Financial and Operating Results
2019

London, United Kingdom, 16 March 2020

Nord Gold SE ("Nordgold" or the "Company"), the internationally diversified gold producer, announces its financial and operating results for the twelve months ended 31 December 2019.

Highlights[1]	2019	2018	Change, YoY
Gold production, koz	1,041.1[2]	907.0	15%
Average realised gold price, US$/oz	1,399	1,268	10%
Revenue, US$m	1,448.3	1,143.2	27%
Adjusted EBITDA[3], US$m	667.3	470.2	42%
Net profit [4], US$m	166.9	91.9	82%
Free cash flow [3]	167.0	-162.4	203%
AISC[3], US$/oz	1,023	1,051	-2%
LTIFR	1.67	0.94	78%

2019 Highlights:

- Lost Time Injury Frequency Rate (LTIFR) increased in 2019 to 1.67. We regret to report three Nordgold employee fatalities and two contractor fatalities in 2019.
- Refined gold production increased by 15% year-on-year ("YoY") to a record 1,041.1 thousand ounces ("koz") mainly driven by the excellent performance of the new Gross mine.
- The new Gross mine produced 259.2 koz exceeding its 2019 gold production outlook of 230-235 koz.
- Adjusted EBITDA increased by 42% YoY to a record US$667.3 million in 2019 mainly driven by higher production and a more favourable gold price environment.
- Free cash flow increased to US$167.0 million in 2019 from negative free cash flow of US$162.4 million in 2018 mainly due to lower capital expenditures and higher operating cash flow with the Gross mine being the main contributor.
- All-in sustaining costs ("AISC") decreased by 2% YoY to US$1,023/oz, mainly driven by the increased gold production from the new low-cost Gross mine.
- In October 2019, Nordgold raised US$400 million in the international capital markets in a 5-year Eurobond issue. The proceeds of the Notes were used for partial repayment of indebtedness and for general corporate purposes.

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1 May include the effect of rounding.

2 Including 9.8 koz of Q1-Q3 2019 capitilised gold production of Zun-Holba

3 Please see "Non-IFRS Financial Measures" on page 7 for a detailed definition and reconciliation.

4 Net profit is Net profit for the period.

Message from the CEO

“2019 was a milestone year for Nordgold, as we produced over a million ounces for the first time in our history. This achievement is great testament to the strength of the team and the quality of our assets. It highlights how the significant investment in our asset base over the past two years and considerable work in bringing the Gross project to fruition, are now delivering improved performance. The Gross mine, which we spent several years de-risking while identifying an optimal pathway to development, has exceeded all our expectations. Gross is the third mine we have successfully conceived, developed and built in our young history, after the Bissa and Bouly mines in Burkina Faso. With Gross’s launch, Nordgold is now firmly positioned as an industry leader in effective gold mine development. We look forward to 2020 with confidence.”

Nikolai Zelenski, Chief Executive Officer, Nordgold

Health and Safety

Lost Time Injury Frequency Rate increased in 2019 to 1.67 from 0.94 in 2018. In Q4 2019, LTIFR increased by 14% QoQ to 1.91. The Total Recordable Injury Frequency Rate (TRIFR) increased by 4% to 4.77 in 2019 from 4.59 in 2018.

With deep sadness, we confirm there were five fatalities at Nordgold mines in 2019: three employee fatalities at each of Taparko in Q1 2019, the Irokinda underground mine in Q4 2019 and Gross, also in Q4 2019, and two contractor fatalities, at Taparko in Q1 2019 and Bissa in Q4 2019. These incidents were fully investigated and appropriate actions implemented across our operations.

As safety remains a top priority for the Company, a comprehensive action plan has been approved to streamline the health and safety improvement effort across the business. The plan covers key areas ranging from safety management structure to training and development and digital technology and aims to significantly improve Nordgold health and safety performance in 2020 and beyond.

LTIFR по рудникам

Mines	Q4 2019	Q4 2018	Change, YoY	Q3 2019	Change, QoQ	2019	2018	Change, YoY
Bissa-Bouly	0.00	0.00	0%	1.56	-100%	0.78	0.00	100%
Taparko	0.00	0.00	0%	0.00	0%	0.73	0.00	100%
Lefa	0.00	0.00	0%	0.00	0%	0.00	0.41	-100%
Buryatzoloto *(Zun-Holba mine)*	4.35	0.00	100%	0.00	100%	3.73	2.74	36%
Buryatzoloto *(Irokinda mine)*	8.55	0.00	100%	2.82	203%	4.74	1.13	319%
Berezitovy	0.00	0.00	0%	0.00	0%	1.16	0.58	100%
Taborny and Gross	3.43	2.74	25%	3.56	-4%	2.12	1.52	39%
Suzdal	2.10	0.00	100%	4.30	-51%	2.15	1.09	97%
Nordgold	**1.91**	**0.51**	**275%**	**1.67**	**14%**	**1.67**	**0.94**	**78%**

Sustainable Development

Nordgold is fully committed to sustainability and integrates sustainable development principles into the Company operating philosophy.

We seek to ensure that our activities do not harm our employees and local communities and that the effect on the environment is minimised. We contribute to the development of local communities, deliver long-term value to our employees, and invest in environmental protection.

Nordgold is committed to responsible stewardship of all aspects of the natural environment of the areas in which we operate. Continuous improvement in this field is a key part of our Business System, through which we integrate environmental concerns into everyday practices and priorities.

In 2019, the Company carried out a series of initiatives aimed at preserving biodiversity in the regions where we operate. One such project is our support for the Snow Leopard Foundation whose main objective is to research and protect snow leopards in Russia. For detailed information on the initiative please click here.

Nordgold increased investment into its Employee Development Programme by 13% to approximately US$4.4 million in the 2019 financial year from US$3.9 million in 2018. In 2019, 71% of Nordgold's 8,000 strong global workforce participated in a development or training initiative/programme compared to 67% in 2018. Nordgold continues to aspire to being the employer of choice for ambitious people who want a career in the resources sector.

The Company invested US$1.8 million in a number of social initiatives and community development programmes across its operations in 2019. These include the building and on-going support of schools and health clinics, road repairs, clean water supply, assistance to local farmers, and a range of supportive measures for many of the more vulnerable people in the societies where we operate. To learn more about our programmes aimed to preserve culture and historical heritage of indigenous peoples please click here.

Consolidated Production Overview

Operating results	Q4 2019	Q4 2018	Change, YoY	Q3 2019	Change, QoQ	2019	2018	Change, YoY
Run of mine, kt [5]	54,884	48,523	13%	48,599	13%	202,959	172,439	18%
Waste mined, kt [6]	42,888	39,507	9%	37,908	13%	162,256	139,376	16%
Ore mined, kt	12,473	9,331	34%	11,030	13%	42,098	34,279	23%
Stripping ratio, t/t [6]	3.58	4.38	-18%	3.55	1%	3.99	4.22	-5%
Ore processed, kt[7]	10,935	10,115	8%	12,511	-13%	43,704	34,830	25%
Grade, g/t	0.92	0.89	3%	0.85	8%	0.92	1.02	-10%
Recovery, %	81.3	80.7	0.6pp	79.4	1.9pp	79.4	79.6	-0.2pp
Refined gold production, koz	272.2	233.8	16%	288.9	-6%	1,041.1	907.0	15%

Ore processed multiplied by head grade and multiplied by recovery may not be equal to gold produced due to differences in work in progress figures and volumes of silver production

Refined Gold Production by Mine, koz [8] [9]

Operating results	Q4 2019	Q4 2018	Change, YoY	Q3 2019	Change, QoQ	2019	2018	Change, YoY
Bissa-Bouly	57.0	62.5	*-9%*	59.4	*-4%*	253.8	261.5	*-3%*
Bissa	*33.1*	*36.0*	*-8%*	*33.9*	*-2%*	*152.0*	*154.9*	*-2%*
Bouly	*23.9*	*26.5*	*-10%*	*25.5*	*-6%*	*101.8*	*106.6*	*-5%*
Taparko	21.5	24.2	*-11%*	19.8	*9%*	68.2	102.2	*-33%*
Lefa	46.3	38.8	*19%*	50.1	*-8%*	189.8	187.8	*1%*
Gross[10]	67.3	45.7	*47%*	88.5	*-24%*	259.2	59.2	*338%*
Taborny[10]	17.8	20.9	*-15%*	27.7	*-36%*	76.4	99.8	*-23%*
Buryatzoloto *(Irokinda and Zun-Holba mines)*	19.8	12.6	*57%*	12.5	*58%*	57.7[11]	64.7	*-11%*
Berezitovy	16.0	9.8	*63%*	15.7	*2%*	60.1	48.4	*24%*
Suzdal	26.5	19.3	*37%*	19.5	*36%*	75.8	83.5	*-9%*
Nordgold	**272.2**	**233.8**	*16%*	**288.9**	*-6%*	**1041.1**	**907.0**	*15%*

Operating Highlights

- Refined gold production increased by 15% YoY to a record 1,041.1 koz mainly driven by the excellent performance of the new Gross mine and increased production at Berezitovy mine. The Gross output more than offset decreases at mines that reported lower YoY gold production.
- The Gross mine produced 259.2 koz in 2019 exceeding its revised 2019 gold production outlook of 230-235 koz

5 Open pit mines only.
6 Calculated for total ore mined and waste mined at open pits only.
7 Includes ore processed at Berezitovy heap leach.
8 May include the effect of rounding.
9 Including 1.434 and 4.746 thousand gold equivalent ounces of silver production for Q4 2019 and FY 2019 respectively (Based on ~ 1:87 Au/Ag).
10 In 2018 Taborny and Gross were reported as Neryungri segment
11 Including 9.8 koz of Q1-Q3 2019 capitilised gold production of Zun-Holba

- Berezitovy increased production by 24% in 2019 driven by gold production from trial underground mining operations launched in 2019 in addition to continuing production from the open pit.
- In 2019, Nordgold achieved a substantial improvement in ore mining efficiency mainly due to higher ore mining volumes at four of Nordgold's open-pit mines (Taparko, Berezitovy, Gross and Bissa). This resulted in the 5% stripping ratio decrease amid a 23% increase in ore mining.
- Taparko production decreased by 33% in 2019 mainly due to lower head grade and recovery as the mine was focused on stripping waste in 35-5 cutback, which was completed in Q4 2019.
- In Q4 2019 gold production decreased by 6% QoQ to 272.2 koz mainly due to seasonality at Russian heap leach mines during winter (Gross and Taborny) and lower production at Bissa, Bouly and Lefa mines.

Development Projects

Tokkinsky Project

- The Tokkinsky project includes two gold deposits, Anomaly 13 and Roman, located along a 10km structural corridor 13km to the west of Nordgold's existing Gross and Taborny mines in Yakutia, Russia.
- To date, mineralisation along strike and at depth has been confirmed for both deposits. A 20,000 metres drilling programme was completed in 2019 including resource delineation drilling at Roman and infill drilling at Anomaly 13 to evaluate Mineral Resources. Resource estimate will be completed in Q2 2020.

Montagne d'Or

- The Montagne d'Or gold deposit with open pit reserves of 54.1 Mt @ 1.58 g/t gold is located 180 km west of Cayenne, the capital of French Guiana.
- The Montagne d'Or joint-venture is focused on further complementary engineering studies for committed project modifications, to support the commencement of the permitting process, which will be completed in H1 2020.

Pistol Bay

- Pistol Bay is a high-grade gold exploration project located in Nunavut Territory, northern Canada, on the west coast of Hudson Bay.
- Nordgold more than doubled the Vickers gold deposit (part of Pistol Bay) Inferred open pit Resources to 1.58 Moz of gold at a grade of 2.2 g/t as at February 2020 from previous estimate of 739 koz at 2.95 g/t.
- The increase in Resources follows an extensive 2019 drilling programme to evaluate a potential extension of the high grade mineralized zone at Vickers. Please see press release for further detail.

Arakaka Project

- The Arakaka Gold Project is located in the Northwest Mining District of Co-operative Republic of Guyana.
- In June 2019, Nordgold entered into an Option Agreement with Alicanto Minerals Ltd (ASX: AQI) for the exclusive right to acquire a 100% interest in the Arakaka Gold Project.
- Under the terms of the Agreement, Nordgold will have an option to acquire a 100% interest in the Arakaka Project by sole funding US$3 million in exploration expenditure within a one year option period, and paying an additional US$5 million to Alicanto to exercise the option.
- 10,500 metres of shallow diamond drilling (51 holes), funded by Nordgold, was completed on four well defined target areas in 2019. This drilling confirmed continuation of mineralisation along 1.4km of strike, following the main Arakaka trend. A 3D Geological and Mineralisation model is being developed to confirm economic potential and asses further exploration potential.

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Financial Results Summary[12]

Financial Results, US$m	2019	2018	Change, YoY
Gold sold, koz	1034.5	901.7	**15%**
Average realised gold price per ounce sold, US$/oz	1,399	1,268	**10%**
Revenue	1,448.3	1,143.2	**27%**
Adjusted EBITDA	667.3	470.2	**42%**
Adjusted EBITDA margin, %	46.1	41.1	**5.0pp**
Net profit for the period	166.9	91.9	**82%**
Cash flow from operating activities	584.8	325.6	**80%**
Capital expenditures	425.4	513.6	**-17%**
incl. exploration	46.1	*40.8*	**13%**
Free cash flow	167.0	-162.4	**203%**
Cash and cash equivalents	189.9	90.3	**110%**
Total debt	981.8	1,007.5	**-3%**
Net debt [13]	791.9	917.2	**-14%**
AISC, US$/oz	1,023	1,051	**-2%**

[12] May include the effect of rounding.
[13] Please see "Non-IFRS Financial Measures" on page 7 for a detailed definition and reconciliation.

Non-IFRS Financial Measures

This press release includes certain measures that are not measures defined by International Financial Reporting Standards (as adopted by the European Union) ("IFRS"). These measures are adjusted EBITDA and adjusted EBITDA margin, normalised net profit attributable to shareholders, all-in sustaining cost and net debt, and they are used by the management of Nordgold to assess the Company's financial performance. However, these measures should not be used instead of or considered as alternatives to Nordgold's historical financial results based on IFRS. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and the adjusted EBITDA margin are non-IFRS financial measures. Adjusted EBITDA is calculated as profit before income tax for the period, adjusted for:

- gains on the disposal of available-for-sale investments
- finance income and finance costs
- foreign exchange losses / (gains)
- depreciation and amortisation
- impairment / (reversal of impairment) of non-current assets
- net losses on the disposal of property, plant and equipment
- work-in-progress impairment recognised in cost of sales
- provisions charged for previously recognised contingent liabilities and other expenses

Nordgold uses adjusted EBITDA in the reporting of its segments and in assessing its growth and operational efficiencies.

The adjusted EBITDA margin is adjusted EBITDA as a percentage of sales.

Information on adjusted EBITDA and the adjusted EBITDA margin or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations as well as its ability to use its earnings to repay debt, in capital expenditure, and for working capital requirements.

Adjusted EBITDA, by itself, does not provide a sufficient basis to compare Nordgold's performance with that of other companies and should not be considered in isolation, either as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

A reconciliation between profit before income tax and adjusted EBTIDA is presented in Note 5, Segment Reporting, of the Consolidated Financial Statements.

Net Debt

In order to assess Nordgold's leverage position, Nordgold's management uses a measure of net debt, which is defined as the short- and long-term borrowings less cash, cash equivalents, and short-term deposits. Net debt is an indication of a company's ability to repay its debts if they became due on the reporting date.

