



Trans-Siberian Gold

INTERIM REPORT 2007

Chief Executive Officer's report

Highlights

- **Sale of Krasnoyarsk properties for \$40 million completed**
- **Asacha interest increased from 90.05% to 95.03%**
- **Asacha mine development commenced in July 2007**
- **Drilling commenced at Rodnikova**

I am pleased to report our results for the six months to 30 June 2007, which are presented for the first time in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (including IAS 34 *Interim Financial Reporting*), and further progress in the development of our Russian gold projects in Kamchatka.

Trans-Siberian Gold plc is in the exploration and development phase of its gold projects and therefore received no operating income in the period. Administration expenses for the half year amounted to \$2.5 million compared to \$3.1 million for the corresponding period of 2006 and \$6.2 million for 2006 as a whole. The operating loss was \$2.4 million (2006 first half: \$2.8 million), after crediting \$130,000 of exchange gains (2006 first half: \$253,000).

Finance income (interest earned) was \$164,000 (2006 first half: \$154,000). Finance costs (interest payable) of \$778,000 (2006 first half: \$11,000) comprised \$504,000 (2006 first half: \$11,000) interest on the \$10 million loan from AngloGold Ashanti Limited (AGA) received in June 2006 and \$274,000 on \$10 million advance payment of the sale consideration for the Krasnoyarsk properties.

The profit for the period was \$17.6 million (2006 first half: \$2.3 million loss), net of losses from discontinued operations of \$509,000 (2006 first half: \$147,000) and \$21.1 million profit on disposal of the Krasnoyarsk Krai subsidiaries to AGA.

Property, plant and equipment and capitalised exploration and evaluation costs decreased by \$758,000 and \$17.1 million respectively since 31 December 2006 (2006 first half: \$3.5 million and \$3.0 million increases respectively). The reductions attributed to discontinued operations amounted to \$1.6 million and \$19.8 million respectively (2006 first half: nil). Cash and cash equivalents increased from \$2.6 million to \$38.1 million, including the receipt of the Krasnoyarsk Krai disposal proceeds.

Asacha Project, Kamchatka Oblast

In December 2006, it was decided to adopt a phased approach with pre-production mine development expenditure minimised and the plant capacity reduced to 150,000 tonnes per annum.

During the first half of 2007, a senior technical team was appointed and began work in Petropavlovsk-Kamchatsky and on site. The mining plan for 2007 was approved by the authorities. An experienced mine construction team commenced work on the portal area and preparations for full-scale mine development activities. The mine detailed design contract was concluded and the first portions of drawings were submitted. Advance orders for mining equipment, sourced inside and outside Russia, were placed. Construction of the explosives storage facility according to the approved design was completed and the facility was accepted by the State Commission on 23 August 2007. Following this, licences for the storage and use of explosives were obtained.

As part of the process, the plant design was modified to incorporate certain processing scheme changes and practical design requirements. Design criteria for the plant were developed. The contract for plant design was concluded with the Irkutsk design institute (Irgiredmet). Negotiations on the purchasing of the plant were also held with Irgiredmet. The design process is ongoing. Plant layout drawings are to be received in October 2007 and the first working drawings of the plant foundations are expected in November 2007. There was some delay as a consequence of several geotechnical studies of the plant site reaching different conclusions, but this has now been resolved.

It is anticipated that approximately 40,000 tonnes of ore will have been mined and stockpiled by the end of December 2008, with first gold production in the second half of 2009. The directors consider that this delay should not endanger the Asacha licence, given the progress that will have been achieved by the end of December 2008. The delay will also not result in any increase to the capital cost of the project.

Actual expenditure on the Asacha project up to July 2007 amounted to \$41.6 million. The remaining costs prior to the commencement of production are estimated at \$62.0 million, comprising:

		\$ million
Capital expenditure	Mine and mining equipment and facilities	9.8
	Gold plant, site facilities and tailings storage (1st phase)	22.8
	Diesel power plant and other infrastructure	12.1
	Contingency	4.5
	Total capital	49.2
Other costs	Pre-production operating costs	12.8
		62.0

Including sunk costs, the estimated total cost of the Asacha project prior to commencement of production has reduced from \$111.0 million to \$103.6 million (comprising capital expenditure of \$76.3m and \$27.3 million pre-production operating costs).

A further \$11.0 million of capital expenditure will be incurred after the commencement of production (including \$4.0 million on mine development, \$5.3m on the second phase of tailings storage and \$1.0m contingency).

Chief Executive Officer's report continued

In addition to the \$40 million disposal proceeds of the Krasnoyarsk Krai based subsidiaries, we believe that additional funding of \$42 million, including debt service on the assumption that the \$10 million AGA loan is not converted to equity, will be required to provide adequate financing for the Group until the Asacha mine is cash flow positive. The disposal proceeds of \$40 million will be sufficient for the Group's funding requirements until the beginning of the second quarter of 2008, by which time significant progress with mine development and plant construction is expected to have been achieved at Asacha. It is currently the intention of the Board to satisfy the forecast additional requirement of \$42 million through raising additional equity, debt finance, equipment supplier credits or a combination of these, in respect of which a number of options are being considered.

