referred to in this Announcement are London times unless otherwise stated.

References to the singular include the plural and vice versa.

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