Nord Gold plc

Consolidated Financial Statements
for the Year Ended 31 December 2021
and Independent Auditor's Report

Nord Gold plc

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NORD GOLD PLC

STATEMENT OF MANAGEMENT' RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of Nord Gold plc (the "Company") and its subsidiaries (the "Group") as of 31 December 2021, and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing 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 Group's consolidated financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with countries legislation and accounting standards;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2021 were approved by the Chief Financial Officer on 16 May 2022.

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INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of Nord Gold plc

Opinion

We have audited the consolidated financial statements of Nord Gold plc and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income/(loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with *the Auditor's Independence Rules and the Auditor's Professional Ethics Code*, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (*the "IESBA Code"*), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The below matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Impairment of property, plant and equipment	
Refer to Note 9 to the consolidated financial statements. In accordance with IAS 36, Impairment of Assets, the Group is required to assess at the end of each reporting period whether there is any indication that property, plant and equipment may be impaired, and test it for impairment, if there are indications. The Group analysed an operational performance of all cash generated units "CGU" and identified an impairment indicators for the Lefa, Taparko and Berezitovy mines due to the poor operational performance during 2021. Management performed a detailed impairment assessment for these mines and recognised an impairment of property, plant and equipment and intangible assets in amount of US$ 137.5 million for the year ended 31 December 2021. We consider this area to be a key audit matter due to significance of balance of property, plant and equipment, and high level of judgement related to the forecasting of key assumptions and estimation uncertainty used by management in developing key assumptions and estimation uncertainty in respect of the future cash flow projections.	As part of our procedures we obtained an understanding of the relevant controls over the impairment assessment under IAS 36. Our procedures to evaluate judgement used by management in respect of the analysis of indicators of impairment of property, plant and equipment and its impairment assessment included the following: • we reviewed key assumptions and inputs used in the assessment of the value in use, including: commodity price forecasts, the discount rate applied, the production profile (with assistance of our technical mining specialists), and future capital and operating costs, by developing independent reasonable ranges and assessing external evidence where relevant; • we analysed and evaluated the results of the impairment test performed by management of the Group in respect of property, plant and equipment; • we verified that cash flow projections used for impairment testing are based on regularly generated and updated forecasts and were approved by appropriate level of the Group's management; • we compared actual results for the year ended 31 December 2021 with the 2021 projections used in the prior year impairment model in order to assess the accuracy of forecasting of key assumptions by management; and • we assessed the Group's financial statement disclosures to determine if they were accurate and complete under the relevant IFRS requirements. As a result of the performed procedures we are satisfied with the recognized impairment charge for property, plant and equipment and intangible assets as well as accuracy and completeness of the disclosures made in the financial statements.

Other matter – Restriction on Use

The accompanying consolidated financial statements of the Group have not been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. As such, these financial statements are not the statutory financial statements of the Group and are not intended for the purposes of filling with the Companies Act 2006.

Other Information

Management is responsible for the other information. The other information comprises the Annual report for 2021, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report for 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs"), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Andrei Shvetsov
(ORNZ № 21906101417),
Engagement partner,
Acting based on the power of attorney issued by the General Director on 18.10.2021 authorizing to sign off the audit report on behalf of AO "Deloitte & Touche CIS" (ORNZ №12006020384)

16 May 2022

Nord Gold plc

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts in thousands of US dollars, except as otherwise stated)

	Note	Year ended 31 December 2021	2020
Sales	6	1 826 366	1 861 410
Cost of sales		(1 115 770)	(1 098 042)
Gross profit		**710 596**	**763 368**
General and administrative expenses	7	(69 896)	(62 553)
Impairment of non-current assets, net	9	(133 516)	(42 937)
Gain on disposal of associate		-	21 320
Other operating (expenses)/income, net		(5 634)	2 159
Profit from operations		**501 550**	**681 357**
Share of result of associate		-	(2 209)
Finance income	10	2 019	881
Finance costs	10	(37 219)	(46 803)
Foreign exchange gain, net		7 295	24 706
Profit before income tax		**473 645**	**657 932**
Income tax expense	11	(99 192)	(79 763)
Profit for the year		**374 453**	**578 169**
Attributable to:			
Shareholders of the Company		374 434	568 669
Non-controlling interests		19	9 500
Weighted average number of shares outstanding during the year (thousands of shares) – basic and diluted	22	336 264	336 264
Earnings per share			
Basic and diluted earnings per share (US dollars)	22	1.11	1.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Year ended 31 December	
	2021	**2020**
Profit for the year	**374 453**	**578 169**
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange loss on translation of foreign operations	(72 661)	(120 263)
Recycling of foreign exchange gain on translation of foreign operations related to subsidiary disposal to profit or loss	-	1 117
Items that will not be reclassified to profit or loss		
Revaluation of equity investments designated as FVTOCI, net of tax	(1 512)	32 652
Other comprehensive income	1 371	-
Other comprehensive loss for the year, net of tax	**(72 802)**	**(86 494)**
Total comprehensive income for the year	**301 651**	**491 675**
Attributable to:		
Shareholders of the Company	309 472	476 109
Non-controlling interests	(7 821)	15 566

Nord Gold plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(Amounts in thousands of US dollars, except as otherwise stated)

	Note	31 December 2021	31 December 2020
ASSETS			
Current assets			
Cash and cash equivalents	13	392 713	739 203
Accounts receivable	14	51 245	34 484
Inventories	15	211 175	225 731
VAT receivable		72 458	67 025
Income tax receivable		10 884	16 861
Total current assets		**738 475**	**1 083 304**
Non-current assets			
Property, plant and equipment	16	1 228 002	1 262 998
Intangible assets	17	561 643	646 479
Long-term financial investments		1 696	3 222
Restricted cash	13	1 866	2 584
Deferred tax assets	11	22 331	19 884
Inventories	15	197 997	110 471
VAT receivable		26 198	46 846
Other non-current assets		199	57
Total non-current assets		**2 039 932**	**2 092 541**
TOTAL ASSETS		**2 778 407**	**3 175 845**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	18	81 180	141 120
Accounts payable	19	284 679	274 056
Income tax payable		31 839	17 910
Provisions	20	8 660	5 676
Total current liabilities		**406 358**	**438 762**
Non-current liabilities			
Long-term borrowings	18	403 316	849 874
Provisions	20	54 026	40 681
Deferred tax liabilities	11	84 338	100 680
Other non-current liabilities		13 248	14 287
Total non-current liabilities		**554 928**	**1 005 522**
TOTAL LIABILITIES		**961 286**	**1 444 284**
Equity			
Share capital	21	4 646	4 646
Additional paid-in capital	21	760 957	760 957
Foreign exchange translation reserve		(737 500)	(674 050)
Retained earnings		1 680 923	1 507 289
Revaluation reserve		(5 674)	(4 162)
Total equity attributable to shareholders of the Company		**1 703 352**	**1 594 680**
Non-controlling interests		113 769	136 881
TOTAL EQUITY		**1 817 121**	**1 731 561**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2 778 407**	**3 175 845**

The financial statements of Nord Gold plc, registered number 13287342, were approved and authorised for issue by the Chief Financial Officer on 16 May 2022.

Nord Gold plc

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts in thousands of US dollars, except as otherwise stated)

	Note	Year ended 31 December 2021	2020
Operating activities			
Profit for the year		**374 453**	**578 169**
Adjustments			
Finance income	10	(2 019)	(881)
Finance costs	10	37 219	46 803
Foreign exchange gain, net		(7 295)	(24 706)
Income tax expense	11	99 192	79 763
Depreciation and amortisation		296 252	323 717
Impairment charge of non-current assets, net	9	133 516	42 937
Gain on disposal of associate		-	(21 320)
Share of result of associate		-	2 209
Impairment/(Reversal of impairment) of work-in-progress recognised in cost of sales		6 634	(7 194)
Provision for obsolescence of inventories		8 025	3 425
Loss on disposal of property, plant and equipment, net		330	7 054
Derecognition of financial liabilities		-	(15 824)
Other adjustments		(2 033)	1 129
		944 274	**1 015 281**
Changes in operating assets and liabilities:			
Accounts receivable		(17 648)	17 832
Inventories		(56 239)	(18 243)
VAT recoverable		11 618	(1 869)
Accounts payable		(1 890)	(7 743)
Other changes in operating assets and liabilities, net		1 030	1 327
Factoring arrangements		157 915	127 895
Cash flows from operations		**1 039 060**	**1 134 480**
Interest paid		(24 449)	(41 181)
Interest received		1 646	877
Income tax paid		(82 093)	(40 108)
Cash generated from operating activities		**934 164**	**1 054 068**
Investing activities			
Acquisition of property, plant and equipment		(308 937)	(332 882)
Acquisition of exploration and evaluation assets		(87 049)	(46 055)
Acquisition of associate		-	(62 218)
Proceeds from disposal of associate		-	120 016
Other movements		7 453	(1 595)
Cash used in investing activities		**(388 533)**	**(322 734)**
Financing activities			
Repayment of borrowings	18	(657 218)	(123 180)
Lease payments		(6 434)	(5 612)
Dividends paid	12	(214 194)	(54 182)
Other movements		(1 294)	(1 418)
Cash used in financing activities		**(879 140)**	**(184 392)**
Net (decrease) / increase in cash and cash equivalents		**(333 509)**	**546 942**
Cash and cash equivalents at beginning of the year	**13**	**739 203**	**189 891**
Effect of exchange rate fluctuations on cash and cash equivalents		(12 981)	704
Reclassification of cash and cash equivalents from assets previously classified as held for sale		-	1 666
Cash and cash equivalents at end of the year	**13**	**392 713**	**739 203**