On 17 September 2007, TSG completed the acquisition of an additional 4.98% of the shares in ZAO Trevozhnoye Zarevo at a cost of \$425,000, thereby increasing its interest in the Asacha and Rodnikova projects to 95.03%.

Rodnikova Project, Kamchatka Oblast

In accordance with an exploration programme approved in March 2007, field exploration activities in 2007 will focus on exploration and update of existing data on the boundaries of previously delineated ore bodies on the main area of the field with a drilling target of 7,400 metres. The planned target for 2008 is 1,400 metres with preparation of a report with reserves estimate and its submission for examination to the Russian GKZ (State Committee on Reserves) by 31 December 2008 as stipulated by the licence agreement.

Preparation of the exploration site at Rodnikova was finished on schedule in June and exploratory drilling commenced. By the end of August sixteen holes had been drilled, totalling 2,843 metres. First assay results are expected by December 2007.

Veduga and Bogunay Projects, Krasnoyarsk Krai

The sale of all of TSG's interests in the Veduga and Bogunay projects in Krasnoyarsk Krai to AGA for a cash consideration of \$40 million was completed on 25 June 2007. In addition, AGA reimbursed to TSG the costs of the SPECTREM airborne geophysical surveys undertaken at those properties in 2006 totalling \$505,000. AGA had funded the exploration activities of the Krasnoyarsk Krai companies with effect from 1 November 2006 and all their expenditure from 1 December 2006. On completion of the sale, those companies refunded \$536,000 of their intra-group loans, corresponding to the advance funding provided by TSG for their November and December 2006 expenditure.

Oleg Bagirov

26 September 2007

Independent review report to Trans-Siberian Gold plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 30 June 2007 which comprises the condensed consolidated interim balance sheet as at 30 June 2007 and the related condensed consolidated interim income statement, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement for the six months then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

This interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. As disclosed in Note 3, the next annual financial statements of the company will be prepared in accordance with IFRSs as adopted by the European Union. The accounting policies are consistent with those that the directors intend to use in the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Emphasis of matter – going concern

In arriving at our review conclusion, which is not qualified, we have considered the adequacy of the disclosures made in Note 5 to the financial information concerning the Group's requirements for additional financing. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial information does not include the adjustments that would result if the Group was not able to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants
London
26 September 2007

Condensed consolidated interim balance sheet

at 30 June 2007

	Note	30.06.2007 \$	30.06.2006 \$	31.12.2006 \$
Assets				
Non-current assets				
Property, plant and equipment	7	22,507,305	19,569,258	23,265,007
Exploration and evaluation costs	8	12,679,585	27,701,712	29,799,969
Taxes recoverable – value added tax		4,948,316	4,853,568	6,001,683
		40,135,206	52,124,538	59,066,659
Current assets				
Trade and other receivables		3,464,600	3,370,274	2,722,326
Cash and cash equivalents		38,128,605	12,301,644	2,551,457
		41,593,205	15,671,918	5,273,783
Total assets		81,728,411	67,796,456	64,340,442
Capital and reserves attributable to equity holders of the Company				
Ordinary shares		6,951,312	6,951,312	6,951,312
Share premium		60,821,126	60,821,126	60,821,126
Retained earnings		429,539	(13,551,043)	(17,238,935)
		68,201,977	54,221,395	50,533,503
Minority interest in equity		-	-	-
Total equity		68,201,977	54,221,395	50,533,503
Liabilities				
Non-current liabilities				
Borrowings	9	10,000,000	10,000,000	10,000,000
Provisions for other liabilities and charges	10	200,489	156,694	200,489
		10,200,489	10,156,694	10,200,489
Current liabilities				
Trade and other payables		2,980,512	3,398,199	3,219,904
Current income tax liabilities		-	20,168	36,257
Borrowings	9	-	-	350,289
Provisions for other liabilities and charges	10	345,433	-	-
		3,325,945	3,418,367	3,606,450
Total liabilities		13,526,434	13,575,061	13,806,939
Total equity and liabilities		81,728,411	67,796,456	64,340,442

The notes on pages 8 to 18 form an integral part of this condensed interim financial information.

Condensed consolidated interim income statement

for the 6 months ended 30 June 2007

	Note	6 months to 30.06.2007 \$	6 months to 30.06.2006 \$	12 months to 31.12.2006 \$
Continuing operations				
Revenue		-	-	-
Administrative expenses		(2,486,407)	(3,066,748)	(6,168,449)
Other income		5,886	44,341	39,878
Net foreign exchange gains on operating activities		130,295	253,484	401,817
Operating loss	6	(2,350,226)	(2,768,923)	(5,726,754)
Finance income		164,106	154,467	294,325
Finance costs		(778,449)	(10,552)	(491,058)
Net foreign exchange gains on financing activities		18,189	458,450	501,165
Loss before income tax		(2,946,380)	(2,166,558)	(5,422,322)
Income tax expense (Russian)		(10,791)	(24,889)	(190,665)
Loss from continuing operations		(2,957,171)	(2,191,447)	(5,612,987)
Discontinued operations				
Profit (loss) from discontinued operations	11	20,547,058	(146,955)	(209,548)
Profit (loss) for the period		17,589,887	(2,338,402)	(5,822,535)
Attributable to:				
Equity holders of the company		17,589,887	(2,300,123)	(5,784,256)
Minority interest		-	(38,279)	(38,279)
Profit (loss) for the period		17,589,887	(2,338,402)	(5,822,535)
Earnings (loss) per share attributable to the equity holders of the company (expressed in cents per share)				
- basic		42.73	(5.59)	(14.05)
- diluted		42.72	(5.59)	(14.05)
Loss per share from continuing operations attributable to the equity holders of the company (expressed in cents per share)				
- basic		(7.18)	(5.23)	(13.54)
- diluted		(7.18)	(5.23)	(13.54)

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

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

The notes on pages 8 to 18 form an integral part of this condensed interim financial information.

