

COMPANY NUMBER:1067991

TRANS-SIBERIAN GOLD LIMITED

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2002**

TRANS-SIBERIAN GOLD LIMITED

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DIRECTORS' REPORT

The directors present their report and the Company's audited financial statements for the year ended 31 March 2002.

Principal Activities and Review of Business Developments

During the year ended 31 March 2002, the Company acquired control of ZAO Trevozhnoye Zarevo, the licensee of the Asacha and Rodnikova gold deposits in south Kamchatka. Detailed feasibility studies on developing these deposits have since been commenced by AMEC in Vancouver and VINIPromtecnologi, a licensed Russian institute.

Results and Dividend

The results for the financial year are set out on page 6. The directors do not recommend the payment of a dividend.

Post Balance Sheet Events

Since 31 March 2002, 3,960,632 ordinary shares of 10p each have been issued representing an increase in capital of £5,916,499 (US\$9,193,879).

On 17 July 2002, the Company acquired 100% of the share capital of OOO Amikan, the Russian company holding the licence to the Veduga gold deposit in the Severo-Yeneisek district of Krasnoyarsk Krai.

Future Developments

The Company is working to bring both projects (Asacha/Rodnikova and Veduga) to the bankable feasibility stage to enable the financing for mine developments in both sites to be put in place.

Share Capital

On 28 March 2002, shareholders approved a sub-division of the Company's equity share capital whereby each ordinary share of £1 was replaced by 10 ordinary shares of 10p.

Directors and their Interests

The directors who served during the year ended 31 March 2002 were:

- JJS Marshall
- JS de W Waller
- PA Bowring
- PCD Burnell
- A Ivanov
- VF Nikolaitchouk
- NK Sethia

The directors' interests in the Company's shares are as follows:

	Ordinary shares of 10p each		Options over ordinary shares of 10p each			
	01.04.01	31.03.02	01.04.01	Granted	Exercised	31.03.02
JJS Marshall	30,000	41,000	-	100,000	-	100,000
JS de W Waller	419,050	448,000	-	200,000	-	200,000
PA Bowring	80,000	197,000	-	75,000	-	75,000
PCD Burnell	80,000	80,000	-	75,000	-	75,000
A Ivanov	-	-	-	50,000	-	50,000
VF Nikolaitchouk	20,000	125,000	-	75,000	-	75,000
NK Sethia	400,000	400,000	-	75,000	-	75,000

CH Dickson was appointed a director on 26 June 2003.

Reporting Currency

The Company's functional currency has changed from Sterling to US dollars as a result of the acquisition of a subsidiary holding the licences for two gold deposits. These financial statements are therefore presented in US dollars, including the comparatives for the year ended 31 March 2001. This change is explained in more detail in note 1 to the financial statements.

Payments to Creditors

The Company's policy is to settle the terms of payment with its suppliers when agreeing the terms of each transaction, either by accepting the suppliers' terms or by making the suppliers aware of alternative terms, and to abide by the agreed terms. It does not follow a published code or standard. Trade creditors of the Company at 31 March 2002 represented 104 days' purchases.

Going Concern

Since 31 March 2002, the Company has continued to raise funds by private placements of equity to finance its acquisitions and develop its operations. The directors now intend to pursue an Initial Public Offering ("IPO") on the Alternative Investment Market ("AIM") of the London Stock Exchange to raise the funds required to continue its operations and to commence developing its current projects into producing mines. Finance will also be required to meet the Company's conditional obligation to purchase the residual 9.95% shareholding in ZAO Trevozhnoye Zarevo for US\$1,000,000. The directors have appointed a nominated advisor and broker, Collins Stewart, to assist them in achieving their aim of completing the IPO on AIM in the fourth quarter of 2003. It is envisaged that additional finance will subsequently be required during 2004 to continue with the Company's development plans, including the arrangement of borrowing facilities and further issues of shares. The directors are confident that they will be able to secure the funding required to meet the Group's existing commitments, continue its operations and commence the planned mine developments. As explained more fully in note 2 to the financial statements, they therefore believe that it is appropriate to prepare the Company's financial statements on a going concern basis.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit and loss of the Group for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Following the transfer of their business to a Limited Liability Partnership (LLP) with effect from 1 January 2003, PricewaterhouseCoopers resigned on 25 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors to fill the casual vacancy arising. A resolution to re-appoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the next annual general meeting.

