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ANGARA MINING PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2009

Angara Mining Plc

Directors

V Preys
J Fairley
P Golovinov
V Popov (resigned 26 January 2009)
A Dydychkin
I Preys

Secretary and Registered Office

Eversecretary Limited
One Wood Street
London, EC2V 7WS

Principal Place of Business

25 Southampton Buildings, London WC2A 1AL

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 2009

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

Company Registration Number

05508246

Angara Mining Plc

Report of the Directors (Continued)

Results and Dividends

During 2009, the Company's only source of revenue was provision of the consultancy services to its subsidiary undertaking Its revenue totalled USD 360,000 which is same as in 2008

The Company became profitable in 2009 compared to the loss for the year sustained in 2008 which amounted to USD 306,554 It has in the period under review reported a net profit for the year of USD 998,396 Profitability improved due to the absence of consultancy expenses which were incurred in prior years in an attempt to list the Company on AIM

The Company's long term assets stayed on the same level comparing to 2008 The only change is due to depreciation charged during the year Cash balances were USD 7,426 at the end of the period, most of which are held on current accounts

The Company's subsidiary, Brownypool Trading Limited, is in an advanced stage of selling its shareholding in JSC "Vasilevsky Rudnik Gold Mine" – "VRG" as part of a proposed transaction outlined below, which will result in the assignment of the Company's obligation in respect of the convertible bonds and the corresponding amounts due from its subsidiaries

GazpromBank, a Russian owned bank, and one of its wholly owned subsidiaries will convert 100% of the convertible bonds issued by the Company in 2006 including accrued interest together with the Company's loan provided to VRG in 2006, its Russian subsidiary, including accrued interest into a majority shareholding in VRG The proposed transaction was approved by the Federal Antimonopoly Service of the Russian Federation and the transaction is expected to be completed before the end of 2010

The directors do not recommend a dividend for the year (2008 – nil) and the profit for the year has been transferred to accumulated losses The preparation of consolidated financial statements is deemed by the directors to be unnecessary due to the current status of the above mentioned proposed transaction Following completion of this transaction, it is expected that the Company will be placed into a members voluntary liquidation as soon as possible

Financial Risk Management

The Company's financial instruments comprise borrowings, 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 risk and takes profits or losses on these as they arise The Company does not hedge its exposure of foreign investments held in foreign currencies The majority of the Company's future sales will be invoiced in USD The Company seeks to minimise its exposure to currency risk by closely monitoring exchange rates

Angara Mining Plc

Report of the Directors (Continued)

Liquidity Risk

The Company seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably It is dependent on the successful outcome of the proposed transaction as outlined on page 2

Interest Rate Risk

Minimal exposure to interest risk arises on interest on borrowings due to the fact that all of them are at a fixed interest rate

Credit Risk

There is a risk that significant part of the trade receivables would not be redeemed due to the fact that most of them related to a subsidiary which has liquidity problems The maximum exposure to credit risk is represented by the carrying amount of each financial asset namely the amounts due from its subsidiaries The recovery of the amounts due from subsidiaries is dependent on the successful outcome of the proposed transaction as outlined on page 2

Concentration of Credit Risk

Exposure arises due to concentration of sales to one customer, namely the Company's subsidiary

Creditor Payment Policy

It is the Company's policy to comply with the terms of payment agreed with its suppliers Where payment terms are not negotiated the Company endeavours to adhere to suppliers' standard terms which is normally 30 days after delivery Economic events have adversely affected the ability of the Company to adhere to its policy

Internal Controls

The Board acknowledges that it is responsible for establishing and maintaining the Company's system of internal controls and for reviewing its effectiveness The procedures which include, inter alia, financial, operational and compliance matters and risk management are reviewed on an ongoing basis The internal control system can only provide reasonable and not absolute assurance against material misstatement or loss The directors do not believe an internal audit function is practicable in a company of this size

Angara Mining Plc

Report of the Directors (Continued)

Going Concern

The Company is currently in default with respect to the redemption of the bonds The directors are in discussions with the bondholders and other parties that are intended to enable the default position to be rectified, as outlined on page 2 The negotiations may result in a change in the terms of the amounts due from the subsidiary to the Company As a consequence of this, the directors are satisfied that the Company will have adequate resources to fulfill all its obligations before closure of the Company

Events After the Reporting Date

Details are reported in note 19

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

J FAIRLEY Director

14/10/10

Angara Mining Plc

Statement of Directors' Responsibilities
For the year ended 31 December 2009

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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 2009 which are set out pages 8 to 25 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 5, 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

