CHINA NONFERROUS GOLD LIMITED

Company Registration Number WK-277188

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013

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Company Information

Directors	Mr Tao Luo	*(Non-Executive Chairman)*
	Mr Li Li	*(Executive Director)*
	Mr Weili Tang	*(Executive Director)*
	Mr Wang Yubin	*(Executive Director)*
	Mr Abuali Ismatov	*(Non-Executive Director)*
	Mr Pizhao Che	*(Non-Executive Director)*
Joint Company Secretaries	Mr Li Wing Sum Ms Ma Yifei	
Registered Office	190 Elgin Avenue George Town Grand Cayman KY1-9005 Cayman Islands	
Nominated Adviser	Investec Bank Plc 2 Gresham Street London EC2V 7QP	
Bankers	National Westminster Bank Plc Knightsbridge Commercial Business Centre 186 Brompton Road London SW3 1HL	
	HSBC Plc 21 Kings Mall King Street Hammersmith London W6 0QF	
	Bank of China 1/F CNMC Building 10 Anding Road Chaoyang District Beijing 10029 China	
	JSC SO PBRR ‘Tajprombank’ 734025 Rudaki Avenue 22 Dushanbe Republic of Tajikistan	

Bankers (continued)	JSC 'Agroinvestbank' 734018 Ave Saadi Sherozi 21 Dushanbe Republic of Tajikistan
	SSB RT 'Amonatbank' Rudaki Avenue 22 Dushanbe Republic of Tajikistan
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Legal Advisors	*Hong Kong law* Pinsent Masons 50th Floor, Central Plaza 18 Harbour Road Hong Kong
	English law Speechly Bircham LLP 6 New Street Square London EC4A 3LX United Kingdom
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	Cayman Islands law Walkers Suite 1501-1507 Alexandra House 18 Chater Road Central Hong Kong
	The People's Republic of China ("PRC") law Zong Heng Law Firm Room 500, Textile Industry Bureau 12 East Chang-An Avenue Beijing 100742 PRC

Chairman's Statement

From both an operational and corporate perspective, 2013 was a critical year in the ongoing development of China Nonferrous Gold Limited ('CNG'). The Group continued to advance its flagship multi-million ounce Pakrut gold project towards production, while also undertaking a corporate restructuring and re-naming in order to prepare the Group for a potential listing on the main board of the Hong Kong Stock Exchange ('HKSE').

A clear path towards production

Construction work has continued apace at Pakrut. As reported previously, much progress has been achieved with the construction of the underground mine, which remains on track to complete this year with initial small scale production scheduled to commence immediately thereafter. The main decline at the mine has reached a depth of more than 1,000 metres, while the west ventilation access decline has reached a depth of over 430 metres. Full scale production in Phase 1 of 2,000 tonnes per day ("tpd") is expected to commence in June 2015.

Work regarding associated infrastructure is also progressing to plan, with construction of the access road and bridges to the mine now complete and work on the external power supply network set to be completed by the end of September 2014. The majority of equipment required for the processing plants has been purchased and is currently being shipped to the mine site, with construction of the processing plants set to commence shortly.

While I am pleased to report this progress, I am also conscious that the Group is behind the initial timescale it set for bringing the Pakrut gold project into production. However, much was achieved in 2013, and indeed has been achieved so far in 2014, and there is a strong view shared by the Board that the majority of construction challenges have been overcome.

The Independent Technical Report produced by SRK Consulting China Limited, which was announced on 17 June 2013, highlights the Board's belief that the Pakrut project is being developed on a very strong and viable commercial basis. Being so close to commercial production is highly exciting and we remain committed to making this happen as soon as possible.

Completion of corporate restructuring in advance of potential Hong Kong listing

Having completed our corporate restructuring, a significant amount of management time and attention has gone into preparing the Group for listing on the HKSE. As a reminder to all shareholders, the reason for seeking this listing is that the Group's Board of Directors unanimously view the HKSE as representing a more appropriate and attractive exchange on which to list CNG, and believe the successful completion of such a listing, and subsequent de-listing from the AIM of the London Stock Exchange, would be in the interests of all shareholders.

Looking beyond our Pakrut gold project, the Group has ambitions to become a mid-tier gold producer in the medium-term, which could be achieved through a combination of acquisitive growth and the further exploration and development of our existing asset base. Achieving these objectives could potentially require additional future capital. Given this, the Board felt that seeking a listing in Hong Kong is not only more appropriate given the Group's strong Chinese ties, but would place the Group in a stronger position to achieve its medium to long-term growth aspirations, given the more favourable disposition of the Hong Kong investor base to companies of our size, focus and stage of development.

Financial Results for the Year ended 31 December 2013

The amount incurred by the Group on development and construction work during the year was US$20,256,000 (2012: US$25,523,000). Administration expenditure was US$3,652,000 (2012: US$3,406,000). The overall loss incurred by the Group was US$6,393,000 (2012: US$3,618,000). Total cash equity funding raised from exercising options during the period was US$88,000 resulting in cash and cash equivalents at the end of the period of US$8,602,000 (2012: US$26,085,000).

As always, I would like to take this opportunity to thank all of our employees, management, advisors and the entire board, including former Managing Director Craig Brown, for their efforts during 2013 and also thank our shareholders for their continued support of our Group.

With small-scale production at Pakrut expected before the end of the year and significant progress made towards a potential listing in Hong Kong, the future for our Group is very exciting. I look forward to updating shareholders on further progress as and when appropriate.

Events Post Period End

Post period end, the Group obtained a bank term loan facility of US$120,000,000 from Industrial and Commercial Bank of China (Macau) Limited, secured by standby letters of credit. The loans advanced under the facility cannot exceed 95% of the value of the standby letters of credit. A standby letter of credit was issued on 24 June 2014 for US$84,500,000. The loan availability period runs from 9 July 2014 until 19 June 2015 and the Group will draw down the remaining facility when required, subject to the provision of the requisite letter of credit. Interest is charged at 2.9% above the 3 month LIBOR rate. The loan is conditional upon usual commercial terms including the supply of associated documentation (which includes the completion of associated security documentation). The principal loan repayments commence on 30 January 2016 and the loan is repayable by 8 June 2019.

Tao Luo
Non-Executive Chairman
29 June 2014

The Directors present their annual report and the audited Financial Statements of China Nonferrous Gold Limited for the year ended 31 December 2013.

Principal Activity
The principal activity of the Group is that of mineral exploitation and development.

Business Review
Introduction
China Nonferrous Gold Limited ("CNG") is a mineral exploration and development company. The Group's projects are located in central Asia, having been discovered during the Soviet era. The principal focus of the Group is the development of the Pakrut Gold Project. The Group is also evaluating other gold and precious metal deposits with the objective, where appropriate, of bringing them into production.

CNG, following the scheme of arrangement between Kryso Resources Limited (formerly Kryso Resources Plc) and its shareholders, was admitted to trading on AIM 31 July 2013 in order to continue funding the development of the Pakrut Gold Deposit and the exploration of the Pakrut Licence Area, and better position the Group to obtain and acquire other gold and base metal deposits in Tajikistan.

The Group's Executive Directors have a proven track record of operating in Tajikistan and they believe CNG to be the first foreign company to obtain a 100% interest in a mining and exploration project in the country.

A review of the activities of the Group during 2013 is provided in the Chairman's Statement.

Strategy
CNG's strategy is to maximise shareholder value through the development of the Group's exploration properties, through proving up additional resources, completing feasibility studies on the properties and, where and when appropriate, bringing the projects into production. CNG's medium term objective is to become a mid-tier gold producer.

CNG believes it has high quality senior and local management who have the right technical skills and in-country experience to develop current and future projects into profitable mining operations.

Operating Review
Over 2013 the Group has:

- Continued construction of the underground decline and started construction of the west ventilation shaft of the Pakrut underground gold mine.
- Continued construction on upgrading 55 kilometres of road to Pakrut, reconstructed 6 of 7 bridges and completed further geotechnical drilling.
- Entered into a construction contract with Shanxi No.3 Electric Power Construction Company to construct external power supply.
- Began construction of a 110kv electrical substation and started the erection of 73 kilometres of 110kv power lines.
- Purchased the majority of equipment required for the processing plants which is currently being shipped to the mine site.

- Began preparing all necessary reports and a draft listing application to prepare the Group for a potential listing on the Main Board of the Hong Kong Stock Exchange Limited ("HKEx").
- Drilled a total of 5,330 metres at Eastern Pakrut and Rufigar.

Pakrut Gold Deposit and Licence Area

In April 2004, LLC Pakrut, a wholly owned subsidiary of the Company, was granted a licence and geological lease to explore and exploit the Pakrut Licence Area which comprises the Pakrut gold deposit and the surrounding 6,300 hectare exploration area located in the metalliferous southern Tien-Shan Gold Belt. The exploration licence was valid for 10 years and expired on 1 April 2014. An application has been submitted in accordance with the required procedures to renew the exploration licence. The renewal application is being considered by the Government of Tajikistan and the Group is working with the Government to ensure it is renewed as soon as possible.

In November 2011, the Government of the Republic of Tajikistan issued the Pakrut Project mining licence to LLC Pakrut. According to the terms of the licence, the amount of ore that can be mined is variable depending upon the mine plan. The plan submitted by CNG in June 2013 envisages an initial processing capacity of 660,000 tons of ore per annum, increasing to 1,320,000 tons per annum from 2017. The mining licence is valid until 2 November 2030.

Financial Review

The results for the year ended 31 December 2013 and the year ended 31 December 2012 were as follows:

	2013 *US$000*	*2012* *US$000*
Revenue	–	–
Exploration and evaluation costs capitalised during the year as intangible assets	6,372	1,332
Mine construction costs capitalised during the year	10,763	24,191
Administrative expenses	3,652	3,406
Total costs	20,787	28,929
% Administrative expenses to total costs	17.6%	11.8%
Operating loss	6,359	3,662
Finance costs	44	–
Less: interest receivable	10	44
Loss on ordinary activities before taxation	6,393	3,618
Loss per share (cents)	1.68	1.16

The main financial Key Performance Indicator ('KPI') for the Group is administration costs as a percentage of total costs which continues to be at an acceptable proportion. Administrative expenses increased in 2013 as the Group employed additional administrative and technical staff in gearing-up for the commencement of construction and production at the Pakrut Gold Project.

Corporate Responsibility
The Group will endeavour to build a sustainable and profitable business to maximise the return to its shareholders and in doing so will not knowingly overlook our Corporate Responsibilities.

Certain of the Directors also serve as directors of other companies involved in natural resource exploration, development and mining and consequently there exists the possibility for such Directors to be in a position of conflict. Any decision made by such Directors involving the Group will be made in accordance with their duties and obligations to deal fairly and in good faith with the Group and such other companies. In addition, such Directors will declare, and refrain from voting on, any matter in which such Directors may have a conflict of interest.

People
The Group recognises that the success of its ventures is based on the well-being and health of its employees. All employees have to pass through an induction process where they are briefed on the Group's health and safety policies. The safety of the Group's employees is of the utmost importance and is therefore taken seriously in all areas in which the Group's employees operate.

The Group is also committed to the development of its employees and encourages them to attend courses and programmes to further develop their own skills. The Group also aims to provide a favourable working environment which will continue to draw, retain and motivate its employees so that they can reach their true potential and share in the Group's success.

Employees are kept well informed of the performance and objectives of the Group through established methods of personal briefings and regular meetings. Employees are given the opportunity to develop and progress according to their ability. The Group has an employee share option scheme to encourage employees' participation in the Group's performance.

The Group has continued its policy of giving the disabled full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities. With regard to existing disabled employees and those who may become disabled during the year, the Group examines ways and means of providing continuing employment under normal terms and conditions and provides training, career development and promotion, where appropriate.

Social
The Group continues to have a strong relationship with the local communities in the areas in which it operates, respecting their laws and customs. The Group employs local people in all levels within the organisation; this ensures a transparent and fair transfer of benefits and support to their communities where appropriate. The Group engages the local communities in all aspects of the projects it is actively involved in, from exploration through to feasibility and production, ensuring that concerns are addressed and that support is maintained throughout the entire process.

Environment
The Group has a strict environmental code with which all its employees are well-versed during the induction process; this not only satisfies the local environmental code, but also the international code. The Group has contracted the services of a local environmental consultant who monitors its operations to ensure that any lapses are immediately brought to the attention of management.

Risk Factors

There are several principal risk factors outlined below that may affect the Group's businesses and which may not all be within the Group's control. Other factors not listed below may also adversely affect the Group, but management may take action to mitigate some of these risks; these are identified where appropriate.

Risks and Uncertainties

Exploration and Development Risk

The exploration for and the development of mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored ultimately develop into producing mines. Major resources may be required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at the Pakrut site. It is impossible to ensure that the current exploration programmes planned and being carried out by the Group will result in profitable commercial mining operations.

