Trans-Siberian Gold

Final Results for the year ended 31 December 2016

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Trans-Siberian Gold plc

("TSG" or the "Company")

Final Results for the year ended 31 December 2016

Trans-Siberian Gold plc (TSG.L) is pleased to announce its audited financial results for the year ended 31 December 2016.

Financial Highlights:

- Revenue of $45.2 million (2015: $44.1 million)
- Operating Profit of $10.7 million (2015: $8.8 million)
- Profit Before Tax of $8.7 million (2015: $6.6 million)
- Maiden dividend of $5.5 million
- $3.5 million of debt repaid
- Cash and cash equivalents of $13.1 million (2015: $12.6 million)

Operational Highlights:

- Refined gold production of 35,366 oz. (2015: 37,984 oz.)
- Cash cost[1] of $426/oz (2015: $473/oz.)
- Average realised gold price of $1,248/oz (2015: $1,146/oz)
- Asacha plant operated at 8.6% above its designed annual capacity of 150,000 tonnes
- 95.2% average gold recovery (2015: 95.4%)
- Ore extracted 179,000 tonnes (2015: 178,000 tonnes)
- Ore processed 163,000 tonnes (2015: 161,000 tonnes)
- Gold grades averaged 7.23 g/t (2015: 7.65 g/t)

Post Period End Developments:

- The Company's subsidiary ZAO Trevozhnoye Zarevo ("TZ") agreed two new loan facilities with VTB bank: a $15 million facility with a 5 year term and 18 months grace period at an interest rate of 6.2% per annum, and a $5 million facility with a 3 year term, also at an interest rate of 6.2% per annum.
- The terms of the two new loan facilities are a significant improvement; the interest rate per annum has been reduced by approximately 30%.
- Drawdown of the $15 million facility has facilitated repayment of existing $14.8 million facilities

[1] Excluding depletion, net of the silver credit and excluding royalty

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

"I am satisfied by our financial performance in 2016. We remain cash-generative and financially robust at a time when the gold industry is re-shaping. We will continue to seek efficiencies and enhance our financial performance wherever practicable. In particular, I am very pleased that we paid our maiden dividend of $5.5m.

We emphasise our commitment to deliver returns for shareholders. We are confident that we have an attractive investment case and are re-doubling our efforts to communicate with the investment community. As a low-yield investment environment persists, we believe that the Company's commitment to an attractive and stable dividend pay-out policy should increase interest in the Company's shares and the Company more widely.

I take this opportunity to thank our shareholders for their continued support during 2016. I also wish to express the Company's appreciation of the efforts of our staff to deliver these results and to continue to create the conditions for future success."

The Company confirms that copies of the Company's Annual Report and Accounts have been sent to shareholders and are appended to this announcement in their entirety.

Copies of the Company's Annual Report and Accounts are 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.

Chairman's Statement

I am pleased to present the Company's annual report and accounts for the year ended 31 December 2016. We have established a five year track record as a gold producer and look to the future with optimism.

Operations
We produced 35,366 oz. of refined gold (2015: 37,984 oz.) at a cash cost of $426/oz. (2015: $473/oz.). The average realised gold price increased by 9% to $1,248/oz., compared to $1,146/oz. in 2015. Our operating costs, discussed in more detail in the Strategic Report, are well below industry peers but remain an area of focus for the future.

The Asacha plant operated at 8.6% above its designed annual capacity of 150,000 tonnes and achieved 95.2% average gold recovery (2015: 95.4%). Ore extracted and processed in 2016 amounted to more than 179,000 and 163,000 tonnes respectively. Gold grades averaged 7.23 g/t (2015: 7.65 g/t). The processed gold grade was affected by the need to process some lower grade stockpile ore in order to maintain plant throughput. This is discussed in more detail in the Strategic Report.

Licensing
The current term of the Asacha mining licence runs until 1 September 2018, reflecting the seven year mine life envisaged by the mine's original design documentation and Asacha's resources as approved by the Russian State Geological Commission for Reserves (GKZ) in 2002. In April 2017 we announced the re-approval of mineral resources by GKZ, an important milestone in our application for a mining licence extension. The licence extension (and associated mine life development) is a key priority for the Company this year.

Financial Performance
I am satisfied by our financial performance in 2016. We remain cash-generative and financially robust at a time when the gold industry is re-shaping. We will continue to seek efficiencies and enhance our financial performance wherever practicable. In particular, I am very pleased that we paid our maiden dividend of $5.5m. Whilst exercising financial prudence, we are committed to making sustainable dividend payments. Capital distribution is an important part of our strategy for delivering shareholder value.

Our gearing remains low and we have continued substantially to reduce our net debt. During 2016 our total borrowings reduced by 17.3% to $16.7 million. As announced on 20 and 22 June 2017, we have arranged new $20 million facilities with VTB Bank which have facilitated the refinancing of our current $14.8 million debt on significantly improved terms, including a 34% interest rate reduction.

Industry trends
In 2016 gold performed strongly, the spot price increasing from $1,060/oz. to $1,145/oz. and amassing multi-year record inflows through physically-backed gold ETFs. As such it was one of the best performing assets last year.

The World Gold Council believes that six major trends in the global economy will support gold demand and influence its performance this year: heightened political and geopolitical risks, currency depreciation, rising inflation expectations, inflated stock market valuations, long-term Asian growth and the opening of new markets. Our view is that gold remains an asset of choice for investors. This has been reflected in the spot price of gold rising steadily from $1,145/oz. at the beginning of 2017 to $1,293/oz. on 8 June 2017.

The performance of the Russian economy is closely linked to international oil prices. After seven quarters of negative growth, GDP increased by 0.2% in fourth quarter 2016, but contracted by 0.2% for the year as a whole. Headline economic and financial trends and indicators are now picking up. Economists project that the Russian economy will expand by 1.3% in 2017. The Russian rouble reversed some of its earlier losses, appreciating by 16.3% against the US dollar in 2016, with a further 7% strengthening in the first four months of 2017.

We affirm that Russia remains an attractive place to do business. Amongst other things, the Company benefits from a long established presence and our major shareholder's deep understanding of the country. Russia is the third largest gold producer in the world. As such we are able to access highly experienced labour to conduct our mining activities.

Outlook and priorities
During 2016, the Company's share price rose by 167.8%. By way of comparison, the AIM Basic Materials Index increased by 43.6% over the period. We emphasise our commitment to equity capital markets and to deliver returns for shareholders. We are confident that we have an attractive investment case and are re-doubling our efforts to communicate with the investment community. As a low-yield investment environment persists, we believe that the Company's commitment to an attractive and stable dividend pay-out policy should increase interest in the Company's shares and the Company more widely.

I take this opportunity to thank our shareholders for their continued support during 2016 and Simon Olsen, TSG's Finance Director since 2004 who is retiring from the Board at the 2017 Annual General meeting, for his significant contribution. I also wish to express the Company's appreciation of the efforts of our staff to deliver these results and to continue to create the conditions for future success.

Charles Ryan
Chairman
29 June 2017

Strategic Report

Asacha

Key performance indicators
The following table sets out the key performance indicators monitored by the TSG Board of directors:

		Reference	2016	2015
Refined gold sales	oz.		35,550	37,801
Average realised gold price	$	Financial Review	1,248	1,146
Cost of sales per oz. gold	$	Financial Review	763	742
Cash cost, inc depletion, per oz. gold	$	Financial Review	499	522
Cash cost per oz. gold	$	Financial Review	426	473
Ore extracted	tonnes ('000)		179	178
Ore processed	tonnes ('000)		163	161
Average dilution	%		34.0	40.4
Average gold grade	g/t		7.23	7.65
Gold recovery rate	%		95.18	95.40
Employee numbers			677	583
Reported injuries			1	1
Gearing ratio	%	Note 18	4.4	8.9

The inclusion of depletion in the cash cost metric stems from the amortisation of some mining properties costs over short periods as discussed in the Financial Review on page 7.

Production

Asacha's fifth full year of operation produced 35,366 oz. (2015: 37,984 oz.) of refined gold and 51,428 oz. (2015: 49,398 oz.) of refined silver. Average processed ore gold grade 7.23 g/t was 5.5% below the 2015 average 7.65 g/t, principally as a result of mining in low grade stopes in the 3rd quarter and because of the lower proportion of rich stoping ore delivered to the plant. In 2016 stoping ore accounted for only 41.2% of the total ore volume delivered to the plant (2015: 54.5%). The decrease of volumes of ore cutting (stoping) was caused by a delay in mine development (mainly because of problems with mobile underground equipment) resulting in a shortage of new stoping spaces. In order to maintain annual plant throughput at 150,000 tonnes it was necessary to process more lower grade material mined earlier and some tonnage from poor grade ore stockpiles to supplement new stoping ore. Average dilution excluding rockfalls improved from 40.4% in 2015 to 34.0% in 2016.

Ore processing at the Asacha plant involves:

- two-stage grinding with semi-autogenous grinding at the first stage, ball milling at the second stage, pulp classification in hydrocyclones by 0.75mm size and hydrocyclones' slurry thickening in a high-capacity thickener;
- cyanidation and carbon-in-leach process;
- electric elution of loaded carbon by basic solutions under pressure using IPS technology, acid treatment and thermal regeneration of carbon;
- melting of cathode deposits into dore alloy; and
- cyanide destruction of slurry tailings by chlorination and storing of neutralised tailings as diluted slurry.

Mining and production at Asacha in 2016 is shown in the following table:

		2016	2015
Mine development	(metres)	**4,926**	3,937
Ore extracted	('000 tonnes)	**179**	178
Ore processed	('000 tonnes)	**163**	161
Average gold grade	(g/t)	**7.23**	7.65
Average silver grade	(g/t)	**12.71**	12.28
Gold recovery rate	(%)	**95.18**	95.40
Silver recovery rate	(%)	**81.69**	76.94
Gold in dore	(oz.)	**36,225**	37,798
Silver in dore	(oz.)	**54,595**	49,232
Gold refined	(oz.)	**35,366**	37,984
Silver refined	(oz.)	**51,428**	49,398

In the first quarter of 2017 production was impacted by the same factors as in 2016. Only 40.8% of ore delivered to the plant was new stoping ore, with an average grade of 7.9 g/t, however, in order to maintain monthly plant throughput of at least 12,500 mt it was necessary to process earlier run-of-mine ore which contained lower grades of gold. As a result, 1st quarter gold production (7,644 oz.) was lower than in 1st quarter 2016 (9,343 oz.).

Extraction of new stoping ore was hindered during the first quarter of 2017 by a lack of underground equipment, flooding at lower levels and the failure of mobile pump equipment which also led to a slowdown in some of the major mine development activities, including the installation of stationary high power pumps at the 150 m level and construction of the transportation tunnel from the 150 m level to the 100 m level. However, with new mobile pumps now in place and the arrival of new underground machines the Company expects to be able to accelerate all mining activities.

The Company has started preparation for ore cutting in the upper part of the interval between the 150 m and 100 m levels, which should facilitate access to higher grade ore, and thus expects to gradually increase gold production from the 3rd quarter onwards.

The Company expects to achieve 2017 refined gold production in the range 32,000-36,000 oz. (2016:35,366 oz.).

Employees and safety

At 31 December 2016 TSG's subsidiary ZAO Trevozhnoye Zarevo (TZ) employed 662 staff, including personnel working in two shifts at the site. Efforts to improve health and safety at Asacha continued. There was one reported injury in 2016 (2015: 1).

The Company continues to invest in employee training and development. 60 (2015: 47) employees attended various training courses, including environmental safety and dangerous wastes, fire protection, accident protection and mining works safety and industrial safety and certification.

Asacha Licence

In 2013, the Federal Agency on Subsoil Use extended the Asacha licence until 1 September 2018, reflecting the seven year mine life envisaged by the mine's original design documentation. TZ intends to apply for a further extension to the licence term, taking account of the results of the exploration at Asacha in the period since its resources were previously approved by the Russian State Geological Commission for Reserves (GKZ) in 2002. As a first step, the process to obtain GKZ's legal recognition of the increase in reserves commenced in 2015 and was completed in March 2017. Following GKZ approval, the required design changes to the project will be undertaken by an external design institute, after which TZ will seek the necessary approvals and agreements from various government bodies and agencies.

Reserves and resources

As at 31 December 2016 the JORC total mineral resource estimate for Asacha was 1.05 million tonnes with an average gold grade of 20.5 g/t and silver grade of 52.1 g/t, for approximately 693,000 oz. of gold and 1.8 million oz. of silver. The Group's JORC mineral resources are shown on page 6.

Asacha Mineral Resource - Russian State Geological Commission for Reserves (GKZ) code
as at 31 December 2016

C1 + C2 Resources

Au		Ag		
C1 & C2 oz.	**Grade g/t**	**C1 & C2 oz.**	**Grade g/t**	**Cut-off g/t**
623,943	**19.8**	**1,476,612**	**46.8**	**2**

GKZ - Russian State Geological Commission for Reserves

The above table shows the resources approved by GKZ in March 2017, which do not include the results of exploration undertaken in 2016. The P1-P2 resources which were included in the previous 2002 GKZ protocol have been reclassified by GKZ as C2 resources because of the results of 2012 geologic exploration. Currently no P1- P2 resources have been officially approved because of the lack of adequate geologic data. The Company intends to conduct geologic exploration works in 2017 to confirm the existence of such resources.