Adverse opinion on financial statements

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 2009

In view of the effect of the failure to comply with the Companies Act 2006 or International Accounting Standard 27 referred to above, in our opinion the financial statements

- do not give a true and fair view, of the state of the Group's affairs as at 31 December 2009 and of the Group's profit for the year then ended,
- have not been properly prepared in accordance with International Financial Reporting Standards (IFRS's) as adopted by the EU

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 2009 and of the parent company's profit 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 2009 of USD 18,971,374 and is in default with respect to the redemption of bonds As explained in note 3 (a) the company is taking steps to rectify the position, but there can currently be no certainty that such steps will be successful These matters indicate the existence of a material uncertainty which may cast significant doubt about 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, *Senior Statutory Auditor*
For and on behalf of Moore Stephens LLP, Statutory Auditor
150 Aldersgate Street
London
EC1A 4AB
14 \ 10 \ 2010

ANGARA MINING PLC
COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009
(Amounts in US Dollars)

	Notes	2009	2008
NON-CURRENT ASSETS			
Property, plant and equipment	5	522	2,731
Investment in subsidiary undertakings	6	-	-
Total non-current assets		522	2,731
CURRENT ASSETS			
Trade and other receivables	7	60,653,132	53,957,984
Cash and cash equivalents	9	7,426	1,836,016
Total current assets		60,660,558	55,794,000
Total assets		**60,661,080**	**55,796,731**
SHAREHOLDERS' EQUITY			
Share capital	8	80,000	80,000
Other reserve	9	1,574,925	1,574,925
Accumulated losses		(20,626,299)	(21,624,695)
Total shareholders' equity		(18,971,374)	(19,969,770)
CURRENT LIABILITIES			
Convertible bonds	9	70,140,000	70,140,000
Trade payables		467,775	729,478
Other payables	10	9,024,679	4,897,023
Total current liabilities		79,632,454	75,766,501
Total liabilities and shareholder's equity		**60,661,080**	**55,796,731**

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

14/10/10

J. Fairley
Director

The accompanying notes on pages 12 to 25 form an integral part of these financial statements

ANGARA MINING PLC
COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in US Dollars)

	Notes	2009	2008
Revenue	3 (l)	360,000	360,000
Net operating expenses		(36,011)	(43,536)
Gross profit		**323,989**	**316,464**
General and administrative expenses	11	(438,258)	(1,637,680)
Loss from operations	**22**	**(114,269)**	**(1,321,216)**
Provision against investments in subsidiaries	6	-	(4,045)
Interest receivable	12	7,124,665	6,362,080
Interest payable	13	(6,012,000)	(5,335,307)
Profit/(loss) before tax		**998,396**	**(298,488)**
Taxation	14	-	8,066
Profit/(loss) for the year		**998,396**	**(306,554)**
Other comprehensive income		**-**	**-**
Total comprehensive income for the period		**998,396**	**(306,554)**

The accompanying notes on pages 12 to 25 form an integral part of these financial statements

ANGARA MINING PLC
COMPANY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in US Dollars)

	2009	2008
Operating cash receipts	48,200	220,000
Operating cash payments	(929,820)	(1,014,107)
NET CASH USED IN OPERATING ACTIVITIES	**(881,620)**	**(794,107)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans issued	-	(38,000)
NET CASH USED IN INVESTING ACTIVITIES	**-**	**(38,000)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received	745,434	348,499
Interest paid	(1,692,404)	(1,753,499)
NET CASH USED IN FINANCING ACTIVITIES	**(946,970)**	**(1,405,000)**
Net decrease in cash and cash equivalents	(1,828,590)	(2,237,107)
Cash and cash equivalents, at beginning of period	1,836,016	4,073,123
Cash and cash equivalents, at end of period	**7,426**	**1,836,016**

The accompanying notes on pages 12 to 25 form an integral part of these financial statements

ANGARA MINING PLC
COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in US Dollars)

	Share Capital	Other Reserve	Accumulated Losses	Total
31 December 2007	**80,000**	**1,574,925**	**(21,318,141)**	**(19,663,216)**
Comprehensive income for the year	-	-	(306,554)	(306,554)
31 December 2008	**80,000**	**1,574,925**	**(21,624,695)**	**(19,969,770)**
Comprehensive income for the year	-	-	998,396	998,396
31 December 2009	**80,000**	**1,574,925**	**(20,626,299)**	**18,971,374**