There is no certainty that the exploration expenditures made by the Group as described in these financial statements will result in discoveries of commercial quantities of ore or a commercially feasible mining operation. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Group will compete with other companies, many of which have greater financial resources, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

The commercial viability of a deposit is dependent on a number of factors. These include deposit attributes such as size, grade and proximity to infrastructure; current and future market prices which can be cyclical; government regulations including those relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors, either alone or in combination, cannot be entirely predicted, and their impact may result in the Group not receiving an adequate return on invested capital.

There is no assurance the Group will be able to adhere to the current development and production schedule or that the required capital and operating expenditure will be accurate. The Group's development plans may be adversely affected by the failure to obtain the necessary approvals, licenses or permits to commence production or technical or construction difficulties which are beyond the Group's control. Operational risks and hazards include: unexpected maintenance, technical problems or delays in obtaining machinery and equipment, interruptions from adverse weather conditions, industrial accidents, power or fuel supply interruptions and unexpected variations in geological conditions.

The risks inherent in developing the Group's projects are mitigated to some extent by the strategic alliance with China Nonferrous Metals Int'l Mining Co. Ltd, which is a member of a group with a number of active mining operations.

Regulatory and Legal Risk

Substantially all of the Group's business and operations are governed by the laws, rules and regulations in Tajikistan which can contain inherent ambiguities, uncertainty, inconsistency and contradictions with regards to their application, interpretation, implementation and enforcement. In particular, the laws, rules and regulations which the Group is subject to, including, but not limited to, those relating to foreign investments, subsoil use, land use, licensing, customs, foreign currency, environmental protection and taxation are still evolving and remain uncertain in many respects.

In addition, the judicial system in Tajikistan may not be independent and immune from the economic, political and nationalistic influences in Tajikistan and the decisions of the courts are often not transparent and available to the public. In many circumstances there are no prior court decisions for reference and the interpretations of the laws, rules and regulations by the courts in Tajikistan remain ambiguous and it is difficult to predict or to seek effective legal redress. The regulatory authorities in Tajikistan are entrusted with a high degree of discretion and authority in the application, interpretation, implementation and enforcement of the laws, rules and regulations potentially resulting in ambiguous and inconsistent actions.

There is no assurance that the Group will be able to comply with all new laws, rules and regulations applicable to its mining operations or any changes in laws, rules and regulations. Furthermore, the legal protections available to the Group may be limited and could have a material impact on the results of the Group and the imposition of penalties and/or regulatory action. In addition, the process of obtaining, retaining or renewing licences and permits could be time-consuming and costly and could give rise to unexpected delays and expenses.

The Group's existing licences and permits could be revoked or terminated by the Tajikistan Government, the local government or the Tajikistan courts under certain circumstances, including failure to comply with the conditions imposed by the licences and permits, which may include the provision of regular reports to the relevant regulatory authority, obtaining sufficient insurance coverage, adherence to the permitted extraction of mineral resources or complying with the obligations relating to sustainable management, subsoil, environmental protection and health and safety regulations. Failure to obtain, retain or renew the relevant licences and permits required at all or on a timely basis could have a material adverse affect on the Group's financial condition.

Economic Risk

The profitability of the Group's future operations may be significantly affected by changes in the market prices for the materials it may produce and is affected by numerous factors beyond the Group's control. The level of interest rates, the rate of inflation, world supply, and the stability of exchange rates can all cause fluctuations in the price. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and also political developments. Metal prices have fluctuated in recent years, particularly gold, and future significant price declines could cause future commercial production to be uneconomic and have a material adverse effect on the Group's financial condition.

Certain payments, in order to earn or maintain property interests, are to be made in local currency in the jurisdiction where the applicable property is located. As a result, fluctuations in the British Pound and the Tajik Somoni could have a material adverse effect on the Group's financial results which are denominated and reported in US dollars.

The Group currently does not carry insurance to protect against certain risks. As a result, the Group may become subject to liability to include environmental pollution, political risk and other hazards against which the Group cannot insure or which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Group's financial condition.

The tax laws and regulations in Tajikistan have been in effect for a relatively short period of time, including but not limited to the new tax code which came into effect on 1 January 2013. The tax risks in Tajikistan are therefore substantially higher than those in countries with more developed tax systems.

The uncertain application of tax laws and regulations creates the risk of additional tax liabilities and uncertainties regarding the application and interpretation of those laws and regulations.

Financial Risk
The Group's operations expose it to a number of financial risks. These are discussed under 'Financial Risk Management' within the Accounting Policies.

Political and Country Risk
Substantially all of the Group's business and operations are conducted in Tajikistan. The political, economic, legal and social situation in Tajikistan introduces a certain degree of risk with respect to the Group's activities. The Government of Tajikistan exercises control over such matters as exploration and mining licencing, permitting, exporting and taxation, which may adversely impact the Group's ability to carry out exploration, development and mining activities.

Government activity, which could include non-renewal of licences, may result in any income receivable by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in Tajikistan could adversely affect the value of the Group's interests.

No assurance can be given that the Group will be able to maintain or obtain effective security or insurance for any of its assets or personnel at its operations in Tajikistan; this may affect the Group's operations or plans in the future. A moderate degree of security is also required to mitigate the risk of loss by theft, either by the Group's employees or by third parties, and controls are implemented where possible to minimise this risk. No assurance can be given that such factors will not have a material adverse effect on the Group's ability to undertake exploration, development and mining activities in respect to present and future properties in Tajikistan.

The Group's controlling shareholder is a PRC state-owned enterprise. Any adverse changes to Sino – Tajikistan diplomatic relations could affect the policies and regulations of the Tajikistan Government towards foreign investment and foreign exchange, which could adversely affect the Group's business, financial conditions and prospects.

Performance of Key Personnel and Employees
The Group is dependent on a relatively small number of employees, the loss of any of whom could have an adverse effect on the Group.

There has been a steady emigration of skilled personnel from Tajikistan in recent years that could adversely affect the Group's ability to retain its employees.

Results and Dividends
The results for the year and the Group's financial position at the end of the year are shown in the attached Financial Statements. The Directors do not recommend the payment of a dividend (2012: US$Nil).

Future Developments
Future prospects are set out in the Chairman's Statement on pages 4 and 5 and above.

Directors and their Interests

The Directors who served the Group during the year together with their beneficial interests in the shares of the Group were as follows:

	*At 31 December 2013***	*At 1 January 2013**
Mr Abuali Ismatov	7,100,000	7,100,000
Mr Tao Luo	–	–
Mr Weili Tang	–	–
Mr Li Li	–	–
Mr Pizhao Che	–	–
Mr Craig William Brown	900,000	900,000

* or later date of appointment.

** or earlier date of resignation.

Mr Craig William Brown resigned from the Board on 30 September 2013.

The Directors' holdings of options at the beginning and end of the year were as follows:

	At 31 December 2013	*At 1 January 2013*
Mr Abuali Ismatov	800,000	800,000
Mr Tao Luo	1,400,000	1,400,000
Mr Weili Tang	1,400,000	1,400,000
Mr Li Li	1,400,000	1,400,000
Mr Pizhao Che	–	–
Mr Craig William Brown	800,000	800,000

None of the Directors exercised any share options during the year.

Substantial shareholdings
As at 24 June 2014, the Directors were aware of the following shareholdings in excess of 3% of the Company's issued share capital.

	Number of ordinary shares	*Percent of issued ordinary share capital*
China Nonferrous Metals Int'l Mining Co Ltd	146,666,666	38.44%
Pershing Nominees Limited Des:PERNY	87,121,742	22.83%
Vidacos Nominees Limited	33,823,113	8.86%
Lynchwood Nominees Limited Des:2006420	18,184,202	4.77%
HSBC Global Custody Nominee (UK) Limited	17,563,411	4.60%
Morstan Nominees Limited	16,500,000	4.32%

Share Capital
A statement of the changes in the share capital of the Company is set out in note 21 to the Financial Statements.

Directors
The Board comprises:

Mr Tao Luo (aged 61), Non-Executive Chairman
Tao is the Chairman of China Nonferrous Metals Int'l Mining Co., Ltd (CNMIM). He has over 30 years' experience in the nonferrous metals industry. He was Vice Director of Beijing General Research Institute for Nonferrous Metals. He was also the Chairman of Committee of Supervisors and Vice President of Aluminium Corporation of China Ltd (CHALCO), a company listed on the New York Stock Exchange and the Hong Kong Stock Exchange. He is presently the President of China Nonferrous Metals Mining (Group) Corp. (CNMC).

Mr Weili Tang (David Tang) (aged 48), Managing Director
David is President of CNMIM. He graduated with master's degree in computer application from Central South University of Technology in the PRC in 1991. In the early 1990s he pioneered the trading system for the first nonferrous metals future commodity exchange in China.

Mr Li Li (Leonard Lee) (aged 49), Finance Director
Leonard obtained a bachelor's degree in physics from Peking University in the PRC in July 1988 and a master's degree in business administration from the University of Rochester, William E Simon School of Business Administration in the United States in June 2002. Mr Li has over 10 years of experience in business development roles.

Mr Wang Yubin (aged 50), Executive Director
Wang is the General Manager of Limited Liability Company Pakrut ("LLC Pakrut") and has over 30 years of combined experience in gold and other nonferrous metals mining and relevant activities including the construction of ramp, shaft, processing plant and infrastructure in underground mines, and mining activities including drifting, cutting, blasting and stopping in non-ferrous mines. Wang obtained a bachelor's degree in mining metallurgical engineering from Baotou Iron and Steel Institute in the PRC in July 1983 and a master's degree in business administration from Zhongnan University of Economics and Law in the PRC in June 2004.

Mr Abuali Ismatov (aged 54), Non-Executive Director
Abuali is a prominent businessman in the Republic of Tajikistan. Abuali graduated in 1981 from the Tajik Agricultural Institute with a diploma in Hydro Engineering and in 2001, completed his Masters in Finance and Economics from the Tajik State National University. Since 1992, Abuali has been a founder and shareholder of several multi-national companies established in Tajikistan with foreign investment.

Mr Pizhao Che (aged 57), Non-Executive Director (appointed 25 September 2013)
Mr Che has approximately 27 years of experience in the legal profession. Mr Che obtained a degree of master of laws from the University of Wisconsin-Madison in the United States in May 1986. Between September 1986 and September 1999, he worked at the Law School of Jilin University with the last position as a professor. Since September 1999, he has been a professor in international economic law at the Law School of Tsinghua University. Since March 2012 he has served as independent director of Fangda Carbon New Material Co., Ltd.

Corporate Governance
The Company's shares are traded on the AIM market of the London Stock Exchange and the Company is not therefore required to report on compliance with the UK Corporate Governance Code appended to the listing rules of the Financial Conduct Authority. However, the Board of Directors supports the principles of good governance.

Internal Control
The Directors acknowledge their responsibilities for the Group's system of internal control. The Board considers major business and financial risks. All strategic decisions are decided by the Board and the making of individual investment and loan decisions is designated to members of the Board. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the Group are appropriate to the business.

Audit Committee
The Audit Committee comprises the Non-Executive Directors of the Group and meets at least twice each year. The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It also meets the auditor and reviews reports from the auditor relating to the Financial Statements and internal control systems. The Audit Committee meets once a year with the auditor, without executive board members present.

Remuneration Committee
The Remuneration Committee comprises the Non-Executive Directors of the Group. It is responsible for reviewing the performance of the Executive Directors, setting their remuneration, considering the grant of options under any share option scheme and in particular the price per share and the application of performance standards which may apply to any such grant.

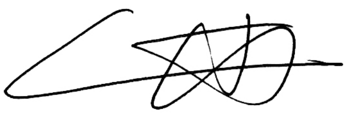
Going Concern
The Accounting Policies include the Directors' assessment of the Group as a going concern. The Directors have formed a judgement at the time of approving the Financial Statements that there is a reasonable expectation that the Group has adequate resources to continue its operations for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Financial Statements.

Events after the Reporting Period
Details of events after the reporting period are set out in note 29 to the Financial Statements.

Relevant Audit Information
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought reasonably to have taken as a Director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor
PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

Signed by order of the Directors



Mr Li Li
29 June 2014

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The Company is compliant with AIM Rule 26 regarding the Company's website.

Independent Auditor's Report to the Members of China Nonferrous Gold Limited

We have audited the Financial Statements of China Nonferrous Gold Limited for the year ended 31 December 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of the Group's loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the AIM Rules for Companies.