Nord Gold plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
(Amounts in thousands of US dollars, except as otherwise stated)

	Share capital	Other reserves	Additional paid-in capital	Foreign exchange translation reserve	Retained earnings	Revaluation reserve	Total	Non-controlling interests	Total
Balance at 31 December 2019	**464 577**	**10 540**	**760 957**	**(548 838)**	**499 657**	**(4 482)**	**1 182 411**	**111 758**	**1 294 169**
Profit for the year	-	-	-	-	568 669	-	568 669	9 500	578 169
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	(125 212)	-	32 652	(92 560)	6 066	(86 494)
Total comprehensive income for the year							476 109	15 566	491 675
Gain on partial disposal of subsidiary (Note 23)	-	(10 540)	-	-	-	-	(10 540)	10 540	-
Reclassification within reserves in equity on disposal of associate	-	-	-	-	32 332	(32 332)	-	-	-
Capital reduction (note 21)	(459 931)	-	-	-	459 931	-	-	-	-
Dividends declared (Note 12)	-	-	-	-	(53 300)	-	(53 300)	(983)	(54 283)
Balance at 31 December 2020	**4 646**	**-**	**760 957**	**(674 050)**	**1 507 289**	**(4 162)**	**1 594 680**	**136 881**	**1 731 561**
Profit for the year	-	-	-	-	374 434	-	374 434	19	374 453
Other comprehensive loss for the period, net of tax	-	-	-	(63 450)	-	(1 512)	(64 962)	(7 840)	(72 802)
Total comprehensive income for the year							309 472	(7 821)	301 651
Dividends declared (Note 12)	-	-	-	-	(200 800)	-	(200 800)	(15 291)	(216 091)
Balance at 31 December 2021	**4 646**	**-**	**760 957**	**(737 500)**	**1 680 923**	**(5 674)**	**1 703 352**	**113 769**	**1 817 121**

1. OPERATIONS

Nord Gold plc (the "Company") is a public company limited by shares incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company is registered in England and Wales.

Nord Gold UK Societas, the former legal form of the Company, was converted to Nord Gold plc in March 2021.

The Company's registered office is 4th Floor, 27 Dover Street, Mayfair, London, W1S 4LZ, United Kingdom.

As at 31 December 2021 and 2020, the immediate parent company of the Company was Ocean Management Ltd. (the "Parent Company"), registered in the Cyprus.

As at 31 December 2021 the controlling shareholders of the Company was Mr. Alexey A. Mordashov (as at 31 December 2020 the controlling shareholders were Mr. Alexey A. Mordashov and his sons, Mr. Kirill A. Mordashov and Mr. Nikita A. Mordashov.)

On 28 February 2022, Mrs. Marina A. Mordashova became the controlling shareholder of the Company with a stake of approximately 52%.

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, Russian Federation and in Kazakhstan. Detailed information about the Group's subsidiaries is presented in Note 23.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

These consolidated financial statements have not been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. As such, these financial statements are not the statutory financial statements of the Group and are not intended for the purposes of filling with the Companies Act 2006.

Basis of measurement and presentation

The consolidated financial statements are prepared under the historical cost basis, except for the revaluation of certain financial investments and financial instruments that are measured at fair values at the end of each reporting period.

Historical cost measures provide monetary information about assets, liabilities and related income and expenses, using information derived, at least in part, from the price of the transaction or other event that gave rise to them.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

Going concern

In assessing its going concern status, the Group has taken account of its financial position, anticipated future financial performance for the period of 12 months from the date of approval of these accounts, its borrowings and other available credit facilities, its forecast compliance with covenants on those borrowings and its capital expenditure commitments.

As at 31 December 2021, the Group held US$ 392.7 million of cash and cash equivalents and had net debt of US$ 91.8 million. As at 31 December 2021 the balance of short-term borrowings was US$ 81.2 million. Unused credit facilities at 31 December 2021 amounted to US$ 340.0 million, of which, US$ 140.0 million relates to uncommitted credit facilities and US$ 200.0 million to committed facilities.

Since 24 February 2022, the conflict in Ukraine has intensified. In response, the EU, US, UK and other countries have imposed sanctions on certain Russian institutions and individuals, including EU and UK sanctions on Mr. Alexey A. Mordashov, who was the controlling shareholders of the Company as at 31 December 2021. As the result of the new sanctions the Group was unable to pay coupon on its US$ Eurobonds 2024 in amount of US$ 8 million and faced with the certain limitations related to the gold sales, assess to the international financial markets and the business environment in which the Group operates.

Management of the Group takes the following measures to negotiate an occurred impact of the imposed sanctions:

- Signing new contracts with several new offtakers in UAE and continue to work on the diversification of gold shipments;
- Starting an approval process to obtain an export license in Kazakhstan related to the possibility of shipment of gold to foreign offtakers;
- Interaction with trustee, paying agent and investors on the issue related to the inability to pay coupon on its US$ Eurobonds 2024 due to the technical issues.

Management performed the modelled scenarios which consider the potential adverse change in gold price, production, cash cost and combination of all these factors, that cover the potential impact of sanctions. Under all scenarios, considering the mitigation actions including the deferral of uncommitted capital expenditures, the Group forecasts that it has sufficient cash headroom and complies with debt covenants.

Also management considered that climate change is not expected to have a significant impact on the Group’s going concern assessment to March 2023. The uncertainties in relation to climate change may result in changes to management’s cash flow projections or to the level of risk associated with achieving those cash flows beyond twelve months after the approval of this Consolidated Financial Statements.

Management is satisfied that the Group’s forecasts and projections, which exclude uncommitted facilities and take account of both reasonably possible changes in financial performance and possible mitigation actions including the deferral of uncommitted capital expenditures and dividends, show that the Group has adequate resources to continue in operational existence for at least the next 12 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 2021.

Adoption of new and revised accounting standards

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:

- IFRS 17 *Insurance Contracts*
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*
- Amendments to IAS 1: *Classification of liabilities as current or non-current*
- Amendments to IFRS 3: *Reference to the Conceptual Framework*
- Amendments to IAS 16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to IAS 37 (May 2020): *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to IFRS Standards 2018-2020 including amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*
- Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to IAS 8: *Definition of Accounting Estimates*
- Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Management does 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

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (together referred to as the “Group”) as at 31 December 2021.

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 are eliminated in preparing these consolidated financial statements.

Investments in associates

Investments in associates are consolidated using equity method accounting when the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss.

Foreign currencies

The presentation currency of the Company and the Group is US dollars.

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. 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, its cost can be measured reliably and replacing part is expected to be used during more than one period. 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. Specific production indicators are considered for each project separately, depending on the specific nature of the project.

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

Stripping activities related to pre-production phase are included in construction in progress. When the production phase commences costs are transferred to the Capital stripping assets group and depreciated using units-of-production. Production phase begins when gold production volumes and other production parameters of a newly constructed mine are within the project expectations.

The decision on when commercial production for a newly constructed mine commences may be based on achieving a range of criteria, such as:

- A pre-determined percentage of total design capacity for the mine and mill;
- Mineral recoveries are at or near expected levels; and
- Commencement of continuous production

Depreciation is calculated 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:

Buildings and other construction	5-50 years
Plant and equipment	5-20 years
Other assets	1-20 years

Climate-related matters may create significant uncertainty around useful economic life. The estimated useful lives of assets are reviewed regularly and revised.

