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Trans-Siberian Gold PLC
05 June 2019

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Trans-Siberian Gold plc

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

Final Results

Trans-Siberian Gold plc (TSG.LN), a low cost, high grade gold producer in Russia, is pleased to announce its audited financial results for the year ended 31 December 2018.

Financial Highlights:

- Record-breaking revenues amounting to $59.8million, a 38% increase YoY (2017: $43.4million)
- 72% increase YoY in EBITDA at $23.9million (2017: $13.9million)
- Profit Before Tax of $17million (2017: $3.0million)
- Proposed final dividend of $0.009cents per share (2017: $0.021) amounting to $1million in aggregate
- Total dividend pay-out for the year of $7.7million (subject to final dividend approval at the AGM) (2017: $6.3million)

Operational Highlights:

- Record annual production of gold in dore at 42,128oz. a 15% increase YoY (2017: 36,714 oz.)
- 36% increase YoY in total gold production at refinery at 46,053 oz. (2017: 33,872 oz.)
- Cost of sales per oz. of gold at $788 (2017: $885)
- Cash cost per oz. gold sold at $516 (2017: $588)
- All-in sustaining costs per oz. gold $1,049 (2017: $1,341)

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

"I am delighted to report that 2018 was a year of record-breaking operational and financial performance, with TSG delivering double-digit growth in both gold production and EBITDA. Our total gold production exceeded 42koz, outperforming our production target for the year. We achieved this while further optimizing our operational efficiency and significantly reducing costs.

In 2018, we reaffirmed our position as a high grade, low cost producer with a strong track record as one of the most attractive yielding mining stocks on the London Stock Exchange."

The Company confirms that copies of its Annual Report and Accounts have been sent to shareholders.

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

ENDS

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About TSG

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

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

Market Abuse Regulations

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

Disclaimer

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

Chairman's Statement

I am pleased to present the Company's annual report and accounts for the year ended 31 December 2018, a record breaking year.

In the past year TSG has delivered a record financial and operational performance.

One of the Board's basic responsibilities is to set our strategy and monitor progress towards meeting our objectives, so that we:

- Mine our high grade Asacha deposit effectively and efficiently;
- Produce low-cost gold sustainably;
- Operate responsibly and collaboratively in our host environment; and
- Create value for our shareholders.

Your Board of Directors is focused on ensuring TSG maintains its growth trajectory.

Executing our strategy

In 2018, we made significant progress across our business. Our financial performance reflects the success of the ongoing improvement measures that have been implemented by our operational team in Kamchatka. Improved cost discipline and technical excellence are the areas of focus for ensuring the delivery of our key strategic pillar; the enhancement of existing operations. Post period, we have acquired the Rodnikova licence in line with delivering another of our strategic priorities; utilising our platform for future growth opportunities.

Operations

In 2018, we achieved an all-time record annual gold production of 42,128 oz. of gold dore (2017: 36,714 oz.) at a cash cost of $516/oz (2017: $588/oz.). The average realised gold price for the year stood at $1,265/oz, compared to $1,260/oz. in 2017. Production of silver dore increased by 84% to 105,069 oz. (2017: 57,072 oz.).

2018 saw a return to a higher average grade of 7.4 g/t, an 12% increase from 6.6 g/t in 2017.

The Asacha plant has continued to perform well above its designed annual capacity of 150,000 tonnes and achieved 94.9% average gold recovery (2017: 94.4%). Ore extracted and processed in 2018 amounted to 173,597 and 189,695 tonnes respectively.

Please see our Operating and Financial Review on page 11 for more details.

Safety

The safety of all our employees remains an important priority for the Board. All efforts continue to be made to ensure that the highest standards of safety remain in place at the Company's operational location in Kamchatka.

I am saddened to report that during 2018 there was a fatal accident in the underground mine. We have conducted a full investigation into the incident. Any fatality is one too many. We strive to achieve a zero-fatality rate and continue to invest in employee training and development in our efforts to improve the standards of health and safety across our operations.

Licencing

2018 saw the successful extension of the mining licence at the Asacha Gold mine; in June 2018, the Russian State Subsoil Agency ("Rosnedra") approved TSG's application to extend the existing licence for a further six-year period, until 31 December 2024. Post period, we have acquired the highly prospective Rodnikova licence located approximately 50km from the Asacha Gold Mine.

Financial Performance

2018 was a successful year for the Group, cementing our position as a high grade, low cost producer. We made two dividend payments in respect of 2018 amounting to approximately $6.7 million in aggregate, and bringing our total dividends paid to shareholders to date to approximately $18.5m. Consequently, TSG has established itself as one of the highest yielding mining stocks on the London Stock Exchange. We remain committed to an attractive and stable dividend pay-out.

Gold industry trends

Average market gold price in 2018 was $1,268.49/oz., marginally above the 2017 average of $1,257.12. Gold prices started off strongly at $1,304.50/oz. but fell in the second half of the year. Over the course of the year, gold struggled due to rising US interest rates and a strong US Dollar.

However, both private and institutional investors returned to gold in 2018 and, over the course of the year, the World Gold Council reported that central banks purchased the highest amount of the metal for nearly 50 years. According to the 'Gold Demand Trends' report published by the World Gold Council, total gold demand grew by 4% in 2018, to 4,345.1 tonnes, from 4,159 tonnes in 2017. Of this, 651.5 tonnes of gold was purchased by Central Banks state gold reserves of which Russia was the largest purchaser.

We remain confident in the gold mining sector and in its long-term attractiveness to investors.

Russia

In Russia, 2018 saw changing geopolitical tensions with the impact of sanctions issued by the US Office of Foreign Assets Control in April, and the threat of further sanctions from Washington which was raised several times throughout the year. The Company is in no way exposed to these sanctions.

The Russian rouble fell sharply in April, and again in early August, when further sanctions were announced. Over the course of 2018, the USD-RUB exchange rate fell by 21%. This has had a favourable effect on the costof our operations.

However, despite these factors, Russia's economic growth reached a six-year high in 2018; the country's gross domestic product expanded by 2.3 per cent in 2018, beating forecasts by up to 0.8 per cent and is forecast to grow by a further 1.3 per cent in 2019. In part this is attributable to rebounding commodity prices, especially oil.

We were pleased to join the Union of Gold Producers of Russia ("UGPR") in November 2018. Members of the UGPR account for approximately 70% of gold mined within Russia, and we look forward to exchanging experiences and sharing best practices with our peers.

We continue to see Russia as an attractive location to conduct our mining operations. We have a long-established presence and deep understanding of the country. The recent acquisition of the Rodnikova licence is an illustration of our commitment to Russia and Kamchatka in particular.

Governance

The delivery of our strategy is supported by sound and practical corporate governance.

Our senior leadership team was significantly restructured in 2018. Former Chief Financial Officer Alexander Dorogov was appointed as Chief Executive Officer, following the retirement of Dmitry Khilov, in line with the Company's Board succession plan. Under Dmitry's tenure, the Company saw significant transformation, including bringing the Asacha Gold Mine into production in 2011. On behalf of the Board, I would like to thank him sincerely for his commitment and contribution to TSG.

In 2018 we appointed Eugene Antonov as Chief Operating Officer. His appointment, together with the recruitment of senior staff in Kamchatka with substantial industry expertise, has strengthened our management team significantly, positioning us well to drive future operational efficiencies and improvements. I am pleased to report that he has recenty joined the Board.

Having re-structured the Board, we are privileged to have a stable, skilled and experienced Board. This facilitates a solid basis for long-term strategic thinking and active oversight of the business. I thank all Board members for their continuing commitment and contribution.

I am also grateful to those Directors who are members of the Committees of the Board, which are set out later in this report. The diligent way in which they carry out their Committee duties enables us to have confidence that the appropriate controls and guardianship are fit for purpose. You can read more about this in the Corporate Governance Review.

Outlook and priorities

Looking forward into 2019 and the coming years, our strategy is for TSG to become a premier mid-tier gold producer and developer, a goal we aim to achieve through enhancing our existing operations, utilising our stable platform for future growth opportunities and pursuing selective accretive M&A opportunities.

We have made a strong start to 2019 and notably expanded our asset portfolio through the acquisition of Rodnikova.

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.

Our achievements are only made possible by the positive contributions of our skilled and talented team. I am grateful for their efforts over the past year and look forward to working with them to deliver future growth.

Charles Ryan

Chairman

04 June 2019

Strategic Report

Strategic Report

The Directors present the Strategic Report for the year ended 31 December 2018.

Principal activities

Trans-Siberian Gold plc is a UK-based resources company, whose Asacha Gold Mine in the Far East of the Russian Federation has been in production since September 2011.

The Company is a public limited company, operating under the laws of England and Wales (the principal legislation being the Companies Act 2006), incorporated and registered in England and Wales with registered number 1067991 and domiciled in the United Kingdom.

TSG is committed to creating value for all stakeholders on a sustainable basis. For shareholders, value is derived from capital appreciation in the company's share price and distributions in the form of dividends and share buybacks. Value is created by supporting the Far East's economy through taxes paid, employment and investmentin communities.

Strategy

The Group seeks to provide investors with access to a company capable of generating industry-leading shareholder returns, while maintaining a commitment to operational excellence and its social and environmental responsibilities. The Group's current corporate strategy is based on the following three pillars:

1. Enhance existing operations
2. Utilise stable platform for future growth opportunities
3. Pursue selective accretive M&A opportunities

How we deliver our strategy & create value

The Group makes use of various inputs and assets in our business activities to create shareholder value. Our business is focused on low-cost gold production and enabling investments. The outputs represent the delivery of our business strategy.

Strategic Report

Operating and Financial Review

Production

In 2018, in its seventh full year of operation, Asacha produced 46,053 oz. (2017: 33,872 oz.) of refined gold and 108,191 oz. (2017: 52,746 oz.) of refined silver, which is the Company's all-time record annual gold and silver production.

The average processed ore gold grade in 2018 was 7.4 g/t, 12% above the 2017 average 6.6 g/t, principally as a result of the improvements in mine development and availability of multiple stoping spaces, resulting in a steady increase in the stoping ore mine production. In 2017, stoping ore accounted for only 58.0% of the total ore volume delivered to the plant. In order to maintain annual plant throughput it was necessary to process lower grade material mined earlier and some tonnage from poor grade ore stockpiles to supplement new stoping ore. In the first and second quarters of 2018, the average proportion of new stoping ore delivered to the plant was 46% and 55% respectively but, in the third and fourth quarters, with the improvements in the mining methods, it has increased to 59% and 64% respectively.

Average dilution excluding rockfalls improved from 42.0% in 2017 to 36.0% in 2018, as most of the stoping activities were carried out in the northern flank of the deposit where enclosing rocks are more solid. In the first and second quarters of 2018, the average processed ore gold grade was 6.1 g/t and 6.3 g/t respectively but, in the third quarter, after the introduction of the new incentive program for the underground staff and implementation of other operational changes, the quality of ore improved. The average processed ore grades increased in the third quarter to 7.8 g/t and reached a record high of 9.1 g/t in the fourth 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 2018 is shown in the following table:

		2018	2017
Mine development	metres	**6,415**	5,780
Ore extracted	tonnes ('000)	**174**	198
Ore processed	tonnes ('000)	**190**	184
Average feed gold grade	g/t	**7.4**	6.6
Average feed silver grade	g/t	**22.8**	12.3
Gold recovery rate	%	**94.9**	94.4
Silver recovery rate	%	**76.7**	78.7
Gold in dore	oz.	**42,128**	36,714
Silver in dore	oz.	**105,069**	57,072
Gold refined	oz.	**46,053**	33,872
Silver refined	oz.	**108,191**	52,746

In the first quarter of 2019 primary efforts were focused on completion of construction of a permanent pumping station at level 100m. The construction works were completed in May 2019. In the interim, mobile pumps and a temporary pumping station at level 150m were used to reduce the impact of the water ingress. The water ingress problem is expected to be solved with the construction of the permanent pumping station at level 100m.