Business Review
Details of financial performance are set out in the Financial Review on pages 7 to 8.

Strategic Report - continued

Principal risks and uncertainties
The management of the Group's business and the execution of its strategy are subject to a number of risks. Risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, the overall impact of such events may compound the possible adverse effects on the Group.

The key financial risks affecting the Group are set out in Note 18 to the financial statements. The key operating risks affecting the Group, most of which are those typically faced by other companies in the gold mining sector, are set out below.

The Group's licences
The Group's activities are dependent upon the grant and renewal of appropriate licences, permits and regulatory consents. The Group's licences contain a range of obligations, including those described in Note 6 to the financial statements, failure to comply with which could result in additional costs, penalties being levied or the suspension or revocation of the licence.

Mitigation: management closely monitor compliance with the terms of the Group's licences and discussions are held with the appropriate authorities in respect of the development and operation of the Group's projects and amendments to licences where required.

Reserve and resource estimates
Reserve and resource estimates may require revision based on actual production experience. The volume and grade of reserves mined and processed and recovery rates achieved may vary from those anticipated and a decline in the market price of gold may render reserves containing relatively lower grades of gold mineralisation uneconomic.

Mitigation: the Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code). The Group also conducts detailed geological modelling and ensures that all analyses of exploration samples are undertaken by accredited laboratories.

Environmental and health and safety issues
The Group's operations, which involve the use of various chemicals and contaminants including cyanide, are subject to extensive Russian environmental and health and safety laws and regulations. The legislation comprises numerous federal and regional regulations which are not fully harmonised and may not be consistently interpreted. Changes in regulations, or the interpretation of regulations, may result in additional costs.

Mitigation: the Group monitors compliance with the relevant legislation and regulations and seeks to ensure that the Russian environmental authorities are satisfied with the Group's compliance with applicable environmental laws and regulations at all stages of development and production. Management systems at the Group's operations include comprehensive safe working practices and the Group also organises safety training for employees.

Mining and processing risks
The risks inherent in the exploitation of mineral deposits, some of which are outside the Group's control, include geological, geotechnical and seismic factors and production risks (ore grade/quality, tonnages and recovery/yields), industrial and mechanical incidents, processing problems, technical failures, labour disputes and environmental hazards including the discharge of toxic chemicals, fire, flooding and other acts of God. As with all mining operations, there is uncertainty associated with the Group's operating parameters and costs. There is significant seismic activity in Kamchatka, as evidenced by an offshore earthquake in March 2013 which caused rock falls in some stoping areas. Local climatic conditions may also impact on mining operations and the delivery of supplies, equipment and fuel.

Mitigation: the Group's technical and operational management has extensive experience from other Russian mining projects and operational audits are undertaken by external experts. All buildings and installations at the Asacha mine have been designed and constructed to withstand seismic activity. Logistic arrangements allow for weather disruption.

Property and Business interruption insurance
The Group holds insurance cover as required by Russian legislation and to insure those assets which have been pledged as security for the loan facilities discussed in Note 16 to the financial statements but to date has been unable to arrange comprehensive property and business interruption insurance for its Asacha mine at acceptable cost. This risk has been discussed with the Company's major shareholders.

Mitigation: the Group's Asacha mine and plant were designed, engineered and constructed to a high specification with all elements of the operation built to withstand seismic activity and to cope with significant water ingress arising from melting snow. Mining and processing operations, including blasting, are undertaken and supervised by experienced staff and the site's logistic arrangements allow for weather disruption; however there can be no guarantee that operations at Asacha will not be disrupted by property damage or other interruption.

Gold price volatility
The market price of gold is affected by numerous factors which are beyond the Group's control. These factors include world production levels, global and regional economic and political events, inflation, currency exchange fluctuations, industrial and jewellery demand, speculative activity and the political and economic conditions of major gold-producing countries. The purchase and sale of gold by central banks or other large holders or dealers, forward sales by producers and the activities of exchange traded funds and other participants in the markets for gold futures may also have an impact on the market price.

Mitigation: while the gold price is generally expected to remain at or close to its current levels for the next few years, the Group assesses the economic viability of its projects at gold prices based on long term trends and forecasts and tests its financial models for sensitivity to the gold price. The Group does not currently hold any financial instruments to hedge the commodity price risk on its expected future production but will keep this exposure under review. As discussed in Note 16 to the financial statements, in connection with the restructuring of the Group's loan facilities in 2013, it was agreed that a gold price hedge programme would be implemented for the revised term of those facilities. It was subsequently agreed with the bank to defer the start of the price protection programme in consideration of a 1.0% addition to the interest rate until such commencement. That interest rate premium ceased to apply with effect from 4 April 2016.

The regulatory environment
The Group's activities are subject to extensive Russian federal and regional laws and regulations governing such matters as licensing, production, taxes, mine safety, labour standards, occupational health and safety and environmental protection. In view of the legal and regulatory regime in Russia, legal inconsistencies may also arise. Amendments to current laws and regulations governing the activities of mining companies, or more stringent implementation or interpretation of these laws and regulations, could have a material adverse impact on the Group, cause a reduction in levels of production or delay or prevent the development or expansion of the Group's properties.

Mitigation: the Group's Russian management has extensive experience and monitors potential changes in legislation, allowing the Group to be responsive to legal and fiscal developments.

Taxation
Russian tax legislation has been subject to change and some laws relating to taxes to which the Group is subject are relatively new. The government's implementation of such legislation, and the courts' interpretation thereof, has been sometimes unclear, with few precedents established. Differing legal interpretations may exist both among and within government ministries and organisations and local inspectorates. The introduction of new tax provisions may affect the Group's overall tax efficiency and may result in significant additional tax liability.

Mitigation: the Group's experienced Russian financial management ensures full compliance with the Tax Code and timely implementation of legislative changes.

Going concern
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, the Group's operations will continue to be cash generative and that the Group has adequate resources to continue in operational existence for the foreseeable future without requiring additional funding.

Management
OOO Trans-Siberian Gold Management, TSG's 100%-owned subsidiary in Moscow, provides managerial, technical, financial and procurement services to TZ and currently has 14 staff, including 2 technical managers based at Asacha and TZ's Managing Director. The Company's Finance Director is currently UK based, however, with effect from 1 July 2017, his responsibilities will be assumed by a Moscow-based Chief Financial Officer.

Strategic Report - continued

Group mineral resources

The Company's Asacha property contains approximately 693,000 oz. of gold and about 1.8 million oz. of silver in total mineral resources calculated to JORC standards. The resource estimate for the Asacha deposit was updated by AranzGeo Expert Services/QG Australia Pty Ltd (AGL) to the end of December 2016 to incorporate new data from mining development, the 2016 exploration programme and to account for mining depletion during 2016. A copy of AGL's report is available on TSG's website.

Asacha's Main zone hosts six defined veins. Three veins have been defined in the separate East zone, with mineralisation generally of lower tenor and width. Asacha's Resources estimates were classified according to the guidelines of the JORC Code (2012). Classification took account of data quality, confidence in geological interpretation and confidence in block estimations. Some of these aspects are necessarily subjective. Classifications were applied by digitisation of polygon boundaries between classes in long section view. Resources were only classified and reported within constrained vein volumes.

Based on the presence of the operating mine and mill, existing mine economics, the potential for incremental development access to deeper and more distal parts of the orebody, and the potential for further exploration success, AGL opined that all of the vein resources defined at Asacha have a reasonable prospect of eventual economic extraction and that a comparison of reported mill production to the undiluted resource model indicates that the achieved tonnage is in line with expectation, after likely mining dilution is taken into consideration.

Group Mineral Resources (JORC) as at 31 December 2016

ASACHA JORC MINERAL RESOURCE

Category	**Zone**	**Tonnes (000)**	**Au Grade g/t**	**Ag Grade g/t**	**Contained Au oz. (000)**	**Contained Ag oz. (000)**
Measured	Main	110	16	25	57	87
Indicated	Main	567	20	61	362	1,110
Indicated	East	3	56	30	6	3
Total M & I		**681**	**19**	**55**	**424**	**1,200**
Inferred	Main	101	14	32	45	100
Inferred	East	269	26	53	224	460
Total Inferred		**370**	**23**	**47**	**269**	**560**

Rounding in above table may mean that columns do not sum exactly.
4 g/t cut-off

The information in this report relating to Asacha's mineral resources is based on information compiled by Carrie Nicholls.

Carrie Nicholls is a Member of the Australasian Institute of Mining and Metallurgy. She has no interest in, and is entirely independent of, TSG. Carrie Nicholls has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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 (JORC Code).

Ms Nicholls is a Qualified Person under the AIM Rules and consents to the inclusion in this report of the matters based on her information in the form and context in which it appears.

Financial Review

Results

The Group's and the Company's results are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Operations

Revenue from the sale of 35,550 oz. of refined gold (2015: 37,801 oz.) and 51,741 oz. of refined silver (2015: 49,720 oz.) was $44.4 million and $843,000 respectively (2015: $43.3 million and $737,000). Average realised prices were $1,248 per oz. gold and $16 per oz. silver (2015: $1,146 per oz. gold and $15 per oz. silver). Cost of sales was $28.0 million (2015: $28.8 million), the 2.8% reduction principally reflecting the partial recovery of the Russian rouble, partially offset by the 6.0% reduction in gold oz. sold. Cost of sales per oz. gold, net of the credit from silver sales revenue, was $763 (2015: $742).

Cash cost per oz. gold including depletion, net of the silver credit and excluding royalty, was $499 (2015: $522). Cash cost per oz. gold excluding depletion, net of the silver credit and excluding royalty, was $426 (2015: $473). Depletion of mining properties is normally treated as a non cash cost, however the Group has reported cash cost per oz. on these two bases because, in the early years of production, some mining properties costs were amortised over short periods. In future the Group will only report cash cost per oz. excluding depletion.

A change in accounting policy in 2016 whereby costs are now allocated to mined ore on a value (gold content) basis instead of on an activity (tonnage mined) basis would have increased cost of sales in 2015 but would also have reduced the amount of impairment provisions required to reflect the expected net realisable value of low grade ore stocks if the change in accounting policy had been implemented in 2015. A prior year adjustment has not been made to inventories, since the net impact on the pre-tax results and balance sheet for 2015 is not considered to be material. However, this reduction of inventory impairment provisions resulted in a significant increase in tax losses relating to prior years and these have given rise to a material prior year adjustment, increasing the deferred tax asset. In addition management have identified that deferred tax liabilities in respect of mining properties, plant and equipment have been understated in prior years and prior year adjustment has also been made to correct this. These adjustments are discussed in Notes 10 and 35 to the financial statements.

As discussed in Note 11 to the financial statements an additional impairment provision of $1.4 million (2015: $722,000) has been recognised against the ore stockpile, reflecting the difference between its expected net realisable value at a gold price of $1,200/oz. and cost, including processing, refining and royalties. At a gold price of $1,200/oz., the processing and refining of the ore stockpile will be cash generative, wherefore it is expected that the entire stockpile will be processed, with some material likely to be blended with higher grade material.

The Group recorded an operating profit for the year of $10.7 million (2015: $8.8 million), after recognising the $1.4 million increase in the inventory impairment provision discussed above and an exchange gain of $445,000 (2015 exchange loss: $316,000), principally reflecting the impact of a partial recovery (after significant depreciation in 2014 and 2015) of the Russian rouble on the Group's rouble denominated monetary assets. The Board will continue to review the Group's exchange rate risks and the possible use of derivative financial instruments to mitigate against them.

Administrative expenses amounted to $5.8 million (2015: $5.6 million). Russian administrative expenses amounted to $4.2 million (2015: $4.3 million), including $1.1 million in respect of the Moscow management subsidiary (2015: $1.0 million). UK administrative expenses, principally salaries (discussed in Note 22 to the financial statements) and adviser costs, were $1.6 million (2015: $1.3 million). UK administrative expenses also included the settlement of a contingent liability as discussed in Note 31 to the financial statements.

Finance income was $157,000 (2015: $301,000). Finance costs were $2.1 million (2015: $2.5 million).

Statement of Financial Position

Total equity was $78.8 million at 31 December 2016 compared to $77.9 million at 31 December 2015 (restated), after payment of a $5.5 million special dividend ($0.05 per ordinary share) on 23 December 2016.

Total non-current assets decreased from $83.9 million (restated) to $82.4 million. Mining properties of $30.5 million (2015: $27.0 million) reflected $5.7 million additional mining and mine development, offset by depletion of $2.5 million. Property, plant and equipment decreased by $4.2 million to $46.1 million, primarily due to depreciation charges, offset by additions to plant.

Current assets increased from $20.1 million to $21.7 million. Inventories at Asacha at 31 December 2016 comprised $2.4 million gold and silver in production (2015: $1.9 million), $4.7 million ore stocks (2015: $5.4 million), of which $3.7 million (2015: $4.9 million) has been recognised as a non-current asset as discussed in Note 11 to the financial statements and $4.0 million fuel and other materials and supplies (2015: $3.4 million), in aggregate $11.2 million (2015: $10.7 million). As discussed above ore stocks are stated net of impairment provisions totalling $2.2 million (2015 $10.3 million). The change in accounting policy discussed above whereby costs are now allocated to mined ore on a value, rather than activity, basis would have resulted in a US$254,000 increase in the aggregate value of gold in progress and silver in progress at 31 December 2015 if the change in accounting policy had been implemented in 2015. The change in accounting policy has had no effect on the value of ore stocks net of impairment provision but would have reduced the amount of such provisions in prior years (2015: $777,000, 2014: $55,000, previously 2015: $10.3 million, 2014: $9.6 million).