Condensed consolidated interim statement of changes in equity for the 6 months ended 30 June 2007

	Attributable to equity holders of the Company			Minority interest \$	Total equity \$
	Capital \$	Retained earnings \$	Total \$		
At 1 January 2006	67,772,438	(11,286,635)	56,485,803	38,279	56,524,082
Loss for the period	-	(2,300,123)	(2,300,123)	(38,279)	(2,338,402)
Total recognised income and expense for the period	-	(2,300,123)	(2,300,123)	(38,279)	(2,338,402)
Share options scheme: - value of share-based payments	-	35,715	35,715	-	35,715
At 30 June 2006	67,772,438	(13,551,043)	54,221,395	-	54,221,395
At 1 January 2007	67,772,438	(17,238,935)	50,533,503	-	50,533,503
Profit for the period	-	17,589,887	17,589,887	-	17,589,887
Total recognised income and expense for the period	-	17,589,887	17,589,887	-	17,589,887
Share options scheme: - value of share-based payments	-	78,587	78,587	-	78,587
At 30 June 2007	67,772,438	429,539	68,201,977	-	68,201,977

The notes on pages 8 to 18 form an integral part of this condensed interim financial information.

Condensed consolidated interim cash flow statement

for the 6 months ended 30 June 2007

	Note	6 months to 30.06.2007 \$	6 months to 30.06.2006 \$	12 months to 31.12.2006 \$
Cash flows from operating activities				
Continuing operations				
Cash used in operations		(2,189,648)	(3,146,171)	(6,360,763)
Interest paid on borrowings		(273,951)	-	-
Corporation tax paid		(68,586)	(10,889)	(202,951)
		(2,532,185)	(3,157,060)	(6,563,714)
Discontinued operations	11	(566,499)	484,592	232,976
Net cash used in operating activities		(3,098,684)	(2,672,468)	(6,330,738)
Cash flows from investing activities				
Continuing operations				
Purchase of property, plant and equipment (PPE)		(1,268,605)	(3,417,597)	(8,795,970)
Proceeds from sale of PPE		-	1,631	1,635
Purchase of exploration and evaluation assets		(1,769,876)	(3,030,853)	(2,886,258)
Interest received - third party		144,972	163,529	303,945
		(2,893,509)	(6,283,290)	(11,376,648)
Discontinued operations	11	37,085,453	(1,103,753)	(2,495,316)
Net cash generated (used) in investing activities		34,191,944	(7,387,043)	(13,871,964)
Cash flows from financing activities				
Continuing operations				
Proceeds from other convertible debt		-	10,000,000	10,000,000
		-	10,000,000	10,000,000
Discontinued operations	11	4,465,699	-	350,289
Net cash generated from financing activities		4,465,699	10,000,000	10,350,289
Net increase (decrease) in cash and cash equivalents		35,558,959	(59,511)	(9,852,413)
Cash and cash equivalents at beginning of period		2,551,457	11,902,705	11,902,705
Exchange gains on cash and cash equivalents		18,189	458,450	501,165
Cash and cash equivalents at end of period		38,128,605	12,301,644	2,551,457

The notes on pages 8 to 18 form an integral part of this condensed interim financial information.

Notes to the condensed consolidated interim financial information

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. During the period, the Company sold its Krasnoyarsk based subsidiaries, OOO GRK Amikan (Amikan) and OOO AS Angarskaya Proizvodstvennaya Kompaniya (AS APK), to AngloGold Ashanti Limited (AGA).

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 and principal place of business is Church Barn, Old Farm Business Centre, Church Road, Toft, Cambridge, CB23 2RF, United Kingdom.

The Company's shares are traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

This consolidated interim financial information was approved by the Board on 26 September 2007.

These interim financial results do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2006 were approved by the Board of directors on 19 June 2007 and filed with the Registrar of Companies. The Independent Auditors' Report on those accounts was unqualified, however because of the existence of a material uncertainty which cast significant doubt about the Group's ability to continue as a going concern, the Independent Auditors' Report contained an emphasis of matter to this effect. The Independent Auditors' Report did not contain a statement under either Section 237(2) or (3) of the Companies Act 1985.

2. First time adoption of International Financial Reporting Standards (IFRS)

In accordance with the AIM Rules, the Group is required to present its financial information in accordance with IFRS as adopted by the European Union (EU) with effect from 1 January 2007. In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that have been adopted by the EU and that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. This adoption has not resulted in any significant changes to the Group's accounting policies nor has it affected the amounts reported for the current or prior periods other than their presentation as disclosed in Note 14.