PKF Littlejohn LLP

PKF Littlejohn LLP
Chartered Accountants and Registered Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

29 June 2014

CHINA NONFERROUS GOLD LIMITED

Consolidated Statement of Comprehensive Income – Year ended 31 December 2013

	Note	2013 US$000	2012 US$000 Restated
Revenue	1	–	–
Cost of sales		–	–
Gross Profit		–	–
Administrative expenses	6	(3,652)	(3,406)
Listing and capital reorganisation expenses		(2,321)	(427)
Project impairment	10	–	(466)
(Loss)/gain on foreign exchange	2	(386)	637
Operating Loss		(6,359)	(3,662)
Finance income	8	10	44
Finance costs	8	(44)	–
Loss before Income Tax		(6,393)	(3,618)
Income tax	7	–	–
Loss for the year attributable to owners of the parent		(6,393)	(3,618)
Total comprehensive income attributable to owners of the parent for the year		(6,393)	(3,618)
Basic and Diluted Earnings per share attributable to owners of the parent (expressed in dollars per share)	9	$(0.0168)	$(0.0116)

All of the activities of the Group are classed as continuing.

The accounting policies and notes on pages 23 to 66 form part of these Financial Statements.

CHINA NONFERROUS GOLD LIMITED

Consolidated Statement of Financial Position

Year Ended 31 December 2013

	Note	*As at 31 December 2013 US$000*	*As at 31 December 2012 US$000 Restated*	*As at 1 January 2012 US$000 Restated*
Non-Current Assets				
Intangible assets	10	9,475	3,103	18,325
Mines under construction	11	51,042	40,279	–
Property, plant and equipment	12	3,661	1,971	1,335
Total Non-Current Assets		64,178	45,353	19,660
Current Assets				
Inventories	15	6,610	2,172	1,703
Other receivables	16	8,805	7,429	1,216
Cash and cash equivalents		8,602	26,085	11,050
Total Current Assets		24,017	35,686	13,969
Non-Current Liabilities				
Trade and other payables	18	(1,124)	–	–
Borrowings	17	(1,547)	(2,994)	–
Provisions for other liabilities and charges	20	(544)	–	–
Total Non-Current Liabilities		(3,215)	(2,994)	–
Current Liabilities				
Borrowings	17	(13,581)	–	–
Trade and other payables	18	(15,091)	(16,204)	(109)
Total Current Liabilities		(28,672)	(16,204)	(109)
Net Current Assets		(4,655)	19,482	13,680
Net Assets		56,308	61,841	33,520
Equity attributable to the owners of the parent				
Share capital	21	38	6,270	4,640
Share premium		65,616	69,475	37,995
Other reserve		10,175	–	–
Retained earnings		(19,521)	(13,904)	(9,115)
Total Equity		56,308	61,841	33,520

These Financial Statements were approved and authorised for issue by the Directors on 29 June 2014 and are signed on their behalf by:

Mr Weili Tang
Managing Director

Mr Li Li
Finance Director

The accounting policies and notes on pages 23 to 66 form part of these Financial Statements.

Consolidated Statement of Changes in Equity – Year ended 31 December 2013

Attributable to owners of the parent

	Share capital US$000	*Share premium US$000*	*Other reserve US$000*	*Retained earnings US$000*	*Total US$000*
Balance at 1 January 2012 (as previously reported)	4,640	37,995	–	(4,372)	38,263
Effect of prior period adjustments	–	–	–	(4,743)	(4,743)
Balance at 1 January 2012 (restated)	4,640	37,995	–	(9,115)	33,520
Loss and Total comprehensive income for the year	–	–	–	(3,618)	(3,618)
Share based payments – options granted	–	–	–	144	144
Share based payments – exercise of warrants	–	1,315	–	(1,315)	–
Issue of ordinary shares	1,630	30,165	–	–	31,795
Total contributions by and distributions to owners of the parent, recognised directly in equity	1,630	31,480	–	(1,171)	31,939
Balance at 31 December 2012 (restated)	6,270	69,475	–	(13,904)	61,841
Loss and Total comprehensive income for the year	–	–	–	(6,393)	(6,393)
Share based payments – options granted	–	–	–	776	776
Issue of ordinary shares	6	78	–	–	84
Cancellation of existing shares under scheme of arrangement	(6,276)	(69,553)	75,829	–	–
Issue of new shares under scheme of arrangement	38	65,616	(65,654)	–	–
Total contributions by and distributions to owners of the parent, recognised directly in equity	(6,232)	(3,859)	10,175	776	860
Balance at 31 December 2013	38	65,616	10,175	(19,521)	56,308

Other reserve comprises the capital reorganisation reserve under the scheme of arrangement.

The accounting policies and notes on pages 23 to 66 form part of these Financial Statements.

CHINA NONFERROUS GOLD LIMITED

Consolidated Statement of Cash Flows – Year ended 31 December 2013

	31 December 2013 US$000	*31 December 2012 US$000 Restated*
Cash flows generated from/(used in) Operating Activities (note 23)	1,627	(850)
Net Cash generated from/(used in) Operating Activities	1,627	(850)
Cash flows from Investing Activities		
Payments for exploration and evaluation	(5,272)	(400)
Payments for mining rights and mine under construction	(11,218)	(6,559)
Purchase of property, plant and equipment	(631)	(1,593)
Movement in inventories – consumables	(1,253)	(469)
Interest received	10	44
Net Cash used in Investing Activities	(18,364)	(8,977)
Cash flows from Financing Activities		
Cash acquired from contractor	4	–
Proceeds from issuance of equity share capital	84	26,878
Payments for borrowing costs	–	(1,871)
Interest paid	(834)	(145)
Net Cash generated from Financing Activities	(746)	24,862
Net (Decrease)/Increase in Cash and cash equivalents	(17,483)	15,035
Cash and cash equivalents at beginning of the year	26,085	11,050
Cash and cash equivalents at end of the year	8,602	26,085

The accounting policies and notes on pages 23 to 66 form part of these Financial Statements.

Major non-cash transactions

Year ended 31 December 2013

During 2013 the Group made drawdowns from its loan facility with CNMIM under the RMB tranche of RMB72,022,000 (equivalent to US$11,432,000), which under the agency arrangement were paid directly to contractors and suppliers for mine construction, power line construction and the provision of processing plant equipment and materials.

Depreciation of US$1,100,303 has been capitalised as part of exploration and evaluation assets.

During 2013 the Group has accrued for work performed by contractors in that period, and paid advances and payments on account under the terms of those contracts. The non-cash movements have been adjusted for within operating and investing activities accordingly.

Year ended 31 December 2012

During 2012 the Group received the first drawdown of its loan facility from CNMIM under the RMB tranche of RMB38,371,729 (equivalent to US$6,090,751), which under the agency arrangement was directly paid by CNMIM to China No. 15 Metallurgical Construction Group Co. Limited, as a deposit under the mine construction contract.

On 9 January 2012 the Company awarded 8,254,977 ordinary shares to LLC Anbat Service to settle a liability of £1,750,000 (US$2,741,200) relating to a success fee in connection with the issue of the Pakrut Project mining licence to LLC Pakrut by the Government of the Republic of Tajikistan.

On 5 October 2012, the Company awarded 2,899,695 ordinary shares to Top Consultant (Hong Kong) Company Ltd relating to the settlement of a debt commission fee of $1,411,906.

Depreciation of US$932,607 has been capitalised as part of exploration and evaluation assets.

Following the award of a mining licence to LLC Pakrut by the Government of the Republic of Tajikistan in January 2012, the Group recognised a 'subscription bonus' tax payable amounting to $US13.743 million (see note 18). The corresponding entry is to mining rights within mines under construction.

The construction services carried out by China No. 15 Metallurgical Construction Group Co. Limited for the period between September 2012 and December 2012 has been recorded at US$820,169. This liability has been accrued for and correspondingly capitalised within construction in progress within mines under construction.

The accounting policies and notes on pages 23 to 66 form part of these Financial Statements.

Basis of Preparation
The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRSIC) as adopted by the European Union. The Financial Statements have been prepared on a historical cost basis.

The preparation of Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed on page 34.

The Consolidated Financial Statements provide comparative information in respect of the previous period. In addition, the Group presents an additional Statement of Financial Position at the beginning of the earliest period presented when there is: a retrospective application of an accounting policy; a retrospective restatement or prior period error; or a reclassification of items in the Financial Statements that has a material impact on the Group. An additional Statement of Financial Position is presented in these Consolidated Financial Statements; refer below to Changes in Accounting Policies and Disclosures and note 30.

The functional and presentational currency of the Group is US dollars and accordingly the amounts in the Financial Statements are denominated in that currency.

China Nonferrous Gold Limited was incorporated in the Cayman Islands on 24 April 2013 in order to effect a group reorganisation by means of a scheme of arrangement ("the Scheme"). Under the Scheme dated 30 July 2013, the shareholders of the existing ordinary shares in Kryso Resources Limited (formerly Kryso Resources Plc) had their shares cancelled in consideration for which they received ordinary shares in China Nonferrous Gold Limited on a one-for-one basis. The ordinary shares of Kryso Resources Limited were de-listed and the issued shares of China Nonferrous Gold Limited admitted to trading on AIM.

The Group reorganisation does not result in a change of control and is therefore excluded from the scope of IFRS 3 'Business combinations'. In the Consolidated Financial Statements, China Nonferrous Gold Limited includes the assets and liabilities of Kryso Resources Limited at their pre-combination carrying amounts without any fair value uplift. The Group reorganisation only causes a change in the structure of the Group and in substance does not impact on the reporting of the Group.

Changes in Accounting Policies and Disclosures

Adoption of new and revised International Financial Reporting Standards (IFRSs)
New and amended standards adopted by the Group
The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013.

- Amendment to IAS 1 "Financial Statement Presentation" regarding other comprehensive income effective during the period. Items in the statement of comprehensive income that may be reclassified to profit or loss in subsequent periods are now presented separately from items that will not be reclassified to profit or loss in subsequent periods.

- IFRS 13 "Fair Value Measurement" improves consistency and reduces complexity by providing, for the first time, a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

- IAS 27 "Separate Financial Statements" replaces the current version of IAS 27, 'Consolidated and Separate Financial Statements' as a result of the issue of IFRS 10. The revised standard includes the requirements relating to separate financial statements.

- IFRS 10 "Consolidated Financial Statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- IFRS 11 "Joint Arrangements" provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as was previously the case). There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venture has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

- IFRS 12 "Disclosure of Interests in Other Entities" is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" clarify the IASB's intention when first issuing the transition guidance in IFRS 10, provide similar relief in IFRS 11 and IFRS 12 from the presentation or adjustment of comparative information for periods prior to the immediately preceding period, and provide additional transition relief by eliminating the requirement to present comparatives for the disclosures relating to unconsolidated structured entities for any period before the first annual period for which IFRS 12 is applied.

- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9, 'Financial Instruments', in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27.

- IAS 28, "Investments in Associates and Joint Ventures" replaces the current version of IAS 28 "Investments in Associates" as a result of the issue of IFRS 11. The revised standard includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 1.

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2013, but not currently relevant to the Group

The following standards and amendments to existing standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these Financial Statements. None of these is expected to have a significant effect on the Financial Statements of the Group.

The Group has early adopted IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', IFRS 12 'Disclosures of interests in other entities', and consequential amendments to IAS 28 'Investments in associates and joint ventures' and IAS 27 'Separate financial statements' on 1 January 2012. The effective date of adoption for EU-endorsed IFRS preparers is 1 January 2014.

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" require that first-time adopters apply the requirements in IFRS 9 "Financial Instruments" and IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" prospectively to government loans, with a below-market rate of interest, existing at the date of transition to IFRSs. Entities may choose to apply the requirements retrospectively if the information needed to do so had been obtained at the time of initially accounting for the loan.

- Amendments to IFRS 7 "Financial Instruments: Disclosures" require disclosure of information that will enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine" clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods.

- "Annual Improvements 2009-2011 Cycle" sets out amendments to various IFRSs as follows:

    - An amendment to IFRS 1 "First-time Adoption" clarifies whether an entity may apply IFRS 1:

        - If the entity meets the criteria for applying IFRS 1 and has applied IFRS 1 in the previous reporting period; or

        - If the entity meets the criteria for applying IFRS 1 and has applied IFRSs in a previous reporting period.

    - The amendment to IFRS 1 also addresses the transitional provisions for borrowing costs relating to qualifying assets for which the commencement date for capitalisation was before the date of transition to IFRSs.

    - An amendment to IAS 1 "Presentation of Financial Statements" clarifies the requirements for providing comparative information when an entity provides Financial Statements beyond the minimum comparative information requirements.

    - An amendment to IAS 16 "Property, Plant and Equipment" addresses a perceived inconsistency in the classification requirements for servicing equipment.

  - An amendment to IAS 32 "Financial Instruments: Presentation" addresses perceived inconsistencies between IAS 12 "Income Taxes" and IAS 32 with regard to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

  - An amendment to IAS 34 "Interim Financial Reporting" clarifies the requirements on segment information for total assets and liabilities for each reportable segment.

- Amendments to IAS 19 "Employment Benefits" eliminate the option to defer the recognition of gains and losses, known as the "corridor method"; streamline the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhance the disclosure requirements for defined benefit plans, providing better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Financial Statements are disclosed below. The Group intend to adopt these standards, if applicable, when they become effective.