Recoverable VAT at 31 December 2016 was $1.0 million (2015: $746,000). VAT amounting to $2.7 million (2015: $2.1 million) was recovered in 2016. All recoverable VAT at 31 December 2016 is expected to be received during 2017.

Cash and cash equivalents increased from $12.6 million to $13.1 million.

Loans and borrowings at 31 December 2016 totalled $16.7 million (2015: $20.2 million), comprising $16.3 million (2015: $19.8 million) outstanding under two five year facilities, totalling $43.0 million, provided by Sberbank for the development of the Asacha project and $402,000 finance lease obligations (2015: $461,000).

Current liabilities at 31 December 2016 totalled $12.8 million (2015: $7.0 million), the increase principally reflecting a $5.0 million increase in borrowings repayable within one year of the reporting date.

Strategic Report - continued

The deferred tax liability of $3.9 million (2015 restated: $1.6 million) represents temporary timing differences between accounting and tax treatment of various assets and liabilities, partially offset by tax losses, which may be carried forward to reduce the Group's future tax liability. The deferred tax lability and material prior year adjustments are discussed in Note 10 to the financial statements.

On 5 September 2016 as discussed in Note 14 to the financial statements, the Company announced a proposed capital reduction, whereby, subject to the approval of the Company's shareholders and the High Court of Justice in England and Wales (the Court), the share premium account would be cancelled in order to create distributable profits. The cancellation was approved by the Company's shareholders on 29 September 2016 and by the Court on 26 October 2016.

As discussed in Note 18 to the financial statements, the Group's gearing ratio at 31 December 2016 was 4.4% (2015 restated: 8.9%).

Asacha mine

At a gold price of $1,200/oz., Life of mine ("LOM") cash costs over the remaining life of the Asacha mine are forecast at $702/oz., before taking account of a $31/oz. credit from silver production (assuming a silver price of $14/oz. over the remaining mine life). Cash costs including all royalties and taxes (in total $36.5 million, net of VAT recoveries) are forecast at $793/oz. Total costs, including $32.2 million future capital expenditure and debt service, are forecast at $880/oz., giving a $320/oz. margin at a gold price of $1,200/oz.

The Board has carried out impairment reviews of the mine's economic model as at 31 December 2015 and 2016, assuming a gold price of $1,219/oz. (2015: $1,100/oz.), an expected economic life of seven years (2015: nine years) and a 16.7% discount factor (2015: 17.0%), to determine whether there had been any impairment in respect of mining properties and/or Asacha's plant, property and equipment and was satisfied at each reporting date that no impairment in respect of those assets had arisen.

Events after the reporting date

As discussed in Note 36 to the financial statements, in June 2017 the Company's subsidiary ZAO Trevozhnoye Zarevo (TZ) agreed two new loan facilities with the Russian bank VTB: a $15 million facility with a 5 year term and 18 months grace period at an interest rate of 6.2%, and a $5 million facility with a 3 year term, also at an interest rate of 6.2%. Drawdown of the first facility facilitated the repayment of TZ's existing two loan facilities, amounting to $14.8 million. The new facilities provide additional funds for working capital and other corporate purposes.

Dmitry Khilov
Chief Executive Officer
29 June 2017

Board of Directors

Executive

Dmitry Khilov (Aged 59)
Chief Executive Officer

Dmitry Khilov graduated from the Moscow Institute of Finance in 1980. He has held senior positions at the Russian Ministry of Finance and at the World Bank, and was a member of the Board of Tokobank. From 1998 to 2000 he was Deputy Chairman of Russia's Federal Commission for Securities Markets. From 1995 to 2009 he held senior positions in the United Financial Group (UFG), latterly as Managing Director of the Private Equity Division of UFG Asset Management. He joined Trans-Siberian Gold in July 2009.

Simon Olsen (Aged 64)
Finance Director and Company Secretary

Simon Olsen qualified as a Chartered Accountant with Thomson McLintock, London, after graduating with a law degree from Oxford University. After 13 years in various senior financial and administrative roles with the Maersk shipping and industrial group in London, Jakarta and Manila, he spent four years with Sierra Rutile, latterly as Chief Financial Officer and six years as Company Secretary of Navan Mining plc. He was appointed as the Company's Finance Director in 2004 and will step down from the Board at the Annual General Meeting on 29 June 2017.

Non-executive

Charles Ryan (Aged 50)
Chairman

Charles Ryan is a graduate of Harvard University. He was an Associate and Principal Banker with the European Bank for Reconstruction and Development in London, before becoming a founder director of UFG. After UFG sold its investment banking business to Deutsche Bank in 2006, he spent two years as Chief Country Officer and Chief Executive Officer of Deutsche Bank in Russia, stepping down in October 2008 to become Chairman of UFG Asset Management. He is also a general partner with Almaz Capital and a director of PGI Group plc, Yandex N.V., Limitless Mobile Limited, Preferred Sands, Acumatica and serves on the Harvard Global Advisory Council and Capital International Inc. Advisory Board.

Peter Burnell (Aged 76)

Peter Burnell was educated at Magdalen College, Oxford University. He spent most of his business career as a senior executive and director of Anglo American Corporation of South Africa and Minorco SA. He was Chairman of Black Rock Latin American Investment Trust plc until March 2017.

Robert Sasson (Aged 52)

Robert Sasson graduated from Exeter University with a degree in Russian Studies and International Government. He worked for Phibro Salomon before serving as the head of the St Petersburg office of the European Bank for Reconstruction and Development from 1993. Prior to joining UFG Asset Management in 2009, he spent three years with a leading US hedge fund on private equity transactions in Russia and Ukraine.

Directors' Report

The directors present their report and the Company's audited financial statements for the year ended 31 December 2016.

Principal activities and future developments

Trans-Siberian Gold plc (the Company) is a UK-based resources company, whose Asacha gold mine in the Russian Federation has been in production since September 2011. Details of the Group's activities, including Key Performance Indicators and expected future developments, are included in the Chairman's Statement and Strategic Report.

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 Company's shares are traded on the AIM Market of the London Stock Exchange.

Share capital
The Company's authorised and issued share capital as at 31 December 2016 is set out in Note 14 to the financial statements.

Major shareholdings
At 26 June 2017, the following interests of 3% or more in the issued share capital of the Company appeared in the register maintained in accordance with section 808 of the Companies Act 2006:

	Number of shares	% of share capital
UFG Asset Management	87,700,219	79.69

The interest held by UFG Asset Management includes the shareholdings of UFG Private Equity Fund I LP and Russia Select Fund. The ultimate control of the Company is discussed in Note 33 to the financial statements.

Details of transactions with the Company's major shareholders are set out in Note 33 to the financial statements.

Results and dividend
The results for the year are set out on pages 14 to 19. On 30 November 2016, the Company announced a special dividend of $0.05 per ordinary share, equivalent to approximately $5.5 million (2015: $nil). The Company is committed to making regular, sustainable, dividend payments in future.

Directors
The current directors of the Company and their brief career details are shown in the Board of Directors section on page 9.

In accordance with the provisions of the Company's Articles of Association, Simon Olsen and Charles Ryan retire at the forthcoming Annual General Meeting. Mr Ryan, being eligible, offers himself for re-election.

Political and charitable donations
The Group made no political donations (2015: $nil). The Group made no charitable donations (2015: $nil).

Financial instruments
Details of the Group's financial instruments are described in Note 18 to the financial statements which forms part of this Directors' Report. As stated in the Strategic Report on page 4, the key financial risks affecting the Group are set out in Note 18 to the financial statements.

Events after the reporting date
These events are discussed in the Strategic Report and in Note 36 to the financial statements.

Auditors
BDO LLP (BDO) have expressed their willingness to be reappointed as auditors of the Company. Upon the recommendation of the audit committee, a resolution to reappoint them as the Company's auditors and to authorise the directors to determine their remuneration will be proposed at the AGM.

Disclosure of information to auditors
Each of the directors at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- he has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Board of Directors
The Company's Board currently comprises two executive directors and three non-executive directors, including the chairman. Two non-executive directors are appointed by UFG Asset Management, a major shareholder. The other non-executive director is considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of his independent judgement.

The Board ordinarily meets on a bi-monthly basis to determine strategy and to approve budgets and business plans, major capital expenditure, acquisitions and disposals. Additional meetings are held as appropriate to transact other business. Formal agendas, briefing papers and reports are sent to the Board in advance of its meetings. The Board delegates certain of its responsibilities to two Board Committees, which have clearly defined terms of reference as described below.

The directors have access to the advice and services of the Company Secretary, who is also a director. Any director may also take independent professional advice at the Company's expense in the furtherance of his duties.

In accordance with the Articles of Association, each year one third of the directors (generally those who have held office for the longest time since their election) will retire from office at the AGM. A retiring director may be re-elected if eligible and a director appointed by the Board may also be elected, although in the latter case the director's period of prior appointment by the Board will not be taken into account for the purposes of rotation.

Directors' indemnities
A qualifying third-party indemnity provision, as defined in section 234 of the Companies Act 2006, is in force for the benefit of the directors in respect of liabilities incurred as a result of their office to the extent permitted by law. The Company also maintained a directors' and officers' liability insurance policy throughout the financial year.

Audit Committee
The Audit Committee chaired by Charles Ryan, the other current members being Robert Sasson and Peter Burnell, meets at least twice a year and is responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported on and for meeting the auditors and reviewing their reports relating to the financial statements and internal control systems. It is also responsible for monitoring the independence of the auditors. Executive directors may attend meetings of the Audit Committee by invitation; however, at least once a year the Committee meets the auditors without executive directors being present.

Remuneration Committee
The Remuneration Committee, also currently consisting of Charles Ryan, Robert Sasson and Peter Burnell, is responsible for reviewing the performance of the executive directors and other senior executives and for determining appropriate levels of their remuneration, in consultation with external advisers as appropriate, with due regard to the interests of shareholders. It meets as required. The committee also makes recommendations to the Board in respect of employee incentives, including the granting of share options.

The Company's remuneration policy is to provide competitive rewards for its executive directors and other senior managers, taking into account the performance of the Company and conditions prevailing in the employment market for executives of equivalent status, both in terms of the level of responsibility of their position and their achievement of recognised job qualifications and skills. Base salaries are reviewed annually. Details of directors' remuneration are disclosed in Note 23 to the financial statements.

It is the Company's policy that executive directors' service contracts have no fixed term and that the notice period in those service contracts does not exceed one year. Both Dmitry Khilov's and Simon Olsen's service contracts provide that either party may terminate their employment by giving six months' written notice and that the Company may make a payment in lieu of notice.

Internal control
The Board is responsible for ensuring that the Group maintains an adequate system of internal control and risk management. The internal controls are designed to safeguard the Group's assets and to ensure the reliability of financial information both for internal use by management and for external reporting.

The directors are aware that no system can provide absolute assurance against material misstatement or loss but are satisfied that the current controls and processes to manage significant risks are adequate with regard to the current stage of the Group's development.

Shareholders
The Board attaches great importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to its shareholders simultaneously in accordance with AIM rules.

The Board believes that the AGM provides an important opportunity for dialogue with private shareholders. At the AGM, the Chief Executive Officer presents a review of the Group's activities and the directors are available to answer questions.

The Company's website, www.trans-siberiangold.com, is regularly updated and contains a wide range of information about the Group.

Statement of directors' responsibilities
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRS) 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 affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the AIM Market.

Directors' Report - continued

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 they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- 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 requirements of 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.

Website publication
The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

By order of the Board

Simon Olsen
Company Secretary
29 June 2017

Independent Auditor's Report
to the members of Trans-Siberian Gold plc

We have audited the financial statements of Trans-Siberian Gold Plc for the year ended 31 December 2016 which comprise the consolidated statement of financial position, the company statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows, the company statement of cash flows and the related notes. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors
As explained more fully in the statement of directors' responsibilities, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:
- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

Stuart Barnsdall (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

29 June 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements
Consolidated Statement of Financial Position

	Note	31 December 2016 $000	31 December 2015 (Restated) $000	1 January 2015 (Restated) $000
Assets				
Non-current assets				
Mining properties	6	**30,489**	27,048	26,969
Property, plant and equipment	7	**46,121**	50,288	54,527
Deferred exploration and evaluation costs	8	**2,106**	1,643	1,643
Inventories	11	**3,704**	4,874	4,415
Total non-current assets		**82,420**	83,853	87,554
Current assets				
Inventories	11	**7,485**	5,782	5,899
Trade and other receivables	12	**1,167**	1,661	1,421
Cash and cash equivalents	13	**13,097**	12,643	7,951
Total current assets		**21,749**	20,086	15,271
Total assets		**104,169**	103,939	102,825
Liabilities				
Non-current liabilities				
Borrowings	16	**7,971**	16,596	22,875
Deferred tax liabilities	10	**3,876**	1,636	256
Provisions	17	**697**	723	609
Total non-current liabilities		**12,544**	18,955	23,740
Current liabilities				
Trade and other payables	15	**4,030**	3,405	3,107
Borrowings	16	**8,760**	3,637	3,262
Total current liabilities		**12,790**	7,042	6,369
Total liabilities		**25,334**	25,997	30,109
Total net assets		**78,835**	77,942	72,716
Capital and reserves attributable to owners of the Company				
Share capital	14	**18,988**	18,988	18,988
Share premium	14	**-**	89,520	89,520
Retained earnings (deficit)		**59,847**	(30,566)	(35,792)
Total equity		**78,835**	77,942	72,716

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2017 and were signed on its behalf by:

Dmitry Khilov
Chief Executive Officer

Simon Olsen
Finance Director

Company number: 1067991

Company Statement of Financial Position

	Note	31 December 2016 $000	31 December 2015 $000
Assets			
Non-current assets			
Property, plant and equipment	7	**-**	-
Investment in subsidiaries	9	**111,928**	116,369
Total non-current assets		**111,928**	116,369
Current assets			
Trade and other receivables	12	**2,635**	3,346
Cash and cash equivalents	13	**215**	147
Total current assets		**2,850**	3,493
Total assets		**114,778**	119,862
Liabilities			
Current liabilities			
Trade and other payables	15	**273**	411
Borrowings	16	**-**	-
Total current liabilities		**273**	411
Total liabilities		**273**	411
Total net assets		**114,505**	119,451
Capital and reserves attributable to owners of the Company			
Share capital	14	**18,988**	18,988
Share premium	14	**-**	89,520
Retained earnings		**95,517**	10,943
Total equity		**114,505**	119,451

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company Statement of Comprehensive Income. The profit for the parent company for the year was $556,819 (2015: $1,313,023).