BY ORDER OF THE BOARD

15 August 2003

Independent auditors' report to the members of Trans-Siberian Gold Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheets, the cash flow statement and the related notes to the financial statements. The financial statements have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty – going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the directors' plans to raise additional finance through share issues by the Company. As explained in note 2, the financial statements have been prepared on a going concern basis, the validity of which depends on the successful raising of additional funds through share issues. The financial statements do not include any adjustments that would result from a failure to obtain this funding. In view of the significance of this uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 March 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
15 August 2003

FINANCIAL STATEMENTS

Consolidated Profit and Loss Account

	Note	Year ended 31 March 2002 US\$	Year ended 31 March 2001 US\$
Turnover		-	-
Administration expenses			
Continuing operations		(535,612)	(185,749)
Acquisitions		(59,250)	-
		(594,862)	(185,749)
Operating loss			
Continuing operations		(535,612)	(185,749)
Acquisitions		(59,250)	-
		(594,862)	(185,749)
Interest receivable and similar income	4	5,036	2,595
Loss on ordinary activities before taxation	6	(589,826)	(183,154)
Tax on loss on ordinary activities	8	1,074	1,066
		(588,752)	(182,088)
Minority interest - equity		5,987	-
Loss for the financial year	17	(582,765)	(182,088)

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above, and their historical cost equivalents.

There are no recognised gains or losses other than those stated above.

Consolidated Balance Sheet

	Note	As at 31 March 2002 US\$	As at 31 March 2001 US\$
Fixed assets			
Exploration and evaluation properties	9	2,406,520	32,892
Tangible assets	10	21,659	7,207
Investments	11	36,207	200,000
Total fixed assets		2,464,386	240,099
Current assets			
Debtors	13	1,093,453	104,166
Cash at bank and in hand	14	26,854	291,814
		1,120,307	395,980
Creditors – amounts falling due within one year	15	(1,346,445)	(37,086)
Net current (liabilities)/assets		(226,138)	358,894
Total assets less current liabilities		2,238,248	598,993
Minority interest - equity		(190,110)	-
Net assets		2,048,138	598,993
Capital and reserves			
Called up share capital	16	479,713	249,508
Share premium account	17	2,322,047	520,342
Profit and loss account	17	(753,622)	(170,857)
Equity shareholders' funds	18	2,048,138	598,993

The financial statements on pages 6 to 20 were approved by the board of directors on 15 August 2003 and were signed on its behalf by:

Director

Company Balance Sheet

	Note	As at 31 March 2002 US\$	As at 31 March 2001 US\$
Fixed assets			
Exploration and evaluation properties	9	-	32,892
Tangible assets	10	7,852	7,207
Investments	11		
<i>Shares in group undertakings</i>		1,857,425	-
<i>Loans to group undertakings</i>		69,493	-
<i>Other investments</i>		36,207	200,000
		<u>1,963,125</u>	<u>200,000</u>
		1,970,977	240,099
Current assets			
Debtors	13		
<i>Amounts falling due within one year</i>		1,066,067	104,166
<i>Amounts falling due after more than one year</i>		385,800	-
		<u>1,451,867</u>	<u>104,166</u>
Cash at bank and in hand	14	19,923	291,814
		1,471,790	395,980
Creditors – amounts falling due within one year	15	(1,340,449)	(37,086)
Net current assets		<u>131,341</u>	<u>358,894</u>
Net assets		2,102,318	598,993
Capital and reserves			
Called up share capital	16	479,713	249,508
Share premium account	17	2,322,047	520,342
Profit and loss account	17	(699,442)	(170,857)
Equity shareholders' funds		2,102,318	598,993

The financial statements on pages 6 to 20 were approved by the board of directors on 15 August 2003 and were signed on its behalf by:

Director

Consolidated Cash Flow Statement

	Note	Year ended 31 March 2002 US\$	Year ended 31 March 2001 US\$
Net cash outflow from operating activities	20	(59,422)	(243,312)
Returns on investments and servicing of finance			
Interest received		5,036	2,595
Interest paid		(6,500)	-
Net cash (outflow)/inflow from returns on investments and servicing of finance		(1,464)	2,595
Taxation		1,074	1,066
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(37,199)	(7,414)
Exploration and evaluation expenditure		(492,292)	(32,892)
Purchase of fixed asset investments		-	(200,000)
Loans advanced to OOO Amikan		(36,207)	-
Net cash outflow from capital expenditure and financial investment		(565,698)	(240,306)
Acquisitions			
Payments to acquire subsidiary undertakings	12	(532,475)	-
Net cash outflow before use of liquid resources and financing		(1,157,985)	(479,957)
Financing			
Issue of ordinary shares, net of expenses		900,245	769,708
(Decrease)/increase in cash for the year		(257,740)	289,751
Reconciliation to "FRS 1" cash balances			
"FRS 1" cash at start of year		291,814	-
Currency exchange differences		(7,220)	2,063
(Decrease)/increase in cash for the year		(257,740)	289,751
"FRS 1" cash at end of year	19	26,854	291,814

Non-cash transactions

During the year ended 31 March 2002, the Company issued 10,650 ordinary shares of £1 each (equivalent to 106,500 ordinary shares of 10p each) for consideration other than cash, as described in note 16.

Notes to the Financial Statements

1. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. They are stated in US dollars, being the Group's functional currency. The exchange rate on 31 March 2002 was £1:US\$1.42 (31 March 2001 - £1:US\$1.42).

In accordance with the requirements of FRS18 'Accounting policies', the directors have reviewed the Group's accounting policies and consider that they are consistent with this standard. The Company's accounting policies are consistent with those applied in the previous year except as noted below in respect of deferred taxation.

Basis of preparation

Trans-Siberian Gold Limited, together with the subsidiary listed in note 25, form a mineral exploration and development group that is focused on precious metal opportunities in the Russian Federation. The recoverability of the amounts shown in the Group balance sheet in relation to deferred exploration expenditure, and also the carrying value of the Company's investments in its subsidiary, are dependent upon the discovery of economically recoverable reserves, confirmation of the Group's interests in the underlying mining claims, the political, economic and legislative stability of the regions in which the Group operates, 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 disposition of properties.

Basis of consolidation

The consolidated financial statements of the Group include the accounts of Trans-Siberian Gold Limited and its subsidiary. The results of Trans-Siberian Gold Limited's subsidiary undertaking are accounted for in the profit and loss account from the date that the Company gained control.

The accounting policies of the subsidiary are consistent with those applied by the Company.

Reporting currency

In previous years, the Company has presented its financial statements in Sterling. The principal currency affecting the Company's operations is now the US dollar, following the acquisition of ZAO Trevozhnoye Zarevo and its gold deposits. Accordingly, these financial statements are presented in US dollars, including the comparatives for the year ended 31 March 2001. Assets and liabilities held on 1 April 2001, including the Company's non-monetary assets, have been translated into US dollars at the exchange rate in force on that date. The Company's share capital and share premium account on 1 April 2001 have also been translated into US dollars using the exchange rate on that date. The comparative balance sheet, profit and loss account, cash flow statement and related notes have been presented in US dollars using the exchange rate on 31 March 2001.

Foreign currency translation

Transactions denominated in currencies other than the US dollar are translated into US dollars at the average exchange rate ruling during the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are re-translated into US dollars at the rates of exchange ruling at the balance sheet date. All exchange gains or losses are taken to the profit and loss account.

Deferred exploration expenditure

When the Group has incurred 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 development 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. 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

1. PRINCIPAL ACCOUNTING POLICIES (cont'd)

being capitalised. Finance costs are only capitalised during periods when exploration and evaluation activities are in progress.

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

When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher. 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 expenditure represent costs incurred and do not necessarily reflect present or future values.

Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the identifiable net assets acquired, including mineral properties. Amortisation is charged on a unit of production basis.

