Half-year Report

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Trans-Siberian Gold PLC
29 September 2017

Trans-Siberian Gold plc

("TSG" or the "Company")

Interim Results for the six months ended 30 June 2017

Trans-Siberian Gold plc (TSG.L) announces its unaudited interim results for the period ended 30 June 2017.

Financial Highlights:

- Revenue of $18.8 million (H1 2016: $ 23.6 million)
- Operating Profit of $1.3 million (H1 2016 restated: $ 6.4 million)
- Profit Before Tax of $0.5 million (H1 2016 restated: $ 5.4 million)
- Interim dividend of approximately $4 million
- Cash and cash equivalents of $ 9.6 million (H1 2016: $ 18 million)
- Debt of $16 million (H1 2016: $ 19.7 million)

Operational Highlights:

- Refined gold production of 15,007 oz. (H1 2016: 18,680 oz.)
- Cash cost[1] of $553/oz. (H1 2016 restated: $418/oz.)
- Average realised gold price of $1,233/oz. (H1 2016: $1,231/oz.)
- 94.1% average gold recovery (H1 2016: 95.1%)
- Ore extracted 93,693 tonnes (H1 2016: 87,348 tonnes)
- Ore processed 90,177 tonnes (H1 2016: 80,646 tonnes)
- Gold grades averaged 5.05 g/t (H1 2016: 7.74 g/t)

Charles Ryan, Non-Executive Chairman of TSG, commented:

"In the first half of 2017 we have faced a number of technical challenges and I am satisfied we have successfully overcome them. Whilst our short term financial performance may have suffered, largely due to lower grade ore being extracted we have seen a return of high grade ore (8-10 g/t) in recent months. We remain well positioned to deliver on our full year production guidance.

Our interim dividend of approximately $4m underlines our commitment to deliver returns for shareholders. Despite a difficult first half our balance sheet remains robust. I wish to reiterate the Company's commitment to pay sustainable dividends when possible. We are investing significantly in the business and look forward to the remainder of the year with confidence."

Copies of the Company's Interim Report and Accounts will be available on the Company's website: www.trans-siberiangold.com

Ends

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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.

1 Excluding depletion, net of the silver credit and excluding royalties

Chief Executive Officer's Review

Operating review
In the six months to 30 June 2017 mine development and preparation works, by-product extraction works and exploration works

comprised 2,625 metres with 93,693 tonnes of ore extracted (2016 first half: 2,101 metres and 87,348 tonnes).

In the reporting period, the Asacha plant processed an average 15,030 tonnes of ore per month, 11.8% higher than the average 13,441 tonnes per month in the first half of 2016.

In the reporting period, the average processed ore grade was 5.05 g/t, 34.8% lower than in the corresponding period in 2016 (7.74 g/t). Principally that reduction reflected mining activities in geologic blocks with relatively poor ore grades. Additionally, continued delays in mine development and the consequent shortage of new stoping spaces resulted in a lower proportion of rich stoping ore delivered to the plant. The main reasons for this situation were the low technical availability of mobile underground equipment, mostly in Q1, and excess underground water inflow starting in Q2. The shortage of new stoping ore continued to be compensated by the blending of lower grade ore cut earlier.

Despite the fact that increased water inflow at the levels below 200 m had been expected and allowed for in the mine's design documentation, actual water volumes were higher and necessitated urgent measures to install extra pumping facilities.

In Q3, after delivery to the site of new underground equipment and the start of mining in the blocks with higher grades, the quality of ore has started to improve. The average processed ore grades in July and August 2017 were 5.14 g/t and 7.69 g/t respectively with the proportion of stoping ore delivered to the plant increasing to 46.6% (at 7.4 g/t) and 45.4% (at 12.3 g/t) respectively.

We expect that the current high level of average mill feed grade (8-10 g/t) will remain until the end of the year. Our target to achieve 2017 refined gold production in the range of 32,000 oz. - 36,000 oz. remains unchanged.

Mining and production at Asacha in the first half of 2017 is shown in the following table.

