Trans-Siberian Gold plc

("TSG", the "Company", or the "Group")

Final Results

Trans-Siberian Gold plc (TSG.LN) is pleased to announce its audited financial results for the year ended 31 December 2017.

Financial Highlights:

- Revenue $43.4million (2016: $45.2million)
- EBITDA $13.9 million (2016: $21.1 million)
- Profit before tax $3.0million (2016: $9.3million)
- Proposed final dividend $0.021 per share (2016: nil) amounting to $2.3million in aggregate
- Total dividend pay-out of $6.3 million for the year (subject to final dividend approval at the AGM) (2016: $5.5 million)
- New $19.5 million debt facilities at 6.2%, facilitating repayment of previous borrowings at 9.5%

Operational Highlights:

- Gold in dore 36,714 oz. (2016: 36,225 oz.)
- Production at refinery 33,872 oz. gold (2016: 35,366 oz.)
- Cost of sales per oz. of gold, $885 (2016: $757)
- Cash cost per oz. gold sold $588 (2016: $417)

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

"During the year we produced 33,872 oz. of refined gold at a cash cost of $588/oz. In our sixth year of production, our number one priority is to enhance our existing mining operations at Asacha. At the same time, we are well positioned to exploit future growth opportunities. We have a strong investment case and I am pleased for the Board to propose a final dividend of US2.1 cents per share."

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

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

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About TSG

TSG is focused on low cost, high grade mining operations and stable gold production from its 100% owned Asacha Gold Mine in Far East Russia.

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

Market Abuse Disclosure

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

Operations

We produced 33,872 oz. of refined gold (2016: 35,366 oz.) at a cash cost of $588/oz. (2016: $417/oz.). The average realised gold price increased by 1% to $1,260/oz., compared to $1,248/oz. in 2016. Production of gold in dore increased by 1.3% to 36,714 oz. (2016: 36,225 oz.), silver in dore increased by 4.5% to 57,072 oz. (2016: 54,595 oz).

Our operating costs are discussed in more detail in the Operating and Financial Review. Our cash costs of production remain very competitive amongst our industry peers globally.

The Asacha plant operated at 23.0% above its designed annual capacity of 150,000 tonnes and achieved 94.4% average gold recovery (2016: 95.2%). Ore extracted and processed in 2017 amounted to more than 198,000 and 184,000 tonnes respectively. Gold grades averaged 6.56 g/t (2016: 7.23 g/t). As in 2016 the processed gold grade reflected the need to process some lower grade stockpile ore in order to maintain high plant throughput. This is discussed in more detail in the Operating and Financial Review.

Licence

In March 2017 the Russian State Geological Commission for Reserves ("GKZ") approved an increase in Asacha's resources, the first step in the process of licence renewal. On 24 April 2018, the federal agency Rosnedra approved the new mine design based on those GKZ approved resources. We are therefore on track to complete the renewal of the Asacha licence prior to the end of its current term on 1 September 2018.

Financial Performance

2017 was another profit generating year for the Group but we will continue to seek efficiencies to reduce our key cost metrics and thereby improve our financial performance wherever practicable. After the special dividend of $5.5 million paid in 2016, we paid an interim dividend of $4.0 million in October 2017 and I am pleased that we can propose a final 2017 dividend of 2.1 US cents per share ($2.3 million) for approval by shareholders at the Annual General Meeting.

Gold industry trends

In 2017 the spot price of gold increased approximately 12% from $1,159/oz. to $1,297/oz.

The World Gold Council provides several explanatory causes of the rising gold price: weaker US dollar supported by the US dollar gold price; investor uncertainty arising from high equity markets using gold to manage risk exposure; geopolitical instability triggering investor fragility and the positive price momentum of physical gold.

The World Gold Council identifies the main drivers of gold price performance in 2018 as: the expected continuation of global growth (especially in China and India which are the world's largest and second largest gold markets); the effect of tighter monetary policy and greater market access.

Our view is that gold remains an asset of choice for investors.

The performance of the Russian economy is closely linked to international oil prices. In 2017, GDP increased by 1.5% vs. last year. Headline economic and financial trends and indicators continue to pick up. Economists project that the Russian economy will expand by 1.8% in 2018. The Russian rouble appreciated by 5.4% against the US dollar in 2017, and was stable in the first quarter of 2018. However, in April 2018 the Russian financial markets were hit by the combined impact of the new batch of US Office of Foreign Assets Control ("OFAC") sanctions and the sharp escalation in the Syria situation at the start of the month. The major hit was taken by RUB (-10%), whilst the RUB-valued MOEX Index (+2% in local currency) even managed a positive return, as Oil (Brent +7%) bounced to the post-2015 highs.

Despite a strengthening of the Russian rouble during the period, we affirm that Russia remains an attractive place to conduct mining operations. We have a long-established presence and 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 2017, the Company's share price rose by approximately 9%, which is broadly in line with the annual performance of the FTSE All Share Index (+8%) and the AIM Basic Materials Index (+15%).

Our number one priority is to enhance our existing mining operations at Asacha. At the same time, we are well positioned to exploit future growth opportunities, We have a strong investment case and believe our commitment to an attractive and stable dividend pay-out should increase interest in the Company's shares and the Company more widely.

We are committed to acting in a responsible manner, protecting the environment, safeguarding the welfare of our employees and maintaining good relationships with the communities in which we operate.

Two long-serving TSG directors retired during 2017: Simon Olsen, Chief Financial Officer since 2004, and Peter Burnell, a non-executive director since the Company's foundation, who also served as Chairman between 2006 and 2007. I thank them both for their significant contributions and welcome to the Board three new non-executive directors, Stewart Dickson, Florian Fenner and Lou Naumovski, and Alexander Dorogov as Chief Financial Officer. I take this opportunity to thank our shareholders for their support and the Company's management and staff for their continued efforts to achieve these results and to lay the foundations for TSG's future success.

Charles Ryan

Chairman

29 May 2018

Operating and Financial Review

Key performance indicators

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

		Reference	2017	2016
Refined gold sales	oz.		33,870	35,550
Average realised gold price	$	Financial Review	1,260	1,248
Cost of sales per oz. gold	$	Financial Review	885	757
Cash cost per oz. gold	$	Financial Review and Note 26	588	417
Ore extracted	tonnes ('000)		198	179
Ore processed	tonnes ('000)		184	163
Average dilution	%		42	34
Average feed gold grade	g/t		6.6	7.2
Gold recovery rate	%		94.4	95.2
Employee numbers		Note 7	729	677
Reported injuries			3	1
Net debt	$ million	Note 24	12.3	3.7
EBITDA	$ million	Note 24	13.9	21.1

Production

Asacha's sixth full year of operation produced 33,872 oz. (2016: 35,366 oz.) of refined gold and 52,746 oz. (2016: 51,428 oz.) of refined silver. The average processed ore gold grade was 6.56 g/t, 9.3% below the 2016 average 7.23 g/t, principally as a result of mining in low grade stopes in the 1st half and because of the lower proportion of rich stoping ore delivered to the plant. Mine development delays, particularly in the first half, led to a shortage of new stoping spaces so that, in 2017, stoping ore accounted for only 58.0% of the total ore volume delivered to the plant (2016: 41.2%). In order to maintain annual plant throughput at 150,000 tonnes it was again necessary to process lower grade material mined earlier and some tonnage from poor grade ore stockpiles to supplement new stoping ore. Average dilution excluding rockfalls deteriorated from 34.0% in 2016 to 42.0% in 2017. Dilution for shallow blast-hole blasting in 2017 increased as underground activities were held at the southern flank of the deposit in the mining blocks which are characterised by low stability of ore and enclosing rocks. In 2018 the dilution is expected to go down to 34%, as 70% of the stoping activities are planned from the northern flank of the deposit where enclosing rocks are more solid.

The mine experienced low technical availability of mobile underground equipment, especially in the first quarter, and excess underground water inflow starting in the second quarter. Increased water inflow at the levels below 200m had been expected and allowed for in the mine's design documentation, but actual water volumes were significantly higher and necessitated urgent measures to install extra pumping facilities.

In the first and second quarter of 2017, the average processed ore gold grade was 5.35 g/t and 4.77 g/t respectively but, in the third quarter, after the delivery to Asacha of new underground machines, the quality of ore improved. The average processed ore grades in July, August and September 2017 were 5.14 g/t, 7.69 g/t and 9.56 g/t with the proportion of stoping ore delivered to the plant increasing to 46.6% (at 7.4 g/t), 45.4% (at 12.3 g/t) and 87.0% (at 9.9 g/t) respectively. The average proportion of new stoping ore delivered to the plant remained at the September level for most of the fourth quarter, with an average processed grade of 8.6 g/t, leading to record gold production of 12,244 oz. in that quarter.

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 2017 is shown in the following table:

		2017	**2016**
Mine development	metres	5,780	4,926
Ore extracted	tonnes ('000)	198	179
Ore processed	tonnes ('000)	184	163
Average feed gold grade	g/t	6.6	7.2
Average feed silver grade	g/t	12.3	12.7
Gold recovery rate	%	94.4	95.2
Silver recovery rate	%	78.7	81.7
Gold in dore	oz.	36,714	36,225
Silver in dore	oz.	57,072	54,595
Gold refined	oz.	33,872	35,366
Silver refined	oz.	52,746	51,428

In the first quarter of 2018 mining progress has been slowed by high underground water levels, again necessitating the augmentation of higher grade stoping ore by lower grade ore from stockpiles. As a result the average processed ore gold grade fell to 6.1 g/t, with gold in dore 8,100 oz.

