05508246

ANGARA MINING PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2011

Angara Mining Plc

Directors

V Preys
J Fairley (resigned 31 August 2011)
P Golovinov
A Dydychkin
I Preys

Secretary and Registered Office

Eversecretary Limited
One Wood Street
London, EC2V 7WS

Principal Place of Business

Eversheds House, 70 Great Bridgewater Street, Manchester, M1 5ES

Auditors

Moore Stephens LLP
Chartered Accountants
150 Aldersgate Street, London EC1A 4AB

Report of the Directors

Financial Statements

The directors present herewith their report together with the audited financial statements of the Company for the year ended 31 December 2011

Principal Activity

The principal activity of Angara Mining plc is to act as a holding company

Directors

The directors who served during and following the year are reported above

The Company has directors' liability insurance in place

Company Registration Number

05508246

Results and Dividends

During the year ended 31 December 2009, the Company's only source of revenue was from the provision of consultancy services to JSC "Vasilyevsky Rudnik Gold Mine", a Russian entity now partly owned by the Company's subsidiary Brownypool Trading Limited This activity ceased during the year ended 31 December 2010 Its revenue was USD Nil for 2011 (2010 USD Nil) The Company reported a loss from operations of USD 632,784 (2010 Loss USD 611,835)

Results and Dividends (Continued)

The loss before taxation for the year ended 31 December 2011 amounted to 632,664 (2010 USD 15,791,961 profit) The profit in 2010 was mainly attributable to the gain realised upon the redemption of the convertible bonds which amounted to USD 15,504,246, net of transaction costs, as outlined below and in note 8 to the financial statements

A Deed of Release and Assignment was signed in August 2010 by the various parties in connection with the bond redemption Subsequently, the bondholder, GazpromBank, a Russian owned bank and one the bank's wholly owned subsidiaries, redeemed 100% of the convertible bonds issued by the Company in 2006 including accrued interest At the same time, the Company forfeited its loan to JSC "Vasilyevsky Rudnik Gold Mine" advanced in that same year, including accrued interest, resulting in GazpromBank acquiring up a 62 5 % interest in JSC "Vasilyevsky Rudnik Gold Mine" The transaction was approved by the Federal Antimonopoly Service of the Russian Federation and new shares were allotted by JSC "Vasilyevsky Rudnik Gold Mine in September 2010 to GazpromBank and one of its wholly owned subsidiaries Upon completion in September 2010, Brownypool Trading Limited held a 37 5% stake in JSC "Vasilyevsky Rudnik Gold Mine" shares

The directors do not recommend a dividend for the year (2010 USD Nil) and the loss for the year has been transferred to reserves

The preparation of consolidated financial statements is deemed by the directors to be unnecessary as they intend to place the Company into a members voluntary liquidation in the near future

Financial Risk Management

The Company's financial instruments comprise cash, liquid resources and various items such as sundry debtors and creditors and intercompany loans that arise directly from its operations The main risks arising from the Company's financial instruments are discussed below

Currency Risk

The Company is exposed to translation and transaction foreign exchange risks and recognises profits or losses on these as they arise It undertakes certain transactions denominated in foreign currencies, mainly in GB Pounds and Russian Roubles and seeks to minimise its exposure to currency risk by closely monitoring exchange rates

Liquidity Risk

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs, as they become due, and to invest cash assets safely and profitably However, the Company is dependent on the ongoing support from its shareholders The directors believes the Company has access to sufficient funding through the support provided by its shareholders

Interest Rate Risk

Minimal exposure to interest risk arose on interest on borrowings as all of the borrowings were at a fixed interest rate As the convertible bonds have now been redeemed, the Company does not expect to have material interest rate risk in the near future

Credit Risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, being the amounts due from its subsidiaries and amounts placed with banks

Report of the Directors (Continued)

Creditor Payment Policy

The Company does not follow any code or standard on payment practice Economic events have adversely affected the ability of the Company to adhere to a policy of settling supplier invoices in accordance with the suppliers' standard terms In practice, actual payments are made based on negotiated terms