Reconciliation of Net debt

US$ million	**31.12.2019**	**31.12.2018**
Short-term borrowings	50.1	381.3
Long-term borrowings	931.7	567.8
Derivative financial instrument	0.0	58.4
Total debt	**981.8**	**1007.5**
Less Cash and cash equivalent	-189.9	-90.3
Net debt	**791.9**	**917.2**

Free cash flow

Free cash flow comprises cash generated from operating activities less cash funds used for payments related to property, plant and equipment and payments related to exploration and evaluation activity.

Free cash flow include non-cash movements related to factoring arrangements. Under these arrangements factored liabilities are disclosed as “Non-cash movements for supplier financing borrowing arrangements” within cash flows from operations in the statement of cash flows in total amount US$120 million (US$ 79.0 million in 2018). Actual payments under factoring arrangements are recorded as a part “Repayment of borrowings” in total amount US$ 115.9 million (US$ 44.27 million in 2018). Factoring arrangements are disclosed in Note 19, Borrowings, of the Consolidated Financial Statements.

Reconciliation of Free cash flow

US$ million	2019	2018
Cash generated from operating activities	584.8	325.6
Payments for property, plant and equipment	-367.1	-447.0
Payments for exploration and evaluation activity	-50.7	-41.0
Free cash flow	167.0	-162.4

All-In Sustaining Costs

All-in sustaining cost (“AISC”) refers to costs related to sustaining production, and is calculated as the amount of production cash costs, plus cash selling general and administrative expenses, plus taxes other than income tax and other cash operating results, with the addition of capital expenditure spent on sustaining the production level. The latter includes maintenance Capex at all mines, exploration Capex at operating mines, and capitalised stripping together with underground development works performed at operating mines.

Reconciliation of AISC

US$ million	2019	2018
Cost of sales	**1,022.8**	**806.3**
(Less)/plus items in income statements:		
Depreciation and amortisation	-290.9	-186.7
Change in obsolete provision and work-in-progress impairment	-6.7	3.3
Change in finished goods	-0.5	2.0
Revenue of by-products	-7.1	-4.7
Cost of production	**717.6**	**620.2**
General and administrative expenses	60.3	55.4
(Less)/plus items in income statements:		
Depreciation and amortisation	-5.8	-6.7
Cash administrative expenses	**54.5**	**48.7**
Other cash expenses	**1.6**	**5.5**
Sustaining CAPEX	**277.6**	**274.9**
Total All-in sustaining cost (AISC)	**1,051.3**	**949.3**
Gold produced, koz	1,027.2	903.4
Total All-in sustaining cost (AISC), US$/oz	**1,023**	**1,051**

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About Nordgold

Nordgold is an internationally diversified gold producer established in 2007. Nordgold has a proven track record of operational excellence and benefits from a significant international development pipeline. The Company is relentlessly focused on shareholder value, committed to running safe, sustainable and efficient operations, which enable it to generate strong cashflows and in turn, continue to invest in its pipeline of new growth opportunities while generating returns for investors. In 2019, Nordgold produced 1.041 Moz of gold.

Nordgold operates 10 mines (5 in Russia, 3 in Burkina Faso and one each in Guinea and Kazakhstan). It has several prospective projects in feasibility study, advanced and early exploration phases in Burkina Faso, Russia, French Guiana and Canada. Nordgold employs over 8,000 people.

Cautionary Note Regarding Forward-Looking Statements

The accompanying document has been prepared by Nord Gold SE, a company existing under the laws of the United Kingdom (the “Company” or “Nordgold” and, together with its subsidiaries, the “Group”), and is for informational purposes only. While information in this document is obtained from sources believed by the Company to be reliable, the Company has not undertaken an independent verification of such information, and no assurance can be provided as to the accuracy or completeness of any such information.

Certain statements in this document are not historical facts and constitute “forward-looking” statements regarding future events or the future financial performance of the Group, including within the meaning of Section 27A of the United States Securities Act of 1933, as amended and Section 21E of the United States Securities Exchange Act of 1934, as amended. Such forward looking statements may be identified by terms such as “expect”, “believe”, “estimate”, “anticipate”, “intend”, “will”, “could”, “may”, or “might”, the negative of such terms or other similar expressions. These forward-looking statements include matters that are not historical facts and statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies, and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties, because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance, and the Groups’ actual results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates may differ materially from those described in or suggested by the forward-looking statements contained in these materials. In addition, even if the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the development of the industry in which the Group operates are consistent with the forward-looking statements contained in these materials, those results or developments may not be indicative of results or developments in future periods. Any such statements speak as of the date on which they are made, and the Company does not undertake any obligation to update any such statements to reflect information, events, results or circumstances after the date on which it is made or to reflect the occurrence of unanticipated events, except as may be required by applicable law. Many factors could cause the actual results to differ materially from those contained in forward-looking statements of the Company, including, among others, general economic conditions, the competitive environment, risks associated with operating in the states where the Group operates, changes in the world gold market, as well as many other risks specifically related to the Group and its operations. Many of these assumptions are based on factors and events that are not within the control of Nordgold and there is no assurance that they will prove correct. New risks and uncertainties emerge from time to time, and it is not possible for management to predict all of such risk factors and to assess in advance the impact of each such factor on Nordgold’s business or the extent to which any factor, or combination of factors, may cause actual realities to differ materially from those contained in any forward-looking information. Actual performance or achievement could differ materially from that expressed in, or implied by, any forward-looking information in this document and, accordingly, investors should not place undue reliance on any such forward-looking information.

The information in these materials is provided as at the date hereof, and is subject to verification, completion and change. Accordingly, no representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its shareholders, directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in these materials, and no reliance may be placed for any purposes whatsoever on the information contained in this presentation or on its completeness, accuracy or fairness. None of the Company or any of its shareholders, directors, officers or any other person accepts any liability whatsoever for any loss howsoever arising from any use of the contents of these materials or otherwise arising in connection therewith.

Nord Gold SE

Consolidated Financial Statements
for the Year Ended 31 December 2019

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements of Nord Gold SE ("the Company") and its subsidiaries (together, "the Group") in accordance with applicable law and regulations.

Company law requires the Directors to prepare for each financial year the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation. 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 and of the profit or loss of the company for that year.

In preparing the consolidated financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the entity's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and its subsidiaries' transactions, disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by Directors on 13 March 2020 and signed on their behalf by:

Zelensky N.G. Chief Executive Officer	Guzeev D.V. Chief Financial Officer

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF NORD GOLD SE

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Nord Gold SE (the ‘parent company’) and its subsidiaries (the ‘group’):

- give a true and fair view of the state of the company’s affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union [and IFRSs as issued by the International Accounting Standards Board (IASB)]; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated and parent company statements of profit or loss;
- the consolidated and parent company statements of comprehensive income or loss;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the statement of accounting policies;
- the related consolidated notes 1 to 28; and
- the related parent company notes 1 to 15.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

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

Christopher Thomas ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
13 March 2020

NORD GOLD SE

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts in thousands of US dollars, except as otherwise stated)

	Note	Year ended 31 December 2019	2018
Sales	6	1 448 281	1 143 214
Cost of sales		(1 022 795)	(806 261)
Gross profit		**425 486**	**336 953**
General and administrative expenses	7	(60 333)	(55 403)
Impairment charge of non-current assets	9	(129 739)	(39 126)
Loss on partial disposal of subsidiary	24	-	(35 731)
Other operating expenses, net		(6 497)	(7 109)
Profit from operations		**228 917**	**199 584**
Finance income	10	28 152	4 284
Finance costs	10	(59 376)	(115 601)
Foreign exchange (loss)/gain, net		(18 833)	38 040
Profit before income tax		**178 860**	**126 307**
Income tax expense	11	(11 977)	(34 412)
Profit for the year		**166 883**	**91 895**
Attributable to:			
Shareholders of the Company		173 097	87 663
Non-controlling interests		(6 214)	4 232
Weighted average number of shares outstanding during the year (thousands of shares) – basic and diluted	23	336 274	338 589
Earnings per share			
Basic and diluted earnings per share (US dollars)	23	0.51	0.26

NORD GOLD SE

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS)
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts in thousands of US dollars, except as otherwise stated)

	Year ended 31 December	
	2019	**2018**
Profit for the year	**166 883**	**91 895**
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange gain/(loss) on translation of foreign operations	85 126	(191 781)
Recycling of foreign exchange loss on translation of foreign operations related to subsidiary disposal to profit or loss	(2 149)	17 576
Items that will not be reclassified to profit or loss		
Revaluation of equity investments designated as FVOCI, net of tax	(758)	(5 029)
Other comprehensive income/(loss) for the year, net of tax	**82 219**	**(179 234)**
Total comprehensive income/(loss) for the year	**249 102**	**(87 339)**
Attributable to:		
Shareholders of the Company	255 615	(83 751)
Non-controlling interests	(6 513)	(3 588)

NORD GOLD SE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019
(Amounts in thousands of US dollars, except as otherwise stated)

	Note	31 December 2019	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	14	189 891	90 346
Accounts receivable	15	37 632	30 007
Inventories	16	219 756	196 545
VAT receivable		62 118	72 427
Income tax receivable		18 808	9 092
Total current assets		**528 205**	**398 417**
Non-current assets			
Property, plant and equipment	17	1 328 745	1 267 204
Intangible assets	18	675 464	671 946
Long-term financial investments		2 961	3 181
Restricted cash	14	18 993	16 395
Deferred tax assets	11	36 551	46 963
Inventories	16	87 419	88 952
VAT receivable		54 906	25 404
Other non-current assets		7 028	10 853
Total non-current assets		**2 212 067**	**2 130 898**
Assets held for sale	12	12 607	-
TOTAL ASSETS		**2 752 879**	**2 529 315**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	19	50 063	381 369
Derivative financial instrument	19	-	58 402
Accounts payable	20	297 342	283 841
Income tax payable		12 072	9 996
Provisions	21	4 462	12 891
Total current liabilities		**363 939**	**746 499**
Non-current liabilities			
Long-term borrowings	19	931 710	567 800
Provisions	21	57 181	46 333
Deferred tax liabilities	11	70 437	97 807
Other non-current liabilities		12 825	8 122
Total non-current liabilities		**1 072 153**	**720 062**
Liabilities directly associated with assets held for sale	12	9 573	-
TOTAL LIABILITIES		**1 445 665**	**1 466 561**
Equity			
Share capital	22	464 577	464 605
Other reserves		10 540	9 790
Additional paid-in capital	22	760 957	761 003
Foreign exchange translation reserve		(548 838)	(632 114)
Retained earnings		511 724	342 927
Revaluation reserve		(4 482)	(3 724)
Total equity attributable to shareholders of the Company		**1 194 478**	**942 487**
Non-controlling interests		112 736	120 267
TOTAL EQUITY		**1 307 214**	**1 062 754**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2 752 879**	**2 529 315**

The financial statements of Nord Gold SE, registered number SE000102, were approved and authorised for issue by the Directors on 13 March 2020 and signed on their behalf by:

Zelensky N.G. Chief Executive Officer	Guzeev D.V. Chief Financial Officer

NORD GOLD SE

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts in thousands of US dollars, except as otherwise stated)

	Note	Year ended 31 December 2019	2018 [14]
Operating activities			
Profit for the year		**166 883**	**91 895**
Adjustments			
Finance income	10	(28 152)	(4 284)
Finance costs	10	59 376	115 601
Foreign exchange loss/(gain)		18 833	(38 040)
Income tax expense	11	11 977	34 412
Depreciation and amortisation		296 743	193 403
Impairment of non-current assets		129 739	39 126
Impairment of work-in-progress recognised in cost of sales		6 747	(3 297)
Loss on partial disposal of subsidiary	24	-	35 731
Other adjustments		1 789	2 382
		663 935	**466 929**
Changes in operating assets and liabilities:			
Accounts receivable		26 532	8 774
Inventories		(16 350)	(24 923)
VAT recoverable		(8 187)	(16 220)
Accounts payable		(6 059)	(1 386)
Other changes in operating assets and liabilities, net		1 488	(5 594)
Cash flows from operations		**661 359**	**427 580**
Interest paid		(48 854)	(62 220)
Interest received		954	4 279
Net interest from cross currency swap	19	2 010	11 805
Income tax paid		(30 649)	(55 797)
Cash generated from operating activities		**584 820**	**325 647**
Investing activities			
Acquisition of property, plant and equipment		(367 130)	(447 023)
Acquisition of exploration and evaluation assets		(50 716)	(41 002)
Lefa mining convention renewal	24	-	(14 651)
Decrease in short-term deposits		-	70 000
Other movements		(4 699)	(7 913)
Cash used in investing activities		**(422 545)**	**(440 589)**
Financing activities			
Proceeds from borrowings	19	580 372	544 607
Transaction cost paid		(4 234)	(4 713)
Repayment of borrowings	19	(630 091)	(532 520)
Dividends paid	13	(5 322)	(48 270)
Acquisition of non-controlling interests		-	(956)
Ordinary shares and GDRs buyback	22	(70)	(10 659)
Other movements		(1 107)	(2 159)
Cash used in financing activities		**(60 452)**	**(54 670)**
Net decrease in cash and cash equivalents		**101 823**	**(169 612)**
Cash and cash equivalents at beginning of the year	**14**	**90 346**	**270 402**
Effect of exchange rate fluctuations on cash and cash equivalents		(612)	(10 444)
Less cash and cash equivalents related to assets classified as held for sale at end of the period	12	(1 666)	-
Cash and cash equivalents at end of the year	**14**	**189 891**	**90 346**

[14] The group continues to employ supplier financing arrangements. There are two permitted presentations for these in the consolidated statement of cash flows. In the current year the Group has determined that the alternative approach to disclose non-cash movements related to liabilities transferred to financial institutions within the line "Proceeds from borrowings" better presents the Group's financing arrangements and changed to that. The comparative information has been restated to be on a consistent basis.