The water ingress problem is expected to be solved with the construction of a permanent pumping station at level 100m. The first stage of this station is expected to be completed in August 2018 when the required mining works are completed and all the equipment contracted earlier for this purpose has been delivered and assembled. In the interim mobile pumps and a temporary pumping station at level 150m are expected to reduce the impact of the water ingress.

Gold production is expected to improve from June 2018 onwards, with mining commencing in the richer parts of blocks 40, 44 and other blocks located at level 100m, and from August 2018, when the first stage of the pumping station at level 100m is in operation.

The Company expects to achieve 2018 refined gold production in the range 36,000–40,000 oz. (2017: 33,872 oz.).

Employees and safety

At 31 December 2017 TSG's subsidiary ZAO Trevozhnoye Zarevo ("TZ") employed 711 staff, including personnel working in two shifts at the site. Over 2017 additional mining workers were employed and the total number of employees increased by 49 people (2016: 662 people).

Efforts to improve health and safety at Asacha continued. There were 3 reported light injuries in 2017 (2016: 1 serious injury). As discussed in note 34, there was a fatal accident at the mine in April 2018.

The Company continues to invest in employee training and development. 116 (2016: 60) employees attended various training courses, including labour and fire safety, accident response and emergency management, electric safety and the safety of hydro-technical facilities.

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 has applied 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. 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 were undertaken by the Krasnoyarsk design institute, the new design based on the reserves approved by GKZ in 2017 was submitted to Rosnedra for approval, which was granted on 24 April 2018. That approval facilitated the commencement of the licence prolongation process, which is expected to be completed before 1 September 2018.

Reserves and resources

As at 31 December 2017 the JORC mineral resource estimate for Asacha was 956,000 tonnes with an average gold grade of 21 g/t and silver grade of 53 g/t, for approximately 651,000 oz. of gold and 1.6 million oz. of silver.

The resource estimate for the Asacha deposit was updated by Seequent UK Ltd ("SUKL") to the end of December 2017 to incorporate new data from mining development, the 2016 exploration programme and to account for mining depletion during 2017. A copy of SUKL's report is available on Company'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, SUKL 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.

Asacha JORC mineral resource – 31 December 2017

Category	Zone	Tonnes (000)	Au Grade g/t	Ag Grade g/t	Contained Au oz. (000)	Contained Ag oz. (000)
Measured	Main	172	15	29	85	162
Indicated	Main	435	21	67	299	933
Indicated	East	3	56	30	6	3
Total M & I		611	20	56	391	1,098
Inferred	Main	78	14	33	35	82
Inferred	East	269	26	53	224	458
Total Inferred		345	23	48	260	540

Notes: Resources are reported after mining depletion. Tonnage and grades have been rounded to reflect an appropriate level of precision. Rounding may mean that columns do not sum exactly.

4 g/t cut-off grade

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 the Group. 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.

Asacha Mineral Resource – Russian State Geological Commission for Reserves (GKZ) code as at 31 December 2017

C1 + C2 Resources

Au C1 & C2 oz.	Au Grade g/t	Ag C1 & C2 oz.	Ag Grade g/t	Cut-off g/t
582,066	20	1,402,415	48	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, adjusted for ore mined up to 31 December 2017 and 6.5% mining losses.

Financial Review

Results

Revenue from the sale of 33,870 oz. of refined gold (2016: 35,550 oz.) and 46,121 oz. of refined silver (2016: 51,741 oz.) was $42.6 million and $0.8 million respectively (2016: $44.4 million and $0.8 million). Average realised prices were $1,260 per oz. gold and $16 per oz. silver (2016: $1,248 per oz. gold and $16 per oz. silver). Cost of sales was $30.7 million (2016: $27.8million), the 10.4% increase principally reflecting higher energy and material costs and the continuing partial recovery of the Russian rouble, partially offset by the 5.0% reduction in gold oz. sold. Cost of sales per oz. gold, net of the credit from silver sales revenue, was $885 (2016: $757).

Cash cost per oz. gold excluding depletion, net of the silver credit and excluding royalty, was $588 (2016: $417) (see note 36). Depletion of mining properties is normally treated as a non-cash cost, however the Group has previously also reported cash cost per oz. including depletion because, in the early years of production, some mining properties costs were amortised over short periods. The Group will now only report cash cost per oz. excluding depletion.

As discussed in note 20 to the financial statements an additional impairment provision of $1.9 million (2016: $1.4 million) has been recognised against the ore stockpile, reflecting the difference between its expected net realisable value at a gold price of $1,297/oz. and cost, including processing, refining and royalties. At a gold price of $1,297/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 $4.3 million (2016: $11.3 million), after recognising the $1.9 million (2016: $1.4 million) increase in the inventory impairment provision discussed above and an exchange gain of $0.4 million (2016: $0.9 million), principally reflecting the impact of the continuing 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 $7.4 million (2016: $5.8 million). The Russian subsidiaries' administrative expenses amounted to $5.0 million (2016: $4.2 million), including $1.3 million in respect of the Moscow management subsidiary (2016: $1.1 million). The parent company's administrative expenses, principally salaries and adviser costs, were $2.4 million (2016: $1.6 million), including the salaries of its Russian based management ($0.7 million (2016: $0.5 million)) and advisers ($0.2 million (2016: $0.3 million)). UK administrative expenses included $0.3 million (2016: $nil) in respect of the termination of the former Chief Financial Officer's contract (note 8).

Finance income was $0.1 million (2016: $0.2 million). Finance costs were $1.2 million (2016: $2.1 million), the significant reduction reflecting the restructuring of TZ's loan facilities at lower interest rates as discussed below and in note 23 to the financial statements.

Financial Position

Total equity was $78.0 million at 31 December 2017 compared to $79.5 million at 31 December 2016, after payment of an interim dividend of $4.0 million ($0.036 per ordinary share) on 30 October 2017 (2016: $5.5 million special dividend ($0.05 per ordinary share).

Total non-current assets increased from $82.7 million to $85.8 million. Mining properties of $37.0 million (2016: $30.5 million) reflected $7.4 million progress for mining and mine development and $2.1 million transferred from deferred exploration and evaluation costs, offset by depletion of $3.0 million. Property, plant and equipment increased by $0.7 million to $47.1 million, primarily due to additional buildings ($0.8 million), plant and machinery ($1.4 million), vehicles and mobile equipment ($3.0 million) and assets under construction ($3.2 million), offset by depreciation charges.

Current assets increased from $22.2 million to $23.1 million. Inventories at Asacha at 31 December 2017 comprised $6.3 million gold and silver in production (2016: $2.4 million), $1.7 million ore stocks (2016: $4.7 million), of which $1.2 million (2016: $3.7 million) has been recognised as a non-current asset as discussed in note 20 to the financial statements and $6.1 million fuel and other materials and supplies (2016: $4.0 million), in aggregate $14.1 million (2016:

$11.2 million). As discussed above ore stocks are stated net of accumulated impairment provisions totalling $4.0 million (2016 $2.2 million).

Recoverable VAT at 31 December 2017 was $1.1 million (2016: $1.0 million). VAT amounting to $3.9 million (2016: $2.7 million) was recovered in 2017. All recoverable VAT at 31 December 2017 is expected to be received during 2018.

Cash and cash equivalents decreased from $13.1 million to $7.5 million.

Loans and borrowings at 31 December 2017 totalled $19.8 million (2016: $16.7 million), comprising $19.5 million (2016: $16.3 million) outstanding under the Asacha mine's loan facilities and $0.3 million finance lease obligations (2016: $0.4 million). On 19 June 2017 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 $5.0 million facility with VTB, with a 3-year term, also at an interest rate of 6.2%.

Current liabilities at 31 December 2017 totalled $10.8 million (2016: $12.8 million), the decrease principally reflecting a $3.8 million reduction in borrowings repayable within one year of the reporting date.

The deferred tax liability of $4.0 million (2016: $3.9 million) represents temporary 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.

As discussed in note 24 to the financial statements, the Group's gearing ratio at 31 December 2017 was 13.66% (2016: 4.40%).

Asacha mine

At an average gold price of $1,311/oz., Life of mine ("LoM") costs of sales per oz. over the remaining life of the Asacha mine are forecast at $827/oz., taking account of a $38/oz. credit from silver production (assuming a silver price of $17/oz. over the remaining mine life). Cash costs excluding royalties (in total $38.7 million), net of VAT recoveries are forecast at $473/oz. All-in sustaining costs, including $26.8 million future capital expenditure and $68.4 million administrative expenses, are forecast at $670/oz., giving a $641/oz. margin at a gold price of $1,311/oz.

The Board has carried out impairment reviews of the mine's economic model as at 31 December 2017 (note 17) 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.

Going concern

The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2019 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 17 staff, including 2 technical managers based at Asacha and TZ's Managing Director. The Company's UK based Chief Financial Officer stepped down in June 2017 so that TSG's Chief Executive Officer and Chief Financial Officer are both now based in Moscow.