Development of the mine has progressed well; the volume of ore mined slightly decreased due to the need to allocate mining equipment to the construction of the pumping station at level 100m. However the availability of multiple high-grade stoping spaces prepared earlier facilitated the continued delivery of high grade stoping ore to the processing plant. As a result the average processed ore gold grade in the first quarter of 2019 remained high at 7.4 g/t, with gold in dore 12,345 oz.

Gold production is expected to improve from July 2019 onwards, with mining commencing in Vein 25, and following the installation of the permanent water pumping station. In the processing plant different types of mill liners and grinding media will be tested in 2019 in order to achieve a reduced mill downtime schedule.

In 2019, the Company expects to achieve gold production in the range 40,000-44,000 oz. (2018: 42,128 oz.).

Employees and safety

At 31 December 2018 TSG's subsidiary TZ employed 702 staff, including personnel working in two shifts at the site (2017: 711 people).

Efforts to improve the health and safety culture at Asacha continued. There was one fatal accident at the mine and 3 light injuries in 2018 (2017: 3 light injuries). The Company continues to invest in employee training and development, providing to the employees various training courses, such as labour and fire safety, accident response and emergency management, electric safety and the safety of hydro-technical facilities.

Asacha Licence

In June 2018 the Russian State Subsoil Agency ("Rosendra") approved the Company's application to extend the existing mining licence at the Asacha Gold Mine for a further six year period. The extended mining licence will expire on 31 December 2024.

Reserves and resources

As at 31 December 2018, the total mineral resource estimate for Asacha (Measured, Indicated and Inferred), as reported in accordance with the JORC Code (2012) was 858,000 tonnes with an average gold grade of 20 g/t and silver grade of 48 g/t, for approximately 553,000 oz. of gold and 1.3 million oz. of silver.

The resource estimate for the Asacha deposit was updated by Seequent UK Ltd ("SUKL") to the end of December 2018. SUKL has updated the resource estimate of Asacha at the end of every year from 2013. The purpose of these updates is to incorporate new data available from exploration, mining development and to account for mining depletion. A copy of SUKL's report is available on the Company's website.

The resource at Asacha occurs in two zones: Main zone (currently being mined) and East zone (not yet mined).

The Main zone hosts six defined veins, with the majority of the resource contained in two of these, QV1 and QV2. Three veins have been defined in the separate East zone. The Main zone has a strike length of approximately 1500m, whilst the East zone is approximately 400m.

Asacha's resource estimate was 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.

Asacha JORC mineral resource - 31 December 2018

Category	Zone	Tonnes (000)	Au Grade g/t	Ag Grade g/t	Contained Au oz. (000)	Contained Ag oz. (000)
Measured	Main	199	16	37	103	240
Indicated	Main	295	19	54	182	515
Indicated	East	3	56	30	6	3
Total M & I		**498**	**18**	**47**	**290**	**758**
Inferred	Main	90	13	34	39	98
Inferred	East	269	26	53	224	458
Total Inferred		**360**	**23**	**48**	**263**	**557**

Notes:

- 4 g/t cut-off grade
- 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.

Sources of change between 2017 and 2018 resource estimates

The total (Measured + Indicated + Inferred) declared resource has decreased from 651 Koz Au and 1 638 Koz Ag as reported at 31 December 2017 to 553 Koz Au and 1 314 Koz Ag as at 31 December 2018. The mining depletion accounts for 48 Koz Au and 154 Koz Ag from the model. The remaining adjustment is due to substantial development on the 100mRL which has led to a re-interpretation of a large volume of the main veins QV1 and QV2 that was previously estimated in 2013. The addition of the new data allowed for a 3D estimate for all but small areas of QV2 which remain as a 2D estimate.

The following table gives a breakdown of adjustments:

Description	Au oz. (000)	Ag oz. (000)
Resource Estimate as at 31 December 2017	651	1638
Mining depletion	-48	-154
Difference due to model geometry and grade estimation changes for new channel data	-48	-169
Resource Estimate as at 31 December 2018	553	1314

For the previous three years the model had been under-predicting the contained metal, however during 2018 the model over predicted by 7%. The ore dilution remains high but has improved to 58%, which is 5% lower than 2017.

The information in this report relating to Asacha's mineral resources is based on information compiled by Carrie Nicholls at 31 December 2018.

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 2018

C1 + C2 Resources

Au C1 & C2 oz.	Au Grade g/t	Ag C1 & C2 oz.	Ag Grade g/t	Cut-off g/t
536,223	20.2	1,258,701	47.5	2

GKZ - Russian State Geological Commission for Reserves
The above table shows the resources approved by GKZ in March 2017, adjusted for ore mined up to 31 December 2018.

Financial Review

Revenue from the sales of 45,956 oz. (2017: 33,870 oz.) of refined gold was $58.2 million (2017: $42.7 million), and of 108,749 oz. of refined silver (2017: 46,121 oz.) was $1.6 million (2017: $0.8 million) demonstrating growth of 36% and 100% respectively.

Average realised prices were $1,265 per oz. gold and $15 per oz. silver (2017: $1,260 per oz. gold and $16 per oz. silver). All sales were made on spot basis.

Cost of sales was $37.9 million (2017: $30.7 million), the $7.2 million increase consisting of $3.5 million allocation from WIP as well as higher depletion and depreciation costs. Cost of sales per oz. gold, net of silver credits revenue, was $788 (2017: $885) reflecting an overall reductionin processing and refining costs.

Cash cost per oz. gold excluding depletion, net of the silver credit and excluding royalty, was $516 (2017: $588). All-In Sustaining Costs per oz. gold were $1,049 (2017:$1,341), refer to note 36 in the financial statements.

In 2018 a reversal of previously recognised provision for ore stockpiles was recognised in the amount of $4.0 million following the commencement of significant blending of lower grade ore with higher grades when feeding the processing plant, as discussed further in note 20 to the financial statements.

The Group recorded an operating profit for the year of $18.0 million (2017: $4.3 million), after recognising the $4.0 million reversal of the inventory impairment provision (2017: increase of provision by $1.9 million) discussed above and exchange gains of $0.2 million (2017: $0.4 million).

Administrative expenses amounted to $8.4 million (2017: $7.4 million) and included termination payment of $1.0 million (2017: $0.3 million) in respect of the retirement of the former Chief Executive Officer (2017: retirement of the former Chief Financial Officer).

Finance income was $0.025 million (2017: $0.097 million). Finance costs were $1.1 million (2017: $1.2 million).

Financial Position

Total equity was $87.2 million at 31 December 2018 compared to $78.0 million at 31 December 2017, after payment of an interim dividend of $1.0 million ($0.009 per ordinary share) in October 2018 (2017: $4.0 million ($0.036 per ordinary share)) and a final dividend for 2017 of $2.3 million ($0.021 per ordinary share), which was paid on 25 July 2018 (2017: $nil).

Total non-current assets increased from $85.8 million to $93.8 million. Mining properties of $47.4 million (2017: $37.0 million) reflected $13.6 million progress for mining and mine development and $0.5 million transferred from deferred exploration and evaluation costs, offset by depletion of $3.6 million. Property, plant and equipment decreased by $3.4 million to $43.7 million, primarily due to additional buildings ($0.2 million), plant and machinery ($2.5 million), vehicles and mobile equipment ($0.3 million) and assets under construction ($1.9 million), offset by $8.1 million depreciation charges and $0.2 million disposals.

Current assets increased from $23.1 million to $23.9 million. Inventories at Asacha at 31 December 2018 comprised $1.4 million gold and silver in production (2017: $6.3 million), $5.2 million ore stocks (2017: $1.7 million), of which $2.6 million (2017: $1.2 million) has been recognised as a non-current asset as discussed in note 20 to the financial statements and $7.9 million fuel and other materials and supplies (2017: $6.1 million), in aggregate $14.6 million (2017: $14.1 million).

Recoverable VAT at 31 December 2018 was $0.9 million (2017: $1.1 million). VAT amounting to $4.2 million (2017: $3.9 million) was recovered during the year. All recoverable VAT at 31 December 2018 is expected to be received during 2019.

Cash and cash equivalents increased from $7.5 million to $9.7 million.

Loans and borrowings at 31 December 2018 totalled $17.1 million (2017: $19.8 million), comprising entirely loans outstanding under the Asacha mine's loan facilities (2017: $19.5 million) described in note 23 to the financial statements. During the year the Group repaid all its finance lease obligations resulting in nil balance at the reporting date (2017: $0.3 million).

Current liabilities at 31 December 2018 totalled $12.5 million (2017: $10.8 million), the increase principally reflecting a $1.5 million increase in borrowings repayable within one year of the reporting date.

The deferred tax liability of $6.4 million (2017: $4.0 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 2018 was 7.79% (2017: 13.66%).

Going concern

The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2020 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.

The Buyback announced on 2 May 2019 is expected to increase leverage (Net Debt/Shareholder funds). However, in light of the Group's historical and ongoing cash generation capability, the Board believes that this debt level is prudent. Further details about the Buyback are set out below.

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. TSG's Chief Executive Officer and Chief Operating Officer are based in Moscow.

Events after the reporting date

In January 2019, a special interim dividend of $0.052 per share equating to approximately $5.7 million in aggregate was declared and paid.

On 23 April 2019, the Russian Federal Agency for Subsoil Use ("Rosnedra") has issued a 20-year licence to TZ for the development and exploration of Rodnikova deposit for a consideration of $3 million. Rodnikova is estimated to contain 1Moz. of gold with an average grade of 5.3g/t. The Group is currently devising its exploration field work programme to assess the full potential of the Rodnikova deposit and options to potentially initiate early stage production. Taking into consideration the fact that the Asacha and Rodnikova deposits are believed to have similar geology, mineralogy and metallurgy, the Company will determine the suitability of utilising the existing processing techniques and plant at Asacha for the ore at Rodnikova.

On 2 May 2019, the Company entered into conditional agreements with two of its major shareholders within UFG Asset Management to buy back 22,894,565 of its existing ordinary shares representing approximately 21% of the Company's issued share capital by means of an off-market share buyback at a price of 33 pence per share for an aggregate purchase price of £7.56 million. The buyback represents a discount of 42% to the closing middle market price of a TSG share on 1 May 2019. As part of the transaction a further 11,478,410 of the Company's existing ordinary shares, representing approximately 10.4% of the Company's issued share capital, will be sold by the same shareholders to other members of the UFG Group, Directors and to new investors. The buyback is to be paid out of the Company's existing distributable profits and funded by a term loan of up to RUB 800 million (approximately £9.4 million) facility with VTB Bank, obtained by the Company's wholly owned subsidiary, TZ. The share sales, together with the buy back, will reduce the dominance by UFG of the share register and benefit shareholders as a whole.