- IFRS 9 "Financial Instruments" addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics for the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

- Amendments to IAS 32 "Financial Instruments: Presentation" add application guidance to address inconsistencies identified in applying some of the criteria when offsetting financial assets and financial liabilities. This includes clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

- Amendments to IAS 36 "Impairment of Assets" require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. The amendments also incorporate the requirement for an entity to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique.

- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" introduce a narrow-scope exception to the requirement for the discontinuation of hedge accounting. The amendments allow hedge accounting to continue in a situation where a derivative that has been designated as a hedging instrument is novated from one counterparty to a central counterparty, as a consequence of new laws or regulations if specific conditions are met. This relief has been introduced in response to legislative change across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives.

- Amendments to IAS 19 "Employee Benefits: Defined Benefit Plans: Employee Contributions: clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, the amendments permit a practical expedient if the amount of the contributions is independent of the number of years of service.

- "Annual Improvements 2010 – 2012 Cycle" sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

  - IFRS 2 "Share-based Payment": amendment to the definition of a vesting condition.

  - IFRS 3 "Business Combinations": amendments to the accounting for contingent consideration in a business combination.

  - IFRS 8 "Operating Segments": amendments to the aggregation of operating segments and the reconciliation of the total of the reportable segments' assets to the entity's assets.

  - IFRS 13 "Fair Value Measurement": amendments to short-term receivables and payables.

  - IAS 16 "Property, Plant and Equipment": amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

  - IAS 24 "Related Party Disclosures": amendments regarding key management personnel.

  - IAS 38 "Intangible Assets": amendments to the revaluation method in relation to the proportionate restatement of accumulated depreciation.

- Annual Improvements 2011 – 2013 Cycle" sets out amendments to various IFRSs and provides a vehicle for making non-urgent but necessary amendments to IFRSs:

  - IFRS 1 "First-time Adoption of International Financial Reporting Standards": amendment to the meaning of 'effective IFRSs'.

  - IFRS 3 "Business Combinations": amendments to the scope exceptions for joint ventures.

  - IFRS 13 "Fair Value Measurement": amendments to the scope of paragraph 52 (portfolio exception).

  - IAS 40 "Investment Property": amendments clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

Where the impact on the Group's Financial Statements of the future standards, amendments and interpretations is still under review, the Group does not currently expect any of these changes to have a material impact on the results or the net assets of the Group.

Basis of Consolidation
The consolidated Financial Statements comprise the financial statements of the Group as at 31 December 2013. Subsidiaries are all entities over which the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These subsidiaries are adjusted, where appropriate, to conform to Group accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows are eliminated on consolidation.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and continue to be consolidated until the date when such control ceases.

Share Capital
Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Financial Instruments – initial recognition and subsequent measurement

Financial Assets
The Group determines the classification of its financial assets at initial recognition. All financial assets are initially recognised at fair value.

Financial assets comprise loans and receivables and cash and cash equivalents. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less provision for impairment in the case of receivables. A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred its rights to receive cash flows from the asset.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one of more events that occurred since the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated cash flows of the financial asset that can be reliably estimated. The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future expected credit losses.

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and at hand and short-term deposits with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial Liabilities
The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of interest-bearing loans and borrowings, net of directly attributable transaction costs.

Financial liabilities include trade and other payables, loans and borrowings. After initial recognition, trade and other payables and interest-bearing loans are subsequently measured at amortised cost using the EIR method. The EIR amortisation is included as finance costs in profit or loss. A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

When equity instruments of the Group issued to a creditor to extinguish all or part of a financial liability are initially recognised, the Group measures them at the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured then the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability extinguished, and the fair value of the equity instruments issued, is recognised in profit or loss.

Non-Current Assets

Intangible Assets - Exploration and Evaluation Expenditure
Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Research expenditure is written off in the year in which it is incurred. The Group recognises expenditure as exploration and evaluation assets when it determines that those assets will be successful in finding specific mineral resources. When a decision is taken that a mining property becomes viable for commercial production, all further pre-production expenditure is capitalised. Expenditure included in the initial measurement of exploration and evaluation assets and which is classified as intangible assets, relates to the acquisition of rights to undertake topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and other activities to evaluate the technical feasibility and commercial viability of extracting a mineral resource.

Mines under construction
Expenditure is transferred from “Exploration and evaluation” assets to mining rights within “Mines under construction” once the work completed to date supports the future development of the property and such development receives the requisite approvals. All subsequent expenditure on technically and commercially feasible sites is capitalised within mining rights.

All expenditure on the construction, installation or completion of infrastructure facilities is capitalised as construction in progress within “Mines under construction”. Once production starts, all assets included in “Mines under construction” will be transferred into “Producing mines”. It is at this point that depreciation/amortisation commences over its useful economic life.

Mines under construction are stated at cost. The initial cost comprises transferred exploration and evaluation assets, construction costs, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets, borrowing costs. Costs are capitalised and categorised between mining rights and construction in progress respectively according to whether they are intangible or tangible in nature.

Impairment of non-financial assets
Exploration and evaluation assets and mines under construction are assessed for impairment annually or where there is an indication that an asset or cash generating unit (“CGU”) may be impaired. If an indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s or CGU’s recoverable amount. The recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. The Group bases its impairment calculation on detailed budgets and forecasts based on the life-of-mine plans.

The assessment is carried out by allocating exploration and evaluation and mines under construction assets to CGUs which are based on specific projects and geographical areas. Where exploration for and evaluation of mineral resources in CGUs does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities at the unit, the associated expenditure will be written off to profit or loss.

Property, Plant and Equipment
Items of property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses.

Depreciation
Depreciation on property, plant and equipment is provided to write off the cost of an asset, less its estimated residual value, evenly over the expected useful economic life of that asset as follows:

Plant and Machinery	–	33.3% straight line
Motor Vehicles	–	33.3% straight line
Office Furniture and Equipment	–	33.3% straight line

Depreciation on assets used in exploration and evaluation activities is capitalised within non-current assets.

Impairment
At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (ie. CGUs). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In calculating 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 CGU.

Borrowing costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use (a qualifying asset) are capitalised as part of the cost of the respective asset until the asset is substantially ready for its intended use. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred under the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating borrowing costs over the relevant period. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories
Inventories, comprising materials, spares, explosives, diesel fuel and supplies, are valued at cost, after making due allowance for obsolete and slow moving items. Cost is determined using the first-in, first-out (FIFO) method.

Foreign Currencies
Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group Financial Statements are presented in US dollars, which is the Group's functional and presentation currency.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. Exchange differences are dealt with through profit or loss.

Current Income Tax and Deferred Taxation
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit or loss. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The Group has losses to be carried forward on which no deferred tax asset is recognised.

Operating Lease Agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit or loss on a straight line basis over the period of the lease.

Share Based Payments
The Group operates a share option scheme to encourage participation by Directors and employees in the Group's performance and also issues warrants to third party service providers and investors. The fair value of the services received in exchange for the grant of options and warrants is recognised as an expense over the vesting period. Where the fair value of the services received cannot be determined, the total amount to be expensed is determined by reference to the fair value of any option and warrant granted, excluding non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Statement of Financial Position date, the Group revises its estimate of options that are expected to vest.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options and warrants are exercised.

Rehabilitation and Environmental Provision
The Group recognises a rehabilitation and environmental provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The nature of these restoration activities includes dismantling and removing structures; rehabilitating the mine and tailings dam; dismantling operating facilities; and restoring, reclaiming and revegetating affected areas.

On initial recognition, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining asset to the extent that it was incurred as a result of the development or construction of the mine. Any changes to or additional rehabilitation costs are recognised as additions or charges to the corresponding asset and rehabilitation liability when they occur.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The annual unwinding of the discount is recognised in profit or loss as part of finance costs.

The Group does not recognise the deferred tax asset in respect of the temporary difference on the rehabilitation liability nor the corresponding deferred tax liability in respect of the temporary difference on the rehabilitation asset.

Exceptional Items – Listing and Capital Reorganisation Expenses
Items that are material either because of their scope or their nature, or that are non-recurring, are considered as exceptional items and are presented separately in the Consolidated Statement of Comprehensive Income. The legal and professional costs incurred in connection with the proposed listing on the main board of The Stock Exchange of Hong Kong Limited, together with the associated capital reorganisation, are considered exceptional.

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and the Business Review in the Report of the Directors. The accounting policies include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposure to liquidity risk.

In 2012, CNMIM provided a secured loan facility on commercial terms to the Company for US$10 million and RMB530 million (approximately US$83.5 million) that is being utilised to finance the development of the Pakrut Gold Project. US$41.7 million of that secured loan facility has been utilised to date.

On 19 June 2014, the Group obtained a bank term loan facility of US$120,000,000 from Industrial and Commercial Bank of China (Macau) Limited, secured by standby letters of credit. The loans advanced under the facility cannot exceed 95% of the value of the standby letters of credit. A standby letter of credit was issued on 24 June 2014 for US$84,500,000 by Industrial and Commercial Bank of China (Beijing) Limited. The loan draw down availability period runs from 9 July 2014 until 19 June 2015 and the Group will draw down the remaining facility when required, subject to the provision of the requisite letter of credit. Interest is charged at 2.9% above the 3 month LIBOR rate. The loan is conditional upon usual commercial terms including the completion of associated security documentation and is separately guaranteed by China Nonferrous Metals Mining (Group) Co. Limited. The principal loan repayments commence on 30 January 2016.

As at the date of approval of these Financial Statements, and based upon the budgeted levels of expenditure and Board approved cash flow forecasts, the Directors are satisfied that the Group has sufficient cash and loan facilities to finance the Group's operating expenses, the development and construction of the Pakrut Gold Project and ongoing exploration and evaluation costs.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing these Financial Statements. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements.

Segment Reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the executive board of Directors.

Capital Risk Management
The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to enable the Group to continue its exploration, evaluation and mine construction. Except for the secured loan facility from CNMIM, the Group's current policy for raising capital is through equity issues and debt financing. The Group is not currently required to monitor its gearing ratio and is not exposed to any externally imposed capital requirements.

Financial Risk Management
The Group's operations expose it to a number of financial risks; principally the availability of adequate funding, movements in interest rates and fluctuations in foreign currency exchange rates. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

Interest Rate Risk
The continued operation of the Group is dependent on the ability to raise sufficient working capital. The Group currently finances itself through the issue of equity share capital and the secured loan facility from CNMIM. Management monitors its cash and future funding requirements through the use of cash flow forecasts. All cash not immediately required for working capital purposes is held on short term deposit. The Group's only exposure to interest rate fluctuations is restricted to the rate earned on these short term deposits. At the year end the Group had cash reserves of US$7,376,000, held in a sterling deposit account. A 0.25% change to the interest rate would give rise to a US$18,440 increase or decrease in interest on this deposit, on an annual basis.

The Group's current policy is to manage its interest rate risk by only utilising fixed rate debt. The annual fixed interest rate for the CNMIM loan is 9% for all US$ and RMB denominated tranches. All payments of principal and interest in respect of the RMB denominated tranche are repayable at a fixed RMB : US$ exchange rate.

Foreign Currency Risk
The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures primarily with respect to the US dollar, UK sterling, PRC renminbi and Tajik somoni. Foreign exchange risk arises from future transactions and net investments in foreign operations. The Group manages this risk by matching receipts and payments and monitoring movements in exchange rates. The Group does not currently hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise. At the year end the Company had significant exposure to foreign exchange risk relating to its sterling bank deposit. If sterling had strengthened/weakened 1% against the US dollar, the effect on the Group's profit or loss would have increased or decreased by approximately US$74,000.

Liquidity Risk
The continued operation of the Group is dependent on the ability to raise sufficient working capital. As noted above, the Group currently finances itself through the issue of equity and borrowings from CNMIM. Management monitors its cash and future funding requirements through the use of cash flow forecasts. The Group enters into capital commitments for exploration and construction expenditure, and any surplus cash not immediately required for working capital purposes is held on short term deposit.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

	Less than 1 Year US$000	*Between 1 and 2 Years US$000*	*Between 2 and 5 Years US$000*	*Over 5 Years US$000*	*Total US$000*	*Carrying amount US$000*
Year ended 31 December 2013						
Interest-bearing borrowings	14,020	3,551	–	–	17,571	17,571
Trade and other payables	12,068	–	–	–	12,068	12,068
Provisions for other liabilities	–	–	–	2,481	2,481	544
	26,088	3,551	–	2,481	32,120	30,183
Year ended 31 December 2012						
Interest-bearing borrowings	–	6,091	–	–	6,091	6,091
Trade and other payables	15,042	–	–	–	15,042	15,042
	15,042	6,091	–	–	21,133	21,133

The Group holds bank accounts with banks in the UK, PRC and Tajikistan with the following credit ratings:

Credit rating	*2013 US$000*	*2012 US$000*
A	1,702	1,715
AA-	6,704	24,244
No independent credit rating available	142	109
	8,548	26,068

Critical Accounting Estimates, Assumptions and Judgements
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are set out below. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

The Group has identified the following areas where significant estimates, assumptions and judgements are required. The most significant judgement for the Group is the assumption that exploration at its sites will ultimately lead to a commercial mining operation. Failure to do so could lead to the write-off of the intangible assets relating to the particular site.

