

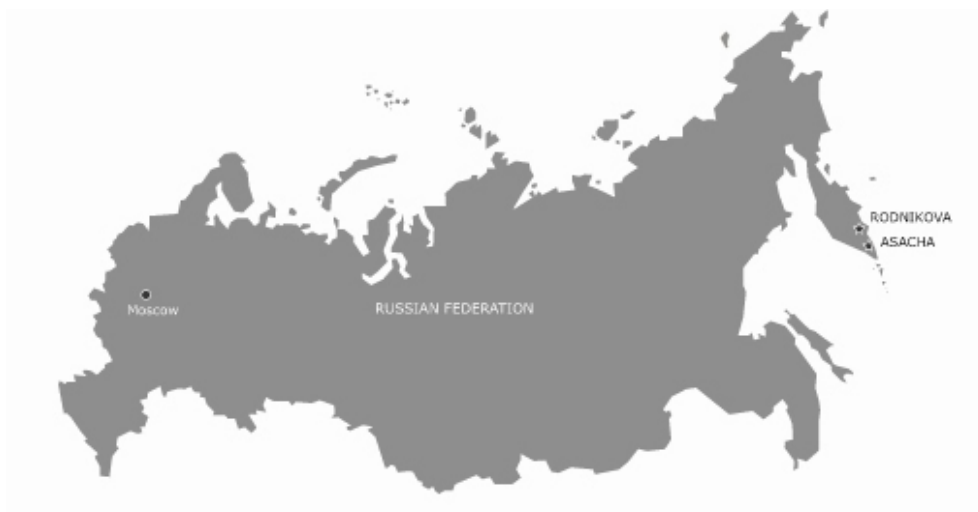
INVESTING IN RUSSIAN GOLD



Trans-Siberian Gold

INTERIM REPORT 2011

Highlights



- **Gold production at Asacha commenced in September 2011**
- **Ore stockpile increased to 75,000 tonnes**
- **Additional shareholder loans: \$4.3 million in April 2011, \$8 million in September 2011**

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

Chief Executive's Operating Review

I am pleased to report our results for the six months to 30 June 2011 and further progress in the development of the Asacha gold project, where gold production commenced at the end of September 2011.

During the first half of 2011, Trans-Siberian Gold plc was in the exploration and development phase of its gold projects in Kamchatka and therefore received no operating income in the period. Administrative expenses for the half year amounted to \$1.8 million compared to \$2.2 million for the corresponding period of 2010 and \$4.1 million for 2010 as a whole.

Finance income was \$6,000 (2010 first half: \$31,000). Finance costs were \$193,000 (2010 first half: \$157,000).

The loss for the period was \$1.0 million (2010 first half: \$1.8 million) including exchange gains of \$1.0 million (2010 first half: \$509,000).

Property, plant and equipment and capitalised exploration and evaluation costs at the Group's Kamchatka properties increased by \$14.6 million and \$1.3 million respectively in the first half of 2011 (2010 first half: \$6.7 million and \$307,000 respectively). Cash and cash equivalents increased from \$4.0 million to \$4.6 million.

Borrowings increased from \$32.9 million to \$49.6 million, comprising two project finance facilities totalling \$43 million provided by Sberbank for the development of Asacha and \$6.6 million loan facilities provided by the Company's major shareholders UFG Asset Management (UFG) and AngloGold Ashanti Limited (AGA), including \$4.3 million agreed in April 2011.

Each of the April 2011 loan facility agreements with UFG and AGA includes an option for the lender, 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.

In September 2011 UFG and AGA agreed to provide TSG with additional short term loan facilities in aggregate \$8 million on commercial terms, repayable 180 days after drawdown of the facilities. The facility agreements include an option for the lenders, subject to the requisite approval of TSG's shareholders, to convert any part of the outstanding loans 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.

Asacha Project, Kamchatka Krai

The works at the underground mine have continued. From 1 January 2011 until the beginning of September 2011 mine development and preparation works, by-product extraction works and exploration works comprised more than 2,250 metres and 23,000 m³.

In June 2011 stoping activities began with the extraction of more than 600 tonnes of gold bearing ore. By 1 September total ore extracted in 2011 (both from mine development and stoping activities) amounted to more than 14,700 tonnes. Total volume of the ore stockpile ready for processing is now about 75,000 tonnes, with an average grade of about 9 g/t.