On 31 May 2019, the Company announced the appointment of Eugene Antonov to the Board as Chief Operating Officer.

Alexander Dorogov
Chief Executive Officer

04 June 2019

Strategic Report

Key Performance Indicators

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

Refined gold sales	45,956 oz.	+36%
Average realised gold price	$1,265	+0.4%
Cost of sales per oz. gold	$788	-11%
Cash cost per oz. gold	$516	-12%
Ore extracted	174 tonnes ('000)	-12%
Ore processed	190 tonnes ('000)	+3%
Average dilution	36%	-14%
Average feed gold grade	7.4 g/t	+12%
Gold recovery rate	94.9%	+1%
Average employee numbers	727	+5%
AISC per oz.gold	$1,049	-22%
Reported injuries*	4	+33%
Net debt	$7.4m	-40%
EBITDA	$23.9m	+72%

Strategic Report

Risk Review

The risk management philosophy and tolerance levels of the Group is set and overseen by the Board. Risk tolerance levels are aligned with Board-approved strategic objectives and adjusted according to changing internal and external scenarios.

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.

Principal Risk	**Nature of Risk**	**Movement in Risk**	**How we manage the risk**	**Link to Strategy**
Regulatory environment	• The Group's activities are subject to extensive Russian federal and regional laws and regulations. • Legal inconsistencies may arise in view of the legal and regulatory regime in Russia. • Amendments to current laws and regulations, or more stringent implementation or interpretation of laws and regulations, could have a material adverse impact on the Group.	"	• The Russia based management team have extensive experience. • Monitoring changing legislation to ensure compliance. • Outsourced legal, taxation and other functions to ensure subject matter excellence. • Cultivating good working relationships with regulators and with representatives of the national or local government.	• Enhance existing operations • Utilise stable platform for future growth opportunities • Selectively pursue accretive M&A opportunities
Mining legislation & licencing	• The Group is dependent upon the grant and renewal of appropriate licences, permits and regulatory consents. • Failure to comply with these could result in additional costs, penalties being levied or the suspension or revocation of the licence.	"	• Monitoring changing legislation to ensure compliance. • Discussions are held with the appropriate authorities. • Policies, standards and procedures in place to ensure compliance. • Regular compliance review by advisers. • Register of all mining titles. • Asacha mining licence renewed in June 2018 for period of 6 years. • Rodnikova exploration licence awarded in April 2019 for period of 20 years.	• Enhance existing operations • Utilise stable platform for future growth opportunities
Reserve and resource estimates	• Estimates may require revision based on actual production experience. • Volume and grade of reserves mined and processed and recovery rates achieved may vary from those anticipated. • Gold price may render reserves containing relatively lower grades of gold mineralisation uneconomic.	$	• The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons in accordance with JORC. • Conduct detailed geological modelling and ensure that all analyses of exploration samples are undertaken by accredited laboratories.	• Enhance existing operations • Utilise stable platform for future growth opportunities
Environmental legislation & compliance	• Use of various chemicals and contaminants including cyanide, are subject to extensive environmental and health and safety laws and regulations. • Changes in regulations, or the interpretation of regulations, may result in additional costs.	#	• 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. • Compliance with water-use licence guidelines. • Pollution control and water catchment dams. • Control of toxic materials in contained storage areas. • Continuous engagement with and reviews by regulators on compliance.	• Enhance existing operations
Health & Safety	• Subject to various environmental, health and safety regulations stipulated by the relevant regulatory agencies. • The Group's operations require various licences/permissions with regard to the operation of flammable, explosive and	#	• Management include comprehensive safe working practices. • The Group also organises safety training for employees. • Legal compliance, standards and procedures in place, plan task observation and regular audits conducted.	• Enhance existing operations

	• chemically aggressive production facilities and the use of hazardous structures. • Stricter regulations could cause the Group to incur additional costs in order to comply with the new directives.		• Ongoing examination of workplace conditions. • Senior and experienced safety managers at operations. • Independent oversight by regulators.	
Mining and processing	• Exploration risks include geological and geotechnical factors. • Production risks include ore grade/quality, tonnages and recovery/yields. • Processing risks include industrial and mechanical incidents, technical failures, labour disputes, fire, flooding and other acts of God. • Significant seismic activity in Kamchatka. • Climatic conditions may impact the delivery of supplies, equipment and fuel.	$	• Technical and operational management have extensive experience from other Russian mining projects. • Operational audits are undertaken by external experts. • All buildings and installations at the Asacha mine have been designed and constructed to withstand seismic activity. • Logistical arrangements allow for weather disruption.	• Enhance existing operations
Property and Business interruption insurance	• Unable to arrange comprehensive property and business interruption insurance for the Asacha mine at an acceptable cost. • No guarantee that operations at Asacha will not be disrupted by property damage or other interruption.	#	• All buildings and installations at the Asacha mine have been designed and constructed to withstand seismic activity and significant water ingress arising from melting snow. • Logistical arrangements allow for weather disruption. • Risk has been discussed with the Company's major shareholders. • Underground water pumping station being commissioned but not yet fully operational.	• Enhance existing operations
Gold price volatility	• Gold price is affected by numerous factors which are beyond the Group's control. • Influencing 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.	"	• Focus on production costs to maximise margins and remain a low-cost producer. • The Group assesses the economic viability of its projects at gold prices based on long term trends and forecasts. • The Group 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 and keeps this under review.	• Enhance existing operations • Utilise stable platform for future growth opportunities • Selectively pursue accretive M&A opportunities
Taxation	• Tax legislation has been subject to change. • 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.	"	• The Russia based management team have extensive experience to ensure full compliance with the Tax Code and timely implementation of legislative changes. • Outsourced taxation function to ensure subject matter excellence.	• Enhance existing operations • Utilise stable platform for future growth opportunities • Selectively pursue accretive M&A opportunities

Governance

Board of Directors

Executive

Alexander Dorogov (aged 49)

Chief Executive 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.

Eugene Antonov (aged 44)

Chief Operating Officer

Eugene Antonov has more than 20 years of experience in the mining industry, mainly in managerial positions with responsibility for mine site operations and finance. Most recently he was an integral part of the leadership team at the Kupol Mine in Far East Russia which generated the largest annual cash flow and achieved the lowest operating cost across Kinross Gold Corporation.

Between 1999 and 2007, he was employed at Bema Gold Corporation in Canada in various executive finance roles, including Director of Finance, until its acquisition by Kinross. His previous experience also includes managerial positions at Teck in Canada.

Mr. Antonov, is a graduate of Pace University in New York and holds a MBA awarded by the Rotman School of Management in Toronto. Mr Antonov is also a member of the Chartered Professional Accountants in Canada.

Non-executive

Charles Ryan (aged 52)

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 54)

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 41)

Stewart Dickson has significant corporate and commercial experience across the natural resources and financial services sectors. He currently also serves as Chief Executive Officer of ASX listed Variscan Mines Limited and consults to the leadership teams of a number of companies globally. 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 experience advising small and mid-sized quoted companies at Board level on financial advisory, corporate strategy, equity capital markets, financings, M&A, corporate governance and regulatory compliance. Prior to investment banking, Mr. Dickson served in the British Army. He is a graduate of University College London and holds a MBA from Henley Business School.

Lou Naumovski (aged 62)

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 48)

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.

Governance

Corporate Governance Review

Chairman's Statement

TSG is committed to transparency and high standards of corporate governance.

For many years the Company has sought, where practicable for a company of its size and nature, to comply with the main provisions of the UK Corporate Governance Code, although such compliance is not mandatory for AIM listed companies.

Whilst we have recently refreshed many of our corporate functions, the introduction of the changes to the AIM Rules for Companies has been a timely catalyst for a review of our corporate governance arrangements. After careful consideration, the Board has decided to apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

The Quoted Companies Alliance ("QCA") is the membership organisation which represents the interests of small and mid-size quoted companies. Further information about the QCA and copies of the QCA Code are available at: www.theqca.com

The QCA Code is constructed around ten broad principles. We are pleased to provide an explanation as to how the Group meets and applies the principles in practice.

How our governance supports the delivery of our strategy

All Directors are collectively responsible for the success of the Group. As the Chairman of the Company, I am responsible for the leadership of the Board. The Chairman acts in an advisory capacity to the Chief Executive Officer ("CEO") and to other Directors on all matters concerning the interests and management of the Company and, in coordination with the CEO, may play a role in the Company's external relationships. The Non-Executive Directors exercise judgment in respect of Board decisions, and scrutinise and challenge management.

The Board is responsible for setting strategy and policies, overseeing risk and corporate governance, and monitoring progress towards meeting our objectives and annual plans. It is accountable to shareholders for the proper conduct of the business and our long-term success, and represents the interests of all stakeholders. The Board conducts an annual review of the Group's strategy.

The Senior Executive Team ("SET") takes the lead in developing the strategy which is then reviewed, constructively challenged and approved by the Board.

We are always mindful of the trust shareholders place in us as your elected Directors and of our wider responsibilities to all of TSG's stakeholders.

Charles Ryan
Chairman

04 June 2019

Strategy

Our strategic priorities

The Group seeks to provide investors with access to a company capable of generating industry-leading shareholder returns, while maintaining a commitment to operational excellence and its social and environmental responsibilities.

The Group's current corporate strategy is set out in the Strategic Report, together with an explanation of how we deliver strategy (our business model) and how we measure our progress (our Key Performance Indicators).

Risks

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. This enables us to meet the expectations of our shareholders and stakeholders.

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 in the Strategic Report on pages 8 to 19.

Governance Structure

Board of Directors

Audit Committee　　Remuneration Committee

Senior Executive Team (SET)

Operations Committee　　Health, Safety, Environment, & Community Committee

Notes:

- Biographies of the Board of Directors are set out in the Corporate Governance Review.

- Senior Executive Team comprises: CEO, COO, MD and Chief Engineer of ZAO Trevozhnoe Zarevo. Biographies are available at: http://www.trans-siberiangold.com/about-us/leadership-team/

- Details of the Board Committees are set out in the Corporate Governance Review and are also available at: http://www.trans-siberiangold.com/investor-relations/corporate-governance/

- From time to time ad hoc Board Committees may be constituted for specific projects or tasks. In these cases, the scope and responsibilities of the Committee are clearly defined and documented.

Board Composition

As at the date of this statement, the Board comprised a Non-Executive Chairman, two Executive Directors and four Non-Executive Directors, of whom two are independent.

Leadership and Operation of the Board

Leadership & Responsibilities

In line with best practice, the roles of CEO and Chairman are separated with a clear division of responsibilities between them.

Charles Ryan, our Chairman, is responsible for leadership of the Board. He is responsible for ensuring its effectiveness and ensuring that the Board operates in the interests of the shareholders and other stakeholders.

Our CEO, Alexander Dorogov, leads the SET and has executive responsibility for running our business. The composition of the Board has been refreshed in the past 12 months, including the planned succession of the CEO role.

Non-Executive Directors have a responsibility to uphold high standards of integrity and probity and are required to have a strong command of the issues relevant to the business in order to make a positive contribution to the Board. Non-Executive Directors support the Chairman and the Executive Directors in instilling the appropriate culture and values.