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 2007 which will be prepared in accordance with IFRS as adopted by the EU.

Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2007, 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 disclosures required by IFRS 1 *First-time adoption of International Financial Reporting Standards* concerning the transition from UK GAAP to IFRS are given in Note 14. The 2006 comparatives have also been presented in accordance with IFRS. The interim condensed consolidated financial report should be read in conjunction with the annual report and accounts for 2006 which was prepared in accordance with UK GAAP.

The financial information is unaudited but has been reviewed by the auditors and their report is set out on page 3.

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

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year ending 31 December 2007:

- IFRIC 7 *Applying the restatement approach under IAS 29*, effective for annual periods beginning on or after 1 March 2006. This interpretation is not relevant for the Group.
- IFRIC 8 *Scope of IFRS 2*, effective for annual periods beginning on or after 1 May 2006. This interpretation has no impact on the recognition of share-based payments in the Group.
- IFRIC 9 *Reassessment of embedded derivatives*, effective for annual periods beginning on or after 1 June 2006. This interpretation is not relevant for the Group.
- IFRIC 10 *Interims and impairment*, effective for annual periods beginning on or after 1 November 2006. This interpretation is not relevant for the Group as there were no previous impairments.
- IFRS 7 *Financial instruments: Disclosures*, effective for annual periods beginning on or after 1 January 2007. IAS 1 *Amendments to capital disclosures*, effective for annual periods beginning on or after 1 January 2007. IFRS 4 *Insurance contracts*, revised implementation guidance, effective when an entity adopts IFRS 7. As this interim report contains only condensed financial information, and as there are no material financial instrument related transactions in the period, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by the amendment of IAS 1, will be given in the annual financial statements.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending 31 December 2007 and have not been early adopted:

- IFRIC 11 *IFRS 2 – Group and treasury share transactions*, effective for annual periods beginning on or after 1 March 2007. Management do not expect this interpretation to be relevant for the Group.
- IFRIC 12 *Service concession arrangements*, effective for annual periods beginning on or after 1 January 2008. Management do not expect this interpretation to be relevant for the Group.
- IFRS 8 *Operating segments*, effective for annual periods beginning on or after 1 January 2009, subject to EU endorsement. Management do not foresee any changes to the Group's geographical or business segments.

Basis of consolidation

The consolidated financial information of the Group include the accounts of Trans-Siberian Gold plc and its subsidiaries. The results of Trans-Siberian Gold plc's subsidiary undertakings are accounted for from the date on which the Company gains control.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies and financial year ends of its subsidiaries are consistent with those applied by the Company.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency at the average exchange rate ruling during the month in which the transactions occur. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. 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

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns which are different from those of segments operating in other economic environments.

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 – 16 years

Motor vehicles – 5 years

Plant and machinery – 4 years

Office furniture and equipment – 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income' in the income statement.

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 the income statement on a straight-line basis over the period of the lease.

Assets held under finance leases are capitalised as property, plant and equipment at the estimated present value of the underlying lease payments. The corresponding finance lease obligation is included within 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 mineral properties and related exploration and evaluation costs, including directly attributable employment costs, are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset. General overheads are expensed immediately. Depreciation on fixed assets used on exploration and evaluation projects is charged to deferred costs whilst the projects are in progress. Finance costs incurred in respect of exploration and evaluation projects are capitalised in those instances where the other expenditure attributable to those projects is also being capitalised. Finance costs are also only capitalised during periods when exploration and evaluation activities are in progress. Finance costs incurred in respect of the Group's general borrowings are expensed in the profit and loss account as incurred. Any discount on deferred purchase consideration is added back to reflect the actual cash paid in respect of net assets acquired on acquisition of companies.

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

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

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

3. Principal accounting policies continued

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.

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.

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

Interest costs are charged 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, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Taxation

Current tax is the expected tax payable or recoverable on the taxable profit or loss for the year, using rates enacted at the balance sheet 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 substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

Share-based payment transactions

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

The fair value is measured at grant date and expensed on a straight-line basis over the expected vesting period. The fair value of the options granted is measured using a Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest or are likely to vest except where non-exercise is only due to the Company's share price not achieving the threshold for vesting.

Non-market based vesting conditions are taken into account in estimating the number of options likely to vest. The estimate of the number of options likely to vest is reviewed at each balance sheet 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.

Provisions

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

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

The cost of ongoing programmes to prevent and control pollution and to rehabilitate the environment is charged to the income statement 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 balance sheet 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 disposition of properties.

(b) Decommissioning, site restoration and environmental costs

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

(c) Recoverable Value Added Tax (VAT)

Generally, Russian VAT on construction costs cannot be recovered until construction is complete and production commences. The directors anticipate that the VAT debtor of \$4,948,316 (2006 first half: \$4,853,568) will be recovered, however if the Group's exploration projects do not proceed to production some VAT may be irrecoverable.