Going Concern

The Company has a shareholder's deficit amounting to USD 3,803,077 (2010 USD 3,179,413) at the reporting date The directors have indicated that they intend to sell the remaining shares held in JSC "Vasilyevsky Rudnik Gold Mine" to fund the liabilities of the Company The directors consider that the proceeds generated by the sale of the Company's remaining investment in JSC "Vasilyevsky Rudnik Gold Mine" will exceed all liabilities As such, the financial statements have been drawn up on a going concern basis

As a consequence of this, the directors are satisfied that the Company will have adequate resources to fulfil all its obligations

Events After the Reporting Date

There were no material events after the reporting date

Directors' Declaration

Each of the persons who are directors at the time when this report is approved has confirmed that

(a) so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) each director has taken all the steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and the Company's auditors for that purpose, in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information

By Order of the Board on 22 June 2012

V PREYS Director

Angara Mining Plc

Statement of Directors' Responsibilities
For the year ended 31 December 2011

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the Company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether the financial statements have been prepared in accordance with IFRS as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report to the Shareholders of Angara Mining Plc

We have audited the Company's financial statements (the "financial statements") of Angara Mining plc for the year ended 31 December 2011 which are set out pages 7 to 22 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Basis for adverse opinion on financial statements

The Company has not prepared consolidated financial statements for the year ended 31 December 2011 In our opinion, consolidated financial statements are required by Section 399 of the Companies Act 2006 and International Accounting Standard 27 - Consolidated and Separate Financial Statements

Adverse opinion on financial statements

In our opinion, because of the significance of the matter described in the basis for adverse opinion paragraph, the financial statements

- do not give a true and fair view of the state of the Group's affairs as at 31 December 2011 or of the Group's loss for the year then ended, and
- have not been properly prepared in accordance with IFRSs as adopted by the European Union

With regards to the parent company's financial statements, in our opinion they give a true and fair view of the state of the parent company's affairs as at 31 December 2011 and of the parent company's loss for the year then ended "

Independent Auditors' Report to the Shareholders of Angara Mining Plc (continued)

Emphasis of matter - Going Concern

We have considered the adequacy of the disclosures made in note 3(a) of the financial statements concerning the uncertainty as to the continuation of the Company as a going concern The Company has net liabilities at 31 December 2011 of USD 3,803,077 As explained in note 3(a), the Company's directors consider that the group's residual interest in JSC "Vasilyevsky Rudnik Gold Mine", an unquoted company registered in Russia, will be adequate to cover its liabilities upon disposal of such shares These matters indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our adverse opinion on the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Michael Simms

Michael Simms, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB

29 June 2012

ANGARA MINING PLC
COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011
(Amounts in US Dollars)

	Notes	2011	2010
NON-CURRENT ASSETS			
Investments	5	-	-
Total non-current assets		-	-
CURRENT ASSETS			
Trade and other receivables	6	-	547,925
Cash and cash equivalents		5,909	27,329
Total current assets		5,909	575,254
Total assets		**5,909**	**575,254**
SHAREHOLDERS' DEFICIT			
Share capital	7	80,000	80,000
Accumulated losses		(3,883,077)	(3,259,413)
Total shareholders' deficit		(3,803,077)	(3,179,413)
CURRENT LIABILITIES			
Trade payables		354,456	368,536
Amounts due to shareholders	14	175,000	-
Other payables	9	3,279,530	3,386,131
Total current liabilities		3,808,986	3,754,667
Total liabilities and shareholders' deficit		**5,909**	**575,254**

These financial statements were approved by the Board of Directors and authorised for issue on 22 June 2012 and were signed on their behalf by

V. PREYS
Director

The accompanying notes on pages 11 to 22 form an integral part of these financial statements

ANGARA MINING PLC
COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(Amounts in US Dollars)