Estimated impairment of intangibles and mines under construction (notes 10 and 11)
The Group tests annually whether exploration, evaluation and licensing assets and mines under construction have suffered any impairment. The recoverable amounts of the cash generating units ("CGUs") have been determined based on value in use calculations which require the use of estimates and assumptions such as long-term commodity prices, discount rates, operating costs, future capital requirements and mineral resource estimates (see below). These estimates and assumptions are subject to risk and uncertainty and therefore there is a possibility that changes in circumstances will impact the recoverable amount. Management has assessed its CGUs as being individual exploration and mine sites, which is the lowest level for which cash inflows are independent of those of other assets or CGUs.

In assessing the carrying amounts of its exploration, evaluation and licensing assets and mines under construction at Pakrut, the Directors have used an independently prepared and Director approved bankable feasibility study. The assessment period used in the report is the anticipated life of the mine of 19 years, which consists of 1.5 years of construction, 1 year to prepare for full production, and 18 years of full production. Gold revenues have been estimated over that period at a price of US$1,500 per ounce in year 1, US$1,400 per ounce in year 2, US$1,300 per ounce in year 3 and US$1,250 per ounce from year 4 onwards. These estimates are based on, and are consistent with, external sources of information. The calculation assumes a mining capacity of 2,000 tonnes of ore daily increasing to 4,000 tonnes per day after 3 years. The total cost per ounce including depreciation and amortisation is US$576, after taking into account external information available and adjusted according to prevailing market prices and forecasts over the period of production. Royalties have been calculated at 6% of sales revenues and corporate income tax at 15%, according to the relevant laws in Tajikistan. A discount rate of 10% has been utilised. Based on the calculations, the value in use of the Pakrut project is approximately US$264,000,000.

The calculations have been tested for sensitivity to changes in the key assumptions. The most sensitive inputs in the calculation of the value in use are operating costs and the gold price. A 30% change in the gold price used in the study would not result in reducing the value in use of the project to less than its carrying value of US$51,042,000. The headroom in the cash flow projections would be removed at a gold price of US$781 per ounce and at a discount rate of 21%.

Certain of the Group's other exploration and evaluation projects are at an early stage of development and no JORC compliant resource estimates are available to enable value in use calculations to be prepared. The Directors therefore undertook an assessment of the following areas and circumstances which could indicate the existence of impairment:

- The Group's right to explore in an area has expired, or will expire in the near future without renewal.

- No further exploration or evaluation is planned or budgeted for.

- A decision has been taken by the Board to discontinue exploration and evaluation in an area due to the absence of a commercial level of reserves.

- Sufficient data exists to indicate that the book value will not be fully recovered from future development and production.

Following their assessment the Directors concluded that the exploration and evaluation assets were not impaired as at 31 December 2013.

Mineral resource and reserve estimates
Reserves are estimates of the amount of resources that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. This analysis requires complex geological judgements to interpret the data. The estimation of the recoverable amount is based upon factors such as estimates of commodity prices, future capital requirements, production costs along with geological assumptions made in estimating the size and grade of the resources.

The Group estimates and reports mineral resource estimates in line with the principles contained in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2004), which is prepared by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, known as the "JORC Code". The determination of a JORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred).

As additional geological information is produced during the operation of a mine and through additional exploration activity, mineral resource estimates may change. Such changes may impact on the Group's reported financial position which includes the carrying value of exploration and evaluation assets, mines under construction and property, plant and equipment.

Mine rehabilitation provision (note 19)
Rehabilitation costs will be incurred by the Group at the end of the operating life of the Pakrut mine and some of the facilities. The Group assesses its rehabilitation provision at each reporting date. The ultimate rehabilitation costs are uncertain and cost estimates can vary in response to various factors, including estimates of the extent and costs of rehabilitation activities, regulatory changes, inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided and there could be significant adjustments to the provisions established which would affect future financial results. The provision as at 31 December 2013 represents management's best estimate of the present value of future rehabilitation costs required.

Production start date
The Group assesses the stage of the Pakrut mine under construction to determine when it moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of the mine construction project, the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under construction' to 'Property, plant and equipment'. Some of the criteria used to identify the production start date include:

- Level of capital expenditure incurred compared to the original construction cost estimate;
- Completion of testing of the mine plant and processing equipment;
- Ability to produce metal in a saleable form.

When the mine development and construction project moves into the production phase, the capitalisation of certain costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation. It is also at this point that depreciation commences.

Contingencies (note 27)
By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgement and the use of estimates regarding the outcome of future events.

Functional currency
The functional currency for the parent entity and each of its subsidiaries is the currency of the primary economic environment in which the entity operates. The parent company has determined the functional currency of each entity is the US dollar. Determination of functional currency may involve certain judgements to determine the primary economic environment and the parent company reconsiders the functional currency of its entities if there is a change in events and conditions regarding the primary economic environment.

Valuation of share options and warrants (note 22)
The Group has awarded options and warrants to certain employees and third parties. The valuation of these is based on a number of estimates including the share price volatility, expected life of the options and forfeiture rates. The charge in the year amounted to US$775,813 (2012: US$143,534), which has been included in profit or loss.

1. Revenue

No revenue was generated in the year.

2. (Loss)/Gain on Foreign Exchange

The (loss)/gain on foreign exchange in both years arises as a result of translating the Group's bank balances at the year end.

3. Segment Information

The following segments are based on the management reports received by the Executive Directors, who are the chief operating decision makers. The Group operates principally in two geographical areas, UK and Tajikistan, with operations managed on a project by project basis within Tajikistan. For segment reporting purposes, the operations of the Cayman Islands registered parent company are included in the UK segment.

The Group's exploration and evaluation activities are located in Tajikistan, principally with two different projects, Pakrut and Hukas. The Hukas project was fully impaired during 2012. Support and administration services are provided from the UK and PRC. Inter-segment revenue is eliminated on consolidation and is conducted on mutually agreed terms between Group companies.

		Tajikistan		
	UK	*Pakrut*	*Hukas*	*Total*
2013	*US$000*	*US$000*	*US$000*	*US$000*
Operating loss	(4,941)	(1,409)	(9)	(6,359)
Finance income	10	–	–	10
Finance cost	–	(44)	–	(44)
Loss for the year	(4,931)	(1,453)	(9)	(6,393)
Intersegment revenue	2,823	–	–	2,823
Total assets	32,097	56,098	–	88,195
Total liabilities	27,032	4,855	–	31,887
Depreciation	15	1,109	–	1,124
Additions to property, plant and equipment	14	2,800	–	2,814
Additions to exploration and evaluation assets	–	6,372	–	6,372
Additions to mines under construction	–	13,884	–	13,884

3. Segment Information (continued)

	UK *US$000*	*Tajikistan Pakrut* *US$000*	*Hukas* *US$000*	*Total* *US$000*
2012 (Restated)				
Operating loss	(2,121)	(1,036)	(505)	(3,662)
Finance income	44	–	–	44
Loss for the year	(2,077)	(1,036)	(505)	(3,618)
Intersegment revenue	1,823	–	–	1,823
Total Assets	36,301	44,735	3	81,039
Total Liabilities	8,476	10,717	5	19,198
Depreciation	11	946	–	957
Project impairment	–	–	(466)	(466)
Additions to property, plant and equipment	9	1,584	–	1,593
Additions to exploration and evaluation assets	–	1,332	–	1,332
Additions to mines under construction	–	24,191	–	24,191

4. Particulars of Employees

The average number of staff employed by the Group during the financial year amounted to:

	2013 *No.*	*2012* *No.*
Administrative and management	100	77
Exploration and evaluation	267	265
	367	342

The aggregate costs of the above were:

	2013 *US$000*	*2012* *US$000*
Wages and salaries	3,234	2,643
Social security costs	131	77
Share based payments	776	144
	4,141	2,864

Staff costs include US$2.113 million of costs capitalized and included under additions to intangible assets and mines under construction.

5. Directors' Emoluments

The Directors' emoluments in respect of qualifying services were:

During the year, no Directors (2012 – none) exercised share options.

2013	*Salary and fees* *US$*	*Bonus and holiday pay* *US$*	*Other benefits* *US$*	*Termination fees* *US$*	*Total* *US$*
Mr Abuali Ismatov	206,576	15,185	5,273	–	227,034
Mr Tao Luo	37,568	5,936	–	–	43,504
Mr Weili Tang	28,176	6,678	–	–	34,854
Mr Li Li	156,533	16,488	–	–	173,021
Mr Pizhao Che (appointed 25 September 2013)	7,835	742	–	–	8,577
Mr Craig William Brown (resigned 30 September 2013)	184,120	23,149	4,322	235,335	446,926
	620,808	68,178	9,595	235,335	933,916

2012	*Salary and fees* *US$*	*Bonus and holiday pay* *US$*	*Other benefits* *US$*	*Termination fees* *US$*	*Total* *US$*
Mr Craig William Brown	221,967	84,235	5,225	–	311,427
Mr Abuali Ismatov	169,373	52,379	–	–	221,752
Mr Tao Luo	37,937	3,824	–	–	41,761
Mr Weili Tang	59,774	6,023	–	–	65,797
Mr Li Li	102,266	11,648	–	–	113,914
	591,317	158,109	5,225	–	754,651

6. Expenses by Nature

	2013 *US$000*	*2012* *US$000* *Restated*
Employee benefit expenses	1,076	863
Operating lease expenses	134	78
Depreciation	1,124	957
Less transfer to exploration costs in intangible assets	(1,100)	(932)
Legal, professional and regulatory costs	528	215
Travel and entertaining	482	346
Consulting fees	21	891
Public relations	147	89
Other expenses	1,240	899
	3,652	3,406

	2013 *US$000*	*2012* *US$000*
Fees payable to the Company's auditor for the audit of the consolidated financial statements	82	80
Fees payable to the Company's auditor for other services:		
– Tax advisory services	40	41
– Tax compliance services	4	5
	126	126

7. Income Tax

(a) Analysis of Charge in the Year

Group

	2013	*2012*
Current tax:	*US$000*	*US$000*
Current tax on loss for the year	–	–
Overseas tax	–	–
Total current tax	–	–

No provision for income taxes arising in the Cayman Islands, the UK, British Virgin Islands and Tajikistan was made as the companies comprising the Group did not have assessable income during 2012 and 2013.

(b) Factors Affecting Current Tax Charge

The tax assessed on the loss for the year is higher than the weighted average standard rate of corporation tax of 21.4% (2012 – 20.5%).

	2013	*2012*
	US$000	*US$000*
		Restated
Loss on ordinary activities before taxation	(6,393)	(3,618)
Loss on UK ordinary activities by rate of tax at 23.25% (2012 – 24.5%)	(1,147)	(509)
Loss on Tajikistan ordinary activities by rate of tax at 15% (2012 – 15%)	(219)	(231)
Expenses not deductible for tax purposes	182	41
Tax losses for which no deferred income tax asset was recognised	1,184	699
Total tax – (note 7(a))	–	–

The standard rate of Corporation Tax in the UK changed from 24% to 23% on 1 April 2013.

The Group did not recognise deferred income tax assets of approximately US$1,002,000 (2012 – US$821,000). These were in respect of unused UK tax losses amounting to approximately US$2,233,000 (2012 – US$2,061,000) and unused Tajikistan tax losses amounting to approximately US$3,220,000 (2012 – US$2,107,000). The UK tax losses can be carried forward indefinitely and used against future taxable income at 21%. The Tajikistan tax losses can be carried forward for two years from the year incurred and used against future taxable income at 15%.

8. Finance Income and Costs

	2013 *US$000*	*2012* *US$000*
Finance Income		
Interest income on short term bank deposits	10	44
Finance Costs		
Interest expense on shareholder's loan wholly repayable within five years	834	145
Less: Borrowing costs capitalised in qualifying assets	(834)	(145)
Provisions: Unwinding of discount	44	–
Finance costs	44	–

9. Earnings per Share

	2013 *US$*	*2012* *US$* *Restated*
Basic and diluted earnings per share	(0.0168)	(0.0116)

The basic loss per share is calculated by dividing the loss attributable to equity holders after tax of US$6,393,000 (2012 – loss US$3,618,000) by the weighted average number of shares in issue and carrying the right to receive dividend. For the year ended 31 December 2013 this was 381,254,373 (2012 – 311,874,780) shares.

