29 September 2020

Trans-Siberian Gold plc

("TSG" or the "Company")

Interim Results for the six months ended 30 June 2020

Trans-Siberian Gold plc (TSG.LN), a low cost, high grade gold producer in Russia, announces its unaudited interim results for the period ended 30 June 2020.

Financial Highlights

- H1 2020 revenue generation of $29.9 million, in line with 2019 (H1 2019: $30 million)
- EBITDA $13.3 million (H1 2019: $14.4 million)
- Adjusted EBITDA of $15.4 million (H1 2019: $14.4 million) stripping out exceptional expenses and non-cash items
- Profit before tax $3.3 million (H1 2019: $8.5 million)
- Interim dividend of $7 million resulting in payment of $0.08 per share (H1 2019: $2.0 million resulting in payment of $0.023 per share)
- Largest single dividend payment made to date in the Company's history; total capital returned to shareholders $40m
- 28.6% reduction of debt to $19.5 million (H1 2019: $27.3m)
- Low leverage with Net Debt / EBITDA ratio of 0.36 at 30 June 2020
- High liquidity with cash on hand and undrawn $9 million revolving credit line

Operational Highlights

- Gold dore production 18,278 oz. (H1 2019: 21,889 oz.)
- Silver in dore production 47,466 oz. (H1 2019: 59,787 oz.)
- Refined gold production 17,149 oz. (H1 2019: 23,155 oz.)
- Average gold grade 6.4g/t (H1 2019: 8.6g/t)
- Average selling price for gold $1,691/oz. (H1 2019: $1,312/oz.)
- Total Cash Cost per oz. gold $941/oz. (H1 2019: $672/oz.)
- AISC per oz. gold $1,021/oz. (H1 2019: $850/oz.)
- 25,000 metres of drilling successfully completed at Asacha licence area
- Comprehensive protective and sanitary measures in place to protect employees and ensure limited operational impact of COVID-19

Current Trading & Outlook

- Operational performance in Q3 2020 has been in line with Q2 2020 during which it produced 11,419 oz. of gold with an average feed grade of 7.57 g/t.
- Gold prices have remained very favourable with an all-time record spot price of $2,067.15 recorded on 6 August 2020
- Strong cash generation expected and positive future prospects for the Company
- TSG expects to publish operational results for Q3 in October 2020
- Upgraded dividend guidance for the full year to be announced shortly
- Firmly on track to achieve full year production guidance of 38,000-42,000 oz.

Alexander Dorogov, CEO of TSG, commented:

"I am pleased to announce our interim results for the first half of 2020.

This year was to be, and has been, a year of transition from the Main Zone to the East Zone of the Asacha Gold Mine. As anticipated and in line with our mining plan, we have mined lower grades in the first half of this year. However, we successfully adjusted for this during the second quarter, when we began to process high-grade ore from Vein 25 North. Lower volumes produced sold at higher gold prices has enabled us to report H1 revenues largely in line with last year's record first-half results. Work continues to progress with the development of this promising ore-body.

Our business has structurally improved as we mine a higher grade deposit and generate attractive free cash flows from our operations. We are pleased to declare our largest single dividend payment ever and maintain our objective of delivering attractive returns to shareholders.

Furthermore, we have made solid explorational progress during the period, completing our 25,000 metre drilling programme at the Asacha licence area. We look forward to reporting the results of drilling at Vein 25 and the other highly prospective exploration targets at the Asacha Gold Mine.

TSG is proud of its significant contribution to the regional economy of Kamchatka and the substantial number of people we employ locally. The spread of COVID-19 continues to pose a great challenge to us all. We continue to prioritise the health and safety of our people and the local communities above all.

We look forward to the future with confidence".

ENDS

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About TSG

TSG is focused on low cost, high grade mining operations and stable gold production from its 100% owned Asacha Gold Mine in Far East Russia. The Company also holds the licence for the development and exploration of the Rodnikova deposit, one of the largest gold fields in South Kamchatka.

Additional information is available from the Company's website: www.trans-siberiangold.com

Market Abuse Regulations

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ('MAR'). Upon the publication of this announcement via Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

Abbreviations

AISC	All-In Sustaining Costs
g/t	grammes per tonne
oz	ounce
m	metre

Disclaimer

This announcement contains "forward-looking statements" - that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "should" or "will." Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial and metals markets, fluctuations in interest and/or exchange rates and metal prices; and from numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different that those expressed in our forward-looking statements.

Chief Executive Officer's Review

Significant progress within the East Zone delivering high grade gold

Operational Review

In the six months to 30 June 2020, the Asacha Gold Mine produced 17,149 oz. (H1 2019: 23,155 oz.) of refined gold and 48,267 oz. (H1 2019: 63,577 oz.) of refined silver. Our total cash cost of $941/oz. (H1 2019: $672/oz.) remains competitive amongst our industry peers globally, with the increase in administrative expenses associated with preventing the spread of COVID-19 being partially offset by the local currency depreciation and reduced energy costs during the period.