	Notes	2011	2010
Revenue	3 (h)	-	-
Net operating expenses		-	(39,857)
Gross loss		-	**(39,857)**
General and administrative expenses	10	(632,784)	(571,978)
Loss from operations	21	**(632,784)**	**(611,835)**
Surplus on redemption of convertible bond	8	-	15,504,246
Interest receivable	11	9,120	4,654,991
Interest payable	12	-	(3,755,441)
(Loss)/profit before tax		**(623,664)**	**15,791,961**
Taxation	13	-	-
(Loss)/profit before tax		**(623,664)**	**15,791,961**
Other comprehensive income		-	-
Total comprehensive income for the year		**(623,664)**	**15,791,961**

The accompanying notes on pages 11 to 22 form an integral part of these financial statements

ANGARA MINING PLC
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011
(Amounts in US Dollars)

	2011	2010
Operating cash receipts	-	12,500
Operating cash payments	(196,420)	(450,967)
NET CASH USED IN OPERATING ACTIVITIES	**(196,420)**	**(438,467)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Amounts from shareholders	175,000	-
Interest received	-	458,370
NET CASH FROM FINANCING ACTIVITIES	**175,000**	**458,370**
Net (decrease)/increase in cash and cash equivalents	(21,420)	19,903
Cash and cash equivalents, at beginning of the year	27,329	7,426
Cash and cash equivalents, at end of the year	5,909	**27,329**

The accompanying notes on pages 11 to 22 form an integral part of these financial statements

ANGARA MINING PLC
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(Amounts in US Dollars)

	Share Capital	Other Reserve	Accumulated Losses	Total
31 December 2009	**80,000**	**1,574,925**	**(20,626,299)**	**(18,971,374)**
Comprehensive income for the year	-	-	15,791,961	15,791,961
Settlement of convertible bond (note 8)	-	(1,574,925)	1,574,925	-
31 December 2010	**80,000**	**-**	**(3,259,413)**	**(3,179,413)**
Comprehensive income for the year	-	-	(623,664)	(623,664)
31 December 2011	**80,000**	**-**	**(3,883,077)**	**(3,803,077)**

The accompanying notes on pages 11 to 22 form an integral part of these financial statements

1 THE COMPANY AND ITS OPERATIONS

Angara Mining Plc ("Company") was incorporated in England & Wales on 14 July 2005 and changed its name from Angara Mining Limited on 20 July 2005 On 8 November 2005, the Company was re-registered as a public limited company The principal activity of the Company is to act as a holding company for a group of companies comprised of the following entities ("Group")

Name	Country of incorporation	Activity
Brownypool Trading Limited	Cyprus	Intermediary holding company
JSC "Vasilevsky Rudnik Gold Mine" (until 14 September 2010 as a subsidiary and then as an investment)	Russian Federation	Gold mining
OOO "Angara Management"	Russian Federation	Management services

On 10 August 2005, the Company acquired 100% of the equity of Brownypool Trading Limited, a company incorporated in the Republic of Cyprus The cost of the investment was Cyprus Pounds 1,000, equivalent to USD 2,106 On 6 September 2005 Brownypool Trading Limited acquired the entire issued share capital of JSC "Vasilevsky Rudnik Gold Mine", a Russian incorporated mining company for approximately USD 1 9 million In April 2008, a 100% Russian incorporated subsidiary of "Angara Mining Plc", OOO "Angara Management", was formed The cost of the investment was Roubles 50,000, equivalent to USD 1,939

On 14 September 2010, as part of the transaction disclosed in note 8, JSC "Vasilevsky Rudnik Gold Mine" issued new shares and Brownypool Trading Limited retained a 37 5% interest in JSC "Vasilevsky Rudnik Gold Mine" The other entities are 100% owned by the Company (note 15) The directors conclude that the Company does not exert a significant influence over its investment in JSC "Vasilevsky Rudnik Gold Mine" and therefore it is not deemed to be an associate at 31 December 2011 or 31 December 2010

The Company's ultimate beneficial owners are three private individuals Preys V Y , Preys I V , Golovinov P N These shareholders own 95% of the issued shares of Angara Mining plc The remaining 5% is held by Kisa Trading Ltd, a company registered in the British Virgin Islands