For assets of 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 assesses whether there is any indication that its property, plant and equipment and associated mineral rights may be impaired. If any such indication exists, the recoverable amount of the asset in question 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 assets of cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or assets of cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

Climate change risks is factored into the uncertainty of future discounted cash flow projections considering the potential decline in productivity and additional expenditures associated with future legal requirements and technological changes.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or assets of 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 assets of 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

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. Climate-related matters may create significant uncertainty around useful economic 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 conditions.

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 15 years.

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

Exploration and evaluation assets

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 obtains 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 in accordance with the local governmental procedures and relevant legislation and regulation At this time, the carrying amount of such exploration and evaluation asset is reclassified to 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
- Conducting activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

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.

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 immediately in the consolidated statement of profit or loss.

Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of gold 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. Where materials and consumables are not expected to be processed within 12 months, those materials and consumables are classified as non-current.

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. Where ore stockpiles are not expected to be processed within 12 months, those stockpile are classified as non-current.

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.

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:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

- 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).

At 31 December 2021, the Group did not have any Level 2 and Level 3 financial instruments.

<u>Financial Assets</u>

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

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

Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortised cost:

- 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.

Financial assets 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).

<u>Amortised cost and effective interest method</u>

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.

<u>Financial liabilities</u>

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 end of 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", through a simultaneous reclassification from operating cash flow movements within line "Purchases presented in financing activities".

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.

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.

There are no recognised uncertain tax positions on the basis that having applied IFRIC 23 "Uncertainty over Income Tax Treatment" it was determined that no "probable" tax exposures have been identified for provisioning.

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 environmental restoration, rehabilitation of 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.

Changes in legal requirements, climate change related matters and transitioning to a low carbon economy may impact the estimates. Hence, the actual expenditures in the future may deviate from the amounts recorded as at the reporting date.

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 finance costs.

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 and gold concentrate. 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.

The product is sold to banks in Russian Federation and to refining plants in Kazakhstan and West Africa. Gold concentrate is sold to Polymetal. 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. Revenue from sales of gold concentrate is recognised at the time of shipment of gold concentrate to Polymetal.
- In Kazakhstan sales revenue from gold sales is recognised at the time of arrival to the refining plant.
- In West Africa sales revenue from gold sales is usually recognised at the time of shipment from the mine sites.

The Group capitalises all proceeds from selling refined gold bullion produced during the pre-production phase of operations.

Long-term incentive program

The form of the long-term incentive is a deferred 3-year bonus program, with a new cycle starting every year. Long-term incentive grants are based on the simulated share price and actual short-term incentive amounts approved for the Executives for the completed performance year. The granted awards vest in accordance with the vesting schedule and are paid out in cash based on the simulated share price calculated for the last operational year before the payout and dividends paid during the respective cycle provided all performance hurdles are satisfied.

Finance income and costs

Finance income comprises interest income on bank deposits. Interest income is recognised as it accrues in the statement of profit or loss.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, 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.

Climate change

The Group is exposed to climate change risks including the risks of decline in productivity, malfunctioning of infrastructure, environmental pollution, interruptions to the supply and shipment schedule and production shutdowns due to potential change of temperature and weather anomalies. There are also risks of additional tax burden, decline in margin of production and additional investments due to future legal requirements and technological changes.

In 2021, the Group published its 2020 Environmental, Social and Governance (ESG) report, detailing the Group’s climate change risk register. In accordance with TCFD[1] recommendations climate-related risks were split into two categories – physical risks and transitional risks.

In preparing these Consolidated Financial Statements management has considered the impact of climate change risks on a number of key significant judgements and key estimates including the impairment indicators assessment and potential impairment charges, the estimation of the remaining useful economic life of assets for depreciation purposes and the estimate of environmental provision.

[1] TCFD – Task Force on Climate-Related Financial Disclosure

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical accounting judgements

In the application of the Group's accounting policies, which are described in Note 3, the management is required to make judgements apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements.

Assessment of indicators of impairment or impairment reversal

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, Berezitovy and Suzdal.

Functional currency

IAS 21 "The Effects of Changes in Foreign Exchange Rates" defines functional currency as the currency of the primary economic environment in which the entity operates. The Group therefore performs an analysis of the currencies in which each subsidiary primarily generates and expends cash and the currency of any financing facilities. This involves an assessment of the currency in which sales are generated and operational and capital expenditures are incurred, and currency in which external and internal borrowing costs are denominated. Management makes judgements in defining the functional currency of the Group's subsidiaries based on economic substance of the transactions relevant to these entities. For each of the Group's consolidated entities, management performed analysis of relevant factors that are indicators of functional currency and, based on the analysis performed, determined functional currency, accordingly. The Group concluded that the functional currency for each of the operating subsidiaries, except for Lefa, is the currency of their jurisdiction.

The functional currency of Lefa was concluded to be the United States Dollar reflecting a higher proportion of expenditure being denominated in US dollars and the use of US dollar financing arrangements.

Key sources of estimation uncertainty

The preparation of financial statements requires the management to make the assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 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.

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

Estimating recoverable amounts

Calculation of the recoverable amounts of the Group's CGUs, for those assets with indicators of impairment and/or impairment reversals at the reporting date, 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 licences. Any changes in any of the estimates used in determining the recoverable amounts could impact the recoverable amount and impairment and reversal analysis.

As at 31 December 2021, management performed impairment valuation tests for those CGUs where impairment and/or impairment reversal indicators were identified. The calculated recoverable amounts of the assets with indicators of impairments/reversals are as follows:

	Year ended 31 December	
Recoverable amounts based on value in use	**2021**	**2020**
Berezitovy	61 123	72 620
Taparko	-	no indicators
Bissa-Bouly	no indicators	764 927
Lefa	399 336	507 963
Irokinda	27 030	no indicators

The valuations of recoverable amount are sensitive to changes in key assumptions. The key assumptions and estimates used by management in the value-in-use calculations are presented in Note 9. Impairment of non-current assets, along with accompanying sensitivity analysis as to the impact of reasonably possible changes of these assumptions on the total impairment loss.

As a result of the impairment review, an impairment loss was recognized against the PPE and IA of Taparko and Lefa in the amount of US$ 138.8 million. Further information can be found at Note 9.

Other sources of estimation uncertainty

Other sources of estimation uncertainty reflect those sources of estimation uncertainty of which management believe users should be aware, but which are not judged to have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. They include: mineral reserves assessment and life of mine plans ("LOMs"), environmental provision, recoverability of indirect taxes, valuation of gold stockpiles and gold-in-process.

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 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.* 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.* Suzdal underground gold mine located in Kazakhstan with flotation, bio-oxidation and carbon-in-leach ("CIL") technology for gold.
- *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. In April 2021 Zun-Holba was sold.
- *Berezitovy.* An open-pit gold mine located in the Amur region of the Russian Federation with CIP technology for gold processing.

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

- *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.
- *Greenfield and Development assets.* Include a number of gold deposits at the exploration and evaluation stages located in Burkina Faso, the Russian Federation, Canada and the Montagne d'Or gold development project in French Guiana.

Operations of the holding company (Nord Gold plc) 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 is calculated as profit before income tax for the period adjusted for:

- Finance income and finance costs
- Foreign exchange losses / (gains)
- Depreciation and amortisation
- Impairment / (reversal of impairment) of non-current assets
- Work-in-progress (impairment) / reversal of impairment recognised in cost of sales
- Gain on sale of associate
- Share of results of associate
- Net losses on the disposal of property, plant and equipment
- Other income/ (expenses)

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

Segment financial performance

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

	Year ended 31 December	
Sales	**2021**	**2020**
Bissa and Bouly	483 392	401 768
Gross	448 620	498 671
Lefa	294 420	312 483
Taborny	161 964	139 298
Suzdal	127 126	134 629
Taparko	122 021	167 061
Berezitovy	102 277	122 676
Buryatzoloto	86 546	84 824
Total	**1 826 366**	**1 861 410**

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

	Year ended 31 December	
Adjusted EBITDA by segment	**2021**	**2020**
Gross	333 316	405 886
Bissa and Bouly	251 109	157 910
Lefa	102 342	142 710
Taborny	108 696	90 839
Berezitovy	50 008	72 195
Buryatzoloto	41 611	35 261
Suzdal	76 182	82 269
Taparko	22 954	68 540
Greenfields	-	(75)
Total adjusted EBITDA for reportable segments	**986 218**	**1 055 535**
Adjusted EBITDA for all other segments	(42 999)	(38 677)
Total	**943 219**	**1 016 858**