NORD GOLD SE

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019
(Amounts in thousands of US dollars, except as otherwise stated)

	Attributable to the shareholders of the Company									
	Share capital	Other reserves	Treasury shares	Additional paid-in capital	Foreign exchange translation reserve	Retained earnings	Revaluation reserve	Total	Non-controlling interests	Total
Balance at 31 December 2017	**468 873**	**(11 409)**	**-**	**767 995**	**(465 729)**	**302 732**	**1 305**	**1 063 767**	**116 325**	**1 180 092**
Adjustment related to IFRS 9 adoption	-	-	-	-	-	(372)	-	(372)	-	(372)
Balance at 1 January 2018	**468 873**	**(11 409)**	**-**	**767 995**	**(465 729)**	**302 360**	**1 305**	**1 063 395**	**116 325**	**1 179 720**
Profit for the year	-	-	-	-	-	87 663	-	87 663	4 232	91 895
Other comprehensive loss for the year, net of tax	-	-	-	-	(166 385)	-	(5 029)	(171 414)	(7 820)	(179 234)
Total comprehensive (loss)/income for the year								(83 751)	(3 588)	(87 339)
Acquisitions of non-controlling interest	-	-	-	-	-	(2 313)	-	(2 313)	(124)	(2 437)
Ordinary shares buyback (Note 22)	-	10 659	(10 659)	-	-	-	-	-	-	-
Treasury shares cancellation (Note 22)	(4 268)	-	10 659	(6 992)	-	601	-	-	-	-
Loss on partial disposal of subsidiary (Note 24)	-	10 540	-	-	-	-	-	10 540	10 540	21 080
Dividends declared and paid (Note 13)	-	-	-	-	-	(45 384)	-	(45 384)	(2 886)	(48 270)
Balance at 31 December 2018	**464 605**	**9 790**	**-**	**761 003**	**(632 114)**	**342 927**	**(3 724)**	**942 487**	**120 267**	**1 062 754**
Profit for the year	-	-	-	-	-	173 097	-	173 097	(6 214)	166 883
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	83 276	-	(758)	82 518	(299)	82 219
Total comprehensive income/(loss) for the year								255 615	(6 513)	249 102
Ordinary shares buyback (Note 22)	-	70	(70)	-	-	-	-	-	-	-
Treasury shares cancellation (Note 22)	(28)	-	70	(46)	-	4	-	-	-	-
Shares buyback provision reversal (Note 22)	-	680	-	-	-	-	-	680	-	680
Dividends declared and paid (Note 13)	-	-	-	-	-	(4 304)	-	(4 304)	(1 018)	(5 322)
Balance at 31 December 2019	**464 577**	**10 540**	**-**	**760 957**	**(548 838)**	**511 724**	**(4 482)**	**1 194 478**	**112 736**	**1 307 214**

1. OPERATIONS

Nord Gold SE (the "Company) is incorporated in the United Kingdom as a European Public Limited-Liability Company registered in accordance with the corporate law of the European Union and the UK Companies Act 2006. The Company's registered office is 4th Floor, 27 Dover Street, Mayfair, London, W1S 4LZ, United Kingdom. The Company is a public company limited by shares.

As at 31 December 2019 and 2018, the immediate parent company of the Company was Ocean Management Ltd. ("the Parent Company"), registered in the Cyprus. The controlling shareholders of the Company are Mr. Alexey A. Mordashov and his sons, Mr. Kirill A. Mordashov and Mr. Nikita A. Mordashov.

The principal activity of the Company and its subsidiaries (together referred to as the "Group") is the extraction, refining and sale of gold. Mining and processing facilities are located in Burkina Faso, Guinea, the Republics of Buryatia and Sakha (Yakutia) and the Amur and Transbaikal regions of the Russian Federation and in Kazakhstan. Detailed information about the Group's subsidiaries is presented in Note 24.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs EU").

Basis of measurement and presentation

The consolidated financial statements are prepared under the historical cost convention except for financial investments classified as debt/equity investments assets designated as FVOCI and financial instruments, which are measured at revalued amounts or fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The presentation currency of these consolidated financial statements is the US dollar.

Going concern

These consolidated financial statements have been prepared on the going concern basis as the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months.

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2019, the Group held US$ 189.9 million of cash and cash equivalents and had net debt of US$ 791.9 million.

The Board of Directors is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next twelve months from the date of this report without material uncertainty and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2019.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Adoption of new and revised accounting standards

Amendments to accounting standards that are mandatory effective for the current year

In 2019, the Group has adopted new and amended IFRSs and interpretations listed in the table below. Adoption of these standards did not have any significant effect on the financial performance or position of the Group as at 31 December 2019.

IFRSs and interpretations	IASB Effective Date - periods commencing on or after	EU-endorsed effective Date - periods commencing on or after
IFRS 16 Leases	1 January 2019	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	1 January 2019
Amended standards		
Amendments to IFRS 9: Prepayment features with Negative Compensation	1 January 2019	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019	1 January 2019
Annual Improvements to IFRS standards 2015-2017 Cycle	1 January 2019	1 January 2019
Amendments to IAS 19: Plan amendments, curtailments or settlements	1 January 2019	1 January 2019

IFRS 16 Leases

The Group adopted IFRS 16 'Leases' from 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The Group is not party to any leases where it acts as a lessor, but the Group does have a number of material property and equipment leases.

In accordance with the transition provisions of IFRS 16, for contracts entered into before 1 January 2019, the requirements of the standard have been applied only to contracts previously identified as leases in accordance with IAS 17: 'Leases'. For contracts entered into or changed after that date the definition of a lease in IFRS 16 has been applied.

On application of IFRS 16 comparative information has not been restated.

Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16.

Accounting policies under IFRS 16 Leases

The Group utilised the recognition exemptions for both short-term leases applicable to machinery, property and exploration and production assets that have a lease term of 12 months or less and for leases of low value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term. The Group has also applied wherever applicable the following transition allowances:

(Amounts expressed in thousands of US dollars, except as stated otherwise)

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- election not to apply the measurement requirements of the standard to leases where the term ends within 12 months of the date of initial application; and
- exclusion of initial direct costs from the measurement of the right of use asset at the date of initial application.

On transition, the Group measured lease liabilities for leases previously assessed as operating at the present value of the remaining lease payments and elected to measure the associated right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. For arrangements previously assessed as finance leases, the asset and liability balances at 31 December 2018 were carried forward as the opening IFRS 16 balances and subsequently measured in accordance with the new standard.

Application resulted in the recognition of US$ 10.1 million of total lease liabilities and right-of-use assets on 1 January 2019.

Right-of-use assets are presented in property, plant and equipment on the Statement of Financial Position. Lease liabilities are included in short-term and long-term borrowings.

A reconciliation of the operating lease commitment at 31 December 2018 to the opening IFRS 16 lease liability is shown below, along with a summary of the key judgments applied by the Group in determining these opening positions:

Operating lease commitments at 31 December 2018	**13 269**
Short-term and low value lease commitments straight-line expensed under IFRS 16	(1 158)
Effect of discounting	(2 053)
Payments due in periods covered by extension options that are included in the lease term	-
Finance lease liabilities recognised under IAS 17 at 31 December 2018	-
Lease liabilities recognised at 1 January 2019	**10 058**

The weighted average incremental borrowing rate used by the Group for IFRS 16 is 4.8%.

The comparative information continues to be reported in accordance with IAS 17 and the accounting policies applicable for this period are included in the Group Consolidated financial statements for the year ended 31 December 2018.

Definition of a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

As a lessee

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, lease-term extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use of asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis within Cost of sales as permitted by IFRS 16.

New and revised accounting standards and interpretations in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

International Accounting Standards (IFRS / IAS)	**IASB effective date - periods commencing on or after**	**EU-endorsed effective date - periods commencing on or after**
New standards		
IFRS 17 Insurance Contracts	1 January 2021	Endorsement outstanding
Amended standards		
Amendments to IFRS 3: Definition of a business	1 January 2020	Endorsement outstanding
Amendments to IAS 1 and IAS 8 (Oct 2018): Definition of Material	1 January 2020	Endorsement outstanding
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	Endorsement outstanding

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These accounting policies have been consistently applied throughout the Group for all periods presented in these consolidated financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing these consolidated financial statements; unrealised losses are also eliminated unless the transaction provides an evidence of impairment of the asset transferred.

Acquisition of additional interest in subsidiaries

No goodwill is recognised where the Group acquires additional interests in subsidiaries. The difference between the share of net assets acquired and the cost of investment is recognised directly in equity.

Foreign currencies

The functional currency of each of the Group`s entities is determined separately.

For all Russian Federation entities, the functional currency is the Russian Rouble, the functional currency of the Group’s entities located in Kazakhstan is the Kazakh Tenge, the functional currency for Burkina Faso entities is the Communaute Financiere Africaine Franc and the functional currency for Guinea is the US Dollar.

The translation into the presentation currency is made as follows:

- All assets and liabilities, both monetary and non-monetary, are translated at the closing exchange rates at the dates of each statement of financial position presented;
- All income and expenses in each statement of profit or loss are translated at the average exchange rates for the periods presented; and
- All resulting exchange differences are recognised as a separate component in other comprehensive income.

Any conversion of amounts into US Dollars should not be interpreted as a representation that such amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rates used, or any other exchange rate. Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses arising on the translation are recognised in the consolidated statement of profit or loss.

Property, plant and equipment

Property, plant and equipment ("PP&E") are carried at cost less accumulated depreciation and accumulated impairment losses or at fair value when acquired as part of a business combination. Cost includes expenditure that is directly attributable to the acquisition of the asset and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. In the case of assets constructed by the Group, related works and direct project overheads are included in cost. The cost of replacing part of an item of PP&E is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Repair and maintenance expenses are charged to the consolidated statement of profit or loss as incurred. Gains or losses on disposals of property, plant and equipment are recognised in the consolidated statement of profit or loss.

Assets previously being under construction are transferred from construction in progress to fixed assets and depreciated as soon as project production indicators are achieved. Particular production indicators are considered for each project separately depending on its technological specifics.

Capital expenditures for mine development works (pit opening, construction of capital mine workings and ore production stripping activity) are accounted for as buildings and construction.

Stripping activity related to pre-production phase is included in construction in progress. When production phase begins it is transferred to Capital stripping assets group and depreciated using units-of-production.

Depreciation is provided so as to write off property, plant and equipment over its expected useful life. Depreciation is calculated using the straight-line method for all the groups of PP&E, except for Capital stripping assets, where units-of-production method is used. The estimated useful lives of assets are reviewed regularly and revised.

The principal periods over which assets are depreciated are as follows:

Land, buildings and constructions	5-50 years
Plant and equipment	5-20 years
Capital stripping	1-17 years
Other assets	1-20 years

For assets of the newly acquired entities the periods for depreciation are determined in accordance with the terms above taking into consideration the period of previous usage.

Impairment of property, plant and equipment and mineral rights

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and associated mineral rights to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

Intangible assets (excluding goodwill)

Recognition and amortisation

Intangible assets acquired by the Group are measured on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the estimated useful lives using the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Mineral rights

Mineral rights are recorded as intangible assets when acquired as part of a business combination or when reclassified from exploration and evaluation assets.

Mineral rights are amortised on a straight-line basis over their useful life. The useful life is assessed on the basis of terms set up by the mineral license (contract) and estimated mineral reserves and resources subject to such license (contract).

Based on current mineral licenses (contracts) terms and available estimations of mineral reserves and resources useful lives of the Group’s mineral rights vary from 2 to 21 years.

Amortisation of mineral rights is charged to cost of sales for the period.

Exploration and evaluation assets

Recognition and measurement

Exploration and evaluation assets are generated during exploration and evaluation works aimed to search for new mineral deposits at new or existing license (contract) areas (for extension of the mineral basis) after the Group may obtain the right to extract these new deposits.

An exploration and evaluation asset is no longer treated as such when the technical feasibility and commercial viability of extracting a new mineral deposit are demonstrable and the Group may extract these resources according to the local governmental procedures. The carrying amount of such exploration and evaluation asset is reclassified into mineral rights. An exploration and evaluation asset is assessed for impairment and if any, an impairment loss is recognised before reclassification.

The Group measures exploration and evaluation assets on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, they are carried at cost less accumulated impairment losses.

The following expenditures comprise the cost of exploration and evaluation assets:

- Obtaining the rights to explore and evaluate mineral reserves and resources including costs directly related to this acquisition;
- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and/or
- Compiling prefeasibility and feasibility studies.

Administration and other overhead costs are charged to the cost of exploration and evaluation assets only if directly related to an exploration and evaluation project.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The following facts and circumstances, among others, indicate that exploration and evaluation assets must be tested for impairment:

- The exploration license in the specific area has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of gold resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of gold resources in the specific area have not led to the discovery of commercially viable quantities of gold resources and the decision was made to discontinue such activities in the specific area;
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing exploration and evaluation assets for impairment, such assets are allocated to cash-generating units, being exploration license areas.

Any impairment loss is recognised as an expense in accordance with the policy on impairment of assets set out below.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:
- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group’s previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

Inventories include materials and consumables, work-in-progress and finished goods.

Materials and consumables are valued at cost less allowances for slow-moving and obsolete items.

Work-in-progress consists of ore stockpiles and gold-in-process (including dore alloy).

Stockpiles represent mined ore before processing and are measured based on each stockpile’s average cost per tonne.

Gold in ore involved in processing (crushing, milling, leaching and other operations for recovery of gold in the form of Dore alloy) is accounted for as gold-in-process. Gold-in-process and dore alloy are measured based on recoverable ounces of gold.

Work-in-progress is valued at production costs incurred at the relevant stage of the production process. Production costs include materials and consumables, labour costs, mining and other services, refining costs, amortisation and depreciation of operating assets, etc.

Refined gold represents the Group's finished goods, and is valued on the basis of total production cost.

Financial instruments

Financial assets and financial liabilities are recognised in the Group′s statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

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.

Derivative financial instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Non-derivative financial instruments

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

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- 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.

Debt instruments that meet certain conditions are measured subsequently at fair value through other comprehensive income (FVTOCI). By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

Financial assets at FVTOCI

Financial assets at fair value through other comprehensive income are equity instruments that the Group has elected to recognise the changes in fair value of in other comprehensive income. In the prior year, these instruments were classified as available-for-sale. They are recognised initially at fair value in the Group Statement of Financial Position and are re-measured subsequently at fair value with gains and losses arising from changes in fair value recognised directly in equity and presented in the Group Statement of Comprehensive Income.

Cumulative gains and losses on equity instruments at fair value through other comprehensive income are not recycled to the Group Income Statement.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“ECL”) on trade and other 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 for trade and other receivables. The expected credit losses on these financial assets are estimated using the average default risk attributable to the counterparties.

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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset′s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised in the statement of profit or loss.
Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the endof each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Factoring arrangements

The Group has entered into reverse factoring arrangements with certain suppliers and financial institutions, whereby financial institutions make direct payments to certain suppliers on the Group’s behalf for inventory purchases. The Group then reimburses the financial institution and makes payments for any interest and other charges, where applicable, at a later date. The Group is able to extend payment terms for purchases for up to six months under these arrangements compared to up to approximately two months under the previous supplier credit terms. Any liabilities the Group holds under these arrangements are deemed to be financing in nature and are separately classified as ‘factoring arrangements’ within short term borrowings in the consolidated statement of financial position.

Where the credit period extension is obtained directly from the supplier, the economic substance of the transaction is determined to be operating in nature, and these liabilities are recognised as “trade and other payables” of the consolidated statement of financial position.

Consistent with the presentation in the consolidated statement of financial position, the Group presents cash payments made by the Group to financial institutions under reverse factoring arrangements within financing cash outflows in the consolidated statement of cash flows line “Repayment of borrowings”. Inventory purchases from suppliers are disclosed as operating cash flow movements with a simultaneous increase within financing cash inflows in the consolidated statement of cash flows line “Proceeds from borrowings”.

Income tax

Income tax comprises current and deferred tax and is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax expense is calculated by each entity on a pre-tax profit determined in accordance with the tax law of the country, in which the entity is incorporated, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which these assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised in respect of the following:

- Investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future;
- If it arises from the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- Initial recognition of goodwill.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Environmental provision

The Group has environmental obligations related to restoration of soil and other related works, which are due upon the closures of certain of its production sites.

Provision for each production site is estimated case-by-case based on available information, taking into account applicable local legal requirements. The estimation is made using existing technology, at current prices, and discounted using a real discount rate.

Future costs, discounted to net present value, are recognised in the period, in which the environmental disturbance occurs.

Costs are capitalised if environmental disturbance occurred during the construction of property, plant and equipment or charged to production costs for the period if the environmental disturbance occurred as part of the operating production process.

The unwinding of the environmental provisions is included in the consolidated statement of profit or loss as interest expense.