2 BASIS OF PRESENTATION

a) *Accounting framework*

These financial statements have been prepared in United States Dollars ("USD")

These financial statements have not been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the EU The Company has not complied with S399 of the Companies Act 2006 or International Accounting Standard 27 ("IAS27 - Consolidated and Separate Financial statements") which requires the parent company to prepare consolidated financial statements for the year ended 31 December 2011, because the consolidation of the Company's subsidiaries is considered not to be beneficial by the directors at this time

b) *Estimates and assumptions*

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and operating costs during the reporting period Actual results could differ from these estimates

c) *Operating Segments*

The business of the Company is conducted within one business segment, the provision of management services to its subsidiaries Accordingly no segmental analysis is provided

2 BASIS OF PRESENTATION (CONTINUED)

d) *Functional and presentation currency*

The functional and presentation currency used is the USD The directors have determined the USD as the functional currency as this represents the currency of the primary economic environment in which the Company operates

3 SIGNIFICANT ACCOUNTING POLICIES

a) *Going concern*

The Company has a shareholders' deficit amounting to USD 3,803,077 (2010 USD 3,179,413) at the reporting date The directors have indicated that they intend to sell the remaining shares held in JSC "Vasilyevsky Rudnik Gold Mine" to fund the liabilities of the Company The directors consider that the proceeds generated by the sale of the Company's remaining investment in JSC "Vasilyevsky Rudnik Gold Mine" will exceed all liabilities and the directors believe the Company has access to sufficient funding through the support provided by its shareholders As such, the financial statements have been drawn up on a going concern basis

The directors have concluded that the circumstances above represent a material uncertainty that casts significant doubt upon the Company's ability to continue as going concern Nevertheless, after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future For these reasons, they continue to adopt the going concern basis in preparing the financial statements

If the Company was unable to continue as a going concern and were to prepare financial statements on a break up basis, assets and liabilities would be stated at realisable value which would probably differ significantly from the values presented in these financial statements

b) *Foreign currency translation*

Transactions denominated in currencies other than the USD ("foreign currencies") are recorded in USD at the exchange rate prevailing on the transaction date Exchange differences resulting from the settlement of transactions denominated in foreign currency are included in the Statement of Comprehensive Income

Monetary assets and liabilities denominated in foreign currency are translated into USD at the official exchange rate at the reporting date Foreign currency gains and losses arising from the translation of monetary assets and liabilities are dealt with through profit or loss in the statement of comprehensive income

Non-monetary items and share capital are reported using the historical exchange rate that prevailed at the date of the transaction

c) *Cash and cash equivalents*

Cash comprises cash in hand and cash deposited in banks with a maturity period of less than three months

d) *Financing costs*

Financing costs comprise interest payable on bonds Interest payable is recognised in profit or loss as it accrues

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) *Accounts receivable and prepaid expenses*

Accounts receivable are recorded inclusive of value added taxes (VAT) Trade and other receivables, including prepaid expenses, are adjusted with an allowance made for impairment, if any, of these receivables Such an allowance for doubtful debts is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables

f) *Accounts payable and accrued charges*

Accounts payable are stated inclusive of value added tax which is reclaimable from the tax authorities upon the later of receipt of goods and services or the payment of the associated payable

g) *Pension and post-employment benefits*

The Company has no pension obligations

h) *Revenue recognition*

Revenue is the total amount receivable by the Company for services provided, excluding value added tax ("VAT") and trade discounts Revenue from services is recognised as services are rendered

i) *Financial instruments*

The carrying amounts of financial assets and liabilities (comprising bank and cash balances, trade and other receivables, trade and other payables and short and long-term borrowings) generally approximate to their fair values at the date of the transaction Where the fair value of a financial asset is materially below the carrying amount, the carrying amount is written down to fair value

j) *Convertible bonds*

The Company's convertible bond was initially recognised at fair value, net of issue costs, and subsequently measured at amortised cost Any difference between the proceeds, net of issue costs, and the redemption amount was recognised through profit or loss in the statement of comprehensive income over the period of the bond using the effective interest rate method