(d) Share-based payments

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

(e) Contingencies

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

5. Going concern

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

In addition to the \$40 million disposal proceeds of its Krasnoyarsk Krai based subsidiaries, the directors believe that total additional funding of \$42 million, including debt service on the assumption that the \$10 million loan from AngloGold Ashanti Limited is not converted to equity, will be required to provide adequate financing for the Group until the Asacha mine is cash flow positive. The disposal proceeds of \$40 million will be sufficient for the Group's funding requirements until the beginning of the second quarter of 2008, by which time significant progress with mine development and plant construction is expected to have been achieved at Asacha. It is currently the intention of the Board to satisfy the forecast additional requirement of \$42 million through raising additional equity, debt finance, equipment supplier credits or a combination of these in respect of which a number of options are being considered. Management tightly control the level of committed expenditure to ensure that the Group has sufficient resources available to meet its liabilities as they fall due.

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

6. Segment information - Geographical

	Russia \$	UK \$	Total continuing operations \$	Total discontinued operations (Russia) \$	Total Group \$
Six months ended 30 June 2006					
Segment revenue	-	-	-	-	-
Segment operating loss	(1,695,323)	(1,073,600)	(2,768,923)	(147,016)	(2,915,939)
Six months ended 30 June 2007					
Segment revenue	-	-	-	-	-
Segment operating loss	(979,134)	(1,025,659)	(2,004,793)	(418,266)	(2,423,059)

The Group's operations are entirely focused on exploration and development activities within the Russian Federation, with its corporate head office in the UK. Whilst the directors believe that there is only one relevant class of business, they recognise that the risks and returns of operating within these two economic environments are significantly different and have accordingly presented the Group's results by geographical location.

The Group was involved in one major transaction in June 2007, the sale of its Krasnoyarsk based subsidiaries, Amikan and AS APK, to AGA (see Note 11). In addition, subsidiary SV was put into liquidation. The results of these three subsidiaries are shown as discontinued operations.

7. Property, plant and equipment

	Buildings \$	Plant and machinery \$	Motor vehicles \$	Office equipment and furniture \$	Assets under construction ^a \$	Total \$
Cost						
At 1 January 2006	981,333	1,817,921	1,145,838	557,965	12,753,915	17,256,972
Additions	12,891	227,644	9,364	18,380	3,568,981	3,837,260
Disposals	(14,208)	(14,690)	-	(1,545)	-	(30,443)
At 30 June 2006	980,016	2,030,875	1,155,202	574,800	16,322,896	21,063,789
Accumulated depreciation						
At 1 January 2006	(210,725)	(367,239)	(299,354)	(279,989)	-	(1,157,307)
Charge for period ^b	(83,478)	(100,161)	(98,762)	(66,299)	-	(348,700)
Disposals	4,960	6,078	-	438	-	11,476
At 30 June 2006	(289,243)	(461,322)	(398,116)	(345,850)	-	(1,494,531)
Net book value						
At 1 January 2006	770,608	1,450,682	846,484	277,976	12,753,915	16,099,665
At 30 June 2006	690,773	1,569,553	757,086	228,950	16,322,896	19,569,258
Cost						
At 1 January 2007	1,013,001	2,077,054	1,155,298	554,397	20,275,473	25,075,223
Additions	57,989	107,859	-	77,444	878,460	1,121,752
Disposals	-	(1,403)	-	(8,537)	-	(9,940)
Discontinued operations	(315,902)	(938,295)	(747,755)	(157,368)	(360,885)	(2,520,205)
At 30 June 2007	755,088	1,245,215	407,543	465,936	20,793,048	23,666,830
Accumulated depreciation						
At 1 January 2007	(371,937)	(556,683)	(499,345)	(382,251)	-	(1,810,216)
Charge for period ^b	(80,557)	(104,240)	(97,564)	(44,141)	-	(326,502)
Disposals	-	415	-	7,289	-	7,704
Discontinued operations	124,737	389,952	340,540	114,260	-	969,489
At 30 June 2007	(327,757)	(270,556)	(256,369)	(304,843)	-	(1,159,525)
Net book value						
At 1 January 2007	641,064	1,520,371	655,953	172,146	20,275,473	23,265,007
At 30 June 2007	427,331	974,659	151,174	161,093	20,793,048	22,507,305

- a. Assets under construction at 30 June 2007 comprise \$15,676,735 for building construction, \$4,379,019 in relation to the construction of an access road and \$737,294 for plant and equipment at Asacha.
- b. \$267,862 (2006 first half: \$261,298) of the depreciation charge related to property, plant and equipment used on exploration and evaluation projects and was capitalised in exploration and evaluation costs in accordance with the Group's accounting policy.
- c. Contracted commitments for capital purchases amount to \$3,353,176 (2006 first half: \$1,874,896).