Share capital

Share capital comprises ordinary shares. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax effects.

Revenue

The Group recognises revenue principally from the sale of gold refined bullion. All the revenue recognised from contracts with customers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of the product to a customer.

All the Group sales are wholesale. The product is sold to banks in Russian Federation and to refining plants in Kazakhstan and West Africa. No sales related warranties or rights of return are given.

Payment of the transaction price is done immediately after revenue and receivable recognition when the performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer:

- In the Russian Federation revenue from gold sales is recognised at the time of shipment from the refining plant to a bank.
- In Kazakhstan sales revenue from gold sales is recognised at the time of arrival to the refining plant.
- In West Africa revenue recognition depends on each particular contract but the most common approaches are:
    - (a) at the time of shipment from the Group production plant,
    - (b) at the time of delivery to the refining plant,
    - (c) at the time of delivery to the relevant Airport destination.

The Group recognises the proceeds from selling refined gold bullion produced during the pre-production phase of operations in the consolidated statement of profit or loss.

Other expenses

Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the statement of profit or loss as incurred.

Finance income and costs

Finance income comprises interest income on funds invested, dividend income, and net foreign currency gains. Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest method. Dividend income is recognised in the statement of profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, net foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in the statement of profit or loss using the effective interest method except borrowing costs capitalised as part of qualifying assets.

Foreign currency gains and losses are reported on a net basis.

Earnings per share

The Group's basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. No dilutive instruments were present during the period.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment may engage in business activities for which it has yet to earn revenues, for example, entities on the exploration and evaluation stage.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker ("CODM"), the Group's Chief Executive Officer ("CEO"). The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Cash generating unit ("CGU") determination and impairment indicators

Management exercises judgement in determining the Groups individual CGUs based upon an assessment of the whether the cash inflows generated are capable of being separately identifiable and independent. Management also applies judgement in allocating assets that do not generate independent cash inflows to the Group's CGUs. Any changes to CGU determinations would impact the carrying values of the respective CGUs.

The Group considers both external and internal sources of information in assessing whether there are any indications that its CGUs are impaired. External sources of information include changes in the market, economic and legal environment in which the Group operates that are not within its control. Internal sources of information include the manner in which mining properties and plant and equipment are being used or are expected to be used and indicators of economic performance of such assets. Judgement is therefore required to determine whether these updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal.

Assets (other than goodwill) that have previously been impaired must also be assessed for indicators of impairment reversal. Such assets are, by definition, carried on the balance sheet at a value at or close to their recoverable amount at the last assessment. Therefore in principle any change to operational plans, economic parameters, or the passage of time, could result in further impairment or impairment reversal if an indicator is identified. Significant operating assets that the Group has previously impaired include Lefa, Taparko, Buryatzoloto and Suzdal, with a combined carrying value of US$ 713.1 million within property, plant and equipment and intangible assets as at 31 December 2019.

Impairment of exploration and evaluation assets

The Group carries out exploration and evaluation activities, and some of its licensed properties contain gold resources under the definition of internationally recognised mineral resource reporting methodologies. Management judgement is required to determine whether the expenditures which are capitalised as exploration and evaluation assets will be recovered by future exploitation or sale or whether they should be impaired. In assessing this, management determines the possibility of finding recoverable ore reserves related to a particular area of interest, which is a subject to significant uncertainties. Many of the factors, judgements and variables involved in measuring resources are beyond the Group's control and may prove to be incorrect over time. Subsequent changes in gold resources could impact the carrying value of exploration and evaluation assets.

Valuation of non-metal materials and consumables

Materials and spare parts are carried at the lower of cost or net realisable value. Determination of net realisable value is based on the most reliable evidence available at the time when assessment is performed. These values take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the reporting period.

Management applies judgement in creating an allowance for any obsolete and slow-moving materials and consumables based on the nature of the item and whether it is deemed to be usable or not in future periods. The allowance is reviewed on a rolling basis by management. As at 31 December 2019, the allowance amounted to US$ 39.1 million (31 December 2018: US$ 40.6 million).

Stripping activity assets

In certain mining operations, rock or soil overlying a mineral deposit, known as overburden, and other waste materials must be removed to access the ore body. The process of removing this overburden and other waste materials is referred to as stripping. The Group incurs stripping costs at its surface mining operations. Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalized within Construction in progress. Management judgement is required to define the point at which the production phase starts.

During the production phase management judgement is also required distinguish between the stripping activities which relate to current production and those which create a stripping activity asset.

In order to perform the allocation the Group is required to identify separate components towards which the stripping costs have been incurred for the ore bodies in each of its mines. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Management judgement is required to identify and define these components, to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. For the purposes of identification of separate components the Group uses mine operating plans. All amounts capitalised in respect of waste removal are depreciated using the unit of production method based on proved and probable reserves of the component of the ore body to which they relate.

During 2019, stripping costs in the amount of US$ 160.6 million were capitalized at Lefa, Taparko, Bissa, Berezitovy, Taborny and Gross mines (US$ 82.8 million during 2018). The carrying value of the stripping activity asset recognised within construction in progress as at 31 December 2019 amounted to US$ 145.6 million (31 December 2018: US$ 186.7 million). Total carrying value of the stripping activity asset recognised within property, plant and equipment as at 31 December 2019 amounted to US$ 284.9 million (31 December 2018: US$ 298.2 million).

Assets Held for Sale

During 2019 Zun-Holba mine, part of Buryatzoloto operations, was separated from OJSC Buryatzoloto into a standalone legal entity, LLC Zun-Holba. Assets related to Zun-Holba operations were transferred from OJSC Buryatzoloto to LLC Zun-Holba as a contribution to the share capital. On 1 December 2019 management concluded that the carrying value of Zun-Holba non-current assets will be recovered through a sale transaction rather than through continuing use and accordingly these were classified as held for sale.

Management judgement is required to assess whether the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification is probable (Note 12).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may 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.

Estimating recoverable amount fair values

Calculation of the recoverable amounts of the Group’s CGUs requires management to make estimates with respect to future production levels, operational and capital costs, future gold prices, foreign exchange rates, discount rates and the renewal of any expiring mining licenses. Any changes in any of the estimates used in determining the recoverable amounts could impact the recoverable amount and impairment analysis.

As at 31 December 2019, management performed impairment valuation tests for those CGUs where impairment indicators were identified. The estimates adopted in those valuation tests, as well as the relevant sensitivity analysis, are disclosed in Note 9.

Mineral reserves and life of mine plans (“LOMs”)

Estimates of the quantities of proved and probable mineral reserves are based on the feasibility and technical reports produced by qualified persons, and form the basis for the LOM plans. LOM plans are updated on an annual basis and are used for a number of important business and accounting purposes, including calculation of future cash flows for non-current assets impairment testing, estimations of useful economic lives of property, plant and equipment, capitalization of production stripping costs and forecasting timing of payments related to environmental obligations.

When determining LOM plans, assumptions that were valid at time of estimation may change when new information becomes available. Such assumptions include:

- change in estimates of proved and probable reserves;
- the grade of ore reserves varying significantly from time to time;
- unforeseen operational issues at mine sites; and
- future gold prices, foreign exchange rates and discount rates.

Any changes in these estimates would affect prospective depreciation rates and asset carrying values and, as a result, the determination of Mineral reserves and LOMs are considered to be key sources of estimation uncertainty (see related sensitivity analysis in Note 9).

Environmental provisions

The Group mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management reviews its environmental provision on an annual basis and when new information becomes available. The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable estimation is required in forecasting future decommissioning and site restoration costs, the timing of these expenditures, and the impact of changes in discount rates and foreign exchange rates. The key estimates used as at 31 December 2019 and the relevant sensitivity analysis performed are presented in Note 21.

Recoverability of indirect taxes

The Group is due substantial amounts of indirect tax in West Africa from the local tax authorities. At each reporting date management estimates the forecast recoverability of the respective asset and creates an impairment provision when required. In addition, timing of the expected cash inflows is assessed for the purposes of classifying the respective asset as current or non-current. The total balance of indirect taxes recoverable in West Africa as at 31 December 2019, net of provision, amounted to US$ 85.1 million (31 December 2018: US$ 66.1 million). Due to the associated uncertainty, it is possible that estimates may need to be revised as further information around the likely recoverable amount becomes available. Whilst a range of outcomes is possible, the Directors believe that the reasonably possible range within 12 months is an increase in indirect taxes recoverable or reversal of historical provision for indirect taxes recoverable of up to US$ 6.5 million as at 31 December 2019.

Valuation of gold stockpiles and gold-in-process

Costs that are incurred in the production process are accumulated as stockpiles, gold-in-process and gold doré. Stockpiles are measured based on each stockpile’s average cost per tonne; gold-in-process and gold doré are measured based on recoverable ounces of gold.

Stockpile quantities are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Although the quantities of recoverable gold are reconciled by comparing the grades of ore to the quantities of gold actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to monitor precisely recoverability levels. As a result, the metallurgical balancing process is constantly monitored and engineering estimates are refined based on actual results over time. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realisable value are accounted for on a prospective basis.

As at 31 December 2019, gold-in-process in the amount of US$ 82.1 million (31 December 2018: US$ 79.6 million) was classified within current assets and ore stockpiles in the amount of US$ 53.7 million (31 December 2018: US$ 48.1 million) were split between current and non-current assets based on mine operating plans. Non-current portion as at 31 December 2019 amounted to US$ 44.3 million (31 December 2018: US$ 42.4 million).

Gold-in-process and ore stockpiles are carried at the lower of cost or net realisable value. Management applies estimation in measuring the net realisable value of gold inventories based on the most reliable evidence available at the time. Any changes in these estimates would affect the inventories carrying amounts, as a result, these are considered to be key sources of estimation uncertainty. Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible change is a reduction in assets of up to US$ 1.5 million.

5. SEGMENT REPORTING

The Group has nine reportable segments, as described below, representing the strategic business units. Each strategic business unit is managed separately with relevant results regularly reviewed by the Group's Chief Executive Officer ("CEO"). The following summary describes the operations of each reportable segment:

- *Gross.* An open pit gold mine Gross with the heap-leaching technology for gold processing located in the Republic of Sakha (Yakutia) of the Russian Federation.
- *Taborny (former Neryungri).* An open pit gold mine Taborny with the heap-leaching technology for gold processing located in the Republic of Sakha (Yakutia) of the Russian Federation.
- *Suzdal and Balazhal.* Includes the Suzdal underground gold mine located in Kazakhstan with flotation, bio-oxidation and carbon-in-leach ("CIL") technology for gold processing and the Balazhal gold deposit in Kazakhstan. During 2018, the Group disposed of Balazhal through sale to a third party, of which the result was immaterial.
- *Buryatzoloto.* Includes two underground gold mines located in the Republic of Buryatia of the Russian Federation: Zun-Holba with gravity, flotation and carbon-in-pulp ("CIP") technology for gold processing and Irokinda with gravity and flotation technology for gold processing. During 2019 Zun-Holba was classified as asset held for sale (Note 12).
- *Berezitovy.* An open-pit gold mine located in the Amur region of the Russian Federation with CIP technology for gold processing.
- *Taparko.* An open-pit gold mine located in Burkina Faso, West Africa with CIL technology for gold processing.
- *Lefa.* An open-pit gold mine located in Guinea, West Africa with CIP technology for gold processing.
- *Bissa and Bouly.* Open-pit gold mines located in Burkina Faso, West Africa with CIL and heap-leaching technologies for gold processing.
- *Greenfields and Development assets.* Includes a number of gold deposits at exploration and evaluation stage located in Burkina Faso, Russian Federation, Canada and Montagne d'Or gold development project in French Guiana.

Operations of the holding company (Nord Gold SE) and its subsidiaries involved in non-core activities are disclosed as "All other segments", none of which meet the criteria for separate reporting to the Group's CEO.

The Group's CEO uses adjusted EBITDA in assessing each segment's performance and allocating resources. Adjusted EBITDA represents profit for the year adjusted to exclude income tax expense, finance income, finance costs, depreciation and amortisation, impairment of non-current assets, impairment of work-in progress, net loss on disposal of property, plant and equipment, change in provisions, foreign exchange gain/loss and other expenses/income.

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Segment financial performance

The following is an analysis of the Group's sales and adjusted EBITDA by segment:

	Year ended 31 December	
	2019	**2018**
Sales		
Gross	367 619	68 880
Taborny (former Neryungri)	108 546	124 507
Suzdal and Balazhal	107 060	104 980
Buryatzoloto	67 075	82 905
Berezitovy	85 069	62 307
Taparko	96 683	129 845
Lefa	263 532	238 964
Bissa and Bouly	352 697	330 826
Total	**1 448 281**	**1 143 214**

	Year ended 31 December	
	2019	**2018**
Adjusted EBITDA by segment		
Gross	282 768	55 572
Taborny (former Neryungri)	65 391	78 858
Suzdal and Balazhal	59 044	54 681
Buryatzoloto	27 934	6 653
Berezitovy	40 813	29 369
Taparko	2 514	48 773
Lefa	84 349	87 406
Bissa and Bouly	138 420	136 808
Greenfields	(119)	-55
Total adjusted EBITDA for reportable segments	**701 114**	**498 065**
Adjusted EBITDA for all other segments	(33 847)	(27 872)
Total	**667 267**	**470 193**

	Year ended 31 December	
	2019	**2018**
Segment capital expenditures		
Gross	68 627	44 646
Taborny (former Neryungri)	49 058	146 298
Suzdal and Balazhal	17 644	12 843
Buryatzoloto	22 768	27 618
Berezitovy	39 129	48 518
Taparko	39 589	60 102
Lefa	89 927	74 622
Bissa and Bouly	86 852	85 567
Greenfields	10 005	13 868
Total capital expenditures for reportable segments	**423 599**	**514 082**
All other segments	5 388	581
Total segment capital expenditures	**428 987**	**514 663**
Depreciation capitalised	35 269	30 880
Other transfers	(5 647)	(2 052)
Additions to PP&E and Intangible assets	**458 609**	**543 491**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

The reconciliation of profit before income tax to the adjusted EBITDA:

	Year ended 31 December	
	2019	**2018**
Adjusted EBITDA	**667 267**	**470 193**
Finance income	28 152	4 284
Finance costs	(59 376)	(115 601)
Foreign exchange (loss)/gain	(18 833)	38 040
Depreciation and amortisation	(296 743)	(193 403)
Impairment charge of non-current assets	(129 739)	(39 126)
Loss on partial disposal of subsidiary	-	(35 731)
Impairment charge of work-in-progress recognised in cost of sales	(6 747)	3 297
Net loss on disposal of property, plant and equipment	(1 471)	(1 009)
Other expenses	(3 650)	(4 637)
Profit before income tax	**178 860**	**126 307**

Geographical information

The following is a summary of the Group's non-current assets by location of asset, excluding financial instruments and deferred tax assets:

	31 December	
	2019	**2018**
Russian Federation	838 043	723 785
Burkina Faso	604 660	648 132
Guinea	509 233	494 543
French Guiana	114 058	109 278
Kazakhstan	52 900	44 731
Canada	28 684	25 274
Other	5 984	486
Total	**2 153 562**	**2 046 229**

The following is a summary of the Group's sales by location of operations:

	Year ended 31 December	
	2019	**2018**
Russian Federation	628 309	338 599
Burkina Faso	449 380	460 671
Guinea	263 532	238 964
Kazakhstan	107 060	104 980
Total	**1 448 281**	**1 143 214**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

6. SALES

	Year ended 31 December	
	2019	2018
By product		
Gold	1 441 149	1 138 558
Silver	7 132	4 656
Total	**1 448 281**	**1 143 214**

		Year ended 31 December	
		2019	2018
By customer	**By segment**		
Switzerland: MKS Finance S.A.	Bissa and Bouly, Lefa, Taparko	712 912	690 883
Russian Federation: VTB	Gross, Taborny (former Neryungri), Berezitovy, Buryatzoloto	449 843	321 857
Russian Federation: Otkrytie	Gross, Taborny (former Neryungri), Berezitovy, Buryatzoloto	178 466	8 277
Kazakhstan: Tau-Ken Altyn	Suzdal and Balazhal	107 060	104 980
Switzerland: Metalor Technologies S.A.	Taparko	-	8 752
Russian Federation: Sberbank	Taborny (former Neryungri)	-	7 992
Russian Federation: Gazprombank	Taborny (former Neryungri)	-	473
Total		**1 448 281**	**1 143 214**

All revenues are derived from the contracts with customers.