		1st half 2017	July 2017	August 2017	January/ August 2017	January/ August 2016	1st half 2016
Mine development	(metres)	2,625	547	437	3,609	2,941	2,101
Ore extracted	(tonnes)	93,693	15,463	15,307	124,463	115,299	87,348
Ore processed	(tonnes)	90,177	16,548	15,648	122,373	108,613	80,646
Average gold grade	(g/t)	5.05	5.14	7.69	5.40	7.25	7.74
Average silver grade	(g/t)	8,96	11.23	14.03	9.92	11.91	11.86
Gold recovery rate	(%)	94.10	94.15	94.45	94.14	95.15	95.13
Silver recovery rate	(%)	76.30	78.58	75.31	76.47	80.81	80.17
Gold in dore	(oz.)	13,897	2,567	3,543	20,007	24,389	19,311
Silver in dore	(oz.)	20,078	4,783	5,094	29,955	34,190	25,062
Gold refined	(oz.)	15,007	2,517	29,28	20,452	22,667	18,680
Silver refined	(oz.)	22,212	4,415	4,981	31,608	30,104	23,411

Personnel
As at 30 June 2017, 676 personnel were employed in Kamchatka (31 December 2016: 662).

Financial review

Revenue from the sale of 14,954 oz. of refined gold and 21,845 oz. of refined silver (2016 first half: 18,864 oz. and 22,743 oz. respectively) was $18.4 million and $361,000 respectively (2016 first half: $23.2 million and $350,000). Average realised prices were $1,233 per oz. gold and $17 per oz. silver (2016 first half: $1,231 per oz. and $15 per oz.). Cost of sales per oz. gold, net of credits from silver sales revenue, was $864 (2016 first half restated: $735). Cash cost per oz. gold excluding depletion, net of the silver credit and excluding royalties, was $553 (2016 first half restated: $418). These increases reflect the reduction in average processed ore grade discussed in the operating review above and the partial recovery of the Russian rouble against the US dollar, following the significant depreciation of the Russian rouble which commenced in the second half of 2014.

As disclosed in the Group's annual report for the year ended 31 December 2016, a change in accounting policy was implemented in 2016 whereby costs are now allocated to mined ore on a value (gold content) basis instead of on an activity (tonnage mined) basis. This change in policy was applied retrospectively and led to an increase in operating expenditure reported in the first half of 2016 and a corresponding decrease in the value of closing ore stockpiles included in inventory. This also resulted in a significant increase in tax losses relating to prior periods, increasing the previously reported deferred tax assets. Additionally, it was identified that deferred tax liabilities in respect of mining properties, plant and equipment had been understated in prior periods and a prior period adjustment has also been made to correct this. These adjustments are discussed in Note 3 to this interim report.

An additional impairment provision of $605,000 (2016 first half restated: $295,000) has been recognised against the lower grade ore stockpile, reflecting the difference between its expected net realisable value at a gold price of $1,243/oz. (2016 first half: $1,200/oz.) and cost, including processing, refining and royalties.

Administrative expenses for the half year amounted to $1.7 million in the UK and $2.2 million in Russia, in aggregate $3.9 million compared to $592,000 and $2.0 million respectively, in aggregate $2.6 million, for the corresponding period of 2016. UK administrative expenses included a termination payment to the former Finance Director in an amount of $314,000 (2016 first half: nil).

Finance income was $68,000 (2016 first half: $74,000). Finance costs were $858,000 (2016 first half: $1.1 million) reflecting the reduction in borrowings from $19.7 million in first half of 2016 to $16.9 million in first half 2017.

The profit for the period was $29,000 (2016 first half restated: $4.4 million) net of exchange gains of $199,000 (2016 first half: exchange loss: $74,000). The profit for the period included a tax charge of $514,000 (2016 first half restated: $2.2 million). The tax charge arises primarily in Russia and represents an effective tax rate of 24% of the profits of the Company's subsidiary ZAO Trevozhnoye Zarevo (TZ) (2016 first half: 46%). The decrease in the effective tax rate relates to the impact of deferred tax restatement described earlier.