8. Exploration and evaluation costs

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

	01.01.2006 \$	Additions \$	Disposals \$	30.06.2006 \$
Kamchatka – Asacha and Rodnikova	9,491,185	1,893,791	-	11,384,976
Krasnoyarsk – Veduga	14,181,128	594,558	-	14,775,686
Krasnoyarsk – Bogunay	1,027,020	514,030	-	1,541,050
	24,699,333	3,002,379	-	27,701,712

	01.01.2007 \$	Additions \$	Disposals \$	30.06.2007 \$
Kamchatka – Asacha and Rodnikova	12,009,511	670,074	-	12,679,585
Krasnoyarsk – Veduga	15,843,762	1,622,532	(17,466,294)	-
Krasnoyarsk – Bogunay	1,946,696	400,319	(2,347,015)	-
	29,799,969	2,692,925	(19,813,309)	12,679,585

9. Borrowings

	30.06.2007 \$	31.12.2006 \$	30.06.2006 \$
Non-current	10,000,000	10,000,000	10,000,000
Current	-	350,289	-
	10,000,000	10,350,289	10,000,000

Movement in borrowings is analysed as follows:

	\$
Six months ended 30 June 2006	
At 1 January 2006	-
Increase in borrowings	10,000,000
At 30 June 2006	10,000,000
Six months ended 30 June 2007	
At 1 January 2007	10,350,289
Increase in borrowings by discontinued operations	4,465,699
Advance on sale of subsidiaries	10,000,000
Repayment of advance upon completion of sale of subsidiaries	(10,000,000)
Discontinued operations	(4,815,988)
At 30 June 2007	10,000,000

All borrowings were from AngloGold Ashanti Limited (AGA), a related party by virtue of its 29.79% holding in the shares of the Company. Details of related party transactions are given in Note 12.

The sale of Amikan and AS APK to AGA was completed on 25 June 2007 (see Note 11). Prior to this date, AGA made two initial payments, comprising \$8.7 million on 1 March 2007 and \$1.3 million on 30 May 2007, which were subject to interest on commercial terms.

10. Provisions for liabilities and charges

	Legal claims provision \$	Environmental/ site restoration provision \$	Total \$
Six months ended 30 June 2006			
At 1 January 2006	-	156,694	156,694
At 30 June 2006	-	156,694	156,694
Six months ended 30 June 2007			
At 1 January 2007	-	200,489	200,489
Additional provisions	345,433	-	345,433
At 30 June 2007	345,433	200,489	545,922

11. Discontinued operations

On 22 January 2007, in line with the Group's decision to focus its activities in Kamchatka, the Board arranged the appointment of a liquidator of the Company's wholly owned subsidiary OOO Kompaniya Svezhiy Veter (SV) which had been seeking licences in the Yakutia region. The liquidation process was substantially completed by 30 June 2007.

On 12 February 2007, the Company announced that the sale and purchase agreements in respect of the sale of all of its interests in its two wholly owned subsidiaries, OOO GRK Amikan (Amikan) and OOO AS Angarskaya Proizvodstvennaya Kompaniya (AS APK), to AngloGold Ashanti Limited (AGA) for a cash consideration of \$40 million (the AGA Transaction) had been signed. The AGA Transaction was approved by the Company's shareholders on 30 March 2007, and completed on 25 June 2007.

The income statement and cash flow statement distinguish discontinued operations from continuing operations. The results of SV, Amikan and AS APK are presented in this condensed interim financial information as discontinued operations. Financial information relating to discontinued operations for the period to the date of discontinuance or disposal is set out below.

	6 months to 30.06.2007 \$	6 months to 30.06.2006 \$	12 months to 31.12.2006 \$
Income statement information			
Revenue	-	-	-
Administrative expenses	(444,274)	(395,414)	(834,283)
Other income	325	86,010	473,093
Net foreign exchange gains on operating activities	25,683	162,388	158,625
Operating loss for discontinued operations	(418,266)	(147,016)	(202,565)
Finance costs - net	(90,237)	61	(314)
Loss before income tax for discontinued operations	(508,503)	(146,955)	(202,879)
Income tax expense	(328)	-	(6,669)
Loss for discontinued operations	(508,831)	(146,955)	(209,548)
Loss per share from discontinued operations attributable to the equity holders of the company (expressed in cents per share)			
- basic and diluted	(1.24)	(0.36)	(0.51)
Cash flow information			
Operating cash flows for discontinued operations	(566,499)	484,592	232,976
Investing cash flows for discontinued operations	(1,717,505)	(1,103,753)	(2,495,316)
Financing cash flows for discontinued operations	a 4,465,699	-	350,289
Total cash flows for discontinued operations	2,181,695	(619,161)	(1,912,051)
a. AGA funded the exploration activities of the Krasnoyarsk Krai companies with effect from 1 November 2006 and all their expenditure from 1 December 2006.			
			\$
Consideration received on sale of subsidiaries			40,000,000
Direct costs relating to the disposal			(443,860)
Cash transferred on disposal			(753,182)
Proceeds from sale of subsidiaries, net of cash transferred			38,802,958
Net asset value of sold subsidiaries:			
- property, plant and equipment			1,550,716
- exploration and evaluation costs			19,813,309
- debtors			1,895,331
- trade and other payables			(5,512,240)
			17,747,116
Net asset value of liquidated subsidiary:			
- trade and other payables			(47)
			17,747,069
Profit on disposal of subsidiaries			21,055,889

AGA paid the first \$10 million of the sale proceeds in two tranches on 1 March 2007 and 30 May 2007, and the balance of \$30 million on 25 June 2007. Also on 25 June 2007, AGA paid \$505,094 as reimbursement of the costs of the airborne geophysical survey undertaken at the Veduga and Bogunay properties in 2006 which was credited to exploration and evaluation costs.