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2019	2018
Wages and salaries	34 209	31 418
Professional and other services	17 853	15 273
Depreciation and amortisation	5 830	6 721
Other	2 441	1 991
Total	**60 333**	**55 403**

The analysis of the auditor’s remuneration is as follows:

	Year ended 31 December	
	2019	2018
Fees payable to the Company’s auditor and their associates for the audit of the Company’s annual accounts		
- The audit of the Company	339	300
- The audit of the Company’s subsidiaries	368	317
Total audit fees	**707**	**617**
- Other assurance services	373	125
Total non-audit fees	**373**	**125**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

8. STAFF COST

	Year ended 31 December	
	2019	**2018**
Wages and salaries	177 213	176 816
Long-term incentive program	5 025	3 397
Social security costs	34 901	30 483
	217 139	**210 696**
Less capitalised amounts:		
Wages and salaries	(38 080)	(37 392)
Social security costs	(10 692)	(7 845)
Total	**168 367**	**165 459**

Key management personnel comprise executive and non-executive directors (“Directors”). Total Directors’ remuneration in 2019 amounted to US$ 13.2 million (2018: US$ 11.9 million). It included annual salaries of US$ 5.8 million (2018: US$ 6.3 million), annual bonuses of US$ 3.8 million (2018: US$ 2.7 million), and incentive programme accruals of US$ 3.6 million (2018: US$ 2.9 million).

Remuneration of the highest paid Director in 2019 amounted to US$ 4.0 million (2018: US$ 3.5 million) including annual salary of US$ 1.0 million (2018: US$ 1.1 million), annual bonus of US$ 1.2 million (2018: US$ 1.5 million), incentive programme of US$1.7 million (2018: US$ 0.8 million), and benefit allowance of US$ 0.1 million (2018: US$ 0.1 million).

The average number of employees by business units:

	Year ended 31 December	
	2019	**2018**
Operating mines:		
Buryatzoloto	1 380	1 999
Bissa	1 248	1 234
Lefa	1 305	1 178
Gross	1 010	629
Suzdal	976	962
Berezitovy	890	895
Taborny (former Neryungri)	704	684
Taparko	667	650
Other entities:		
Nordgold Management	103	97
Others	2	3
Total	**8 285**	**8 331**

9. IMPAIRMENT OF NON-CURRENT ASSETS

As at 31 December 2019 and 2018, the Group’s property, plant and equipment and mineral rights at certain business units with impairment indicators were assessed for impairment in accordance with IAS 36 and its exploration and evaluation assets were assessed for impairment in accordance with IFRS 6. Impairment charges/ (reversals) were recognised in the Group’s consolidated statement of profit or loss for 2019 and 2018 as follows:

(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Year ended 31 December	
	2019	**2018**
Property, plant and equipment (Note 17)		
Berezitovy	58 229	-
Taparko	23 652	-
Buryatzoloto	6 339	4 813
	88 220	**4 813**
Intangible assets (Note 18)		
Buryatzoloto mineral rights and exploration and evaluation assets	10 546	37 154
Taparko mineral rights	6 370	-
Bissa mineral rights	5 699	-
Berezitovy mineral rights	4 134	-
Other intangible assets	563	969
	27 312	**38 123**
Other assets		
Assets held for sale impairment (note 12)	22 140	-
Reversal of impairment	(7 933)	(3 810)
	14 207	**(3 810)**
Impairment of non-current assets	**129 739**	**39 126**

Due to the presence of impairment indicators in 2019, management conducted impairment valuation reviews at Buryatzoloto, Berezitovy and Taparko CGUs (2018: Buryatzoloto, Berezitovy and Lefa). For these CGUs the recoverable amounts were calculated based on the value in use, using discounted cash flow projections. As a result of the impairment review an impairment loss for Buryatzoloto, Berezitovy and Taparko was recognised (impairment loss for Buryatzoloto was recognised in 2018).

The valuations of recoverable amount are sensitive to changes in key assumptions, particularly future gold prices, production volumes and costs and discount rates, which are subject to a high level of estimation uncertainty. Key assumptions used by the Group in determining the value in use of reviewed CGUs were as follows:

- A 2020 gold price of US$ 1,500/oz, a 2021 and 2022 gold prices are US$ 1,437/oz and 1,394/oz respectively and long-term gold price of US$ 1,400/oz, based on third party analysts' consensus data;
- Approved mine plans which include relevant production and cost assumptions;
- A pre-tax real discount rate for Berezitovy of 10.1% (2018: 11.5%), Taparko 8.9% (2018: no impairment test) and Buryatzoloto 12.3% (2018: 10.7%), based on the Group's weighted average cost of capital and specific asset risk factors.

Sensitivity analysis

Management performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions used would lead to any additional impairment loss in all of impairment models for all of CGUs above with impairment indicators.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

Scenarios	**Combined impairment loss**
Long-term gold price of US$ 1 200 per ounce	1 867
Long-term gold price of US$ 1 150 per ounce	2 333
Long-term gold price of US$ 1 100 per ounce	2 800
10% decrease in future production volume	56 680
10% increase in future cost of production	33 348
1pp increase in discount rate applied	1 743

(Amounts expressed in thousands of US dollars, except as stated otherwise)

All of the scenarios presented above assumed that the relevant assumptions move in isolation.

The US$ 5.7 million (no impairment losses during 2018) pre-tax impairment charge for Bissa mineral rights related to project Zinigma in West Africa which did not result in the discovery of commercially viable quantities of gold resources. The US$ 7.5 million (no impairment losses during 2018) pre-tax impairment charge for Buryatzoloto exploration and evaluation assets related to project Zhanok in Russian Federation.

Impairment of assets held for sale related to LLC Zun-Holba. Proceeds from disposal are expected to be US$ 3.0 million while the carrying amount of the related net assets as at 31 December 2019 was US$ 25.1 million. Impairment loss of US$ 22.1 million was recognised accordingly in respect of assets held for sale, including impairment of property, plant and equipment US$ 20.5 million and impairment of intangible assets US$ 1.6 million.

Impairment reversal in 2019 of other non-current assets of US$ 7.9 million (2018: US$ 3.8 million) related to the indirect taxes in West Africa due to change of estimate in respect of their recoverability.

10. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December	
	2019	**2018**
Finance income		
Interest income	822	4 284
Net income from derivative	27 330	-
Total	**28 152**	**4 284**
Finance costs		
Interest expense	(51 971)	(61 764)
Net loss from derivative	-	(44 762)
Environmental provision discount unwinding	(1 898)	(1 484)
Royalties related to West African operations	(2 752)	(5 654)
Other	(2 755)	(1 937)
Total	**(59 376)**	**(115 601)**

Net income from derivative of US$ 27.3 million for 2019 (2018: net loss US$ 44.8 million) related to a cross currency swap and includes US$ 2.3 million of net interest and US$ 25.0 million derivative instrument fair value change. The swap provided an economic hedge of a Ruble denominated loan held by an entity with US dollar functional currency. The translation of the loan gave a current year US$ 24.0 million loss included in the net foreign exchange loss. The swap was closed out in 2019 (with the financial liability of US$ 33.4 million fully de-recognised) and the loan redenominated into US dollar as set out in Note 19 with no gain or loss, or transfer of cash arising.

11. INCOME TAX

	Year ended 31 December	
	2019	**2018**
Current tax charge	(29 190)	(38 809)
Prior period adjustments	4 104	(375)
Deferred tax expense	13 109	4 772
Income tax expense	**(11 977)**	**(34 412)**

In 2019 and 2018, the Group's profits were taxable at 20% in the Russian Federation and Kazakhstan, 17.5% and 27.5% in Burkina Faso, and 30% in Guinea.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

The amount of income tax recorded in the consolidated statement of profit or loss differs from the theoretical amount that would arise by applying the weighted average tax rate to profit before tax and is reconciled as follows:

	Year ended 31 December			
	2019		2018	
Profit before income tax expense	**178 860**		**126 307**	
Theoretical tax at rates applicable to the profits in the respective countries	(30 751)	17%	(35 405)	28%
Effect of the regional investment project	46 033	(26%)	-	-
Prior period adjustments	4 104	(2%)	(375)	0%
Effect of intragroup dividends	(2 317)	1%	(4 816)	4%
Current year losses not recognised	(3 574)	2%	(1 430)	1%
Income/(expenses) that are non-deductible	(2 297)	1%	(2 384)	2%
Prior year deferred tax write-off/recognised	(23 175)	13%	5 903	(5%)
Utilisation of tax losses not recognised in prior periods	-	-	4 095	-3%
Income tax expense	**(11 977)**	**7%**	**(34 412)**	**27%**

Starting from 1 January 2019 LLC Nerungri-Metallik, a 100% subsidiary of the Group that owns the Gross mine, applies the following reduced rates on income tax because it entered into a regional investment project: 0% for 2019-2023; 10% for 2024-2028; and the standard 20% rate thereafter.

The effect of the regional investment project includes the effect of revision of income tax rate in 2019 and effect of different tax rates applied compared to a statutory tax.

Current year losses not recognised during 2019 and 2018 related to the Group's holding and other entities which are not expected to generate enough taxable profits to recover these losses in future.

In 2019, the Group has written off deferred tax assets related to Taparko, High River Gold Mines Ltd. and Nordgold Management which are deemed non-recoverable. Prior year deferred tax recognised in 2018 related to the deferred tax asset on the tax losses occurred in 2014 in Guinea which are deemed recoverable on the basis of sufficient future taxable income expected to be generated by Lefa.

In 2018, the Group has recognised US$ 4.1 million of tax losses as a result of transferring related expense from holding company to operating West African entity where those losses can be utilized against taxable profit.

The movement in the net deferred tax liabilities was as follows:

2019	**Opening balance**	**Recognised in profit or loss**	**Adjustment in respect of prior years**	**Translation difference**	**Reclassified as held for sale**	**Closing balance**
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	**(32 704)**	16 707	-	(2 661)	2 877	**(15 781)**
Intangible assets	**(81 712)**	(10 084)	4 395	(1 093)	722	**(87 772)**
Inventories	**(5 518)**	2 079	-	(979)	-	**(4 418)**
Financial investments	**5 005**	(4 707)	-	(84)	-	**214**
Provisions	**7 872**	(752)	-	615	-	**7 735**
Other	**4 694**	3 985	(291)	379	(79)	**8 688**
Tax losses carried forward	**51 519**	5 881	-	48	-	**57 448**
Total	**(50 844)**	**13 109**	**4 104**	**(3 775)**	**3 520**	**(33 886)**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

2018	Opening balance	Recognised in profit or loss	Adjustment in respect of prior years	Translation difference	Closing balance
Deferred tax assets/(liabilities) related to:					
Property, plant and equipment	(10 524)	(29 159)	1 651	5 328	**(32 704)**
Intangible assets	(100 168)	13 896	-	4 560	**(81 712)**
Inventories	(6 233)	(555)	-	1 270	**(5 518)**
Financial investments	5 146	224	-	(365)	**5 005**
Provisions	10 263	(1 439)	-	(952)	**7 872**
Other	12 532	(6 261)	-	(1 577)	**4 694**
Tax losses carried forward	24 911	28 066	-	(1 458)	**51 519**
Total	**(64 073)**	**4 772**	**1 651**	**6 806**	**(50 844)**

Management concluded that recoverability of the recognised deferred tax asset of US$ 57.4 million at 31 December 2019 (31 December 2018: US$ 51.5 million) on tax losses carried forward is probable based upon expectations of future taxable income and available tax planning strategies.

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxes levied in the same jurisdiction and on the Group's entities which can pay taxes on a consolidated basis. Deferred tax balances (after offset) presented in the consolidated statement of financial position were as follows:

	31 December 2019	31 December 2018
Deferred tax liability	(70 437)	(97 807)
Deferred tax asset	36 551	46 963
Net deferred tax liability	**(33 886)**	**(50 844)**

Taxable differences related to investments in subsidiaries where the Group is able to control the timing of the reversal and it is probable that the recurring temporary difference will not reverse in the foreseeable future, amounted to US$ 632 million at 31 December 2019 (31 December 2018: US$ 367 million) and have not been recognised in the consolidated financial statements.

The Group has not recognised deferred tax assets on tax losses carried forward related to certain Group entities where it is not probable that deferred tax assets can be utilised.

The cumulative amounts of unrecognised tax losses with related expiry dates were the following:

	31 December 2019	31 December 2018
Within one year	9	9
Between one and five years	13 577	2 107
Between five and ten years	5 485	2 519
Between ten and twenty years	7 154	1 800
No expiry date	47 461	66 633
Total	**73 686**	**73 068**

12. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

During 2019 Zun-Holba mine, a part of Buryatzoloto operations, was separated from OJSC Buryatzoloto into separate legal entity LLC Zun-Holba. Assets related to Zun-Holba operations were transferred from OJSC Buryatzoloto to LLC Zun-Holba as a contribution to the share capital.

As a result of such separation Zun-Holba operations were ready for sale in its present condition and management assessed that it is highly probable that Zun-Holba will be disposed during the next year leading to classification of assets and liabilities of Zun-Holba as held for sale starting from 1 October 2019, when decision was taken to dispose of Zun-Holba mine and negotiations with several interested parties have subsequently taken place. Assets and liabilities of Zun-Holba operations, which are expected to be disposed of within 12 months, were classified as at 31 December 2019 as assets held for sale and liabilities directly associated with assets held for sale, respectively, and presented separately in the consolidated statement of financial position.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Proceeds from disposal are expected to be US$ 3.0 million while the carrying amount of the related net assets as at 31 December 2019 was US$ 25.1 million. Impairment loss of US$ 22.1 million was recognised accordingly in respect of assets held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	31 December 2019
Property, plant and equipment	6 527
VAT receivable	4 414
Cash and cash equivalents	1 666
Total assets classified as held for sale	**12 607**
Accounts payable	2 608
Deferred tax liabilities	3 520
Other non-current liabilities	3 445
Total liabilities directly associated with assets classified as held for sale	**9 573**
Net assets of disposal group	**3 034**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

13. DIVIDENDS

	Cents per share	US$ thousand	Accrued and paid in
Final dividend 2017	5	15 261	2018
Interim dividend 2018 Q1	3	11 226	2018
Interim dividend 2018 Q2	3	9 635	2018
Interim dividend 2018 Q3	3	9 262	2018
Final dividend 2018	1	4 304	2019
Total dividends for the year ended 31 December 2018			**45 384**
Total dividends for the year ended 31 December 2019			**4 304**

14. CASH AND CASH EQUIVALENTS AND SHORT-TERM DEPOSITS

	31 December	
	2019	**2018**
Cash at banks	140 999	72 840
Short-term bank deposits (maturing within 3 months)	48 715	17 370
Petty cash	177	136
Total	**189 891**	**90 346**
Restricted cash in non-current assets	18 993	16 395

Restricted cash comprises cash reserved in banks in accordance with the local legislation requirements in connection with the future site restoration costs in Burkina Faso, Guinea and Kazakhstan.