As the Group has incurred a loss for the year, no option or warrant is potentially dilutive, and hence the basic and diluted loss per share are the same. At the year end there were 8,825,000 (2012 – 7,600,000) share options and no (2012 – 300,000) warrants outstanding that are potentially dilutive in future.

Details of share issues since the year end, which may result in the dilution of earnings per share in the future, are disclosed in note 29 of the Financial Statements.

10. Intangible Assets

	Exploration and evaluation assets US$000
Cost	
At 1 January 2012 (Restated)	18,325
Additions	1,332
Transfer to mines under construction (note 11)	(16,088)
At 31 December 2012 (Restated)	3,569
Additions	6,372
At 31 December 2013	9,941
Impairment	
At 1 January 2012	–
Impairment	(466)
At 31 December 2012	(466)
Impairment	–
At 31 December 2013	(466)
Net Book Value	
At 31 December 2013	9,475
At 31 December 2012 (Restated)	3,103

The exploration and evaluation assets represent internally generated costs in connection with the Group's exploration and evaluation activities. Expenditure is transferred from exploration and evaluation assets to mines under construction once the work completed to date supports the future development of the property and such development receives appropriate approvals. On securing the mining licence and the Shareholder Loan Agreement with CNMIM in 2012 to finance the design and construction of the Pakrut Gold Project, all exploration and evaluation costs incurred to date were transferred into mines under construction. The costs capitalised as exploration and evaluation assets during 2012 and 2013 relate to the Eastern Pakrut, Rufigar and Sulfidnoye gold and mineral deposit areas, which are within the overall Pakrut licence area.

The rights of LLC Pakrut to carry out exploration and evaluation activity at the Pakrut deposit expired on 1 April 2014. The Exploration Licence area includes the Pakrut, Eastern Pakrut, Rufigor and Sulfidnoye gold and mineral deposits. The renewal application by the Group to extend the Exploration Licence is being considered by the Government of Tajikistan. The Directors are not aware of any legal or other impediments which would prevent approval of the licence extension and we expect the renewal will be granted in due course. Exploration and evaluation activities can continue at the Pakrut Deposit in the area covered by the Mining Licence.

11. Mines under Construction

	Mining rights US$000	*Construction in progress US$000*	*Total US$000*
Cost			
At 1 January 2012	–	–	–
Transferred from exploration and evaluation assets (note 10)	16,088	–	16,088
Additions	21,924	2,267	24,191
At 31 December 2012 (Restated)	38,012	2,267	40,279
Additions	–	13,884	13,884
Adjustment to subsoil contract signature bonus (note 18)	(3,121)	–	(3,121)
At 31 December 2013	34,891	16,151	51,042
At 31 December 2012 (Restated)	38,012	2,267	40,279

Mining rights comprise exploration and evaluation assets up to the date the Pakrut Gold Project was determined to be technically feasible and commercially viable. All subsequent exploration and evaluation expenditure at this site is capitalised within mining rights. Additions include the subsoil contract signature bonus and a share based payment for securing the Pakrut Mining Licence.

Construction in progress comprises the mine, power lines and road construction work carried out at the Pakrut gold project by contractors and directly by the Group. It also includes the borrowing costs associated with the loan to finance the mine construction from China Nonferrous Metals Intl Mining Co. Limited ("CNMIM"), together with associated legal, professional and consultancy costs.

As at 31 December 2013, construction and associated costs amounting to US$3.195 million in relation to the warehouse for explosive materials, cyanidation site, tailings dam and high voltage power line towers are located on land where the relevant land use right certificates have been applied for but not yet obtained.

Mines under construction are not depreciated until construction is completed and the assets are available for their intended use, signified by the formal commissioning of the mine for production.

12. Property, Plant and Equipment

Group	*Land* *US$000*	*Office furniture and equipment* *US$000*	*Motor vehicles* *US$000*	*Plant and machinery* *US$000*	*Total* *US$000*
Cost					
At 1 January 2012	30	189	326	2,588	3,133
Additions	2	30	99	1,462	1,593
At 31 December 2012	32	219	425	4,050	4,726
Additions	–	65	462	2,287	2,814
At 31 December 2013	32	284	887	6,337	7,540
Accumulated Depreciation					
At 1 January 2012	–	144	238	1,416	1,798
Charge for the year	–	16	61	880	957
At 31 December 2012	–	160	299	2,296	2,755
Charge for the year	–	39	142	943	1,124
At 31 December 2013	–	199	441	3,239	3,879
Net Book Value					
At 31 December 2013	32	85	446	3,098	3,661
At 31 December 2012	32	59	126	1,754	1,971

Depreciation of US$1,100,303 (2012 – US$932,607) has been capitalised as part of exploration and evaluation assets. The net book value of tangible assets used in exploration and evaluation was US$1,459,668 (2012 – US$1,950,497). The net book value of tangible fixed assets used in mines under construction was US$2,182,069 (2012 – US$Nil).

Plant and machinery additions during 2013 includes US$2,182,069 acquired under the termination agreements with 15MCC and Shanxi.

13. Principal Subsidiary Undertakings

The Group had the following principal subsidiaries at 31 December 2013.

Name of Company	*Holding*	*Country of Incorporation*	*Proportion of Voting Rights held*	*Nature of Business*
<u>Directly held</u>				
Kryso Resources BVI Limited	Ordinary Shares	British Virgin Islands	100%	Holding Company
Kryso Resources Limited	Ordinary Shares	UK	100%	Holding Company
<u>Indirectly held</u>				
Limited Liability Company Pakrut	Ordinary Shares	Tajikistan	100%	Mineral Exploitation
International Mining Supplies and Services Limited	Ordinary Shares	UK	100%	Service Company
Limited Liability Company Asia Oil and Gas	Ordinary Shares	Tajikistan	100%	Mineral Exploitation

Limited Liability Company Kuhi Zarrin and Limited Liability Company Gumas were liquidated on 28 August 2013 and 29 August 2013 respectively.

14. Financial Instruments by category

31 December 2013	*Loans and Receivables US$000*
Assets per Statement of Financial Position	
Other receivables, excluding prepayments	8,003
Cash and cash equivalents	8,602
Total	16,605

31 December 2013	*Liabilities at amortised cost US$000*
Liabilities per Statement of Financial Position	
Borrowings	15,128
Provisions for other liabilities and charges	544
Trade and other payables, excluding non-financial liabilities	12,946
Total	28,618

31 December 2012	*Loans and Receivables US$000*
Assets per Statement of Financial Position	
Other receivables, excluding prepayments	6,132
Cash and cash equivalents	26,085
Total (Restated)	32,217

31 December 2012	*Liabilities at amortised cost US$000*
Liabilities per Statement of Financial Position	
Borrowings	2,994
Trade and other payables, excluding non-financial liabilities	15,042
Total (Restated)	18,036

15. Inventories

	2013 *US$000*	*2012* *US$000*
Consumables	3,425	2,172
Construction materials	3,185	–
	6,610	2,172

Inventories categorised as consumables are acquired for use in exploration and evaluation activities at which time they are charged to intangible assets within exploration and evaluation assets or mining rights within Mines under construction. Inventories categorised as construction materials are acquired for use in mine construction at which time they are charged to construction in progress within Mines under construction. Construction materials comprise materials acquired under the termination agreements with 15MCC and Shanxi of US$1,309,362 and US$1,875,299 respectively.

16. Other Receivables

	Group *2013* *US$000*	*Group* *2012* *US$000*
Other receivables	156	41
Prepayments and deposits	8,649	7,388
Total	8,805	7,429

None of the receivables are past due. The fair values equal the carrying amounts.

On 24 August 2012 the Group awarded China No.15 Metallurgical Construction Group Co. Limited ("15 MCC") a RMB256 million (equivalent to US$40 million) contract for construction of the underground mine. Works to be undertaken under the agreement comprised construction of the main ramp, mining area ramp, east air shaft, west air shaft and sublevel development works, chambers, ore pass, mining and cutting works, installation of equipment for the mine, construction of a flood discharge tunnel for the tailings dam and ancillary works.

Under the terms of an agency agreement entered into on 24 May 2012 between the Company and CNMIM, CNMIM was appointed as the Company's agent for the purpose of entering into certain agreements in connection with the development of the Pakrut Gold Project. Accordingly, CNMIM has entered into an agreement as agent for the Company and LLC Pakrut appointing 15 MCC to carry out the construction work. 15 MCC is an associate of CNMIM.

Advance payments of RMB 38,371,729 (equivalent to US$6,091,000) in 2012 and RMB 8,018,664 (equivalent to US$1,272,804) in 2013 were paid to 15 MCC. The advance payments are recoverable against interim payment certificates in equal instalments over ten months from the fifth month after commencement of the works. Construction commenced in September 2012 and the value of construction services completed by 31 December 2013 was RMB 42,115,128 (equivalent to US$6,684,941), which is offset against the advance payments as at 31 December 2013.

16. Other Receivables (continued)

As 15MCC did not obtain the relevant licences for carrying out construction services in Tajikistan, the construction contract was terminated. The Group purchased the equipment and inventories of 15MCC at the termination date for $2,111,529 and $1,309,362 respectively.

On 7 August 2013, the Group awarded Shanxi No. 3 Electric Power Construction Company ("Shanxi") a RMB150 million (equivalent to US$24 million) contract for construction of the external power supply to the Pakrut Gold Project. Works to be undertaken under the contract comprise the Khamza 100kV Substation Retrofit and construction of the Pakrut 100kV General Step-Down Substation, including civil works, pavement, enclosures, etc. as well as substation equipment procurement, export shipping, onsite installation and commissioning, and load commissioning. The scope of work also includes the erection of a 100V power supply line from Khamza Substation to the Pakrut Main Step-down Substation, with a total length of approximately 73km.

Advance payments of RMB 52,655,400 (equivalent to US$8,358,000) were paid to Shanxi. The advance payments are recoverable against interim payment certificates in equal instalments over five months from the fourth month after commencement of the works. The value of work completed by 31 December 2013 was RMB 15,217,432 (equivalent to US$2,415,465), which is offset against the advance payments as at 31 December 2013.

As Shanxi did not obtain the relevant licences for carrying out construction services in Tajikistan, both parties agreed during 2013 that the construction contract be terminated and replaced with a consultancy service agreement whereby Shanxi will provide consultancy services to the Group to direct and supervise LLC Pakrut to construct the external power supply and associated works. The terms of the agreement were formalised on 24 June 2014. The Group purchased the equipment and inventories of Shanxi at the termination date for US$70,540 and UD$1,875,299 respectively, which are offset against the advance payments at that date. The advance payment after the offset amounts to US$4,765,833 at 31 December 2013.

17. Borrowings

	2013 *US$000*	*2012* *US$000* *Restated*
Borrowings	17,571	6,091
Less: unamortised borrowing costs	(2,443)	(3,097)
Total	15,128	2,994
Non-current portion	1,547	2,994
Current portion	13,581	–

In accordance with the terms of the Subscription Agreement and Warrant Instrument dated 27 July 2010 between Kryso Resources Limited (formerly Kryso Resources Plc) and CNMIM, a subsidiary company of significant shareholder China Nonferrous Metals Mining (Group) Co. Limited ("China Nonferrous"), CNMIM was required to use its best endeavours to secure mine funding for the construction and development of the Pakrut Gold Project.

17. Borrowings (continued)

The Shareholder Loan Agreement ("the Agreement") was signed between Kryso Resources Plc and CNMIM on 24 May 2012. The loan consists of two tranches; tranche 1 for RMB 530,000,000 (approximately US$83.5 million) ("the RMB tranche") and tranche 2 for US$10,000,000 ("the US$ tranche"). The Group must expend all the loan exclusively for the design, construction, operation and administration of the Pakrut Gold Project including operating costs, capital expenditure and general working capital. Under the terms of the Agreement, the US$ tranche is disbursed by the lender transferring the funds into a designated bank account of the Group. The RMB tranche is disbursed by the lender entering into contracts with third parties on behalf of the Company or LLC Pakrut as their agent and transferring amounts to the bank accounts of such parties.

The term of the loan commences from the date of the first advance until 31 May 2017. The annual fixed interest rate is 9% for each RMB and US$ tranche and a management fee at 0.5% on the total amount of the loan was paid within 30 days of the first advance. Default interest of 13.5% per annum is payable on overdue amounts on the RMB and US$ tranches. The Group shall repay all amounts of principal and interest in respect of the US$ tranche and the RMB tranche in US$ at the fixed exchange rate of US$1 to RMB6.30.

The repayment schedule for the RMB tranche is as follows:

- 30/11/14 – US$14,020,000
- 31/05/15 – US$14,020,000
- 30/11/15 – US$14,020,000
- 31/05/16 – US$14,020,000
- 30/11/16 – US$14,020,000
- 31/05/17 – US$14,030,000

The repayment schedule for the US$ tranche is as follows:

- 30/11/14 – US$1,666,700
- 31/05/15 – US$1,666,700
- 30/11/15 – US$1,666,700
- 31/05/16 – US$1,666,700
- 30/11/16 – US$1,666,700
- 31/05/17 – US$1,666,500

Where only part of the loan has been drawn down by the Group, the amount drawn down shall be repaid on the repayment dates in the amounts specified above until the amounts drawn down have been fully repaid.