Taxation

As required by FRS19 "Deferred Tax", deferred tax is provided in full in respect of timing differences which have arisen but not reversed at the balance sheet date, except that deferred tax assets are only recognised if it is considered more likely than not that they will be recovered. No deferred tax has been recognised on the revaluation of purchased non-monetary assets at their fair value, in accordance with FRS 19. Previously, the Company recognised deferred tax on a partial provision basis. This change in policy has not affected the Group's financial statements for either the current or prior year.

Tangible fixed assets and depreciation

Tangible fixed assets are recorded at historical cost. Depreciation of tangible fixed assets is provided on the straight-line basis over their estimated useful lives, being five years for office furniture and motor vehicles and three to four years for computer and communications equipment.

Investments

Investments are valued at cost or, where there has been an impairment in value, at their recoverable amount. Investments in subsidiary companies involved in exploration and development are recorded at cost where the expected recovery of costs is considered probable.

Inventories

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

2. FUNDAMENTAL UNCERTAINTY – GOING CONCERN

Since 31 March 2002, the Group has raised US\$9,193,879 through the issue of shares, as shown in note 24, and has received offers totalling US\$1,500,000 from prospective investors. However, the Group has also made a further acquisition in that period and it has incurred significant expenditure on its exploration projects. As at 21 July 2003, its cash balances were approximately US\$1,496,000. Based on its current expenditure plans and the offers received from prospective investors, the directors believe that the Group will have sufficient cash to meet its obligations until approximately December 2003.

The directors have announced that they intend to pursue an Initial Public Offering (“IPO”) on the Alternative Investment Market (“AIM”) of the London Stock Exchange to raise the funds required to continue the Group’s operations, commence developing its current projects into producing mines and to meet the Company’s obligation to purchase the residual 9.95% shareholding in ZAO Trevozhnoye Zarevo for US\$1,000,000, details of which are provided in note 21. In the meantime, the Group is working to bring both projects (Asacha/Rodnikova and Veduga) to the bankable feasibility stage. Also, the directors have appointed a nominated advisor and broker, Collins Stewart, to assist them in achieving their aim of completing the IPO on AIM in the fourth quarter of 2003. In this respect, it is anticipated that a bankable feasibility study for Asacha/Rodnikova should be available in September 2003. The directors envisage that additional finance will subsequently be required during 2004 to continue with their development plans, including the arrangement of borrowing facilities and further issues of shares.

The directors are confident that they will be able to secure the funding required to meet the Group’s existing commitments, continue its operations and commence the planned mine developments. However, this depends in part on the outcome of the work being carried out to prepare bankable feasibility studies. If the directors are unsuccessful in pursuing an IPO, or it is delayed, they believe they would be able to defer the commencement of most mine development activities until suitable funding has been arranged. This assumes that ZAO Trevozhnoye Zarevo (a subsidiary) would be able to extend the commitment attaching to one of its licences (as described in note 9). Also, this deferral of expenditure would still leave a shortfall in funding, which the directors believe they could meet through a further programme of private placements. Discussions are already taking place with a number of potential investors.

Notwithstanding the uncertainties described above, in the light of the information currently available to them the directors are confident the Group will be able to raise sufficient funding to continue to meet its debts as and when they fall due. Accordingly, they believe it is appropriate to prepare the financial statements on a going concern basis. Should the directors be unsuccessful in raising the required funding, the going concern basis would no longer be appropriate and adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets. It is not practicable to quantify these potential adjustments.

3. SEGMENTAL REPORTING

The Group’s operations are entirely focussed on exploration and development opportunities within the Russian Federation. Accordingly, the directors believe that there is only one relevant class of business and geographic segment.

4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31 March 2002 US\$	Year ended 31 March 2001 US\$
Interest receivable from short term bank deposits	4,734	2,595
Other interest	302	-
	5,036	2,595

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31 March 2002 US\$	Year ended 31 March 2001 US\$
Unwind of discount on deferred purchase consideration	82,700	-
<u>Less amounts capitalised in exploration and evaluation properties</u>	<u>(82,700)</u>	<u>-</u>
	-	-

The deferred purchase consideration has been discounted at a rate of 12 % per annum.