Events after the reporting date

On 20 April 2018 there was a fatal accident in the underground mine. A miner fell into a pipeway passage in the upraise from a pump chamber at level 100 to level 150. Investigation procedures involving the regulatory authorities and TZ staff have commenced. TZ is providing support to the miner's family.

Dmitry Khilov

Chief Executive Officer

29 May 2018

Strategic Report

The Directors present the Strategic Report for the year ended 31 December 2017.

Business review

A detailed business review is included within the Operating and Financial Review on pages 11 to 13.

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 24 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 17 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 have 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 but to date has been unable to arrange comprehensive property and business interruption insurance for its Asacha mine at an 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.

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 have 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.

Key performance indicators

Details of the Group's analysis based on key performance indicators are included within the Operating and Financial Review on pages 11 to 13 and page 7.

On behalf of the Board

Dmitry Khilov

Chief Executive Officer

29 May 2018

Board of Directors

Board changes in 2017 provide a balance of continuity and fresh thinking.

Executive

Dmitry Khilov (aged 60)

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.

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.

Alexander Dorogov (aged 48)

Chief Financial Officer

Alexander Dorogov graduated from the State Finance Academy in Moscow with a degree in financial management. Prior to joining Trans-Siberian Gold Management LLC in November 2008, he was Chief Financial Officer of the Alumina division of UC Rusal from 2005 to 2008.

From 2009 till 2014 he also held the positions of deputy CEO and CFO of the Ferroalloys division of Mechel. Between 2001 and 2005 he held various senior positions with a private investment fund, supervising the acquisition of gold mines in Siberia and Far East Russia, and previously spent five years with United Financial Group.

Non-executive

Charles Ryan (aged 51)

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.

Robert Sasson (aged 53)

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.

Stewart Dickson (aged 40)

Stewart Dickson was appointed as Chief Executive Officer of ASX listed Variscan Mines Limited in 2017. His prior appointment was as Managing Director and Head of Metals & Mining at Cantor Fitzgerald Europe in London, with responsibility for client coverage of public and private mining companies across precious metals and base metals, bulks, fertilizers and specialty metals. He has a broad range of international financial advisory, equity capital markets and corporate broking transaction experience.

Prior to investment banking, Mr. Dickson served in the British Army as a commissioned officer. He is a graduate of University College London and holds a MBA from Henley Business School.

Lou Naumovski (aged 61)

Lou Naumovski has more than three decades of experience working in Russia, most recently as Vice President and General Director of the Moscow office for Kinross Gold Corporation, the largest Canadian investor in Russia. He also developed the business of Visa International, serving as Senior Vice President and General Manager Visa International Service Organisation (VISA), CEMEA region. Additionally, he served as Senior Banker and Head of Mission for the Russian Team of the European Bank of Reconstruction and Development in Moscow, and he represented the Bank when the Russian Prime Minister's Foreign Investment Advisory Council was first founded.

Mr. Naumovski has a BA (Honours) in Economics and Political Science from the University of Toronto and an MA in International Relations (specialised in Russian / Soviet affairs) from the Norman Patterson School of International Affairs at Carleton University in Ottawa.

Florian Fenner (aged 47)

Florian Fenner joined UFG Asset Management as Managing Partner in July 2002. In addition to his role as Managing Partner, Mr. Fenner is also responsible for the overall management of UFG's public markets funds business.

Prior to joining UFG, from 2000 to 2002 he was the Head of Unifund's Moscow office with responsibility for its Russia portfolio. From 1996, Mr. Fenner served as the Deputy Head of Research at Brunswick Brokerage, one of Russia's leading investment banks and in 1997 he became the Russian Equity Portfolio Manager for Brunswick Capital Management. Before joining Brunswick Brokerage, he worked as an investment banker for Schroder Munchmeyer Hengst Co. in Frankfurt. Mr. Fenner is a CFA charterholder and holds a degree in banking from Industrie- und Handelskammer in Frankfurt-am-Main.

Directors' Report

The Directors present the Annual Report and Accounts for the year ended 31 December 2017.

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2017.

Principal activities

Trans-Siberian Gold plc 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 on pages 5 to 6 and the Operating and Financial Review on pages 11 to 13.

Results and dividends

The results for the year are set out on page 30.

The Company paid an interim dividend of $0.036 per ordinary share, equivalent to approximately $4.0 million, on 30 October 2017 (2016: $nil). The Directors recommend a final dividend payment of $0.021 per ordinary share, equivalent to approximately $2.3 million

In 2016 the Company paid a special dividend of $0.05 per ordinary share, equivalent to approximately $5.5 million.

The Company is committed to making regular, sustainable, dividend payments in future.

Share capital

The Company's authorised and issued share capital as at 31 December 2017 is set out in note 27 to the financial statements.

Major shareholdings

At 17 April 2018, 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:

- 83,010,717 ordinary shares (75.43%) were held by UFG Asset Management
- 6,076,306 ordinary shares (5.52%) were held by Charles Ryan
- 5,145,792 ordinary shares (4.68%) were held by Florian Fenner

UFG Asset Management ("UFG") is an established multi-asset investment manager and long-term majority shareholder of TSG. UFG's interests in the Company's shares are held through various funds and connected entities and individuals, including:

- 30,887,775 ordinary shares (28.07%) held by UFG Private Equity Fund I LP
- 23,036,018 ordinary shares (20.93%) held by UFG Special Situations Fund LP
- 15,255,461 ordinary shares (13.86%) held by Destin Investment Management Ltd
- 10,716,977 ordinary shares (9.74%) held by UFG Investment Company I Ltd

The shareholdings of Messrs Ryan and Fenner shown above do not include their beneficial interests in TSG's shares held by virtue of their connection with UFG and several of its funds.

The ultimate control of the Company is discussed in note 35 to the financial statements.

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

Political and charitable donations

The Group made no political or charitable donations (2016: $nil).

Financial instruments

Details of the Group's financial instruments and its key financial risks are set out in note 24 to the financial statements which forms part of this Directors' Report.

Events after the reporting date

These events are discussed in the Operating and Financial Review on pages 11 to 13 and in note 34 to the financial statements.

Going concern

The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2019 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.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The Group's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests.

Information about matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Directors

The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

Charles Ryan	
Dmitry Khilov	
Alexander Dorogov	(Appointed 21 December 2017)
Robert Sasson	
Stewart Dickson	(Appointed 18 September 2017)
Lou Naumovski	(Appointed 18 September 2017)
Florian Fenner	(Appointed 18 September 2017)
Simon Olsen	(Resigned 30 June 2017)
Peter Burnell	(Resigned 18 September 2017)

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

Messrs Dorogov, Dickson, Naumovski and Fenner, having been appointed since the conclusion of the last AGM, also retire at the forthcoming AGM and, being eligible, offer themselves for re-election.

Qualifying third party indemnity provisions

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.

Board of Directors

The Company's Board currently comprises two executive directors and five non-executive directors, including the chairman. Three non-executive directors are appointed by UFG Asset Management, a major shareholder. The other non-executive directors are 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. 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.

Audit Committee

The Audit Committee chaired by Charles Ryan, the other current members being Robert Sasson and Stewart Dickson, 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, chaired by Charles Ryan, the other current members being Robert Sasson and Lou Naumovski, 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 8 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 Alexander Dorogov'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.

Auditors

PricewaterhouseCoopers LLP were appointed as auditors to the Group in October 2017 and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at the Annual General Meeting.

Statement of disclosure 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.

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.

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

Dmitry Khilov

Chief Executive Officer

29 May 2018

Independent Auditors, Report
to the members of Trans-Siberian Gold plc

Opinion

In our opinion, Trans-Siberian Gold plc’s Group financial statements and Company financial statements (the “financial statements”):

- give a true and fair view of the state of the Group’s and of the Company’s affairs as at 31 December 2017 and of the Group’s profit and the Group's and Company’s cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company’s financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the “Annual Report”), which comprise: the Consolidated and Company's Statements of Financial Position as at 31 December 2017; the Consolidated Statement of Comprehensive Income, the Consolidated and Company’s Statements of Changes in Equity, the Consolidated and Company’s Statements of Cash Flows; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

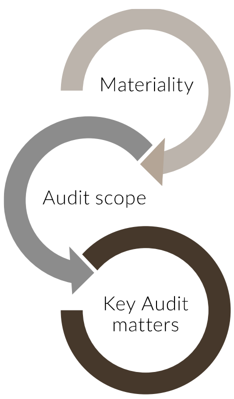
We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



- Overall Group materiality: $300,000, based on 5% of the three year average profit-before-tax.
- Overall Company materiality: $1,100,000, based on 1% of total assets, which primarily comprises of the Company’s investment in the Group. All balances that do not consolidate out were tested to Group component materiality of $290,000.

- We identified two significant components out of the Group’s three separate reporting units, which were selected due to their size and risk characteristics.
- Specific audit procedures were performed on certain balances and transactions at a further one reporting unit.
- This enabled us to obtain coverage over 100% of Group consolidated revenue.

