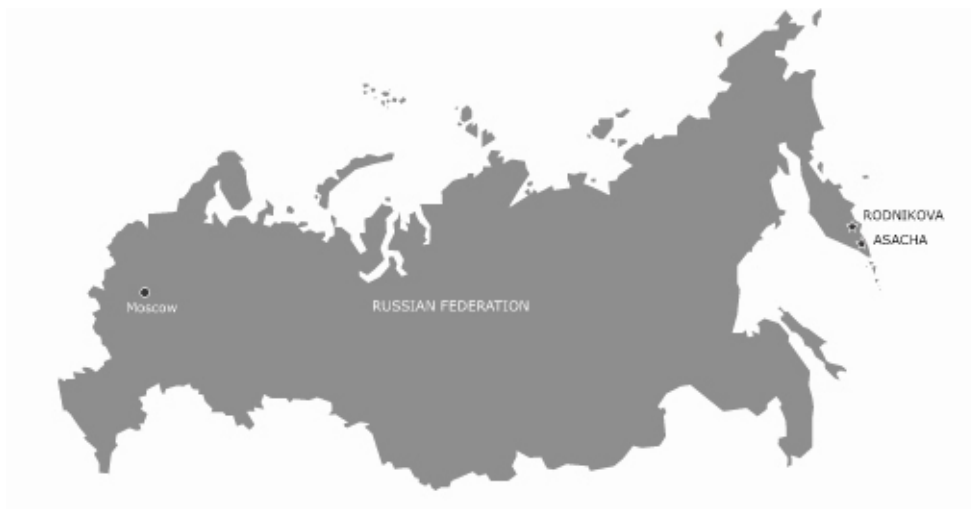




# **Trans-Siberian Gold**

INTERIM REPORT 2010

## HIGHLIGHTS



- **Asacha on track for gold production in 1<sup>st</sup> quarter 2011**
- **Ore stockpile increased to 53,000 tonnes**
- **Ownership of Asacha and Rodnikova projects increased from 95.03% to 100%**

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Trans-Siberian Gold publishes its accounts in US dollars (\$) and all figures are \$ unless otherwise specified.

## Chief Executive Officer's report

I am pleased to report our results for the six months to 30 June 2010 and further progress in the development of the Asacha gold project in Kamchatka.

Trans-Siberian Gold plc is in the exploration and development phase of its gold projects and therefore received no operating income in the period. Administrative expenses for the half year amounted to \$2.2 million compared to \$1.3 million for the corresponding period of 2009 and \$3.1 million for 2009 as a whole.

Finance income was \$31,000 (2009 first half: \$99,000). Finance costs were \$157,000 (2009 first half: \$13,000).

The loss for the period was \$1.8 million (2009 first half: \$4.1 million) including exchange gains of \$508,000 (2009 first half \$2.9 million loss).

Property, plant and equipment and capitalised exploration and evaluation costs at the Group's Kamchatka properties increased by \$6.7 million and \$307,000 respectively in the first half of 2010 (2009 first half: \$1.4 million and \$392,000 respectively). Cash and cash equivalents increased from \$2.0 million to \$3.6 million.

Borrowings increased by \$5.8 million to \$13.0 million, comprising an additional \$9.8 million drawn on the \$25 million project finance facility provided by Sberbank for the development of Asacha, offset by the settlement of the remaining \$4 million of the loan facilities provided by the Company's major shareholder UFG Asset Management (UFG) in 2009 through the issue of new TSG ordinary shares as discussed below. Current liabilities reduced from \$3.7 million at December 2009 to \$2.4 million reflecting the settlement of the outstanding amounts due to AngloGold Ashanti Limited (AGA) in respect of the provision of specialist technical consultancy services. The amounts due to AGA were converted into new TSG ordinary shares in March 2010 as also discussed below.

Each of the UFG loan facility agreements included an option for UFG, subject to the approval of TSG's shareholders, to convert any part of the outstanding loan into TSG shares at a price equivalent to the volume weighted average price of TSG's shares for the period of 60 business days prior to notice of such conversion. On 25 February 2010 UFG served notice of its option to convert the outstanding amounts of both facilities. On 23 March 2010 the loans, in aggregate \$4.4 million including accrued interest, were converted into TSG shares.

Also on 23 March 2010, the AGA indebtedness, \$842,000 including accrued interest for the period from 1 January 2009, was converted into TSG shares and additional shares to a value of \$1,636,956 were placed with AGA.

On 4 August 2010 the Company acquired the remaining minority shareholding in ZAO Trevozhnoye Zarevo (TZ) at a cost of \$500,000 in accordance with the terms of its acquisition of TZ, thereby increasing its interest in that company and the Asacha and Rodnikova projects from 95.03% to 100%.

### Asacha Project, Kamchatka Krai

Drawdown of the Sberbank five year \$25 million loan facility not only allowed the restoration of pre-global financial crisis construction activity levels at Asacha but also facilitated a significant increase in the pace of development in order to complete the construction of the mine by the beginning of 2011.

Mine development and construction activity went on according to schedule. From 1 January until the beginning of September 2010 mine development and preparation works, by-product extraction and exploration works resulted in more than 1,050 metres and 11,000 m<sup>3</sup> of mining. Ore mined in the first eight months of 2010 totalled about 14,000 tonnes; including the adit ore and the ore mined in the previous periods the ore stockpile at the beginning of September 2010 consisted of more than 53,000 tonnes.

Underground activities also included the necessary wooden and metal support installation, fixing, bolting and shotcreting. During the period the mine site was fully prepared for the construction and installation of the objects envisaged by the design; all the required terracing and earth works were undertaken. Underground facilities including chambers for ore loading, the pump station, auxiliary ventilation unit and ore and waste passes were also constructed.