The financial statements were approved and authorised for issue by the Board of Directors on 29 June 2017 and were signed on its behalf by:

Dmitry Khilov
Chief Executive Officer

Simon Olsen
Finance Director

Company number: 1067991

Consolidated Statement of Comprehensive Income

	Note	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 (Restated) $000
Revenue	19	**45,202**	44,059
Cost of sales	20	**(27,972)**	(28,777)
Ore stock inventory impairment	11	**(1,389)**	(722)
Gross profit		**15,841**	14,560
Administrative expenses		**(5,821)**	(5,562)
Other income		**226**	86
Foreign exchange differences on operating activities	18	**445**	(316)
Profit from operations		**10,691**	8,768
Finance expense	28	**(2,132)**	(2,461)
Finance income	28	**157**	301
Foreign exchange differences on financing activities	28	**(61)**	6
Profit before tax		**8,655**	6,614
Income tax charge	29	**(2,259)**	(1,388)
Profit for the year		**6,396**	5,226
Total comprehensive income for the year		**6,396**	5,226
Profit for the year attributable to:			
Owners of the parent company		**6,396**	5,226
Profit for the year		**6,396**	5,226
Total comprehensive income for the year attributable to:			
Owners of the parent company		**6,396**	5,226
Profit for the year		**6,396**	5,226
Profit per share attributable to the owners of the parent company (expressed in cents) - basic and diluted	30	**5.81**	4.75

Statements of Changes in Equity

Group	Note	Share capital $000	Share premium $000	Retained deficit $000	**Total $000**
		Attributable to owners of the Company			
At 1 January 2015 (restated)		**18,988**	**89,520**	**(35,792)**	**72,716**
Total comprehensive income for the year		-	-	5,226	**5,226**
At 31 December 2015 (restated)		**18,988**	**89,520**	**(30,566)**	**77,942**
At 1 January 2016		18,988	89,520	(30,566)	**77,942**
Capital reduction	14	-	(89,520)	89,520	**-**
Dividends paid	34			(5,503)	**(5,503)**
Total comprehensive income for the year		-	-	6,396	**6,396**
At 31 December 2016		**18,988**	**-**	**59,847**	**78,835**

Company	Note	Share capital $000	Share premium $000	Retained earnings $000	**Total $000**
At 1 January 2015		18,988	89,520	9,630	**118,138**
Total comprehensive income for the year		-	-	1,313	**1,313**
At 31 December 2015		**18,988**	**89,520**	**10,943**	**119,451**
At 1 January 2016		18,988	89,520	10,943	**119,451**
Capital reduction	14	-	(89,520)	89,520	**-**

Dividends paid	34			(5,503)	**(5,503)**
Total comprehensive income for the year		-	-	557	**557**
At 31 December 2016		**18,988**	**-**	**95,517**	**114,505**

Consolidated Statement of Cash Flows

	Note	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 (Restated) $000
Cash flows from operating activities			
Profit for the year		**6,396**	5,226
Adjustment for:			
Mining properties depletion	21	**2,381**	1,840
Depreciation of property, plant and equipment charged to income statement	21	**7,026**	5,841
Finance expense - net	28	**2,036**	2,154
IAS39 adjustment to net present value of restructured bank borrowings	16	**76**	57
Impairment of ore stocks	11	**1,389**	722
Corporation tax charge	29	**2,259**	1,388
Loss on sale of property, plant and equipment	21	**76**	24
Cash flows from operating activities before changes in working capital and provisions		**21,639**	17,252
Increase in inventories		**(1,767)**	(317)
Decrease (increase) in trade and other receivables		**494**	(240)
Increase in trade and other payables		**625**	390
Cash generated from operations		**20,991**	17,085
Corporation tax paid		**(18)**	(8)
Interest paid on borrowings	28	**(2,132)**	(2,636)
Net cash flows generated from operating activities		**18,841**	14,441
Investing activities			
Mining properties		**(5,976)**	(1,523)
Purchase of property, plant and equipment (PPE)		**(2,962)**	(2,324)
Purchase of exploration and evaluation assets		**(463)**	(106)
Interest received		**156**	301
Net cash used in investing activities		**(9,245)**	(3,652)
Financing activities			
Repayment of bank borrowings	16	**(3,519)**	(5,200)
Repayment of short term borrowings	16	**-**	(891)
Repayment of finance leases		**(59)**	(12)
Dividends paid	34	**(5,503)**	-
Net cash used in financing activities		**(9,081)**	(6,103)
Net increase in cash and cash equivalents		**515**	4,686
Cash and cash equivalents at beginning of the year	13	**12,643**	7,951
Exchange (losses) gains on cash and cash equivalents		**(61)**	6
Cash and cash equivalents at end of the year	13	**13,097**	12,643

Company Statement of Cash Flows

	Note	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 $000
Cash flows from operating activities			
Profit for the year		**557**	1,313
Adjustment for:			
Depreciation		**-**	-
Finance income - net		**(2,195)**	(2,622)
Cash flows from operating activities before changes in working capital and provisions		**(1,638)**	(1,309)
Decrease in trade and other receivables		**727**	108
(Decrease) increase in trade and other payables		**(138)**	34
Cash used in operations		**(1,049)**	(1,167)
Interest paid on borrowings		**-**	(189)
Net cash used in operating activities		**(1,049)**	(1,356)
Investing activities			
Loans to subsidiary companies	12	**-**	-
Repayment of loans by subsidiary companies		**6,681**	2,300
Interest received		**-**	-
Net cash generated from investing activities		**6,681**	2,300

Financing activities			
Repayment of short term borrowings	16	**-**	(891)
Dividends paid	34	**(5,503)**	-
Net cash used in financing activities		**(5,503)**	(891)
Net increase in cash and cash equivalents		**129**	53
Cash and cash equivalents at beginning of the year	13	**147**	88
Exchange (losses) gains on cash and cash equivalents		**(61)**	6
Cash and cash equivalents at end of the year	13	**215**	147

Notes to the Financial Statements

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 two subsidiaries based in the Russian Federation, one of which holds the licence for the Asacha deposit where gold production commenced in 2011. 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. 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 year of $10.7 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 statements on that basis.

3. Basis of preparation
The consolidated financial statements are prepared in US dollars ($), rounded to the nearest thousand.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared on the basis of a going concern and in line with International Financial Reporting Standards (IFRS) and IFRIC interpretations issued by the International Accounting Standards Board (IASB) adopted by the European Union and with those parts of the Companies Act 2006 that are applicable to companies reporting under IFRSs. The adoption of all of the new and revised Standards and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to the operations and effective for annual reporting periods beginning on 1 January 2016 are reflected in these financial statements.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

a) Standards, amendments and interpretations effective in 2016
New standards, amendments to standards and interpretations that are mandatory for the first time for the Group for the financial year beginning 1 January 2016 did not have a material effect on the Group.

b) Standards, amendments and interpretations that are not yet effective and have not been early adopted
At the date of authorisation of these financial statements, the following standards and relevant interpretations, which have not been applied in these financial statements, were in issue but not yet effective (and some of which were pending endorsement by the EU):

IAS 12 (amended) Recognition of Deferred Tax Asset for Unrealised Losses
IFRS 16 Leases
IAS 7 Disclosure Initiative
IFRIC 22 Foreign Currency Transactions and Advance Consideration
IFRS 9 Financial Instruments
IFRS 15 Revenue from Contracts
IFRS 2 (amended) Classification and Measurement of Share-based Payment Transactions
IFRS 15 Clarification to IFRS 15 Revenue from Contracts with Customers
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 on 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 that standard. The Group does not currently anticipate voluntary early adoption of any of the standards.

Basis of consolidation
The consolidated financial statements of the Group include the accounts of Trans-Siberian Gold plc and its subsidiaries. Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. The accounting policies and financial year ends of its subsidiaries are consistent with those applied by the Company.

Business combinations
The consolidated financial statements incorporate the results of the business combinations using the acquisition method of accounting. In the consolidated statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained.

Foreign currency translation
a) Functional and presentation currency
Items included in the financial information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in US dollars ($), which is the functional and presentation currency of the Company and the functional currency
of its subsidiaries. The exchange rate on 31 December 2016 was £1:$1.2342 (2015: £1:$1.4739) and $1:RUB60.6569
(2015: $1:RUB72.8827). The average rates applied to transactions during the year were £1:$1.3548 (2015: £1:$1.5284) and $1:RUB67.0917 (2015: $1:RUB61.2115).

b) Transactions and balances
Foreign currency transactions are translated into the functional currency at the average exchange rate ruling during the month in which the transactions occur. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Foreign exchange gains and losses resulting from the translation of cash, cash equivalents and borrowings denominated in foreign currencies are shown as financing activities; all other foreign exchange gains and losses are shown as operating activities.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting 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 operating segment in Russia which has production, exploration and development activities. Its operating results are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and to assess its performance. The Group's activities in the United Kingdom are of an administrative and corporate nature and do not form part of the operating segment.

Property, plant and equipment
Property, plant and equipment are recorded at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, being:

Buildings: - 3-20 years
Motor vehicles: - 4-7 years
Plant and machinery: - 4-12 years
Office furniture and equipment: - 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in profit or loss. Assets under construction are not subject to depreciation until the date on which they become available for use.

Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Assets held under finance leases are capitalised as property, plant and equipment at the estimated present value of the underlying lease payments. The corresponding finance lease obligation is included in creditors due within or after more than one year. The interest element is allocated to accounting periods during the lease term to reflect a constant rate of interest on the remaining balance of the obligation for each accounting period.

Exploration and evaluation assets
When the Group incurs expenditure on mining properties that have not reached the stage of commercial production, the costs of acquiring the rights to such mining properties and related exploration and evaluation costs, including directly attributable employment costs, are deferred where the expected recovery of costs is considered probable by the successful exploitation or sale of the asset. General overheads are expensed immediately. Depreciation on property, plant and equipment used on exploration and evaluation projects is charged to deferred costs whilst the projects are in progress. The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. Finance costs incurred in respect of the Group's general borrowings are expensed in profit or loss as incurred. Exploration and evaluation costs are not amortised.

Where a feasibility study indicates that the future recovery of costs is not probable, full provision is made in respect of any deferred costs. Where mining properties are abandoned, deferred expenditure is written off in full.

3. Principal accounting policies - continued
Exploration and evaluation assets - continued
Deferred exploration and evaluation costs are assessed at each reporting date to determine whether there are indicators that the asset may be impaired. If any such indicator exists, a review for impairment is conducted. The amounts shown as deferred exploration and evaluation expenditure represent costs incurred and do not necessarily reflect present or future values.

A project's deferred exploration and evaluation expenditure is transferred to non-current mining assets when the decision to proceed to the development stage of that project is taken.

Mining properties
Once a project reaches the stage of commercial production, the capitalised exploration and evaluation expenditure, other than that on buildings, machinery and equipment, related to that project is transferred to tangible assets as mining properties.

Mining properties are depleted over the estimated life of Asacha's Main Zone resource on a 'unit of production' basis.

Commercial resources are measured and indicated resources. Changes in commercial resources affecting unit of production calculations are dealt with prospectively over the revised remaining resources.

Impairment
The carrying amount of the Group's non-current assets is compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and the fair value less costs to sell.

Value in use is estimated by reference to the net present value of expected future cash flows of the relevant cash generating unit. Individual mining properties are considered to be separate income generating units for this purpose, except where they would be operated together as a single mining business.

If the recoverable amount is less than the carrying amount of an asset, an impairment loss is recognised. The revised carrying amounts are amortised in line with the Group's accounting policy.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. The reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in the prior reporting periods.

Investments
In its separate financial statements, the Company recognises investments in subsidiary companies involved in mining operations, exploration and development at cost less any provision for impairment.

Financial assets
The Group classifies all of its financial assets as loans and receivables which comprise trade and other receivables and cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and, for the purpose of the statement of cash flows, bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

Financial liabilities
The Group classifies all of its financial liabilities as other financial liabilities which include trade payables, other short-term monetary liabilities and bank borrowings.