In a strong gold price environment, the average realised gold price during the period increased significantly to $1,691/oz, compared to $1,312/oz in H1 2019. Gold has enjoyed a significant price rally starting from mid-March, from the onset of the coronavirus pandemic, driven by increased investor demand for gold ETFs on the back of a weaker US dollar, negative inflation-adjusted bond yields and the rising geopolitical tension between the US and China. Gold prices have remained robust post-period setting a new record price in July 2020.

As we have indicated for some time, 2020 was to be, and has been, a year of transition from the Main Zone to the East Zone of the Asacha Gold Mine.

As anticipated, mine production in Q1 2020 was relatively low as mineralisation in the Main Zone becomes lower in grade and more erratic at depth. This vertical zonation is typical of epithermal systems. Lower grade stoping ore was required to be blended with existing stockpiled ore, which resulted in a lower average mill feed grade. The second quarter of 2020 saw a return to substantially higher average gold grades as we began to process high-grade ore extracted from Vein 25 in the East Zone. We have made considerable progress in our mine development works at Vein 25. In line with our plan the Group is well advanced with the development of the East Zone, which contains significantly higher grade ore and we are on track to bring this ore-body into production ahead of schedule.

Production of gold in dore was 16.5% lower at 18,278 oz. (H1 2019: 21,889 oz.), and silver in dore fell by 20.6% to 47,466 oz. (H1 2019: 59,787 oz.). The mine plan and management budget for 2020 anticipated lower grades in the first half of the year.

The average processed ore gold grade was 6.4 g/t, representing a 25.2% decrease from the H1 2019 average of 8.6 g/t. In H1 2020, stoping ore accounted for 77% of the total ore volume delivered to the plant (H1 2019: 77%). The Asacha plant processed 94,537 tonnes of ore and achieved 94.2% average gold recovery (H1 2019: 95.3%).

We made solid operational progress in the first half of 2020. In spite of lockdown measures being implemented around the world due to the COVID-19 pandemic, we have managed to maintain our operations without interruption.

The Company's total gold production guidance range of 38,000 – 42,000 oz. for 2020 remains unchanged (2019: 43,479 oz).

Mining and production data for H1 2020 at the Asacha Gold Mine is shown in the following table:

		H1 2020	H1 2019	Period-on-period % Change
Mine development	metres	3,051	3,884	-21.4%
Ore extracted	tonnes	77,506	73,856	4.9%
Ore processed	tonnes	94,537	81,804	15.6%
Grade, gold	g/t	6.4	8.6	-25.2%
Grade, silver	g/t	19.6	27.1	-27.8%
Recovery, gold	%	94.2	95.3	-1.1%

Recovery, silver	%	79.0	82.3	-4.0%
Gold in dore	oz.	18,278	21,889	-16.5%
Silver in dore	oz.	47,466	59,787	-20.6%
Gold refined	oz.	17,149	23,155	-25.9%
Silver refined	oz.	48,267	63,557	-24.1%
Gold sold	oz.	17,194	22,062	-22.1%
Silver sold	oz.	47,989	69,266	-30.7%
Gold price	$/oz.	1,691	1,312	28.9%
Silver price	$/oz.	17.7	15.1	16.9%

Exploration ➔ Resource Growth

In the first half of 2020, the planned 25,000m 2019-2020 drilling campaigns at the Main and East zones of the Asacha Gold Mine were successfully completed. This has been a highly promising campaign delineating additional mineral resources and identifying new exploration targets around the East Zone and within close proximity to the Asacha Gold Mine. Building on the successful exploration completed within the period, a further 11,600 metres is planned to be drilled at Vein 25 North during the remainder of 2020.

Post-period, the Company announced very encouraging drilling results from surface drilling at Vein 25 increasing the vertical and lateral extents of mineralisation encountered.

Our exploration work has delivered notable results during the period. The high-grade orebody in the East Zone made a significant contribution to our updated mineral resource estimate.

On 16 June 2020, TSG announced a new JORC compliant Mineral Resource Estimate (MRE) as at 30 April 2020 for the Asacha Gold Mine. The total MRE (Measured + Indicated + Inferred) increased to 452,000oz Au and 1,334,000oz Ag reported as at 30 April 2020. This represents a 44% overall increase in contained gold compared to the previously published MRE.

Vein 25 North within the East Zone accounted for a significant increase in the MRE. The new resource for Vein 25 North was 5.4 tonnes (173,000 oz.) of gold in the Indicated category and 0.6 tonnes (19,000 oz.) of gold in the Inferred category. Average gold grades for the mineral resources in each category were 18 g/t Au and 13 g/t Au respectively.

The Company has calculated the discovery cost of Mineral Resources defined at Vein 25 North as being approximately $11.86/oz gold.

We hope to extend its scale through further drilling in H2 2020. Additionally, we will be drilling proximal step-out targets.

Rodnikova Deposit

In February 2020, the Company published a JORC compliant MRE for the Group's 100% owned Rodnikova Gold deposit in South Kamchatka. The MRE, which was produced by SRK Consulting (Russia) Ltd, confirmed total Indicated & Inferred Resources for a total contained +1Moz of gold, validating previous reported estimates and affirming the significant value of the asset's cost-effective acquisition in 2019.

The Group continues to progress with the evaluation of, and scoping study for, the development of the Rodnikova deposit, and expects to provide an update in the second half of this year.