Ore stocks are stated net of impairment provisions of $2.8 million (2016: $2.2 million), representing the difference between the ore stockpile's expected net realisable value at a gold price of $1,243/oz. (2016 first half: $1,200/oz.) and cost, including processing, refining and royalties.

Capital expenditure in the period amounted to $8.3 million relating to extensive underground development at lower horizons and completion of the second map of tailings storage with designed capacity until 2022.

Cash generated from operations before working capital changes has decreased from $11.6 million in first half of 2016 to $5.7 million in first half of 2017 reflecting the overall decline in profit from operations due to the processing of lower grade ore as described in detail in the operating review. The cash balance reduced from $13.1 million at 31 December 2016 to $9.6 million.

Borrowings increased from $16.7 million at 31 December 2016 to $16.9 million, reflecting the repayment of the project finance facilities provided by Sberbank to TZ for the development of Asacha, utilising a new $15 million facility agreed by TZ with the Russian bank VTB as reported on 20 June 2017. TZ agreed an additional $5m facility with VTB, as reported on 22 June 2017.

The Board is declaring an interim dividend of $0.036 per share for the six months ended 30 June 2017 (2016 first half: nil)

Board changes
As announced on 19 September 2017, Mr. Florian Fenner, Mr. Ljupco Naumovski and Mr. Stewart Dickson have joined the Company's Board as new non-executive directors.

Mr. Alexander Dorogov, who has been Finance Director of the Company's Russian subsidiary TZ since 2010 has assumed the responsibilities of Chief Financial Officer. It is expected that he will be appointed to the Board shortly.

Dmitry Khilov
27 September 2017

The information in this report relating to Asacha's mineral resources is based on information compiled by Carrie Nicholls, a member of the Australasian Institute of Mining and Metallurgy, who has sufficient experience relevant to the styles of mineralisation and types of deposit under consideration and to the activity she is undertaking to qualify as a Competent Person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ms Nicholls is a Qualified Person as defined by the AIM Rules and consents to the inclusion in the report of the matters based on her information in the form and context in which it appears.

Condensed Consolidated Statement of Financial Position at 30 June 2017

	Note	**30 June 2017 unaudited $000**	30 June 2016 unaudited (restated) $000	31 December 2016 audited $000
Assets				
Non-current assets				
Mining properties	5	**36,015**	27,644	30,489
Property, plant and equipment	5	**44,538**	47,248	46,121
Deferred exploration and evaluation costs	5	**2,179**	1,643	2,106
Inventories	6	**4,681**	5,129	3,704
Total non-current assets		**87,413**	81,664	82,420
Current assets				
Inventories	6	**7,313**	5,300	7,485
Trade and other receivables		**2,109**	3,884	1,167
Cash and cash equivalents		**9,649**	17,996	13,097
Total current assets		**19,071**	27,180	21,749
Total assets		**106,484**	108,844	104,169
Liabilities				
Non-current liabilities				
Borrowings	7	**14,936**	12,526	7,971
Deferred tax liabilities		**4,090**	3,798	3,876
Provisions		**736**	826	697
Total non-current liabilities		**19,762**	17,150	12,544
Current liabilities				
Trade and other payables		**5,615**	3,351	4,030
Current income tax liabilities		**295**	-	-
Borrowings	7	**1,948**	7,203	8,760
Total current liabilities		**7,858**	10,554	12,790
Total liabilities		**27,620**	27,704	25,334
Total net assets		**78,864**	81,140	78,835
Capital and reserves attributable to owners of the Company				
Share capital	8	**18,988**	18,988	18,988
Share premium		**-**	89,520	-
Retained income		**59,876**	(27,368)	59,847
Total equity		**78,864**	81,140	78,835

Condensed Consolidated Statement of Comprehensive Income - for the 6 months ended 30 June 2017