The carrying values of cash and cash equivalents approximated their fair values because of the short maturities of these instruments.

The Group's exposure to risks associated with cash and cash equivalents is disclosed in Note 26.

15. ACCOUNTS RECEIVABLE

	31 December	
	2019	**2018**
Advances paid and prepayments	20 881	15 827
Trade accounts receivable	2 062	1 497
Other receivables	15 879	13 763
Provision for credit losses		
Advances paid and prepayments	(151)	(143)
Trade accounts receivable	(248)	(246)
Other receivables	(791)	(691)
Total accounts receivable	**37 632**	**30 007**

The carrying value of trade and other accounts receivable approximated their fair values because of the short maturities of these instruments. The Group's exposure to risks arising from accounts receivable are discussed in Note 26.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

16. INVENTORIES

	31 December 2019	31 December 2018
Current inventories		
Materials and consumables	124 006	107 170
Work-in-progress	91 503	85 252
Finished goods	4 247	4 123
Total current inventories	**219 756**	**196 545**
Non-current inventories		
Long-term ore stockpiles	44 277	42 432
Long-term materials and consumables	43 142	46 520
Total non-current inventories	**87 419**	**88 952**

In 2019 inventories recognised as an expense within cost of sales amounted to US$ 345.0 million (2018: US$ 281.7 million).

As at 31 December 2019, the obsolescence and net realisable value provision amounted to US$ 47.3 million (31 December 2018: US$ 40.6 million). In 2019 accrual of obsolescence and net realisable value provision included in cost of sales in 2019 amounted to US$ 6.7 million (2018: reversal of US$ 3.3 million). The main reason for such accrual was cost increase at certain CGUs leading to additional net realizable value provision.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

17. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Plant and equipment	Capital stripping	Other assets	Construction in progress	Total
Cost						
Balance at 1 January 2018	**496 842**	**748 605**	**287 888**	**33 216**	**505 505**	**2 072 056**
Reclassifications to inventories	-	-	-	-	(3 498)	(3 498)
Reclassifications between groups	10 866	(10 866)	-	-	-	-
Additions	-	-	-	-	493 360	493 360
Change in environmental provision	574	-	-	-	-	574
Transfers	26 798	232 451	82 278	6 569	(348 096)	-
Disposals	(41)	(7 383)	-	(543)	(2 103)	(10 070)
Translation differences	(40 334)	(50 294)	(19 344)	(2 187)	(74 185)	(186 344)
Balance at 31 December 2018	**494 705**	**912 513**	**350 822**	**37 055**	**570 983**	**2 366 078**
Effect of IFRS 16 adoption	10 058	-	-	-	-	10 058
Balance at 1 January 2019	**504 763**	**912 513**	**350 822**	**37 055**	**570 983**	**2 376 136**
Reclassifications to inventories	-	-	-	-	(10 030)	(10 030)
Reclassifications between groups	31 746	(42 361)	-	10 615	-	-
Reclassified as held for sale	(36 259)	(9 809)	-	(80)	(7 522)	(53 670)
Additions	-	-	-	-	406 670	406 670
Change in environmental provision	11 357	-	-	-	-	11 357
Transfers	39 532	362 442	199 475	7 351	(608 800)	-
Disposals	(87)	(5 356)	-	(268)	(1 430)	(7 141)
Translation differences	9 411	35 106	4 176	1 030	23 942	73 665
Balance at 31 December 2019	**560 463**	**1 252 535**	**554 473**	**55 703**	**373 813**	**2 796 987**
Depreciation and impairment						
Balance at 1 January 2018	**(291 470)**	**(487 591)**	**(176 778)**	**(19 574)**	**(11 130)**	**(986 543)**
Reclassifications between groups	(13)	13	-	-	-	-
Depreciation for the year	(29 546)	(76 338)	(71 588)	(4 656)	-	(182 128)
Impairment	(2 551)	(2 262)				(4 813)
Disposals	34	6 629	-	372	-	7 035
Translation differences	24 731	32 501	9 001	962	380	67 575
Balance at 31 December 2018	**(298 815)**	**(527 048)**	**(239 365)**	**(22 896)**	**(10 750)**	**(1 098 874)**
Reclassifications between groups	(2 266)	3 025	-	(759)	-	-
Reclassified as held for sale	18 411	8 111	-	80	-	26 602
Depreciation for the year	(48 517)	(120 836)	(123 612)	(3 257)	-	(296 222)
Impairment (note 9)	(28 343)	(1 514)	(52 811)	(188)	(5 364)	(88 220)
Disposals	43	5 122	-	102	-	5 267
Translation differences	(5 565)	(11 501)	658	(116)	(271)	(16 795)
Balance at 31 December 2019	**(365 052)**	**(644 641)**	**(415 130)**	**(27 034)**	**(16 385)**	**(1 468 242)**
Net book value						
Balance at 31 December 2018	**195 890**	**385 465**	**111 457**	**14 159**	**560 233**	**1 267 204**
Balance at 31 December 2019	**195 411**	**607 894**	**139 343**	**28 669**	**357 428**	**1 328 745**

The most significant right of use assets balance as at 31 December 2019 of US$ 7.1 million (31 December 2018: nil) relates to Land, buildings and constructions category.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

18. INTANGIBLE ASSETS

	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost				
Balance at 1 January 2018	**1 408 618**	**139 455**	**22 746**	**1 570 819**
Additions	-	49 066	1 065	50 131
Transfers	40 664	(40 664)	-	-
Disposals	-	(15)	(76)	(91)
Translation differences	(63 750)	(11 409)	(3 016)	(78 175)
Balance at 31 December 2018	**1 385 532**	**136 433**	**20 719**	**1 542 684**
Additions	-	49 642	2 297	51 939
Transfers	36 558	(36 349)	(209)	-
Reclassified as held for sale	(32 429)	-	-	(32 429)
Disposals	-	(19)	(88)	(107)
Translation differences	23 337	7 831	1 346	32 514
Balance at 31 December 2019	**1 412 998**	**157 538**	**24 065**	**1 594 601**
Amortisation and impairment				
Balance at 1 January 2018	**(724 362)**	**(67 567)**	**(13 230)**	**(805 159)**
Amortisation for the year	(47 211)	-	(3 638)	(50 849)
Impairment (Note 9)	(37 154)	(969)	-	(38 123)
Disposals	-	-	59	59
Translation differences	21 633	14	1 687	23 334
Balance at 31 December 2018	**(787 094)**	**(68 522)**	**(15 122)**	**(870 738)**
Amortisation for the year	(40 940)	-	(2 528)	(43 468)
Reclassified as held for sale	30 830	-	-	30 830
Impairment (Note 9)	(19 748)	(7 564)	-	(27 312)
Disposals	-	-	92	92
Translation differences	(7 286)	(588)	(667)	(8 541)
Balance at 31 December 2019	**(824 238)**	**(76 674)**	**(18 225)**	**(919 137)**
Net book value				
Balance at 31 December 2018	**598 438**	**67 911**	**5 597**	**671 946**
Balance at 31 December 2019	**588 760**	**80 864**	**5 840**	**675 464**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Movement in mineral rights by segment:

	Taborny (former Neryungri)	Gross	Buryatzoloto	Berezitovy	Suzdal and Balazhal	Taparko	Bissa and Bouly	Lefa	Greenfields and Development assets	Total
Cost										
Balance at 1 January 2018	**206 689**	**-**	**68 894**	**10 150**	**69 619**	**117 355**	**103 051**	**728 035**	**104 825**	**1 408 618**
Transfers	4 336	-	9 145	1 004	305	2 722	5 829	7 267	10 056	40 664
Translation differences	(26 353)	-	(12 001)	(1 768)	(9 407)	(4 622)	(4 488)	-	(5 111)	(63 750)
Balance at 31 December 2018	**184 672**	**-**	**66 038**	**9 386**	**60 517**	**115 455**	**104 392**	**735 302**	**109 770**	**1 385 532**
Reclassification	(133 499)	133 499	-	-	-	-	-	-	-	-
Transfers	827	345	10 189	2 013	1 275	3 351	5 760	6 054	6 744	36 558
Reclassified as held for sale	-	-	(32 429)	-	-	-	-	-	-	(32 429)
Translation differences	3 910	16 411	7 945	1 116	488	(2 219)	(2 319)	-	(1 995)	23 337
Balance at 31 December 2019	**55 910**	**150 255**	**51 743**	**12 515**	**62 280**	**116 587**	**107 833**	**741 356**	**114 519**	**1 412 998**
Amortisation										
Balance at 1 January 2018	**(30 594)**	**-**	**(24 755)**	**(5 501)**	**(64 273)**	**(100 188)**	**(22 574)**	**(476 477)**	**-**	**(724 362)**
Amortisation for the year	(4 202)	-	(6 196)	(1 411)	(656)	(3 383)	(6 186)	(25 177)	-	(47 211)
Impairment	-	-	(37 154)	-	-	-	-	-	-	(37 154)
Translation differences	2 166	-	4 798	1 082	8 751	3 685	1 151	-	-	21 633
Balance at 31 December 2018	**(32 630)**	**-**	**(63 307)**	**(5 830)**	**(56 178)**	**(99 886)**	**(27 609)**	**(501 654)**	**-**	**(787 094)**
Reclassification	2 300	(2 300)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation for the year	(2 018)	(6 503)	(917)	(1 765)	(725)	(5 478)	(5 545)	(17 989)	-	(40 940)
Reclassified as held for sale	-	-	30 830	-	-	-	-	-	-	30 830
Impairment	-	-	(3 024)	(4 134)	-	(6 370)	(5 699)	-	(521)	(19 748)
Translation differences	(1 430)	(574)	(6 559)	(786)	(448)	1 912	599	-	-	(7 286)
Balance at 31 December 2019	**(33 778)**	**(9 377)**	**(42 977)**	**(12 515)**	**(57 351)**	**(109 822)**	**(38 254)**	**(519 643)**	**(521)**	**(824 238)**
Net book value										
At 31 December 2018	**152 042**	**-**	**2 731**	**3 556**	**4 339**	**15 569**	**76 783**	**233 648**	**109 770**	**598 438**
At 31 December 2019	**22 132**	**140 878**	**8 766**	**-**	**4 929**	**6 765**	**69 579**	**221 713**	**113 998**	**588 760**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Movement in exploration and evaluation assets by segment:

	Taborny (former Neryungri)	Gross	Buryatzoloto	Berezitovy	Suzdal and Balazhal	Taparko	Bissa and Bouly	Lefa	Greenfields and Development assets	Total
Net book value at 1 January 2018	**6 793**	**-**	**5 668**	**2 339**	**312**	**-**	**-**	**-**	**56 776**	**71 888**
Additions	3 776	-	12 024	2 138	386	2 829	3 815	7 267	16 831	49 066
Transfers to mineral rights	(4 336)	-	(9 145)	(1 004)	(305)	(2 722)	(3 713)	(7 267)	(12 172)	(40 664)
Impairment (Note 9)	(914)	-	-	(40)	-	-	-	-	(15)	(969)
Disposal	-	-	-	-	-	-	-	-	(15)	(15)
Translation differences	(1 184)	-	(1 993)	(516)	(74)	(107)	(102)	-	(7 419)	(11 395)
Net book value at 31 December 2018	**4 135**	**-**	**6 554**	**2 917**	**319**	**-**	**-**	**-**	**53 986**	**67 911**
Additions	6 952	333	9 998	1 978	1 238	3 387	5 433	6 054	14 269	49 642
Transfers to mineral rights	(827)	(339)	(10 189)	(2 013)	(1 275)	(3 273)	(5 405)	(6 054)	(6 974)	(36 349)
Impairment (Note 9)	-	-	(7 522)	-	-	-	-	-	(42)	(7 564)
Disposal	-	-	-	-	-	-	-	-	(19)	(19)
Translation differences	763	6	1 248	478	7	(24)	(28)	-	4 793	7 243
Net book value at 31 December 2019	**11 023**	**-**	**89**	**3 360**	**289**	**90**	**-**	**-**	**66 013**	**80 864**

Transfers of exploration and evaluation assets to mineral rights during 2019 of US $ 36.3 million (2018: US $ 40.6 million) related to exploration projects close to operating mines, which resulted in increase of available gold reserves for those operating mines.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

19. BORROWINGS

	31 December 2019	31 December 2018
Short-term borrowings		
Bank loans	-	342 598
Factoring arrangements	38 038	34 275
Accrued interest	6 153	4 656
Lease liability	5 872	-
Unamortised balance of transaction costs	-	(160)
Total short-term borrowings	**50 063**	**381 369**
Long-term borrowings		
Bank loans	525 000	576 051
Bonds issued	400 000	-
Lease liability	16 259	-
Unamortised balance of transaction costs	(9 549)	(8 251)
Total long-term borrowings	**931 710**	**567 800**

Notes and bonds issued

In May 2018, the Company repaid at maturity US$ 500 million unsecured notes issued in May 2013.

In October 2019, the Group raised US$ 400 million in a Eurobond issues. The notes are issued by Celtic Resources Holdings DAC, a wholly-owned subsidiary of Nord Gold SE, and are guaranteed by certain Group subsidiaries. The notes are denominated in US Dollars, mature in October 2024, and bear interest of 4.125% per annum payable semi-annually in arrears, on 9 April and 9 October, commencing on 9 April 2020. The notes were admitted to the Official List of Euronext Dublin and traded on the Global Exchange Market of Euronext Dublin from 9 October 2019. The notes were further used for full repayment of short term loans and for repayment of an HSBC loan classified as long term.

Bank loans

In December 2016, the Group arranged a US$ 150 million unsecured loan facility from ING Bank N.V. denominated in US dollars maturing in December 2019 with a grace period of 27 months and quarterly repayments thereafter. Interest is variable and payable on a quarterly basis. In November 2018, the loan maturity and grace period were prolonged and US$ 100 million of the loan was converted into Euro. As a result, the maturity moved to July 2020 with the first repayment in January 2020 and quarterly repayments thereafter. As at 31 December 2019 the loan was fully repaid.

In March 2017, the Group's wholly owned subsidiary Celtic Resources Holdings Limited, arranged an unsecured US$ 325 million loan from Sberbank of Russia JSC, maturing in March 2024 with a grace period of 63 months and quarterly repayments thereafter.

The loan is a hybrid instrument consisting of the following separate components:

- Facility A: RUB 18.6 billion two-year loan denominated in Russian Roubles, effective from March 2017 until March 2019;
- Cross-Currency swap ("CCS"), under which Celtic Resources Holdings Limited will pay floating interest on US Dollars notional and receive fixed interest on RUB notional starting from March 2017 with the final notional amounts exchanged on maturity in March 2019;
- Facility B: US$325 million five year loan denominated in US dollar, effective from March 2019 until March 2024.