- Valuation of Ore Stocks
- Impairment of mining assets and property, plant and equipment

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of Ore Stocks Refer to note 20, Inventories. The ore stocks are valued at $1.7m after cumulative impairment of $4.0m. We focused on this area due to the material nature of the balance and the judgement involved in impairment assessments, which depends on estimates of forward looking commodity prices and grade of the ore stocks. During the reporting year, the ore stocks' gross book value remained relatively stable, but the impairment provision increased, mostly due to lower grade gold within the ore and increased processing costs which are deducted from the fair value of the projected gold recovered.	The Group's ore stocks are valued at the lower of the ore stocks' expected net realisable value and cost, including processing and refining. We examined management's ore stocks' valuation and agree with their conclusion having: • Compared the gold prices used by management to available market data; and • Tested management's overall ore stocks' grade and found no errors. This included sampling a number of ore batches and comparing the gold grade measured by the Group's internal specialists to the results of the independent re-measurement performed by a third-party.
Impairment of mineral properties and Property, plant and equipment for the Group Refer to note 17 Property, plant and equipment. The carrying amount of Property, plant & equipment totals $84.1m at the 2017 year-end. We focused on this area due to the material nature of the balance and the judgement involved in impairment assessments, which depend on estimates of forward looking data including ore production, commodity prices and future costs. The Group experienced operational issues in 2017, which included low technical availability of mobile underground equipment and excess underground water inflow. This led to a rise in the Group's operating costs compared to forecasts and prior years. Management concluded this represented an impairment trigger and performed an impairment test, which showed no impairment loss had arisen.	We examined management's assessment of impairment indicators for the Group's assets and agreed with their conclusion that an impairment trigger had arisen. Accordingly, we obtained management's impairment model and performed the following procedures: • Tested that management's assessment of recoverable amount, based on Value in Use ("VIU") was in line with accounting standards; • Obtained the external reserves assessment and agreed it to the production profile to the model. We also considered the competence of management's experts to enable us to conclude that the closing reserves figures were reliable; • Compared management's forecast gold prices to consensus forecasts and found that management's forecasts were within a reasonable range; • Compared capital and operating cost forecasts to the latest expected life of mine plan; and • Benchmarked the key inputs in management's discount rate calculations to external sources and concluded that

	they are within an acceptable range. We also evaluated the disclosure of impairment tests in the financial statements and concluded these are appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed at the statutory reporting unit level by us, as the Group engagement team, or through involvement of our audit team in Russia. The Group's assets, operations and financial reporting are primarily located in Russia. Where work was performed by our audit team in Russia we determined the level of involvement we needed to have in the audit work for each reporting unit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. The Group team's involvement comprised of conference calls, review of auditor work papers, attendance at audit clearance meetings and other forms of communication as considered necessary. In addition, senior members of the Group audit team performed site visits to Russia. The Group engagement team directly performed the work over the consolidation.

The Group financial statements are a consolidation of 3 reporting units, comprising the Group's operating businesses and centralised functions within these segments. Of the Group's three reporting units, we identified two which, in our view, required an audit of their complete financial information, either due to their size or their risk characteristics. This included the main operating subsidiary and the Company. Specific audit procedures on certain balances and transactions were performed at a further one reporting unit. This gave us coverage over 100% of consolidated revenue. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Company financial statements**
Overall materiality	$300,000	$1,100,000
How we determined it	5% of three year average profit-before-tax.	1% of total assets.
Rationale for benchmark applied	We determined a single quantitative level of overall materiality based on the three year average profit-before-tax which the engagement team believes is reflective of the entity's current operations and has more relevance than current year profit-before-tax to shareholders.	We determined a single quantitative level of overall materiality for the company based on total assets, which primarily comprises of the Company's investment in the Group and the engagement team believes is reflective of the entity's current operations and has more relevance than earnings to shareholders. All balances that do not consolidate out were tested to Group component materiality of $290,000.

Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above $30,000 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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 year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Timothy McAllister (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

29 May 2018

1 Embankment Place
London
United Kingdom
WC2N 6RH

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2017

	Notes	2017 $'000	2016 as restated $'000
Revenue	4	43,447	45,202
Cost of sales		(30,737)	(27,751)
Ore stock inventory impairment		(1,862)	(1,389)
Gross profit		10,848	16,062
Administrative expenses		(7,392)	(5,821)
Other operating income		411	226
Foreign exchange on operating activities		432	872
Operating profit	5	4,299	11,339
Finance income	11	97	157
Finance expense	12	(1,217)	(2,109)
Foreign exchange on financing activities		(143)	(61)
Profit before taxation		3,036	9,326
Income tax on profit	14	(520)	(2,259)
Profit for the financial year		2,516	7,067
Total comprehensive income for the year		2,516	7,067
Total comprehensive income for the year is attributable to:			
– Owners of the parent company		2,516	7,067
Profit per share attributable to the owners of the parent company (expressed in cents)			
– Basic and diluted	13	2.29	6.42

The accompanying notes on pages 38 to 75 form an integral part of these financial statements.

Consolidated Statement of Financial Position
as at 31 December 2017

Company Registration No. 01067991

	Notes	2017 $'000	2017 $'000	2016 as restated $'000	2016 as restated $'000
Non-current assets					
Intangible assets	16		501		2,106
Property, plant and equipment	17		84,125		76,885
Inventories	20		1,166		3,704
			85,792		82,695
Current assets					
Inventories	20	12,884		7,485	
Trade and other receivables	21	2,484		1,587	
Current income tax receivable		281		–	
Cash and cash equivalents		7,491		13,097	
		23,140		22,169	
Total assets			108,932		104,864
Current liabilities					
Trade and other payables	22	(5,730)		(4,030)	
Borrowings	23	(5,031)		(8,760)	
		(10,761)		(12,790)	
Non-current liabilities					
Borrowings	23	(14,800)		(7,995)	
Provisions	25	(1,327)		(697)	
Deferred tax liability	26	(4,028)		(3,876)	
		(20,155)		(12,568)	
Total liabilities			(30,916)		(25,358)
Net assets			78,016		79,506
Capital and reserves attributable to owners of the Company					
Share capital	27		18,988		18,988
Retained earnings	27		59,028		60,518
			78,016		79,506

The accompanying notes on pages 38 to 75 form an integral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 29 May 2018 and are signed on its behalf by:

Dmitry Khilov	**Alexander Dorogov**
Chief Executive Officer	Chief Financial Officer

Company Statement of Financial Position
as at 31 December 2017

Company Registration No. 01067991

	Notes	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Non-current assets					
Investments in subsidiaries	18		106,369		111,928
Current assets					
Trade and other receivables	21	2,618		2,635	
Cash and cash equivalents		1,146		215	
		3,764		2,850	
Total assets			110,133		114,778
Current liabilities					
Trade and other payables	22	(344)		(273)	
Total liabilities			(344)		(273)
Net assets			109,789		114,505
Capital and reserves attributable to owners of the Company					
Share capital	27		18,988		18,988
Retained earnings	27		90,801		95,517
Total equity			109,789		114,505

The accompanying notes on pages 38 to 75 form an integral part of these financial statements.

As permitted by s408 of the Companies Act 2006, the Company has elected not to present its own statement of comprehensive income and related notes. The Company's loss for the year was $710,000 (2016: profit $557,000).

The financial statements were approved by the board of directors and authorised for issue on 29 ,May 2018 and are signed on its behalf by:

Dmitry Khilov
Chief Executive Officer

Alexander Dorogov
Chief Financial Officer

Consolidated Statement of Changes in Equity
for the year ended 31 December 2017

	Notes	Share capital $'000	Share premium $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2016		18,988	89,520	30,566	77,942
Year ended 31 December 2016:					
Profit and total comprehensive income for the year		–	–	7,067	7,067
Dividends paid	15	–	–	(5,503)	(5,503)
Capital reduction		–	(89,520)	89,520	–
Balance at 31 December 2016 (as restated)		18,988	–	60,518	79,506
Year ended 31 December 2017:					
Profit and total comprehensive income for the year		–	–	2,516	2,516
Dividends	15	–	–	(4,006)	(4,006)
Balance at 31 December 2017		18,988	–	59,028	78,016

The accompanying notes on pages 38 to 75 form an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2017

	Notes	Share capital $'000	Share premium $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2016		18,988	89,520	10,943	119,451
Year ended 31 December 2016:					
Profit and total comprehensive income for the year		–	–	557	557
Dividends paid	15	–	–	(5,503)	(5,503)
Capital reduction		–	(89,520)	89,520	–
Balance at 31 December 2016		18,988	–	95,517	114,505
Year ended 31 December 2017:					
Loss and total comprehensive income for the year		**–**	**–**	**(710)**	**(710)**
Dividends	**15**	**–**	**–**	**(4,006)**	**(4,006)**
Balance at 31 December 2017		**18,988**	**–**	**90,801**	**109,789**

The accompanying notes on pages 38 to 75 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2017

	Notes	2017		2016 as restated	
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash generated from operations	**31**		**11,982**		20,998
Interest paid			**(1,333)**		(2,109)
Income taxes paid			**(475)**		(18)
Net cash inflow from operating activities			**10,174**		18,871
Investing activities					
Purchase of intangible assets		**(501)**		(463)	
Purchase of property, plant and equipment		**(14,192)**		(8,992)	
Interest received		**97**		156	
Net cash used in investing activities			**(14,596)**		(9,299)
Financing activities					
Proceeds of new bank loans		**19,500**		–	
Repayment of bank borrowings		**(16,500)**		(3,519)	
Repayment of finance leases		**(314)**		(35)	
Dividends paid		**(4,006)**		(5,503)	
Net cash used in financing activities			**(1,320)**		(9,057)
Net (decrease)/increase in cash and cash equivalents			**(5,742)**		515
Cash and cash equivalents at beginning of year			**13,097**		12,643
Exchange gains/(losses) on cash and cash equivalents			**136**		(61)
Cash and cash equivalents at end of year			**7,491**		13,097

The accompanying notes on pages 38 to 75 form an integral part of these financial statements.