The fair value of the liability portion of the convertible bond at inception was determined using a market interest rate for an equivalent non-convertible bond The amount was recognised as a liability on an amortised cost basis using the effective interest rate method until the bonds are redeemed The equity portion of the convertible bond was recognised separately within shareholders' equity until the redemption (note 9)

k) *Taxation*

Current tax is provided at amounts expected to be paid (or recovered) by using the tax rates and laws that have been enacted at the reporting date

Deferred tax is provided in full on temporary differences which result in an obligation at the reporting date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements Deferred tax assets are recognised to the extent that it is regarded more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

l) *Investments*

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) *Financial assets Loans and receivables*

Financial assets held by the Company include amounts receivable

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as receivables Amounts receivable are recognised and carried at original invoice amount less provision for impairment Long-term receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial

n) *Derecognition of financial assets*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity

o) *Financial liabilities and equity instruments issued by the Company*

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement

Financial liabilities

Financial liabilities are classified as either financial liabilities "at fair value through profit or loss (FVTPL) or "other financial liabilities"

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs Fair value is obtained through discounting future cash flows at the current market interest rate applied to financial instruments with similar terms Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis Realised and unrealised gains and losses arising from changes in the fair value are included in the financial income or expenses in the statement of comprehensive income in the period in which they arise

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period

Loans are classified as long-term liabilities if they are expected to be realised after more than 12 months from the reporting date If there is an intention to dispose of loans within 12 months after the reporting date, the carrying amount of loans less the appropriate adjustments may approximate their fair value

Trade payables are not interest bearing and are recognised and carried at original invoice amount If there is an intention to dispose of payables within 12 months after the reporting date, the carrying amount of payables is approximating their fair value

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire

(Amounts in US Dollars)

4 SIGNIFICANT JUDGMENTS AND ESTIMATES

The Company makes estimates and assumptions regarding the future Estimates and judgments are evaluated based on prior experience and other external factors Actual experience may deviate from these estimates and assumptions

Following the redemption of the convertible bonds on 16 August 2010 and the assignment of amount owed by the related company, the directors consider that there are no 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

5 INVESTMENTS

	Country of incorporation	2011	2010
Cost			
Brownypool Trading Limited	Cyprus	2,106	2,106
OOO "Angara Management"	Russia	1,939	1,939
		4,045	4,045
Amounts impaired against investments		(4,045)	(4,045)
At 31 December		-	-

The Company holds a 37 5% indirect interest in JSC "Vasilevsky Rudnik Gold Mine" via Brownypool Trading Limited The other entities are 100% owned by the Company (note 15) The

6 TRADE AND OTHER RECEIVABLES

	2011	2010
Amounts owed by related parties (note 14)	-	544,689
Other debtors	-	3,236
	-	547,925

Amounts owed by subsidiary undertakings at 31 December 2009 included the balance of a loan together with accrued interest to JSC "Vasilevsky Rudnik Gold Mine" under an intercompany loan agreement dated 10 April 2008 Interest was being charged at 13% on principal amounts and 14% on overdue balances and was payable semi-annually in equal instalments or earlier at the Company's request On 16 August 2010, the loan to JSC "Vasilevsky Rudnik Gold Mine" together with any outstanding interest was settled as part of the transaction referred to in note 8

7 SHARE CAPITAL

	31 December 2011 and 2010		
Ordinary shares of £1 each	Number of Shares	£	USD
Authorised	50,000	£ 50,000	80,000
Issued, allotted and fully paid	50,000	£ 50,000	80,000

(Amounts in US Dollars)