The chemical laboratory continued to determine gold grade in geologic samples obtained during underground mining activities. By 1 September 2010 chemical analyses of more than 2,000 assays had been undertaken.

The works at the plant site also continued on schedule. By 1 September 2010 the metal framework of the plant building was complete, with the plant roofing started at a rapid speed. The wall panels were purchased and delivered to the site, the building covering activities commenced. Foundations for technological equipment were constructed and the work on equipment installation proceeded with the help of a local specialist contractor.

Purchasing of the majority of equipment and materials was made in time to ensure delivery to the site before the winter period. Most of the agreements with contractors on the implementation of specialist works were signed. Contractors have already started work on the electric network, ventilation, assembly of fuel and water tanks, boiler unit and the camp's heating network.

The construction of the infrastructure objects is also under way. In order to ensure the launching of the plant in the first quarter of 2011 efforts are being concentrated on the facilities without which achieving this goal would not be possible, for example cyanide storage, sewage treatment facilities, tailings storage facility, repair shop and the intra-site power supply network.

## Chief Executive Officer's report continued

The tailings storage facility is however behind schedule, due, mainly, to the exceptionally rainy weather conditions at the site during most of the summer, which caused significant over watering of subsurface soils despite the drainage measures taken. In order to catch up more heavy bulldozers, excavators, dump trucks and other equipment have been acquired and sent to the site to increase the productivity of soil removal. The work is now being undertaken 24 hours a day, allowing the night time employment of machinery from other objects. Soil is currently being removed at around 5,000 m<sup>3</sup> per day. We believe that these steps together with favourable weather conditions at the site during the autumn period will enable the tailings storage facility to be operative by the time of the plant launch in the first quarter of 2011.

We announced the need for \$12 million additional funding on 25 May 2010. Following a reassessment of expected VAT recoveries prior to the commencement of production and of the timing of the disposal of surplus construction equipment, we now believe that, in addition to the \$25 million Sberbank loan, total additional funding of \$18 million will be required to provide adequate financing for the Group until the Asacha mine is cash flow positive. Since May 2010 discussions have taken place with the Company's major shareholders and a Russian bank regarding additional project finance for Asacha. We expect to complete these negotiations within the next few weeks.

As a result of a \$5.7 million reduction in expected VAT recoveries prior to the commencement of production and the anticipated later receipt of funds from the sale of surplus construction equipment, the total capital cost of the Asacha project prior to commencement of production is now estimated at \$124.5 million, net of \$8.3 million VAT recoveries, compared to the May 2010 estimate of \$117.3 million (net of \$14 million VAT recoveries). The total project cost includes pre-commissioning mining costs of \$2.9 million, other pre-operating expenditure of \$32.7 million, "first fill" equipment spares and consumables of \$1 million and contingency of \$1.1 million.

At a gold price of \$850/oz, Life of mine ("LOM") cash costs on an all equity basis on total gold production of 590,000 oz are forecast at \$207/oz, before taking account of a \$17/oz credit from silver production (based on an assumed silver price of \$10/oz). Cash costs including all royalties and taxes (in total \$67.6 million, net of VAT recoveries) on an all equity basis are forecast at \$321/oz. Total costs on the same basis, after depreciation of all capital expenditure (including \$21.1 million post start up) and pre-start up mining and other operating expenditure, are forecast at \$570/oz, giving a \$280/oz margin at a gold price of \$850/oz.

Actual expenditure on the project up to July 2010 amounted to \$97.8 million, net of \$6.9 million VAT recovered. The remaining costs prior to the commencement of production are estimated at \$26.7 million, net of further VAT recoveries of \$1.4 million, comprising:

		\$ million
Capital expenditure	Mine and mining equipment and facilities	1.6
	Gold plant, site facilities and tailings storage (1st phase)	8.7
	Power supply and other infrastructure	10.7
	Contingency	1.1
	<b>Total capital</b>	<b>22.1</b>
Other costs	Pre-production mining, spares and consumables and other operating costs	6.0
		<b>28.1</b>
Less VAT recoveries		1.4
		<b>26.7</b>

A further \$21.1 million of capital expenditure will be incurred after the commencement of production (including \$5.3 million on mine development, \$4.9 million on the plant, tailings storage and solid waste landfill, \$7 million for the completion of the external power line and \$3.5 million contingency).

### Rodnikova Project, Kamchatka Krai

No further geologic exploration works at the deposit were conducted. The pre-feasibility study (Techno-Economic Study of Deposit Development Conditions) required for the Russian State Commission for Reserves which approves the deposit reserves and issues relevant permits was revised following the recommendations of the State Expert Commission for Reserves. The revised report will be presented by the end of the year.

### Personnel

During the first half of 2010 personnel numbers at Kamchatka increased from to 255 to 282, with a further increase to 337 by the end of August.

### Dmitry Khilov

28 September 2010

The information in this report relating to Asacha's mineral resources is based on information compiled by Michael O'Brien, a member of the Australasian Institute of Mining and Metallurgy, who has sufficient experience relevant to the styles of mineralisation and types of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr O'Brien is a Qualified Person under AIM rules and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