During the reporting period the Company focused its efforts on completing the construction of the gold plant and infrastructure to facilitate the start of gold production.

By the end of July the plant building was complete, with equipment and technological piping installed. The essential infrastructure objects, including tailings storage, repair shop, sewage, water treatment facility, fire station, fuel storage and main engineering networks were ready for use. The cyanide and explosives storage facilities were commissioned.

The site's power unit, comprising 4 diesel generators with a total capacity of 4 megawatts, was commissioned, with the gold plant and other facilities being switched to the permanent power supply.

The completion of the main construction activities enabled the Company to start the commissioning process of the plant. Mechanical checks and hydraulic tests of the plant equipment and piping were conducted and operations undertaken using waste rock. At the beginning of September chemical reagents and low grade ore were loaded into the system and the first trial smelting on 24 September produced 3 gold dore bars with a total weight of approximately 8.5 kg. It is expected that these will be shipped to the refinery in early October, together with gold dore from the second smelting.

The legal framework required for the sale of gold production is now in place. Gold and silver sales and purchase agreements with Sberbank are signed, as well as agreements for the transportation and refining of the metal.

The total capital cost of the Asacha project prior to commencement of production is now estimated at \$136.8 million, net of \$10.8 million VAT recoveries, compared to the May 2011 estimate of \$130.2 million (net of \$10.1 million VAT recoveries). The total project cost includes pre-commissioning mining and plant costs of \$5.9 million, other pre-operating expenditure of \$40.4 million, "first fill" equipment spares and consumables of \$1 million and contingency of \$0.5 million. The \$6.6 million increase in pre start up costs reflects the longer than anticipated plant commissioning phase and includes \$2 million additional mining and plant costs and \$3m in other pre-operating expenditure.

At a gold price of \$1,000/oz, Life of mine ("LOM") cash costs on an all equity basis on total gold production of 590,000 oz are forecast at \$227/oz, before taking account of a \$34/oz credit from silver production (based on an assumed silver price of \$20/oz). Cash costs including all royalties and taxes (in total \$95.6 million, net of VAT recoveries) on an all equity basis are forecast at \$386/oz. Total costs on the same basis, after depreciation of all capital expenditure (including \$28.4 million post start up) and pre-start up mining and other operating expenditure, are forecast at \$666/oz, giving a \$334/oz margin at a gold price of \$1,000/oz.

Chief Executive's Operating Review - continued

Actual expenditure on the project up to the end of July 2011 amounted to \$127.8 million, net of \$10.3 million VAT recovered. The remaining costs prior to the commencement of gold production at the end of September 2011 are estimated at \$9.0 million, net of further VAT recoveries of \$0.5 million, comprising:

		\$ million
Capital expenditure	Mine and mining equipment and facilities	0.9
	Gold plant, site facilities and tailings storage (1st phase)	3.9
	Power supply and other infrastructure	1.2
	Contingency	0.5
	Total capital	6.5
Other costs	Pre-production mining, spares and consumables and other operating costs	3.0
		9.5
Less VAT recoveries		0.5
		9.0

A further \$28.4 million of capital expenditure will be incurred after the commencement of production (including \$6.7 million on mine development, \$5.0 million on the plant, tailings storage and solid waste landfill, \$11 million for the completion of the external power line and \$4.4 million contingency).

Rodnikova Project, Kamchatka Krai

The Report on Resources Calculation and the Pre-feasibility Study (Techno-Economic Study of Deposit Development Conditions) was submitted to the State Commission for Reserves of the Russian Federation and are expected to be reviewed by the State Commission in the 4th quarter of 2011.

Personnel

During the first half of 2011 personnel numbers at Kamchatka increased from 255 to 282, with a further increase to 337 by the end of August.

