

**ANGARA MINING PLC**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**31 DECEMBER 2013**

TUESDAY



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COMPANIES HOUSE

**Angara Mining Plc**

**Directors**

V. Preys  
P. Golovinov  
A. Dydychkin  
I. Preys

**Secretary**

Eversecretary Limited

**Registered Office**

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

## **Strategic Report**

### **Operations**

The Company had no operating activity during the year. Its principal activity is to act as a holding company for investments in its subsidiaries and its holding in JSC "Vasilyevsky Rudnik Gold Mine" ("VRGM").

The Company has not generated any revenue in either the current or comparative year. The Company made a loss in 2013 from operations of USD 65,563 (2012: Loss: USD 47,718). This is due to administrative expenses of the Company.

### **Future developments**

The directors expect the Company to continue as a going concern for at least one year from the date of the auditors' report. No operating activity is expected for the next financial year.

The investment in VRGM is expected to be disposed when a suitable opportunity arises.

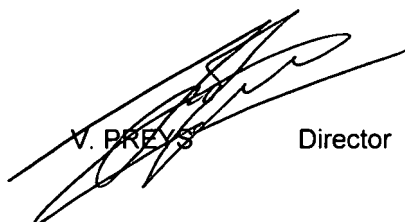
### **Key performance indicators**

The Company has no operating activity. Performance is monitored by reference of actual administrative expenses incurred against budget.

### **Financial Risk Management**

The financial risk management objectives and policies of the Company are disclosed in note 17(ii).

This strategic report was approved by order of the Board on 16 June 2014

  
V. PREYS Director

## **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 2013. Information regarding operations, future developments, key performance indicators and financial risk management is disclosed in the strategic report on page 2.

### **Directors**

The directors who served during and following the year are reported on page 1.

The Company has directors' liability insurance in place.

### **Company Registration Number**

05508246

### **Results and Dividends**

The Company made a loss for the year in 2013 of USD 61,003 (2012: Loss: USD 43,158).

The directors do not recommend a dividend for the year (2012: 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 once a favourable opportunity arises to dispose of the Group's remaining shareholding in JSC "Vasilyevsky Rudnik Gold Mine".

### **Going Concern**

The Company has a shareholder's deficit amounting to USD 3,907,238 (2012: USD 3,846,235) at the reporting date. The directors have indicated that they intend to sell the remaining shares held in JSC "Vasilyevsky Rudnik Gold Mine" ("VRGM") to fund the liabilities of the Company. The directors consider that the proceeds generated by the sale of the Company's remaining investment in VRGM 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**

On 5 March 2014, the Bank of Russia revoked the banking license of OOO Commercial Bank Monolit, with which the Company held two bank accounts. The total cash held in these accounts both at the reporting date and the date of revocation was US\$111. OOO Commercial Bank Monolit is a participant in the Russian banking deposit insurance system.

In February 2014, the Company's subsidiary Brownypool Trading Limited cancelled one of its pledge agreements and amended a second agreement to pledge shares in VRGM amounting to a total of 23.85% of VRGM's share capital.

**Angara Mining Plc**

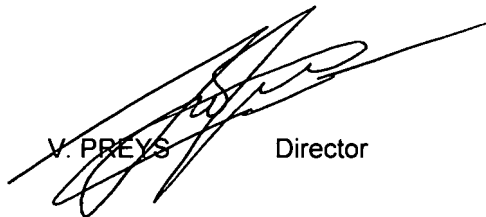
**Report of the Directors (Continued)**

**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 16 June 2014

  
V. PREYS Director

## **Angara Mining Plc**

### **Statement of Directors' Responsibilities For the year ended 31 December 2013**

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 2013 which are set out pages 8 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 auditors' 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. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 Company and its subsidiaries ("the Group") for the year ended 31 December 2013. 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 2013 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 2013 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) to the financial statements concerning the Company's ability to continue as a going concern. The Company has net liabilities at 31 December 2013 of USD 3,907,238 (2012: USD 3,846,235). 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 Strategic Report and 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