Chairman
- Leader of the Board
- Responsible for effective communication flow between Directors
- Facilitates effective contribution of all Directors
- Responsible for effective Board governance
- Ensures effective communication with shareholders

Executive Directors
- Lead and motivates management team
- Implement strategy and objectives as directed by the Board
- Develop Group policies and proposals for approval by the Board and ensures effective implementation

Non-Executive Directors
- Supply challenge and support to management
- Bring independent mind-set and differing backgrounds and experience to Board debates
- Provide leadership and challenge on the Board Committees
- Scrutinise leadership of Chairman

Company Secretary
- Secretary to Board and its Committees
- Informs the Board on all matters reserved to it and ensures papers are provided in sufficient detail and on time
- Available to Directors in respect of Board procedures and provides support and advice
- Ensure the Board is kept informed on governance matters

The Board discharges its responsibilities through a programme of meetings that includes regular reviews of financial performance and business critical issues. All Non-Executive Directors are required to ensure that there is sufficient consideration of business issues prior to, and informed debate and challenge at, Board meetings. In making decisions, they take into account the views of shareholders and other stakeholders, given that such views may provide different perspectives on the Company and its performance.

The Board also aims to ensure that a good dialogue with our shareholders is maintained and that their issues and concerns are understood and considered. The Company's largest shareholder, UFG Asset Management ("UFG"), is represented on the Board by Charles Ryan, Robert Sasson and Florian Fenner (together the "UFG Representative Directors").

Reserved matters

There is a schedule of matters that the Board has specifically reserved for its decision. This schedule is reviewed during each financial year and includes matters such as setting the Group's strategic aims and objectives, appointment and termination of any Director, approving significant contractual commitments, approving changes to the Group's share capital and corporate structure, approving financial reports and ensuring maintenance of a sound system of internal control and risk management.

The matters that have not been expressly reserved to the Board are delegated by the Board to its Committees or the CEO.

Operation of the Board

The Board held 15 meetings in FY 2018. In addition, the Board's Audit Committee met twice and the Remuneration Committee held a meeting.

The Board is currently scheduled to meet a minimum of meet 8 times in 2019 and will meet at such times as may be required to conduct business.

Board Meeting Attendance for the FY18

Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Charles Ryan	14 (14)	1 (2)	1 (1)
Dmitry Khilov*	9 (9)	-	-
Alexander Dorogov	15 (15)	-	-
Robert Sasson	14 (14)	2 (2)	1 (1)
Florian Fenner	14 (14)	-	-
Lou Naumovski	13 (14)	-	1 (1)
Stewart Dickson	14 (14)	2 (2)	-

Notes:

- Number in brackets denotes number of meetings during the period that Board members were entitled to attend.

- Dmitry Khilov retired on 13 July 2018.
- Eugene Antonov was appointed to the Board on 30 May 2019. During the year he attended meetings at the invitation of the Board.

Formal agenda, briefing papers and reports are sent to the Board in advance of its meetings. As part of the business of each board meeting, the CEO typically submits a progress report, giving details of business performance and progress against the objectives the Board has approved. To ensure that the Board has good visibility of the key operating decisions of the business, members of the SET may be invited to participate in Board meetings and meet with Board members throughout the year. The Board also receives management information and presentations on industry and regulatory developments from internal and external subject matter experts.

Principal matters considered by the Board in FY18

Area of focus

Strategic matters

- The Group's overall strategy, including its long-range plan and budgets
- The Group's capital structure, financing and strategy
- Corporate development opportunities
- Dividend declarations

Operational matters

- Executive management reports, including business performance
- Quarterly production information and announcements
- Health & Safety

Stakeholders

- Environment & Sustainability
- Communities

Governance & Risk management

- Reports from Board Committees
- Succession planning for SET and Board-level roles
- Financial and regulatory reporting

Board Committees

The Board delegates certain of its responsibilities to two Board Committees, which have clearly defined terms of reference as described below.

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.

Principal matters considered by the Audit Committee in FY18

- Financial and regulatory reporting
- Objectivity and independence of the Company's auditor

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. Dmitry Khilov's (until retirement), Alexander Dorogov's and Eugene Antonov'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.

Principal matters considered by the Remuneration Committee in FY18

- Determination and review of levels of remuneration
- Setting annual bonus targets
- Board appointments
- Termination arrangements for leavers

Board effectiveness

Appointments to the Board and succession planning

Due to the size and scale of its operations, the Company currently does not have a separate Nomination Committee. This decision is kept under review.

The Chairman and, where appropriate, the full Board regularly review the composition of the Board and the status of succession to both senior executive management and Board-level positions. The skills and experience of current Board members are compared with the skills and experience the Board believes are appropriate to the Company's overall business and strategic needs, both now and in the future. Any decision relating to the appointment of Directors is made by the entire Board based on the merits of the candidates and the relevance of their background and experience.

The Board aims to maintain a balance in terms of the range of experience and skills of individual Board members, which includes relevant experience of international business, mining industry and finance. The majority of the Board are fluent in Russian. Biographies of the Board of Directors are set out earlier and available at: http://www.trans-siberiangold.com/about-us/leadership-team/

Board of Directors

Director	Nationality	Age	Tenure
Charles Ryan	American	52	9 years
Alexander Dorogov	Russian	49	2 years
Eugene Antonov	Russian-Canadian	44	<1 year
Robert Sasson	British	54	5 years
Florian Fenner*	German	48	1 year
Lou Naumovski	Canadian	62	1 year
Stewart Dickson	British	41	1 year

Notes:

* Previously a Non-Executive Director of the Company between 2006 and 2013

The Board is very cognisant of the discussion in respect of greater diversity in senior management and the boards of quoted companies. While we support the aims of diversity, we do not believe that a pre-determined quota system is appropriate for TSG given its size and the scale of its operations. The Board ensures that suitable candidates irrespective of age, gender, ethnicity or nationality are considered objectively and fairly.

Board & SET Changes

In recent years, the Board and SET has been significantly re-organised to achieve a balance of continuity and the introduction of fresh thinking.

Board & SET Changes during FY18

7 August 2018	Senior Management Appointment - Chief Operating Officer	
16 July 2018	Directorate Change - Appointment of new CEO	
14 June 2018	Senior Management Appointment - TZ Chief Engineer	
7 March 2018	Senior Management Appointment - TZ Managing Director	

Mr. Eugene Antonov was appointed to the Board on 30 May 2019.

Independence of the Non-Executive Directors

The Board considers the independence of each Non-Executive Director for the purpose of the QCA Code. With the exception of Charles Ryan, Robert Sasson and Florian Fenner, the Board considers that the Non-Executive Directors are independent. Messrs Ryan, Sasson and Fenner are connected with UFG. UFG is an established multi-asset investment manager and long-term majority shareholder of TSG. On 17 April 2018, TSG published the interests of UFG, its connected entities and individuals in the Company's issued share capital, having recevied such notification from UFG.

The Board believe that the UFG Representative Directors have brought, and continue to bring, considerable business experience and make a valuable contribution to the work of the Board. Given their experience of investing in Russia, skills and familiarity with the operating environment in which the Company's assets are located, the Board believes their appointments to be in the best interests of the Company. The Board believe the representation of UFG on the Board is proportional to its aggregated economic interest and can be beneficial to all shareholders. Further it provides an effective conduit for understanding and meeting the needs and expectations of shareholders holding approximately 86% of TSG's issued shares, in aggregate as at the date of this statement.

There is no Relationship Agreement between TSG and UFG. The Board believe that such an agreement would be nugatory as the Board are of the opinion that TSG is capable of carrying on its day-to-day business independently of UFG and that there are no commercial transactions or relationships with the UFG, save for its shareholding. Should these circumstances change, the independent Non-Executive Directors would reconsider the need for a Relationship Agreement and would ensure that any business is conducted at arm's length and on normal commercial terms.

Time Commitment

The Company's expectation is that Non-Executive Directors should be prepared to commit 15 days a year, as an absolute minimum, to the Group's business.

In practice, Board members' time commitment exceeds this minimum expectation when all the work that they undertake for the Group is considered. As well as their work in relation to formal Board and Board Committee meetings, the Non-Executive Directors also commit time throughout the year to meetings, telephone calls and site visits.

On those occasions when a Director is unavoidably absent from a Board or Board Committee meeting they still receive and review the papers for the meeting and typically provide verbal or written input ahead of the meeting, so that their views are made known and considered at the meeting. Should Directors have concerns of any nature which cannot be resolved within the Board meeting, they have the right to ensure that their view is recorded in the minutes.

Information & Support

The Company Secretary is responsible to the Chairman for ensuring that all Board and Board Committee meetings are properly conducted, that the Directors receive appropriate information prior to meetings to enable them to make an effective contribution, and that governance requirements are considered and implemented.

The Company maintains Directors' and Officers' Liability insurance cover. Any Director may also take independent advice at the Company's expense in the furtherance of his duties.

Re-election of Directors

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 since the previous AGM 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.

A copy of the Company's Articles of Association is available on its website at:
http://www.trans-siberiangold.com/media/1253/tsg-mem-arts.pdf

Board performance evaluation

The Company has not conducted an external evaluation of the Board. Given the recent changes to the Board membership (as detailed above), the Board has agreed that given these changes an internal evaluation will be carried out in the next financial year.

Following accepted norms, it is envisaged that the internal evaluation will be in the format of a questionnaire which will be distributed to all of the Board, with the survey results presented on an anonymous basis. Following an initial review of the responses, the Chairman will discuss with the Executive and Non-Executive Directors the general themes raised by the survey and any other survey-related points they wish to discuss.

Directors training and development

Directors' training needs are met by a combination of internal presentations and external speaker presentations as part of Board and Board Committee meetings. All Directors continue to have free access to visit our mining operations outside scheduled Board arrangements. Board training and development needs are reviewed on an on-going basis. The Board views external directorships as being an important source of industry knowledge and corporate governance best practices. Directors may take independent professional advice, as necessary, at the Company's expense in the furtherance of their duties.

Relations with shareholders

TSG is committed to promoting effective and open communication with all shareholders, ensuring consistency and clarity of disclosure at all times. We strive to be accessible to both institutional and private investors.

The Company has invested substantially in making information more accessible to shareholders and stakeholders. This includes a new corporate website, new corporate presentation and re-design of our financial reports.

TSG has a designated Director who is the primary point of contact with the investment community and is responsible for maintaining TSG's on-going relations with investors and shareholders.

In addition to its annual and half-year financial reports, TSG publishes quarterly reports to the market, which provide further information on production and operational performance. We aim to present a balanced and understandable assessment of our strategy, financial position and prospects.

We make information about the Group available to shareholders through a range of media, including our corporate website, http://www.trans-siberiangold.com, which contains a wide range of data of interest to institutional and private investors. We consider our website to be an important means of communication with our shareholders. Additionally, we utilise a number of alternative channels to engage with shareholders and stakeholders.

Institutional Investors

A structured engagement programme is in place to ensure regular and proactive communication with shareholders and prospective investors.

We aim to balance investor engagement throughout the year, providing the opportunity for frequent interaction with all investors through a variety of forums including meetings, mining conferences and management presentations. We aim to periodically hold investor days to update investors on our businesses and strategy.

Private shareholders

We communicate with shareholders throughout the year through our electronic notification of regulatory announcements, which include notifications of dividends, the AGM and other initiatives which we feel may be of benefit to them.