	Note	**6 months to 30 June 2017 unaudited $000**	6 months to 30 June 2016 unaudited (restated) $000	12 months to 31 December 2016 audited $000
Revenue	9	**18,804**	23,570	45,202
Cost of sales	10	**(13,283)**	(14,209)	(27,972)
Ore stock inventory impairment		**(605)**	(295)	(1,389)
Gross profit		**4,916**	9,066	15,841
Administrative expenses		**(3,937)**	(2,568)	(5,821)
Other income		**155**	7	226
Net foreign exchange differences on operating activities		**160**	(74)	445
Profit from operations		**1,294**	6,431	10,691
Finance expense		**(858)**	(1,146)	(2,132)
Finance income		**68**	74	157
Net foreign exchange differences on financing activities		**39**	-	(61)
Profit before tax		**543**	5,359	8,655
Income tax charge		**(514)**	(2,161)	(2,259)
Profit for the period		**29**	3,198	6,396
Total comprehensive income for the period		**29**	3,198	6,396
Profit for the period attributable to:				
Owners of the parent company		**29**	3,198	6,396
Profit for the period		**29**	3,198	6,396
Total comprehensive income for the period attributable to:				
Owners of the parent company		**29**	3,198	6,396
Profit for the period		**29**	3,198	6,396
Profit per share attributable to the owners of the parent company (expressed in cents)				
- basic and diluted	11	**0.03**	2.91	5.81

Condensed Consolidated Statement of Changes in Equity for the 6 months ended 30 June 2017

	Attributable to owners of the Company			
	Share capital $000	Share premium $000	Retained income $000	Total equity $000
At 1 January 2016 (restated)	18,988	89,520	(30,566)	77,942
Total comprehensive income for the period	-	-	3,198	3,198
At 30 June 2016 (restated)	18,988	89,520	(27,368)	81,140
Capital reduction	-	(89,520)	89,520	-
Dividends paid	-	-	(5,503)	(5,503)
Total comprehensive income for the period	-	-	3,198	3,198
At 31 December 2016	18,988	-	59,847	78,835
Total comprehensive income for the period	**-**	**-**	**29**	**29**
At 30 June 2017	**18,988**		**59,876**	**78,864**

Condensed Consolidated Statement of Cash Flows
for the 6 months ended 30 June 2017

	6 months to 30 June 2017 unaudited $000	6 months to 30 June 2016 unaudited (restated) $000	12 months to 31 December 2016 audited $000
Cash flows from operating activities			

Profit for the period	**29**	3,198	6,396
Adjustment for:			
Mining properties depletion charged to income statement	**698**	1,057	2,381
Depreciation of property, plant and equipment charged to income statement	**2,992**	3,824	7,026
Finance expense - net	**751**	1,072	2,036
Net present value adjustment	**-**	-	76
Impairment of ore stocks	**605**	298	1,389
Corporation tax charge	**514**	2,161	2,259
Loss on sale of property, plant and equipment	**110**	10	76
Cash flows from operating activities before changes in working capital and provisions	**5,699**	11,620	21,639
Increase in inventories	**(748)**	(116)	(1,767)
(Increase) / decrease in trade and other receivables	**(697)**	(2,109)	494
Increase / (decrease) in trade and other payables	**1,450**	(69)	625
Cash generated from operations	**5,704**	9,326	20,991
Corporation tax paid	**(15)**	-	(18)
Interest paid on borrowings	**(810)**	(1,146)	(2,132)
Net cash flows generated from operating activities	**4,879**	8,180	18,841
Investing activities			
Mining and mine development	**(6,298)**	(1,518)	(5,976)
Purchase of property, plant and equipment and exploration / evaluation assets	**(2,001)**	(818)	(3,425)
Interest received	**68**	74	156
Net cash used in investing activities	**(8,231)**	(2,262)	(9,245)
Financing activities			
Repayment of bank borrowings	**(16,500)**	(504)	(3,519)
Proceeds from bank borrowings	**16,501**	-	-
Repayment of short term borrowings	**-**	-	(59)
Repayment of finance leases	**(106)**	(61)	-
Dividends paid	**-**	-	(5,503)
Net cash used in financing activities	**(105)**	(565)	(9,081)
Net increase (decrease) in cash and cash equivalents	**(3,457)**	5,353	515
Cash and cash equivalents at beginning of the period	**13,097**	12,643	12,643
Exchange (loss) / gain on cash and cash equivalents	**9**	-	(61)
Cash and cash equivalents at end of the period	**9,649**	17,996	13,097

Unaudited notes forming part of the condensed consolidated interim financial information for the period ended 30 June 2017

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.