6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Note	Year ended 31 March 2002 US\$	Year ended 31 March 2001 US\$
Loss before taxation is stated after charging:			
Wages and salaries		44,408	21,326
Social security costs		32,816	2,620
Other pension costs		2,792	-
Staff costs	7	80,016	23,946
Depreciation of tangible fixed assets			
- owned assets		5,866	208
Loss on disposal of tangible fixed assets		24,901	-
Exploration and evaluation expenditure written off		240,652	-
Auditors' remuneration			
- audit services		41,302	4,265
-non-audit services		-	6,398

7. EMPLOYEES AND DIRECTORS

The average monthly number of persons employed by the Group during the year was:

	Year ended 31 March 2002	Year ended 31 March 2001
	Number	Number
By activity		
Exploration and development	5	-
Administration	4	1
	<u>9</u>	<u>1</u>

	Year ended 31 March 2002	Year ended 31 March 2001
	US\$	US\$
Directors		
Aggregate emoluments	68,888	23,946
	<u>Number</u>	<u>Number</u>
Number of directors during the year	<u>7</u>	<u>4</u>

In addition, one of the directors received US\$12,803 as compensation for loss of office as a director of the Company's subsidiary (see note 23).

None of the directors exercised share options during the year and there are no long-term incentive schemes other than the provision of share options. The Company does not provide its directors with any pension benefits.

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31 March 2002	Year ended 31 March 2001
	US\$	US\$
Current tax - UK Corporation tax credit	1,074	1,066

No liability to taxation arises as the Group has not yet generated any net taxable income.

During the exploration and development stages, the companies in the Group will accumulate tax losses carried forward. The tax losses arising in the current and prior periods will reduce the Group's tax liability in the future and thus give rise to a deferred tax asset. However, the directors believe that it would not be prudent to recognise such tax assets before the companies have operations that generate taxable income. Hence the tax credit for the year is substantially lower than that which would be expected to arise at the standard rate of corporation tax in the UK (30%), being US\$176,948 (31 March 2001 – US\$54,946).

9. EXPLORATION AND EVALUATION PROPERTIES

(a) Movements on deferred exploration and evaluation expenditure, by area of interest, are as follows:

Company

As at 31 March 2001, the Company had recognised US\$32,892 of deferred exploration expenditure. It is intended that these costs will be recharged to the Company's subsidiaries, and hence they have been transferred to debtors during the current year.

9. EXPLORATION AND EVALUATION PROPERTIES (cont'd)

Group

	Opening balance 1 April 2001	Additions	Capitalised interest	Acquisition of subsidiary	Written off	Closing balance 31 March 2002
	US\$	US\$	US\$	US\$	US\$	US\$
Kamchatka	14,125	324,881	82,700	1,935,947	-	2,357,653
Krasnoyarsk	18,767	30,100	-	-	-	48,867
Other	-	240,652	-	-	(240,652)	-
	32,892	595,633	82,700	1,935,947	(240,652)	2,406,520

The cumulative amount of interest capitalised in exploration and evaluation properties is US\$82,700 (31 March 2001 – US\$nil).

- (b) Deferred exploration expenditure primarily relates to the following agreements held by the Company's subsidiary, ZAO Trevozhnoye Zarevo:

Asachinskoye mineral rights license issued by the Kamchatka Department of the Geological Committee of the Russian Ministry for Natural Resources

On 8 September 1994, the Kamchatka Department of the Geological Committee of the Russian Ministry for Natural Resources issued a license after tender to ZAO Trevozhnoye Zarevo for the exploration and development of the Asachinskoye minerals deposit on Kamchatka. The license includes extraction of gold and silver and is valid until 1 September 2014.

Under the license, ZAO Trevozhnoye Zarevo is required to produce at least 1,000kg of gold at the Asachinskoye deposit by the end of 2004. An application for a two-year extension of this condition has been lodged with the appropriate authorities. It is uncertain whether this will impact the licence.