20 June 2014



**ANGARA MINING PLC**  
**COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013**  
*(Amounts in US Dollars)*

	Notes	2013	2012
<b>NON-CURRENT ASSETS</b>			
Investments	5	-	-
<b>Total non-current assets</b>		-	-
<b>CURRENT ASSETS</b>			
Trade and other receivables	6	1,459	2,671
Cash and cash equivalents		4,614	10,535
<b>Total current assets</b>		6,073	13,206
<b>Total assets</b>		<b>6,073</b>	<b>13,206</b>
<b>SHAREHOLDERS' DEFICIT</b>			
Share capital	7	80,000	80,000
Accumulated losses		(3,987,238)	(3,926,235)
<b>Total shareholders' deficit</b>		<b>(3,907,238)</b>	<b>(3,846,235)</b>
<b>CURRENT LIABILITIES</b>			
Trade payables		358,659	355,927
Amounts due to shareholders	12	366,200	306,000
Other payables	8	3,188,452	3,197,514
<b>Total current liabilities</b>		<b>3,913,311</b>	<b>3,859,441</b>
<b>Total liabilities and shareholders' deficit</b>		<b>6,073</b>	<b>13,206</b>

These financial statements were approved by the Board of Directors and authorised for issue on 16 June 2014 and were signed on their behalf by

  
**V. PREYS**  
 Director

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

**ANGARA MINING PLC**  
**COMPANY STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
*(Amounts in US Dollars)*

	Notes	2013	2012
General and administrative expenses	9	(65,563)	(47,718)
<b>Loss from operations</b>	<b>18</b>	<b>(65,563)</b>	<b>(47,718)</b>
Interest receivable	10	4,560	4,560
<b>Loss before tax</b>		<b>(61,003)</b>	<b>(43,158)</b>
Taxation	11	-	-
<b>Loss after tax</b>		<b>(61,003)</b>	<b>(43,158)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>(61,003)</b>	<b>(43,158)</b>

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

**ANGARA MINING PLC**  
**COMPANY STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
*(Amounts in US Dollars)*

	<b>2013</b>	<b>2012</b>
Operating cash payments	(66,121)	(126,374)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(66,121)</b>	<b>(126,374)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amounts advanced by shareholders	60,200	131,000
<b>NET CASH PROVIDED FROM FINANCING ACTIVITIES</b>	<b>60,200</b>	<b>131,000</b>
Net (decrease) / increase in cash and cash equivalents	(5,921)	4,626
Cash and cash equivalents, at beginning of the year	10,535	5,909
<b>Cash and cash equivalents, at end of the year</b>	<b>4,614</b>	<b>10,535</b>

The accompanying notes on pages 12 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 2013**  
*(Amounts in US Dollars)*

	Share Capital	Accumulated Losses	Total
<b>At 1 January 2012</b>	<b>80,000</b>	<b>(3,883,077)</b>	<b>(3,803,077)</b>
Comprehensive income for the year	-	(43,158)	(43,158)
<b>At 31 December 2012</b>	<b>80,000</b>	<b>(3,926,235)</b>	<b>(3,846,235)</b>
Comprehensive income for the year	-	(61,003)	(61,003)
<b>At 31 December 2013</b>	<b>80,000</b>	<b>(3,987,238)</b>	<b>(3,907,238)</b>

The accompanying notes on pages 12 to 22 form an integral part of these financial statements.

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**ANGARA MINING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(Amounts in US Dollars)

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**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"):

<b>Name</b>	<b>Country of incorporation</b>	<b>Activity</b>
Brownypool Trading Limited	Cyprus	Intermediate holding company
JSC "Vasilevsky Rudnik Gold Mine" ("VRGM")	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 VRGM, 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, VRGM issued new shares and Brownypool Trading Limited retained a 37.5% interest in VRGM. The other entities are 100% owned by the Company (note 5). The directors conclude that the Company does not exert a significant influence over its investment in VRGM and therefore it is not deemed to be an associate at 31 December 2013 or 31 December 2012.