8 CONVERTIBLE BONDS

The convertible bonds were issued in April 2008 at a nominal value of USD 50,100,000 Interest was levied at 7% per annum and was secured by pledges over 27 55% of the ordinary shares of the main subsidiaries of the Company, Brownypool Trading Limited and JSC "Vasilevsky Rudnik Gold Mine" Following the unsuccessful listing by 10 February 2009, the Board revised the carrying value of the bonds to its redemption value, being 140% of principal value, on 10 April 2009 The convertible bonds were thereafter recorded at a value of USD 70,140,000 The equity portion of the convertible bonds of USD1,574,925 was recognised separately within shareholders' deficit as "other reserve"

The Company renegotiated the agreement with the bondholders in March 2009 and the maturity date was amended to 10 October 2009 The interest rate was increased to 12% per annum and charged on the nominal value of USD 50,100,000 starting from April 2009 The Company failed to redeem the convertible bonds by the revised deadline of 10 October 2009 and was therefore in default The bondholders continued to charge interest at 12% per annum after default The Company has since been in ongoing negotiations with the bondholder, Gazprombank as reported below

During the year ended 31 December 2010, the Company successfully re-structured this financial instrument with the bondholders and both parties agreed to forfeit as part of this overall settlement

1 The convertible bond issued in April 2008 together with accrued interest and penalties, and
2 The loan and accrued interest due to the Company from its subsidiary JSC "Vasilevsky Rudnik Gold Mine"

In addition, the Group diluted its shareholding in JSC "Vasilevsky Rudnik Gold Mine" to 37 5% via a new issue of shares Thereafter, Gazprombank owned 62 5% of this entity

The Company appointed a consultant, Fradox Limited, a company incorporated in the British Virgin Islands, in January 2010 to negotiate the settlement on behalf of the Company Upon completion, a fee amounting to 4 5%, equivalent to USD 3,156,300, is payable to the consultant, which remains unsettled

The transaction was completed on 16 August 2010 which led to a profit as follows

		2010
Carrying value of bond at redemption date		
Convertible bonds at redemption value		70,140,000
Total interest accrued on convertible bonds		12,435,110
Carrying value of bond and interest		82,575,110
Proceeds from bond redemption		
Principal loan due from JSC "Vasilevsky Rudnik Gold Mine"	(45,879,120)	
Total interest accrued on the principal loan	(18,035,444)	
		(63,914,564)
Gain on redemption of convertible bond		18,660,546
Consultant fees (noted above)		(3,156,300)
Net profit on redemption of convertible bond		15,504,256

The equity portion of the convertible bonds which was previously recognised separately within shareholders' deficit as "other reserve" has also been released following the de-recognition of the convertible bonds as stated in the statement of changes in equity, and transferred to accumulated losses

(Amounts in US Dollars)

9 OTHER PAYABLES

	2011	2010
Other creditors	3,279,530	3,386,131

10 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise of the following

	2011	2010
Legal and professional fees	76,618	185,259
Wages and salaries	-	5,103
Rent	3,177	19,608
Foreign exchange gain	(3,984)	(32,558)
Bad debts written off (note 14)	-	364,000
Impairment against amounts due from related parties (note 14)	553,809	-
Other expenses	3,164	30,566
	632,784	571,978

11 INTEREST RECEIVABLE

	2011	2010
Interest on loan to OOO Angara Management (note 14)	9,120	-
Interest on loan to JSC Vasilevsky Rudnik Gold Mine (note 14)	-	4,654,991
	9,120	4,654,991

12 INTEREST PAYABLE

	2011	2010
Interest on convertible bonds (note 14)	-	3,755,441

13 TAXATION

	2011	2010
Current tax charge	-	-
(Loss)/profit on ordinary activities before tax	(623,664)	15,791,961
Tax on (loss)/profit for the year, calculated at 26%/28%	(162,153)	4,421,749
Effects of		
Non-trade loan debit and credits	-	2,392
Depreciation and capital allowance adjustments	-	(102)
Bad debts written off	143,990	101,920
Expenses disallowed	4,980	35,170
Losses brought forward utilised in the year	-	(4,595,455)
Losses eliminated	13,183	34,326
	-	-