We encourage all shareholders to participate at our Annual General Meeting ("AGM"). At the AGM a presentation of the Group's activities is provided. All shareholders, including private investors, have an opportunity at the AGM to put questions to members of the Board about our operations and performance.

Stakeholder Engagement

We need constructive relationships with our stakeholders to optimise our business. We listen to, and work with others, to explore the challenges we face as a business.

Our stakeholders include our employees and contractors, host communities, civil society, unions, governments, investors and the media. We reach out to them on local, national and international levels.

We engage with all stakeholder groups to build meaningful relationships and understand their expectations and aspirations. This minimises any potential negative societal impact, optimises the value we bring to local communities and maintains our licence to operate.

We hold regular face-to-face meetings, conference calls and participate in multi-stakeholder discussions. We participate in roundtables with government and other industry representatives to discuss new policies as well as amendments to existing legislation.

Further information and selected examples of our engagement with local and regional stakeholders is available at: http://www.trans-siberiangold.com/sustainability/approach-policies/

People & Culture

We value our people and encourage the development of talented and motivated employees to support the continued performance of our mining operations. We strive to build a sense of purpose and achievement among all our people in the work we do.

Our culture is based on ethical values and behaviours which are set out on the Company's website at:
http://www.trans-siberiangold.com/sustainability/our-people. We believe that our culture and expected standards are consistent with industry best-

practice and our strategy.

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

The Board ensures that the policy is enacted and our values and behaviours are recognised and respected by first hand employee dialogue and observation on site visits ('walking the floor') and management reports from the SET.

Assessing our performance against the QCA Code - A summary

Principle	Key points of how we deliver
DELIVER GROWTH	
Establish a strategy and business model which promote long-term value for shareholders.	• Clearly stated & communicated on the Company's website and in our corporate materials (annual reports, investor presentations). • How we deliver our strategy and measure progress (KPIs) are set out in our annual report. • Risks to our strategy and our actions to mitigate them set out in our annual report.
Seek to understand and meet shareholder needs and expectations.	• Clearly structured engagement programme in place for both institutional and private investors. • Investor roadshow feedback shared and discussed at Board meetings. • Existing major shareholder has proportionate Board representation and therefore a direct link exists between 86% of the ownership of the Company and the Board. • Invested in more comprehensive and appealing corporate materials & website. • Established multiple communication channels (online and offline).
Take into account wider stakeholder and social responsibilities and their implications for long-term success.	• Key stakeholders are identified and their needs are understood. • Website disclosures of regional and local memberships and activities. • Transparency of Companies House filings of Payments to Governments. • Clear policy on Modern Slavery and Supply-Chain management available on the Company's website.
Embed effective risk management, considering both opportunities and threats throughout the organisation.	• Risks to our strategy and our actions to mitigate them set out in our annual report.
MAINTAIN A DYNAMIC MANAGEMENT FRAMEWORK	
Maintain the board as a well-functioning, balanced team led by the Chair.	• Roles and responsibilities set out online, in annual reports and in this document. • Details about the operation of the Board are included in this document. • Composition of the Board and its effectiveness is discussed in our annual report. • The Company has a minimum of two independent Non-Executive Directors. • Non-independent Directors are identified, the reasons why and their contribution are explained. • Board committees set out on the Company's website and in annual reports. • Details of time commitments and meeting attendance is set out in this document.
Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities.	• Biographies of Directors available on the Company's website and in annual reports. • Board and senior management have been restructured significantly. • Directors have a blend of mining sector, finance and capital markets experience. • Diversity considered but quota system assessed to be inappropriate.
Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.	• An internal board evaluation will be conducted for FY19.
Promote a corporate culture that is based on ethical values and behaviours.	• Ethical values and behaviours set out online. • Consistent with industry best practice & our strategy. • Values and behaviours are recognised and respected by first hand employee dialogue and observation on site visits ('walking the floor') and management reports from the SET.
Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board.	• Governance structures and processes kept under review. • This statement explains how we apply the QCA Code. • Roles and responsibilities set out on the Company's website, in annual reports and in this document.
BUILD TRUST	
Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	• Significantly increased our engagement with shareholders and stakeholders. • Multi-channel communication channels to facilitate dialogue and feedback - see online and this document. • Governance information and documents freely available.

As a UK company with a listing on the AIM Market of the London Stock Exchange, TSG is required to make certain statements regarding the way it is governed. Accordingly, this statement in its entirety explains how TSG applies the Ten Principles of the Corporate Governance Code as set out in the QCA Code.

Directors' Report

The Directors present their annual report and audited consolidated financial statements for the year ended 31 December 2018.

Principal activities

Trans-Siberian Gold plc is a UK-based resources company, whose Asacha Gold Mine in the Far East of 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 and 7 and the Operating and Financial Review on pages 11 to 15.

Results and dividends

The financial results for the year are set out on page 38.

The Company paid an interim dividend of US$0.009 per ordinary share, equivalent to approximately $1 million, on 26 October 2018 (2017: $4.0 million at 0.036 per ordinary share). Additionally, after the period end, the Company paid a special interim dividend of US$0.052 per ordinary share, equivalent to approximately $5.7 million, on 28 February 2019.

The Directors recommend a final dividend payment of $0.009 per ordinary share, equivalent to approximately $1 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 2018 is set out in note 27 to the financial statements.

Major shareholdings

At the reporting date, 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:

Significant Shareholdings

Shareholder	No. of Ordinary Shares	Percentage of Issued Share Capital	Notes
UFG Private Equity Fund I LP	30,887,775	28.07%	
UFG Special Situations Fund LP	23,141,018	21.03%	
Destin Investment Management Ltd	15,250,461	13.86%	
UFG Investment Company I Ltd	10,716,977	9.74%	
UFG Investors Limited	6,076,306	5.52%	Wholly owned by Charles Ryan
Florian Fenner	3,430,528	3.1%	
Petrovka GmbH	1,715,264	1.56%	Wholly owned 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.

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.

Political and charitable donations

The Group made no political or charitable donations (2017: $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 15 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 2020 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.

Further information about our people and culture is set out in the Corporate Governance Review.

Directors

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

Board of Directors

Director	Notes
Charles Ryan	
Dmitry Khilov	Retired 13 July 2018
Alexander Dorogov	
Eugene Antonov	Appointed 30 May 2019
Robert Sasson	
Florian Fenner	
Lou Naumovski	
Stewart Dickson	

In accordance with the provisions of the Company's Articles of Association, Messrs Charles Ryan and Lou Naumovski retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers themselves for re-election.

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. Dmitry Khilov's (until his contract terminated in accordance with his retirement), Alexander Dorogov's and Eugene Antonov'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.

Further information about the Board of Directors and its operation is set out on pages 22 to 30 and in the Corporate Governance Review.

Qualifying third party indemnity provisions

The company has made qualifying third-party indemnity provisions, as defined in section 234 of the Companies Act 2006, for the benefit of the directors in respect of liabilities incurred as a result of their office to the extent permitted by law. These provisions remain in force at the reporting date. The Company also maintained a directors' and officers' liability insurance policy throughout the financial year.

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 the AIM Rules for Companies and Market Abuse Regulations.

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.

Further information about how the Group manages its relationship with shareholders is set out in the Corporate Governance Review.

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a Resolution to re-appoint them will be proposed 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

Alexander Dorogov
Chief Executive Officer

04 June 2019

Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018

	Notes	2018 $'000	2017 $'000
Revenue	4	**59,769**	43,447
Cost of sales		**(37,872)**	(30,737)
Ore stock inventory impairment reversal / (charge)	20	**4,028**	(1,862)
Gross profit		**25,925**	10,848
Administrative expenses		**(8,393)**	(7,392)
Other operating income		**279**	411
Foreign exchange on operating activities		**192**	432
Operating profit	5	**18,003**	4,299
Finance income	11	**25**	97
Finance expense	12	**(1,077)**	(1,217)
Foreign exchange on financing activities		**12**	(143)
Profit before taxation		**16,963**	3,036
Income tax on profit	14	**(4,529)**	(520)
Profit for the financial year		**12,434**	2,516
Total comprehensive income for the year		**12,434**	2,516
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		**12,434**	2,516
Profit per share attributable to the owners of the parent company (expressed in cents)			
- Basic and diluted	13	**11.30**	2.29

The accompanying notes on pages 47 to 76 form an integral part of these financial statements.

Financial Statements

Consolidated Statement of Financial Position

as at 31 December 2018

Company Registration No. 01067991

	Notes	2018		2017	
		$'000	$'000	$'000	$'000
Non-current assets					
Intangible assets	16		**-**		**501**
Property, plant and equipment	17		**91,122**		**84,125**
Inventories	20		**2,651**		**1,166**
			93,773		**85,792**
Current assets					

Inventories	20	**11,924**		**12,884**	
Trade and other receivables	21	**2,229**		**2,484**	
Current income tax receivable		**-**		**281**	
Cash and cash equivalents		**9,725**		**7,491**	
		23,878		**23,140**	
Total assets			**117,651**		**108,932**
Current liabilities					
Trade and other payables	22	**(5,167)**		**(5,730)**	
Current income tax payable		**(834)**		**-**	
Borrowings	23	**(6,522)**		**(5,031)**	
		(12,523)		**(10,761)**	
Non-current liabilities					
Borrowings	23	**(10,571)**		**(14,800)**	
Provisions	25	**(1,008)**		**(1,327)**	
Deferred tax liability	26	**(6,362)**		**(4,028)**	
		(17,941)		**(20,155)**	
Total liabilities			**(30,464)**		**(30,916)**
Net assets			**87,187**		**78,016**
Capital and reserves attributable to owners of the Company					
Share capital	27		**18,988**		**18,988**
Retained earnings	27		**68,199**		**59,028**
			87,187		**78,016**

The accompanying notes on pages 47 to 76 form an integral part of these financial statements.

The financial statements on pages 41 to 76 were approved by the board of directors and authorised for issue on 04 June 2019 and are signed on its behalf by:

Alexander Dorogov
Chief Executive Officer

Financial Statements

Company Statement of Financial Position

as at 31 December 2018

Company Registration No. 01067991

		2018		2017	
	Notes	$'000	$'000	$'000	$'000
Non-current assets					
Investments in subsidiaries	18		**96,278**		106,369
Current assets					
Trade and other receivables	21	**2,643**		2,618	
Cash and cash equivalents		**6,365**		1,146	
		9,008		3,764	

Total assets			**105,286**		110,133
Current liabilities					
Trade and other payables	22	**(160)**		(344)	
Total liabilities			**(160)**		(344)
Net assets			**105,126**		109,789
Capital and reserves attributable to owners of the Company					
Share capital	27		**18,988**		18,988
Retained earnings	27		**86,138**		90,801
Total equity			**105,126**		109,789

The accompanying notes on pages 47 to 76 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 $1,400,000 (2017: $710,000).