This condensed consolidated interim financial information was approved by the Board on 27 September 2017.

The interim financial information for the six months ended 30 June 2017 and 30 June 2016 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 2016 has been derived from the statutory financial statements for that year. Statutory accounts for the year ended 31 December 2016 were approved by the Board of directors on 29 June 2017 and filed with the Registrar of Companies. The Independent Auditors' Report on those accounts was unqualified.

2. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 has been prepared in accordance with the AIM Rules and complies with IAS 34 *Interim financial reporting* as adopted by the EU. The interim condensed consolidated financial report 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 annual report and accounts for 2016.

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 $1.3 million, which is stated after significant non-cash depreciation and impairment charges. The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2018 and they believe that, taking account of reasonably possible changes in commodity prices, trading performance and expenditure and scheduled repayment of bank loan facilities, the Group has adequate resources to continue in operational existence for the foreseeable future, wherefore the directors are confident that the Group will continue as a going concern and have prepared the financial information on that basis.

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 condensed 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 2016.

New standards, interpretations and amendments adopted by the Group
The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017. However, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new standards.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Impact of standards issued but not yet effective and not applied by the Group
At the date of approval of this condensed interim financial information, the following standards and relevant interpretations, which have not been applied in this financial information, were in issue but not yet effective (and some of which were pending endorsement by the EU):

IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts
IFRS 15 Clarification to IFRS 15 Revenue from Contracts with Customers
IFRS 16 Leases
IFRS 17 Insurance contracts
IFRS 2 (amended) Classification and Measurement of Share-based Payment Transactions
Annual improvements to IFRSs: 2014-2016 Cycle

The Group considers that the only standard that may have a significant impact is IFRS 9, however has not yet quantified the potential impact. The new standard will replace existing accounting standards. It is applicable to financial assets and liabilities and will introduce changes to existing accounting concerning classification, measurement and impairment (introducing an expected loss method).

The Group considers that whilst IFRS 16 and IFRS 15 may impact the Group, the effect will not be significant. The operating leases held by the Group are of low value and its revenue contracts usually contain a single performance criteria that is satisfied at a point in time. The Group will adopt the above standards at the time stipulated by the standards. The Group does not currently anticipate voluntary early adoption of any of the standards.

3. Restatement
The comparative financial information for the period ended 30 June 2016 reflects adjustments in respect of deferred tax and the valuation of mined ore.

As disclosed in the Group's statutory financial statements for the year ended 31 December 2016, a change in accounting policy was implemented in 2016 whereby costs are now allocated to mined ore on a value (gold content) basis instead of on an activity (tonnage mined) basis. This resulted in an increase in operating expenditure reported in the first half of 2016 and a corresponding decrease in the value of closing ore stockpiles included in inventory. This also lead to a significant increase in tax losses relating to prior years and recognition of temporary differences relating to inventory impairment provisions. This materially increased the deferred tax asset at 1 January 2016 previously not reflected in the interim financial information for the 6 months ended 30 June 2016.

In addition, following a review of the recognition criteria for deferred tax relating to the mining properties and property plant and equipment of TZ, the Russian mining subsidiary, it was concluded that additional deferred tax liabilities should have been recognised in earlier years and a restatement, previously not reflected in the interim financial information for the 6 month ended 30 June 2016, was made to reflect these additional amounts.

The impact of the prior period restatements on the Group's financial position at 30 June 2016 and the Group's financial performance for the period then ended has been as follows:

Cost of sales and inventory values
Cost of sales reported in the first half of 2016 increased by $1.2 million with a corresponding decrease in value of closing ore stockpiles.

Deferred tax asset
An additional deferred tax asset of $2.7 million has been recognised at 1 January 2016. An additional deferred tax asset of $2.1 million has been recognised at 30 June 2016.