	Year ended 31 December	
	2021	**2020**
Segment capital expenditures		
Lefa	89 963	77 168
Bissa and Bouly	80 058	95 239
Gross	79 642	91 460
Taborny	43 801	33 761
Buryatzoloto	22 472	13 589
Suzdal	21 672	20 225
Taparko	12 149	8 461
Berezitovy	10 522	26 301
Greenfields	35 779	14 491
Total capital expenditures for reportable segments	**396 058**	**380 695**
All other segments	1 703	1 556
Total segment capital expenditures	**397 761**	**382 251**
Depreciation capitalised	41 788	38 116
Other transfers	3 158	7 446
Additions to PP&E and Intangible assets	**442 707**	**427 813**

The reconciliation of profit before income tax to Adjusted EBITDA:

	Year ended 31 December	
	2021	**2020**
Adjusted EBITDA	**943 219**	**1 016 858**
Finance income	2 019	881
Finance costs	(37 219)	(46 803)
Foreign exchange gain	7 295	24 706
Depreciation and amortisation	(296 252)	(323 717)
Impairment of non-current assets	(133 516)	(42 937)
Gain on sale of associate	-	21 320
Share of results of associate	-	(2 209)
Work-in-progress (impairment) / reversal of impairment recognised in cost of sales	(6 634)	7 194
Net loss on disposal of property, plant and equipment	(330)	(7 054)
Other (expenses)/income	(4 937)	9 693
Profit before income tax	**473 645**	**657 932**

In 2021 other expenses include social and charity expenses and provisions charged for previously recognised contingent liabilities.

In 2020 other income include de-recognition of financial liabilities which was partially offset by social and charity expenses.

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

Geographical information

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

	31 December	
	2021	**2020**
Russian Federation	843 972	776 286
Guinea	435 302	481 730
Burkina Faso	508 621	589 286
French Guiana	124 553	132 374
Kazakhstan	67 338	56 693
Canada	33 030	29 800
Other	1 223	679
Total	**2 014 039**	**2 066 848**

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

	Year ended 31 December	
	2021	**2020**
Russian Federation	799 406	845 469
Burkina Faso	605 413	568 829
Guinea	294 421	312 483
Kazakhstan	127 126	134 629
Total	**1 826 366**	**1 861 410**

6. SALES

	Year ended 31 December	
	2021	**2020**
By product		
Gold	1 814 517	1 849 822
Silver	11 849	11 588
Total	**1 826 366**	**1 861 410**

		Year ended 31 December	
		2021	**2020**
By customer	**By segment**		
Switzerland: MKS Finance S.A.	Bissa and Bouly, Lefa, Taparko	899 834	881 312
Russia: VTB	Gross, Taborny, Berezitovy, Buryatzoloto	471 800	626 709
Russia: Otkrytie	Gross, Taborny, Berezitovy, Buryatzoloto	154 914	218 760
Russia: Sovcombank	Gross, Taborny, Berezitovy, Buryatzoloto	127 390	-
Kazakhstan: Tau-Ken Altyn	Suzdal	127 126	134 629
Russia: Polymetal	Buryatzoloto	43 517	-
Russia: others	Buryatzoloto	1 785	-
Total		**1 826 366**	**1 861 410**

In 2021 sales to MSK Finance S.A. and VTB were over 10% of total revenue (2020: MSK Finance S.A., VTB and Otkrytie).

All revenues are derived from the contracts with customers.

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

7. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2021	**2020**
Wages and salaries	40 021	41 897
Professional and other services	24 754	16 059
Depreciation and amortisation	2 546	2 292
Other	2 575	2 305
Total	**69 896**	**62 553**

8. STAFF COST

	Year ended 31 December	
	2021	**2020**
Wages and salaries	199 826	189 248
Long-term incentive program	3 855	9 973
Social security costs	34 621	34 281
	238 302	**233 502**
Less capitalised amounts:		
Wages and salaries	(25 648)	(23 510)
Social security costs	(4 891)	(4 811)
Total	**207 763**	**205 181**

Key management personnel comprise executive and non-executive directors ("Directors"), as well as departmental directors.

Total remuneration of key management personnel in 2021 amounted to US$ 21.1 million (2020: US$ 19.2 million). It included annual salaries of US$ 7.9 million (2020: US$ 6.0 million), annual bonuses of US$ 4.2 million (2020: US$ 4.1 million), and incentive programme accruals of US$ 8.9 million (2020: US$ 9.1 million).

Remuneration of the highest paid Director in 2021 amounted to US$ 6.2 million (2020: US$ 3.9 million) including annual salary of US$ 1.1 million (2020: US$ 1.0 million), annual bonus of US$ 2.0 million (2020: US$ 1.35 million), incentive programme of US$ 3.0 million (2020: US$ 1.4 million), and benefit allowance of US$ 0.1 million (2020: US$ 0.1 million).

The average number of employees by business units:

	Year ended 31 December	
	2021	**2020**
Operating mines:		
Bissa	1 359	1 371
Lefa	1 331	1 306
Gross	1 236	1 128
Suzdal	1 010	1 008
Berezitovy	835	867
Buryatzoloto	820	1 077
Taborny (former Neryungri)	730	764
Taparko	517	549
Other entities:		
Nordgold Management	126	117
Others	5	3
Total	**7 969**	**8 190**

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

9. IMPAIRMENT OF NON-CURRENT ASSETS

As at 31 December 2021 and 2020, 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 2021 and 2020 as follows:

	Year ended 31 December	
	2021	**2020**
Property, plant and equipment (Note 16)		
Taparko cash generating unit	25 387	-
Berezitovy cash generating unit	-	28 432
Buryatzoloto individual assets	1 354	-
	26 741	**28 432**
Intangible assets (Note 17)		
Lefa cash generating unit	108 883	-
Taparko cash generating unit	3 205	-
Berezitovy cash generating unit	-	1 258
Taparko individual assets	-	6 714
Other intangible assets	-	403
	112 088	**8 375**
Other assets		
Reversal of impairment	(5 313)	(4 806)
Long-term financial investments	-	3 009
Assets held for sale impairment	-	7 927
	(5 313)	**6 130**
Impairment of non-current assets	**133 516**	**42 937**

Cash-generating units impairment

Due to the presence of impairment indicators in 2021, management conducted impairment valuation reviews at Berezitovy, Taparko, Lefa CGUs (2020: Berezitovy: US$ 29.7 million). For these CGUs the recoverable amounts were calculated based on the value in use, using discounted cash flow projections.

	Year ended 31 December	
	2021	**2020**
Recoverable amounts based on value in use		
Berezitovy	61 123	72 620
Taparko	-	no indicators
Bissa-Bouly	no indicators	764 927
Lefa	399 336	507 963
Buryatzoloto	27 030	no indicators

As a result of the impairment review impairment losses for Taparko and Lefa were recognized in 2021. The Taparko impairment loss reduced the carrying value of property, plant and equipment and intangible assets by US$ 25.4 million and US$ 3.2 million respectively. The Lefa impairment loss reduced the carrying value of intangible assets by US$ 108.9 million.

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

In 2020, as a result of the impairment review an impairment loss for Berezitovy was recognised. The loss was driven by a reduction in forecast future gold production due to a decrease of ore reserves. The Berezitovy impairment loss reduced the carrying value of property, plant and equipment and intangible assets by US$ 28.4 million and US$ 1.3 million respectively.

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 2022 gold price of US$ 1,725/oz, 2022 and 2023 gold prices of US$ 1,618/oz and 1,538/oz, respectively, and a long-term gold price of US$ 1,500/oz, based on third party analysts' consensus data;
- Approved mine plans which include relevant production and cost assumptions; and
- A pre-tax real discount rate for Taparko of 6.1% (2020: no impairment indicators), Lefa of 9.5% (2020: 14.2%), Berezitovy of 3.7% (2020: 19.5%) and Buryatzoloto of 5.4% (2020: 11.3%), based on the Group's weighted average cost of capital and specific asset risk factors. The pre-tax discount rates were calculated by determining the rates that arrive at the same valuation, based on discounting the pre-tax cash flows only.

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.

Sensitivity analysis on Berezitovy CGU

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$ 1 400 per ounce	-
10% decrease in future production volume	12 836
10% increase in future cost of production	9 888
1pp increase in discount rate applied	-

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

Sensitivity analysis on Societe des Mines de Taparko CGU

The sensitivity analysis on Societe des Mines de Taparko have not been conducted.

Sensitivity analysis on Lefa CGU

The following changes in assumption were considered as reasonably possible and if changed by the indicated amount with all other valuation assumptions remaining the same, would materially change the carrying value.