## Condensed consolidated Statement of Financial Position at 30 June 2010

	Note	30 June 2010 unaudited \$000	30 June 2009 unaudited \$000	31 December 2009 audited \$000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	67,107	51,851	60,381
Exploration and evaluation costs	8	19,188	17,481	18,881
Taxes recoverable – value added tax		4,039	6,106	4,022
<b>Total non-current assets</b>		<b>90,334</b>	<b>75,438</b>	<b>83,284</b>
<b>Current assets</b>				
Trade and other receivables		2,583	4,489	1,515
Cash and cash equivalents		3,636	1,836	1,953
<b>Total current assets</b>		<b>6,219</b>	<b>6,325</b>	<b>3,468</b>
<b>Total assets</b>		<b>96,553</b>	<b>81,763</b>	<b>86,752</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Loans and borrowings	9	13,036	2,000	7,255
Provisions	10	304	254	304
<b>Total non-current liabilities</b>		<b>13,340</b>	<b>2,254</b>	<b>7,559</b>
<b>Current liabilities</b>				
Trade and other payables		2,370	3,140	3,707
<b>Total current liabilities</b>		<b>2,370</b>	<b>3,140</b>	<b>3,707</b>
<b>Total liabilities</b>		<b>15,710</b>	<b>5,394</b>	<b>11,266</b>
<b>Total net assets</b>		<b>80,843</b>	<b>76,369</b>	<b>75,486</b>
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	11	17,323	15,103	15,103
Share premium reserve	11	77,938	73,311	73,311
Retained deficit		(14,418)	(12,045)	(12,928)
<b>Total equity</b>		<b>80,843</b>	<b>76,369</b>	<b>75,486</b>

## Condensed consolidated Statement of Comprehensive Income for the 6 months ended 30 June 2010

	Note	6 months to 30 June 2010 unaudited \$000	6 months to 30 June 2009 unaudited \$000	12 months to 31 December 2009 audited \$000
Revenue		-	-	-
Other operating income		-	7	-
Administrative expenses		(2,202)	(1,335)	(3,111)
Exchange differences on operating activities		509	(2,864)	(2,197)
<b>Loss from operations</b>		<b>(1,693)</b>	<b>(4,192)</b>	<b>(5,308)</b>
Finance expense		(157)	(13)	(187)
Finance income		31	99	104
Exchange differences on financing activities		(1)	11	10
<b>Loss before tax</b>		<b>(1,820)</b>	<b>(4,095)</b>	<b>(5,381)</b>
Income tax credit (expense)		9	(11)	124
<b>Loss for the period</b>		<b>(1,811)</b>	<b>(4,106)</b>	<b>(5,257)</b>
<b>Other comprehensive income</b>		-	-	-
<b>Total comprehensive income for the period</b>	6	<b>(1,811)</b>	<b>(4,106)</b>	<b>(5,257)</b>
<b>Loss attributable to:</b>				
Owners of the parent		(1,811)	(4,106)	(5,257)
Minority interest		-	-	-
		<b>(1,811)</b>	<b>(4,106)</b>	<b>(5,257)</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent		(1,811)	(4,106)	(5,257)
Minority interest		-	-	-
		<b>(1,811)</b>	<b>(4,106)</b>	<b>(5,257)</b>
<b>Loss per share</b> (expressed in cents per share)				
Basic and diluted		<b>(1.87)</b>	(4.84)	(6.19)

## Condensed consolidated statement of changes in equity for the 6 months ended 30 June 2010 (unaudited)

	Share Capital \$000	Share Premium reserve \$000	Retained deficit \$000	Total equity \$000
<b>Balance at 1 January 2009</b>	15,103	73,311	(7,939)	<b>80,475</b>
Total comprehensive income for the period	-	-	(4,106)	<b>(4,106)</b>
<b>Balance at 30 June 2009</b>	<b>15,103</b>	<b>73,311</b>	<b>(12,045)</b>	<b>76,369</b>
Total comprehensive income for the period	-	-	(1,151)	<b>(1,151)</b>
Value of share-based payments	-	-	268	<b>268</b>
<b>Balance at 31 December 2009</b>	<b>15,103</b>	<b>73,311</b>	<b>(12,928)</b>	<b>75,486</b>
Issue of share capital	2,220	4,627	-	<b>6,847</b>
Total comprehensive income for the period	-	-	(1,811)	<b>(1,811)</b>
Value of share-based payments	-	-	321	<b>321</b>
<b>Balance at 30 June 2010</b>	<b>17,323</b>	<b>77,938</b>	<b>(14,418)</b>	<b>80,843</b>

## Condensed consolidated cash flow statement for the 6 months ended 30 June 2010

Note	6 months to 30 June 2010 unaudited \$000	6 months to 30 June 2009 unaudited \$000	12 months to 31 December 2009 audited \$000
<b>Cash flows from operating activities</b>			
<b>Continuing operations</b>			
Loss for the period	(1,811)	(4,106)	(5,257)
Adjustments for:			
Depreciation	787	781	1,692
Depreciation charged to deferred costs	(33)	(751)	(1,273)
Finance (income) expenses - net	127	(99)	72
Share based payments	321	-	268
Corporation tax (refund) expense	(9)	11	(124)
Deferred exploration and evaluation expenditure written off	-	-	(253)
Loss on sale of property plant and equipment	-	-	61
<b>Cash flows from operating activities before changes in working capital and provisions</b>	<b>(618)</b>	<b>(4,164)</b>	<b>(4,814)</b>
Increase (decrease) in trade and other receivables	(2,377)	1,300	1,695
Decrease (increase) in trade and other payables	(753)	708	30
<b>Cash used in operations</b>	<b>(3,748)</b>	<b>(2,156)</b>	<b>(3,089)</b>
Corporation tax paid (received)	-	(6)	121
Interest paid on borrowings	(391)	(13)	(130)
<b>Net cash flows from operating activities</b>	<b>(4,139)</b>	<b>(2,175)</b>	<b>(3,098)</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment (PPE)	(6,446)	(2,462)	(5,699)
Proceeds from sale of PPE	15	94	1
Purchase of exploration and evaluation assets	(405)	(249)	(1,170)
Interest received - third party	31	65	105
<b>Net cash used in investing activities</b>	<b>(6,805)</b>	<b>(2,552)</b>	<b>(6,763)</b>
<b>Financing activities</b>			
Proceeds from issuance of ordinary shares, net of expenses	6,847	-	-
Proceeds from bank borrowings	-	-	3,255
Proceeds from long term borrowings	9,781	2,000	6,500
Repayment of long term borrowings	(4,000)	-	(2,500)
<b>Net cash generated from financing activities</b>	<b>12,628</b>	<b>2,000</b>	<b>7,255</b>
<b>Net decrease in cash and cash equivalents</b>	<b>1,684</b>	<b>(2,727)</b>	<b>(2,606)</b>
Cash and cash equivalents at beginning of period	1,953	4,549	4,549
Exchange gains on cash and cash equivalents	(1)	12	10
<b>Cash and cash equivalents at end of period</b>	<b>3,636</b>	<b>1,836</b>	<b>1,953</b>