Rodnikovoye mineral rights license issued by the Kamchatka Department of the Geological Committee of the Russian Ministry for Natural Resources

On 8 September 1994, the Kamchatka Department of the Geological Committee of the Russian Ministry for Natural Resources issued a license after tender to ZAO Trevozhnoye Zarevo for the exploration and development of the Rodnikovoye minerals deposit on Kamchatka. The license includes extraction of gold and silver and is valid until 1 September 2014.

10. TANGIBLE FIXED ASSETS

	Group		Company	
	Office equipment and furniture	Total	Office equipment and furniture	Total
	US\$	US\$	US\$	US\$
Cost				
At 1 April 2001	7,423	7,423	7,423	7,423
Additions	37,199	37,199	3,712	3,712
Acquisition of subsidiary	8,020	8,020	-	-
Disposals	(24,901)	(24,901)	-	-
At 31 March 2002	27,741	27,741	11,135	11,135
Accumulated depreciation				
At 1 April 2001	(216)	(216)	(216)	(216)
Depreciation for year	(5,866)	(5,866)	(3,067)	(3,067)
At 31 March 2002	(6,082)	(6,082)	(3,283)	(3,283)
Net book value				
At 31 March 2001	7,207	7,207	7,207	7,207
At 31 March 2002	21,659	21,659	7,852	7,852

11. INVESTMENTS

	Company	
	31 March 2002	31 March 2001
	US\$	US\$
Shares in subsidiary undertakings		
Balance at start of year	-	-
Reclassification of other investments	200,000	-
Acquisition of shares	1,574,725	-
Capitalisation of interest	82,700	-
Balance at end of year	1,857,425	-
Loans to subsidiary undertakings		
Balance at start of year	-	-
Advances to subsidiaries	69,493	-
Balance at end of year	69,493	-
Other investments (including loans)		
Balance at start of year	200,000	-
Acquisition of shares	-	200,000
Advances to OOO Amikan (see note 24)	36,207	-
Reclassification as subsidiary	(200,000)	-
Balance at start of year	36,207	200,000
Balance at end of year	1,963,125	200,000

Interest arising from the acquisition of the Company's subsidiary has been capitalised into the cost of the investment where such interest qualifies for capitalisation within the Group's deferred exploration expenditure. The cumulative amount of interest capitalised is US\$82,700 (31 March 2002 – US\$nil).

As at 31 March 2001, "other investments" comprised a payment of US\$200,000 in respect of the proposed acquisition of ZAO Trevozhnoye Zarevo, which became a subsidiary on 3 August 2001 (see note 12).

The Group's investments comprise the amounts shown above as "other investments".

12. ACQUISITIONS

On 3 August 2001, the Company acquired control of ZAO Trevozhnoye Zarevo upon receiving regulatory approval for the transaction. Having already paid US\$200,000 in the year ended 31 March 2001, the Company bought 50.05% of the shares during the year ended 31 March 2002 for an additional US\$500,000 and entered into a binding obligation to purchase a further 40% interest on 24 July 2002 for US\$1,100,000. To reflect the substance of the transaction, ZAO Trevozhnoye Zarevo has been accounted for as a 90.05% subsidiary from 3 August 2001. The consideration payable for the 40% interest acquired on 24 July 2002 has been treated as deferred consideration arising from the initial acquisition.

The acquisition method of accounting has been adopted. The analysis of net assets acquired and the fair value to the Group is shown on the following page.

The subsidiary company's exploration projects, including the mineral licences it owns, have been revalued by the directors. These projects are the subsidiary company's major asset and the reason for the acquisition. The fair value represents the value agreed with the seller as part of the acquisition, based upon previous work done and drilling results.

ZAO Trevozhnoye Zarevo owed US\$13,500,000 to its former parent company on 3 August 2001. As part of the acquisition by Trans-Siberian Gold Limited, the Company purchased this debt for US\$63,640 through the issue of shares. It has subsequently been offset by a capital contribution from the Company to ZAO Trevozhnoye Zarevo. Accordingly, this debt has been reversed in assessing the fair value of the net assets acquired.