Dmitry Khilov

28 September 2011

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 as defined by the 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 2011

	Note	30 June 2011 unaudited \$000	30 June 2010 unaudited \$000	31 December 2010 audited \$000
Assets				
Non-current assets				
Property, plant and equipment	7	87,670	67,107	73,077
Exploration and evaluation costs	8	31,225	19,188	29,875
Trade and other receivables		826	4,039	745
Total non-current assets		119,721	90,334	103,697
Current assets				
Inventories	9	796	-	642
Trade and other receivables		5,708	2,583	6,423
Cash and cash equivalents		4,581	3,636	3,981
Total current assets		11,085	6,219	11,046
Total assets		130,806	96,553	114,743
Liabilities				
Non-current liabilities				
Loans and borrowings	10	49,633	13,036	32,939
Provisions	11	331	304	331
Total non-current liabilities		49,964	13,340	33,270
Current liabilities				
Trade and other payables		3,013	2,370	2,674
Total current liabilities		3,013	2,370	2,674
Total liabilities		52,977	15,710	35,944
Total net assets		77,829	80,843	78,799
Capital and reserves attributable to owners of the Company				
Share capital	12	17,323	17,323	17,323
Share premium	12	77,938	77,938	77,938
Retained deficit		(17,432)	(14,418)	(16,462)
Total equity		77,829	80,843	78,799

Condensed Consolidated Statement of Comprehensive Income - for the 6 months ended 30 June 2011

	Note	6 months to 30 June 2011 unaudited \$000	6 months to 30 June 2010 unaudited \$000	12 months to 31 December 2010 audited \$000
Revenue		-	-	-
Administrative expenses		(1,836)	(2,202)	(4,101)
Other income		-	-	188
Net foreign exchange gains on operating activities		1,031	509	270
Loss from operations		(805)	(1,693)	(3,643)
Finance expense		(193)	(157)	(104)
Finance income		6	31	50
Net foreign exchange differences on financing activities		42	(1)	46
Loss before tax		(950)	(1,820)	(3,651)
Income tax (charge) credit		(99)	9	129
Loss for the period		(1,049)	(1,811)	(3,522)
Total comprehensive expense for the period		(1,049)	(1,811)	(3,522)
Loss for the period attributable to:				
Owners of the parent company		(1,049)	(1,811)	(3,522)
Loss for the period		(1,049)	(1,811)	(3,522)
Total comprehensive expense for the period-attributable to:				
Owners of the parent company		(1,049)	(1,811)	(3,522)
Loss for the period		(1,049)	(1,811)	(3,522)
Loss per share attributable to the owners of the parent company (expressed in cents)				
- basic and diluted		(1.05)	(1.87)	(3.65)

Condensed Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2011

	Attributable to owners of the Company			Total equity \$000
	Share capital \$000	Share premium \$000	Retained deficit \$000	
At 1 January 2010	15,103	73,311	(12,928)	75,486
Loss for the period	-	-	(1,811)	(1,811)
Value of share-based payments	-	-	321	321
Issue of share capital	2,220	4,627	-	6,847
At 30 June 2010	17,323	77,938	(14,418)	80,843
Loss for the period	-	-	(1,711)	(1,711)
Value of share-based payments	-	-	167	167
Purchase of non-controlling interest	-	-	(500)	(500)
At 31 December 2010	17,323	77,938	(16,462)	78,799
Loss for the period	-	-	(1,049)	(1,049)
Value of share-based payments	-	-	79	79
At 30 June 2011	17,323	77,938	(17,432)	77,829

Condensed Consolidated Statement of Cash Flows for the 6 months ended 30 June 2011

	Note	6 months to 30 June 2011 unaudited \$000	6 months to 30 June 2010 unaudited \$000	12 months to 31 December 2010 audited \$000
Cash flows from operating activities				
Loss for the period		(1,049)	(1,811)	(3,522)
Adjustment for:				
Depreciation		805	787	1,578
Depreciation charged to assets under construction and deferred exploration and evaluation costs		(797)	(33)	(1,552)
Finance expenses – net		145	127	8
Share based payments		79	321	488
Corporation tax charge (credit)		99	(9)	(129)
Deferred exploration and evaluation expenditure written off		-	-	-
(Gain) loss on sale of property, plant and equipment		(3)	-	50
Cash flows from operating activities before changes in working capital and provisions		(721)	(618)	(3,079)
Increase in inventories		(154)	-	(642)
Decrease (increase) in trade and other receivables		603	(2,377)	(4,244)
Decrease in trade and other payables		(475)	(753)	(631)
Cash used in operations		(747)	(3,748)	(8,596)
Corporation tax (paid) received		(68)	-	160
Interest paid on borrowings		(193)	(391)	(440)
Net cash flows used in operating activities		(1,008)	(4,139)	(8,876)
Investing activities				
Purchase of property, plant and equipment (PPE)		(13,805)	(6,446)	(10,266)
Proceeds from sale of PPE		5	15	23
Purchase of exploration and evaluation assets including capitalised interest		(1,334)	(405)	(11,431)
Interest received - third party		6	31	50
Net cash used in investing activities		(15,128)	(6,805)	(21,624)
Financing activities				
Proceeds from issuance of ordinary shares, net of expenses		-	6,847	6,847
Proceeds from bank borrowings		12,171	-	27,635
Proceeds from long term borrowings		4,523	9,781	2,000
Repayment of long term borrowings		-	(4,000)	(4,000)
Net cash generated from financing activities		16,694	12,628	32,482
Net increase in cash and cash equivalents		558	1,684	1,982
Cash and cash equivalents at beginning of the year		3,981	1,953	1,953
Exchange gains (losses) on cash and cash equivalents		42	(1)	46
Cash and cash equivalents at end of the year		4,581	3,636	3,981