Deferred tax liability
An additional deferred tax liability of $5.6 million has been recognised at 1 January 2016. An additional deferred tax liability of $6.4 million has been recognised at 30 June 2016.

Group retained losses at 30 June 2016 have increased by $5.6 million.

Group income tax charge for the period ended 30 June 2016 has increased by $1.36 million.

4. 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 makers have been identified as the Chief Executive Officer, Finance Director and the non-executive board members.

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 $2.2 million corporate costs (2016: $592,000), the numbers in the primary statements reflect the results of the sole operating segment.

5. Mining properties, property, plant and equipment, and deferred exploration and evaluation costs

	Mining properties $000	Property, plant and equipment $000	Deferred exploration and evaluation costs $000	Total $000

Cost				
At 1 January 2016	59,295	101,518	1,643	162,456
Additions	1,739	798	-	2,537
Disposals	-	(928)	-	(928)
At 30 June 2016	61,034	101,388	1,643	164,065
Additions	4,237	2,518	463	7,218
Disposals	-	-	-	-
At 31 December 2016	65,271	103,906	2,106	171,283
Additions	6,786	1,963	73	8,822
Disposals	-	(166)	-	(166)
At 30 June 2017	**72,057**	**105,703**	**2,179**	**179,939**
Depletion				
At 1 January 2016	(32,247)	(51,230)	-	(83,477)
Charge for period	(1,143)	(3,828)	-	(4,971)
Disposals		918	-	918
At 30 June 2016	(33,390)	(54,140)	-	(87,530)
Charge for the period	(1,392)	(3,645)	-	(5,037)
Disposals	-	-	-	-
At 31 December 2016	(34,782)	(57,785)	-	(92,567)
Charge for the period	(1,260)	(3,436)	-	(4,696)
Disposals	-	56	-	56
At 30 June 2017	**(36,042)**	**(61,165)**	**-**	**(97,207)**
Net book value				
At 1 January 2016	27,048	50,288	1,643	78,979
At 30 June 2016	27,644	47,248	1,643	76,535
At 31 December 2016	30,489	46,121	2,106	78,716
At 30 June 2017	**36,015**	**44,538**	**2,179**	**82,732**

- Mining properties assets relate to the Asachinskoye (Asacha) mining licence held by the Company's subsidiary ZAO Trevozhnoye Zarevo (TZ).
- $309,000 of the depreciation charge related to property, plant and equipment is included in additions to mining properties (2016 first half: $118,000).
- $35,000 of the depreciation charge related to property, plant and equipment used in construction is included in additions to assets under construction within property, plant and equipment (2016 first half: $18,000)
- $179,000 of interest expense in the period has been capitalised within addition to mining properties in the period (2016 first half: $108,000).

6. Inventories

	30 June 2017 $000	30 June 2016 Restated $000	31 December 2016 $000
Non-current:			
Ore stocks	**7,452**	6,202	5,870
Less: provision	**(2,771)**	(1,073)	(2,166)
	4,681	5,129	3,704
Current:			
Gold in progress	**1,739**	1,566	2,357
Silver in progress	**37**	26	88
Ore stocks	**520**	706	1,033
Fuel	**1,462**	893	1,070
Other materials and supplies	**3,555**	2,109	2,937
	7,313	5,300	7,485
At end of period	**11,994**	10,429	11,189

Ore stocks' impairment provision reflects the difference between their expected net realisable value at a gold price of $1,243/oz. (2016: $1,200oz.), and cost, including processing, refining and royalties. Gold in progress, silver in progress and ore stocks include mining properties depletion $662,000 (2016 first half: $150,000).