Covid-19

In the Covid-19 pandemic which emerged during the period, the Company's first priority naturally remained the safety and wellbeing of our employees.

From the outset of the pandemic, we have focused on implementing strict measures to ensure the safety of our employees and our contractors. All personnel undergo a 14-day quarantine before entering the mine site.

Whilst there has been no material impact to TSG's production from the COVID-19 virus during the period, the Group has risk mitigation structures in place, and continues to follow all government advice. However, the Company notes that supply chains and logistics for people, supplies and parts are under pressure and subject to change.

The Group estimates that during the period, exceptional expenses related to Covid-19 amount to approximately $0.7 million.

Employees and Safety

The Company was deeply saddened to report a fatality during Q2 caused by an off-site road accident that occurred during low visibility weather conditions. TSG remains wholly committed to achieving a zero-harm rate and a thorough investigation has been undertaken following the incident. Additional safety training and education was provided to employees and assistance given to the employee's family.

The safety and wellbeing of all our employees remains first priority for the Board, and we continue to take all possible steps to ensure that the highest standards of safety remain in place. The Company continues to target a zero-injury rate, and maintains an approach of continuous improvement with regard to advancing health and safety standards at its operations.

At 30 June 2020 TZ employed 583 staff in Kamchatka (31 December 2019: 604).

Corporate Responsibility

The Company is committed to maintaining a sustainable approach to responsible business management, and to being a good corporate citizen and a supportive and reliable partner for local communities.

As a significant employer in the Kamchatka region, we take a proactive approach and focus on making positive and sustainable contributions to the economic and social prosperity of the region.

With the onset of the coronavirus pandemic, TSG acted quickly to protect the health of local residents and donated RUB 5 million to provide medical equipment to fight the coronavirus pandemic in Kamchatka during the period.

TSG remains committed to improving transparency and providing our stakeholders with full disclosure.

The Company supports the movement towards greater transparency within the metals and mining sector.

Interim Dividend

The Company has a proven track record of returning capital to its shareholders.

The Board's strategy is to maintain a balance between sustainable and attractive shareholder returns, investment in growth opportunities and balance sheet strength.

For 2020, TSG set out to pay a base level of dividends of approximately $3 million.

The Company is pleased to report that the Board has declared an interim 2020 dividend of 8.0 US cents per share equal to approximately $7 million (H1 2019: $2.0 million).

Given the strength of the operational performance and favourable trading environment, the Board is confident in the expected cash generation in H2 2020. Having already exceeded the stated guidance for dividends for FY2020, the Company is reviewing its anticipated financial performance for H2 2020 and will provide further guidance for a revised base case of dividends in due course.

Corporate Governance

UFG Asset Management ("UFG") is a long-term majority shareholder of TSG. UFG is an established multi-asset investment manager having invested institutional and private capital in Russia and CIS since 1996. UFG's interests in the Company's shares are held through various funds and connected entities and individuals which in aggregate represents approximately 65% of the Company's issued share capital.

In accordance with the Company's adoption of the QCA Corporate Governance Code, a Relationship Agreement between the Company and its major shareholders, comprising certain entities of UFG Asset Management, was signed in November 2019. During the period, the Relationship Agreement was amended, to increase the total amount payable to those UFG Asset Management entities for value-added services which they provide in Russia to $200,000 per annum.

On 8 June 2020 and 28 August 2020 the Company announced Long Term Incentive Plans (the "LTIPs") whose objective is the sustained alignment of interests between directors and shareholders to deliver long-term growth in shareholder value. The Board of Directors of TSG believes that the LTIPs will attract, retain and motivate key senior members of the TSG leadership team. The longer time horizons of the LTIPs are commensurate and aligned with the execution of the Company's strategy to become a mid-tier gold producer.

Strategy and Vision

The Company's strategy is to become a premier mid-tier gold producer and developer, a goal we aim to achieve through enhancing our existing operations, utilising our stable platform for future growth opportunities and pursuing selective accretive M&A opportunities to support our strong investment case.

The Group's 5-year vision is to become a multi-asset gold producer, targeting production of +100,000oz. per annum.

Financial Review

Results

Revenue generated in H1 2020 amounted to $29.9 million in line with the comparable period, which was a record performance (H1 2019: $30 million).

Sales of 17,194 oz. of refined gold (H1 2019: 22,062 oz.) and 47,989 oz. of refined silver (H1 2019: 69,266 oz.) amounted to $29.1 million and $0.8 million respectively (H1 2019: $29 million and $1 million).

Average realised prices were $1,691 per oz. gold and $17.7 per oz. silver (H1 2019 $1,312 per oz. gold and $15.1 per oz. silver).

Cost of sales amounted to $20.6 million (H1 2019: $17.7 million). Cost of sales increased due to exceptional expenses related to Covid-19, as well as deprecation and depletion charges.

Administrative expenses amounted to $4.2 million (H1 2019: $3.4 million). The increase is attributable to exceptional expenses related to Covid-19 as well as a rise in legal and professional costs.