During the year the Group received drawdowns under the RMB tranche of RMB72,021,820 (equivalent to US$11,432,035) (2012 – RMB38,371,729, equivalent to US$6,090,751). The Group paid loan interest of US$834,415 (2012 – US$144,655) and a management fee of US$Nil (2012 – US$470,650) during the year. The interest and management fee are directly attributable to the construction or production of a qualifying asset and have been capitalised within 'Mine Construction' costs.

17. Borrowings (continued)

The Group has pledged its 100% equity interest in LLC Pakrut to CNMIM as security for repayment of the loan.

18. Trade and other payables

	2013 *US$000*	*2012* *US$000* *Restated*
Trade payables	1,446	1,299
Accrued expenses and other liabilities	5,127	1,162
Subscription bonus tax	9,642	13,743
	16,215	16,204
Non-current portion – accrued expenses	1,124	–
Current portion	15,091	16,204

Trade and other payables include amounts due of US$14,490,000 (2012 – US$15,480,000) in relation to exploration and evaluation activities and mines under construction.

Following the award of a mining licence to LLC Pakrut by the Government of the Republic of Tajikistan in January 2012, the Group recognised a subscription bonus tax payable amounting to $US13.743 million. A subscription bonus tax is a one-off fixed payment levied on subsoil users following the conclusion of a subsoil use contract with the Government of the Republic of Tajikistan. This has been calculated in accordance with Government Resolution No.426 of the Government of the Republic of Tajikistan. The Group has during 2013 been in negotiations with the Main Geological Department regarding the subsoil use contract for the Pakrut Gold Project and in relation to the tax rate applied when calculating the 'subscription bonus', which was previously under review by a State Commission of the Republic of Tajikistan.

On 30 May 2014 the Group concluded the amount of the subscription bonus tax with the relevant authorities of the Government of the Republic of Tajikistan, comprising royalties of 6% on future revenues and a signing and commercial discovery bonus amounting to Tajik somoni 50.7 million (equivalent to US$10,622,000). The Group made a payment on account of US$980,000 during 2013 and the balance is payable in instalments by 30 September 2014.

Non-current liabilities comprise the retention of amounts due to certain contractors in accordance with the terms of the contracts at between 5% and 15% of the value of work performed.

19. Provisions for Other Liabilities and Charges

	Rehabilitation US$000	*Total US$000*
At 1 January 2012 and 2013	–	–
Arising during the year	500	500
Unwinding of discount	44	44
At 31 December 2013	544	544

Analysis of total provisions:

	2013 US$000	*2012 US$000*
Non-current	544	–
Current	–	–
Total	544	–

The Group makes full provision for the future cost of rehabilitating mine sites and associated production facilities on a discounted basis at the time of constructing the mine and installing those facilities.

The rehabilitation provision represents the present value of rehabilitation costs relating to the Pakrut mine site, which are expected to be incurred up to 2013, which is the expiration date of the mining licence. The provision has been created based upon the feasibility study. Assumptions based upon the current economic environment within Tajikistan have been made, which management believes are a reasonable basis upon which to estimate the future liability and will be reviewed regularly to take into account any material changes to the assumptions. The actual rehabilitation costs and works required will ultimately depend upon future market prices for the necessary rehabilitation works required, changes in future regulatory requirements and the timing on when the mine ceases to operate commercially.

The discount rate used in the calculation of the provision as at 31 December 2013 is 9% per annum. The value of the undiscounted provision is US$2,481,000.

20. Treasury Policy and Financial Instruments

The Group operates informal treasury policies which include ongoing assessments of interest rate management and borrowing policy. The Board approves all decisions on treasury policy.

Facilities are arranged, based on criteria determined by the Board, as required to finance the long term requirements of the Group. The Group has financed its activities by the raising of funds through the placing of shares and through the issue and subsequent exercise of options and warrants.

At 31 December 2013 there were no monetary assets denominated in currencies other than the functional currencies of the Group's operations.

There are no material differences between the book value and fair value of the financial assets at the year end.

21. Share Capital

	2013 No. of ordinary shares	*2013* Share Capital US$000	*2012* No. of ordinary shares	*2012* Share Capital US$000
At 1 January (Ordinary shares of £0.01) each	380,942,291	6,270	278,254,286	4,640
Issued during the year	350,000	6	102,688,075	1,630
Issue of A Ordinary share	1	–	–	–
Cancellation and extinguishment of shares under scheme of arrangement	(381,292,291)	(6,276)	–	–
Issue of new shares under scheme of arrangement	381,292,291	38	–	–
At 31 December (Ordinary shares of US$0.0001 each)	381,292,292	38	380,942,291	6,270

Scheme of Arrangement

On 30 July 2013, one A Ordinary Share of Kryso Resources Limited (formerly Kryso Resources Plc) of £0.01 was issued fully paid to China Nonferrous Gold Limited, pursuant to the group reorganisation. The A Ordinary share does not carry any voting rights and was not admitted to trading on AIM.

In order to effect the group reorganisation by means of a scheme of arrangement (“the Scheme”), the holders of the existing Ordinary shares of Kryso Resources Limited had their shares cancelled in consideration for which they received ordinary shares in China Nonferrous Gold Limited on a one-for-one basis. The ordinary shares of Kryso Resources Limited were de-listed and the issued shares of China Nonferrous Gold Limited admitted to trading on AIM.

Under the scheme of arrangement dated 30 July 2013, 381,292,291 existing Ordinary shares of Kryso Resources Limited of £0.01 each were cancelled by way of a Reduction in Capital. The reserve created by the Reduction was applied to paying up in full 381,292,291 new Ordinary shares of £0.01 each to China Nonferrous Gold Limited.

China Nonferrous Gold Limited issued (credited as fully paid) 381,292,291 new ordinary shares of US$0.0001 each to the former shareholders of Kryso Resources Limited on a one-for-one basis.

Under the scheme of arrangement, any unexercised share options and warrants in Kryso Resources Limited were replaced with equivalent share options and warrants in China Nonferrous Gold Limited. The replacement share options and warrants are treated as having been granted at the same time as the old share options and warrants they replaced and vest or become exercisable on the same terms.

22. Share Based Payments
Share Option Scheme

Options can be granted to any employee of the Group in accordance with the rules of The Kryso Resources PLC Unapproved Share Option Scheme. The option price is not to be less than the initial Placing Price or the price on the day of issue. The options cannot be exercised for a period of at least one year from the date of grant. In the event of any employee to whom options have been granted ceasing to be an employee of the Group he or she will have a set period in which to exercise those options (depending on the reasons for leaving), failing which, the options will lapse.

Details of share options granted by the Company were as follows:

	2013		*2012*	
Share Option Scheme	*No. of share options*	*Weighted average exercise price (pence)*	*No. of share options*	*Weighted average exercise price (pence)*
Outstanding at beginning of year	7,600,000	23.85	3,400,000	16.25
Granted during the year	1,525,000	30.00	4,200,000	30.00
Exercised during the year	(50,000)	16.00	–	–
Expired during the year	(250,000)	21.60	–	–
Outstanding at end of year	8,825,000	24.92	7,600,000	23.85
Exercisable at 31 December	7,300,000	23.86	3,400,000	16.25

Share options outstanding at the year- end have exercise prices ranging from 16.25 pence to 30 pence.

22. Share Based Payments (continued)

Share Option Scheme (continued)

The granting of share options has been accounted for as equity settled share based payment transactions. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. The expected volatility used in the model was determined using the historical volatility of the Company's share price. The assumptions used to value the options, which are outstanding at the year-end are set out below:

Option granted on	*18 April 2013*	*18 April 2013*	*26 September 2012*	*8 July 2011*
Shares under option	50,000	1,475,000	4,200,000	3,400,000
Exercise price (£)	0.30	0.30	0.30	0.1625
Exercise from (years)	1	1	1	1
Option life (years)	5	4	4	4
Risk free rate	1.50%	1.50%	1.50%	1.50%
Expected volatility	52.84%	52.84%	9.37%	7.97%
Expected dividend yield	0%	0%	0%	0%
Forfeiture rate	Nil	Nil	Nil	Nil
Fair value (£) per option	0.210	0.181	0.0614	0.0145
Bid price discount	Nil	Nil	Nil	Nil

The weighted average share price at the date of exercise of the options during the year ended 31 December 2013 was 31.75 pence. The weighted average remaining option life as at 31 December 2013 is 2.4 years. The weighted average exercise price of the outstanding options at 31 December 2013 is 24.92 pence.

The total fair value has been spread over the relevant vesting periods and has resulted in a charge to the income statement for the year ended 31 December 2013 of US$775,813 (2012 – US$143,534).

Warrants

Details of warrants granted by the Company were as follows:

	2013		*2012*	
	No. of Warrants	*Weighted average exercise price (pence)*	*No. of Warrants*	*Weighted average exercise price (pence)*
Outstanding at beginning of year	300,000	15.00	91,833,333	18.50
Granted during the year	–	–	–	–
Exercised during the year	(300,000)	15.00	(91,533,333)	18.50
Lapsed during the year	–	–	–	–
Outstanding at end of year	–	–	300,000	15.00
Exercisable at 31 December	–	–	300,000	15.00

22. Share Based Payments (continued)

Warrants (continued)

The weighted average share price at the date of exercise of the warrants during the year was 35.38 pence (2012 – 18.5 pence). The weighted average remaining warrant life as at 31 December 2013 is nil (2012 – 0.4 years).

The total fair value charged to profit or loss in respect of warrants during the year ended 31 December 2013 was US$ Nil (2012 – US$ Nil).

Any ordinary shares allotted pursuant to an exercise of warrants will rank pari passu in all respects with the ordinary shares in issue at the date of exercise of the warrants.

Tide Favour International Investment Limited Agreement ("Tide Favour Agreement")

On 4 September 2012, Kryso Resources Limited entered into an agreement with Tide Favour International Investment Limited to provide strategic consultancy services to the Group in connection with the proposed listing of the issued share capital on the main board of The Stock Exchange of Hong Kong Limited. Under the agreement, Tide Favour were entitled to a fee of RMB 2,000,000 and the grant of options to subscribe for ordinary shares representing 4% of the total share capital prior to listing at an exercise price of £0.25 per share, conditional upon the listing being completed before 3 September 2013 and raising proceeds under the listing of at least US$100 million. No liability was recognised as the Directors did not consider it probable that the conditions would be satisfied.

On 16 December 2013 the Group entered into a supplemental agreement with Tide Favour, subject to shareholder approval, to grant options to purchase new ordinary shares of US$0.001 each at an exercise of £0.25 per share, for nil consideration, over 4% of the fully diluted share capital immediately prior to the Hong Kong listing. The exercise of the options was conditional upon completion of the Hong Kong listing prior to 31 December 2014 and raising proceeds under the listing of at least US$100 million. No liability was recognised as the conditions for award had not been met as at 31 December 2013, including obtaining shareholder approval.

The conditional grant of options to Tide Favour was terminated by the Group on 12 May 2014. The options conditionally granted to Tide Favour remained unexercised up to the date of termination.

23. Cash Flows from Operating Activities

	31 December 2013 US$000	*31 December 2012 US$000 Restated*
Cash flows from Operating Activities		
Loss before income tax	(6,393)	(3,618)
Adjustments for:		
Finance income	(10)	(44)
Depreciation	24	25
Share based payments	776	910
Project impairment	–	466
Finance costs	44	–
Change in working capital:		
Trade and other receivables	6,342	(122)
Trade and other payables	844	1,533
Net Cash generated from/used in Operating Activities	1,627	(850)

24. Controlling Party

The Directors consider China Nonferrous Metals Mining (Group) Co. Limited ("CNMC") to be the ultimate controlling party.

25. Capital Commitments – Pakrut Gold Project

Capital commitments contracted for at the end of the reporting period but not yet incurred is as follows:

	2013 US$000	*2012 US$000*
Capital expenditure contracted for but not provided for in respect of acquisition of mines under construction and property, plant and equipment	63,611	39,785

Capital commitments categorised within mines under construction relate to construction of the Pakrut gold mine.

26. Operating Lease Commitments

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

	2013 US$000	*2012 US$000*
Within one year	198	13
Later than one year and no later than five years	158	–
	356	13

27. Contingent Liabilities

The Group has the following contingent liability as at 31 December 2013.

The Group has not obtained land use certificates for particular parcels of land occupied and utilised at the reporting date. This includes a tailings facility, ore processing plant, power line construction and office and residential buildings. The Group is in the process of applying for the relevant certificates and is not aware of any reason why those applications will not be successful. In the event that those applications are not successful, the Group may be required to relocate operations from the affected parcels of land and face penalties and rehabilitation costs in relation to works undertaken to date.