The directors currently believe that the disposal qualifies for the Substantial Shareholdings Exemption (SSE) and therefore no tax has been provided on the profit on disposal.

12. Related party transactions

There are no related party transactions other than those relating to major shareholder AngloGold Ashanti Limited, as detailed below:

Related party	Nature of transaction	Purchases during the 6 months to 30 June 2007	Amount owing/ (owed) at 30 June 2007	Purchases during the 6 months to 30 June 2006	Amount owing/ (owed) at 30 June 2006
		\$	\$	\$	\$
AngloGold Ashanti	Technical services	214,530	997,852	259,521	446,363
	Loans (see Note 9)	14,465,699	10,000,000	10,000,000	10,000,000
	Loan interest	868,726	995,556	10,552	10,552
	Directors' fees	-	-	21,464	11,019
	Other services	(5,947)	(32,693)	(26,746)	(26,746)
		15,543,008	11,960,715	10,264,791	10,441,188

In addition to the above, on 25 June 2007 the Company completed the sale of its Krasnoyarsk based subsidiaries, Amikan and AS APK, to AGA for \$40 million (see Note 11).

13. Contingent liabilities

Under the terms of its acquisition of ZAO Trevozhnoye Zarevo (TZ), the Company (TSG) agreed with the two minority shareholders to purchase their residual shareholdings, in aggregate 9.95%, for \$500,000 each, conditional upon the Company's directors formally deciding to proceed with mine development of the Asacha deposit. On 17 September 2007, TSG completed the acquisition of one of the minority shareholdings in TZ at a cost of \$425,000, thereby increasing its interest in the Asacha and Rodnikova projects to 95.03%.

14. Explanation of transition to IFRS

As set out in Note 2, the Group is required to present its financial information in accordance with IFRS as adopted by the EU with effect from 1 January 2007, with comparative figures restated. The following disclosures are required in the year of transition from United Kingdom Generally Accepted Accounting Practices (UK GAAP) to IFRS. The last financial statements under UK GAAP were for the year ended 31 December 2006 and the date of transition to IFRS was therefore 1 January 2006.

Reconciliation of equity at 1 January 2006 (date of transition to IFRS):

Note	UK GAAP 1.01.2006 \$	Effect of transition to IFRS \$	IFRS 1.01.2006 \$
Assets			
Non-current assets			
	16,099,665	-	16,099,665
	24,699,333	-	24,699,333
a	-	4,608,939	4,608,939
	40,798,998	4,608,939	45,407,937
Current assets			
a	6,796,744	(4,608,939)	2,187,805
	11,902,705	-	11,902,705
	18,699,449	(4,608,939)	14,090,510
Total assets	59,498,447	-	59,498,447
Total equity	b 56,524,082	-	56,524,082
Total liabilities	b 2,974,365	-	2,974,365
Total equity and liabilities	59,498,447	-	59,498,447

- The directors anticipate that the value added tax debtor will be recoverable when the Group commences production and has been reclassified from current assets to non-current assets in accordance with IAS 1 *Presentation of Financial Statements*.
- Transition to IFRS had no impact on any line item included in equity or liabilities.

14. Explanation of transition to IFRS continued

Reconciliation of equity at 30 June 2006 (included as equivalent period comparatives):

	Note	UK GAAP 30.06.2006 \$	Effect of transition to IFRS \$	IFRS 30.06.2006 \$
Assets				
Non-current assets				
Property, plant and equipment		19,569,258	-	19,569,258
Exploration and evaluation costs		27,701,712	-	27,701,712
Taxes recoverable – value added tax	a	-	4,853,568	4,853,568
		47,270,970	4,853,568	52,124,538
Current assets				
Trade and other receivables	a	8,223,842	(4,853,568)	3,370,274
Cash and cash equivalents		12,301,644	-	12,301,644
		20,525,486	(4,853,568)	15,671,918
Total assets		67,796,456	-	67,796,456
Total equity	b	54,221,395	-	54,221,395
Total liabilities	b	13,575,061	-	13,575,061
Total equity and liabilities		67,796,456	-	67,796,456

- a. The directors anticipate that the value added tax debtor will be recoverable when the Group commences production and has been reclassified from current assets to non-current assets in accordance with IAS 1 *Presentation of Financial Statements*.
- b. Transition to IFRS had no impact on any line item included in equity or liabilities.

Reconciliation of equity at 31 December 2006 (latest period presented in the most recent annual financial statements under UK GAAP):

	Note	UK GAAP 31.12.2006 \$	Effect of transition to IFRS \$	IFRS 31.12.2006 \$
Assets				
Non-current assets				
Property, plant and equipment		23,265,007	-	23,265,007
Exploration and evaluation costs		29,799,969	-	29,799,969
Taxes recoverable – value added tax	a	-	6,001,683	6,001,683
		53,064,976	6,001,683	59,066,659
Current assets				
Trade and other receivables	a	8,724,009	(6,001,683)	2,722,326
Cash and cash equivalents		2,551,457	-	2,551,457
		11,275,466	(6,001,683)	5,273,783
Total assets		64,340,442	-	64,340,442
Total equity	b	50,533,503	-	50,533,503
Total liabilities	b	13,806,939	-	13,806,939
Total equity and liabilities		64,340,442	-	64,340,442

- a. The directors anticipate that the value added tax debtor will be recoverable when the Group commences production and has been reclassified from current assets to non-current assets in accordance with IAS 1 *Presentation of Financial Statements*.
- b. Transition to IFRS had no impact on any line item included in equity or liabilities.