Unaudited notes forming part of the condensed consolidated interim financial information for the period ended 30 June 2011

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 registered number of the Company is 1067991. The Company's shares are traded on the AIM Market of the London Stock Exchange.

This condensed consolidated interim financial information was approved by the Board on 28 September 2011.

The interim financial information for the six months ended 30 June 2011 and 30 June 2010 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 2010 has been derived from the statutory financial statements for that period. Statutory accounts for the year ended 31 December 2010 were approved by the Board of directors on 27 May 2011 and filed with the Registrar of Companies. The Independent Auditors' Report on those accounts was unqualified. The Independent Auditors' Report did not contain a statement under Section 498(2)-(3) of the Companies Act 2006.

2. Going concern

The directors believe that the two bank debt facilities, \$25 million obtained in 2009 and \$18 million in 2010, and debt facilities totalling \$12.3 million made available by the Company's major shareholders (including \$8 million short term funding agreed in September 2011) should provide adequate financing for the Group until the Asacha mine is cash flow positive.

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 2011 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 2011 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 does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the annual report and accounts for 2010.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. 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 on-going 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 2011:

The following new standards and amendments to standards are mandatory for the first time for the Group for the financial year beginning 1 January 2011. Except as noted, the implementation of these standards did not have a material effect on the Group:

- Amendment to IAS 32 *Classification of Rights Issues* addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses transactions in which an entity issues equity instruments to a creditor in return for the extinguishment of all or part of a financial liability.
- Revised IAS 24 *Related Party Disclosures* responds to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive.
- The IASB issued *Improvements to IFRSs (2010)* on 6 May 2010, clarifying the requirements of IFRSs and eliminating inconsistencies within and between Standards.
- Amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* requires the disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date irrespective of when the related transfer transaction occurred.

b) Standards, amendments and interpretations effective in 2011 but not relevant for the Group:

- Amendments to IFRIC 14 *IAS 19 Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*. Management do not consider this amendment to be relevant to the Group.

3. Principal accounting policies – continued

Basis of consolidation

The consolidated financial statements of the Group include 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 profit or loss. 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 administrative expenses in profit or loss. 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 in creditors 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 mining 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 property, plant and equipment used on exploration and evaluation projects is charged to deferred costs whilst the projects are in progress. The Group capitalises 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) as part of the cost of that asset. Finance costs incurred in respect of the Group's general borrowings are expensed in profit or loss 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 cash 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 consolidated statement of comprehensive income from the date on which control is obtained.

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.

The Group has no financial instruments that are classified as fair value through profit or loss.

Interest costs are charged against income in the year 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Taxation

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

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 substantively 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.

3. Principal accounting policies - continued

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.

Defined contribution personal pension plan

Contributions to employees' defined contribution personal pension plans are recognised as an expense in profit or loss as the services giving rise to the Group's obligations are rendered by the employees.

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 costs of on-going programmes to prevent and control pollution and to rehabilitate the environment are charged to profit or loss as incurred.

Determination of ore reserves

The Group estimates its ore reserves and mineral resources based on 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 (and also the carrying value of the Company's investments in its subsidiaries) 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) De-commissioning, 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.