Scenarios	**Combined impairment loss**
Long-term gold price of US$ 1 400 per ounce	74 198
10% decrease in future production volume	78 790
10% increase in future cost of production	120 126
1pp increase in discount rate applied	21 788

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

Individual assets impairment

In 2020 the US$ 6.7 million pre-tax impairment charge for Taparko mineral rights related to certain projects which are no longer considered commercially viable for further development due to insufficient resources.

Long-term financial investments

There was not any impairment related to long-term financial investments in 2021.

In 2020 impairment of long-term financial investments related mainly to Arakaka Gold Project in the amount of US$ 2.9 million.

Reversal of impairment of other assets

Impairment reversal in 2021 of other non-current assets of US$ 5.3 million (2020: US$ 4.8 million) consists of indirect taxes in West Africa, Lefa segment, in the amount of US$ 2.1 million (2020: US$ 4.8 million) and reversal of impairment of other non-current assets of US$ 3.2 million related to Zun-Holba, which was sold in 2021 for US$ 5.5 million.

10. FINANCE INCOME AND FINANCE COSTS

	Year ended 31 December	
	2021	**2020**
Finance income		
Interest income	2 019	881
Total	**2 019**	**881**
Finance costs		
Interest expense	(25 116)	(39 045)
Royalties related to West African operations	(6 940)	(2 412)
Environmental provision discount unwinding	(2 022)	(2 213)
Other	(3 141)	(3 133)
Total	**(37 219)**	**(46 803)**

11. INCOME TAX

	Year ended 31 December	
	2021	**2020**
Current tax charge	(117 858)	(45 459)
Prior period adjustment	2 518	-
Deferred tax prior period adjustment	(796)	-
Deferred tax expense	16 944	(34 304)
Income tax expense	**(99 192)**	**(79 763)**

In 2021 and 2020, the Group's profits were taxable at 19% in the United Kingdom, 20% in the Russian Federation and Kazakhstan, 17.5% and 27.5% in Burkina Faso, and 30% in Guinea.

On 3 March 2021, the UK Government announced that the corporation tax rate in the UK will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023.

(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			
	2021		2020	
Profit before income tax	**473 645**		**657 932**	
Theoretical tax at rates applicable to the profits in the respective countries	(75 348)	16%	(134 135)	20%
Effect of the regional investment project	23 619	(5%)	63 863	(10%)
Prior period adjustments	1 722	0%	-	-
Utilisation of previously unrecognised deferred tax assets	-	-	4 885	(1%)
Effect of intragroup dividends	(20 219)	4%	(3 909)	1%
Current year losses not recognised	(7 142)	2%	(5 009)	1%
Expenses that are non-deductible	(1 618)	0%	(868)	0%
Deferred tax write-off	(15 185)	3%	(4 590)	1%
Uncertain tax position charge	(5 021)	1%	-	-
Income tax expense	**(99 192)**	**21%**	**(79 763)**	**12%**

Theoretical tax at rates applicable to the profits in the respective countries is 16% in 2021 (20% in 2020).

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% in 2020, Jan 2021- December 2021–10%, and 20% in subsequent years.

Current year losses not recognised during 2021 and 2020 related to the Group's holding and other entities which are not expected to generate enough taxable profits to recover these losses in future.

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$ 1.2 billion at 31 December 2021 (31 December 2020: US$ 983 million) and have not been recognised in the consolidated financial statements.

In 2021, the Group has written off deferred tax assets in total amount US$ 15.2 million related to Celtic Resources Holdings DAC and Societe des Mines de Taparko which were deemed non-recoverable.

In 2020, the Group has written off deferred tax assets in total amount US$ 4.6 million mainly related to Zun-Holba and HRG Exploration Burkina SARL which were deemed non-recoverable.

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

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

2021	**Opening balance**	**Recognised in profit or loss**	**Recognised in other compre-hensive income**	**Translation difference**	**Disposal of subsidiary**	**Closing balance**
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	**(30 888)**	15 737	-	56	233	**(14 862)**
Intangible assets	**(89 293)**	33 575	-	1 693	4	**(54 021)**
Inventories	**(6 598)**	(11 594)	-	376	580	**(17 236)**
Financial investments	**213**	89	-	(15)	-	**287**
Provisions	**8 594**	4 181	-	(177)	25	**12 623**
Other	**5 207**	585	18	107	129	**6 046**
Tax losses carried forward	**31 969**	(26 425)	-	65	(453)	**5 156**
Total	**(80 796)**	**16 148**	**18**	**2 105**	**518**	**(62 007)**

2020	**Opening balance**	**Recognised in profit or loss**	**Recognised in other compre-hensive income**	**Translation difference**	**Reclassified from held for sale**	**Closing balance**
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	**(15 781)**	(15 887)	-	3 657	(2 877)	**(30 888)**
Intangible assets	**(87 772)**	(1 529)	-	730	(722)	**(89 293)**
Inventories	**(4 418)**	(3 059)	-	879	-	**(6 598)**
Financial investments	**214**	-	(7)	6	-	**213**
Provisions	**7 735**	1 687	-	(828)	-	**8 594**
Other	**8 688**	(2 272)	(158)	(1 130)	79	**5 207**
Tax losses carried forward	**44 403**	(13 244)	-	810	-	**31 969**
Total	**(46 931)**	**(34 304)**	**(165)**	**4 124**	**(3 520)**	**(80 796)**

Management concluded that recoverability of the recognised deferred tax asset of US$ 5.2 million on tax losses carried forward at 31 December 2021 (31 December 2020: US$ 32.0 million) is probable based upon expectations of future taxable income.

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	
	2021	**2020**
Deferred tax liability	(84 338)	(100 680)
Deferred tax asset	22 331	19 884
Net deferred tax liability	**(62 007)**	**(80 796)**

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.

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

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

	31 December 2021	31 December 2020
Within one year	105	28
Between one and five years	561	872
Between five and ten years	14 218	14 375
Between ten and twenty years	8 937	2 496
No expiry date	55 621	22 371
Total	**79 442**	**40 142**

12. DIVIDENDS

	Cents per share	US$ thousand	Accrued and paid in
Final dividend 2019	16	53 300	2020
Total dividends to equity holders for the year ended 31 December 2020			**53 300**
Final dividend 2020	0.2	800	2021
Interim dividend 2021	59.48	200 000	2021
Total dividends to equity holders for the year ended 31 December 2021			**200 800**

13. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash at banks	357 197	721 608
Short-term bank deposits (maturing within 3 months)	35 310	17 466
Petty cash	206	129
Total	**392 713**	**739 203**
Restricted cash in non-current assets	1 866	2 584

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 25.

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

14. ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
Advances paid and prepayments	30 665	15 614
Trade accounts receivable	6 099	1 550
Other receivables	15 702	18 521
Provision for credit losses		
Advances paid and prepayments	(208)	(272)
Trade accounts receivable	(219)	(225)
Other receivables	(794)	(704)
Total accounts receivable	**51 245**	**34 484**

The carrying value of trade and other accounts receivable approximated their fair values because of the short maturities of these instruments. Trade and other accounts receivable are considered as level 2 in the fair value hierarchy. The Group's exposure to risks arising from accounts receivable are discussed in Note 25.

15. INVENTORIES

	31 December 2021	31 December 2020
Current inventories		
Materials and consumables	104 350	115 316
Work-in-progress	103 340	106 970
Finished goods	3 485	3 445
Total current inventories	**211 175**	**225 731**
Non-current inventories		
Long-term ore stockpiles	158 447	67 562
Long-term materials and consumables	39 550	42 909
Total non-current inventories	**197 997**	**110 471**

In 2021 inventories recognised as an expense within cost of sales amounted to US$ 417.5 million (2020: US$ 382.5 million).

As at 31 December 2021, the obsolescence and net realisable value provision amounted to US$ 55.1 million (31 December 2020: US$ 45.0 million). In 2021 an accrual of obsolescence provision in the amount of US$ 19.3 million and a reversal of net realisable value provision in amount of US$ 3.5 million were included in cost of sales (2020: an accrual of obsolescence provision in amount of US$ 3.7 million and a reversal of net realisable value provision in amount of US$ 7.2 million were included in cost of sales).