## Unaudited notes forming part of the condensed consolidated interim financial information for the period ended 30 June 2010

### 1. General information

Trans-Siberian Gold plc (the Company) is a UK-based resources company, with the objective of acquiring and developing a portfolio of quality gold-mining assets in Russia. The Company is a public limited company, incorporated and domiciled in the United Kingdom and has subsidiaries based in the Russian Federation. The Company's registered office is 39 Parkside, Cambridge CB1 1PN, United Kingdom. The Company's shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

This condensed consolidated interim financial information was approved by the Board on 28 September 2010.

The interim financial information for the six months ended 30 June 2010 and 30 June 2009 is unreviewed and unaudited and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative financial information for the year ended 31 December 2009 has been derived from the statutory financial statements for that period. Statutory accounts for the year ended 31 December 2009 were approved by the Board of directors on 24 May 2010 and filed with the Registrar of Companies. The Independent Auditors' Report on those accounts was unqualified, however because of the existence of a material uncertainty which cast significant doubt about the Group's ability to continue as a going concern, the Independent Auditors' Report contained an emphasis of matter to this effect. The Independent Auditors' Report did not contain a statement under Section 498(2)-(3) of the Companies Act 2006.

### 2. Going concern

The Group has significant funding needs in order to finance the completion of the Asacha project, continue exploration at its properties and provide ongoing working capital.

The directors believe that total additional funding of \$18 million will be required to provide adequate financing for the Group until the Asacha mine is cash flow positive. It is currently the intention of the Board to satisfy that funding requirement through raising additional debt finance, in respect of which negotiations with a Russian bank are expected to be concluded during October 2010, or a combination of debt finance and equity. The directors believe that the raising of additional finance will be successful. Management tightly control the level of committed expenditure to ensure that the Group has sufficient resources available to meet its liabilities as they fall due.

Notwithstanding the material uncertainty related to the raising of additional finance which may cast significant doubt on the Group's ability to continue as a going concern, based on the progress of the negotiations with the potential provider of debt finance and discussions with potential investors, the directors believe that the necessary funds to provide adequate financing until the Asacha mine is cash flow positive can be raised as required and accordingly they are confident that the Group will continue as a going concern and have prepared the interim financial information on that basis. The interim financial information does not include the adjustments that would result if the Group was not able to continue as a going concern.

### 3. Principal accounting policies

The Group's principal accounting policies applied in the presentation of the consolidated interim financial information are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated, and are consistent with those that the directors intend to use in the financial statements for the year ending 31 December 2010 which will be prepared in accordance with IFRS as adopted by the EU.

#### Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared under the historical cost convention and in accordance with the AIM Rules and complies with IAS 34 *Interim financial reporting* as adopted by the EU. The interim condensed consolidated financial report should be read in conjunction with the annual report and accounts for 2009.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

#### a) Standards, amendments and interpretations effective in 2010:

- IFRS 3 (revised), *Business combinations*, and consequential amendments to IAS 27, *Consolidated and separate financial statements*, IAS 28, *Investments in associates*, and IAS 31, *Interests in joint ventures*, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. During the period, there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

#### b) Standards, amendments and interpretations effective in 2010 but not relevant for the Group:

- IFRIC 17, *Distributions of Non-cash Assets to Owners*, clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the entity's discretion and that an entity should measure the dividend payable at the fair value of the net assets to be distributed. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, *Transfers of assets from customers*. This is not relevant to the Group, as it has not received any assets from customers.
- Additional exemptions for first-time adopters* (Amendment to IFRS 1) were issued in July 2009. The amendments can be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

### 3. Principal accounting policies continued

#### Basis of consolidation

The consolidated financial information of the Group includes the accounts of Trans-Siberian Gold plc and its subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies and financial year ends of its subsidiaries are consistent with those applied by the Company.

#### Foreign currency translation

##### a) Functional and presentation currency

Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial information is presented in US dollars (\$), which is the functional and presentation currency of the Company and the functional currency of its subsidiaries.

##### b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the average exchange rate ruling during the month in which the transactions occur. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Foreign exchange gains and losses resulting from the translation of cash, cash equivalents and borrowings denominated in foreign currencies are shown as financing activities; all other foreign exchange gains and losses are shown as operating activities.

#### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers have been identified as the Chief Executive Officer, Finance Director and the non-executive board members.

The operating results of each of the geographical segments are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance. Russia has exploration and development activities, the United Kingdom office is an administrative cost centre.

#### Property, plant and equipment

Property, plant and equipment are recorded at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, being:

Buildings – 3-20 years

Motor vehicles – 4-7 years

Plant and machinery – 4-7 years

Office furniture and equipment – 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the statement of comprehensive income. Assets under construction are not subject to depreciation until the date on which the Group brings them into use.

#### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Assets held under finance leases are capitalised as property, plant and equipment at the estimated present value of the underlying lease payments. The corresponding finance lease obligation is included within payables due within or after more than one year. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

#### Exploration and evaluation costs

When the Group incurs expenditure on mining properties that have not reached the stage of commercial production, the costs of acquiring the rights to such mineral properties and related exploration and evaluation costs, including directly attributable employment costs, are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset. General overheads are expensed immediately. Depreciation on fixed assets used on exploration and evaluation projects is charged to deferred costs whilst the projects are in progress. Finance costs incurred in respect of exploration and evaluation projects are capitalised in those instances where the other expenditure attributable to those projects is also being capitalised. Finance costs are also only capitalised during periods when exploration and evaluation activities are in progress. In accordance with IAS 23 (Amendment), *Borrowing costs* borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset. Finance costs incurred in respect of the Group's general borrowings are expensed in finance expense as incurred.

Where a feasibility study indicates that the future recovery of costs is not probable, full provision is made in respect of any deferred costs. Where mining properties are abandoned, deferred expenditure is written off in full.

Deferred exploration and evaluation costs are assessed at each reporting date to determine whether there are indicators that the asset may be impaired. If any such indicator exists, a review for impairment is conducted, by estimating the recoverable amount by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. If the recoverable amount is less than the carrying value of an asset, an impairment loss is recognised. Individual mining properties are considered to be separate income generating units for this purpose, except where they would be operated together as a single mining business.

The amounts shown as deferred exploration and evaluation expenditure represent costs incurred and do not necessarily reflect present or future values.

### **Business combinations**

The consolidated financial statements incorporate the results of the business combinations using the acquisition method of accounting. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the statement of comprehensive income from the date on which control is obtained. Any discount on deferred purchase consideration is added back to reflect the actual cash paid in respect of net assets acquired on acquisition of companies.

### **Financial instruments**

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, contractual rights to receive cash or another financial asset, or contractual rights to exchange financial instruments with another entity on potentially favourable terms. Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. When these criteria no longer apply, a financial asset or liability is no longer recognised. Compound financial instruments are split into their debt and equity components.

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and the Group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

Interest costs are charged to profit or loss in the period in which they are incurred. Premiums or discounts arising from the difference between the net proceeds of financial instruments purchased or issued and the amounts receivable or payable at maturity are taken to net interest payable over the life of the instrument.

### **Inventories**

Inventories of consumables are valued at the lower of cost and net realisable value.

### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

### **Taxation**

Current tax is the expected tax payable or recoverable on the taxable profit or loss for the period, using rates enacted at the reporting date and any adjustments to the tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for, if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### **Share-based payment transactions**

The Company makes equity-settled share-based payments to certain Group employees under the terms of its employee share option scheme. In addition to those granted under the Company's employee share option scheme, the Company has granted share options to some advisers. The fair value of options granted to employees is recognised as an employee expense and to advisers as professional fees, with a corresponding increase in equity by way of a credit to retained earnings.

The fair value is measured at grant date and expensed on a straight-line basis over the expected vesting period. The fair value of the options granted is measured using a Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest or are likely to vest except where non-exercise is only due to the Company's share price not achieving the threshold for vesting. Non-market based vesting conditions are taken into account in estimating the number of options likely to vest. The estimate of the number of options likely to vest is reviewed at each reporting date up to the vesting date, at which point the estimate is adjusted to reflect the actual options exercised. No adjustment is made after the vesting date even if the options are not exercised.

### 3. Principal accounting policies continued

#### Provisions

Provisions for decommissioning, environmental restoration and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Group companies are generally required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the Group's environmental policies. The expected cost of any committed decommissioning or restoration programme, discounted to its net present value where the effect of discounting is material, is provided and capitalised at the beginning of each project. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included with interest and similar charges.

The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged to profit or loss as incurred.

#### Determination of ore reserves

The basis on which the Group estimates its ore reserves and mineral resources derives from information compiled by Competent Persons as defined in accordance with the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code).

### 4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Use of estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The more significant areas requiring the use of management estimates and assumptions relate to mineral reserves that are the basis of future cash flow estimates and unit-of-production depreciation, depletion and amortisation calculations; decommissioning, site restoration, environmental costs and closure obligations; estimates of recoverable gold and other materials; asset impairments; the fair value and accounting treatment of financial instruments and deferred taxation.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Critical judgements in applying the entity's accounting policies

##### a) Exploration and evaluation costs

The recoverability of the amounts shown in the Group statement of financial position in relation to deferred exploration and evaluation expenditure are dependent upon the discovery of economically recoverable reserves, continuation of the Group's interests in the underlying mining claims, the political, economic and legislative stability of the regions in which the Group operates, compliance with the terms of the relevant mineral rights licences, the Group's ability to obtain the necessary financing to fulfil its obligations as they arise and upon future profitable production or proceeds from the disposal of properties.

##### b) Decommissioning, site restoration and environmental costs

The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. Such changes could similarly impact the useful lives of assets depreciated on a straight-line-basis, where those lives are limited to the life of mine.

##### c) Recoverable Value Added Tax (VAT)

Generally, Russian VAT on construction costs has not been recoverable until construction is complete and production commences, although some amounts have been recovered since 2006. The directors anticipate that the VAT receivable of \$4,038,800 (2009 year end: \$4,021,956) will be recovered, however if the Group's projects do not proceed to production some VAT may be irrecoverable.

##### d) Share-based payments

The Company makes equity-settled share-based payments to certain Group employees and advisors. Equity-settled share-based payments are measured at fair value using a Black-Scholes valuation model at the date of grant. The fair value is expensed as services are rendered over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

##### e) Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

## 5. Loss per share

The calculation of basic and diluted loss per share has been based on the loss for the period of \$1,810,719 (2009 first half: \$4,105,863) and the weighted average number of shares being 96,595,133 ordinary shares issued for the period ended 30 June 2010 (2009 first half: 84,913,031)

## 6. Segment information

The Group's operations are entirely focused on gold exploration and development activities within the Russian Federation, with its corporate head office in the UK.