Critical judgements in applying the entity's accounting policies – continued**c) Recoverable Value Added Tax (VAT)**

No Russian VAT on construction costs incurred prior to 2006 has been recoverable until construction is complete and production commences. Since 2006 some VAT on construction costs has been recovered, with \$1,520,583 received in the first half of 2011 (2010 full year: \$4,688,940). The directors anticipate that \$4,367,098 of the VAT receivable of \$5,192,695 (2010 year end: \$5,146,082) will be recovered during the second half of 2011.

d) Share-based payments

The Company makes equity-settled share-based payments to certain Group employees and advisers. 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 \$1,049,153 (2010 first half: \$1,810,719) and the weighted average number of shares being 99,669,370 ordinary shares issued for the period ended 30 June 2011 (2010 first half: 96,595,133).

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.

Reportable segments as at 30 June 2011

	Head Office \$000	Russia \$000	Total \$000
Revenue	-	-	-
Administration expenses	(529)	(1,307)	(1,836)
Other income	-	-	-
Finance expenses	(193)	-	(193)
Finance income	3	3	6
Exchange differences	42	1,031	1,073
Taxation credit	-	(99)	(99)
Loss for the period after taxation	(677)	(372)	(1,049)
Non-current assets	9	119,712	119,721
Inventories	-	796	796
Trade and other receivables (current assets)	80	5,628	5,708
Cash and cash equivalents	4,231	350	4,581
Segment assets	4,320	126,486	130,806
Loans and borrowings	6,572	43,061	49,633
Trade and other payables (current)	219	2,794	3,013
Provisions	-	331	331
Segment liabilities	6,791	46,186	52,977
Segment net assets	(2,471)	80,300	77,829

6. Segment information - continued

Reportable segments as at 31 December 2010

	Head Office \$000	Russia \$000	Total \$000
Revenue	-	-	-
Administration expenses	(1,342)	(2,759)	(4,101)
Other income	-	188	188
Finance expenses	(104)	-	(104)
Finance income	6	44	50
Exchange differences	46	270	316
Taxation credit	-	129	129
Loss for the year after taxation	(1,394)	(2,128)	(3,522)
Non-current assets	11	103,686	103,697
Inventories	-	642	642
Trade and other receivables (current assets)	62	6,361	6,423
Cash and cash equivalents	2,406	1,575	3,981
Segment assets	2,479	112,264	114,743
Loans and borrowings	2,049	30,890	32,939
Trade and other payables (current)	303	2,371	2,674
Provisions	-	331	331
Segment liabilities	2,352	33,592	35,944
Segment net assets	127	78,672	78,799

Reportable segments as at 30 June 2010

	Head Office \$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
Loss for the period after taxation	(900)	(911)	(1,811)
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
Segment assets	2,275	94,278	96,553
Loans and borrowings	-	13,036	13,036
Trade and other payables (current)	134	2,236	2,370
Provisions	-	304	304
Segment liabilities	134	15,576	15,710
Segment net assets	2,141	78,702	80,843

The finance income, finance costs 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 \$78,902 (2010 first half: \$321,500) relate solely to Head Office.

All material capital expenditure in the current and previous year 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 ^a \$000	Total \$000
Cost						
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	-	-	-	-	-	-
At 30 June 2010	1,167	6,853	1,586	582	61,776	71,964

Depreciation						
At 1 January 2010	(792)	(1,906)	(1,008)	(407)	-	(4,113)
Charge for period ^b	(93)	(486)	(156)	(52)	-	(787)
Disposals	-	-	29	14	-	43
At 30 June 2010	(885)	(2,392)	(1,135)	(445)	-	(4,857)

Net book value						
At 1 January 2010	375	4,779	618	188	54,421	60,381
At 30 June 2010	282	4,461	451	137	61,776	67,107

Cost						
At 1 July 2010	1,167	6,853	1,586	582	61,776	71,964
Additions	-	644	513	18	5,645	6,820
Disposals	-	(102)	(10)	(192)	-	(304)
At 31 December 2010	1,167	7,395	2,089	408	67,421	78,480

Depreciation						
At 1 July 2010	(885)	(2,392)	(1,135)	(445)	-	(4,857)
Charge for year ^b	(55)	(500)	(230)	(6)	-	(791)
Disposals	-	56	9	180	-	245
At 31 December 2010	(940)	(2,836)	(1,356)	(271)	-	(5,403)

Net book value						
At 1 July 2010	282	4,461	451	137	61,776	67,107
At 31 December 2010	227	4,559	733	137	67,421	73,077