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

16. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and con-structions	Plant and equipment	Capital stripping	Other assets	Construc-tion in progress	Total
Cost						
Balance at 1 January 2020	**560 463**	**1 252 535**	**318 080**	**55 703**	**373 813**	**2 560 594**
Reclassifications to inventories	-	-	-	-	(7 275)	(7 275)
Reclassified from held for sale	32 609	10 094	-	110	4 508	47 321
Additions	-	-	-	-	377 794	377 794
Change in environmental provision	(4 343)	-	-	-	-	(4 343)
Transfers	27 976	109 303	236 044	36 361	(409 684)	-
Disposals	(812)	(131 649)	(68 239)	(4 482)	(2 127)	(207 309)
Translation differences	(1 663)	(40 772)	12 225	(3 378)	(21 533)	(55 121)
Balance at 31 December 2020	**614 230**	**1 199 511**	**498 110**	**84 314**	**315 496**	**2 711 661**
Balance at 1 January 2021	**614 230**	**1 199 511**	**498 110**	**84 314**	**315 496**	**2 711 661**
Reclassifications to inventories	-	-	-	-	(4 960)	(4 960)
Reclassifications between groups	(7 083)	7 083	-	-	-	-
Disposal of subsidiaries	(26 451)	(11 531)	-	(537)	(12 566)	(51 085)
Additions	-	-	-	-	352 419	352 419
Change in environmental provision	21 511	-	-	-	-	21 511
Transfers	65 862	130 101	125 419	26	(321 408)	-
Disposals	(4 803)	(6 728)	(72 582)	-	(361)	(84 474)
Translation differences	(30 132)	(39 372)	(20 873)	(2 067)	(9 604)	(102 048)
Balance at 31 December 2021	**633 134**	**1 279 064**	**530 074**	**81 736**	**319 016**	**2 843 024**
Depreciation and impairment						
Balance at 1 January 2020	**(365 052)**	**(644 641)**	**(178 737)**	**(27 034)**	**(16 385)**	**(1 231 849)**
Reclassifications between groups	23 707	-	(23 707)	-	-	-
Reclassified as held for sale	(32 609)	(10 094)	-	(110)	(4 508)	(47 321)
Depreciation for the year	(50 087)	(143 919)	(125 131)	(8 494)	-	(327 631)
Impairment (note 9)	(3 828)	(2 449)	(17 594)	(174)	(4 387)	(28 432)
Disposals	575	126 620	68 239	4 532	-	199 966
Translation differences	1 408	(3 054)	(11 989)	(302)	541	(13 396)
Balance at 31 December 2020	**(425 886)**	**(677 537)**	**(288 919)**	**(31 582)**	**(24 739)**	**(1 448 663)**
Reclassifications between groups	4 628	(4 628)	-	-	-	-
Disposal of subsidiaries	26 451	11 531	-	537	12 566	51 085
Depreciation for the year	(62 313)	(162 864)	(116 167)	(399)	-	(341 743)
Impairment (note 9)	(4 485)	(3 749)	-	(7)	(18 500)	(26 741)
Disposals	4 791	6 518	72 582	-	-	83 891
Translation differences	19 767	29 025	16 221	1 257	879	67 149
Balance at 31 December 2021	**(437 047)**	**(801 704)**	**(316 283)**	**(30 194)**	**(29 794)**	**(1 615 022)**
Net book value						
Balance at 31 December 2020	**188 344**	**521 974**	**209 191**	**52 732**	**290 757**	**1 262 998**
Balance at 31 December 2021	**196 087**	**477 360**	**213 791**	**51 542**	**289 222**	**1 228 002**

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

17. INTANGIBLE ASSETS

	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost				
Balance at 1 January 2020	**1 412 998**	**157 538**	**24 065**	**1 594 601**
Additions	-	47 028	2 991	50 019
Transfers	32 865	(32 865)	-	-
Reclassified as held for sale	32 429	-	-	32 429
Disposals	-	-	(693)	(693)
Translation differences	(21 026)	(9 298)	(1 367)	(31 691)
Balance at 31 December 2020	**1 457 266**	**162 403**	**24 996**	**1 644 665**
Additions	-	84 488	5 800	90 288
Transfers	69 590	(68 436)	(1 154)	-
Disposal of subsidiaries	(3 305)	(462)	-	(3 767)
Disposals	(60 324)	-	(51)	(60 375)
Translation differences	(31 317)	(2 316)	(784)	(34 417)
Balance at 31 December 2021	**1 431 910**	**175 677**	**28 807**	**1 636 394**
Amortisation and impairment				
Balance at 1 January 2020	**(824 238)**	**(76 674)**	**(18 225)**	**(919 137)**
Amortisation for the year	(51 557)	-	(971)	(52 528)
Reclassified as held for sale	(32 429)	-	-	(32 429)
Impairment (Note 9)	(7 792)	(535)	(48)	(8 375)
Disposals	-	-	693	693
Translation differences	10 486	2 328	776	13 590
Balance at 31 December 2020	**(905 530)**	**(74 881)**	**(17 775)**	**(998 186)**
Amortisation for the year	(43 655)	-	(962)	(44 617)
Impairment (Note 9)	(111 859)	(43)	(186)	(112 088)
Disposal of subsidiaries	3 310	-	-	3 310
Disposals	60 324	-	51	60 375
Translation differences	14 923	950	582	16 455
Balance at 31 December 2021	**(982 487)**	**(73 974)**	**(18 290)**	**(1 074 751)**
Net book value				
Balance at 31 December 2020	**551 736**	**87 522**	**7 221**	**646 479**
Balance at 31 December 2021	**449 423**	**101 703**	**10 517**	**561 643**

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

18. BORROWINGS

	31 December 2021	31 December 2020
Short-term borrowings		
Bank loans	-	80 000
Factoring arrangements	72 561	49 865
Accrued interest	3 759	5 180
Lease liability	4 860	6 075
Total short-term borrowings	**81 180**	**141 120**
Long-term borrowings		
Bank loans	-	445 000
Bonds issued	400 000	400 000
Lease liability	6 794	11 469
Unamortised balance of transaction costs	(3 478)	(6 595)
Total long-term borrowings	**403 316**	**849 874**

Bonds issued

In October 2019, the Group raised US$ 400 million in a Eurobond issue. The notes are issued by Celtic Resources Holdings DAC, a wholly-owned subsidiary of Nord Gold plc, 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 fair value of the Group's debt instruments approximated their carrying values at 31 December 2021 and 31 December 2020, except for the fair value of bonds which had a market value of US$ 412.7 million (31 December 2020: US$ 425.5).

Bank loans

There were no bank loans as at 31 December 2021 (31 December 2020: US$ 525 million).

In January 2021, the Group repaid in full US$ 200 million of syndicated loan. As at 31 December 2020, the outstanding amount of the facility was US$ 200 million including a short-term balance of US$ 80 million and long-term balance of US$ 120 million.

In April 2021, the Group repaid in full the US$ 325 million seven-year debt facility provided by Sberbank. As at 31 December 2020, the long-term outstanding balance was US$ 325 million.

In 2018, the Group entered into a US$ 50 million unsecured committed revolving credit facility with Citibank Europe plc denominated in US dollars maturing in May 2021. The amounts drawn down are repayable at different maturities to the final maturity date. Interest is variable and payable on a quarterly basis. In June 2020 the facility was prolonged for two more years till June 2022. As at 31 December 2021 there was no outstanding amount related to this facility (31 December 2020: no outstanding amount related to this facility).

In March 2021, the Group entered into a two-year US$ 100 million ESG-linked revolving credit facility with a group of international banks. As at 31 December 2021 this facility was unused.

In October 2021, the Group entered into a second ESG-linked revolving credit facility, a three-year US$ 100 million facility with a group of international banks. As at 31 December 2021 this facility was unused.

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

The average interest rate for borrowings for the twelve months ended 31 December 2021 was 3.9% (31 December 2020: 3.9%).

Unused credit facilities at 31 December 2021 amounted to US$ 340.0 million, of which, US$ 140.0 million related to uncommitted credit facilities and US$ 200.0 million to committed facilities (31 December 2020: US$ 215 million, of which, US$ 90 million related to uncommitted credit facilities and US$ 125 million to committed facilities).

Factoring arrangements

As at 31 December 2021, the Group owed the amount of US$ 72.6 million (31 December 2020: US$ 49.9 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. Payments to financial institutions for 2021 amounted to US$ 130.2 million (2020: US$ 123.2 million). The invoices transferred to financial institutions for 2021 amounted to US$ 157.9 million (2020: US$: 127.9 million).

Lease liability

Cash outflow for leases during 2021 amounted to US$ 6.4 million (2020: US$ 5.6 million).
As at 31 December 2021 the carrying amount of the leased assets of approx. US$ 11.7 million (31 December 2020: US$ 17.5 million) actually represent collateral for lease liabilities.