No deferred tax asset has been recognised in respect of the carried forward available tax losses of USD 2 3 million (2010 USD 2 2 million) arising in the Company as the recoverability of these assets in future periods is uncertain

(Amounts in US Dollars)

14 RELATED PARTY BALANCES AND TRANSACTIONS

Company	2011	2010
JSC "Vasilevsky Rudnik Gold Mine"		
Interest charged during the year	-	4,654,991
Interest received during the year	-	(458,370)
Balances forfeited as a result of completion of the Gazprombank deal (note 8)	-	(63,914,564)
Receivable as at 31 December	-	435,300
Consultancy fees received during the year	-	(12,500)
Impairment against amounts due from subsidiary (note 10)	435,300	-
Consultancy fees written off as bad debts during the year (note 10)	-	(364,000)
Brownypool Trading Limited		
Receivable at 31 December	-	64,712
Expenses paid on its behalf during the year	-	9,771
Impairment against amounts due from subsidiary (note 10)	64,712	-
OOO Angara Management		
Loan receivable as at 31 December	-	44,677
Interest receivable during the year	(9,120)	-
Impairment against amounts due from subsidiary (note 10)	53,797	-
Amounts due to shareholders	(175,000)	-
Key Management Remuneration		
Director's salary payable as at 31 December	-	40,217
Consultancy fee payable to directors as at 31 December	-	60,325
Director's salary charged during the year	10,850	39,857
Consultancy fee charged by directors during the year	-	55,685

All such entities are subsidiaries or investments of the Company Certain members of the Board, including the shareholders, have provided support to the Company during the years ended 31 December 2011 and 2010 for no consideration During the year, staff employed by JSC "Vasilevsky Rudnik Gold Mine" have provided administration and support services to the Company for no consideration Amounts due to the shareholders are interest free and repayable on demand

15 CURRENCY ANALYSIS

	31 December 2011		
		Denominated in	
	GBP	USD	Total
Cash and cash equivalents	-	5,909	5,909
Trade and other receivables	-	-	-
Trade payables	(118,251)	(236,205)	(354,456)
Amounts due to shareholders	-	(175,000)	(175,000)
Other payables	(53,230)	(3,226,300)	(3,279,530)
Total	(171,481)	(3,631,596)	(3,803,077)

(Amounts in US Dollars)

15 CURRENCY ANALYSIS (CONTINUED)

	31 December 2010		
		Denominated in	
	GBP	USD	Total
Cash and cash equivalents	-	27,329	27,329
Trade and other receivables	3,236	544,689	547,925
Trade payables	(153,331)	(215,205)	(368,536)
Other payables	(229,831)	(3,156,300)	(3,386,131)
Total	(379,926)	(2,799,487)	(3,179,413)

16 FAIR VALUE OF ASSETS AND LIABILITIES

The directors have assessed the fair value of the financial assets and liabilities as at the respective reporting dates In their opinion, all financial assets and liabilities are stated in the statement of financial position at fair values except for investments and current liabilities As reported in Note 5, the Company holds a 37 5% indirect interest in JSC "Vasilevsky Rudnik Gold Mine" via Brownypool Trading Limited The directors consider that the value of its investment exceeds the carrying value by more than USD 3 8 million The fair value of financial liabilities is considered to be significantly less than the carrying amount due to the underlying uncertainty relating to the Company's future The directors are of the opinion that the fair value of financial liabilities cannot be quantified

17 AVERAGE NUMBER OF EMPLOYEES

	2011	2010
Average number of employees (including directors)	4	5

18 EVENTS AFTER THE REPORTING DATE

There were no material events after the reporting date which require disclosure in the financial statements

19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital Risk Management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to optimise the weighted average cost of capital and tax efficiency subject to maintaining sufficient financial flexibility to undertake its plans The capital structure of the Company at 31 December 2011 consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, and accumulated losses

	2011	2010
Share capital	80,000	80,000
Accumulated losses	(3,883,077)	(3,259,413)
Total capital	(3,803,077)	(3,179,413)