Over recent years, the Group has been contesting a claim from the Federal Service for Supervision of Use of Natural Resources, RosPrirodNadzor ('RPN') over the level of payments required for the disposal of waste materials following a site inspection in 2016. The claim was disputed by management and was brought before the first instance court who decided in TZ's favour on 4 October 2019. RPN appealed the decision and the claim settlement has been agreed for the amount of $1,987,000. The settlement is an exceptional expense shown in the Consolidated Statement of Comprehensive Income.

Operating profit was $3.8 million in H1 2020 (H1 2019: $9.0 million), impacted by higher costs, principally associated with exceptional items such as Covid-19 expenses and the RPN claim and settlement.

EBITDA for the period was $13.3 million (H1 2019: $14.4 million), $15.4 million excluding exceptional expenses.

Finance expense increased to $1 million period-on-period (H1 2019: $0.5 million).

Profit for the period amounted to $1.5 million (H1 2019: $6.1 million).

Financial Position

Total equity decreased by $0.4 million to $77.8 million (31 December 2019: $78.2 million)

Capital expenditure amounted to $1.4 million (H1 2019: $3.9 million).

Cash generated from operations reduced from $13.3 million in H1 2019 to $11.9 million in H1 2020.

The cash balance increased by 31% from $8.7 million at 31 December 2019 to $11.4 million.

Loans and borrowings decreased from $25.1 million at 31 December 2019 to $19.5 million at 30 June 2020. The decrease relates largely to the repayment of loans and accrued interest to VTB and foreign exchange gains during the period.

Net Debt decreased by $8.3 million from $16.4 million at 31 December 2019 to $8.1 million at 30 June 2020. The Net Debt / EBITDA ratio increased from 0.33 at 31 December 2019 to 0.36 at 30 June 2020. This remains conservative when benchmarked against a peer group of global gold producers.

In June, the Company's wholly owned subsidiary Trevozhnoye Zarevo successfully re-financed its lending arrangements with PJSC VTB Bank, entering into an agreement for a revolving credit line with a limit of $10 million for a period of 3 years. The interest rate on the new facility has been reduced from 6.2% to 5.2% per annum. At the reporting date, $9,414,000 of the facility remained undrawn and available for use.

Furthermore, the Credit Committee of VTB agreed to lower the current interest rate on a separate existing Russian ruble-denominated credit line, which was provided to TZ in 2019 at an annual interest rate of 10.7% and has a current balance of ₽604.5 million (approximately $8.8 million). A floating interest rate will now be set on this existing facility, calculated as 4.25% over the lending rate of the Russian Central Bank.

The Board has carefully evaluated its available refinancing options, and remains confident that the Company's debt levels remain low by industry standards and provide an appropriate capital structure, giving the Group enhanced liquidity.

Events after the reporting date

During the Period, the Group signed a land use agreement over the Rodnikova licence area granting it access for geological exploration for 19 years.

Current Trading & Outlook

The Group's operational performance in Q3 2020 to date has been in line with Q2 2020 during which it produced 11,419 oz. of gold with an average feed grade of 7.57 g/t. During Q3, gold prices have remained very favourable with an all-time record spot price of $2,067.15 recorded on 6 August 2020.

TSG expects to publish operational results for Q3 in October 2020.

We are confident about the future prospects for the Company

Alexander Dorogov
Chief Executive Officer
29 September 2020

Consolidated Statement of Comprehensive Income

for the period ended 30 June 2020

	Notes	6 months to 30 June 2020 Unaudited $'000	6 months to 30 June 2019 Unaudited $'000	12 months to 31 December 2019 Audited $'000
Revenue	4	29,922	29,999	63,108
Cost of sales		(20,638)	(17,689)	(40,300)
Gross profit		9,284	12,310	22,808
Administrative expenses		(4,135)	(3,430)	(8,755)
Exceptional expenses	5	(1,987)	-	-
Other operating income		381	276	68
Foreign exchange on operating activities		301	(180)	287
Operating profit		3,844	8,976	14,408
Finance income		20	45	70
Finance expense		(1,032)	(504)	(1,642)
Foreign exchange on financing activities		463	–	(241)
Profit before taxation		3,295	8,517	12,595
Income tax on profit		(1,841)	(2,410)	(3,589)
Profit for the period / year		1,454	6,107	9,006
Total comprehensive income for the period / year		1,454	6,107	9,006
Total comprehensive income for the period / year is attributable to:				
– Owners of the parent company		1,454	6,107	9,006
Profit per share attributable to the owners of the parent company (expressed in cents)				
– Basic	6	1.67	5.57	9.17
– Diluted	6	1.66	5.57	9.17