19. ACCOUNTS PAYABLE

	31 December	
	2021	**2020**
Trade accounts payable	174 435	174 012
Other taxes payable	63 546	64 164
Amounts payable to employees	33 921	30 862
Accrued expenses	443	2 198
Advances received	3 573	176
Other payables	8 761	2 644
Total	**284 679**	**274 056**

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

20. PROVISIONS

	Legal and tax claims	Environmental provision	Other	Total
Balance at 01 January 2021	**4 082**	**40 681**	**1 594**	**46 357**
Disposal of subsidiaries	-	(3 933)	-	(3 933)
Additions in the year	3 635	10 922	-	14 557
Change in estimate	-	8 518	-	8 518
Unwinding of discount	-	2 013	-	2 013
Provisions utilised	(367)	-	-	(367)
Restricted cash net-off	-	(1 796)	-	(1 796)
Translation differences	(277)	(2 379)	(7)	(2 663)
Balance at 31 December 2021	**7 073**	**54 026**	**1 587**	**62 686**

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

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:

	Year ended 31 December	
	2021	**2020**
Russian Federation	3.55-4.24%	1.14-2.61%
Kazakhstan	5.8%	2.2%
Burkina Faso	3.62-4.28%	3.81-4.36%
Guinea	1.11%	4.34%

Management performed an analysis of the reasonably possible change of discount rates used and its effect on the environmental provision as at 31 December 2021.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	5 586
1% increase in discount rate applied	(5 063)

21. CAPITAL AND RESERVES

Share capital

On 2 April 2020 a Capital Reduction was formally approved by the High Court of Justice.
The effective date of the Capital Reduction shown on Companies House is 27 April 2020. The delay in the registration of the Capital Reduction was because Companies House has suspended its same day service, and was experiencing considerable delays in processing filings, due to the COVID-19 outbreak.

Following the Capital Reduction the Company's issued share capital as at 31 December 2021 consisted of 336 263 929 ordinary shares (authorised and fully paid) with par value of 0.01 EUR per share amounting to US$ 4.6 million.

No special rights, preferences and restrictions existed in respect of the Company's ordinary shares as at 31 December 2021, 2020 and 2019.

The Company's authorised number of shares was unlimited as at 31 December 2021, 2020 and 2019.

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.

Revaluation reserve

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

22. EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2021 were based on the profit attributable to shareholders of the Company of US$ 374.4 million (2020: US$ 568.7 million) and a weighted average number of outstanding ordinary shares of 336 264 thousand (31 December 2020: 336 264 thousand), calculated as per below (in thousands of shares):

	Issued shares	Weighted average number of shares
1 January 2020	**336 264**	**336 264**
31 December 2020	**336 264**	**336 264**
1 January 2021	**336 264**	**336 264**
31 December 2021	**336 264**	**336 264**

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

23. SUBSIDIARIES

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

Subsidiaries	31 December 2021	31 December 2020	Location	Activity
Gross segment				
LLC Neryungri-Metallik	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 segment				
LLC Rudnik Taborny	100.0%	100.0%	Republic of Sakha (Yakutia), Olekminsky district, Olekminsk town, Brovina street, 4a, 678100, Russian Federation	Gold mining
LLC Tokko	100.0%	-	Republic of Sakha (Yakutia), Olekminsky district, Olekminsk town, 678100, Russian Federation	Gold mining
Suzdal segment				
Celtic Resources Holdings DAC	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
Opeloak Ltd	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Gold sales
Zherek LLP	-	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Gold mining
Buraytzoloto segment				
OJSC Buryatzoloto (1,2)	93.2%	93.2%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude, 670045, Russian Federation	Holding
LLC Irokinda (1,2)	93.2%	93.2%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude, 670045, Russian Federation	Gold mining
LLC Zun-Holba (1,2)	-	93.2%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude, 670045, Russian Federation	
Berezitovy segment				
LLC Berezitovy Rudnik	100.0%	100.0%	Centralnaya Str. 14, Amur Region, Tynda District, with. Pervomaiskoye, 676260, Russian Federation	Gold mining
LLC Uryakh	100.0%	-	Centralnaya Str. 14, Amur Region, Tynda District, with. Pervomaiskoye, 676260, Russian Federation	Gold exploration

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

Subsidiaries	31 December 2021	31 December 2020	Location	Activity
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%	3rd Floor, Charter Place, 23-27 Seaton Place, St Helier, Jersey JE4 0WH	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%	3rd Floor, Charter Place, 23-27 Seaton Place, St Helier, Jersey JE4 0WH	Holding company
Societe Miniere de Dinguiraye	85.0%	85.0%	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
Nordgold SAMTENGA SA (1)	90.0%	n/a	Ouagadougou, Avenue France Afrique Ouaga 2000, secteur n°54, Section 8, Lot 16, Parcelle 01, 01 BP 4418 Ouagadougou 01, Burkina Faso	Gold mining

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

Subsidiaries	31 December 2021	31 December 2020	Location	Activity
Other companies				
Nordgold Management LLC	100.0%	100.0%	Leningrad highway, 39, building 2,125212 Moscow, Russian Federation	Management services
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	55.01%	55.01%	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
Kentau Exploration and Mining LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Other
Oldlove Ltd	-	100.0%	1, Costakis Pantelides Avenue, Nicosia, CY 1010, CYPRUS	Other

(1) Subsidiary of High River Gold Mines Ltd.

(2) During 2019 LLC Irokinda and LLC Zun-Holba were separated from OJSC Buryatzoloto in order to separate legal entities running different licenses. In 2021 LLC Zun-Holba was sold.

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

24. RELATED PARTY TRANSACTIONS AND BALANCES

Transactions with entities under common control mainly included purchases of goods and services and amounted to US$ 8.9 million in 2021 (2020: US$ 6.0 million). Entities under common control are Severstal Group subsidiaries controlled by the same ultimate shareholder. All the transactions were commenced on the market conditions according to tenders results.

As at 31 December 2021, balances with entities under common control included accounts payable of US$ 1.6 million (31 December 2020: US$ 1.2 million), which are to be settled in cash.

25. 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 2020 external credit ratings of the Group were as follows:

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

As at 31 December 2021 external credit ratings of the Group were as follows:

- Moody's: Ba1, 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, the related derivative instruments and lease liabilities less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity.

Return on assets:

	31 December 2021	**31 December 2020**
Profit from operations	501 550	681 357
Total assets	2 778 407	3 175 845
Return on assets, %	**18%**	**21%**

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

Net debt reconciliation:

	31 December 2021	31 December 2020
Non-current interest bearing loans and borrowings	403 316	849 874
Current interest bearing loans and borrowings	81 180	141 120
Less: cash and cash equivalents	(392 713)	(739 203)
Net debt	**91 783**	**251 791**

Leverage ratio:

	31 December 2021	31 December 2020
Net debt	91 783	251 791
Shareholders' equity	1 703 352	1 594 680
Leverage ratio	**0.05**	**0.16**

The leverage ratio decrease relates to decrease in the balance of net debt as at 31 December 2021.

(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 2020	**Cash flows**	**Foreign exchange movement**	**Transaction costs amortization**	**Dividends declared**	**Transfers**	**Factored liabilities**	**Other changes**	**31 December 2021**
Non-current borrowings	845 000	(445 000)	-	-	-	-	-	-	400 000
Current borrowings	80 000	(80 000)	-	-	-	-	-	-	-
Factoring arrangements	49 865	(130 218)	(5 001)	-	-	-	157 915	-	72 561
Transaction cost	(6 596)	-	-	4 262	-	-	-	(1 144)	(3 478)
Lease liability	17 544	(6 434)	544				-	-	11 654
Dividends payable	-	(214 194)	(952)	-	216 091	-	-	-	945
Other movements	-	(3 294)	-	-	-	-	-	3 294	-
Total financing activities	**985 813**	**(879 140)**	**(5 409)**	**4 262**	**216 091**	**-**	**157 915**	**2 150**	**481 682**

			Non-cash changes						
	31 December 2019	**Cash flows**	**Foreign exchange movement**	**Transaction costs amortization**	**Dividends declared**	**Transfers**	**Factored liabilities**	**Other changes**	**31 December 2020**
Non-current borrowings	925 000	-	-	-	-	(80 000)	-	-	845 000
Current borrowings	-	-	-	-	-	80 000	-	-	80 000
Factoring arrangements	38 038	(123 180)	4 331	-	-	-	130 676	-	49 865
Transaction cost	(9 549)	(366)	-	2 736	-	-	-	583	(6 596)
Lease liability	22 131	(5 612)	1 025						17 544
Dividends payable	-	(54 182)	(101)	-	54 283	-	-	-	-
Other movements	-	(1 052)	-	-	-	-	-	1 052	-
Total financing activities	**975 620**	**(184 392)**	**5 255**	**2 736**	**54 283**	**-**	**130 676**	**1 635**	**985 813**

(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 2021	31 December 2020
Financial assets		
Cash and cash equivalents	392 713	739 203
Trade and other receivables	20 135	16 739
Restricted cash	1 866	2 584
Long-term financial investments	1 696	3 222
Total financial assets	**416 410**	**761 748**
Financial liabilities		
Notes and bonds issued	403 728	403 720
Bank loans	91	526 463
Lease liabilities	11 654	17 544
Factoring arrangements	72 561	49 865
Trade and other payables	215 258	204 727
Total financial liabilities	**703 292**	**1 202 319**

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 management 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.