(Amounts in US Dollars)

19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Categories of Financial Instruments

	2011 Measured at amortised cost *Loans and receivables, including cash*	2010 Measured at amortised cost *Loans and receivables, including cash*
Class/categories		
Financial assets		
Cash and cash equivalents	5,909	27,329
Trade and other receivables	-	547,925
Total financial assets	5,909	575,254
Financial liabilities		
Amounts due to shareholders	(175,000)	-
Trade and other payables	(3,633,986)	(3,754,667)
Total financial liabilities	(3,808,986)	(3,754,667)

All financial assets are not past due and do not have any collateral At 31 December 2011, it was expected that amounts will be settled in line with the proposed transaction at the time, as reported in note 8

(ii) Financial Risk Management

The Company's activities expose it to interest rate risk, foreign currency risk, credit risk and liquidity risk The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance

Interest Rate Risk
The Company is exposed to interest rate risk through the holding of cash and cash equivalents There is minimal exposure at the reporting date

Exchange Rate Risk
The Company undertakes certain transactions denominated in foreign currencies, chiefly GB Pounds Sterling and Russian Roubles, and is therefore exposed to exchange rate risk associated with fluctuations in the relative values of US Dollars, GB Pounds Sterling and Russian Roubles

Exchange rate risks are mitigated to the extent considered necessary by the Board of Directors, through holding the relevant currencies At present, the Company does not undertake any foreign currency transaction hedging

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are shown in note 5 The following table illustrates the Company's sensitivity to the fluctuation of the major currencies in which it transacts A 5% movement has been applied to each currency in the table below, representing management's assessment of a reasonably possible change in foreign currency rates

	2011	2010
Profit/(loss) - Statement of comprehensive income	8,574	18,996

The Company's Statement of Comprehensive Income is not materially affected by fluctuations in the exchange rate of the Russian Rouble

(Amounts in US Dollars)

19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Financial Risk Management (continued)

Credit Risk

The Company's principal financial assets consists of cash and cash equivalents The Company is exposed to a credit risk, which results from the non-performance of contractual agreements on the part of the counterparty The credit risk on liquid funds held in current accounts, totalling USD 1,046 at 31 December 2011 (2010 USD 27,329), is limited due to the counterparties generally being banks with high credit-ratings

Liquidity Risk

Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available The Company believes it has access to sufficient funding through the support that has been pledged by its shareholders Effective management of liquidity risk has the objective of ensuring the availability of adequate funding to meet short term requirements and due obligations as well as the objective of ensuring a sufficient level of flexibility in order to fund the development plans of the Company's businesses

All the Company's financial liabilities are to payable within 12 months of the reporting date, aside from Fradox which is repayable on the sale of the entity's remaining interest in JSC "Vasilyevsky Rudnik Gold Mine"

20 DIRECTORS' AND KEY MANAGEMENT REMUNERATION

Aggregate remuneration for the directors of the Company, all considered as key management, was as follows

	2011	2010
Emoluments (note 14)	-	95,542

21 LOSS FROM OPERATIONS

Loss from operations is stated after charging

	2011	2010
Auditors' remuneration		
Statutory audit 2011	27,358	-
Statutory audit 2010 (including under provision from the previous year)	47,655	52,954
Taxation services	26,619	33,252
	101,632	86,206

Employee costs	2011	2010
Wages and salaries	-	39,857
Social security costs	-	5,103
	-	44,960

The employee costs include Director's salary included in note 14 The average monthly number of employees (including directors) during the year employed in an administrative capacity are disclosed in note 17

22 NEW ACCOUNTING PRONOUNCEMENTS

At the date of approval of these financial statements the following accounting standards were issued by the International Accounting Standards Board but were not yet effective

(i) Adopted by the EU

New Standards

- There were no new standards adopted by the EU

Amendments

- Amendment to IFRS 7, "Financial Instruments Disclosures" (effective for annual periods beginning on or after 1 July 2011)

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the results and financial position presented in these financial statements