Consolidated Statement of Financial Position

as at 30 June 2020

	Notes	30 June 2020 Unaudited $'000	30 June 2019 Unaudited $'000	31 December 2019 Audited $'000
Non-current assets				
Intangible assets		6,166	3,046	3,868
Property, plant and equipment	8	76,774	88,055	83,242
Right of use assets		662	-	-
Inventories	9	1,202	3,028	1,370
		84,804	94,129	88,480
Current assets				
Inventories	9	14,912	13,058	15,357
Trade and other receivables		5,549	3,950	3,287
Current income tax receivable		-	-	1,497
Cash and cash equivalents		11,399	17,704	8,697
		31,860	34,712	28,838
Total assets		116,664	128,841	117,318
Current liabilities				
Trade and other payables		(9,009)	(16,164)	(5,981)
Current income tax payable		(1,339)	(1,093)	-
Borrowings	10	(12,397)	(8,229)	(9,781)
Leases		(129)	-	-
		(22,874)	(25,486)	(15,762)
Non-current liabilities				
Borrowings	10	(7,148)	(19,058)	(15,332)
Leases		(470)	-	-
Provisions		(1,264)	(1,008)	(1,264)
Deferred tax liability		(7,124)	(5,835)	(6,720)
		(16,006)	(25,901)	(23,316)
Total liabilities		(38,880)	(51,387)	(39,078)
Net assets		77,784	77,454	78,240
Capital and reserves attributable to owners of the Company				
Share capital	11	18,988	18,988	18,988
Treasury shares		(9,442)	(9,442)	(9,442)
Share-based payments reserve		95	-	-
Retained earnings		68,143	67,908	68,694
Total equity		77,784	77,454	78,240

Consolidated Statement of Changes in Equity
for the period ended 30 June 2020

	Notes	Share capital $'000	Treasury shares $'000	Share-based payments reserve $'000	Retained earnings $'000	Total equity $'000
At 1 January 2019						
Audited		18,988	-	-	68,199	87,187
Profit and total comprehensive income for the period		-	-	-	6,107	6,107
Share buyback		-	(9,442)	-	-	(9,442)
Dividends		-	-	-	(6,398)	(6,398)
At 30 June 2019						
Unaudited		18,988	(9,442)	-	67,908	77,454
Profit and total comprehensive income for the period		-	-	-	2,899	2,899
Dividends		-	-	-	(2,113)	(2,113)
At 31 December 2019						
Audited		18,988	(9,442)	-	68,694	78,240
Profit and total comprehensive income for the period		-	-	-	1,454	1,454
Share-based payments		-	-	95	-	95
Dividends	7	-	-	-	(2,005)	(2,005)
At 30 June 2020						
Unaudited		18,988	(9,442)	95	68,143	77,784

Consolidated Statement of Cash Flows
for the period ended 30 June 2020

	Notes	6 months to 30 June 2020 Unaudited $'000	6 months to 30 June 2019 Unaudited $'000	12 months to 31 December 2019 Audited $'000
Cash flows from operating activities				
Cash generated from operations	12	11,935	13,253	26,096
Interest paid		(1,027)	(543)	(1,592)
Income taxes received / (paid)		1,401	(2,380)	(5,562)
Net cash generated from operating activities		12,309	10,330	18,942
Investing activities				
Purchase of intangible assets		(2,298)	(3,046)	(3,868)
Purchase of property, plant and equipment		(1,428)	(3,942)	(6,084)
Proceeds on disposal of property, plant and equipment		3	-	13
Loans granted		-	(6,072)	(6,072)
Loans repaid		-	6,069	6,072
Interest received		20	45	70
Net cash used in investing activities		(3,703)	(6,946)	(9,869)
Financing activities				
Proceeds from borrowings	10	3,745	12,312	16,317
Repayment of borrowings	10	(8,914)	(2,118)	(8,538)
Lease payments		(45)	-	-
Dividends paid		-	(5,643)	(8,511)
Share buyback		-	-	(9,442)
Net cash generated from / (used in) financing activities		(5,214)	4,551	(10,174)
Net increase / (decrease) in cash and cash equivalents		3,392	7,935	(1,101)
Cash and cash equivalents at beginning of period / year		8,697	9,725	9,725
Exchange (losses) / gains on cash and cash equivalents		(690)	44	73
Cash and cash equivalents at end of period / year		11,399	17,704	8,697

Notes to Consolidated Interim Financial Information
for the period ended 30 June 2020

1. General information

Trans-Siberian Gold plc (the Company) is a UK-based resources company, with the objective of acquiring and developing a portfolio of quality gold-mining assets in Russia.

The Company is a public limited company, incorporated and domiciled in the United Kingdom, and has subsidiaries based in the Russian Federation. The Company's registered office is 39 Parkside Cambridge CB1 1PN United Kingdom. The registered number of the Company is 1067991. The Company's shares are traded on the AIM Market of the London Stock Exchange.

2. Basis of preparation

The consolidated interim financial information has been prepared using policies based on the International Financial Reporting Standards (IFRS) and IFRS IC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2019 Annual Report.

The consolidated interim financial information for the six months ended 30 June 2020 and 30 June 2019 is unreviewed and unaudited and does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative financial information for the year ended 31 December 2019 has been derived from the statutory financial statements for that year. Statutory financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 5 June 2020 and filed with the Registrar of Companies. The Independent Auditors' Report on those financial statements was unqualified.

2.1 Going concern

The Group's operations are cash generative and management tightly control the level of committed expenditure to ensure that the Group has sufficient resources available to meet its liabilities as they fall due. Regular cash forecasts are reviewed to assess the potential impact of factors such as changes in commodity prices, production rates and the timing of capital expenditure.

The Group has reported an operating profit for the period of $3,844,000, which is stated after $1,987,000 of one-off exceptional expenses and significant non-cash depreciation. The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2021 and they believe that, taking account of the ongoing impact from the Covid-19 pandemic as well as reasonably possible changes in commodity prices, trading performance and expenditure, scheduled repayment of borrowings and the proposed payment of the interim dividend, the Group has sufficient resources to continue in operational existence for the foreseeable future.