Bank borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Inventories
Raw materials and consumables, which consist of fuel and materials used in mining operations, spare parts and tools for development activities are initially recognised at cost, and subsequently valued at the lower of cost and net realisable value.

Stockpiles comprise ore containing gold and are valued at the lower of weighted average cost (including direct labour costs and related overheads, allocated on a value (gold content) rather than activity (tonnage mined) basis with effect from 2016) and net realisable value (using assay data to estimate the amount of gold contained in the stockpiles, adjusted for expected gold recovery rates).

Finished goods (comprising refined gold and silver) and work in progress (including gold in circuit and gold dore) are stated at the lower of weighted average cost and net realisable value. Cost includes direct materials, direct labour costs and production overheads, including depreciation and depletion of relevant property, plant and equipment and mining properties.

Net realisable value represents the estimated selling price less all expected costs to completion and costs to be incurred in selling and distribution.

Share capital
Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Group's ordinary shares are classified as equity instruments.

Revenue
The Company's subsidiary ZAO Trevozhnoye Zarevo (TZ) has entered into contracts for the sale of refined gold and silver, whereby 100% of its refined production is sold to the bank which provided the loan facilities discussed in Note 16. Revenue arising from sales under these contracts is recognised when the price is determinable, the refined gold and silver has been delivered at the refinery in accordance with the terms of the contract, the significant risks and rewards have been transferred to the customer and collection of the sale price is reasonably assured.

Taxation
Current tax is the expected tax payable or recoverable on the taxable profit or loss for the year, using rates enacted at the reporting date and any adjustments to the tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Share-based payment transactions
The Company makes equity-settled share-based payments to certain Group employees under the terms of its employee share option scheme. The fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity by way of a credit to retained earnings.

The fair value is measured at grant date and expensed on a straight-line basis over the expected vesting period. The fair value of the options granted is measured using a Black-Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest or are likely to vest except where non-exercise is only due to the Company's share price not achieving the threshold for vesting. Non-market based vesting conditions are taken into account in estimating the number of options likely to vest. The estimate of the number of options likely to vest is reviewed at each reporting date up to the vesting date, at which point the estimate is adjusted to reflect the actual options exercised. No adjustment is made after the vesting date even if the options are not exercised.

Defined contribution personal pension plan
Contributions to employees' defined contribution personal pension plans are recognised as an expense in profit or loss as the services giving rise to the Group's obligations are rendered by the employees.

Provisions
Provisions for decommissioning, environmental restoration and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events' it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Group companies are generally required to restore mine and processing sites at the end of their producing lives to a condition acceptable to the relevant authorities and consistent with the Group's environmental policies. The expected cost of any committed decommissioning or restoration programme, discounted to its net present value where the effect of discounting is material, is provided and capitalised at the beginning of each project. The capitalised cost is amortised over the life of the operation and the increase in the net present value of the provision for the expected cost is included with interest and similar charges.

The costs of on-going programmes to prevent and control pollution and to rehabilitate the environment are charged to profit or loss as incurred.

Notes to the Financial Statements - continued

3. Principal accounting policies - continued

Determination of ore reserves
The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons as defined in accordance with the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC code).

4. Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Use of estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The more significant areas requiring the use of management estimates and assumptions relate to mineral resources that are the basis of future cash flow estimates and unit-of-production depreciation, depletion and amortisation calculations; decommissioning, site restoration, environmental costs and closure obligations; estimates of recoverable gold and other materials; and asset impairments.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical judgements and estimates in applying the entity's accounting policies

a) Mining properties
The recoverability of the amounts shown in the Group statement of financial position in relation to mining properties (and also the carrying value of the Company's investments in its subsidiaries) are dependent upon compliance with the terms of the relevant mineral rights licences, extensions of the terms of those licences beyond their current expiry dates, the political, economic and legislative stability of the regions in which the Group operates, the Group's ability to maintain the necessary financing to fulfil its obligations as they arise, the successful extraction of the defined mineral resources and the future profitable production or proceeds from the disposal of properties. This is discussed further in Note 6.

b) Property plant and equipment
The recoverability of the amounts shown in the Group statement of financial position in relation to property, plant and equipment (and also the carrying value of the Company's investments in its subsidiaries) are dependent upon compliance with the terms of the relevant mineral rights licences, extensions of the terms of those licences beyond their current expiry dates, the political, economic and legislative stability of the regions in which the Group operates, the Group's ability to maintain the necessary

financing to fulfil its obligations as they arise, the successful extraction of the defined mineral resources and the future profitable production or proceeds from the disposal of properties.

c) Deferred exploration and evaluation costs
The recoverability of the amounts shown in the Group statement of financial position in relation to deferred exploration and evaluation expenditure (and also the carrying value of the Company's investments in its subsidiaries) are dependent upon the discovery of economically recoverable reserves, continuation of the Group's interests in the underlying mining claims, the political, economic and legislative stability of the regions in which the Group operates, compliance with the terms of the relevant mineral rights licences, extensions of the terms of those licences beyond their current expiry dates, the Group's ability to obtain the necessary financing to fulfil its obligations as they arise and upon future profitable production or proceeds from the disposal of properties.

d) Ore stocks
The recoverability of the amounts shown in the Group statement of financial position in relation to ore stocks is dependent on the gold price. Impairment provisions are recognised in accordance with the Group's accounting policies to reflect any anticipated shortfall between net realisable value and cost, including processing and refining. Part of the Group's ore stockpile may be classified as non-current inventories, if it is expected to be processed later than one year from the reporting date. This is discussed further in Note 11.

e) Decommissioning, site restoration and environmental costs
The Group's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The Group recognises management's best estimate for asset retirement obligations in the period in which they are incurred. Actual costs incurred in future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision. Such changes could similarly impact the useful lives of assets depreciated on a straight-line-basis, where those lives are limited to the life of mine. This is discussed further in Note 17.

f) Deferred tax
The Group has incurred trading losses in previous periods which give rise to potential deferred tax assets. The recognition of the deferred tax asset is dependent upon the Group making sufficient taxable profits in future periods to utilise those losses. This is discussed further in Note 10.

g) Contingencies
By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events. This is discussed further in Note 31.

5. 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. The Group has one reportable segment, being operations in Russia, whose accounting policies are in line with those set out in Note 3. 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 UK administrative costs amounting to $1,638,000 (2015: $1,309,000), the numbers in the primary statements reflect the results of the sole operating segment. All revenue arises from the production of gold with silver as a by-product which is sold to one customer in Russia. All non-current assets are located in Russia.

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

Group	Asacha $000
Cost	
At 1 January 2015	57,317
Additions	1,978
At 31 December 2015	**59,295**
Depletion	
At 1 January 2015	(30,348)
Charge for year	(1,899)
At 31 December 2015	**(32,247)**
Net book value	
At 1 January 2015	26,969
At 31 December 2015	**27,048**
Cost	
At 1 January 2016	59,295
Additions	5,976
At 31 December 2016	**65,271**
Depletion	
At 1 January 2016	(32,247)
Charge for year	(2,535)
At 31 December 2016	**(34,782)**
Net book value	
At 1 January 2016	27,048
At 31 December 2016	**30,489**

$154,000 (2015: $150,000) of the depletion charge is included in inventory

Exploration expenditure incurred in respect of Asacha's Eastern Zone is discussed in Note 8.

On 8 September 1994, the Kamchatka Department of the Geological Committee of the Russian Ministry for Natural Resources issued a licence, after tender, to TZ for the exploration and development of the Asacha minerals deposit in Kamchatka. The licence includes the right to extract gold and silver and, pursuant to the decision of the Federal Agency on Subsoil Use on 12 September 2013, its term has been extended for four years until 1 September 2018, reflecting the seven year mine life envisaged by the mine's original design documentation. TZ intends to apply for a further extension to the licence term, taking account of the results of exploration at Asacha since its resources were approved by the Russian State Geological Commission for Reserves (GKZ) in 2002. As a first step, the process to obtain GKZ's legal recognition of the increase in reserves commenced in 2015 and was completed in March 2017. Following approval by GKZ, the required design changes to the project will be undertaken by an external design institute, after which TZ will seek the necessary approvals and agreements from various government bodies and agencies.

The Board has carried out impairment reviews of the mine's economic model as at 31 December 2015 and 2016, assuming a gold price of $1,219/oz. (2015: $1,100/oz.), an expected economic life of seven years (2015: nine years) and a 16.7% discount factor (2015: 17.0%), to determine whether there had been any impairment in respect of mining properties and was satisfied at each reporting date that no impairment in respect of mining properties had arisen.

Notes to the Financial Statements - continued

7. Property, plant and equipment

Group	Buildings $000	Plant and machinery $000	Motor vehicles $000	Office equipment and furniture $000	Assets under construction [i] $000	Total $000
Cost						
At 1 January 2015	78,108	17,527	2,293	475	695	99,098

Additions	228	2,055	-	2	420	2,705
Re-classifications	-	-	-	-	-	-
Disposals	-	(236)	(46)	(3)	-	(285)
At 31 December 2015	**78,336**	**19,346**	**2,247**	**474**	**1,115**	**101,518**
Depreciation						
At 1 January 2015	**(32,068)**	**(9,703)**	**(2,193)**	**(424)**	**(183)**	**(44,571)**
Charge for year [ii]	(5,764)	(1,045)	(85)	(25)	-	(6,919)
Impairment provision	-	-	-	-	-	-
Disposals	-	211	46	3	-	260
At 31 December 2015	**(37,832)**	**(10,537)**	**(2,232)**	**(446)**	**(183)**	**(51,230)**
Net book value						
At 1 January 2015	**46,040**	**7,824**	**100**	**51**	**512**	**54,527**
At 31 December 2015	**40,504**	**8,809**	**15**	**28**	**932**	**50,288**
Cost						
At 1 January 2016	**78,336**	**19,346**	**2,247**	**474**	**1,115**	**101,518**
Additions	697	862	929	6	518	3,012
Re-classifications	-	494	-	-	(494)	-
Disposals	-	(595)	-	(29)	-	(624)
Transfers	(5)	-	-	-	5	-
At 31 December 2016	**79,028**	**20,107**	**3,176**	**451**	**1,144**	**103,906**
Depreciation						
At 1 January 2016	**(37,832)**	**(10,537)**	**(2,232)**	**(446)**	**(183)**	**(51,230)**
Charge for year [ii]	(5,534)	(1,407)	(139)	(22)	-	(7,102)
Impairment provision	-	-	-	-	-	-
Disposals	-	520	-	27	-	547
At 31 December 2016	**(43,366)**	**(11,424)**	**(2,371)**	**(441)**	**(183)**	**(57,785)**
Net book value						
At 1 January 2016	**40,504**	**8,809**	**15**	**28**	**932**	**50,288**
At 31 December 2016	**35,662**	**8,683**	**805**	**10**	**961**	**46,121**

i. Assets under construction comprise $961,352 (2015: $932,589) for building construction and infrastructure at Asacha.

ii. $25,068 of the depreciation charge is included in additions to mining properties (2015: $340,383). $51,234 (2015: $50,114) of the depreciation charge related to property, plant and equipment used on exploration and evaluation projects or assets under construction and was capitalised in exploration and evaluation costs or property, plant and equipment in accordance with the Group's accounting policy. $nil (2015 $688,469) of the depreciation charge is charged to inventories.

iii. The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases

	2016 $000	2015 $000
Plant and machinery	442	703
Motor vehicles	-	-
Office equipment and furniture	-	-
	442	703

The Board has carried out impairment reviews of the mine's economic model as at 31 December 2015 and 31 December 2016 as discussed in Note 6 and is satisfied that no impairment has arisen at either reporting date in respect of property, plant and equipment.

	Office equipment and furniture	
Company	**2016 $000**	2015 $000
Cost		
At 1 January	20	20
Additions	-	-
Disposals	-	-
At 31 December	**20**	**20**
Depreciation		
At 1 January	20	20
Charge for year	-	-
Disposals	-	-
At 31 December	**20**	**20**
Net book value		
At 1 January	-	-
At 31 December	**-**	**-**

8. Deferred exploration and evaluation costs

Movement on the Group's deferred exploration and evaluation expenditure which relates to the "Asacha East" zone, a separate orebody within the Asacha mineral rights licence discussed in Note 6, are as follows:

	Asacha $000
At 1 January 2015	**1,643**
Additions [i]	-
At 31 December 2015	**1,643**
At 1 January 2016	**1,643**
Additions [i]	463
At 31 December 2016	**2,106**

i Additions include capitalised PPE depreciation (see Note 7[ii]).

The carrying values of exploration and evaluation costs are predicated on the Company's continued pursuit of its strategy in respect of the Asacha property, which includes mining in the "Asacha East" zone in due course.