Company Statement of Cash Flows
for the year ended 31 December 2017

		2017		2016	
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Cash flows from operating activities					
Cash used in operations	32		(2,275)		(1,049)
Investing activities					
Repayment of loans by subsidiary companies		7,197		6,681	
Interest received		2		–	
Net cash generated from investing activities			7,199		6,681
Financing activities					
Dividends paid		(4,006)		(5,503)	
Net cash used in financing activities			(4,006)		(5,503)
Net increase in cash and cash equivalents			918		129
Cash and cash equivalents at beginning of year			215		147
Exchange gains/(losses) on cash and cash equivalents			13		(61)
Cash and cash equivalents at end of year			1,146		215

The accompanying notes on pages 38 to 75 form an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 December 2017

1 Accounting policies

1.1 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 01067991. The Company's shares are traded on the AIM Market of the London Stock Exchange.

1.2 Basis of preparation

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 2017 are reflected in these financial statements.

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

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 2.

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.

Standards, amendments and interpretations effective in 2017

New standards, amendments to standards and interpretations that are mandatory for the first time for the Group for the financial year beginning 1 January 2017 did not have a material effect on the Group.

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:

- IFRS 2 (amended) Classification and Measurement of Share-based Payment Transactions

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases

With the exception of IFRS 16, the impact of these standards and interpretations will be reflected in the interim and annual reports to be released in respect of 2018.

IFRS 15 is effective from 1 January 2018 and is intended to introduce a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Management have completed an assessment of the existing gold sale contracts and, based on the analysis performed, do not anticipate any material impact to the recognition of revenue upon adoption of this standard based on the existing arrangements at their operations. The accounting policy currently applied by the Group in respect of revenue recognition is not expected to change once this new standard has become effective.

IFRS 9 is effective from 1 January 2018 and replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value. Management have completed their initial assessment of the classification and measurement of the Group's existing financial assets and liabilities under the requirements of IFRS 9 and do not anticipate any material impact to the financial statements upon adoption of this standard.

IFRS 16 is effective from 1 January 2019 and introduces a single lease accounting model. This standard requires lessees to account for all leases under a single on-balance sheet model. Under the new standard, a lessee is required to recognise all lease assets and liabilities on the balance sheet; recognise amortisation of leased assets and interest on lease liabilities over the lease term; and separately present the principal amount of cash paid and interest in the cash flow statement. Management are currently evaluating the impact of the new standard in order to put all frameworks and systems in place. Based on the initial assessment, the standard is not expected to have a significant impact on the Group as the operating leases held by the Group are of low value and the majority of the existing contracts either relate to service agreements or the performance obligations based on variable terms and thus do not result in a right of use asset.

1.3 Restatement

During the year accounting errors were identified that require prior period adjustments to these consolidated financial statements. These errors principally relate to the earlier than intended depreciation of certain plant and machinery assets acquired under finance lease arrangements and the incorrect posting of payments made on initial inception of these arrangements as foreign exchange losses. The effect of these errors on the consolidated financial position reported at 31 December 2016 is that of an over-depreciation of assets and the understatement of prepayments and accrued income.

The errors have been corrected by restating each of the affected financial statement line items for the prior year, as follows:

Consolidated statement of comprehensive income

	Year ended 31 December		
	As previously reported	**Adjustments $'000**	**As restated $'000**

Revenue	45,202	–	45,202
Gross profit	15,841	221	16,062
Operating profit	10,691	648	11,339
Net finance costs	(2,036)	23	(2,013)
Income tax on profit	(2,259)	–	(2,259)
Profit for the financial year	6,396	671	7,067

Consolidated statement of financial position

	As at 31 December 2016		
	As previously reported $'000	**Adjustments $'000**	**As restated $'000**
Non-current assets	82,420	275	82,695
Current assets	21,749	420	22,169
Current liabilities	(12,790)	–	(12,790)
Non-current liabilities	(12,544)	(24)	(12,568)
Net assets	78,835	671	79,506

1.4 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.

1.5 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 $4.3 million, which is stated after significant non-cash depreciation and impairment charges. The Directors have reviewed the Group’s cash flow forecast for the period to 31 December 2019 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.

1.6 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 Russian bank Sberbank. 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.

1.7 Intangible assets

Intangible assets relate to the Group's deferred exploration and evaluation expenditure. 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.

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.

1.8 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 to 20 years
Plant and machinery	4 to 12 years
Office equipment	3 to 5 years
Motor vehicles	4 to 7 years

Assets in the course of construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

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.

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.

1.9 Non-current 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.

1.10 Impairment of non-current assets

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.

1.11 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) 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.

1.12 Cash and cash equivalents

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.

1.13 Financial instruments

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 of financial assets

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.

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.

1.14 Equity instruments

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.

1.15 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

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.

1.16 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.

1.17 Retirement benefits

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.

1.18 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.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.19 Foreign exchange

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 rates on 31 December 2017 were £1:$1.351 (2016: £1:$1.2342) and $1:RUB57.6002 (2016: $1:RUB60.6569). The average rates applied to transactions during the year were £1:$1.2886 (2016: £1:$1.3548) and $1:RUB58.2982 (2016: $1:RUB67.0917).

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.

1.20 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, Chief Financial Officer 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.

1.21 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).

2 Judgements and key sources of estimation uncertainty

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.

Key sources of estimation uncertainty

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.

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.

Mining properties and property plant and equipment

The recoverability of the amounts shown in the Group statement of financial position in relation to mining properties and 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. This is discussed further in note 17.

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 20.

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 25.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

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 26.

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 30.

Determination of functional currency

The Group has determined the US dollar as the functional currency of its Russian operating subsidiary TZ on the basis that it is the currency that influences its sale prices (first primary indicator) and in which funds from financing activities are generated
and retained (secondary indicators).

Significant judgement has been exercised in determining the functional currency of TZ, since the secondary primary indicator related to the currency influencing TZ's labour, materials and other costs of providing goods or services is the Russian rouble.

3 Segment information

The Group's operations are entirely focused on gold production and exploration and development activities within the Russian Federation, with its corporate head office in the UK.

The operating segment has been identified on the basis of internal reports about the components of the Group.

The Group has one reportable segment, being operations in Russia, whose accounting policies are in line with those set out in note 1. 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 $2,350,000 (2016: $1,638,000), 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.

4 Revenue

	2017 $'000	**2016 $'000**
Revenue analysed by product		
Gold	42,691	44,359
Silver	756	843
	43,447	45,202

5 Operating profit

	2017 $’000	2016 as restated $'000
Operating profit for the year is stated after charging:		
Depreciation/depletion of owned property, plant and equipment	7,744	8,925
Depreciation of property, plant and equipment held under finance leases	220	261
Loss on disposal of property, plant and equipment	248	76
Inventories impairment losses recognised	1,862	1,389
Operating lease charges	481	21

6 Auditors’ remuneration

	2017 $’000	2016 $'000
Fees payable to the Company's auditors and associates:		
For audit services		
Audit of the financial statements of the Group and Company	71	117
Audit of the financial statements of the Company's subsidiaries	105	67
	176	184
For other services		
Taxation compliance services	–	17
Other taxation services	–	3
	–	20

7 Employees

The average monthly number of persons (including directors) employed by the Group and Company during the year was:

	Group		Company	
	2017 Number	2016 Number	2017 Number	2016 Number
Operations	629	550	–	–
Administration	64	57	2	2
	693	607	2	2

Their aggregate remuneration comprised:

	Group		Company	
	2017 $'000	2016 as restated $'000	2017 $'000	2016 $'000
Wages and salaries	14,403	10,810	1,481	668
Social security costs	2,819	2,300	83	22
Pension costs	8	36	8	36
	17,230	13,146	1,572	726

Employee benefit costs have been capitalised under mining properties $1,964,000 (2016: $1,337,000) and property, plant and equipment $646,000 (2016: $69,000). Employee benefit costs charged to inventories amounted to $2,449,000 (2016: $99,000). Employee benefit expense charged to the statement of comprehensive income amounted to $12,171,000 (2016: $11,641,000).

8 Directors' remuneration

	2017 $'000	2016 as restated $'000
Remuneration for qualifying services	1,354	793
Company pension contributions to defined contribution schemes	8	36
	1,362	829

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2017 $'000	2016 as restated $'000
Remuneration for qualifying services	602	549
Company pension contributions to defined contribution schemes	8	–

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

	Salary $'000	Fees $'000	Bonus $'000	Termination $'000	Pension $'000	Total 2017 $'000	Total 2016 $'000
Executive directors							
Dmitry Khilov	217	–	330	–	–	547	549
Alexander Dorogov	9	–	–	–	–	9	–
Simon Olsen	108	–	182	312	8	610	255
Non-executive directors							
Charles Ryan	–	64	–	–	–	64	–
Robert Sasson	–	64	–	–	–	64	–
Stewart Dickson	–	4	–	–	–	4	–
Lou Naumovski	–	25	–	–	–	25	–
Florian Fenner	–	13	–	–	–	13	–
Peter Burnell	–	26	–	–	–	26	25
	334	196	512	312	8	1,362	829

The terms of Mr Olsen's employment contract included a salary sacrifice arrangement, whereby, in consideration of a $8,000 (2016: $36,000) reduction in his annual salary, the Company made the equivalent 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.