At the date of this report the Covid-19 pandemic has had a limited impact on the Group's operations. Management has carried out multiple scenario analysis of continuous downsides including production, workforce and supply chain disruptions. Whilst the future of the pandemic remains unknown, based on the scenario analysis performed, the Group has sufficient resources to adapt to the potential challenges it may face, and therefore the Directors are confident that the Group will continue as a going concern and have prepared the financial statements on that basis.

2.2 Critical accounting judgements and uncertainties

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

2.3 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for those that relate to the new standards and interpretations effective for the first time for the periods beginning on or after 1 January 2020.

The following new standards and interpretations became effective on 1 January 2020 and have been adopted by the Group:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- IFRS 9, IAS 37 and IFRS 7: Interest rate benchmark reform
- Revised Conceptual Framework for Financial Reporting

None of these amendments has had a material effect on the Group.

3. Segment information

The Group's operations are entirely focused on gold production and exploration and development activities within the Russian Federation, with its corporate head office in the UK. The operating segment has been identified on the basis of internal reports about the components of the Group provided to the chief operating decision makers. The chief operating decision maker has been identified as the Chief Executive Officer.

The Group has one reportable segment, being operations in Russia. The operating results of this segment are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance. With the exception of $1.0 million corporate costs (H1 2019: $1.0 million), the numbers in the primary statements reflect the results of the sole operating segment.

4. Revenue

	6 months to 30 June 2020 $'000	**6 months to 30 June 2019 $'000**	**12 months to 31 December 2019 $'000**
Revenue analysed by product:			
Gold	29,073	28,951	61,257
Silver	849	1,048	1,851
	29,922	29,999	63,108

All of the Group's refined gold and silver is sold to Russian bank VTB.

5. Exceptional expenses

The exceptional expenses relate entirely to the claim from the Federal Service for Supervision of Use of Natural Resources, RosPrirodNadzor ('RPN') over the payments for disposal of waste materials following a site inspection in 2016. The claim was disputed by management and was brought before the first instance court who decided in TZ's favour on 4 October 2019. Subsequently, RPN appealed the decision and the claim settlement in the amount of $1,987,000 was agreed in August 2020.

6. Earnings per share

The calculation of basic earnings per 10p ordinary share is based on the retained profit for the period of $1,454,000 (H1 2019: $6,107,000) and on 87,158,508 (H1 2019: 109,671,497) ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) and ranking for dividends during the period.

Diluted earnings per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. On 5 June 2020 the Company awarded 3,597,988 of contingently issuable shares under a new Long Term Incentive Plan ('LTIP') which comprises performance based equity and time restricted equity. Prior to this, the Company did not have any dilutive potential ordinary shares. The number of contingently issuable shares included in the diluted earnings per share calculation is based on the number of shares that would be issuable if the end of the reporting period was the end of the contingency period.

The calculation of diluted earnings per 10p ordinary share is based on the retained profit for the period of $1,454,000 and on 87,462,098 ordinary shares, being the weighted average number of ordinary shares in issue (excluding treasury shares) of 87,158,508 adjusted for 303,590 of contingently issuable shares.

7. Dividends paid and proposed

A final dividend of 2.3 US cents per ordinary share for the year ended 31 December 2019 was declared on 30 June 2020 and paid on 28 July 2020. The final dividend amounted to $2.0 million.

An interim dividend of 8.0 US cents per ordinary share was declared by the Board of directors on 29 September 2020. It is payable on 6 November 2020 to shareholders who are on the register at 9 October 2020. This interim dividend, amounting to $7 million, has not been recognised as a liability in this interim financial information. It will be recognised in shareholders' equity in the year to 31 December 2020.

8. Property, plant and equipment

	Mining properties $'000	**Buildings $'000**	**Plant and machinery $'000**	**Office equipment $'000**	**Motor vehicles $'000**	**Assets under construction $'000**	**Total $'000**
Cost							
At 1 January 2019	88,833	84,415	21,906	419	5,691	1,373	202,637
Additions	1,532	–	722	2	18	2,238	4,512
Disposals	–	(97)	–	–	–	–	(97)
At 30 June 2019	90,365	84,318	22,628	421	5,709	3,611	207,052
Additions	492	822	-	19	1,877	-	3,210
Disposals	-	-	(1,599)	(47)	(26)	(787)	(2,459)
Transfers	-	389	667	-	-	(1,056)	-
At 31 December 2019	90,857	85,529	21,696	393	7,560	1,768	207,803
Additions	645	-	868	-	-	31	1,544
Disposals		(2)	(65)	(1)	(27)	-	(95)
At 30 June 2020	91,502	85,527	22,499	392	7,533	1,799	209,252
Depreciation							
At 1 January 2019	41,403	54,633	11,920	399	2,977	183	111,515
Depreciation charge	3,297	2,710	1,112	6	454	–	7,579
Disposals	–	(97)	–	–	–	–	(97)
At 30 June 2019	44,700	57,246	13,032	405	3,431	183	118,997
Depreciation charge	2,137	2,632	1,177	10	567	-	6,523
Disposals	-	-	(899)	(47)	(13)	-	(959)
At 31 December 2019	46,837	59,878	13,310	368	3,985	183	124,561
Depreciation charge	3,548	2,619	1,193	6	640	-	8,006
Disposals	-	(1)	(60)	(1)	(27)		(89)
At 30 June 2020	50,385	62,496	14,443	373	4,598	183	132,478
Carrying amount							
At 1 January 2019	47,430	29,782	9,986	20	2,714	1,190	91,122
At 30 June 2019	45,665	27,072	9,596	16	2,278	3,428	88,055
At 31 December 2019	44,020	25,651	8,386	25	3,575	1,585	83,242
At 30 June 2020	41,117	23,031	8,056	19	2,935	1,616	76,774