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

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 2021, the Group had a concentration of cash and cash equivalents and bank deposits with Sberbank in the amount of US$ 184.5 million (31 December 2020: US$ 527.2 million).

As at 31 December 2021, the Group had a concentration of restricted cash with Banque Centrale des États de l'Afrique de l'Ouest in the amount of US$ 17.6 million (31 December 2020: US$ 15.8 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:

As at 31 December 2021:

	Carrying amount	Future contractual cash flows	Less than 1 year	1-2 years	2-5 years
Non-derivative financial liabilities					
Factoring arrangements	72 561	73 831	73 831	-	-
Notes and bonds issued	403 728	449 745	20 458	16 729	412 558
Lease liabilities	11 654	13 307	5 806	4 510	2 991
Trade and other payables	215 258	215 258	215 258	-	-
Total	**703 201**	**752 141**	**315 353**	**21 239**	**415 549**

As at 31 December 2020:

	Carrying amount	Future contractual cash flows	Less than 1 year	1-2 years	2-5 years
Non-derivative financial liabilities					
Factoring arrangements	49 865	50 738	50 738	-	-
Notes and bonds issued	403 720	466 466	20 449	16 729	429 288
Bank loans	526 463	559 226	97 066	214 000	248 160
Lease liabilities	17 544	20 433	7 120	5 984	7 329
Trade and other payables	204 727	204 727	204 727	-	-
Total	**1 202 319**	**1 301 590**	**380 100**	**236 713**	**684 777**

Market risk

The Group activities expose it primarily to the financial risks of changes in market prices, such as 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 15 percent change in gold price can be reasonably expected considering gold price movements during 2021. A 15 percent decrease of gold price would have decreased profit after tax for the year ended 31 December 2021 by US$ 202.2 million (2020: US$ 218.7 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, Central African Franc, Euro and Australian Dollar.

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, British Pound.

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

31 December 2021	**USD**	**RUB**	**GNF**	**CFA (XOF)**	**EUR**	**AUD**	**Other**
Cash and cash equivalents	125 949	30	777	-	12 906	-	390
Trade and other receivables *	10 910	-	2 399	9 110	203	-	350
Financial investments *	36 455	27 980	-	271	24 240	-	(10)
Borrowings and bank financing*	(48 987)	(575 010)	-	-	(22 929)	-	(1 472)
Trade and other payables *	(39 915)	(7 378)	(34 705)	(1 286)	(7 294)	(68)	(584)
Net exposure	**84 412**	**(554 378)**	**(31 529)**	**8 095**	**7 126**	**(68)**	**(1 326)**

31 December 2020	**USD**	**RUB**	**GNF**	**CFA (XOF)**	**EUR**	**AUD**	**Other**
Cash and cash equivalents	473 899	38	66	-	12 840	120 776	50
Trade and other receivables *	7 300	-	911	620	(3)	2 909	294
Financial investments *	(2 941)	46 596	-	292	49 699	-	(10)
Borrowings and bank financing*	(65 958)	(7 876)	-	-	(48 957)	-	(1 475)
Trade and other payables *	(39 531)	(7 907)	(25 905)	(1 865)	(16 371)	(608)	(1 746)
Net exposure	**372 769**	**30 851**	**(24 928)**	**(953)**	**(2 792)**	**123 077**	**(2 887)**

* 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 reasonably be expected considering the currency rates movements during 2021. 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 weakening of the following currencies as at 31 December 2021 and 2020 would have increased/ (decreased) profit and equity by the amounts shown below:

	31 December 2021	**31 December 2020**
USD	(13 654)	(59 788)
RUB	90 036	(4 769)
GNF	4 414	3 490
CFA (XOF)	(1 696)	79
EUR	(1 257)	(851)
AUD	12	(19 939)
Other	208	456
Total	**78 063**	**(81 322)**

A 20 percent strengthening of the same currencies as at 31 December 2021 and 2020 would have an opposite increase/ (decrease) impact on profit and equity. Also there would be an equity effect from weakening/strengthening of Euro in relation to the net investment in foreign operations in the amount of US$ 4.6 million as at 31 December 2021 (US$ 4.5 million as at 31 December 2020).

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 2021	**31 December 2020**
Financial liabilities at interest with fixed spread over LIBOR	-	525 000
Net position	**-**	**525 000**

Cash flow sensitivity analysis for variable rate instruments

Management believes 100 basis points change in interest rates can be reasonably expected. A change of 100 basis points in variable interest rates would increase/(decrease) profit for the year ended 31 December 2021 by US$ 0.9 million (2020: US$ 4.2 million).

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

26. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2021, the Group had contractual capital commitments of US$ 39.9 million (31 December 2020: US$ 29.2 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 USA and the EU on certain Russian officials, businessmen and companies. Sanctions relating to Russia are implemented effectively after the UK leaves the EU. 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.

In 2022, subsequent to conflict in Ukraine, US, UK, EU and other countries imposed sanctions on certain Russian business and individuals. Sanctions and their impact on business are disclosed in section 27 Events after the reporting period.

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.

On 05 September 2021, there was a military coup d'état in Guinea, the country where Lefa mine operates. Lefa mine production remains unaffected by the current political situation in Guinea and Lefa mine continues to operate as normal.

Starting from early 2020 a new coronavirus disease (COVID-19) began spreading rapidly all over the world resulting in the announcement of a pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 have resulted in significant operational disruption for many companies and have had significant impact on the global financial markets. COVID-19 has had and continues to have a significant effect on the business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

Currently there is no significant effect of COVID-19 on the Group's operations but the effect largely depends on the duration and the incidence of the pandemic effects on the world economy, which cannot be reasonably predicted. The Company continues to monitor the situation. No impairments were recorded as of 31 December 2021, as no triggering events or changes in circumstances had occurred.

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 2021, management estimated the total amount of potential non-tax legal proceedings at US$ 4.4 million (31 December 2020: US$ 3.8 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 2021, management has identified the following tax risks where unfavorable outcome was assessed as possible.

Burkina Faso

The total amount of various tax risks of Group entities located in Burkina Faso, which may lead to negative consequences, was US$ 4.0 million (31 December 2020: US$ 5.3 million).

Guinea

There were no tax risks related to Société Minière de Dinguiraye located in Guinea, which may lead to negative consequences (31 December 2020: US$ 42.6 million).

No provision has been recognised for these items in these consolidated financial statements as management does not consider that there is any probable loss.

27. EVENTS AFTER THE REPORTING PERIOD

Since 24 February 2022, the conflict in Ukraine has intensified. In response, the EU, US, UK and other countries have imposed sanctions on certain Russian institutions and individuals. The sanctions and geopolitical situation are affecting the economic, financial and operational environment and may result issues such as limited access to the international financial markets, supply-chain disruptions, inflation and other negative consequences. Management developed a mitigation plan to secure gold sales, supply chain and liquidity.

On 28 February 2022, Mrs. Marina A. Mordashova became the controlling shareholder of the Company with a stake of approximately 52%.

On 01 March 2022, Alexey Mordashov has stepped down as a non-executive director of the Company effective immediately.

Subsequent to the balance sheet date, Michael Nossal, Brian Beamish, David Morgan, John Munro, Gregor Mowat and Yulia Chekunaeva have stepped down from the Board of Directors.

Unused credit facilities at 31 December 2021 amounted to US$ 250.0 million, of which, US$ 50.0 million relates to uncommitted credit facilities and US$ 200.0 million to committed facilities were cancelled subsequent to the balance sheet date.

Fitch Ratings and Moody's have withdrawn its rating of Nord Gold plc.

In April 2022, Nord Gold plc was unable to pay coupon on its USD Eurobonds 2024 because of technical issues. Such inability to pay the coupon may lead to declaration of the event of default by the Trustee acting on behalf of the noteholders. Nord Gold plc has all the necessary funds to make these payments, and will continue to interact with the trustee and paying agent on the issue.

In April 2022, the management has decided to close Taparko mine due to the deteriorating security situation in the part of Burkina Faso where the operation is located.