12. ACQUISITIONS (cont'd)

Acquisition of ZAO Trevozhnoye Zarevo	Book value	Revaluation	Fair value
	US\$	US\$	US\$
Tangible fixed assets	8,020	-	8,020
Exploration and evaluation expenditure	59,461	1,876,486	1,935,947
Stocks	1,214	-	1,214
Debtors	38,800	-	38,800
Creditors due within one year	(13,159)	-	(13,159)
Creditors due after more than one year	(13,500,000)	13,500,000	0
Net (liabilities)/assets	(13,405,664)	15,376,486	1,970,822
Minority share – 9.95%			(196,097)
Share of net assets attributable to Group			1,774,725
Consideration (including expenses)			
Cash paid in prior year	200,000	-	200,000
Cash paid in current year	532,385	(6,500)	525,885
Deferred consideration	1,100,000	(114,800)	985,200
Issue of shares	63,640	-	63,640
Total consideration	1,896,025	(121,300)	1,774,725
Goodwill arising			-

The consideration included certain deferred payments, which have been discounted by US\$121,300 to arrive at their present value on the date of acquisition.

In the period from 1 January 2001 to 3 August 2001, ZAO Trevozhnoye Zarevo reported a loss after taxation of US\$88,207 in its local statutory accounts. This loss was calculated in accordance with Russian accounting regulations, which differ significantly from generally accepted accounting principles in the United Kingdom.

The cash paid in the current year in respect of subsidiaries acquired comprises the US\$525,885 shown above and expenses of US\$6,590 relating to the acquisition of OOO Amikan on 17 July 2002 (see note 24).

13. DEBTORS

	Group		Company	
	31 March 2002	31 March 2001	31 March 2002	31 March 2001
	US\$	US\$	US\$	US\$
Amounts falling due within one year:				
Unpaid share capital	1,055,636	60,422	1,055,636	60,422
Other debtors	1,538	7,522	-	7,522
Prepayments	10,716	36,222	10,431	36,222
	1,067,890	104,166	1,066,067	104,166
Amounts falling due after more than one year:				
Taxes recoverable – sales tax	25,563	-	-	-
Expenditure rechargeable to subsidiaries	-	-	385,800	-
	25,563	-	385,800	-
	1,093,453	104,166	1,451,867	104,166

The directors anticipate that the sales tax debtor of US\$25,563 will be recovered when the Group commences selling its production or earlier if a proposed change in legislation becomes effective. If the Group's exploration projects do not proceed to production these costs may be irrecoverable.

Certain exploration costs have been incurred by the Company on behalf of its subsidiary. It is anticipated that these costs will be recharged to the subsidiary before the end of 2003, and hence they are presented as debtors.

14. CASH

There are no restrictions over the access and use of the Group's bank and cash balances, other than those that customarily relate to periodic short-term deposits

15. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 March 2002 US\$	31 March 2001 US\$	31 March 2002 US\$	31 March 2001 US\$
Deferred purchase consideration	1,061,400	-	1,061,400	-
Trade creditors	224,868	10,552	223,184	10,552
Taxation and social security	11,194	-	7,266	-
Other creditors	7,297	3,574	7,297	3,574
Accruals and deferred income	41,686	22,960	41,302	22,960
	1,346,445	37,086	1,340,449	37,086

16. CALLED UP SHARE CAPITAL

	As at 31 March 2002 US\$	As at 31 March 2001 US\$
Authorised		
5,000,000 ordinary shares of £1 each	-	7,544,000
50,000,000 ordinary shares of 10p each	7,544,000	-
Allotted and fully paid		
175,500 ordinary shares of £1 each	-	249,508
3,370,430 ordinary shares of 10p each	479,713	-

On 28 March 2002, shareholders approved a sub-division of the Company's equity share capital whereby each ordinary share of £1 was replaced by 10 ordinary shares of 10p.

During the year, 150,893 ordinary shares of £1 each (equivalent to 1,508,930 ordinary shares of 10p each) were issued for cash. The nominal value of these shares was £150,893 (US\$215,044) and the aggregate consideration receivable was £1,330,015 (US\$1,895,459). The proceeds from these share issues have been used to finance the Company's acquisition of ZAO Trevozhnoye Zarevo and to develop its operations, including the expenditure on its exploration projects.