Reconciliation of loss for the period ended 30 June 2006 (included as equivalent period comparatives):

	Note	UK GAAP 6 months to 30.06.2006 \$	Effect of transition to IFRS \$	Reclassification of discontinued operations (c) \$	IFRS 6 months to 30.06.2006 \$
Continuing operations					
Revenue		-	-	-	-
Administrative expenses	a	(3,331,811)	(130,351)	395,414	(3,066,748)
Other income	a	-	130,351	(86,010)	44,341
Net foreign exchange gains on operating activities	b	874,322	(458,450)	(162,388)	253,484
Operating loss		(2,457,489)	(458,450)	147,016	(2,768,923)
Finance income		154,528	-	(61)	154,467
Finance costs		(10,552)	-	-	(10,552)
Net foreign exchange gains on financing activities	b	-	458,450	-	458,450
Loss before income tax		(2,313,513)	-	146,955	(2,166,558)
Income tax expense		(24,889)	-	-	(24,889)
Loss from continuing operations		(2,338,402)	-	146,955	(2,191,447)
Discontinued operations					
Loss from discontinued operations		-	-	(146,955)	(146,955)
Loss for the period		(2,338,402)	-	-	(2,338,402)
Attributable to:					
Equity holders of the company		(2,300,123)	-	-	(2,300,123)
Minority interest		(38,279)	-	-	(38,279)
Loss for the period		(2,338,402)	-	-	(2,338,402)

- a. Other income, previously included in administration expenses, relates to the hiring out of staff and drilling equipment from the Veduga project of \$86,010 and equipment from the Asacha project of \$44,341 during periods of exploration inactivity. For the year to 31 December 2006, as previously presented under UK GAAP, these items were included in 'Operating income'.
- b. Foreign exchange gains and losses resulting from the translation of cash, cash equivalents and borrowings denominated in foreign currencies, previously included in operating expenses, have been reclassified as financing activities in accordance with the Group's revised accounting policies.
- c. During the period, Group subsidiary Svezhiy Veter (SV) was put into liquidation and Amikan and AS APK were sold and as such the results of SV, Amikan and AS APK are presented in this condensed interim financial information as discontinued operations (see Note 11), with comparatives reclassified in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*.

14. Explanation of transition to IFRS continued

Reconciliation of loss for the year ended 31 December 2006 (latest period presented in the most recent annual financial statements under UK GAAP):

Note	UK GAAP 12 months to 31.12.2006 \$	Effect of transition to IFRS \$	Reclassification of discontinued operations (b) \$	IFRS 12 months to 31.12.2006 \$
Continuing operations				
Revenue	-	-	-	-
Administrative expenses	(7,002,732)	-	834,283	(6,168,449)
Other income	512,971	-	(473,093)	39,878
Net foreign exchange gains on operating activities	1,061,607	(501,165)	(158,625)	401,817
Operating loss	(5,428,154)	(501,165)	202,565	(5,726,754)
Finance income	294,451	-	(126)	294,325
Finance costs	(491,498)	-	440	(491,058)
Net foreign exchange gains on financing activities	-	501,165	-	501,165
Loss before income tax	(5,625,201)	-	202,879	(5,422,322)
Income tax expense	(197,334)	-	6,669	(190,665)
Loss from continuing operations	(5,822,535)	-	209,548	(5,612,987)
Discontinued operations				
Loss from discontinued operations	-	-	(209,548)	(209,548)
Loss for the period	(5,822,535)	-	-	(5,822,535)
Attributable to:				
Equity holders of the company	(5,784,256)	-	-	(5,784,256)
Minority interest	(38,279)	-	-	(38,279)
Loss for the period	(5,822,535)	-	-	(5,822,535)

- a. Foreign exchange gains and losses resulting from the translation of cash, cash equivalents and borrowings denominated in foreign currencies, previously included in operating expenses, have been reclassified as financing activities in accordance with the Group's revised accounting policies.
- b. During the period, Group subsidiary Svezhiy Veter (SV) was put into liquidation and Amikan and AS APK were sold and as such the results of SV, Amikan and AS APK are presented in this condensed interim financial information as discontinued operations (see Note 11), with comparatives reclassified in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*.

Explanation of material adjustments to the cash flow statement for the six months to 30 June 2006:

Bank deposits of \$10,785,550 that were held for periods of one week, two weeks and one month and form an integral part of the Group's cash management were classified under management of liquid resources under UK GAAP and are classified as cash and cash equivalents under IFRS. There are no other material differences between the cash flow statement presented under IFRS and that presented under UK GAAP.

Explanation of material adjustments to the cash flow statement for the year ended 31 December 2006:

Bank deposits of \$1,705,611 that were held for periods of one week and two weeks and form an integral part of the Group's cash management were classified under management of liquid resources under UK GAAP and are classified as cash and cash equivalents under IFRS. There are no other material differences between the cash flow statement presented under IFRS and that presented under UK GAAP.



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