Cost						
At 1 January 2011	1,167	7,395	2,089	408	67,421	78,480
Additions	-	452	-	6	14,942	15,400
Disposals	-	(2)	-	-	-	(2)
At 30 June 2011	1,167	7,845	2,089	414	82,363	93,878

Depreciation						
At 1 January 2011	(940)	(2,836)	(1,356)	(271)	-	(5,403)
Charge for year ^b	(44)	(526)	(206)	(29)	-	(805)
Disposals	-	-	-	-	-	-
At 30 June 2011	(984)	(3,362)	(1,562)	(300)	-	(6,208)

Net book value						
At 1 January 2011	227	4,559	733	137	67,421	73,077
At 30 June 2011	183	4,483	527	114	82,363	87,670

a. Assets under construction at 30 June 2011 comprise \$5,571,198 (31 December 2010: \$5,492,166) in relation to the construction of an access road to Asacha, \$64,062,863 (31 December 2010: \$51,750,233) for building construction and infrastructure, and \$12,728,815 (31 December 2010: \$10,178,029) for plant and equipment at Asacha.

b. \$796,493 (2010 first half: \$32,942) of the depreciation charge related to property, plant and equipment used on exploration and evaluation projects or assets under construction and was capitalised in exploration and evaluation costs or property, plant and equipment in accordance with the Group's accounting policy.

8. Exploration and evaluation costs

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

	Kamchatka \$000	Total \$000
At 1 January 2010	18,881	18,881
Additions ⁱ	307	307
At 30 June 2010	19,188	19,188
At 1 July 2010	19,188	19,188
Additions ⁱ	10,687	10,684
At 31 December 2010	29,875	29,875
At 1 January 2011	29,875	29,875
Additions ⁱ	1,350	1,350
At 30 June 2011	31,225	31,225

ⁱ Additions include capitalised PPE depreciation (see Note 7^b).

9. Inventories

	30 June 2011 \$000	30 June 2010 \$000	31 December 2010 \$000
Fuel	652	-	358
Other materials and supplies	144	-	284
At end of period	796	-	642

10. Borrowings

	30 June 2011 \$000	30 June 2010 \$000	31 December 2010 \$000
Non-current			
Bank Borrowings	43,061	13,036	30,890
Related party - convertible debt	6,572	-	2,049
At end of period	49,633	13,036	32,939

Movement in borrowings is analysed as follows:

	6 months to 30 June 2011 \$000	6 months to 30 June 2010 \$000	12 months to 31 December 2010 \$000
At beginning of period	32,939	7,255	7,255
Increase in borrowings	16,452	9,781	29,635
Interest on related party loans	242	-	49
Conversion of loans to equity	-	(4,000)	(4,000)
At end of period	49,633	13,036	32,939

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%. The annual interest rate reduced to 10.5% in May 2010. Repayments are scheduled to commence in December 2011.

On 27 October 2010 TZ agreed a further loan facility of \$18 million for the Asacha project with Sberbank at an annual interest rate of 10.5%. Repayments are scheduled to commence in September 2012.

In 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 two loan facilities in aggregate \$6.5 million on commercial terms, of which TSG repaid \$2.5 million to UFG on 30 December 2009.

Each of 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 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 \$4,366,781 including accrued interest, were converted into TSG shares as discussed in Note 12.

In consideration of the May 2009 facility, the Company also agreed, subject to obtaining the necessary shareholder approvals, to issue warrants to subscribe for additional TSG shares to UFG on terms to be agreed and considered as fair and reasonable by the Company's Board (excluding those directors connected to UFG) after consultation with TSG's Nominated Adviser. No warrants were issued in 2009, 2010 or 2011 or after the reporting date.

On 26 October 2010 UFG, a related party by virtue of its then 53.36% holding in the shares of the Company, provided TSG with a loan facility of \$2 million on commercial terms, repayable in two equal tranches, respectively on the fourth and fifth anniversaries of the commencement of gold production at Asacha. The facility agreement includes 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.

In April 2011 UFG and AngloGold Ashanti Limited, also a related party by virtue of its 30.7% holding in the shares of the Company, agreed to provide additional facilities, in aggregate \$4.3 million, on commercial terms, each with the same conversion option, exercisable prior to scheduled repayments on the same dates, as the 2010 UFG loan.

After the reporting date, as discussed in Note 14, UFG and AGA agreed to provide additional short term facilities, in aggregate \$8 million, on commercial terms, each with the same conversion option, exercisable prior to scheduled repayments six months after drawdown of the facilities.