The financial statements on pages 41 to 76 were approved by the board of directors and authorised for issue on 04 June 2019 and are signed on its behalf by:

Alexander Dorogov
Chief Executive Officer

Financial Statements

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

	Notes	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2017		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
Year ended 31 December 2018:				
Profit and total comprehensive income for the year		-	**12,434**	**12,434**
Dividends	15	-	**(3,263)**	**(3,263)**
Balance at 31 December 2018		**18,988**	**68,199**	**87,187**

Company Statement of Changes in Equity

for the year ended 31 December 2018

	Notes	Share capital $'000	Retained earnings $'000	Total equity $'000

Balance at 1 January 2017		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
Year ended 31 December 2018:				
Loss and total comprehensive income for the year		-	**(1,400)**	**(1,400)**
Dividends	15	-	**(3,263)**	**(3,263)**
Balance at 31 December 2018		**18,988**	**86,138**	**105,126**

The accompanying notes on pages 47 to 76 form an integral part of these financial statements.

Financial Statements

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

		2018		**2017**	
	Notes	**$'000**	**$'000**	**$'000**	**$'000**
Cash flows from operating activities					
Cash generated from operations	31		**28,852**		11,982
Interest paid			**(1,153)**		(1,333)
Income taxes paid			**(1,255)**		(475)
Net cash generated from operating activities			**26,444**		10,174
Investing activities					
Purchase of intangible assets		-		(501)	
Purchase of property, plant and equipment		**(17,816)**		(14,192)	
Interest received		**25**		97	
Net cash used in investing activities			**(17,791)**		(14,596)
Financing activities					
Proceeds of new bank loans		**4,900**		19,500	
Repayment of bank borrowings		**(7,330)**		(16,500)	
Repayment of finance leases		**(338)**		(314)	
Dividends paid		**(3,263)**		(4,006)	
Net cash used in financing activities			**(6,031)**		(1,320)
Net increase/(decrease) in cash and cash equivalents			**2,622**		(5,742)
Cash and cash equivalents at beginning of year			**7,491**		13,097
Exchange (losses)/gains on cash and cash equivalents			**(388)**		136
Cash and cash equivalents at end of year			**9,725**		7,491

The accompanying notes on pages 47 to 76 form an integral part of these financial statements.

Financial Statements

Company Statement of Cash Flows

for the year ended 31 December 2018

		2018		2017	
	Notes	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Cash used in operations	32		**(2,905)**		(2,275)
Investing activities					
Repayment of loans by subsidiary companies		**11,406**		7,197	
Interest received		**8**		2	
Net cash generated from investing activities			**11,414**		7,199
Financing activities					
Dividends paid		**(3,263)**		(4,006)	
Net cash used in financing activities			**(3,263)**		(4,006)
Net increase in cash and cash equivalents			**5,246**		918
Cash and cash equivalents at beginning of year			**1,146**		215
Exchange (losses)/gains on cash and cash equivalents			**(27)**		13
Cash and cash equivalents at end of year			**6,365**		1,146

The accompanying notes on pages 47 to 76 form an integral part of these financial statements.

Financial Statements

Notes to the Financial Statements

for the year ended 31 December 2018

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 England and Wales 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 under the historical cost convention, 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 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 2018

A number of new and amended standards and interpretations issued by IASB have become effective for the first time for financial periods beginning on (or after) 1 January 2018 and have been applied by the Group in these financial statements. None of these new and amended standards and interpretations had a significant effect on the Group because they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

The following new standards and interpretations have been adopted by the Group:

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various interpretations previously issued by the IFRS Interpretations Committee. The Group's accounting policies have remained unchanged from those previously disclosed in the 2017 annual financial statements. Under IAS 18, the timing of revenue recognition from the sale of goods was based primarily on the transfer of risks and rewards, whereas IFRS 15 focuses instead on when the performance obligations are met. This different approach has not resulted in a change of timing for revenue recognition for the Group.

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The Group's principal financial assets comprise trade and other receivables and cash and short-term deposits. All of these financial assets continue to be classified and measured at amortised cost. The Group's principal financial liabilities comprise trade and other payables and loans and borrowings. All of these financial liabilities continue to be classified and measured at amortised cost. There are no material financial assets subject to the expected credit loss model defined within IFRS 9, except for cash. The level of credit risk that the Group is exposed to has not given rise to material allowances within the expected credit loss model.

Standards, amendments and interpretations that are not yet effective and have not been early adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods and which have not been adopted early. None of these are expected to have a significant effect on the Group, in particular:

IFRS 16 Leases (effective for periods beginning on or after 1 January 2019) requires lessees to use a single on-balance sheet model and recognise all lease assets and liabilities on the balance sheet. Management have completed an assessment of existing operating contracts and do not anticipate the adoption of IFRS 16 to have a significant impact on the Group's financial statements 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 contain performance obligations based on variable terms and thus do not result in right of use assets or lease liabilities.

1.3 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.

1.4 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 $18.0 million, which is stated after significant non-cash depreciation and other non-cash items. The Directors have reviewed the Group's cash flow forecast for the period to 31 December 2020 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.

1.5 Revenue

The Company's subsidiary TZ has entered into contracts for the sale of refined gold and silver, whereby 100% of its refined production is sold to Russian bank VTB. Revenue arising from sales under these contracts is recognised when the price is determinable and the refined gold and silver has been delivered at the refinery in accordance with the terms of the contract at which point the performance obligation is met.

Revenue is measured based on the consideration to which the Group expects to be entitled under the terms of a contract with a customer. In most cases the consideration is determined by reference to the gold market price at the point of delivery. Consideration typically falls due upon delivery.

From 1 January 2018 the Group has adopted a new revenue recognition standard, IFRS 15 Revenue from contracts with customers. The adoption of this standard has not had a material effect on the Group's existing revenue recognition policy.

1.6 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.

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.

1.7 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.

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.

1.8 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).

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). Ore extracted is allocated to stockpiles based on estimated grade, with grades below defined cut-off levels treated as waste and expensed. While held in physically separate stockpiles, the group blends the ore from each stockpile when feeding the processing plant to achieve the resultant gold content. Ore stockpiles which are blended together or with future ore mined when fed to the plant are assessed as an input to the gold production process to ensure the combined stockpiles are carried at the lower of cost and net realisable value. Ore stockpiles which are not blended in production are assessed separately to ensure they are carried at the lower of cost and net realisable value.

The processing of ore in stockpiles occurs in accordance with the Life of Mine (LoM) processing plan that has been optimised based on the known mineral reserves, current plant capacity and mine design. Ore tonnes contained in the stockpile which exceed the annual tonnes to be milled as per the mine plan in the following year, are classified as non-current inventory in the statement of financial position.

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 and financial liabilities are recognised in the Group statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position and statement of comprehensive income when there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost using effective interest rate method:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not hold any financial assets that meet conditions for subsequent recognition at fair value through profit or loss ("FVTPL") or at fair value through other comprehensive income ("FVTOCI").

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortised cost which comprise mainly trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL on trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values. The Group's financial liabilities consist only of financial liabilities measured at amortised cost.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method. The Group's financial liabilities measured at amortised cost comprise trade and other payables, and loans and borrowings. The effective interest method is a method of calculating the amortised cost of a financial asset/liability and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts/payments through the expected life of the financial asset/liability or, where appropriate, a shorter period.

Derecognition of financial liabilities

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

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.

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 2018 were £1:$1.2769 (2017: £1:$1.3510) and $1:RUB69.4706 (2017: $1:RUB57.6002). The average rates applied to transactions during the year were £1:$1.3353 (2017: £1:$1.2886) and $1:RUB62.9264 (2017: $1:RUB58.2982).

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 Borrowings cost

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.

1.21 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 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.

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:

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

Stock is valued at the lower of cost or net realisable value. Costs that are incurred in or benefit the production process are accumulated as ore stockpiles, gold in process and gold bullion. Although the quantities of recoverable metal are reconciled by comparing the grades of ore to the quantities of gold and silver actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to precisely monitor recoverability levels. Net realisable value tests are performed at least annually and represent the estimated future sales price of the product based on contained gold and metals prices, less estimated costs to complete production and bring the product to sale. These net realisable tests take into account management's estimate of the maximum values to be realised from ore stockpiles, in some instances through blending of different ore stockpile grades, prior to these being added to future processing plant feeds. Judgement is required in assessing whether stockpiles of different grades should be tested individually, or tested as inputs to the gold production process, as detailed in the Group's accounting policy. 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 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 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 $2,723,000 (2017: $2,350,000), 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

	2018 $'000	2017 $'000
Revenue analysed by product		
Gold	**58,122**	42,691
Silver	**1,647**	756
	59,769	43,447

5 Operating profit

	2018 $'000	2017 $'000
Operating profit for the year is stated after charging/(crediting):		
Depreciation/depletion of owned property, plant and equipment	**9,873**	7,744
Depreciation of property, plant and equipment held under finance leases	**95**	220
Loss on disposal of property, plant and equipment	**148**	248
Inventories impairment losses (reversed)/recognised	**(4,028)**	1,862
Operating lease charges	**197**	481

6 Auditors' remuneration

	2018 $'000	2017 $'000
Fees payable to the Company's auditors and associates:		
For audit services		
Audit of the financial statements of the Group and Company	**62**	71
Audit of the financial statements of the Company's subsidiaries	**108**	105
	170	176

7 Employees

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

	Group		Company	
	2018 Number	2017 Number	2018 Number	2017 Number
Operations	**648**	629	**-**	-
Administration	**79**	64	**3**	2
	727	693	**3**	2

Their aggregate remuneration comprised:

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Wages and salaries	**14,767**	14,403	**2,106**	1,481
Social security costs	**3,219**	2,819	**-**	83
Pension costs	**-**	8	**-**	8
	17,986	17,230	**2,106**	1,572

Employee benefit costs have been capitalised under mining properties $1,274,000 (2017: $1,964,000) and property, plant and equipment $462,000 (2017: $646,000). Employee benefit costs charged to inventories amounted to $1,040,000 (2017: $2,449,000). Employee benefit expense charged to the statement of comprehensive income amounted to $15,210,000 (2017: $12,171,000).

8 Directors' remuneration

	2018 $'000	2017 $'000
Remuneration for qualifying services	**2,224**	1,354
Company pension contributions to defined contribution schemes	**-**	8
	2,224	1,362

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

	2018 $'000	2017 $'000
Remuneration for qualifying services	**1,471**	602
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	Total 2018 $'000	Total 2017 $'000
Executive directors						
Dmitry Khilov	234	-	224	1,013	**1,471**	547
Alexander Dorogov	312	-	242	-	**554**	9
Simon Olsen	-	-	-	-	**-**	610
Non-Executive Directors						
Charles Ryan	-	38	-	-	**38**	64
Robert Sasson	-	38	-	-	**38**	64

Stewart Dickson	-	13	-	-	**13**	4
Lou Naumovski	-	72	-	-	**72**	25
Florian Fenner	-	38	-	-	**38**	13
Peter Burnell	-	-	-	-	-	26
	546	199	466	1,013	**2,224**	1,362

During the year, management consultancy services have been acquired from Feldi Limited, of which Stewart Dickson is a director and a shareholder, for $165,000 (2017: $105,000).

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 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):

	Charles Ryan Number	**Florian Fenner Number**	**Robert Sasson Number**
Shares			
At 1 January 2018	6,076,306 [1]	15,862,769	709,279
Additions	-	-	-
Disposals	-	10,716,977 [2]	-
At 31 December 2018	**6,076,306**	**5,145,792**	**709,279**

1 Held via UFG Investors Limited

2 Beneficial interest was held via UFG Investment Company I Limited

9 Share-based payments

There were no share-based payments in 2018 (2017: none).