7. Borrowings

	30 June 2017 $000	30 June 2016 $000	31 December 2016 $000
Non-current:			
Bank borrowings	**14,800**	12,207	7,746
Finance lease obligations	**136**	319	225
	14,936	12,526	7,971
Current:			
Bank borrowings	**1,718**	7,046	8,583
Finance lease obligations	**230**	157	177
	1,948	7,203	8,760
At end of period	**16,884**	19,729	16,731

Movement in borrowings is analysed as follows:	**6 months to 30 June 2017 $000**	6 months to 30 June 2016 $000	12 months to 31 December 2016 $000
At beginning of period	**16,731**	20,233	20,233

Proceeds from issue of loans	**16,501**	-	-
Repayment of loans and accrued interest	**(16,533)**	(516)	(3,519)
Release of debt issue costs	**221**	-	-
Net present value adjustment	**-**	(3)	76
Net movement in finance leases	**(36)**	15	(59)
At end of period	**16,884**	19,729	16,731

Borrowings (continued)
On 19 June 2017, the Company's wholly owned subsidiary TZ entered into an agreement with VTB Bank for a $15 million loan facility for a 5-year term, repayable in equal amounts quarterly with the first repayment effective seven calendar quarters after initial drawdown.

On 21 June 2017, TZ entered into a further agreement with VTB Bank for an additional $5 million debt facility for a 3-year term, repayable on the loan expiry date.

Both loan facilities bear annual interest at 6.2% and are secured against the equity and fixed assets of TZ only. Additionally, TZ is required to enter into an exclusive gold sales agreement with VTB Bank.

The new facilities have been used to repay TZ's existing two loans with Sberbank amounting to $16.5 million, and provide additional funds for working capital and other corporate purposes.

8. Share capital
Share capital at 30 June 2017 amounted to $18.9 million (31 December 2016: $18.9 million). During the period, no ordinary shares in the Company were issued.

9. Revenue

	6 months ended 30 June 2017 $000	6 months ended 30 June 2016 $000	Year ended 31 December 2016 $000
Gold	**18,443**	23,220	44,359
Silver	**361**	350	843
Total revenue	**18,804**	23,570	45,202

The Group's gold and silver sales are not materially impacted by seasonal and cyclical fluctuations. The mining operations may be impacted by seasonal weather conditions. Appropriate mine planning and ore stockpile build-up ensures that mining can continue during adverse weather conditions.

10. Cost of sales

	6 months ended 30 June 2017 $000	6 months ended 30 June 2016 Restated $000	Year ended 31 December 2016 $000
Wages and salaries	**3,362**	3,668	8,676
Energy and materials	**4,438**	3,990	6,611
Depreciation	**2,845**	3,651	6,726
Depletion	**698**	1,057	2,381
Other costs	**1,940**	1,843	3,578
Total cost of sales	**13,283**	14,209	27,972

11. Earnings per share
The calculation of basic and diluted earnings per share has been based on the profit for the period of $29,000 (2016 first half: $3,198,000) and the weighted average number of shares being 110,053,073 ordinary shares issued for the period ended 30 June 2017 (2016 first half: 110,053,073).

The Group had no dilutive potential ordinary shares in either periods that would serve to reduce the profit per ordinary share. There is therefore no difference between the basic and diluted profit per share for each period reported.

12. Dividends paid and proposed
The Directors have resolved to pay an interim dividend of US$0.036 per ordinary share (approximately US$ 4 million) for the six months ended 30 June 2017 (2016 first half: nil). The dividend policy is dependent on the results of the Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at that time.

A special dividend $0.05 per ordinary share, equivalent to approximately $5.5 million, was paid on 23 December 2016.

13. Related party transactions
The directors of the Company consider that there are no key management personnel, as defined by IAS 24, Related party transactions, other than the directors themselves. There were no other related party transactions in the period (1H 2016: none).

14. Contingencies
As an international Group with tax affairs in more than one jurisdiction the degree of estimation and judgements is more challenging. Any taxation issues that arise are dealt with on the advice of the Company's tax advisors, however, resolution may differ from the accounting estimates and therefore impact the Group's results and future cash flows. Accounting for tax contingencies requires management to make judgements and estimates based on management's interpretation of country-specific tax law and the likelihood of settlement. Management has identified a potential income tax exposure in respect of the taxation of intragroup interest. The directors believe that prior year tax losses should be sufficient to shelter any estimated tax liability, however the relevant tax guidance and procedures are subject to interpretation and agreement by the tax authorities and there is a possible income tax exposure of up to approximately $1.1 million.

15. Events after the reporting date
There were no significant events after the end of the reporting period.

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