During the year, management consultancy services have been acquired from Feldi Limited, of which Stewart Dickson is a director and a shareholder, for $105,367 (2016: nil).

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 and 2017 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 Fenner, Sasson and Ryan by virtue of their connection with the Company's major shareholder UFG Asset Management):

	Florian Fenner Number	**Charles Ryan Number**	**Robert Sasson Number**
Shares			
At 1 January 2017	15,862,769	6,076,306	709,279
Additions	–	–	–
Disposals	–	–	–
At 31 December 2017	15,862,769	6,076,306	709,279

	Florian Fenner $'000	**Charles Ryan $'000**	**Robert Sasson $'000**
Dividends			
For the year to 31 December 2016	793	304	35
For the year to 31 December 2017	571	219	26

9 Share option schemes

There were no share-based payments in 2017 (2016: none).

10 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 8.

11 Finance income

	2017 $'000	2016 $'000
Interest income on short-term bank deposits	97	157

12 Finance expense

	2017 $'000	2016 as restated $'000
Interest payable on long term bank debt	1,046	1,972
Finance charges under finance lease	77	117
Accretion of decommissioning provision	94	20
	1,217	2,109

13 Earnings per share

The calculation of basic profit per 10p ordinary share is based on the retained profit for the year ended 31 December 2017 of $2,516,000 (2016 as restated: $7,067,000) and on 110,053,073 (2016: 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.

14 Income tax on profit

	2017 $'000	2016 $'000
Current tax		
Current tax - UK Corporation tax	–	–
Current tax - Russian Corporation tax	368	19
Total current tax	368	19
Deferred tax		
Origination and reversal of temporary differences	152	2,240
Changes in tax rates	–	–
Total deferred tax	152	2,240
Total tax charge for the year	520	2,259

Factors affecting corporation tax for the year

From 1 April 2017 the UK Corporation tax rate reduced from 20% to 19%, giving a weighted average rate for the year of 19.25%.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2017 $'000	2016 as restated $'000
Profit before taxation	3,036	9,326
Expected tax charge based on the UK corporation tax rate of 19.25% (2016: 20.00%)	584	1,865
Tax effect of expenses that are not deductible in determining taxable profit	127	339
Tax effect of income not taxable in determining taxable profit	(344)	(134)
Adjustments in respect of prior periods	–	36
Other permanent differences	(107)	–
Effect of overseas tax rates	28	–
Foreign exchange differences	95	153
Unrecognised taxable losses carried forward	137	–
Taxation charge for the year	520	2,259

Factors affecting future tax charges

With effect from 1 April 2020, the UK corporation tax rate will be reduced to 17%. This change, which was enacted on 15 September 2016, is not expected to have a significant impact on the Company and the Group.

15 Dividends

	2017	2016

	$'000	$'000
Special dividend of $0.05 per ordinary share	–	5,503
Interim dividend of $0.036 per ordinary share	4,006	–
	4,006	5,503

16 Intangible assets

Group	Deferred exploration and evaluation costs $'000
Cost	
At 1 January 2016	1,643
Additions	463
At 31 December 2016	2,106
Additions	501
Transferred to mining properties	(2,106)
At 31 December 2017	501
Amortisation	
At 1 January 2017 and 31 December 2017	–
Carrying amount	
At 31 December 2017	501
At 31 December 2016	2,106
At 1 January 2016	1,643

The Company had no intangible assets at 31 December 2017 or 31 December 2016.

The Group's intangible assets relate to the deferred exploration and evaluation expenditure incurred on the "Asacha East" zone,
a separate orebody within the Asacha mineral rights licence discussed in note 17.

Additions in the year include $nil (2016: $51,000) capitalised depreciation related to property plant and equipment used in the exploration and evaluation activities, see note 17.

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

17 Property, plant and equipment

Group	Mining properties $'000	Buildings $'000	Plant and machinery $'000	Office equipment $'000	Motor vehicles $'000	Assets under construction	Total $'000

						$'000	
Cost							
At 1 January 2016	59,295	78,336	19,346	474	2,247	1,115	160,813
Additions	5,976	697	916	6	929	518	9,042
Disposals	–	–	(595)	(29)	–	–	(624)
Transfers	–	(5)	–	–	–	5	–
Re-classifications	–	–	494	–	–	(494)	–
At 31 December 2016 (as restated)	65,271	79,028	20,161	451	3,176	1,144	169,231
Additions	7,395	787	1,429	17	2,952	3,242	15,822
Disposals	–	–	(1,426)	(15)	(510)	–	(1,951)
Transfers	–	94	400	–	–	(494)	–
Transferred from intangible assets	2,106	–	–	–	–	–	2,106
At 31 December 2017	74,772	79,909	20,564	453	5,618	3,892	185,208
Depreciation							
At 1 January 2016	32,247	37,832	10,537	446	2,232	183	83,477
Depreciation charge	2,535	5,534	1,186	22	139	–	9,416
Disposals	–	–	(520)	(27)	–	–	(547)
At 31 December 2016 (as restated)	34,782	43,366	11,203	441	2,371	183	92,346
Depreciation charge	3,014	5,408	1,591	8	419	–	10,440
Disposals	–	–	(1,178)	(15)	(510)	–	(1,703)
At 31 December 2017	37,796	48,774	11,616	434	2,280	183	101,083
Carrying amount							
At 31 December 2017	36,976	31,135	8,948	19	3,338	3,709	84,125
At 31 December 2016	30,489	35,662	8,958	10	805	961	76,885
At 1 January 2016	27,048	40,504	8,809	28	15	932	77,336

The Company had no property, plant and equipment at 31 December 2017 or 31 December 2016.

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	Group		**Company**	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Plant and machinery	222	442	–	–
Depreciation charge for the year in respect of leased assets	220	261	–	–

Mining properties

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

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 five 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 GKZ approval, the required design changes to the project were undertaken by the Krasnoyarsk design institute and the new design based on the reserves approved by GKZ in 2017 was submitted to Rosnedra for approval, which was granted on 24 April 2018. That approval facilitated the commencement of the licence prolongation process, which is expected to be completed before 1 September 2018.

Capitalisation of depreciation/depletion

- $527,000 (2016: $25,000) of the depreciation charge is included in additions to mining properties
- $110,000 (2016: $nil) of the depreciation charge is included in additions to assets under construction
- $nil (2016: $51,000) 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
- $704,000 (2016 $nil) of the depreciation charge is charged to inventories
- $1,135,000 (2016: $154,000) of the mining properties' depletion charge is included in inventory

Impairment review

Management has performed an impairment trigger analysis to assess whether mineral properties and property, plant and equipment should be tested for impairment and concluded that an impairment test should be performed due to:

- the average processed ore gold grade in 2017 was 6.56 g/t which is 9.3% below the 2016 average 7.23 g/t; and
- the mine experienced operational issues in the year including low technical availability of mobile underground equipment, especially in the first quarter, and excess underground water inflow starting in the second quarter, which contributed to higher operating costs compared to forecast.

The Board has carried out an impairment review of the mine's economic model as at 31 December 2017 by comparing the assets' carrying amount to the higher of their fair value less costs of disposal ("FVLCD") or value in use ("VIU"). For the purposes of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (cash generating units or "CGU"). The Group has one CGU being Asacha. The VIU for Asacha was determined by calculating the net present value of the future cash flows expected to be generated by the mine. The estimates of future cash flows were derived from the most recent Life of Mine ("LoM") plans and approved budgets. Gold price assumptions used to estimate future revenues are based on observable market or publicly available data, including forward prices and analyst forecasts. The future cash flows are discounted using a weighted average cost of capital ("WACC"), which reflects specific market risk factors and country risk.

The following are the key assumptions used in the impairment review:

Discount rate (after tax)	11.76%
Gold price per ounce (2018)	$1,250
Gold price per ounce (2019)	$1,310
Gold price per ounce (2020)	$1,305
Gold price per ounce (2021)	$1,320
Exchange rate RUR/USD	60RUR
LoM (years)	10

The VIU calculations have demonstrated headroom over the assets' carrying amount indicating no impairment. Gold price, discount rate and exchange rate are considered the most significant assumptions impacting the impairment calculations and these have been sensitised as follows:

- +/- $100 per ounce change in the projected future gold prices per ounce noted in the assumptions above while holding all other assumptions constant
- +/- 5% change in the exchange rate while holding all other assumptions constant
- +/- 2% change in the discount rate in combination with the change in both gold price and exchange rate noted above, while holding all other assumptions constant

None of the above sensitivities resulted in an impairment loss.

The breakeven price per ounce of gold, if assumed to be constant in future years, is $1,080 per ounce.