9. Investments in subsidiary undertakings

The Group has interests in the following subsidiaries which are included in these financial statements by way of consolidation:

Subsidiary undertaking	Country of incorporation/ registration	Principal activity	Principal country of operation	Description and proportion of shares held
OOO Trans-Siberian Gold Management	Russia	Administration	Russia	Participating shares - 100%
ZAO Trevozhnoye Zarevo	Russia	Mining	Russia	Common shares - 100%

The registered offices of the subsidiaries are:

OOO Trans-Siberian Gold Management - Office 55, 15A

Leninskiy Prospekt, 119071 Moscow,
Russian Federation
ZAO Trevozhnoye Zarevo - 1a
Uralskaya Str., Elizovo, Elizovo district,
684007 Kamchatskiy Kray, Russian
Federation

Notes to the Financial Statements - continued

9. Investments in subsidiary undertakings - continued

Company	2016 $000	2015 $000
Interests in subsidiary undertakings		
At 1 January	**73,976**	69,319
Additional capital contributions [i]	**-**	4,657
At 31 December	**73,976**	73,976
Loans to subsidiary undertakings		
At 1 January	**42,393**	44,538
Additions (interest accrued)	**2,240**	2,512
Repayments	**(6,681)**	
Loans forgiven [i]	**-**	(4,657)
At 31 December	**37,952**	42,393
Total investments		
At 1 January	**116,369**	113,857
Additions - net	**(4,441)**	2,512
At 31 December	**111,928**	116,369

i The Company made additional capital contributions to its subsidiaries through the forgiveness of loans of $0 (2015: $4,567,262) in order to correct negative equity positions in those subsidiaries' local accounts.

In addition to the impairment reviews discussed in Note 6, since 2014 the Board has also carried out impairment reviews of the Asacha mine's economic model to determine whether there had been any impairment in the Company's investment in TZ, which is higher than both the Company's market capitalisation and the net assets of the Group. As a result of its 2014 review the Board concluded that a provision of $34.4 million was required against the Company's investment in TZ. The Board's further impairment reviews of the mine's economic model assumed a gold price of $1,200/oz. (2015: $1,100/oz.), an expected economic life of nine years (2015: nine years) and a 13.4% pre-tax discount factor (2015: 17.0%) and concluded that no adjustment to the provision made in 2014 was required. Although the economic life and discount factor assumptions vary from those assumed in the impairment reviews discussed in Note 6, the Board considers these to be reasonable.

Interest deemed to arise from the deferred payment of the purchase consideration for the Company's subsidiaries has been capitalised in the cost of the relevant investment where such interest qualifies for capitalisation within the Group's deferred exploration expenditure. The cumulative amount of interest capitalised is $121,300 (2015: $121,300).

10. Deferred tax

Deferred income tax at 31 December relates to the following:

	1 January 2016 (Restated) $000	Charged/(Credited) to Income Statement $000	31 December 2016 $000
Tax effect of deductible temporary differences:			
Accounts payable etc.	**(509)**	(205)	**(714)**
Recognised taxable losses	**(3,961)**	3,352	**(609)**
Gross deferred tax asset	**(4,470)**	3,147	**(1,323)**
Tax effect of taxable temporary differences:			
Mining properties	**2,928**	89	**3,017**
Property, plant and equipment	**3,178**	(996)	**2,182**
Gross deferred tax liabilities	**6,106**	(907)	**5,199**
Total net deferred tax liability	**1,636**	2,240	**3,876**

	1 January 2015 (Restated) $000	Charged/(Credited) to Income Statement $000	31 December 2015 (Restated) $000
Tax effect of deductible temporary differences:			
Accounts payable etc.	**(784)**	275	**(509)**
Recognised taxable losses	**(5,393)**	1,432	**(3,961)**
Gross deferred tax asset	**(6,177)**	1,707	**(4,470)**
Tax effect of taxable temporary differences:			
Mining properties	**2,822**	106	**2,928**
Property, plant and equipment	**3,611**	(433)	**3,178**
Gross deferred tax liabilities	**6,433**	(327)	**6,106**
Total net deferred tax liability	**256**	1,380	**1,636**

Management has reviewed income tax payments planned to 2018 and believes the deferred tax asset as at 31 December 2016 is fully recoverable.

These financial statements reflect prior year adjustments in respect of the deferred tax assets relating to tax losses and short term timing differences and deferred tax liabilities relating to mining properties and property plant and equipment. The impact of the prior year restatements is summarised in Note 35.

As discussed in Note 11, a change in accounting policy whereby costs are now allocated to mined ore on a value (gold content) basis instead of on an activity (tonnage mined) basis would have increased cost of sales in 2015, but would also have reduced the amount of impairment provisions required to reflect the expected net realisable value of low grade ore stocks if the change in accounting policy had been implemented in 2015. A prior year adjustment has not been made to inventories, since the net impact on the pre-tax results and balance sheet for 2015 is not considered to be material. However, this reduction of inventory impairment provisions resulted in a significant increase in tax losses relating to prior years and recognition of short term timing differences relating to inventory impairment provisions and this has given rise to a material prior year adjustment, increasing the deferred tax asset.

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 has been concluded that additional deferred tax liabilities should have been recognised in earlier years and a prior year restatement has also been made to reflect these additional amounts.

11. Inventories

Group	2016 $000	2015 (Restated) $000
Non-current:		
Ore stocks	**5,870**	5,651
Less: provision	**(2,166)**	(777)
	3,704	4,874
Current:		

Gold in progress	**2,357**	1,848
Silver in progress	**88**	32
Ore stocks	**1,033**	542
Fuel	**1,070**	1,004
Other materials and supplies	**2,937**	2,356
	7,485	5,782
	11,189	10,656

Gold in progress, silver in progress and ore stocks include mining properties depletion $154,000 (2015: $150,000). Ore stocks, part of which are classified as non-current inventories, are stated net of an impairment provision of $2.2 million (2015 restated: $777,000), which reflects the difference between the ore stockpile's expected net realisable value at a gold price of $1,200/oz. and cost, including processing, refining and royalties.

Management has reviewed the methodology for cost allocation to ore inventory and has concluded that the nature of mining activities means that these ore inventory costs are more appropriately accounted for by allocation to mined ore on a value (gold content) basis rather than an activity (tonnage mined) basis. This change in methodology is considered to be a change in accounting policy. Management has assessed the impact of this change; it would have resulted in a $254,000 increase in the aggregate value of gold in progress and silver in progress at 31 December 2015. A prior year adjustment to the carrying value of inventory has not been made since the amount is not considered to be material. The change in accounting policy has had no effect on the value of ore stocks net of impairment provisions (2016: $4.7 million net, 2015: $5.4 million net), but has reduced the amount of the impairment provisions which would have been required in 2015 and previous years. There would have been a corresponding increase in production costs, wherefore the net impact on the results for those years would not have been material. The previously reported impairment provisions at 31 December 2014 and 31 December 2015 were $9.6 million and $10.3 million respectively, restated as $55,000 and $777,000 on the new basis.

12. Trade and other receivables

	Group		Company	
	31 December 2016 $000	31 December 2015 $000	**31 December 2016 $000**	31 December 2015 $000
Current:				
Trade receivables	**102**	202	**-**	-
Taxes recoverable - value added tax [i]	**1,024**	746	**4**	8
Prepayments and accrued income	**22**	664	**22**	26
Receivables from subsidiary companies [ii]	**-**	-	**2,606**	3,308
Income tax asset	**16**	26	**-**	-
Other receivables	**3**	23	**3**	4
	1,167	1,661	**2,635**	3,346

i Russian VAT to the value of $2,693,772 (2015: $2,012,643) was recovered in 2016.
ii TSG's current receivables from subsidiary companies includes $1,363,350 (2015: $2,066,239) short term loans, including accrued interest.

13. Cash and cash equivalents

	Group		Company	
	31 December 2016 $000	31 December 2015 $000	**31 December 2016 $000**	31 December 2015 $000
Cash at bank	**13,097**	12,643	**215**	147
	13,097	12,643	**215**	147

There are no restrictions over the access to, and use of, the Group's bank and cash balances, other than those that customarily relate to periodic short-term deposits.

Notes to the Financial Statements - continued

14. Share capital and premium

Group and Company	Number of shares authorised	Number of shares allotted and fully paid	Share capital $000	Share premium $000	Total $000
At 1 January 2015	150,000,000	110,053,073	18,988	89,520	108,508
At 31 December 2015	**150,000,000**	**110,053,073**	**18,988**	**89,520**	**108,508**
At 1 January 2016	150,000,000	110,053,073	18,988	89,520	108,508
Capital reduction				(89,520)	(89,520)
At 31 December 2016	**150,000,000**	**110,053,073**	**18,988**	**-**	**18,988**

All shares are ordinary shares with a par value of 10 pence.

Share capital represents amounts subscribed for share capital at nominal value. The share premium account represents the amounts received by the Company on the issue of its shares which were in excess of the nominal value of the shares. On 5 September 2016, the Company announced a proposed capital reduction, whereby, subject to the approval of the Company's shareholders and the High Court of Justice in England and Wales (the Court), the share premium account would be cancelled in order to create distributable profits. The cancellation was approved by the Company's shareholders on 29 September 2016 and by the Court on 26 October 2016.

Retained earnings (deficit) represents the cumulative net gains and losses recognised in the statement of comprehensive income less any amounts reflected directly in other reserves.

15. Trade and other payables

	Group		Company	
	31 December 2016 $000	31 December 2015 $000	**31 December 2016 $000**	31 December 2015 $000
Current:				
Trade payables	**1,318**	1,343	**38**	44
Amounts due to subsidiary companies	**-**	-	**43**	36
Social security and other taxes	**204**	182	**9**	10
Other payables	**2,406**	1,765	**81**	205
Accrued expenses	**102**	115	**102**	116
	4,030	3,405	**273**	411

16. Borrowings

		Group		Company	
	Note	**31 December 2016 $000**	31 December 2015 $000	**31 December 2016 $000**	31 December 2015 $000
Non-current:					
Bank borrowings		**7,746**	16,209	**-**	-
Finance lease obligations	32	**225**	387	**-**	-
		7,971	16,596	**-**	-
Current:					
Bank borrowings		**8,583**	3,563	**-**	-
Related party loans	33	**-**	-	**-**	-
Finance lease obligations	32	**177**	74	**-**	-
		8,760	3,637	**-**	-
		16,731	20,233	**-**	-

Movement in borrowings is analysed as follows:

		Group		Company	
	Note	**2016 $000**	2015 $000	**2016 $000**	2015 $000
At 1 January		**20,233**	26,137	**-**	1,066
Increase in borrowings					
Interest on related party and other loans		**-**	14	**-**	14

Repayment of loan and accrued interest		**(3,519)**	(6,298)	-	(1,080)
IAS39 adjustment to net present value of restructured bank borrowings		**76**	57	-	-
Finance leases	32	**(59)**	323	-	-
At 31 December		**16,731**	20,233	-	-

In 2009 and 2010 ZAO Trevozhnoye Zarevo (TZ) arranged two five year loan facilities, each of which initially bore an annual interest rate of 10.5%, for the Asacha project, in total $43 million, with the Russian bank Sberbank. The loans are secured by pledges over certain moveable assets and the shares of TZ and OOO Trans-Siberian Gold Management, TSG's other subsidiary. In September 2013, the terms of the two loan facilities were extended to December 2018.
Repayment of the $26.5 million then outstanding under the two facilities commenced in March 2014. In 2015, in addition to scheduled repayments, TZ prepaid $1.0 million and $2.2 million, which had been scheduled to be repaid in, respectively, 2016 and 2018.

In accordance with IAS39, the fees and commissions paid to Sberbank in respect of the loan restructuring are amortised over the extended terms of the facilities, resulting in a net present value adjustment of $221,000 (2015: $297,000). It was agreed that a gold price hedge programme would be implemented for the revised term of the facilities. It was subsequently agreed with the bank to defer the start of the price protection programme in consideration of an increase to the interest rate to 11.5% until such commencement. On 4 April 2016, the interest rates on the two loan facilities were reduced to 9.3% (applied to $9.65 million) and 9.7% (applied to $10.35 million).

In 2012 UFG Asset Management and AngloGold Ashanti Limited, each a related party by virtue of their then respective 54.42% and 31.17% holdings in the shares of the Company, agreed to provide short term loan facilities, in aggregate $781,000 (increased to $891,000 in January 2013), on commercial terms including interest at 8%. The terms of the two facilities were extended, ultimately to 31 March 2015. Both facilities were repaid in full on 12 March 2015.

17. Provisions

Environmental/site restoration provision	**2016 $000**	2015 $000
At 1 January	**723**	609
Liability adjustment	**(24)**	205
Finance charge - unwinding of discount	**20**	59
Exchange rate difference	**(22)**	(150)
At 31 December	**697**	723

The provision relates to site restoration at the Asacha mine, which is expected to commence in 2027. The amount of $696,562 (2015: $723,462) is included in mining properties and is calculated based on regional data from the Monitoring Ecological Centre of Kamchatka.

18. Financial instruments

Details of the significant accounting policies in respect of financial instruments are disclosed in Note 3.

Financial risk management
The Group is exposed through its operations to the following financial risks: liquidity risk, credit risk, cash flow interest rate risk, commodity price risk and foreign exchange risk. The Board seeks to minimise the Group's exposure to those risks by reviewing and agreeing policies for managing each financial risk and monitoring them on a regular basis. No formal policies have been put in place in order to hedge the Group's activities to the exposure to interest risk, commodity price risk or currency risk, however these may be considered in future. No derivatives or hedges were entered into during the period.

There have been no substantive changes in the Group's exposure to financial instrument risks, its policies and processes for managing those risks or the methods used to measure them unless otherwise stated in this note.

Principal financial instruments
The Group's principal financial instruments, from which financial instrument risk arises, comprise long and short-term loans, cash and short-term deposits as well as trade and other receivables and trade payables which arise directly from its operations.