Mining properties assets relate to the Asachinskoye (Asacha) mining licence held by the Company's subsidiary ZAO Trevozhnoye Zarevo (TZ).

Capitalisation of depreciation

$68,000 (H1 2019: $400,000) of the depreciation charge is included in additions to mining properties
$4,000 (H1 2019: $32,000) of the depreciation charge is included in additions to assets under construction
$201,000 (H1 2019 $1,806,000) of the depreciation and mining properties depletion charge is charged to inventories

9. Inventories

	30 June 2020 $'000	30 June 2019 $'000	31 December 2019 $'000
Non-current:			
Ore stocks	1,202	3,028	1,370
	1,202	3,028	1,370
Current:			
Finished gold	7	–	
Gold in progress	1,914	1,767	1,666
Silver in progress	65	29	76
Ore stocks	5,324	4,765	4,926
Raw materials and consumables	7,602	6,497	8,689
	14,912	13,058	15,357
	16,114	16,086	16,727

Finished gold, gold in progress, silver in progress and ore stocks include depreciation and mining properties depletion charge of $201,000 (H1 2019: $1,806,000).

10. Borrowings

	30 June 2020 $'000	30 June 2019 $'000	31 December 2019 $'000
Current:			
Bank borrowings	12,078	8,229	9,502
Equipment loans	319	–	279
	12,397	8,229	9,781
Non-current:			
Bank borrowings	5,627	19,058	13,432
Equipment loans	1,521	–	1,900
	7,148	19,058	15,332
	19,545	27,287	25,113

Movement in borrowings is analysed as follows:

	30 June 2020 $'000	30 June 2019 $'000	31 December 2019 $'000
At beginning of period / year	25,113	17,093	17,093
Proceeds from bank borrowings	3,745	12,312	13,683
Repayment of bank borrowings	(8,865)	(2,118)	(8,027)
Proceeds from equipment loans	-	-	2,634
Repayment of equipment loans	(49)	-	(511)
Foreign exchange on borrowings	(399)	–	241
At end of period / year	19,545	27,287	25,113

Bank borrowings

On 29 May 2020, the Company's wholly owned subsidiary TZ entered into an agreement with VTB Bank for a revolving credit line with a limit of $10,000,000 for a period of 3 years. The facility has been used to repay an existing credit line with a limit of $5,000,000 expiring on 20 June 2020. At the reporting date, $9,414,000 of the facility remained undrawn and available for use. The facility bears annual interest at 5.2% and is secured against the equity and certain fixed assets of TZ.

On 15 May 2019, TZ entered into an agreement with VTB Bank for a RUB 800 million credit facility. Subsequently, only RUB 604.5 million was drawn down. The agreement is for a 4-year term, repayable in equal amounts quarterly with the first repayment effective five calendar quarters after the initial drawdown. The facility bears an annual interest at 10.7% and is secured against mining properties and buildings of TZ. In June 2020, an agreement was reached to change the interest rate from 10.7% fixed rate to a floating rate calculated as 3.5% over the lending rate of the Russian Central Bank which currently stands at 5.5% per annum. Other credit facility conditions remain unchanged.

On 19 June 2017, TZ entered into an agreement with VTB Bank for a $15,000,000 loan facility for a 5-year term, repayable in equal amounts quarterly with the first repayment effective seven calendar quarters after initial drawdown. The facility bears annual interest at 6.2% and is secured against certain fixed assets of TZ.

TZ retains its obligation to sell gold exclusively to VTB Bank.

Equipment loans

In 2019, TZ entered into 6 separate equipment loans with AO VTB Leasing for the total amount of RUB 168.8 million ($2,634,000) to finance the acquisition of certain heavy machinery and equipment. The loans are for a period of 5 years, are secured over the respective acquired assets and bear an average annual effective interest rate of 15.72%. The effective interest rate is determined by discounting future payments through the life of the loan. The future payments include interest as well as arrangement fees and assets insurance.

11. Share capital

Share capital at 30 June 2020 amounted to $18.9 million (31 December 2019: $18.9 million) and comprised 87,158,508 ordinary shares in issue and 22,89,565 ordinary shares held in treasury. During the period, no ordinary shares in the Company were issued.