The CCS was conditional on the utilisation of both Facility A and B. Facility A and the CCS resulted in a cash inflow of US$ 325 million in March 2017 and quarterly interest payments on an effective US$ 325 million denominated loan. Interest is variable.

In March 2019, the CCS was fully settled resulting in full de-recognition of the derivative financial instrument and Facility A from the statement of financial position and recognition of Facility B treated as a long term borrowing in the amount of US$ 325 million without any cash movements. This resulted in no gain or loss from March 2017 till full settlement of the CCS. Facility B related interest is variable and payable on quarterly basis.

In May 2017, the Group entered into a US$ 75 million unsecured loan with AO UniCredit Bank denominated in US dollars maturing in May 2020 with a grace period of 36 months and full repayment thereafter. Interest is variable and payable on a quarterly basis. As at 31 December 2019 the loan was fully repaid.

In March 2018, the Group secured a new US$300 million, five-year debt facility with a group of banks. The syndicated loan was provided by the following mandated lead arrangers: ING (a branch of ING-DIBA AG), AO Raiffeisenbank, Raiffeisen Bank International AG, PJSC Rosbank, Societe Generale and AO UniCredit Bank. The facility is denominated in US dollars maturing in March 2023 with a grace period of 30 months and quarterly repayments thereafter. Interest is variable and payable on a quarterly basis. As at 31 December 2019, the outstanding amount of the facility was US$ 200 million.

In April 2018, the Group entered a US$75 million unsecured uncommitted revolving credit facility (“RCF”) with BANK GPB INTERNATIONAL S.A. denominated in US dollars with final maturity in April 2020. Interest is variable and payable on a quarterly basis. As at 31 December 2019 there was no outstanding amount related to this facility.

In June 2018, the Group entered into a US$50 million unsecured committed revolving credit facility with Citibank Europe plc denominated in US dollars maturing in June 2020. The amounts drawn down are repayable at different maturities to the final maturity date. Interest is variable and payable on a quarterly basis. As at 31 December 2019 there was no outstanding amount related to this facility.

In November 2018, the Group entered a US$ 90 million unsecured uncommitted multicurrency revolving credit facility (“RCF”) with Sberbank of Russia JSC maturing in November 2021. The amounts drawn down are repayable at different maturities to the final maturity date. Interest is variable and payable on a monthly basis. As at 31 December 2019 there was no outstanding amount related to this facility.

In May 2019, the Group entered into a US$75 million unsecured committed revolving credit facility with HSBC Bank plc denominated in US dollars maturing in April 2021. The amounts drawn down are repayable at different maturities to the final maturity date. Interest is variable and payable on a quarterly basis. As at 31 December 2019 there was no outstanding amount related to this facility.

The borrowings’ average interest rate as at 31 December 2019 was 4.6% (31 December 2018: 4.8%).

The fair value of the Group’s debt instruments approximated their carrying values at 31 December 2019 and 31 December 2018, except for the fair value of bonds which had a market value of US$ 413.0 million (31 December 2018: nil).

Unused credit facilities at 31 December 2019 amounted to US$ 290 million (31 December 2018: US$ 90 million), US$ 165 million relates to uncommitted credit facilities and US$ 125 million to committed one (31 December 2018: the whole amount of US$ 90 related to uncommitted credit facilities).

Factoring arrangements

As at 31 December 2019, the Group owed the amount of US$ 38.0 million (31 December 2018: US$ 34.3 million) to third party financial institutions arising from reverse factoring arrangements in respect of non-metal inventory purchases in West Africa. The liabilities for these purchases were legally transferred from the supplier providing the non-metal inventories to financial institutions during the period. The liabilities transferred to financial institutions and actual payments to financial institutions were presented within financing activities of the consolidated statement of cash flows in lines “Proceeds from borrowings” and “Repayment of borrowings”, accordingly. Payments to financial institutions for 2019 amounted to US$ 115.9 million (2018: US$ 44.3 million).

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Lease liability

Cash outflow for leases during 2019 amounted to US$ 5.8 million (2018: nil).

20. ACCOUNTS PAYABLE

	31 December	
	2019	**2018**
Trade accounts payable	182 908	181 794
Other taxes payable	59 965	44 032
Amounts payable to employees	29 412	28 124
Accrued expenses	2 073	2 104
Share buyback reserve	-	750
Advances received	521	226
Other payables	22 463	26 811
Total	**297 342**	**283 841**

The carrying values of trade and other accounts payable approximated their fair values because of the short maturities of these instruments.

21. PROVISIONS

	Legal and tax claims	Environmental provision	Other	Total
Balance at 1 January 2018	**13 311**	**47 260**	**1 910**	**62 481**
Charge in the year	2 717	4 210	-	6 927
Change in estimate	-	(3 636)	-	(3 636)
Unwinding of discount	-	1 484	-	1 484
Provisions utilised	(2 908)	-	(248)	(3 156)
Translation differences	(1 884)	(2 985)	(7)	(4 876)
Balance at 31 December 2018	**11 236**	**46 333**	**1 655**	**59 224**
Reclassified as held for sale (Note 12)	-	(3 445)	-	(3 445)
Charge in the year	(4 027)	13 608	-	9 581
Change in estimate	-	(2 251)	-	(2 251)
Unwinding of discount	-	1 898	-	1 898
Provisions utilised	(5 187)	-	(69)	(5 256)
Translation differences	854	1 038	-	1 892
Balance at 31 December 2019	**2 876**	**57 181**	**1 586**	**61 643**

Legal and tax claims increase in 2019 mostly relates to change of risk assessment in respect of certain claims from Russian tax authorities related to mineral extraction tax. Provision for legal and tax claims and other provisions were classified as current liabilities based on the Group’s forecast cash outflow timings.

The Group’s environmental liabilities relate to the restoration of soil and other related mining works cash outflows, which are due upon the closures of mines and production facilities. These costs are expected to be incurred between 2022–2040, accordingly environmental provisions were classified within non-current liabilities. The present value of expected cash outflows were estimated using existing technology and discounted using the following real discount rates:

(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Year ended 31 December	
	2019	**2018**
Russian Federation	1.92-2.71%	3.17 - 4.07%
Kazakhstan	2.81%	3.77%
Burkina Faso	4.19-4.52%	3.92 – 4.12%
Guinea	4.5%	4.65%

Management performed an analysis of the reasonably possible change of discount rates used and its effect on the environmental provision as at 31 December 2019.The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

Scenarios	**Environmental provision increase/ (decrease)**
1% decrease in discount rate applied	4 002
1% increase in discount rate applied	(4 934)

22. CAPITAL AND RESERVES

Share capital

During 2018, the Company repurchased 3 089 545 ordinary shares for US$ 10.7 million, all of which were cancelled.

During 2019, the Company repurchased 20 297 ordinary shares for US$ 0.1 million, all of which were cancelled.

Following these transactions, the Company's issued share capital as at 31 December 2019 consisted of 336 263 929 ordinary shares with par value of 1 EUR per share amounting to US$ 464.6 million (31 December 2018: 336 284 226 ordinary shares with par value of 1 EUR per share amounting to US$ 464.6 million).

Additional paid-in capital

Additional paid-in capital includes the excess of consideration received over the par value of shares and GDRs issued by the Company, and the effects of transactions under common control in the course of the Group's formation. The 2018-2019 reduction of additional paid-in capital related to cancelations of treasury shares described above in the Share capital section is summarized in the table below. Additional paid-in capital amounted to US$ 761 million after the treasury shares cancelation in 2019. The table below set outs a summary of the treasury shares cancelled during 2018-2019 and the related movements in equity:

	Number of shares	Consideration paid during buyback	Share capital reduction	Additional paid-in capital reduction	Retained earnings effect
2 July 2018	184 338	636	255	417	(36)
5 October 2018	2 905 207	10 023	4 013	6 575	(565)
Total 2018	**3 089 545**	**10 659**	**4 268**	**6 992**	**(601)**
4 July 2019	20 297	70	28	46	(4)
Total 2019	**20 297**	**70**	**28**	**46**	**(4)**

Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of debt/equity investments assets designated as FVOCI, net of the related tax effects.

23. EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2019 were based on the profit attributable to shareholders of the Company of US$ 173.1 million (2018: US$ 87.7 million) and a weighted average number of outstanding ordinary shares of 336 274 thousand (31 December 2018: 338 589 thousand), calculated as per below (in thousands of shares):

	Issued shares	Weighted average number of shares
1 January 2018	**339 374**	**339 374**
Shares cancelled in July 2018	(185)	(92)
Shares cancelled in October 2018	(2 905)	(693)
31 December 2018	**336 284**	**338 589**
1 January 2019	**336 284**	**336 284**
Shares cancelled in July 2019	(20)	(10)
31 December 2019	**336 264**	**336 274**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

24. SUBSIDIARIES

The following is a list of the Group' subsidiaries and the effective ownership holdings therein:

Subsidiaries	31 December 2019	31 December 2018	Location	Activity
Gross segment				
LLC Neryungri-Metallik (2)	100.0%	100.0%	Republic of Sakha (Yakutia), Neryungri town. Hani pgt. 70 years of October, d. 3, kv. 55, 678976, Russian Federation	Gold mining
Taborny (former Neryungri) segment				
LLC Rudnik Taborny (2)	100.0%	100.0%	Republic of Sakha (Yakutia), Olekminsky district, Olekminsk town, Brovina street, 4a, 678100, Russian Federation	Gold mining
Suzdal and Balazhal segment				
Celtic Resources Holdings Ltd	100.0%	100.0%	Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, D02 T292, Ireland	Holding company
Celtic Resources (Central Asia)	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
JSC FIC Alel	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Gold mining
Zherek LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Gold mining
Opeloak Ltd	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Gold sales
Buraytzoloto segment				
OJSC Buryatzoloto (1,4)	93.8%	93.8%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Holding
LLC Irokinda (1,4)	93.8%	n/a	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Gold mining
LLC Zun-Holba (1,4)	93.8%	n/a	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Gold mining
Berezitovy segment				
LLC Berezitovy Rudnik	100.0%	100.0%	Centralnaya Str. 14, Amur Region, Tynda District, with. Pervomaiskoye, 676260, Russian Federation	Gold mining

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Taparko segment				
Societe Des Mines de Taparko (1)	90.0%	90.0%	01 B.P. 2509, Ouagadougou 01, Immeuble UPAK, Boulevard France – Afrique, Secteur 15, Ouaga 2000, Burkina Faso	Gold mining
Nordgold YEOU SA (1)	90.0%	90.0%	Secteur 19, Quartier Kossodo, Rue 1749 Boulevard Tansoba Silzaedre, Section zz, lot 14, parcelle №8, arrodissement №4 de Ouagadougou, Burkina Faso	Gold mining
Lefa segment				
Crew Gold Corporation	100.0%	100.0%	13-14 Espalande Street, St Heller, JE1 1BD,Jersey	Holding company
Crew Acquisition Corporation	100.0%	100.0%	200-204 Lambert Street, Whitehorse, YT,Y1A 1Z4, Canada	Holding company
Guinor Gold Corporation	100.0%	100.0%	3081,3rd ave.,Whitehorse, Yukon, Canada	Holding company
Kenor AS	100.0%	100.0%	Arbins gate 4, 0253 Oslo, Norway	Holding company
Delta Gold Mining Ltd.	100.0%	100.0%	Registered office 28-30 The Parade, St Helier Jersey, JE1 1EQ	Holding company
Societe Miniere de Dinguiraye (3)	92.5%	92.5%	4ème étage - Immeuble Moussoudougou - Résidence 2000,Corniche Coléah Sud – Commune de Matam BP 2162, Conakry, République de Guinée	Gold mining
Bissa and Bouly and Greenfields segments				
High River Gold Mines (West Africa) Ltd (1)	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1-1103, Cayman Islands	Holding company
Bissa Gold SA (1)	90.0%	90.0%	11 B.P. 1229 CMS 11 OUAGA 11, 783 rue de la Chambre de Commerce 15 618 commune de Ouagadougou, Burkina Faso	Gold mining
High River Gold Exploration Burkina SARL (1)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Jilbey Burkina SARL (1)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Kaya Exploration SARL (1)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Prognoz Exploration Burkina SARL	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Other companies				
Nordgold Management LLC	100.0%	100.0%	Leningrad highway, 39, building 2,125212 Moscow, Russian Federation	Management services

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Nordgold (UK) Ltd	100.0%	100.0%	4th Floor, 27 Dover Street, Mayfair, London, W1S4LZ, United Kingdom	Other
Northquest Limited	100.0%	100.0%	Suite 101 - 50 Richmond Street East, Toronto, Ontario M5C 1N7, Canada	Gold exploration
Compagnie Miniere Montagne d'Or SAS	55.1%	55.1%	Immeuble Chopin - 1, rue de l'Indigoterie 97354 Rémire-Montjoly, Cayenne	Gold exploration
Nord Gold Guiana SAS	100.0%	100.0%	1, Avenue Gustave Charlery, route de Montabo Imm Faic, 97300 Cayenne	Gold exploration
Nord Prognoz Ltd	100.0%	100.0%	Ritter House Wickhams Cay II Road Town, Tortola, British Virgin Islands	Holding company
Nord Gold (Yukon) Inc.	100.0%	100.0%	200-204 Lambert Street, Whitehorse, YT,Y1A 1Z4, Canada	Holding company
High River Gold Mines Ltd	100.0%	100.0%	Suite 2100, Scotia Plaza, 40 King Street West Toronto, Ontario, M5H 3C2, Canada	Holding company
High River Gold Management Africa S.A. (1)	100.0%	100.0%	11 BP 635 Ouagadougou, CMS 11, Immeuble UPAK Boulevard France –Afrique, secteur 15, Ouaga 2000, Burkina Faso	Other
High River Acquisition Corp. (1)	100.0%	100.0%	200-204 Lambert Street, Whitehorse, Yukon Territory Y1A 1Z4, Canada	Other
Amur Gold Limited (1)	100.0%	100.0%	Karaiskaki, 6 CITY HOUSE 3032, Limassol, Cyprus	Holding company
Centroferve Limited	100.0%	100.0%	Karaiskaki,6, City House, P.C. 3032, Limassol, Cyprus	Holding company
Ken Kazgan LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Other
Eureka Mining Plc (5)	n/a	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
Celtic Asian Gold LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Other
Kentau Exploration and Mining LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Other
Chelyabinsk Copper Co Ltd (5)	n/a	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
Oldlove Ltd	100.0%	100.0%	1, Costakis Pantelides Avenue, Nicosia, CY1010, CYPRUS	Other

(1) Subsidiary of High River Gold Mines Ltd.

(2) During 2018 LLC Rudnik Taborny owing Taborny gold deposit was separated from LLC Neryungri metallic owing Gross gold deposit in order to separate legal entities running different licenses.

(3) During 2018 7.5% of share in Societe Miniere de Dinguiraye was transferred to the government of Guinea according to the new mining convention terms.

(4) During 2019 LLC Irokinda and LLC Zun-Holba were separated from OJSC Buryatzoloto in order to separate legal entities running different licenses.