The accompanying notes on pages 12 to 25 form an integral part of these financial statements

ANGARA MINING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in US Dollars)

1. THE COMPANY AND ITS OPERATIONS

Angara Mining plc ("Company") was incorporated in England & Wales on 14 July 2005 and changed its name to 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"	Russian Federation	Gold mining
OOO "Angara Management"	Russian Federation	Management services

The Company has a 100% interest in all of the companies listed above 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 approximately USD 2,106 On 6 September 2005 Brownypool Trading Limited acquired the entire issued share capital of JSC "Vasilevsky Rudnik Gold Mine", a Russian mining company for approximately USD 1 9 million At the end of 2005, JSC "Vasilevsky Rudnik Gold Mine" formed a 100% owned subsidiary OOO "Nord 2005" which it sold on 26 March 2009 In April 2008, 100% subsidiary of "Angara Mining Plc" OOO "Angara Management" was formed The cost of the investment was 50,000 Roubles, equivalent to approximately USD 1,939

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% are 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

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 2009, because consolidation of the Company's subsidiaries is considered not to be beneficial by the directors at this time On completion of the proposed transaction described in the directors' report and in note 3(a) to the financial statements, the Company will be placed into a members voluntary liquidation as soon as possible

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) *Segmental information*

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 United States dollar ("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 In making this assessment, the directors have considered the following matters

- The Company's revenues are invoiced in USD, and
- The Company's activity is primarily financed by USD bonds

3. SIGNIFICANT ACCOUNTING POLICIES

a) *Going concern*

The Company is currently in default with respect to the redemption of the bonds In order to increase the level of turnover from its subsidiary to generate a positive cash flow from operations, additional investment in the mines is required The directors are in discussions with the bondholders, GazpromBank, and other parties that are intended to enable the default position to be rectified and for additional working capital to be provided

The Company's subsidiary, Brownypool Trading Limited, is in an advanced stage of selling its shareholding in JSC "Vasilevsky Rudnik Gold Mine" – "VRG" as part of a proposed transaction outlined below, which will result in the assignment of the Company's obligation in respect of the convertible bonds and the corresponding amounts due from its subsidiaries

GazpromBank, a Russian owned bank, and one of its wholly owned subsidiaries will convert 100% of the convertible bonds issued by the Company in 2006 including accrued interest together with the Company's loan provided to VRG in 2006, its Russian subsidiary, including accrued interest into a majority shareholding in VRG The proposed transaction has been approved by the Federal Antimonopoly Service of the Russian Federation and is expected to be completed before the end of 2010

The Directors have concluded that the circumstances above represent a material uncertainty that casts significant doubt upon the Company's and 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 as 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 average exchange rate for the year 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 reflected 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) *Property, plant and equipment*

Property, plant and equipment is stated at historical cost less depreciation Costs include expenditure that is directly attributable to the acquisition of the items

Depreciation is calculated to write off the cost less estimated residual values of these assets over their estimated useful economic lives by equal annual instalments The principal rates are

Computer equipment	33%
Fixtures fittings & equipment	20%

Gains and losses arising from the retirement of property, plant and equipment are included in the income statement as incurred

d) *Cash and cash equivalents*

Cash comprises cash in hand and cash deposited in banks with a maturity period of less than 3 months

e) *Financing costs*

Financing costs comprise interest payable on bank loans, bonds Interest payable is recognised in profit or loss as it accrues, using the effective interest method unless such interest is attributable to assets under construction and qualifies for capitalisation

f) *Accounts receivable and prepaid expenses*

Accounts receivable are recorded inclusive of value added taxes (VAT) which are payable to the tax authorities upon collection of such receivables 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

g) *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

h) *Pension and post-employment benefits*

The Company has no pension obligations

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) *Revenue recognition*

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

j) *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

k) *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 is recognised 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 is recognised as a liability on an amortised cost basis using the effective interest rate method until the bonds are exercised or mature The equity portion of the convertible bond is recognised separately within shareholders' equity

l) *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

m) *Investments*

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

n) *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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) *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

p) *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 in more than 12 months of 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 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

Carrying Values of Loans to Subsidiaries

The Company monitors internal and external indicators of impairment relating to loans to subsidiaries Where there is an indication that the carrying of loans may have been impaired through events or changes in circumstances a review will be undertaken of the recoverable amount of that loans which will involve estimates and assumptions to be made by management Actual results may vary from the estimates, and the Company's estimates can be revised in the future, either negatively or positively, depending upon the outcome or expectations based on the facts surrounding each exposure