10 Pension arrangements

The Group does not provide a pension scheme for its directors or employees (2017: none).

11 Finance income

	2018 $'000	**2017 $'000**
Interest income on short-term bank deposits	**25**	97

12 Finance expense

	2018 $'000	**2017 $'000**
Interest payable on long term bank debt	**904**	1,046
Finance charges under finance lease	**42**	77
Accretion of decommissioning provision	**131**	94
	1,077	1,217

13 Earnings per share

The basic and diluted earnings per share for the year amounted to 11.30 cents per share (2017: 2.29 cents per share). The calculation of basic profit per 10p ordinary share is based on the retained profit for the year ended 31 December 2018 of $12,434,000 (2017: $2,516,000) and on 110,053,073 (2017: 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

	2018 $'000	**2017 $'000**
Current tax		
Current tax - UK Corporation tax	-	-
Current tax - Russian Corporation tax	**2,195**	368
Total current tax	**2,195**	368
Deferred tax		
Origination and reversal of temporary differences	**2,334**	152
Changes in tax rates	-	-

Total deferred tax	**2,334**	152
Total tax charge for the year	**4,529**	520

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 comparative 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:

	2018 $'000	**2017 $'000**
Profit before taxation	**16,963**	3,036
Expected tax charge based on the UK corporation tax rate of 19% (2017: 19.25%)	**3,223**	584
Tax effect of expenses that are not deductible in determining taxable profit	**993**	127
Tax effect of income not taxable in determining taxable profit	**(346)**	(344)
Other permanent differences	**125**	(107)
Effect of overseas tax rates	**183**	28
Foreign exchange differences	**80**	95
Unrecognised taxable losses carried forward	**271**	137
Taxation charge for the year	**4,529**	520

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

	2018 $'000	**2017 $'000**
Final dividend for 2017 of $0.021 per ordinary share	**2,295**	-
Interim dividend of $0.009 (2017: $0.036) per ordinary share	**968**	4,006
	3,263	4,006

16 Intangible assets

Group	**Deferred exploration and evaluation costs $'000**
Cost	
At 1 January 2017	2,106
Additions	501
Transfers	(2,106)
At 31 December 2017	501
Additions	-
Transferred to mining properties	(501)
At 31 December 2018	-
Amortisation	
At 1 January 2018 and 31 December 2018	-
Carrying amount	
At 31 December 2018	-
At 31 December 2017	501
At 1 January 2017	2,106

The Company had no intangible assets at 31 December 2018 or 31 December 2017.

The Group's intangible assets related to the deferred exploration and evaluation expenditure incurred on the "Asacha East" zone, a separate orebody within the Asacha mineral rights licence. During the year the intangible assets were transferred to mining properties following the successful completion of the related exploration and evaluation works (note 17).

17 Property, plant and equipment

Group	Mining properties $'000	Buildings $'000	Plant and machinery $'000	Office equipment $'000	Motor vehicles $'000	Assets under construction $'000	Total $'000
Cost							
At 1 January 2017	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
Additions	**13,560**	**190**	**2,455**	**11**	**254**	**1,895**	**18,365**
Disposals	-	-	**(1,211)**	**(45)**	**(181)**	-	**(1,437)**
Transfers	-	**4,316**	**98**	-	-	**(4,414)**	-
Transferred from intangible assets	**501**	-	-	-	-	-	**501**
At 31 December 2018	**88,833**	**84,415**	**21,906**	**419**	**5,691**	**1,373**	**202,637**
Depreciation							
At 1 January 2017	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
Depreciation charge	**3,607**	**5,859**	**1,367**	**6**	**874**	-	**11,713**
Disposals	-	-	**(1,063)**	**(41)**	**(177)**	-	**(1,281)**
At 31 December 2018	**41,403**	**54,633**	**11,920**	**399**	**2,977**	**183**	**111,515**
Carrying amount							
At 31 December 2018	**47,430**	**29,782**	**9,986**	**20**	**2,714**	**1,190**	**91,122**
At 31 December 2017	36,976	31,135	8,948	19	3,338	3,709	84,125
At 1 January 2017	30,489	35,662	8,958	10	805	961	76,885

The Company had no property, plant and equipment at 31 December 2018 or 31 December 2017.

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Plant and machinery	**127**	222	-	-
Depreciation charge for the year in respect of leased assets	**95**	220	-	-

Mining properties

Mining properties assets relate to the Asachinskoye (Asacha) mining licence held by the Company's subsidiary 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 was extended for five years until 1 September 2018. On 26 June 2018 the Group received a further six-year extension to the licence term until 31 December 2024.

Capitalisation of depreciation/depletion

$477,000 (2017: $527,000) of the depreciation charge is included in additions to mining properties

$55,000 (2017: $110,000) of the depreciation charge is included in additions to assets under construction

$1,213,000 (2017: $1,839,000) of the depreciation and mining properties' depletion charges are included in inventory

18 Investments in subsidiaries

		Group		Company	
	Notes	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Investments in subsidiaries	19	-	-	**73,976**	73,976

Loans to subsidiaries		-	-	**22,302**	32,393
		-	-	**96,278**	106,369

The loans to subsidiaries are unsecured, bear interest between 6% and 8% and settlement is not likely to occur in the foreseeable future.

At the reporting date, TZ had sufficient available highly liquid assets to repay the loans if they would have been demanded on that date, therefore the expected credit losses for this asset are considered to be immaterial.

Movements in non-current investments

Company	Investments in subsidiaries $'000	Loans to subsidiaries $'000	Total $'000
Cost			
At 1 January 2017	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
Additions (interest accrued)	-	1,315	1,315
Repayments	-	(11,406)	(11,406)
At 31 December 2018	**73,976**	**22,302**	**96,278**
Carrying amount			
At 31 December 2018	**73,976**	**22,302**	**96,278**
At 31 December 2017	73,976	32,393	106,369
At 1 January 2017	73,976	37,952	111,928

19 Subsidiaries

Details of the Company's subsidiaries at 31 December 2018 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-current:				
Ore stocks	**2,651**	5,194	-	-
Less accumulated provision	-	(4,028)		-
	2,651	1,166	-	-
Current:				
Finished silver	**24**	-	-	-
Gold in progress	**1,395**	4,858	-	-
Silver in progress	**47**	1,418	-	-
Ore stocks	**2,596**	505	-	-
Raw materials and consumables	**7,862**	6,103	-	-
	11,924	12,884	-	-
	14,575	14,050	-	-

Finished silver, gold in progress, silver in progress and ore stocks include mining properties depletion $1,213,000 (2017: $1,135,000).

During 2018, for the first time, the Group has commenced significant blending of lower grade ore with higher grades when feeding the processing plant. Consequently, management have reassessed their estimate of the maximum values to be realised from the existing ore stockpiles reflecting the planned blended feed of such stockpiles to the mill on the basis that they are blended with future ore mined. The net realisable value tests demonstrate significant headroom with no reasonable sensitivity indicating impairment. As a result, a reversal of the previously recognised impairment provision in the amount of $4,028,000 has been recognised in 2018. In previous years, no significant blending of ore grades was practiced and the net realisable values of ore stockpiles were assessed separately on non-blending basis giving rise to an accumulated impairment provision of $4,028,000 at 31 December 2017. Had the same assessment basis been applied in 2018 an accumulated impairment provision of $2,097,000 would be required at the reporting date.

21 Trade and other receivables

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade receivables	**70**	144	-	-
Receivables from subsidiary companies	-	-	**2,605**	2,585
Other receivables	**951**	1,108	**7**	14
Prepayments and accrued income	**1,208**	1,232	**31**	19
	2,229	2,484	**2,643**	2,618

Included within the Group's other receivables is $876,000 (2017: $1,051,000) of Russian VAT recoverable at the year end. During the year $4,232,000 (2017: $3,884,000) of Russian VAT was recovered.

Amounts receivable from subsidiary companies include short-term loans of $1,361,000 (2017: $1,361,000). The loans are unsecured, bear no interest and repayable on demand.

22 Trade and other payables

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade payables	**1,748**	2,500	**23**	79
Amounts due to subsidiary companies	-	-	**37**	45
Social security and other taxes	**12**	12	-	-
Other payables	**3,322**	3,114	**15**	116
Accruals and deferred income	**85**	104	**85**	104
	5,167	5,730	**160**	344

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

23 Borrowings

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current:				
Bank borrowings	**6,522**	4,743	-	-
Finance lease obligations	-	288	-	-
	6,522	5,031	-	-
Non-current:				
Bank borrowings	**10,571**	14,800	-	-
Finance lease obligations	-	-	-	-
	10,571	14,800	-	-
	17,093	19,831	-	-

Movement in borrowings is analysed as follows:

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	**19,831**	16,755	-	-
Proceeds from issue of loans	**4,900**	19,500	-	-
Repayment of loans and accrued interest	**(7,330)**	(16,507)	-	-

Release of debt issue costs	-	221	-	-
Net movement in finance leases	**(308)**	(138)	-	-
At 31 December	**17,093**	19,831	-	-

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 revolving credit facility for a 3-year term.

Both facilities bear annual interest at 6.2% and are secured against the equity and fixed assets of TZ only. The Group is currently in the process of finalising the equity and fixed assets security documentation. Additionally, TZ was required to enter into an exclusive gold sales agreement with VTB Bank effective from January 2018.

The new facilities were 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 year.

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 and other 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	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Carrying amount of financial assets				
Trade and other receivable	**145**	201	**24,911**	34,981
Cash and cash equivalents	**9,725**	7,491	**6,365**	1,146
Carrying amount of financial liabilities				
Measured at amortised cost	**19,116**	22,753	**160**	344

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 2018	**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	**2,023**	**2,023**	**2,023**	-	-
Loans and borrowings	**6,500**	**6,500**	-	**6,500**	-
Interest	**22**	**426**	**224**	**202**	-
Non-current financial liabilities:					
Loans and borrowings	**10,571**	**10,571**	-	-	**10,571**
Interest	-	**1,557**	**328**	**328**	**901**
	19,116	**21,077**	**2,575**	**7,030**	**11,472**

Company 2018	**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	**160**	**160**	**160**	-	-

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	2,922	2,922	2,922	-	-
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
Finance lease obligations	-	-	-	-	-
	22,753	27,541	3,674	5,455	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	-	-

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.

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

	2018		2017	
Group	Carrying value $'000	Maximum exposure $'000	Carrying value $'000	Maximum exposure $'000
Current financial assets:				
Trade and other receivables	**145**	**145**	201	201
Cash and cash equivalents	**9,725**	**9,725**	7,491	7,491
	9,870	**9,870**	7,692	7,692

	2018		2017	
Company	Carrying value $'000	Maximum exposure $'000	Carrying value $'000	Maximum exposure $'000
Current financial assets:				
Trade and other receivables	**4**	**4**	1,224	1,224
Loans to subsidiaries	**2,605**	**2,605**	1,364	1,364
Cash and cash equivalents	**6,365**	**6,365**	1,146	1,146
Non-current financial assets:				
Loans to subsidiaries	**22,302**	**22,302**	32,393	32,393
	31,276	**31,276**	36,127	36,127

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. 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:

Cash		Group		Company	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
US dollars	Fixed rate	**6,214**	665	**6,214**	665
US dollars	Floating rate	**2,924**	4,219	**-**	-
Sterling	Non-interest bearing	**147**	475	**147**	475
Sterling	Floating rate	**4**	4	**4**	4
Roubles	Fixed rate	**100**	1,910	**-**	-
Roubles	Floating rate	**336**	218	**-**	2
		9,725	7,491	**6,365**	1,146

Loans		Group		Company	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
US dollars	Fixed rate - 6.2%	**17,071**	19,500	**-**	-
		17,071	19,500	**-**	-

The weighted average interest rate payable during the year was 6.2% (2017: 7.7%) on fixed rate US dollar loans.