Liquidity risk
The Group's policy is to ensure that it has sufficient cash to allow it to meet its liabilities when they become due. Cash forecasts identifying the Group's funding and liquidity requirements are reviewed regularly by the Board. At the reporting date the Group's long term borrowings comprised $16.3 million outstanding on two bank facilities for the Asacha project (originally five year facilities but restructured in September 2013) as discussed in Note 16.

The contractual maturities of the Group's financial liabilities (which are all carried at amortised cost) are shown in the table below:

Group 2016	**Carrying amount $000**	**Contractual cash flows $000**	**6 months or less $000**	**6 to 12 months $000**	**12 to 36 months $000**	**36 to 72 months $000**
Current financial liabilities						
Trade and other payables	3,826	3,826	3,826	-	-	-
Loans and borrowings	8,534	8,534	4,016	4,518	-	-
Interest	49	865	599	266	-	-
Finance lease obligations	177	269	134	135	-	-
Non-current financial liabilities						
Loans and borrowings	7,746	7,746	-	-	7,746	-
Interest	-	3,355	1,709	1,094	552	-
Finance lease obligations	225	268	-	-	268	-
	20,557	**24,863**	**10,284**	**6,013**	**8,566**	**-**

18. Financial instruments - continued

Company 2016	**Carrying amount $000**	**Contractual cash flows $000**	**6 months or less $000**	**6 to 12 months $000**	**12 to 36 months $000**	**36 to 72 months $000**
Current financial liabilities						
Trade and other payables	264	264	264	-	-	-
	264	**264**	**264**	-	-	-

Group 2015	**Carrying amount $000**	**Contractual cash flows $000**	**6 months or less $000**	**6 to 12 months $000**	**12 to 36 months $000**	**36 to 72 months $000**
Current financial liabilities						
Trade and other payables	3,223	3,223	3,223	-	-	-
Loans and borrowings	3,494	3,494	499	2,995	-	-
Interest	69	204	125	79	-	-
Finance lease obligations	74	190	95	95	-	-
Non-current financial liabilities						
Loans and borrowings	16,209	16,209	-	-	16,209	-
Interest	-	4,115	944	954	2,217	-
Finance lease obligations	387	518	-	-	259	259
	23,456	**27,953**	**4,886**	**4,123**	**18,685**	**259**

Carrying	**Contractual**	**6 months or**	**6 to 12 months**	**12 to 36**	**36 to 72**

Company 2015	amount $000	cash flows $000	less $000	$000	months $000	months $000
Current financial liabilities						
Trade and other payables	401	401	401	-	-	-
	401	**401**	**401**	-	-	-

Credit risk
The credit risk on liquid funds is limited because the counterparties are banks with credit ratings assigned by international credit rating agencies. The Company has made investments in and loans to one of its subsidiaries, recovery of which is dependent on the future income generation of that subsidiary. This is discussed further in Note 9.

The Group and Company's maximum exposure to credit risk by class of individual financial instrument is shown in the table below:

	2016		2015	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
Group	$000	$000	$000	$000
Current financial assets classified as loans and receivables				
Cash and cash equivalents	**13,097**	**13,097**	12,643	12,643
Trade and other receivables	**105**	**105**	225	225
	13,202	**13,202**	12,868	12,868

	2016		2015	
	Carrying value	Maximum exposure	Carrying value	Maximum exposure
Company	$000	$000	$000	$000
Current financial assets classified as loans and receivables				
Cash and cash equivalents	**215**	**215**	147	147
Loans to subsidiaries	**1,363**	**1,363**	2,066	2,066
Trade and other receivables	**1,246**	**1,246**	1,246	1,246
Non - current financial assets				
Loans to subsidiaries	**37,952**	**37,952**	42,393	42,393
	40,776	**40,776**	45,852	45,852

Cash flow interest rate risk
The Group is exposed to cash flow interest rate risk from its deposits of cash and cash equivalents with banks. The cash balances maintained by the Group are managed in order to ensure that the maximum level of interest is received for the available funds but without affecting working capital flexibility.

As discussed in Note 16, prior to 4 April 2016 the $43 million facilities provided by Sberbank for the Asacha project in 2009 and 2010 and restructured in September 2013 each bore interest at 11.5%, including a 1.0% premium pending the implementation of a gold price protection programme. On that date the interest rate on these facilities was reduced to 9.3% (applied to $9.65 million) and 9.7% (applied to $10.35 million). The Group has no other debt or fixed rate finance leases, except for finance leases discussed in Note 32. No subsidiary of the Group is permitted to enter into any borrowing facility or lease agreement without the Company's prior consent.

The interest rate profile of the Group and Company's financial assets at 31 December 2016 was as follows:

		31 December 2016 $000	31 December 2015 $000
Group			
Cash			
US dollars	Fixed rate	**34**	1
US dollars	Floating rate	**10,626**	11,887
Sterling	Non-interest bearing	**130**	18
Sterling	Floating rate	**4**	4
Russian roubles	Fixed rate	**27**	96
Russian roubles	Floating rate	**2,276**	637
		13,097	12,643
Company			
Cash			
US dollars	Floating rate	**80**	123
Sterling	Non-interest bearing	**130**	18
Sterling	Floating rate	**4**	4
Russian roubles	Floating rate	**1**	2
		215	147

The interest rate profile of the Group and Company's financial liabilities at 31 December 2016 was as follows:

		31 December 2016 $000	31 December 2015 $000
Group			
Loans			
US dollars	Fixed rate - 9.3% (2015: 11.5%)	**7,491**	9,512
US dollars	Fixed rate - 9.7% (2015: 11.5%)	**8,789**	10,191
		16,280	19,703
Company			
Loans			
US dollars	Fixed rate - 8%	-	-
		-	-

The weighted average interest rate payable during the year was 10.0% (2015: 11.5%) on fixed rate US dollar loans.

The weighted average interest rates earned during the year were 0.0% (2015: 0.0%) on floating rate sterling cash balances, 0.1% (2015: 0.10%) on floating rate US dollar balances and 5.5% (2015: 5.5%) on floating rate Russian rouble balances. At the year end, the Group had cash on overnight deposit. Short-term deposits during the year included overnight, one-week and one-month notice periods.

Commodity price risk
By the nature of its activities the Group is exposed to fluctuations in commodity prices and, in particular, the price of gold as these could affect its ability to raise further finance in the future, its future revenue levels and the viability of its projects. The Group does not currently hold any financial instruments to hedge the commodity price risk on its expected future production. The Board will keep this exposure under review, taking account of the extent to which the commodity price risk can be hedged and other factors including production risks and the costs of the hedge programme.

Notes to the Financial Statements - continued

18. Financial instruments - continued
Foreign currency risk
The Group reports in US dollars and conducts most of its business in dollars and Russian roubles. It also conducts business in sterling.

Prior to 2014, the Group's principal exchange rate risk was an appreciation of the Russian rouble against the US dollar which would impact on certain of the Group's operating costs. The significant depreciation of the Russian rouble against the US dollar since the second half of 2014 (partially reversed in 2016) has had a positive impact on those operating costs, however this has been partially offset by exchange losses on Russian rouble denominated monetary assets. The Board will continue to review the Group's exchange rate risks and the possible use of derivative financial instruments to mitigate against them.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their functional currency. Foreign exchange differences on retranslation of these assets and liabilities are taken to profit or loss. All amounts are shown in their US dollar 000 equivalents.

	31 December 2016		31 December 2015	
	RUB	**GBP**	RUB	GBP
Current:				
Trade and other receivables	**1,634**	**29**	225	3
Trade and other payables	**(4,099)**	**(148)**	(1,299)	(170)
Cash	**2,303**	**134**	733	22
	(162)	**15**	(341)	(145)

Foreign exchange gains totalling $445,000 (2015 foreign exchange losses: $310,000) have been recognised in the statement of comprehensive income for the year. The exchange gains principally reflect the impact of the appreciation of the Russian rouble on the Group's rouble denominated monetary assets, partially offset by the adverse impact on its rouble denominated provisions. During 2016 the rouble traded between RUB60.4464:$1 and RUB83.7059:$1. A 10% appreciation of the Russian rouble and sterling at the reporting date (to $1:RUB54.5912 and £1:$1.3576 respectively) would, all other variables held constant, have reduced the Group's profit for the year by $19,000 (2015: $54,000). A 10% depreciation of the Russian rouble and sterling at the reporting date (to $1:RUB66.7226 and £1:$1.1108 respectively) would, all other variables held constant, have increased the Group's profit for the year by $17,000 (2015: $44,000). The impact of such sterling appreciation on the Company's GBP net monetary assets would have been to reduce its profit after tax by $1,000 (2015: $16,000).

Fair values of the Group's and Company's financial liabilities and assets

The fair value of the Group's long-term borrowing (which is US dollar fixed rate debt) and provisions are shown at their carrying values as any differences are not material. The fair value of the Group's and the Company's short-term borrowing, cash and cash equivalents equates to their carrying value because of the short maturity of these instruments. The fair values of the Group's and the Company's trade and other payables and trade and other receivables are not significantly different from their carrying values. The fair values have been calculated by discounting expected cash flows at prevailing interest rates and by applying year end exchange rates.

Capital risk management

The Company is not required to comply with any externally imposed capital requirements. The Company's Russian subsidiaries are required to maintain net asset values equal to or above their share capital. As discussed in Note 9 in previous years the Company has made additional capital contributions to its subsidiaries through the forgiveness of loans in order to correct negative equity positions in those subsidiaries' local accounts.

The Group's primary objective when managing capital is to ensure that there is sufficient capital available to support the Group's funding requirements, including capital expenditure, in a way that optimises the cost of capital, maximises shareholders' returns and ensures the Group's ability to continue as a going concern. There were no changes to the Group's capital management approach during the year.

The Group may make adjustments to the capital structure as opportunities arise, as and when borrowings mature or as and when funding is required. This may take the form of raising equity, debt finance, equipment supplier credits or a combination thereof.

The Group monitors capital on the basis of the gearing ratio, which is defined as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated statement of financial position) less cash and cash equivalents.

Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. While the Group does not set absolute limits on the ratio, the Group believes that a ratio of up to 40% was acceptable in the final stages of the construction and the commissioning phase of the Asacha mine and that optimally this should reduce to and remain below 25% thereafter. The Company's policy in respect of capital risk management is the same as that of the Group.

The gearing ratios at 31 December 2016 and 2015 were as follows:

Group	Note	**31 December 2016 $000**	31 December 2015 (Restated) $000
Total borrowings	16	**16,731**	20,233
Less: cash and cash equivalents	13	**(13,097)**	(12,643)
Net debt		**3,634**	7,590
Total equity		**78,835**	77,942
Total capital		**82,469**	85,532
Gearing ratio		**4.4%**	8.9%

Company	Note	**31 December 2016 $000**	31 December 2015 $000
Total borrowings	16	**-**	-
Less: cash and cash equivalents	13	**(215)**	(147)
Net debt		**(215)**	(147)
Total equity		**114,506**	119,451
Total capital		**114,291**	119,304
Gearing ratio		**(0.19%)**	(0.12%)

19. Revenue

Group	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 $000
Gold	**44,359**	43,322
Silver	**843**	737
	45,202	44,059

20. Cost of sales

Group	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 $000
Wages and salaries	**8,676**	6,737
Energy and materials	**6,611**	10,536
Depreciation	**6,726**	5,702
Depletion	**2,381**	1,840
Other costs	**3,578**	3,962
	27,972	28,777

21. Profit from operations

	Note	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 $000
Profit from operations is stated after charging:			
Employment benefit expense	22	**11,641**	9,496
Bad debt		**143**	36
Depletion of mining properties [i]	6	**2,381**	1,840
Depreciation of property, plant and equipment [ii]	7	**7,026**	5,841
Loss on sale of property, plant and equipment		**76**	24
Operating lease rentals		**21**	197

i. Depletion of mining properties is shown net of depletion charged to inventories.
ii. Depreciation of property plant and equipment is shown net of depreciation charged to assets under construction, mining properties, deferred exploration and evaluation expenditure and inventories.

Notes to the Financial Statements - continued

22. Employment benefit expense

Group	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 $000

Wages and salaries	**10,810**	8,894
Social security costs	**2,300**	2,433
Pension contributions	**36**	40
Total employee benefit expense	**13,146**	11,367
Employee benefit expense charged to inventories [i]	**(99)**	(1,045)
Employee benefit expense capitalised [i]	**(1,406)**	(826)
Employee benefit expense charged to the statement of comprehensive income	**11,641**	9,496

i. Employee benefit costs have been capitalised under mining properties $1,337,284 (2015: $753,072) and property, plant and equipment $68,982 (2015: $73,409). Employee benefit costs charged to inventories amounted to $98,833 (2015: $1,045,323).