The group has two reportable segments as set out below. The operating results of each of these segments are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance.

The accounting policies of these segments are in line with those set out in note 3.

<b>Reportable segments as at 30 June 2010</b>	UK \$000	Russia \$000	Total \$000
Revenue	-	-	-
Administration expenses	(742)	(1,460)	(2,202)
Finance expenses	(157)	-	(157)
Finance income	-	31	31
Exchange differences	(1)	509	508
Taxation credit	-	9	9
<b>Loss for the period after taxation</b>	<b>(900)</b>	<b>(911)</b>	<b>(1,811)</b>
Non current assets	-	90,334	90,334
Trade and other receivables (current assets)	72	2,511	2,583
Cash and cash equivalents	2,203	1,433	3,636
<b>Segment assets</b>	<b>2,275</b>	<b>94,278</b>	<b>96,553</b>
Loans and borrowings	-	13,036	13,036
Trade and other payables (current)	134	2,236	2,370
Provisions	-	304	304
<b>Segment liabilities</b>	<b>134</b>	<b>15,576</b>	<b>15,710</b>
<b>Segment net assets</b>	<b>2,141</b>	<b>78,702</b>	<b>80,843</b>

<b>Reportable segments as at 31 December 2009</b>	UK \$000	Russia \$000	Total \$000
Revenue	-	-	-
Administration expenses	(1,198)	(1,913)	(3,111)
Finance expenses	(187)	-	(187)
Finance income	3	101	104
Exchange differences	10	(2,197)	(2,187)
Taxation credit	-	124	124
<b>Loss for the period after taxation</b>	<b>(1,372)</b>	<b>(3,885)</b>	<b>(5,257)</b>
Non current assets	1	83,283	83,284
Trade and other receivables (current assets)	66	1,449	1,515
Cash and cash equivalents	1,086	867	1,953
<b>Segment assets</b>	<b>1,153</b>	<b>85,599</b>	<b>86,752</b>
Loans and borrowings	4,000	3,255	7,255
Trade and other payables (current)	1,278	2,429	3,707
Provisions	-	304	304
<b>Segment liabilities</b>	<b>5,278</b>	<b>5,988</b>	<b>11,266</b>
<b>Segment net assets</b>	<b>(4,125)</b>	<b>79,611</b>	<b>75,486</b>

## 6. Segment information - continued

Reportable segments as at 30 June 2009	UK \$000	Russia \$000	Total \$000
Revenue	-	-	-
Administration expenses	(443)	(885)	(1,328)
Finance expenses	(13)	-	(13)
Finance income	4	95	99
Exchange differences	12	(2,865)	(2,853)
Taxation (expense) refund	-	(11)	(11)
<b>Loss for the period after taxation</b>	<b>(440)</b>	<b>(3,666)</b>	<b>(4,106)</b>
Non current assets	1	75,437	75,438
Trade and other receivables (current assets)	80	4,409	4,489
Cash and cash equivalents	1,210	626	1,836
<b>Segment assets</b>	<b>1,291</b>	<b>80,472</b>	<b>81,763</b>
Loans and borrowings	2,000	-	2,000
Trade and other payables (current)	1,218	1,922	3,140
Provisions	-	254	254
<b>Segment liabilities</b>	<b>3,218</b>	<b>2,176</b>	<b>5,394</b>
<b>Segment net assets</b>	<b>(1,927)</b>	<b>78,296</b>	<b>76,369</b>

The finance income, finance expenses and taxation have been analysed above in line with the way the Group's business is structured.

All material non-current assets other than financial instruments are owned by a Russian subsidiary and are located in Russia.

Share based payments of \$321,500 (2009 first half: nil) relate solely to the UK.

All material capital expenditure in the current and previous periods relates to the Russia segment.

Trans-Siberian Gold plc is in the exploration and development phase of its gold projects in Russia and therefore received no revenue during the periods reported above.

## 7. Property, plant and equipment

	Buildings \$000	Plant and machinery \$000	Motor vehicles \$000	Office equipment and furniture \$000	Assets under construction <sup>a</sup> \$000	Total \$000
<b>Cost</b>						
At 1 January 2009	1,188	6,423	620	637	44,086	52,954
Additions	-	-	-	112	2,167	2,279
Disposals	-	(16)	(52)	(87)	(23)	(178)
Reclassifications	39	638	757	9	(1,443)	-
<b>At 30 June 2009</b>	<b>1,227</b>	<b>7,045</b>	<b>1,325</b>	<b>671</b>	<b>44,787</b>	<b>55,055</b>
<b>Accumulated depreciation</b>						
At 1 January 2009	(609)	(1,062)	(500)	(353)	-	(2,524)
Charge for period <sup>b</sup>	(81)	(533)	(136)	(31)	-	(781)
Disposals	-	6	9	86	-	101
<b>At 30 June 2009</b>	<b>(690)</b>	<b>(1,589)</b>	<b>(627)</b>	<b>(298)</b>	<b>-</b>	<b>(3,204)</b>
<b>Net book value</b>						
At 1 January 2009	579	5,361	120	284	44,086	50,430
<b>At 30 June 2009</b>	<b>537</b>	<b>5,456</b>	<b>698</b>	<b>373</b>	<b>44,787</b>	<b>51,851</b>