The Company's ultimate beneficial owners are three private individuals: Preys V.Y., Preys I.V. and 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 2013, because the consolidation of the Company's subsidiaries is considered not to be beneficial by the directors at this time.

The directors have concluded that the financial statements present fairly the Company's financial position, financial performance and cash flow. IFRS have been followed in all cases except for the departure noted above.

**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.

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**ANGARA MINING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(Amounts in US Dollars)

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**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 3,907,238 (2012: USD 3,846,235) 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 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) *Interest receivable***

Interest receivable is recognised on accrual basis in the Statement of Comprehensive Income.

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**ANGARA MINING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(Amounts in US Dollars)

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**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) *Revenue recognition***

Revenue is the total amount receivable by the Company for services provided, excluding VAT and trade discounts. Revenue from services is recognised as services are rendered.

**h) *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.

**i) *Investments***

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

**j) *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.

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**ANGARA MINING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(Amounts in US Dollars)

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**k) *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.

**l) *Financial liabilities***

***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.

**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 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.



**ANGARA MINING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(Amounts in US Dollars)

**5. INVESTMENTS**

	Country of incorporation	2013	2012
Cost:			
Brownypool Trading Limited	Cyprus	2,106	2,106
OOO "Angara Management"	Russia	1,939	1,939
		<u>4,045</u>	<u>4,045</u>
Less amounts impaired against investments		(4,045)	(4,045)
At 31 December		<u>-</u>	<u>-</u>

The Company holds a 37.5% indirect interest in VRGM via Brownypool Trading Limited. The other entities are 100% owned by the Company (note 12).

As at 31 December 2013 the Company's subsidiary Brownypool Trading Limited has pledged shares in VRGM on behalf of a related party amounting to 20.17% of VRGM's share capital under three separate agreements which involved related parties (31 December 2012: two agreements amounting to 20.13%).

In February 2014, one pledge agreement was cancelled and a second agreement amended to pledge shares in VRGM amounting to 23.85% of VRGM's share capital in total.

**6. TRADE AND OTHER RECEIVABLES**

	2013	2012
Amounts owed by related parties (Note 12)	529,005	508,889
Loan to OOO "Angara Management" (Note 12)	62,917	58,357
	<u>591,922</u>	<u>567,246</u>
Impairment allowance against amounts due from related parties (Note 12)	(591,922)	(567,246)
VAT receivable	1,459	2,671
	<u>1,459</u>	<u>2,671</u>

Movement in impairment allowance is presented in the table below:

	2013	2012
At 1 January	(567,246)	(553,809)
Charge during the year (Note 9)	(24,676)	(13,437)
At 31 December	<u>(591,922)</u>	<u>(567,246)</u>

**7. SHARE CAPITAL**

**31 December 2013 and 2012**

Ordinary shares of £1 each	Number of Shares	£	USD
Authorised	<u>50,000</u>	<u>£ 50,000</u>	<u>80,000</u>
Issued, allotted and fully paid	<u>50,000</u>	<u>£ 50,000</u>	<u>80,000</u>

**ANGARA MINING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(Amounts in US Dollars)

**8. OTHER PAYABLES**

	<u>2013</u>	<u>2012</u>
Other payables	<u>3,188,452</u>	<u>3,197,514</u>

The Company appointed a consultant, Fradox Limited, a company incorporated in the British Virgin Islands, in January 2010 to negotiate the settlement of the convertible bonds 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 and included in other payables as at 31 December 2013 and 31 December 2012.