Company	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 $000
Wages and salaries	**668**	679
Social security costs	**22**	26
Pension contributions	**36**	40
Employee benefit expense charged to the statement of comprehensive income	**726**	745

The average number of employees, shown by activity, during the year (including executive directors) was:

Group	**2016 Number**	2015 Number
Operations	**550**	492
Administration	**57**	58
	607	550

Company	**2016 Number**	2015 Number
Operations	**-**	-
Administration	**2**	2
	2	2

23. Directors' remuneration and other interests

The aggregate remuneration of the directors of the Company was as follows:

	Year ended 31 December 2016 $000	Year ended 31 December 2015 $000
Basic salary	**488**	503
Fees	**25**	28
Bonus	**275**	276
Pension contributions	**36**	40
Benefits in kind	**5**	5
Directors' remuneration	**829**	852
Employer's National Insurance contributions	**22**	26
Key management compensation	**851**	878
Total number of directors during the year	**5**	5

The following table shows the directors who served during the year or in the previous year together with an analysis of their remuneration:

	Basic salary $000	Fees $000	Bonus $000	Pension Contributions $000	Benefits in kind $000	**Year ended 31 December 2016 $000**	Year ended 31 December 2015 $000
Executive directors							
D Khilov	330	-	218	-	-	**549**	546
SV Olsen	158	-	57	36	5	**255**	278
Non-executive directors							
PCD Burnell	-	25	-	-	-	**25**	28
CE Ryan	-	-	-	-	-	**-**	-
R Sasson	-	-	-	-	-	**-**	-
	488	**25**	**275**	**36**	**5**	**829**	852

The terms of Mr Olsen's employment contract include a salary sacrifice arrangement, whereby, in consideration of a £23,287 (2015: £23,113) reduction in his annual salary, the Company makes contributions to his personal pension plan.

Mr Khilov's employment contract includes an entitlement to two bonus payments, each in amount equivalent to eight months' salary then payable, for which the performance criteria agreed by the Remuneration Committee in 2014 comprise Asacha plant production, average gold grades in ore delivered to the Asacha plant and full cash cost targets, full cash cost being the total cost of sales excluding depletion, depreciation and royalty less revenue from sales of silver (net of royalty) divided by gold ounces sold. In each case, all the required performance criteria must be satisfied over a twelve month period. The performance criteria for the first contractual bonus payment to Mr Khilov were satisfied in the twelve months ended 30 June 2015; the bonus was included in Mr Khilov's 2015 remuneration. The performance criteria for Mr Khilov's second contractual bonus have not yet been satisfied, wherefore that has not yet been paid. The bonuses paid in 2016 were non-contractual.

The following tables show the beneficial interests of the directors who held office at the end of the year in the ordinary shares of the Company and the dividends received by those directors by virtue of those shareholdings (except for the beneficial interests of Messrs Sasson and Ryan by virtue of their connection with the Company's major shareholder UFG Asset Management):

Shares	Shares held at 1 January 2016	Additions	Disposals	**Shares held at 31 December 2016**
PCD Burnell	240,000	-	-	**240,000**
C Ryan	930,514	5,145,792	-	**6,076,306**
R Sasson	194,700	514,579	-	**709,279**

Dividends	**2016 $000**	2015 $000
PCD Burnell	**12**	-
C Ryan	**304**	-
R Sasson	**35**	-

No directors have any interests in share options. The options granted to three directors in respect of qualifying services under an employee share option scheme approved by special resolution of the Company on 18 August 2008 expired in 2014.

24. Share option schemes

An employee share option scheme was approved by special resolution of the Company on 18 August 2008 (the Adoption Date). The rules of the scheme, which include the commencement of gold production as a condition to exercise, were amended by resolution of the Company on 30 June 2014 to allow the granting of share options until the tenth anniversary of the Adoption Date.

The share options granted to directors and employees in July 2009, all of which were issued for nil cash consideration, expired on or before 24 July 2014. There were no market conditions associated with the share option grants. No other options have been granted under the scheme. No options have been granted since the year end.

The market price of the Company's shares at 31 December 2016 was 40.5p (2015: 15.125p) and, during the year, ranged between 15.125p and 55.5p (2015: 9.00p and 16.00p).

25. Share-based payments

There were no share-based payments in 2016 (2015; nil).

26. Pension arrangements

The Group does not provide a pension scheme for its directors or employees. The Company has made contributions to the personal pension plan of a director under the terms of a salary sacrifice arrangement as discussed in Note 23.

Notes to the Financial Statements - continued

27. Auditors' remuneration

	Year ended 31 December 2016 $000	Year ended 31 December 2015 $000
Services provided by the Group's auditor and network firms:		
Fees payable to the Company's auditor for the audit of parent company and consolidated financial statements	**117**	120
Fees payable to the Company's auditor and its associates for other services:		
Audit of the Company's subsidiaries pursuant to legislation	**67**	58
Tax services - compliance	**17**	10
Tax services - advice	**3**	10
	204	198

28. Finance income and expense

	Note	Year ended 31 December 2016 $000	Year ended 31 December 2015 $000
Finance income:			
Interest income on short-term bank deposits		**157**	301
Finance income		**157**	301
Finance expense:			
Finance charges under finance lease		**(140)**	(12)
Interest payable on short-term convertible debt		**-**	(14)
Interest payable on long term bank debt		**(1,972)**	(2,376)
Accretion of decommissioning provision	17	**(20)**	(59)
Finance expense		**(2,132)**	(2,461)
Net foreign (losses) gains on financing activities		**(61)**	6
Net finance expense		**(2,036)**	(2,154)

29. Income tax

	Note	Year ended 31 December 2016 $000	Year ended 31 December 2015 (Restated) $000
Current tax - UK Corporation tax		**-**	-
Current tax - Russian Corporation tax		**19**	8
Deferred tax	10	**2,240**	1,380
Current tax charge		**2,259**	1,388
Factors affecting tax charge for the year:			
Group profit before tax		**8,655**	6,614
		8,655	6,614
Tax charge at the UK corporation tax rate of 20% (2015: 20.25%)		**1,731**	1,339
Effects of:			
Difference in Russian tax rate of 20% (2015: 20%) to UK standard rate		**-**	32
Expenses not deductible for tax purposes		**339**	563
Exchange differences on the tax base		**153**	(495)
Adjustment to tax charge in respect of prior years		**36**	(51)
Total income tax charge for the year		**2,259**	1,388

The UK Corporation tax rate changed from 21% to 20% with effect from 1 April 2015.

During the development of the Asacha project, the Group accumulated tax losses which may be carried forward. As at 31 December 2016, the Company had deferred tax losses carried forward with an estimated tax value of $3,023,000 (2015: $3,023,000). The subsidiaries in Russia had tax losses carried forward with a tax value, at the standard rate of corporation tax in Russia of 20% of $609,000 (2015 restated: $3,961,000), which is available for use until 31 December 2024.

Tax losses arising in prior periods will reduce the Group's future tax liability. Prior to 2011, no deferred tax asset was recognised in respect of the available tax losses as the directors believed that it would not be prudent to recognise such tax assets until the Group began to generate taxable income. Following the commencement of commercial production at Asacha in 2011, the directors recognised a deferred tax asset in respect of the available tax losses of the Russian subsidiaries as it is believed that profits will be available against which the tax asset can be utilised.

30. Earnings per ordinary share

The calculation of basic profit per 10p ordinary share is based on the retained profit for the year ended 31 December 2016 of $6,395,985 (2015 (restated): $5,226,341) and on 110,053,073 (2015: 110,053,073) ordinary shares, being the weighted average number of ordinary shares in issue and ranking for dividends during the year.

The Group had no dilutive potential ordinary shares in either year that would serve to reduce the profit per ordinary share. There is therefore no difference between the basic and diluted profit per share for either year. Nil (2015: nil) potential ordinary shares have therefore been excluded from the above calculations.

31. Contingencies

Being an international Group with tax affairs in more than one geographical location makes the degree of estimation and judgements 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.

Under the terms of his employment contract a former director of the Company was entitled to a payment of £250,000 (the Asacha Bonus) within 180 days of the Asacha mine substantially achieving performance criteria deemed acceptable by the Remuneration Committee, with two additional share price related amounts of £125,000 each. On 28 April 2015, the Remuneration Committee resolved that an acceptable performance for the purposes of the Asacha Bonus would comprise the achievement during one period of three consecutive complete calendar months of three conditions comprising Asacha plant throughput of at least 37,500 metric tonnes of ore, an average gold grade of at least 10.0 grams per tonne in ore delivered to the Asacha plant and Asacha plant gold recovery of at least 95.0 per cent. One of these conditions, all of which had to be met within the same three month period, has not yet been met, however in November 2016 a full and final settlement of this contingent liability was agreed at £150,000, representing a significant discount to the contractual amount.

32. Commitments

a) Operating lease commitments

The Group leases various property, plant and machinery under cancellable operating lease agreements. The lease expenditure charged to profit or loss during the year is disclosed in Note 21.

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Equipment		Land and buildings	
Group	**2016 $000**	2015 $000	**2016 $000**	2015 $000
Liabilities:				
Due within one year	**97**	25	**236**	145
	97	25	**236**	145

Lease payments are effected by equal monthly instalments. Leased equipment may only be used at the Asacha mine. Leased land and buildings includes property in Moscow and Kamchatka.

The company had no operating lease commitments.

b) Finance lease commitments

The Group has entered into various finance lease agreements in respect of plant and machinery.

Outstanding commitments as at 31 December 2016 were as follows:

Group	Minimum lease payments		Interest		Present value	
	2016 $000	2015 $000	**2016 $000**	2015 $000	**2016 $000**	2015 $000
Due within one year	269	190	(92)	(116)	177	74
Due within 1 to 5 years	269	518	(44)	(131)	225	387
Due in more than 5 years	-	-	-	-	-	-
	538	708	(136)	(247)	402	461

Lease payments are effected by equal monthly instalments over a three year period. The lessee typically has the right to accelerate purchase at any time. Leased equipment may only be used at the Asacha mine. The lease arrangements do not involve any restrictions in respect of additional leasing or debt or dividend payments.

The company had no finance lease commitments.

c) Capital commitments

Contracted commitments for capital purchases as at 31 December 2016 amounted to $2,387 (2015: $1,986), as detailed below:

Group	**2016 $000**	2015 $000
Asacha project - due within one year	**2**	2
	2	2

Notes to the Financial Statements - continued

33. Ultimate controlling party and related party transactions

The ultimate control of TSG lies with the individual investors in UFG Private Equity Fund I LP, Russia Select Fund and UFG Asset Management (collectively, UFG). No one investor is considered to be the ultimate controlling party.

Directors' emoluments and dividends paid to them in respect of their beneficial interests in the ordinary shares of the Company are detailed in Note 23. UFG received a dividend in respect of its beneficial interest in the ordinary shares of the Company in amount $4,381,011 (2015: $nil). Other related party transactions involved UFG and the Company's other major shareholder AngloGold Ashanti Limited (AGA), as detailed below:

Related party	Nature of transaction	**Purchases during the year to 31 December 2016 $000**	**Amount owing at 31 December 2016 $000**	Purchases during the year to 31 December 2015 $000	Amount owing at 31 December 2015 $000
AGA	Loans (see Note 16)	-	-	-	-
	Loan interest	-	-	5	-
		-	-	5	-
UFG	Loans (see Note 16)	-	-	-	-
	Loan interest	-	-	9	-
		-	-	9	-
Total		-	-	14	-

In 2012 UFG and AGA provided TSG with short term loan facilities on commercial terms. These were repaid in full in March 2015.

Transactions between TSG and its subsidiaries and between those subsidiaries include technical, management and other services and loans as detailed below:

Related party	Nature of transaction	**Purchases (Sales) during the year to 31 December 2016 $000**	**Amount owing (owed) at 31 December 2016 $000**	Purchases (Sales) during the year to 31 December 2015 $000	Amount owing (owed) at 31 December 2015 $000
TSG	Technical services	-	**(1,242)**	21	(1,242)
	Other services	**7**	**43**	(10)	36
	Loans	-	**(6,282)**	3,120	(13,682)
	Loan interest	**(2,249)**	**(33,032)**	(1,092)	(30,777)
			(40,513)	2,039	(45,665)
TSGM	Management services	**(1,053)**	**(291)**	(981)	(159)
	Other services	**(7)**	**(43)**	10	(36)
		(1,060)	**(334)**	(971)	(195)
TZ	Technical services	-	**1,242**	(21)	1,242
	Management services	**1,053**	**291**	981	159
	Loans	-	**6,282**	(3,120)	13,682
	Loan interest	**2,249**	**33,032**	1,092	30,777
		-	**40,847**	(1,068)	45,860
Total		-	-	-	-

The movement on loans provided by TSG to TZ and the interest on those loans includes loans forgiven of $nil (2015: $3,120,000) and loan interest forgiven of $nil (2015: $1,537,269) as discussed in Note 9.

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.

34. Dividends

On 30 November 2016, the Company announced a special dividend of $0.05 per ordinary share, equivalent to approximately $5.5 million (2015: $nil).

35. Prior year adjustment

The prior year restatements discussed in Note 10 are as follows:

Deferred tax asset

An additional deferred tax asset of $1.7 million has been recognised at 1 January 2015.
An additional deferred tax asset of $2.7 million has been recognised at 31 December 2015.

Deferred tax liability

An additional deferred tax liability of $5.4 million has been recognised at 1 January 2015.
An additional deferred tax liability of $5.6 million has been recognised at 31 December 2015.

Group retained losses at 1 January 2015 have increased by $3.7 million.

Group income tax charge for the year ended 31 December 2015 has reduced by $755,000.

36. Events after the reporting date

On 19 June 2017, the Company's subsidiary ZAO Trevozhnoye Zarevo (TZ) agreed a new $15 million loan facility with the Russian bank VTB, with a 5 year term and 18 months grace period at an interest rate of 6.2%. The new facility facilitated the repayment of TZ's existing two loan facilities, amounting to $14.8 million. On 21 June 2017 TZ agreed an additional $5m facility with VTB, with a 3 year term, also at an interest rate of 6.2%.

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