	Buildings \$000	Plant and machinery \$000	Motor vehicles \$000	Office equipment and furniture \$000	Assets under construction <sup>a</sup> \$000	Total \$000
<b>Cost</b>						
At 1 July 2009	1,227	7,045	1,325	671	44,787	55,055
Additions	32	277	1,006	(58)	8,168	9,425
Disposals	(53)	1	52	(9)	23	14
Reclassifications	(39)	(638)	(757)	(9)	1,443	-
<b>At 31 December 2009</b>	<b>1,167</b>	<b>6,685</b>	<b>1,626</b>	<b>595</b>	<b>54,421</b>	<b>64,494</b>
<b>Accumulated depreciation</b>						
At 1 July 2009	(690)	(1,589)	(627)	(298)	-	(3,204)
Charge for period <sup>b</sup>	(112)	(317)	(372)	(110)	-	(911)
Disposals	10	-	(9)	1	-	2
<b>At 31 December 2009</b>	<b>(792)</b>	<b>(1,906)</b>	<b>(1,008)</b>	<b>(407)</b>	<b>-</b>	<b>(4,113)</b>
<b>Net book value</b>						
At 1 July 2009	537	5,456	698	373	44,787	51,851
<b>At 31 December 2009</b>	<b>375</b>	<b>4,779</b>	<b>618</b>	<b>188</b>	<b>54,421</b>	<b>60,381</b>

<b>Cost</b>						
At 1 January 2010	1,167	6,685	1,626	595	54,421	64,494
Additions	-	168	-	5	7,355	7,528
Disposals	-	-	(40)	(18)	-	(58)
Reclassifications	-	-	-	-	-	-
<b>At 30 June 2010</b>	<b>1,167</b>	<b>6,853</b>	<b>1,586</b>	<b>582</b>	<b>61,776</b>	<b>71,964</b>
<b>Accumulated depreciation</b>						
At 1 January 2010	(792)	(1,906)	(1,008)	(407)	-	(4,113)
Charge for period <sup>b</sup>	(93)	(486)	(156)	(52)	-	(787)
Disposals	-	-	29	14	-	43
<b>At 30 June 2010</b>	<b>(885)</b>	<b>(2,392)</b>	<b>(1,135)</b>	<b>(445)</b>	<b>-</b>	<b>(4,857)</b>
<b>Net book value</b>						
At 1 January 2010	375	4,779	618	188	54,421	60,381
<b>At 30 June 2010</b>	<b>282</b>	<b>4,461</b>	<b>451</b>	<b>137</b>	<b>61,776</b>	<b>67,107</b>

- a. Assets under construction at 30 June 2010 comprise \$50,322,090 (31 December 2009: \$43,448,977) for building construction, \$5,960,676 (31 December 2009: \$5,489,326) for plant and equipment at Asacha and \$5,492,972 (31 December 2009: \$5,482,371) in relation to the construction of an access road.
- b. \$32,942 (2009 first half: \$751,337) of the depreciation charge related to property, plant and equipment used on exploration and evaluation projects and was capitalised in exploration and evaluation costs in accordance with the Group's accounting policy.
- c. Contracted commitments for capital purchases amount to \$2,015,860 (31 December 2009: \$680,162).

## 8. Exploration and evaluation costs

Movements on deferred exploration and evaluation expenditure, by location of the property, are as follows:

	1 January 2009 \$000	Additions \$000	Expenditure written off \$000	30 June 2009 \$000
Kamchatka – Asacha and Rodnikova	17,089	392	-	17,481
	<b>17,089</b>	<b>392</b>	<b>-</b>	<b>17,481</b>
	1 July 2009 \$000	Additions \$000	Expenditure written off \$000	31 December 2009 \$000
Kamchatka – Asacha and Rodnikova	17,481	1,653	(253)	18,881
	<b>17,481</b>	<b>1,653</b>	<b>(253)</b>	<b>18,881</b>
	1 January 2010 \$000	Additions \$000	Expenditure written off \$000	30 June 2010 \$000
Kamchatka – Asacha and Rodnikova	18,881	307	-	19,188
	<b>18,881</b>	<b>307</b>	<b>-</b>	<b>19,188</b>

## 9. Borrowings

	30 June 2010 \$000	30 June 2009 \$000	31 December 2009 \$000
Non-current	13,036	2,000	7,255
	<b>13,036</b>	<b>2,000</b>	<b>7,255</b>

Movement in borrowings is analysed as follows:

	6 months to 30 June 2010 \$000	6 months to 30 June 2009 \$000	12 months to 31 December 2009 \$000
At beginning of period	7,255	-	-
Increase in borrowings	9,781	2,000	9,755
Repayment of loan	(4,000)	-	(2,500)
<b>At end of period</b>	<b>13,036</b>	<b>2,000</b>	<b>7,255</b>

On 19 October 2009 ZAO Trevozhnoye Zarevo (TZ) began to draw down a three year \$25 million loan facility for the Asacha project from a Russian bank at an annual interest rate of 14.5%. This initial borrowing was refinanced with a five year facility from Sberbank on 30 December 2009 at an annual interest rate of 11.75%.

During the negotiations with the Russian banks discussed above, on 29 May 2009 UFG Asset Management (UFG), a related party by virtue of its then 51.55% holding in the shares of the Company, provided TSG with a loan facility of \$3 million on commercial terms, repayable in two equal tranches, the first on the earlier of the first anniversary of the commencement of gold production at Asacha and 30 September 2011, and the second on the earlier of the second anniversary of the commencement of gold production at Asacha and 30 September 2012.

On 2 December 2009 UFG agreed to provide a second loan facility of \$3.5 million on commercial terms, all or part of which could be repaid without penalty at any time before the scheduled repayment in two tranches on the same dates as the facility agreed in May 2009, in order to facilitate the refinancing of TZ's \$25 million loan facility discussed above. TSG drew down the \$3.5 million on 8 December 2009 and, following completion of the refinancing of TZ's facility, repaid \$2.5 million to UFG on 30 December 2009.

During the first half of 2010 a further \$9.8 million of the Sberbank facility was drawn down. On 23 March 2010 the remaining balances of the two UFG loan facilities were settled by the issue of new ordinary TSG shares as discussed in Note 11.