**9. GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses comprise of the following:

	<u>2013</u>	<u>2012</u>
Legal and professional fees	38,271	35,354
Impairment against amounts due from related parties (Note 6)	24,676	13,437
Other expenses	-	953
Foreign exchange loss / (gain)	2,616	(2,026)
	<u>65,563</u>	<u>47,718</u>

**10. INTEREST RECEIVABLE**

	<u>2013</u>	<u>2012</u>
Interest on loan to OOO "Angara Management" (Note 12)	4,560	4,560
	<u>4,560</u>	<u>4,560</u>

**11. TAXATION**

	<u>2013</u>	<u>2012</u>
Current tax charge	-	-
Loss on ordinary activities before tax	(61,003)	(43,158)
Tax on loss for the year, calculated at 23.25% (2012: 24.5%)	(14,183)	(10,574)
Effects of:		
Bad debts written off	5,737	3,292
Losses eliminated	8,446	7,282
	<u>-</u>	<u>-</u>

No deferred tax asset has been recognised in respect of the carried forward available tax losses of USD 2.5 million (2012: USD 2.4 million) arising in the Company as the recoverability of these assets in future periods is uncertain.

**ANGARA MINING PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2013**  
(Amounts in US Dollars)

**12. RELATED PARTY BALANCES AND TRANSACTIONS**

<b>Company</b>	<b>2013</b>	<b>2012</b>
<b>JSC "Vasilevsky Rudnik Gold Mine"</b>		
Receivable at 1 January and 31 December	435,300	435,300
Less impairment allowance (Note 6)	(435,300)	(435,300)
	<u>-</u>	<u>-</u>
<b>Brownypool Trading Limited</b>		
Receivable at 1 January	73,589	64,712
Expenses paid on its behalf during the year	20,116	8,877
Receivable at 31 December	93,705	73,589
Less impairment allowance (Note 6)	(93,705)	(73,589)
	<u>-</u>	<u>-</u>
<b>OOO Angara Management</b>		
Loan receivable at 1 January	58,357	53,797
Interest receivable during the year	4,560	4,560
Loan receivable at 31 December	62,917	58,357
Less impairment allowance (Note 6)	(62,917)	(58,357)
	<u>-</u>	<u>-</u>
<b>Amounts advanced by shareholders</b>	<u>(366,200)</u>	<u>(306,000)</u>

The directors do not receive remuneration from the Company.

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 2013 and 2012 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.

**13. CURRENCY ANALYSIS**

	<b>31 December 2013</b>		
	Denominated in GBP	Denominated in USD	Total
Cash and cash equivalents	4,503	111	4,614
Trade and other receivables	1,459	-	1,459
Trade payables	(122,414)	(236,245)	(358,659)
Amounts advanced by shareholders	-	(366,200)	(366,200)
Other payables	(38,766)	(3,149,686)	(3,188,452)
<b>Total</b>	<u>(155,218)</u>	<u>(3,752,020)</u>	<u>(3,907,238)</u>

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**13. CURRENCY ANALYSIS**

	<b>31 December 2012</b>		<b>Total</b>
	Denominated in GBP	Denominated in USD	
Cash and cash equivalents	8,811	1,724	10,535
Trade and other receivables	2,671	-	2,671
Trade payables	(119,722)	(236,205)	(355,927)
Amounts advanced by shareholders	-	(306,000)	(306,000)
Other payables	(38,766)	(3,158,748)	(3,197,514)
<b>Total</b>	<b>(147,006)</b>	<b>(3,699,229)</b>	<b>(3,846,235)</b>

**14. 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 VRGM via Brownypool Trading Limited. The directors consider that the fair value of its investment exceeds the carrying value by more than USD 3.9 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.

**15. AVERAGE NUMBER OF EMPLOYEES**

	<b>2013</b>	<b>2012</b>
Average number of employees (including directors)	<u>4</u>	<u>4</u>

**16. EVENTS AFTER THE REPORTING DATE**

On 5 March 2014, the Bank of Russia revoked the banking license of OOO Commercial Bank Monolit, with which the Company held two bank accounts. The total cash held in these accounts both at the reporting date and the date of revocation was US\$111. OOO Commercial Bank Monolit is a participant in the Russian banking deposit insurance system.

**17. 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 2013 consists of cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, and accumulated losses.