12. Cash generated from operations

	6 months 30 June 2020 $'000	6 months 30 June 2019 $'000	12 months 31 December 2019 $'000
Profit for the period / year after tax	1,454	6,107	9,006
Adjustments for:			
Taxation charged	1,841	2,410	3,589
Finance expense	1,032	504	1,642

Finance income	(20)	(45)	(70)
Loss on disposal of property, plant and equipment	3	–	285
Share-based payments	95	-	-
Unrealised foreign exchange differences	217	(50)	290
Depreciation of property, plant and equipment	7,742	5,244	11,999
Movements in working capital:			
Decrease / (increase) in inventories	814	295	(402)
Increase in trade and other receivables	(2,263)	(2,012)	(1,057)
Increase in trade and other payables	1,020	801	814
Cash generated from operations	11,935	13,253	26,096

13. Events after the reporting date

During the Period, the Group signed a land use agreement over the Rodnikova licence area granting it access for geological exploration for 19 years

14. Non-IFRS Measures

The Group uses certain measures in this report that are not defined under IFRS. Non-IFRS financial measures are provided as additional information to investors to assist them with their assessment of the Group's financial position and its operating results. These measures are not in accordance with, or a substitute for, IFRS, and may be different from or inconsistent with non-IFRS financial measures used by other companies. These measures are explained further below:

Cash Costs

Cash costs are calculated on a consolidated basis and include all costs absorbed into cost of sales, excluding mining tax, depreciation, amortisation and depletion, net of by-product revenue (silver). Cash cost per ounce of gold sold is calculated by dividing the aggregate of these costs by the total ounces sold.

	6 months 30 June 2020 $'000	**6 months 30 June 2019 $'000**	**12 months 31 December 2019 $'000**
Cost of sales	20,638	17,689	40,300
Adjustments for:			
By-product revenue (silver)	(849)	(1,048)	(1,851)
Mining tax	(1,431)	(2,179)	(4,330)
Depreciation/depletion of property, plant and equipment included within cost of sales	(7,535)	(5,083)	(11,677)
Cash Cost	10,823	9,379	22,442
Gold sold (oz.)	17,194	22,062	43,782
Cash Cost ($) per oz. gold	629	425	513

Total Cash Costs

Total cash costs are calculated on a consolidated basis as cash costs plus mining tax and administrative expenses. Total cash cost per ounce of gold sold is calculated by dividing the aggregate of these costs by the total ounces sold.

	6 months 30 June 2020 $'000	6 months 30 June 2019 $'000	12 months 31 December 2019 $'000
Cash costs	10,823	9,379	22,442
Adjustments for:			
Mining tax	1,431	2,179	4,330
Administrative expenses	4,135	3,430	8,755
Depreciation of property, plant and equipment included within administrative expenses	(207)	(161)	(322)
Loss on disposal of property, plant and equipment included within administrative expenses	(3)	-	(285)
Total cash costs	16,179	14,827	34,920
Gold sold (oz.)	17,194	22,062	43,782
Total Cash Cost ($) per oz. gold	941	672	798

Earnings Before Interest, Tax Depreciation and Amortisation ("EBITDA")

EBITDA is calculated on a consolidated basis as net profit/(loss) for the period excluding income tax expense, finance expense, finance income, foreign exchange movements, depreciation, amortisation and depletion, and impairment charges.

	6 months 30 June 2020 $'000	6 months 30 June 2019 $'000	12 months 31 December 2019 $'000
Revenue	29,922	29,999	63,109
Adjustments for:			
Cost of sales	(20,638)	(17,689)	(40,300)
Administrative expenses	(4,135)	(3,430)	(8,755)
Other operating income	381	276	68
Total depreciation/depletion of property, plant and equipment charged to income statement	7,742	5,244	11,999
Loss on disposal of property, plant and equipment	3	–	285
EBITDA	13,275	14,400	26,406

Adjusted Earnings Before Interest, Tax Depreciation and Amortisation (“Adjusted EBITDA”)

Adjusted EBITDA is calculated on a consolidated basis as EBITDA less exceptional expenses and other non-cash items.

	6 months 30 June 2020 $’000	6 months 30 June 2019 $’000	12 months 31 December 2019 $‘000
EBITDA	13,275	14,400	26,406
Adjustments for:			
Exceptional expenses	1,987	-	-
Share-based payments	95	-	-
Adjusted EBITDA	15,357	14,400	26,406

All-In Sustaining Costs ("AISC")

AISC reflect the full costs of keeping the mine in business and include adjusted operating expenditure, sustaining corporate and administrative expenditure and sustaining capital and exploration expenditure. It excludes non-sustaining costs related to new operations and costs that are not related to current operations, as well as taxes, finance costs and working capital adjustments.

	6 months 30 June 2020 $’000	6 months 30 June 2019 $’000	12 months 31 December 2019 $‘000
Cash costs	10,823	9,379	22,442
Adjustments for:			
Mining tax	1,431	2,179	4,330
Administrative expenses, net of non-cash costs	3,925	3,269	8,148
Purchase of property, plant and equipment	1,428	3,942	6,713
Non-sustaining exploration expenditure	(47)	(26)	(507)
Accretion of restoration costs	-	–	94
AISC	17,560	18,743	41,220
Gold sold (oz.)	17,194	22,062	43,782
AISC ($) per oz. gold	1,021	850	941

END

Trans-Siberian Gold