5. PROPERTY, PLANT AND EQUIPMENT

	Office equipment 2009	Office equipment 2008
Cost		
As at 1 January and 31 December	10,925	10,925
Accumulated depreciation		
As at 1 January	8,194	4,789
Depreciation charge	2,209	3,405
As at 31 December	10,403	8,194
Net book value at 31 December	522	2,731

6. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

	2009	2008
Cost		
Brownypool Trading Limited	2,106	2,106
OOO "Angara Management"	1,939	1,939
	4,045	4,045
Amounts impaired against investments	(4,045)	(4,045)
At 31 December	-	-

ANGARA MINING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in US Dollars)

7. TRADE AND OTHER RECEIVABLES

	2009	2008
Amounts owed by subsidiary undertakings	60,629,361	53,928,840
Other debtors	23,771	20,826
Prepaid expenses	-	8,318
	60,653,132	53,957,984

Amounts owed by subsidiary undertakings include 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 is charged at 13% per annum and is payable semi-annually in equal instalments or earlier at the Company's request Repayment of the loan initially was due at the latest date of 10 April 2010, but has been prolonged by additional agreement until 10 April 2011 The Company has reached an agreement with bondholders to exchange the liability on convertible bonds with the loan owed by JSC "Vasilevsky Rudnik Gold Mine" as reported in notes 9 and 19

The recoverability of the amounts owed by subsidiary undertakings is dependent on the successful negotiations with the bondholders which is disclosed in note 3(a)

8. SHARE CAPITAL

	31 December 2009 and 2008		
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

9. CONVERTIBLE BONDS

	2009	2008
Convertible bonds	70,140,000	70,140,000

The convertible bonds were issued in April 2008 They bear interest at 7% and are 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" The original agreement provided that should the Company list its shares before 10 February 2009 the bondholders would have the option of converting to equity at a price between USD 2,498 and USD 3,758 per share (depending on the Company's total value and proportionately reduced for future share issues) Should the Company not list its shares, the bonds would be redeemed at 140% of principal value on 10 April 2009

In March 2009, the Company renegotiated the agreement with bondholders The maturity date was amended to 10 October 2009 Interest rate was increased to 12% and charged on the nominal value of USD 50,100,000 starting from April 2009 This deadline was also not met and the Company has not redeemed the convertible bonds, and it is therefore in default The Company continued to charge interest at 12% after default

An amount of USD 1,753,500 held in an Escrow deposit at 31 December 2008 has been used to settle the unpaid liabilities to the bondholders

ANGARA MINING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in US Dollars)

9. CONVERTIBLE BONDS (CONTINUED)

The Board as at 31 December 2007 assessed and concluded that no IPO would be completed by 10 February 2008 In the event that no IPO occurred before 10 February 2008, the bonds would have been repayable on the Maturity Date at 140 per cent of their principal amount As a result of this assessment, full provision for repayment of 140% of the bond, including penalties and interest, was recognized in the 2007 financial statements

The equity portion of the convertible bonds is recognised separately within shareholders' deficit as "other reserve"

Details of the proposed restructuring are set out in note 3(a) and 19

10. OTHER PAYABLES

	2009	2008
Interest on convertible bonds	8,679,669	4,360,073
Other creditors	345,010	536,950
	9,024,679	4,897,023

11. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses consist of the following

	2009	2008
Legal and professional fees	241,830	831,837
Bond issue and listing costs	-	461,603
Wages and salaries	52,717	207,090
Rent	13,251	121,752
Foreign exchange loss/(gain)	100,610	(65,057)
Other expenses	29,850	80,457
	438,258	1,637,680

12. INTEREST RECEIVABLE

	2009	2008
Interest on loan issued to Vasilevsky Rudnik Gold Mine	7,118,490	6,356,469
Interest on loan issued to OOO Angara Management	4,560	2,112
Other interest	1,615	3,499
	7,124,665	6,362,080

(Amounts in US Dollars)

13. INTEREST PAYABLE

	2009	2008
Interest on convertible bonds	6,012,000	5,335,307

14. TAXATION

	2009	2008
Current tax charge – under provision in prior years	-	8,066
	-	8,066

A tax reconciliation has not been included due to the taxable losses arising during the year ended 31 December 2009 and 2008 No deferred tax asset has been recognised in respect of the carried forward tax losses of approximately USD 18,587,474 (2008 USD 18,970,013) arising in the Company as the recoverability of these assets in future periods is uncertain