	<b>2013</b>	<b>2012</b>
Share capital	80,000	80,000
Accumulated losses	(3,987,238)	(3,926,235)
<b>Total capital</b>	<b>(3,907,238)</b>	<b>(3,846,235)</b>

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**17. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(i) Categories of Financial Instruments**

<i>Class/categories</i>	<b>2013</b> <b>Measured at</b> <b>amortised</b> <b>cost</b> <i>Loans and</i> <i>receivables,</i> <i>including cash</i>	<b>2012</b> <b>Measured at</b> <b>amortised</b> <b>cost</b> <i>Loans and</i> <i>receivables,</i> <i>including cash</i>
<b>Financial assets</b>		
Cash and cash equivalents	4,614	10,535
Trade and other receivables	1,459	2,671
Total financial assets	<u>6,073</u>	<u>13,206</u>
<b>Financial liabilities</b>		
Amounts advanced by shareholders	(366,200)	(306,000)
Trade and other payables	(3,547,111)	(3,553,441)
Total financial liabilities	<u>(3,913,311)</u>	<u>(3,859,441)</u>

All financial assets are not past due and do not have any collateral.

**(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.

**Exchange Rate Risk**

The Company undertakes certain transactions denominated in foreign currencies, mainly GB Pounds Sterling, and is therefore exposed to exchange rate risk associated with fluctuations in the relative values of US Dollars and GB Pounds Sterling.

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.

	<b>2013</b>	<b>2012</b>
Profit/(loss) - Statement of comprehensive income	<u>7,761</u>	<u>7,350</u>

There would be an equal impact on the net assets of the Company at the reporting date.

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**17. 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 4,614 at 31 December 2013 (2012: USD 10,535), is limited. While \$111 of cash was held with OOO Commercial Bank Monolit at the reporting date (note16), the majority of cash balances are held with HSBC Bank Plc, which has a credit rating of AA-.

**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.

All the Company's financial liabilities are to payable within 12 months of the reporting date, except for Fradox (Note 8) which is repayable on the sale of the entity's remaining interest in VRGM.

**18. LOSS FROM OPERATIONS**

Loss from operations is stated after charging:

	<b>2013</b>	<b>2012</b>
Auditors' remuneration:		
- Statutory audit	14,966	13,113
- Taxation services	8,244	8,110
- Other services	7,420	7,269
	<b>30,630</b>	<b>28,492</b>

**19. NEW ACCOUNTING PRONOUNCEMENTS**

The International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued revisions to a number of existing standards and new interpretations with an effective date of implementation after the date of these financial statements.

The directors do not anticipate that the adoption of these revised standards and interpretations will have a material impact on the figures included in the financial statements in the period of initial application other than the following:

**IFRS 9 Financial instruments**

The standard makes substantial changes to the recognition and measurement of financial assets and financial liabilities and derecognition of financial assets. In the future there will only be two categories of financial assets, although there are current proposals in issue to increase these to three. Under the current issue, financial assets are recognised at either fair value through profit and loss or measured at amortised cost. On adoption of the standard, the Company will have to re-determine the classification of its financial assets, specifically those classified as available-for-sale and held-to-maturity financial assets.

Most financial liabilities will continue to be carried at amortised cost, however, some financial liabilities will be required to be measured at fair value through profit and loss with change in the liabilities' credit risk to be recognised in other comprehensive income.

The standard currently does not have a date from which it will be effective and has not yet been endorsed by the EU.

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**19. NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

IFRS 10 Consolidated Financial Statements

The standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The new standard provides extensive guidance on applying the principle of control, which then governs the consolidation of an entity.

The standard is effective for accounting periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interests in Other Entities

The standard requires disclosure of information on the nature of, and risks associated with, interests in other entities; and the effects of those interests on the primary financial statements. This will result in additional disclosures for the Company in relation to its investment in its subsidiary company.

The standard is effective for accounting periods beginning on or after 1 January 2014.