The breakeven discount rate is 29% and the breakeven exchange rate is 44 RUB/USD.

18 Investments in subsidiaries

		Group		Company	
	Notes	2017 $'000	2016 as restated $'000	2017 $'000	2016 $'000
Investments in subsidiaries	19	–	–	73,976	73,976
Loans to subsidiaries	19	–	–	32,393	37,952
		–	–	106,369	111,928

Movements in non-current investments

Company	Investments in subsidiaries $'000	Loans to subsidiaries $'000	Total $'000
Cost			
At 1 January 2016	73,976	42,393	116,369
Additions (interest accrued)	–	2,240	2,240
Repayments	–	(6,681)	(6,681)
At 31 December 2016	73,976	37,952	111,928
Additions (interest accrued)	–	1,638	1,638
Repayments	–	(7,197)	(7,197)
At 31 December 2017	73,976	32,393	106,369
Carrying amount			
At 31 December 2017	73,976	32,393	106,369
At 31 December 2016	73,976	37,952	111,928
At 1 January 2016	73,976	42,393	116,369

In addition to the impairment reviews discussed in note 17, 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 current year impairment review of the mine's economic model assumed a gold price of between $1,250 and $1,320 per ounce. (2016: $1,219/oz.), an expected economic life of ten years (2016: seven years) and a 11.8% discount factor (2016: 13.3%) and concluded that no adjustment to the provision made in 2014 was required.

19 Subsidiaries

Details of the Company's subsidiaries at 31 December 2017 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct
OOO Trans-Siberian Gold Management	Office 55, 15A Leninskiy Prospekt, 119071 Moscow, Russian Federation	Administration	Participating shares	100
ZAO Trevozhnoye Zarevo	1a Uralskaya Str., Elizovo, Elizovo district, 684007 Kamchatskiy Kray, Russian Federation	Mining	Common shares	100

20 Inventories

	Group		Company	
	2017 $’000	2016 $'000	2017 $’000	2016 $’000
Non-current:				
Ore stocks	5,194	5,870	–	–
Less accumulated provision	(4,028)	(2,166)		–
	1,166	3,704	–	–
Current:				
Gold in progress	4,858	2,357	–	–
Silver in progress	1,418	88	–	–
Ore stocks	505	1,033	–	–
Raw materials and consumables	6,103	4,007	–	–
	12,884	7,485	–	–
	14,050	11,189	–	–

Gold in progress, silver in progress and ore stocks include mining properties depletion $1,135,000 (2016: $154,000). Ore stocks, part of which are classified as non-current inventories, are stated net of an impairment provision of $4,028,000 (2016: $2,166,000), which reflects the difference between the ore stockpile’s expected net realisable value at a gold price of $1,297/oz. (2016: $1,200/oz.) and cost, including processing, refining and royalties.

21 Trade and other receivables

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Trade receivables	144	102	–	–
Receivables from subsidiary companies	–	–	2,585	2,606
Other receivables	1,108	1,043	14	7
Prepayments and accrued income	1,232	442	19	22
	2,484	1,587	2,618	2,635

Included within Group's other receivables is $1,051,000 (2016: $1,024,000) of Russian VAT recoverable at the year end. During the year $3,884,000 (2016: $2,694,000) of Russian VAT was recovered.

Amounts receivable from subsidiary companies include short-term loans of $1,364,000 (2016: $1,363,000) and accrued interest.

Receivables from subsidiaries are unsecured, bear interest of 8% pa and payable on 20th December 2018.

22 Trade and other payables

	Group		Company	
	2017 $'000	**2016 as restated $'000**	**2017 $'000**	**2016 $'000**
Trade payables	2,500	1,318	79	38
Amounts due to subsidiary companies	–	–	45	43
Social security and other taxes	12	204	–	9
Other payables	3,114	2,406	116	81
Accruals and deferred income	104	102	104	102
	5,730	4,030	344	273

Amounts due to subsidiaries are unsecured, interest free and payable on demand.

23 Borrowings

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current:				
Bank borrowings	4,743	8,583	–	–
Finance lease obligations	288	177	–	–
	5,031	8,760	–	–
Non-current:				
Bank borrowings	14,800	7,746	–	–
Finance lease obligations	–	249	–	–
	14,800	7,995	–	–
	19,831	16,755	–	–

Movement in borrowings is analysed as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	16,755	20,233	–	–
Proceeds from issue of loans	19,500	–	–	–
Repayment of loans and accrued interest	(16,507)	(3,519)	–	–
Release of debt issue costs	221	–	–	–
Net present value adjustment	–	76	–	–
Net movement in finance leases	(138)	(35)	–	–
At 31 December	19,831	16,755	–	–

On 19 June 2017, the Company's wholly owned subsidiary TZ entered into an agreement with VTB Bank for a $15,000,000 loan facility for a 5-year term, repayable in equal amounts quarterly with the first repayment effective seven calendar quarters after initial drawdown.

On 21 June 2017, TZ entered into a further agreement with VTB Bank for an additional $5,000,000 debt facility for a 3-year term, repayable on the loan expiry date.

Both loan facilities bear annual interest at 6.2% and are secured against the equity and fixed assets of TZ only. Additionally, TZ is required to enter into an exclusive gold sales agreement with VTB Bank, which is effective from January 2018.

The new facilities have been used to repay TZ's existing two loans with Sberbank amounting to $16,507,000, and to provide additional funds for working capital and other corporate purposes.

24 Financial instruments

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.

The table below shows the carrying value of the Group's financial assets and financial liabilities.

	Group		**Company**	
	2017 $’000	**2016 as restated $'000**	**2017 $’000**	**2016 $’000**
Carrying amount of financial assets				
Loans and receivables	201	105	34,981	40,561
Cash and cash equivalents	7,491	13,097	1,146	215
Carrying amount of financial liabilities				
Measured at amortised cost	25,549	20,581	344	264

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.

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

Group 2017	**Carrying amount $'000**	**Contractual cash flows $'000**	**6 months or less $'000**	**6 to 12 months $'000**	**12 to 36 months $'000**
Current financial liabilities:					
Trade and other payables	5,718	5,718	5,718	–	–
Loans and borrowings	4,700	4,700	–	4,700	–
Interest	43	721	145	146	430
Finance lease obligations	288	298	149	149	–
Non-current financial liabilities:					
Loans and borrowings	14,800	14,800	–	–	14,800
Interest	–	4,100	458	460	3,182
	25,549	30,303	6,445	5,446	18,412

Company 2017	**Carrying amount $'000**	**Contractual cash flows $'000**	**6 months or less $'000**	**6 to 12 months $'000**	**12 to 36 months $'000**
Current financial liabilities:					
Trade and other payables	344	344	344	–	–

Group 2016 (as restated)	**Carrying amount $'000**	**Contractual cash flows $'000**	**6 months or less $'000**	**6 to 12 months $'000**	**12 to 36 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	249	268	–	–	268
	20,581	24,863	10,284	6,013	8,566

Company 2016	**Carrying amount**	**Contractual cash flows**	**6 months or less**	**6 to 12 months**	**12 to 36 months**

	$'000	$'000	$'000	$'000	$'000
Current financial liabilities:					
Trade and other payables	264	264	264	–	–

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 18.

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

	2017		2016	
Group	**Carrying value $'000**	**Maximum exposure $'000**	**Carrying value $'000**	**Maximum exposure $'000**
Current financial assets classified as loans and receivables:				
Trade and other receivables	201	201	105	105
Cash and cash equivalents	7,491	7,491	13,097	13,097
	7,692	7,692	13,202	13,202

	2017		2016	
Company	**Carrying value $'000**	**Maximum exposure $'000**	**Carrying value $'000**	**Maximum exposure $'000**
Current financial assets classified as loans and receivables:				
Trade and other receivables	1,224	1,224	1,246	1,246
Loans to subsidiaries	1,364	1,364	1,363	1,363
Cash and cash equivalents	1,146	1,146	215	215
Non-current financial assets classified as loans and receivables:				
Loans to subsidiaries	32,393	32,393	37,952	37,952
	36,127	36,127	40,776	40,776

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.

The Group's borrowings are all issued at fixed rates and do not expose the Group to cash flow interest rate risk.

The Group has no other debt or fixed rate finance leases, except for finance leases discussed in note 29. 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 the reporting date was as follows:

		Group		Company	
Cash		**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
US dollars	Fixed rate	665	34	665	–
US dollars	Floating rate	4,219	10,626	–	80
Sterling	Non-interest bearing	475	130	475	130
Sterling	Floating rate	4	4	4	4
Roubles	Fixed rate	1,910	27	–	–
Roubles	Floating rate	218	2,276	2	1
		7,491	13,097	1,146	215

		Group		Company	
Loans		**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
US dollars	Fixed rate – 9.3%	–	7,491	–	–
US dollars	Fixed rate – 9.7%	–	8,789	–	–
US dollars	Fixed rate – 6.2%	19,500	–	–	–
		19,500	16,280	–	–

The weighted average interest rate payable during the year was 7.7% (2016: 10.0%) on fixed rate US dollar loans.

The weighted average interest rates earned during the year were 0.0% (2016: 0.0%) on floating rate sterling cash balances, 0.10% (2016: 0.10%) on floating rate US dollar balances and 5.5% (2016: 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.

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.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their functional currency.