(5) During 2019 Eureka Mining Plc and Chelyabinsk Copper Co Ltd were liquidated.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

During 2018, the Group has extended Lefa's Mining Permit and Mining Convention for a period of 15 years, in line with Lefa's current life of mine. Expenses related to this extension amounting to US$ 14.7 million were recognised in the consolidated statement of profit or loss within Loss on partial disposal of subsidiary. The new Mining Permit is effective from 21 March 2019. The Mining Convention determines the taxation and customs regimes under which Societe Miniere de Dinguiraye ("SMD"), the owner of the Lefa mine, operates, as well as other provisions regulating the Company's activities in Guinea. In accordance with local law, the Republic of Guinea should receive 15% of the share capital of SMD. The first transfer of 7.5% occurred in October 2018 and the second will occur within two years after the ratification of the amendments to the Convention. As a result additional non-controlling interest related to the first tranche and amounting to US$10.5 million and a provision for the second tranche for the same amount were recognised in the consolidated statement of changes in equity. The corresponding effect amounted to US$ 21.1 million and was recognised in the consolidated statement of profit or loss within Loss on partial disposal of subsidiary.

25. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with entities under common control mainly included purchases of goods and services amounted to US$ 14.5 million in 2019 (2018: US$ 9.4 million)

As at 31 December 2019, balances with entities under common control included accounts payable of US$ 2.3 million (31 December 2018: US$ 3.6 million), which are to be settled in cash.

26. FINANCIAL RISK MANAGEMENT

Capital management

The Group's policy is to maintain a strong capital base to ensure investor, creditor and market confidence and to sustain future development of the business. This policy includes compliance with certain externally imposed minimum capital requirements. According to UK legislation the Company has to maintain its share capital at a minimum of £50,000.

As at 31 December 2019, external credit ratings of the Group were as follows:

- Moody's: Ba2, stable outlook;
- Fitch: BB, stable outlook.

As at 31 December 2018 external credit ratings of the Group were as follows:

- Moody's: Ba2, stable outlook;
- Fitch: BB, stable outlook.

The Group's management constantly monitors profitability and leverage ratios and compliance with the minimum capital requirements. As per the tables below, the Group uses the return on assets ratio which is defined as profit from operations divided by total assets (averaged over the measurement period) and the leverage ratio calculated as net debt, comprising of long-term and short-term indebtedness and the related derivative instruments less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity.

Return on assets ratio:

	31 December 2019	**31 December 2018**
Profit from operations	228 917	199 584
Total assets	2 752 879	2 529 315
Return on assets ratio	**8%**	**8%**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Net debt reconciliation:

	31 December 2019	31 December 2018
Non-current interest bearing loans and borrowings	931 710	567 800
Derivative financial instrument	-	58 402
Current interest bearing loans and borrowings	50 063	381 369
Less: cash and cash equivalents	(189 891)	(90 346)
Net debt	**791 882**	**917 225**

Leverage ratio:

	31 December 2019	31 December 2018
Net debt	791 882	917 225
Shareholders' equity	1 194 478	942 487
Leverage ratio	**66%**	**97%**

The leverage ratio decrease mostly relates to an increase in the balance of cash and cash equivalents as at 31 December 2019. This resulted primarily from the completion of the construction of Gross mine in 2019 and the consequent absence of construction-related expenditure in 2019.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group’s consolidated cash flow statement as cash flows from financing activities.

			Non-cash changes						
	31 December 2018	**Cash flows**	**Foreign exchange movement**	**Transaction costs amortization**	**Dividends declared**	**Transfers**	**Non-cash movements for supplier financing borrowing arrangements**	**Other changes**	**31 December 2019**
Non-current borrowings	576 051	300 000	-	-	-	48 949	-	-	925 000
Current borrowings	342 598	(348 413)	21 408	-	-	(48 949)	-	33 356	-
Factoring arrangements	34 275	(115 856)	(753)	-	-	-	120 372	-	38 038
Transaction cost	(8 411)	(4 234)	-	3 729	-	-	-	(633)	(9 549)
Lease liability	-	(5 822)	(515)	-	-	-	-	28 468	22 131
Dividends payable	-	(5 236)	-	-	4 304	-	-	932	-
Other reserves	(9 790)	(70)	-	-	-	-	-	(680)	(10 540)
Other movements	-	(1 193)	-	-	-	-	-	1 193	-
Total financing activities	**934 723**	**(180 824)**	**20 140**	**3 729**	**4 304**	**-**	**120 372**	**62 636**	**965 080**

			Non-cash changes						
	31 December 2017	**Cash flows**	**Foreign exchange movement**	**Transaction costs amortization**	**Dividends declared**	**Transfers**	**Non-cash movements for supplier financing borrowing arrangements**	**Other changes**	**31 December 2018**
Non-current borrowings	547 742	300 000	(54 096)	-	-	(217 595)	-	-	576 051
Current borrowings	448 000	(322 684)	(313)	-	-	217 595	-	-	342 598
Factoring arrangements	-	(44 270)	(496)	-	-	-	79 041	-	34 275
Transaction cost	(6 597)	(4 713)	-	2 899	-	-	-	-	(8 411)
Dividends payable	-	(45 385)	-	-	45 385	-	-	-	-
Other reserves	11 409	(10 659)	-	-	-	-	-	(10 540)	(9 790)
Other movements	-	(6 000)	-	-	-	-	-	6 000	-
Total financing activities	**1 000 554**	**(133 711)**	**(54 905)**	**2 899**	**45 385**	**-**	**79 041**	**(4 540)**	**934 723**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Major categories of financial instruments

The Group's principal financial liabilities and financial assets are presented as follows:

	31 December 2019	31 December 2018
Financial assets		
Cash and cash equivalents	189 891	90 346
Trade and other receivables	13 891	10 861
Restricted cash	18 993	16 395
Long-term financial investments	2 961	3 181
Total financial assets	**225 736**	**120 783**
Financial liabilities		
Notes and bonds issued	400 000	-
Bank loans	525 000	918 649
Accrued interest	6 153	4 656
Derivative financial instrument	-	58 402
Lease liabilities	22 131	-
Factoring arrangements	38 038	34 275
Trade and other payables	247 611	245 601
Total financial liabilities	**1 238 933**	**1 261 583**

The Group's activities expose it to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Currency risk;
- Interest rate risk.

Presented below is information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management. Quantitative disclosures are included throughout these consolidated financial statements.

The Group has established comprehensive risk management policies to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors monitors compliance with the Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position,.

To minimise Group's exposure to credit risk management undertakes the following:

- a substantial portion of gold sales are made to banks on immediate payment terms, therefore the credit risk related to trade receivables is minimal;
- the Group does not provide significant loans to third parties;
- the majority of the Group's cash and cash equivalents are placed in reputable banks that have credit ratings not lower than "B" from Moody's credit rating agency.

Concentration of credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. As at 31 December 2019, the Group had a concentration of cash and cash equivalents and bank deposits with Sberbank in the amount of US$ 141.2 million (31 December 2018: US$ 20.8 million).

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The following table details the contractual maturity of the Group's non-derivative financial liabilities, including both principal and interest cash flows on an undiscounted basis:

(Amounts expressed in thousands of US dollars, except as stated otherwise)

As at 31 December 2019:

	Carrying amount	Future contrac-tual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Factoring arrangements	38 038	38 722	38 722	-	-	-
Notes and bonds issued	400 000	479 521	16 775	16 729	446 017	-
Bank loans	525 000	595 992	24 635	102 273	469 084	-
Lease liabilities	22 131	25 807	6 634	6 333	12 840	
Trade and other payables	247 611	247 611	234 784	3 821	2 859	6 147
Total	**1 232 780**	**1 387 653**	**321 550**	**129 156**	**930 800**	**6 147**

As at 31 December 2018:

	Carrying amount	Future contrac-tual cash flows	Less than 1 year	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities						
Factoring arrangements	34 275	34 892	34 892	-	-	-
Bank loans	918 649	1 111 522	115 781	341 616	613 107	41 018
Trade and other payables	245 601	245 601	237 479	-	2 637	5 485
Total	**1 198 525**	**1 392 015**	**388 152**	**341 616**	**615 744**	**46 503**

Market risk

The Group activities expose it primarily to the financial risks of changes in commodity prices, foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Commodity price risk

The Group is exposed to a risk of changes in the gold price, which influence the Group's future profitability and the recoverability of assets. Management monitors gold price trends and regulates sales policy accordingly. The Group does not use derivatives to mitigate its exposure to commodity price risk.

Sensitivity analysis

Management believes 10 percent change in gold price can be reasonably expected considering gold price movements during 2019. A 10 percent decrease of gold price would have decreased profit after tax for the year ended 31 December 2019 by US$ 125.8 million (2018: US$ 94.5 million).

Currency risk

Currency risk arises when a Group entity enters into transactions denominated in foreign currencies. The Group has monetary assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

(Amounts expressed in thousands of US dollars, except as stated otherwise)

The Group is mainly exposed to changes in the following currencies: US Dollar, Russian Rouble, Guinean Franc and Central African Franc, Euro. Group’s exposure to Other foreign currency risk includes exposures to changes in the following currencies: Canadian Dollar, South African Rand, Kazakhstani Tenge, Norwegian Krone, Australian Dollar, British Pound.

The Group’s exposure to foreign currency risk based on notional amounts of assets and liabilities was as follows:

31 December 2019	**USD**	**RUB**	**GNF**	**CFA (XOF)**	**EUR**	**Other**
Cash and cash equivalents	8	14	631	-	128 907	(14)
Trade and other receivables *	6 768	-	2 378	568	18 685	261
Financial investments *	(4 885)	5 924	-	30 568	479	1 964
Borrowings*	(48 515)	(919)	-	-	(43 808)	(5 724)
Trade and other payables *	(40 383)	(6 860)	(21 372)	(1 337)	(9 207)	(1 135)
Net exposure	(87 007)	(1 841)	(18 363)	29 799	95 056	(4 648)

31 December 2018	**USD**	**RUB**	**GNF**	**CFA (XOF)**	**EUR**	**Other**
Cash and cash equivalents	5 159	22	219	-	4 625	(25)
Trade and other receivables *	11 222	-	1 361	577	349	148
Financial investments *	25 081	8 230	-	46 874	396	1 748
Borrowings*	(222 407)	(919)	-	-	(6 094)	(5 169)
Trade and other payables *	(42 480)	(5 897)	(20 209)	(44)	(10 096)	(1 604)
Net exposure	(223 425)	1 436	(18 629)	47 407	(10 820)	(4 902)

* Including Group's intercompany balances and interest

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Sensitivity analysis

Management believes that a 20 percent change in foreign currencies can be reasonably expected considering currency rates movements during 2019. The sensitivity analysis was applied to monetary items at the reporting dates denominated in the foreign currencies and assumes that all variables other than foreign exchange rates remain constant.

A 20 percent strengthening of the following currencies as at 31 December 2019 and 2018 would have increased/(decreased) profit and equity by the amounts shown below:

	31 December 2019	31 December 2018
USD	(16 760)	(44 834)
RUB	(714)	(21)
GNF	(3 214)	(3 260)
CFA (XOF)	7 550	11 855
EUR	19 947	(2 065)
Other	(1 316)	(966)
Total	**5 493**	**(39 291)**

A 20 percent weakening of the following currencies as at 31 December 2019 and 2018 would have increased/ (decreased) profit and equity by the amounts shown below:

	31 December 2019	31 December 2018
USD	11 173	29 889
RUB	476	14
GNF	2 142	2 173
CFA (XOF)	(5 033)	(7 903)
EUR	(13 298)	1 377
Other	877	613
Total	**(3 663)**	**26 163**

Interest rate risk

Interest rates on the Group’s debt finance are either fixed or variable at a fixed spread over LIBOR for the duration of the contract. Changes in interest rates impact borrowings by changing their fair value (fixed rate debt) or future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group’s exposure should be to fixed or variable rates. When raising new financing, management uses its judgment to decide whether fixed or variable rate would be more favourable over the expected period until maturity.

The Group’s interest-bearing financial instruments at variable rates:

	31 December 2019	31 December 2018
Financial liabilities at interest with fixed spread over LIBOR	(525 000)	(918 649)
Net position	**(525 000)**	**(918 649)**

(Amounts expressed in thousands of US dollars, except as stated otherwise)

Cash flow sensitivity analysis for variable rate instruments

Management believes 100 basis points change in interest rates can be reasonably expected considering interest rates movements during 2019. A change of 100 basis points in variable interest rates would increase/(decrease) profit for the year ended 31 December 2019 by US$ 10.0 million (2018: US$ 8.2 million).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, except for financial instruments measured at amortised cost, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2
Balance at 31 December 2019		
Debt/equity investments assets designated as FVOCI	5 397	-
Derivative financial instrument	-	-
Balance at 31 December 2018		
Debt/equity investments assets designated as FVOCI	2 778	-
Derivative financial instrument	-	(58 402)

At 31 December 2019 and 2018, the Group did not have any Level 3 financial instruments.

27. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2019, the Group had contractual capital commitments of US$ 37.9 million (31 December 2018: US$ 76.4 million) related to purchases of property, plant and equipment.

Operating environment

A significant portion of the Group's operations is based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian Federation government. Operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy has further increase the level of economic uncertainty in the environment.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian Federation businesses to international capital markets, economic recession and other negative consequences. The impact of further economic developments on future operations and financial position of the Group's Russian Federation subsidiaries is difficult to determine at this stage. No impact of these circumstances is expected on the Group's subsidiaries located in other countries.

The Group also conducts business in Kazakhstan, Burkina Faso and Guinea. Each of these countries are subject to significant economic, political and social risks. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The consolidated financial statements reflect management’s assessment of the impact of the Russian, Kazakhstan, Burkina Faso and Guinean business environment on the operations and the financial position of the Group. The future developments in political and economic environment in the countries where the Group operates may differ from management’s assessment.

Legal proceedings

The Group operates in various jurisdictions, and accordingly is exposed to numerous legal risks. The Group entities are currently and may be from time to time involved in a number of legal proceedings, including inquiries from and discussions with governmental authorities that are incidental to their operations. The material current proceedings related to taxation are discussed below. The outcome of currently pending and future proceedings cannot be predicted with certainty. An adverse decision in a lawsuit could result in additional costs and could significantly influence the business and results of operations.

At 31 December 2019, management estimated the total amount of potential non-tax legal proceedings at US$ 0.4 million (31 December 2018: US$ 0.8 million). No provision has been recognised in these consolidated financial statements as management does not consider that there is any probable loss.

Tax contingencies

The taxation system and regulatory environment of the Russian Federation, Kazakhstan, Burkina Faso and Guinea are relatively new and characterised by frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions. Events during recent years suggest that the regulatory authorities within these countries are adopting a more assertive stance regarding the interpretation and enforcement of legislation. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. Where uncertainty exists, the Group has accrued tax liabilities as management’s best estimate of the probable outflow of resources which will be required to settle such liabilities. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

As at 31 December 2019, management has identified the following tax risks where unfavorable outcome was assessed as possible:

Burkina Faso

Total amount of various tax risks of Group’s entities located in Burkina Faso, which may lead to negative consequences, was nil (31 December 2018: US$ 9.3 million).

Guinea

Total amount of tax risks of Société Minière de Dinguiraye located in Guinea, which may lead to negative consequences, was estimated at US$ 34.0 million (31 December 2018: US$ 31.5 million).

Other jurisdictions

Guinor, a subsidiary of the Group, which is a Canadian tax resident, is exposed to tax risks up to US$ 3.7 million (31 December 2018: US$ 15.0 million).

28. EVENTS AFTER THE REPORTING PERIOD

On 10 March 2020, the Board of Directors approved a final dividend of 15.9 US cents per share in respect of 2019, representing a total pay-out of US$53.3 million.