



City Capital Corporation Limited

Trans-Siberian Gold plc

Positive RC drill results at Veduga; updated resource estimate and more drilling underway.

- **New high-grade drill results at Veduga.** TSG has reported assay results from four reverse circulation drill holes in Orebody 11 at Veduga. The results show grades of 8-10g/t gold, compared to the average for the resources in the other orebodies of around 5g/t, over widths up to 27 metres.

This is good news as the resources to date only include a modest contribution from Orebody 11. In addition, the orebody is only some 500 metres away from the main Orebody 1 (which contains 75% of the resources to date) and may well be mineable as a high-grade open pit to boost early stage production from the project.

- **Updated resources in January.** TSG is working on an updated resource statement for Veduga, to incorporate the results of the recent RC drilling programme and other deep diamond drill holes. This is expected to increase the overall resources, particularly in Orebodies 1 and 13. The resource update will be completed by mid-January 2004.

- **Diamond drilling in the exploration area.** TSG has begun a programme of diamond drilling in the greater exploration area at Veduga, which covers a total of 540km². Three rigs are currently working, with five to be in place by early 2004.

Ten targets are to be drilled, which were identified during the 2003 summer exploration season by soil sampling, Wacker drilling, pitting, trenching and geophysics as well as a step-out drilling in the main zone.

- **Valuation US\$2.50 – US\$3.00.** Our report on TSG in October 2003 derived a value per share, post IPO, of US\$2.50 – 3.00. At the current exchange rate, this equates to £1.45 – 1.75. Since TSG is now trading at £1.30 per share, we see significant upside in the stock.

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Share Price since IPO



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Positive RC drill results from Veduga

Trans-Siberian Gold ('TSG') has reported positive results from reverse circulation ('RC') drilling carried out at the Veduga project. Four holes drilled into Orebody 11, located approximately 500 metres south-west of the main Orebody 1, have shown high grade and wide intercepts. The results are shown in the table below, Exhibit 1.

Exhibit 1. RC drill results from Orebody 11, Veduga

Hole	From (m)	To (m)	Width (m)	Au (g/t)
RC229	55.0	82.0	27.0	8.10
RC230	88.0	109.0	21.0	10.68
RC225	11.0	38.0	27.0	8.06
RC227	23.0	27.0	4.0	7.78

Source: Company data

A further four RC holes have been drilled in Orebody 11 and their results are awaited; the samples have already been sent to Alex Stewart Assayers in Bishkek and results will be available shortly.

Meanwhile, the results from the first four RC drill holes in Orebody 11 are most encouraging, with better grades than those found in most of the other orebodies.

The resources reported so far, totalling 13.5Mt of ore and 2.1Moz of gold, only include a modest contribution from Orebody 11. The majority of the resources so far, 1.6Moz of gold or approximately 75% of the total, are included in Orebody 1, which will form the basis of the initial open pit operations.

Orebody 1 grades an average of 5.1g/t, while the average grade for all the resources is 4.9g/t. So the addition of higher-grade ore in Orebody 11 (which should be the case even after allowing for mining dilution) is positive news.

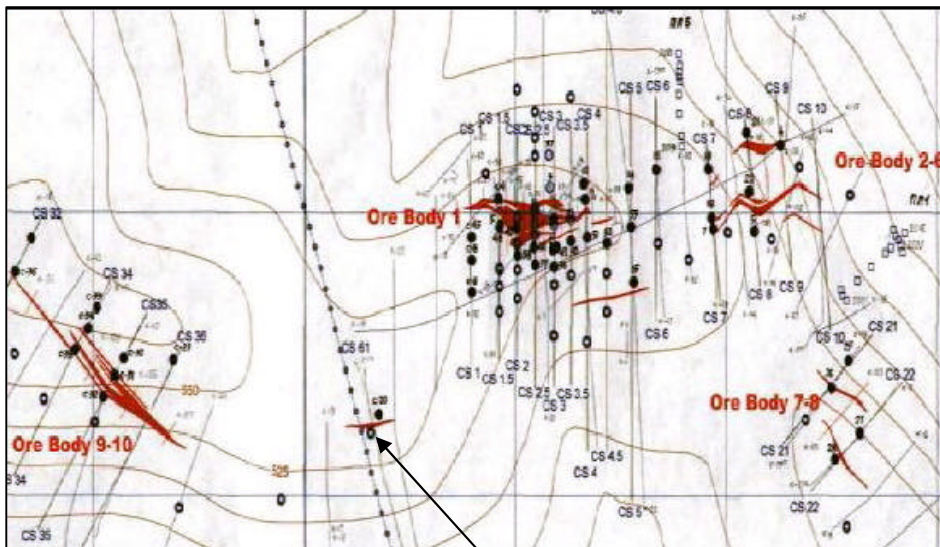
Orebody 11 apparently has a strike length of approximately 250 metres, is close to the surface and is still open at depth. The orebody should therefore be amenable to early mining as a satellite open pit – giving a source of higher-grade ore to improve initial production. The location of Orebody 11, and all the other orebodies at Veduga, is shown in Exhibit 2.

New resources statement in January

TSG is working to update the resources at Veduga, to include the results of the latest RC drilling programme and other deep diamond drilling on the known orebodies. The RC drilling programme is particularly expected to add to the resources, both from Orebody 11 and at Orebody 1 and the adjacent Orebody 13 – which will form the basis of the initial open pit.

The updated resource statement for Veduga is expected to be complete by mid-January 2004.

Exhibit 2. Plan of Veduga orebodies



Source: Company data

Orebody 11

Further drilling underway

TSG has also started a new diamond drilling programme, with three rigs currently in operation, a fourth expected by the end of this month and a fifth due to start early in 2004.

The diamond drill programme will test ten new prospects in the greater exploration licence area, covering 540km², as well as a step-out drilling in the main zone. These targets were identified by soil sampling, Wacker drilling, pitting, trenching and geophysics during the 2003 summer field exploration season.

Conclusion

Our recent full report on TSG derived a value for the company, post the IPO, of US\$2.50 – 3.00 per share. With the exchange rate at US\$1.724/£, this equates to £1.45 – 1.75 per share. The expected increase in resources overall, and the addition of higher-grade resources from Orebody 11 in particular, can only improve this valuation.

TSG is currently trading at £1.30 per share, giving 10-30% upside potential on our valuation.

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Author

This report was written on behalf of 3C by Roger Chaplin, acting as an equity research analyst. Roger Chaplin began his career in mining analysis in 1979, after completing an MBA at Cranfield. He worked for Gold Fields of South Africa in Johannesburg from 1979 to 1987, covering gold mining, base metals and coal companies. In 1987 he moved back to London and joined Laing & Cruickshank (latterly Credit Lyonnais Securities) as a gold mining analyst. In 1993 he moved, as Head of Research, to help to set up T. Hoare & Co., an independent brokerage focusing on mining and natural resources. T. Hoare & Co was taken over by Canaccord Capital in 1998. Roger covered the Canadian diamond scene from an early stage and also analysed the major London listed mining stocks, including Rio Tinto, Anglo American, BHP Billiton and Lonmin. He became an independent mining analyst in 2003.

Additional information is available on request from 3C.