	31 December 2017		**31 December 2016**	
	RUB $'000	**GBP $'000**	**RUB $'000**	**GBP $'000**
Trade and other receivables	199	4	1,634	29
Trade and other payables	(5,499)	(115)	(4,099)	(148)
Cash	2,128	479	2,303	134
	(3,172)	368	(162)	15

Effect on profit of changes in exchange rates

Net foreign exchange gains totalling $289,000 (2016 as restated: $811,000) 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.

The table below shows the impact of changes in exchange rates on the result and financial position of the Group:

	31 December 2017		**31 December 2016**	
	RUB $'000	**GBP $'000**	**RUB $'000**	GBP $'000
10% increase in exchange rate	288	33	15	(1)
10% decrease in exchange rate	(352)	(41)	(18)	2

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. 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 2017 and 2016 were as follows:

	Group		**Company**	
	2017 $'000	**2016 as restated $'000**	**2017 $'000**	**2016 $'000**
Total borrowings	19,831	16,755	–	–
Less: cash and cash equivalents	(7,491)	(13,097)	(1,146)	(215)
Net debt	12,340	3,658	(1,146)	(215)
Total equity	78,016	79,506	109,789	114,505
Total capital	90,356	83,164	108,643	114,290
Gearing ratio	13.66%	4.40%	(1.05)%	(0.19)%

25 Provisions

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Environmental/site restoration provision	1,327	697	–	–

Movements on provisions

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
At 1 January	697	723	–	–
Additional provision required	492	(24)	–	–
Unwinding of discount	94	20	–	–
Exchange difference	44	(22)	–	–
At 31 December	1,327	697	–	–

The provision relates to site restoration at the Asacha mine, which is expected to commence in 2027. The provision is estimated based on regional data from the Monitoring Ecological Centre of Kamchatka.

26 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group and Company, and movements thereon:

Group	2017 $'000	2016 $'000
Liability: Accelerated capital allowances	5,110	5,199
Asset: Tax losses	(250)	(609)
Asset: Other provisions	(832)	(714)
Net deferred tax liabilities	4,028	3,876
Net deferred tax liabilities to be recovered after more than 12 months	4,457	4,161
Net deferred tax assets to be recovered within 12 months	(429)	(285)
	4,028	3,876

The Company has no deferred tax assets or liabilities.

	Group		Company	
	2017 $'000	**2016** **$'000**	**2017** **$'000**	**2016** **$'000**
Movements in the year:				
Net liability at 1 January	3,876	1,636	–	–
Charged to statement of comprehensive income	152	2,240	–	–
Net liability at 31 December	4,028	3,876	–	–

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the relevant tax benefit through future taxable profits is probable.

As at 31 December 2017, the Company had unrecognised tax losses carried forward with a tax value, at the UK weighted average rate of corporation tax of 19.25%, of $2,320,000 (2016: $3,023,000).

The subsidiaries in Russia had recognised tax losses carried forward with a tax value, at the standard rate of corporation tax in Russia of 20%, of $250,000 (2016: $609,000).

27 Share capital and reserves

	Group and Company	
	2017 **Number**	**2016** **Number**
Authorised		
Ordinary shares of 10p each	150,000,000	150,000,000

	Group and Company	
	2017 **$'000**	**2016** **$'000**
Issued and fully paid		
110,053,073 (2016: 110,053,073) ordinary shares of 10p each	18,988	18,988

Share capital

Share capital represents amounts subscribed for share capital at nominal value.

Share premium

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. In 2016, the Company carried out a capital reduction, whereby the share premium account was 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

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

28 Operating lease commitments

Lessee

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 5.

At the reporting end date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
Within one year	551	333	–	–
	551	333	–	–

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.

29 Finance lease obligations

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

Outstanding commitments as at 31 December were as follows:

	Group		Company	
	2017 $'000	2016 as restated $'000	2017 $'000	2016 $'000
Within one year	338	293	–	–
In two to five years	–	269	–	–
	338	562	–	–
Less: future finance charges	(50)	(136)	–	–
	288	426	–	–

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.

30 Contingencies

Management have identified a potential income tax exposure in respect of the taxation of intragroup interest. The directors obtained specialist advice in this respect and believe that prior years' available tax losses should be sufficient to shelter any possible tax liability. No provision in relation to this possible exposure has been recognised in these consolidated financial statements as the likelihood of a liability arising is considered to be remote.

The Company's wholly owned subsidiary, ZAO Trevozhnoye Zarevo ("TZ") has received a claim from the Federal Service for Supervision of Use of Natural Resources, RosPrirodNadzor ("RPN") over the classification of payments for disposal of waste materials following a site inspection in 2016. Having taken appropriate advice, management believes that TZ has a strong legal position and as such, dispute the claim made by RPN. The claim could potentially amount to approximately $2.5 million.

31 Cash generated from Group's operations

	2017 $'000	2016 as restated $'000
Profit for the financial year after tax	2,516	7,067
Adjustments for:		
Taxation charged	520	2,259
Finance expense	1,217	2,109
Finance income	(97)	(157)
Loss on disposal of property, plant and equipment	248	76
Foreign exchange differences on financing activities	(152)	61
Depreciation of property, plant and equipment	7,964	9,186
Impairment of ore stocks	1,862	1,389
Net present value adjustment	–	76
Movements in working capital:		
Increase in inventories	(2,882)	(1,767)
(Increase)/decrease in trade and other receivables	(1,333)	74
Increase in trade and other payables	2,119	625
Cash generated from operations	11,982	20,998

32 Cash used in Company's operations

	2017 $'000	2016 $'000
(Loss)/profit for the year after tax	(710)	557
Adjustments for:		
Finance income	(1,640)	(2,256)
Foreign exchange differences on financing activities	(13)	61
Movements in working capital:		
Decrease in trade and other receivables	17	727
Increase/(decrease) in trade and other payables	71	(138)
Cash used in operations	(2,275)	(1,049)

33 Related party transactions

Directors' emoluments and dividends paid to them in respect of their beneficial interests in the ordinary shares of the Company are detailed in note 8. UFG received a dividend in respect of its beneficial interest in the ordinary shares of the Company in the amount of $2,586,000 (2016: $3,588,000). The restated 2016 amount excludes $793,000 received by Florian Fenner (who was appointed as a director of TSG in September 2017) and entities then beneficially controlled by him.

During the year there were no other related party transactions involving UFG and the Company's other major shareholder AngloGold Ashanti Limited (AGA), which disposed of its interest in the Company's ordinary shares in 2016, (2016: none).

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

Nature of transaction	Purchases (Sales) 2017 $'000	Balance at 31 December 2017 $'000	Purchases (Sales) 2016 $'000	Balance at 31 December 2016 $'000
Trans-Siberian Gold plc				
Technical services	–	1,221	–	1,242
Other services	–	(45)	7	(43)
Loan interest	–	3,001	–	6,282
Loans	(1,638)	30,755	(2,249)	33,032
	(1,638)	34,932	(2,242)	40,513
OOO Trans-Siberian Gold Management				
Management services	(1,255)	201	(1,053)	291
Other services	–	45	(7)	43
	(1,255)	246	(1,060)	334
ZAO Trevozhnoye Zarevo				
Technical services	–	(1,221)	–	(1,242)
Management services	1,255	(201)	1,053	(291)
Loan interest	–	(3,001)	–	(6,282)
Loans	1,638	(30,755)	2,249	(33,032)
	2,893	(35,178)	3,302	(40,847)
Total	–	–	–	–

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.

During the year, management consultancy services have been acquired from Feldi Limited, of which Stewart Dickson is a director and a shareholder, for $105,367 (2016: $nil). There were no amounts outstanding to Feldi Limited at the year end (2016: $nil).

34 Events after the reporting date

On 20 April 2018 there was a fatal accident in the underground mine. A miner fell into a pipeway passage in the upraise from a pump chamber at level 100 to level 150. Investigation procedures involving the regulatory authorities and TZ staff have commenced. TZ is providing support to the miner's family.

35 Ultimate controlling party

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

36 Non-IFRS Measures

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

Cash costs

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

	2017 $'000	**2016 as restated $'000**
Cost of sales	30,737	27,751
Adjustments for:		
By-product revenue (silver)	(756)	(843)
Mining tax	(1,850)	(2,833)
Depreciation/depletion of owned property, plant and equipment	(7,964)	(9,186)
Loss on disposal of property, plant and equipment	(248)	(76)
Cash Cost	19,919	14,813
Gold sold (oz.)	33,870	35,500
Cash Cost ($) per oz. gold	588	417

EBITDA

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

	2017 $'000	**2016 as restated $'000**
Revenue	43,447	45,202
Adjustments for:		
Cost of sales	(30,737)	(27,751)
Administrative expenses	(7,392)	(5,821)
Other operating income	411	226
Depreciation/depletion of owned property, plant and equipment	7,964	9,186
Loss on disposal of property, plant and equipment	248	76
EBITDA	13,941	21,118

Company Information

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Dmitry Khilov

Chief Executive Officer

Alexander Dorogov

Chief Financial Officer

Robert Sasson

Non-executive Director

Stewart Dickson

Non-executive Director

Lou Naumovski

Non-executive Director

Florian Fenner

Non-executive Director

Secretary

Simon Olsen

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