The weighted average interest rates earned during the year were 0.0% (2017: 0.0%) on floating rate sterling cash balances, 0.10% (2017: 0.10%) on floating rate US dollar balances and 5.5% (2017: 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 2018		31 December 2017	
	RUB $'000	GBP $'000	RUB $'000	GBP $'000
Trade and other receivables	**142**	**3**	199	4
Trade and other payables	**(1,900)**	**(123)**	(2,703)	(219)
Cash	**436**	**151**	2,128	479
	(1,322)	**31**	(376)	264

Effect on profit of changes in exchange rates
Net foreign exchaivnge gains totalling $204,000 (2017: $289,000) 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 2018		31 December 2017	
	RUB $'000	GBP $'000	RUB $'000	GBP $'000
10% increase in exchange rate	**120**	**(3)**	34	(24)
10% decrease in exchange rate	**(147)**	**3**	(42)	29

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 2018 and 2017 were as follows:

	Group		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Total borrowings	**17,093**	19,831	**-**	-
Less: cash and cash equivalents	**(9,725)**	(7,491)	**(6,365)**	(1,146)
Net debt	**7,368**	12,340	**(6,365)**	(1,146)
Total equity	**87,187**	78,016	**105,126**	109,789
Total capital	**94,555**	90,356	**98,761**	108,643
Gearing ratio	**7.79%**	13.66%	**(6.44)%**	(1.05)%

25 Provisions

	Group		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
Environmental/site restoration provision	**1,008**	1,327	**-**	-

Movements on provisions

	Group		Company	
	2018 $'000	**2017 $'000**	**2018 $'000**	**2017 $'000**
At 1 January	**1,327**	697	**-**	-
Liability adjustment	**(233)**	492	**-**	-
Unwinding of discount	**131**	94	**-**	-
Exchange difference	**(217)**	44	**-**	-
At 31 December	**1,008**	1,327	**-**	-

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	**2018 $'000**	**2017 $'000**
Liability: Accelerated capital allowances	**6,550**	5,110
Asset: Tax losses	**(31)**	(250)
Asset: Other provisions	**(157)**	(832)
Net deferred tax liabilities	**6,362**	4,028
Net deferred tax liabilities to be recovered after more than 12 months	**6,547**	4,457
Net deferred tax assets to be recovered within 12 months	**(185)**	(429)
	6,362	4,028

The Company has no deferred tax assets or liabilities.

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Movements in the year:				
Net liability at 1 January	**4,028**	3,876	-	-
Charged to statement of comprehensive income	**2,334**	152	-	-
Net liability at 31 December	**6,362**	4,028	-	-

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 2018, the Company had unrecognised tax losses carried forward with a tax value, at the UK weighted average rate of corporation tax of 19% (2017: 19.25%) of $2,100,000 (2017: $1,858,000).

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 $31,000 (2017: $250,000).

As of 31 December 2018, the Group did not record deferred tax assets in respect of temporary differences of $ 4,000,000 (2017: $ 6,500,000) associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

27 Share capital and reserves

	Group and Company	
	2018 Number	2017 Number
Authorised		
Ordinary shares of 10p each	**150,000,000**	150,000,000

	Group and Company	
	2018 $'000	2017 $'000
Issued and fully paid		
110,053,073 (2017: 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.

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Within one year	**368**	551	-	-
	368	551	-	-

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

In previous years the Group entered into various finance lease agreements in respect of plant and machinery. All leases were fully repaid during 2018. There were no outstanding finance lease commitments at 31 December 2018.

The Company has no finance lease commitments (2017: none).

30 Contingencies

The Company's wholly owned subsidiary TZ has received a claim from the Federal Service for Supervision of Use of Natural Resources, RosPrirodNadzor ("RPN") over the payments for disposal of waste materials following a site inspection in 2016. Having taken appropriate advice, the management believe that they have a strong legal position and as such, dispute the claim made by RPN. The claim could potentially amount to approximately $2.1 million.

31 Cash generated from Group's operations

	2018 $'000	2017 $'000
Profit for the financial year after tax	**12,434**	2,516
Adjustments for:		
Taxation charged	**4,529**	520
Finance expense	**1,077**	1,217
Finance income	**(25)**	(97)
Loss on disposal of property, plant and equipment	**148**	248
Unrealised foreign exchange differences	**341**	(152)
Depreciation of property, plant and equipment	**9,968**	7,964
(Reversal of impairment)/impairment provision of ore stocks	**(4,028)**	1,862
Movements in working capital:		
Decrease/(increase) in inventories	**4,716**	(2,882)
Decrease/(increase) in trade and other receivables	**255**	(1,333)
(Decrease)/increase in trade and other payables	**(563)**	2,119
Cash generated from operations	**28,852**	11,982

32 Cash used in Company's operations

	2018 $'000	2017 $'000
Loss for the year after tax	**(1,400)**	(710)
Adjustments for:		
Finance income	**(1,323)**	(1,640)
Unrealised foreign exchange differences	**19**	(13)
Movements in working capital:		
(Increase)/decrease in trade and other receivables	**(25)**	17
(Decrease)/increase in trade and other payables	**(176)**	71
Cash used in operations	**(2,905)**	(2,275)

33 Related party transactions

The directors of the Company consider that there are no key management personnel, as defined by IAS 24, Related party transactions, other than the directors themselves.

Directors' emoluments and their beneficial interests in the ordinary shares of the Company are detailed in note 8.

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) 2018 $'000	Balance at 31 December 2018 $'000	Purchases (Sales) 2017 $'000	Balance at 31 December 2017 $'000
Trans-Siberian Gold plc				
Technical services	-	**1,242**	-	1,221

Other services	-	**(37)**	-	(45)
Loan interest	-	**4,991**	-	3,001
Loans	**(1,315)**	**18,674**	(1,638)	30,755
	(1,315)	**24,870**	(1,638)	34,932
OOO Trans-Siberian Gold Management				
Management services	**(1,423)**	**120**	(1,255)	201
Other services	-	**37**	-	45
	(1,423)	**157**	(1,255)	246
ZAO Trevozhnoye Zarevo				
Technical services	-	**(1,242)**	-	(1,221)
Management services	**1,423**	**(120)**	1,255	(201)
Loan interest	-	**(4,991)**	-	(3,001)
Loans	**1,315**	**(18,674)**	1,638	(30,755)
	2,738	**(25,027)**	2,893	(35,178)
Total	-	-	-	-

During the year, management consultancy services have been acquired from Feldi Limited, of which Stewart Dickson is director and shareholder, for $165,000 (2017: $105,000). There were no amounts outstanding to Feldi Limited at the year end (2017: $nil).

There were no other related party transactions.

34 Events after the reporting date

In January 2019, a special interim dividend of $0.052 per share equating to approximately $5.7 million in aggregate was declared and paid.

On 23 April 2019, the Russian Federal Agency for Subsoil Use ("Rosnedra") issued a 20-year licence to TZ for the development and exploration of the Rodnikova deposit for a consideration of $3 million. The Rodnikova deposit is estimated to contain 1 million oz. of gold with an average grade of 5.3g/t. The Group is currently devising its exploration field work programme to assess the full potential of the Rodnikova deposit and options to potentially initiate early stage production. Taking into consideration the fact that the Asacha and Rodnikova deposits are believed to have similar geology, mineralogy and metallurgy, the Company will determine the suitability of utilising the existing processing techniques and plant at Asacha for the ore at Rodnikova.

On 2 May 2019, the Company entered into conditional agreements with two of its major shareholders within UFG Asset Management ("UFG") to buy back 22,894,565 of its existing ordinary shares, representing approximately 21% of the Company's issued share capital, by means of an off-market share buyback at a price of 33 pence per share for an aggregate purchase price of £7.56 million (the "Buyback"). The Buyback represents a discount of 42% to the closing middle market price of a TSG ordinary share on 1 May 2019. As part of the transaction a further 11,478,410 of the Company's existing ordinary shares, representing approximately 10.4% of the Company's issued share capital, will be sold by the same shareholders to other members of the UFG Group, Directors and to new investors. The Buyback will be funded out of the Company's existing distributable profits, facilitated by the repayment of intra-group indebtedness by the Company's wholly owned subsidiary, TZ, utilising a new term loan facility of up to RUB 800 million (approximately £9.4 million) which TZ has obtained from VTB Bank. The share sales, together with the buy back, will reduce the dominance by UFG of the share register and benefit shareholders as a whole.

On 31 May 2019, the Company announced an update of the Mineral Resource Estimate ('MRE') for the Asacha deposit in Kamchatka, Far East Russia. The MRE for the Asacha deposit was updated by Seequent UK Ltd ("SUKL") to the end of December 2018. Further information about the MRE is set out in the Operating and Financial Review.

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

	2018 $'000	**2017 $'000**
Cost of sales	**37,872**	30,737
Adjustments for:		
By-product revenue (silver)	**(1,647)**	(756)
Mining tax	**(2,381)**	(1,850)

Depreciation/depletion of owned property, plant and equipment	**(9,968)**	(7,964)
Loss on disposal of property, plant and equipment	**(148)**	(248)
Cash Cost	**23,728**	19,919
Gold sold (oz.)	**45,956**	33,870
Cash Cost ($) per oz. gold	**516**	588

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

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

	2018 $'000	**2017 $'000**
Revenue	**59,769**	43,447
Adjustments for:		
Cost of sales	**(37,872)**	(30,737)
Administrative expenses	**(8,393)**	(7,392)
Other operating income	**279**	411
Depreciation/depletion of owned property, plant and equipment	**9,968**	7,964
Loss on disposal of property, plant and equipment	**148**	248
EBITDA	**23,899**	13,941

All-In Sustaining Costs ("AISC")

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

	2018 $'000	**2017 $'000**
Cash costs	**23,728**	19,919
Adjustments for:		
Mining tax	**2,381**	1,850
Administrative expenses	**8,393**	7,392
Ore stock inventory (reversal)/impairment	**(4,028)**	1,862
Purchase of intangible assets	**-**	501
Purchase of property, plant and equipment	**17,816**	14,192
Non-sustaining exploration expenditure	**(210)**	(393)
Accretion of restoration costs	**131**	94
AISC	**48,211**	45,417
Gold sold (oz.)	**45,956**	33,870
AISC ($) per oz. gold	**1,049**	1,341

Company Information

Directors

Charles Ryan
Non-Executive Chairman

Alexander Dorogov
Chief Executive Officer

Eugene Antonov
Chief Operating Officer

Robert Sasson
Non-Executive Director

Stewart Dickson
Non-Executive Director

Lou Naumovski
Non-Executive Director

Florian Fenner
Non-Executive Director

Secretary

Simon Olsen

Company number

01067991

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