In addition, 10,650 ordinary shares of £1 each (equivalent to 106,500 ordinary shares of 10p each) were issued for consideration other than cash, being for the assignment of a debt (as described in note 12), as compensation for loss of office (see note 23) and as payment for services provided. The consideration attributed to these shares was £95,850 (US\$136,451).

17. RESERVES

Group

	Profit and loss account US\$	Share premium account US\$
Balance as at 1 April 2001	(170,857)	520,342
Premium on shares issued	-	1,801,705
Loss for the financial year	(582,765)	-
Balance as at 31 March 2002	(753,622)	2,322,047

17. RESERVES (cont'd)

Company

	Profit and loss account	Share premium account
	US\$	US\$
Balance as at 1 April 2001	(170,857)	520,342
Premium on shares issued	-	1,801,705
Loss for the financial year	(528,585)	-
Balance as at 31 March 2002	(699,442)	2,322,047

The loss after tax for the year dealt with in the profit and loss account of the Trans-Siberian Gold Limited parent company amounted to US\$(528,585) (2001: loss of US\$182,088). The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 not to present an individual profit and loss account.

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Year ended 31 March 2002	Year ended 31 March 2001
	US\$	US\$
Loss for the financial year	(582,765)	(182,088)
Issue of shares	2,031,910	769,708
Net addition to shareholders' funds	1,449,145	587,620
Opening shareholders' funds	598,993	11,373
Closing shareholders' funds	2,048,138	598,993

19. RECONCILIATION OF MOVEMENTS IN CASH BALANCES

	31 March 2000	Cash flow	Non-cash changes	31 March 2001	Cash flow	Non-cash changes	31 March 2002
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Cash at bank and on hand	-	289,751	2,063	291,814	(257,740)	(7,220)	26,854

Non-cash changes in bank and cash balances result from exchange differences on non-US\$ denominated balances.

20. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 March 2002	Year ended 31 March 2001
	US\$	US\$
Operating loss	(594,862)	(185,749)
Depreciation	5,866	208
Loss on disposal of fixed assets	24,901	-
Exploration expenditure written off	240,652	-
Decrease in stocks	1,214	-
Decrease/(increase) in debtors and prepayments	76,880	(88,528)
Increase in creditors and accruals	105,896	32,820
Loss/(profit) on foreign exchange	7,220	(2,063)
Expenses paid through issue of shares	72,811	-
Net cash outflow from operating activities	(59,422)	(243,312)

21. CONTINGENT LIABILITIES AND COMMITMENTS

Under the terms of the acquisition of ZAO Trevozhnoye Zarevo, the Company has undertaken to purchase the residual 9.95% shareholding for US\$1,000,000 but this is conditional upon the Company's directors formally deciding to proceed with mine development of the Asacha deposit.

22. SITE RESTORATION

No provision is currently recognised for site restoration as project development and exploration to date on the Group's mineral properties has been limited to surface and underground drilling and sampling, and upgrading existing underground infrastructure to support feasibility studies and exploration programmes. The directors do not believe that any companies in the Group have incurred a liability to rehabilitate any site as a result of these activities.

23. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2002, 1,000 ordinary shares of £1 each (equivalent to 10,000 ordinary shares of 10p each) were issued to VF Nikolaitchouk, a director of the Company, as compensation for loss of office as a director of ZAO Trevozhnoye Zarevo. The value of the shares was US\$12,803.

24. POST BALANCE SHEET EVENTS

Since 31 March 2002, 3,960,632 ordinary shares of 10p each have been issued, representing an increase in capital of £5,916,499 (US\$9,193,879).

On 17 July 2002, the Company acquired 100% of the share capital of OOO Amikan, the Russian company holding the licence to the Veduga gold deposit in the Severo-Yeneisek district of Krasnoyarsk Krai. The discounted value of the consideration paid (excluding expenses) was US\$987,500.

25. PRINCIPAL SUBSIDIARY

As at 31 March 2002, the Group had an interest in the following subsidiary:

Subsidiary undertaking	Country of incorporation/ registration	Principal activity	Principal country of operation	Description and proportion of shares held
ZAO Trevozhnoye Zarevo	Russia	Exploration and development	Russia	Common shares 90.05%