Details of related party transactions are given in Note 12.

## 10. Provisions

	Environmental/ site restoration provision \$000	Total \$000
<b>Six months ended 30 June 2009</b>		
At 1 January 2009	254	254
<b>At 30 June 2009</b>	<b>254</b>	<b>254</b>
<b>Six months ended 31 December 2009</b>		
At 1 July 2009	254	254
Additional provisions	50	50
<b>At 31 December 2009</b>	<b>304</b>	<b>304</b>
<b>Six months ended 30 June 2010</b>		
At 1 January 2010	304	304
<b>At 30 June 2010</b>	<b>304</b>	<b>304</b>

## 11. Share capital and premium

Group and Company	Number of shares authorised	Number of shares allotted and fully paid	Share capital \$000	Share premium \$000	Total \$000
At 1 January 2009	150,000,000	84,913,031	15,103	73,311	88,414
At 30 June 2009	150,000,000	84,913,031	15,103	73,311	88,414
<b>At 31 December 2009</b>	<b>150,000,000</b>	<b>84,913,031</b>	<b>15,103</b>	<b>73,311</b>	<b>88,414</b>
At 1 January 2010	150,000,000	84,913,031	15,103	73,311	88,414
Shares issued					
- Placing for cash		14,756,339	2,220	4,627	6,847
<b>At 30 June 2010</b>	<b>150,000,000</b>	<b>99,669,370</b>	<b>17,323</b>	<b>77,938</b>	<b>95,261</b>

All shares are ordinary shares with a par value of 10 pence.

On 23 March 2010 14,756,339 ordinary shares were issued at 30.8 pence in a placing for cash. 3,533,534 ordinary shares were issued for a total cash consideration, before issuing costs, of £1.1 million (\$1,636,956) to AngloGold Ashanti Limited (AGA). 11,222,805 ordinary shares were issued to UFG Asset Management (UFG) and to AGA in settlement of the Company's indebtedness, in aggregate \$5,209,133 including accrued interest. 9,408,002 shares were issued to UFG in consideration of the conversion of the outstanding amounts of two loan facilities as discussed in Note 9. 1,814,803 ordinary shares were issued to AGA in settlement of technical consultancy services provided by AGA as discussed in Note 12.

Retained earnings represents the cumulative net gains and losses recognised in the statement of comprehensive income less any amounts reflected directly in other reserves.

The share premium account represents the amounts received by the Company on the issue of its shares which were in excess of the nominal value of the shares.

## 12. Related party transactions

There are no related party transactions other than those relating to major shareholders UFG Asset Management (UFG) and AngloGold Ashanti Limited (AGA) and OAO Sibirskiy Gorno-Metallurgicheskoy Alyans (SIGMA), as detailed below:

Related party	Nature of transaction	Purchases during the 6 months to 30 June 2010 \$000	Amount owing/ (owed) at 30 June 2010 \$000	Purchases during the 6 months to 30 June 2009 \$000	Amount owing/ (owed) at 30 June 2009 \$000	Purchases during the 12 months to 31 December 2009 \$000	Amount owing/ (owed) at 31 December 2009 \$000
AGA	Technical services	-	-	-	998	(253)	745
	Loan interest	24	-	-	-	106	106
	Other services	-	-	-	-	-	(33)
		<b>24</b>	<b>-</b>	<b>-</b>	<b>998</b>	<b>(147)</b>	<b>818</b>
UFG	Loans	-	-	2,000	2,000	6,500	4,000
	Loan interest	133	-	13	13	257	233
		<b>133</b>	<b>-</b>	<b>2,013</b>	<b>2,013</b>	<b>6,757</b>	<b>4,233</b>
SIGMA	Equipment rent	-	-	4	-	15	15
		-	-	4	-	15	15
		<b>157</b>	<b>-</b>	<b>2,017</b>	<b>3,011</b>	<b>6,625</b>	<b>5,066</b>

During 2009 the Company's largest shareholder UFG Asset Management (UFG) provided the Company with two loan facilities on commercial terms as discussed in Note 9. The facility agreements included an option for UFG, subject to the requisite approval of TSG's shareholders, to convert any part of the outstanding loan into TSG shares at a price equivalent to the volume weighted average price of TSG's shares for the period of 60 business days prior to notice of such conversion. On 23 March 2010, subsequent to the exercise of that option, 9,408,002 shares were issued to UFG in consideration of the conversion of the outstanding amounts of two loan facilities.

SIGMA is a gold focussed exploration company, with assets held in the Kamchatka Krai peninsula in Far East Russia, in which UFG held a majority interest until early 2008. Mr Bagirov was a director of SIGMA until 30 June 2009. Mr Khilov resigned as Chairman of SIGMA's Board of Directors on 20 May 2010.

## 13. Events after the reporting date

On 4 August 2010 the Company acquired the remaining minority shareholding in ZAO Trevozhnoye Zarevo (TZ) at a cost of \$500,000 in accordance with the terms of its acquisition of TZ, thereby increasing its interest in that company and the Asacha and Rodnikova projects from 95.03% to 100%.

During the third quarter of 2010, negotiations continued with a Russian bank regarding additional project finance to bring the Asacha mine into production.

## Notes

## Directors and Board Committees

### Directors

Oleg Bagirov	Non-executive Chairman
Dmitry Khilov	Chief Executive Officer
Simon Olsen	Finance Director and Company Secretary
Peter Burnell	Non-executive
Florian Fenner	Non-executive
Charles Ryan	Non-executive

### Audit Committee

Charles Ryan	Chairman
Peter Burnell	
Oleg Bagirov	

### Remuneration Committee

Charles Ryan	Chairman
Peter Burnell	
Oleg Bagirov	

## Registered Office

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### Company number

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