11. Provisions

	Environmental/ site restoration provision \$000	Total \$000
Six months ended 30 June 2010		
At 1 January 2010	304	304
At 30 June 2010	304	304
Six months ended 31 December 2010		
At 1 July 2010	304	304
Additional provisions	27	27
At 31 December 2010	331	331
Six months ended 30 June 2011		
At 1 January 2011	331	331
Additional provisions	-	-
At 30 June 2011	331	331

The above provision relates to site restoration at the Asacha project, which is expected to be utilised by 2019 based on the current mineable resource. The amount of \$330,777 (2010: \$330,777) is included in exploration and evaluation costs and is calculated based on regional data from the Monitoring Ecological Centre of Kamchatka.

12. Share capital and premium

	Number of shares authorised	Number of shares allotted and fully paid	Share capital \$000	Share premium \$000	Total \$000
At 1 January 2010	150,000,000	84,913,031	15,103	73,311	88,414
At 30 June 2010	150,000,000	99,669,370	17,323	77,938	95,261
At 31 December 2010	150,000,000	99,669,370	17,323	73,938	95,261
At 1 January 2011	150,000,000	99,669,370	17,323	77,938	95,261
At 30 June 2011	150,000,000	99,669,370	17,323	77,938	95,261

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 10. 1,814,803 ordinary shares were issued to AGA in settlement of technical consultancy services provided by AGA as discussed in Note 13.

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.

13. 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-Metallurgichesky 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
AGA	Loan interest	24	-
	Other services	-	-
		24	-
UFG	Loans	-	-
	Loan interest	133	-
		133	-
SIGMA	Equipment	-	-
		-	-
Total		157	-

Related party	Nature of transaction	Purchases during the 6 months to 31 December 2010 \$000	Amount owing (owed) at 31 December 2010 \$000
AGA	Loan interest	-	-
	Other services	(7)	(7)
		(7)	(7)
UFG	Loans	2,000	2,000
	Loan interest	49	49
		2,049	2,049
SIGMA	Equipment	18	-
		18	-
Total		2,060	2,042

Related party	Nature of transaction	Purchases during the 6 months to 30 June 2011 \$000	Amount owing (owed) at 30 June 2011 \$000
AGA	Loans	2,330	2,330
	Loan interest	7	7
		2,337	2,337
UFG	Loans	2,000	4,000
	Loan interest	186	235
		2,186	4,235
SIGMA	Equipment	-	-
		-	-
Total		4,523	6,572

In 2009 TSG and AGA agreed that \$711,874 owed to AGA in respect of technical services previously provided by AGA should bear interest on commercial terms with effect from 1 January 2009. On 23 March 2010 1,814,803 ordinary shares were issued to AGA in settlement of \$842,352 for the technical services, including accrued interest, as discussed in Note 12.

Also on 23 March 2010 9,408,002 ordinary shares were issued to UFG in settlement of the Company's indebtedness, in aggregate \$5,209,133 including accrued interest, in respect of the outstanding amounts of two loan facilities as discussed in Notes 10 and 12.

Loan facilities provided by UFG in 2010 and by UFG and AGA in the first half of 2011 and after the reporting date are discussed in Notes 10 and 14 respectively.

SIGMA is a gold exploration company, with assets held in the Kamchatka peninsula in Far East Russia. Mr Khilov resigned as Chairman of SIGMA's Board of directors on 20 May 2010.

The directors of the Company consider that there are no key management personnel, as defined by IAS 24, *Related party transactions*, other than the directors themselves.

14. Events after the reporting date

In September 2011 UFG Asset Management and its affiliates (UFG) provided TSG with loan facilities in aggregate \$5 million on commercial terms, repayable 180 days after drawdown of the facilities. The facility agreements include an option for UFG, subject to the requisite approval of TSG's shareholders, to convert any part of the outstanding loans 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 September 2011 AngloGold Ashanti Limited (AGA) agreed to provide the Company with a loan facility of US\$3 million on commercial terms, also repayable 180 days after drawdown, and with the same conversion option as the UFG loans discussed above.

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
Oleg Bagirov	
Peter Burnell	

Remuneration Committee

Charles Ryan	Chairman
Oleg Bagirov	
Peter Burnell	

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