15. RELATED PARTY BALANCES AND TRANSACTIONS

Company	2009	2008
JSC "Vasilevsky Rudnik Gold Mine"		
Loan receivable as at 31 December	45,879,120	45,879,120
Interest receivable as at 31 December	13,838,823	7,465,768
Interest charged during the year	7,118,490	6,356,469
Trade receivables as at 31 December	811,800	500,000
Revenue during the year	360,000	360,000
Paid during the year year	48,200	-
Brownypool Trading Limited		
Receivable at 31 December	54,940	43,834
Paid on behalf of the Brownypool during the year	11,016	16,195
OOO Angara Management		
Loan receivable as at 31 December	38,000	38,000
Interest receivable as at 31 December	6,678	2,118
Interest charged during the year	4,560	2,118
Management		
Remuneration of key members of management	34,511	189,490

All companies noted above are subsidiaries of the Company Certain members of the Board, including the ultimate controlling shareholders, have provided support to the Company during the year ended 31 December 2009 and 2008 for no consideration

During the year, staff employed by its subsidiaries have provided services to the Company for no consideration

ANGARA MINING PLC
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts in US Dollars)

16. CURRENCY ANALYSIS

	31 December 2009		
	GBP	Denominated in USD	Total
Cash and cash equivalents	-	7,426	7,426
Trade and other receivables	19,748	60,633,384	60,653,132
Convertible bonds	-	(70,140,000)	(70,140,000)
Trade payables	(244,739)	(223,036)	(467,775)
Other payables	(345,010)	(8,679,669)	(9,024,679)
Total	(570,001)	(18,401,895)	(18,971,896)

	31 December 2008		
	GBP	Denominated in USD	Total
Cash and cash equivalents	20,645	1,815,371	1,836,016
Trade and other receivables	29,142	53,928,842	53,957,984
Convertible bonds	-	(70,140,000)	(70,140,000)
Trade payables	(729,478)	-	(729,478)
Other payables	(536,950)	(4,360,073)	(4,897,023)
Total	(1,216,641)	(18,755,860)	(19,972,501)

17. FAIR VALUE OF ASSETS AND LIABILITIES

The directors have assessed the fair value of the financial assets and liabilities as at the year ended 31 December 2009 In their opinion, all financial assets and liabilities are stated in the statement of financial position at fair values except for the convertible bonds The directors estimate that the fair value of these items should be at 80% discount, equivalent to USD 14 million, compared to its book value of USD 70 million due to the fact that the only productive subsidiary had significant losses during the last three consecutive periods and without additional investments, operations would not become profitable As a result of taking a conservative approach, fair value should be considered much less then book value

18. AVERAGE NUMBER OF EMPLOYEES INCLUDING DIRECTORS

	2009	2008
Average number of employees	7	9

19. EVENTS AFTER THE REPORTING DATE

Details of the Company's going concern consideration are set out in note 3(a) and of the convertible bond default are set out in note 9

The proposed transaction set out in note 3(a) has been approved by the Federal Antimonopoly Service of the Russian Federation and is expected to be completed before the end of 2010

(Amounts in US Dollars)

20. 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 2009 consists of cash and cash equivalents, borrowings and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings

	2009	2008
Share capital	80,000	80,000
Other reserve	1,574,925	1,574,925
Accumulated losses	(20,626,299)	(21,624,695)
Borrowings		
- convertible bonds	70,140,000	70,140,000
Total capital	51,168,626	50,170,230

Significant Accounting Policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements

Categories of Financial Instruments

	2009	2008
	Measured at amortised cost *Loans and receivables, including cash*	**Measured at amortised cost** *Loans and receivables, including cash*
Class/categories		
Financial assets		
Cash and cash equivalents	7,426	1,836,016
Trade and other receivables	60,653,132	53,957,984
Total financial assets	60,660,558	55,794,000
Financial liabilities		
Trade and other payables	(9,492,454)	(5,626,501)
Borrowings		
- convertible bonds	(70,140,000)	(70,140,000)
Total financial liabilities	(79,632,454)	(75,766,501)

All financial assets are not past due and do not have any collateral However, it is expected amounts will be settled in line with the proposed transaction reported in notes 3(a) and 19

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

(Amounts in US Dollars)

20. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest Rate Risk
The Company is exposed to interest rate risk through the holding of cash and cash equivalents and borrowings This exposure is limited as all of the Company's borrowings have fixed interest rates attached, as do the majority of cash and cash equivalents held by the Company

Exchange Rate Risk
The Company undertakes certain transactions denominated in foreign currencies, namely 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 16 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

	2009	**2008**
Statement of comprehensive income	26,674	60,832

The Company's statement of comprehensive income is not materially affected by fluctuation of the exchange rate of the Russian Rouble

Credit Risk
The Company's principal financial assets are loans to subsidiaries and cash and cash equivalents, comprising current accounts, amounts held on deposit with financial institutions and investments in money market and liquidity funds In the case of deposits and investments in money market and liquidity funds, the Company is exposed to a credit risk, which results from the non-performance of contractual agreements on the part of the counter party It is expected that the loan to JSC "Vasilevsky Rudnik Gold Mine" will be exchanged for an obligation relating to the assignment of the convertible bonds as part of the proposed transaction set out in notes 3(a) 9 and 19 The credit risk on liquid funds held in current accounts, totalling USD 7,426 at 31 December 2009 (2008 USD1,836,016), is limited because the counterparties are generally 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 to meet currently foreseeable borrowings requirements by exchange of the convertible bonds with the loan to subsidiary

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 mature within 12 months of the reporting date

(Amounts in US Dollars)

21. DIRECTORS' AND KEY MANAGEMENT REMUNERATION

Aggregate remuneration, calculated in accordance with the Companies Act 2006, for the directors of the Company, all considered as key management, was as follows

	2009	2008
Emoluments	34,511	189,490

22. LOSS FROM OPERATIONS

Loss from operations is stated after charging

	2009	2008
Auditors' remuneration		
Statutory audit	59,402	26,000
Taxation services	19,624	29,973
Transaction based corporate finance services	-	273,694
	79,026	329,667

Employee costs	2009	2008
Wages and salaries	49,097	232,240
Social security costs	3,620	18,386
	52,717	250,626

The employee costs include Directors and Key Management remuneration included in note 21 The average monthly number of employees (including directors) during the year employed in an administrative capacity are disclosed in note 18

23. STANDARDS IN ISSUE NOT YET IN FORCE

a) Standards, amendments and interpretations effective in 2009

In the current period, the Company 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 are relevant to its operations and effective for accounting periods beginning on 1 January 2009 The adoption of the Standards and Interpretations issued by the IASB has not led to any changes in the company's accounting policies

These financial statements have been prepared in accordance with the revised IAS 1 which is effective for accounting periods beginning on or after 1 January 2009 The revised IAS 1 prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity All non-owner changes in equity are shown in one performance statement (the statement of comprehensive income)

23. STANDARDS IN ISSUE NOT YET IN FORCE (CONTINUED)

b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the end of the reporting period, the following Standards and Interpretations were in issue but not yet effective

Amendments to IFRIC 14 (IAS 19 - "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction") - "Prepayments of a Minimum Funding Requirement" (effective for annual periods beginning on or after 1 January 2011)

IFRIC 17 "Distributions of Non-cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009)

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective for annual periods beginning on or after 1 July 2010)

IAS 24 (revised) "Related Party Disclosures" (effective for annual periods beginning on or after 1 January 2011)

Amendments to IAS 32 ("Financial Instruments Presentation") - "Classification of Rights Issues" (effective for annual periods beginning on or after 1 February 2010

Amendments to IAS 39 ("Financial Instruments Recognition and Measurement") - "Eligible Hedge Items" (effective for annual periods beginning on or after 1 July 2009)

Revisions to IFRS 3 ("Business Combinations") and Consequential Amendments to IAS27 ("Consolidated and Separate Financial Statements"), to IAS31 ("Interests in Joint Ventures") and to IAS 28 ("Investments in Associates") (effective for annual periods beginning on or after 1 July 2009)

Amendments to IFRS 2 ("Share Based Payments") - "Group Cash-settled Share-based Payment Transactions" (effective for annual periods beginning on or after 1 January 2010)

Amendments to IFRS 1("First-time Adoption of International Financial Reporting Standards") - "Additional Exemptions for First time Adopters" (effective for annual periods beginning on or after 1 January 2010)

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2013)

The IASB improvements project is an annual occurrence The improvements to IFRSs issued in April 2009 impact on over ten standards and interpretations These changes are effective for accounting periods beginning on or after 1 January 2010 and in some cases on or after 1 July 2009

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no impact on the results and financial position presented in these financial statements other than changes to the disclosures required in the financial statements