It is not anticipated that any material liabilities will arise from this contingent liability.

28. Related Party Transactions

At the year-end, Craig Brown was due US$1,083 (2012 – US$29,562) in respect of his expenses. At the year-end, Abuali Ismatov was due US$7,310 (2012 – US$17,687) in respect of his expenses and charges to the Group for the rent of office, laboratory and warehouse space in Tajikistan. The rental charge to the Group during 2013 was US$39,200 (2012 – US$82,800).

Kryso Resources Limited charged Kryso Resources BVI Limited a management fee of US$180,000 during 2013 (2012 – US$180,000). International Mining Supplies and Services Limited charged Kryso Resources Limited a management fee of US$56,110 during 2013 (2012 – US$57,055) for the supply of office services. International Mining Supplies & Services Limited provided goods and services to LLC Pakrut of US$2,822,709 during 2013 (2012 – US$1,823,420). As at 31 December 2013 the amount due from Kryso Resources BVI Limited to Kryso Resources Limited was US$83,602,631 (2012 – US$49,582,526) and the amount due from Kryso Resources Limited to International Mining Supplies and Services Limited was US$Nil (2012 – US$119,392) respectively. The amount due from Kryso Resources BVI Limited to International Mining Supplies and Services Limited was US$176,664 (2012 – US$491,650).

LLC Pakrut purchased property, plant and equipment costing US$1,801,231 from China Nonferrous Metals International Mining Co. Ltd ("CNMIM") during 2013 (2012 US$620,041). Kryso Resources Limited paid CNMIM US$Nil (2012 – US$470,650) management fees for securing the Shareholder Loan facility, and US$834,415 (2012 – US$144,654) in interest charges on the loan. The amount due to CNMIM as at 31 December 2013 was US$17,571,523 (2012 – US$6,090,750). CNMIM is a significant shareholder of the Group and Tao Luo and David Tang are Chairman and President of CNMIM respectively.

Kryso Resources Limited entered into a Unit Price Construction Contract with China No.15 Metallurgical Construction Group Co., Ltd ("15MCC"), a subsidiary of the CNMC Group, of which CNMIM is also a subsidiary, through CNMIM as an agent, which was expected to amount to RMB255,811,528 (US$40,605,004). Advance payments of RMB8,018,664 (equivalent to US$1,272,804) (2012 – RMB38,371,729 (equivalent to US$6,090,750)) were made, and a construction service charge of RMB42,115,128 (equivalent to US$6,684,941) (2012 – US$820,169) was owing to 15MCC as at 31 December 2013, which has been offset against the advance payments.

28. Related Party Transactions (continued)

In 2012, to facilitate the construction process, 15MCC transferred cash of TJS8,597,595 (US$1,805,495) to LLC Pakrut, which was then expensed by the Group by LLC Pakrut to pay for 15 MCC's construction equipment and materials. During 2012, TJS3,601,601 (US$756,336) was expensed and the remaining cash held by LLC Pakrut as at 31 December 2012 stood at TJS4,995,995 (US$1,049,159). During 2013, TJS4,995,995 (US$1,049,159) was expensed and the remaining cash held by LLC Pakrut as at 31 December 2013 stood at TJSNil (US$Nil).

As 15MCC was not able to obtain the relevant licences to perform the construction work in Tajikistan, both parties agreed during 2013 that the construction contract be terminated and replaced with a consultancy arrangement, whereby 15MCC will provide consultancy services to the Group which directs LLC Pakrut to construct the mine. The terms of the agreement were formalised on 24 June 2014. Under the terms of the termination agreement, the Group purchased equipment and inventories from 15MCC for US$2,111,529 and US$1,309,362 respectively, which was offset against the advance payments made to date. The liability due to 15MCC as at 31 December 2013 was US$2,742,277.

In addition to the above, LLC Pakrut has also incurred TJS1,706,239 (US$358,310) on 15 MCC's behalf, which remains payable to various creditors.

As at 31 December 2012, TJS16,327,244 (US$3,428,721) worth of construction equipments and materials were imported into Tajikistan under the title of LLC Pakrut on behalf of 15 MCC. Payments in advance of TJS621,925 (US$130,604) and TJS1,381,702 (US$290,157) of construction works were also made on behalf of 15MCC by LLC Pakrut as at 31 December 2012.

None of these transactions have been included in the reported figures during 2012 and 2013 up to the date of contract termination.

On 13 August 2013, the Group entered into a contract with NFC (Shenyang) Metallurgical Machinery Co., Limited, a subsidiary of the CNMC Group, for the supply of mining and processing equipment and related services. The contract value is RMB4,070,000 (equivalent to US$650,000).

29. Events after the Reporting Period

(a) Limited Liability Company Asia Oil and Gas was liquidated on 17 February 2014.

(b) On 1 April 2014 the rights of LLC Pakrut to carry out exploration activity at the Pakrut licence area expired. The exploration licence area includes the Pakrut, Eastern Pakrut, Rufigar and Sulfidnoye gold and mineral deposits. The renewal application by the Group to extend the Exploration Licence is being considered by the Government of the Republic of Tajikistan.

(c) On 9 April 2014 the Company granted 8,825,000 share options to certain Directors and employees to replace the options previously issued by Kryso Resources Limited in 2011, 2012 and 2013. The total options outstanding has not increased and remains at 8,825,000. In addition, the Company issued 250,000 ordinary shares pursuant to the exercise of 250,000 share options at a price of £0.1625 each.

29. Events after the Reporting Period (continued)

(d) On 30 May 2014 the Group signed the subsoil use contract and concluded the amount of the subscription bonus tax with the relevant authorities of the Government of the Republic of Tajikistan, comprising royalties of 6% on future revenues and a signing and commercial discovery bonus amounting to Tajik somoni 50.7 million (equivalent to US$10,622,000).

(e) On 24 June 2014, the Group terminated the following contracts with an effective date of 31 December 2013 as the contractors had been unable to obtain the relevant licences to perform in Tajikistan. Going forward the Group will self-construct the underground mine and the power supply infrastructure under the direction and supervision of the contractors.

- China No.15 Metallurgical Construction Group Co., Ltd regarding the construction of the underground mine at the Pakrut Gold Project.
- Shanxi No.3 Electric Power Construction Company regarding external power supply works to the Pakrut Gold Project.
- Wenzhou Construction Group Co., Ltd regarding construction and mining of the underground mine at Pakrut through exploration adit No.1.

On the same date, the Group entered into consultancy service agreements with each of the above contractors in order to govern the new consultancy relationship. Under the consultancy service agreements, the consultancy service fee is determined as the difference between the target costs of construction (calculated in accordance with the original unit price construction contracts) and the actual construction costs incurred by the Group.

(f) On 19 June 2014, the Group obtained a bank term loan facility of US$120,000,000 from Industrial and Commercial Bank of China (Macau) Limited, secured by standby letters of credit. The loans advanced under the facility cannot exceed 95% of the value of the standby letters of credit. Standby letters of credit were issued on 24 June 2015 for US$84,500,000. The loan availability period runs from 9 July 2014 until 19 June 2015. Interest is charged at 2.9% above the 3 month LIBOR rate. The loan is conditional upon usual commercial terms including the completion of associated security documentation.

30. Changes in Accounting Policies and Prior Period Adjustments

The Group early adopted IFRS 10 'Consolidated financial statements', IFRS 11 'Joint arrangements', IFRS 12 'Disclosures of interests in other entities', and consequential amendments to IAS 28 'Investments in associates and joint ventures' and IAS 27 'Separate financial statements' on 1 January 2013. Early adoption of these standards has no impact on the Group in 2012 or 2013. The Group has recorded the following prior period adjustments due to changes in accounting policies and the correction of prior period errors.

(a) Capitalisation of borrowing costs using the effective interest method. During the year ended 31 December 2012, the Group incurred borrowing costs amounting to US$3,097,000 in securing the Shareholder Loan Agreement with CNMIM. In accordance with IAS 23 'Borrowing costs', these directly attributable costs were previously fully capitalised as part of construction in progress within mines under construction. The Directors have now elected to adopt the accounting policy to capitalise these borrowing costs under the effective interest method.

30. Changes in Accounting Policies and Prior Period Adjustments (continued)

(b) Elimination of goodwill arising on consolidation. In order to align the accounting policies adopted by the Group for the proposed listing on to the Main Board of the Stock Exchange of Hong Kong Limited and under the Hong Kong Listing Rules, the Group has fully impaired the goodwill arising on consolidation of US$4,743,000 against retained earnings as at 1 January 2012.

(c) Re-categorisation of exploration and evaluation assets. All exploration and evaluation expenditure incurred in connection with the Pakrut Gold Project has been transferred to mining rights within mines under construction, following the award of the mining licence and securing the Shareholder Loan Agreement with CNMIM to finance the design and construction of the mine. The prior year balances have been restated to correct this error.

(d) Equity settled share based payment. In January 2012 the Group awarded 8,254,977 ordinary shares to a consultant in settlement of a success fee and services in connection with the issue of the mining licence for the Pakrut Gold Project. According to the underlying contractual agreement, the success fee was £1,750,000 (equivalent to US$2,741,000), and the Group could at its discretion elect to satisfy the payment of the fees in cash or by the allotment and issue of 8,254,977 ordinary shares. The liability was settled by the issue of ordinary shares and the share based payment of US$2,741,000 capitalised within mining rights. In accordance with IFRS 2 'Share based payment', the excess of the fair value of ordinary shares issued (calculated by reference to the quoted market price on the date of issue) over the fair value of the service has been charged to administrative expenses, amounting to US$766,000. The prior period balances have been restated to correct this error.

(e) Subsoil contract signature bonus. The tax liability recognised by the Group in connection with the subsoil contract signature bonus was calculated at 1% of the value of actual and potential gold reserves. Under Government Resolution No.426 of the Government of the Republic of Tajikistan, actual gold reserves should be taxed at 1% whilst potential gold reserves should be taxed at 0.5%. The difference in value of the liability of US$1,900,000 has been adjusted against mining rights within mines under. The prior period balances have been restated to correct this error.

30. Changes in Accounting Policies and Prior Period Adjustments (continued)

The effect of the changes in accounting policies and prior period adjustments is shown in the following tables.

Impact on Consolidated Statement of Comprehensive Income

	Year ended 31 December 2012	*Share based payment*	*Year ended 31 December 2012 Restated*
	US$000	*US$000*	*US$000*
Revenue	–	–	–
Cost of sales	–	–	–
Gross Profit	–	–	–
Administrative expenses	(2,640)	(766)	(3,406)
Listing and capital reorganisation expenses	(427)	0	(427)
Project impairment	(466)	0	(466)
Loss/gain on foreign exchange	637	0	637
Operating Loss	(2,896)	(766)	(3,662)
Finance income	44	–	44
Finance costs	–	–	–
Loss before Income Tax	(2,852)	(766)	(3,618)
Income tax	–	–	–
Loss for the year	(2,852)	(766)	(3,618)
Total comprehensive income attributable to owners	(2,852)	(766)	(3,618)
Basic and diluted earnings per share	$(0.0091)	–	$(0.0116)

30. Changes in Accounting Policies and Prior Period Adjustments (continued)

Impact on Consolidated Statement of Financial Position

	As at 31 December 2013	*Effective interest method*	*As at 31 December 2013 as presented*	*As at 31 December 2012 (previously stated)*	*Effective interest method*	*Elimination of goodwill*	*Re-categorise exploration and evaluation assets*	*Share based payment*	*Subsoil contract signature bonus tax*	*As at 31 December 2012 (restated)*	*As at 1 January 2012 (previously stated)*	*Elimination of goodwill*	*As at 1 January 2012 (restated)*
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
Non-Current Assets													
Goodwill	–	–	–	4,743	–	(4,743)	–	–	–	–	4,743	(4,743)	–
Exploration and evaluation assets	9,475	–	9,475	43,015	(3,097)	–	(34,915)	–	(1,900)	3,103	18,325	–	18,325
Mines under construction	53,485	(2,443)	51,042	5,364	–	–	34,915	–	–	40,279	–	–	–
Property, plant and equipment	3,661	–	3,661	1,971	–	–	–	–	–	1,971	1,335	–	1,335
Total Non-Current Assets	66,621	(2,443)	64,178	55,093	(3,097)	(4,743)	–	–	(1,900)	45,353	24,403	(4,743)	19,660
Current Assets													
Inventories	6,610	–	6,610	2,172	–	–	–	–	–	2,172	1,703	–	1,703
Other receivables	8,805	–	8,805	7,429	–	–	–	–	–	7,429	1,216	–	1,216
Cash and cash equivalents	8,602	–	8,602	26,085	–	–	–	–	–	26,085	11,050	–	11,050
Total Current Assets	24,017	–	24,017	35,686	–	–	–	–	–	35,686	13,969	–	13,969
Non-Current Liabilities													
Trade and other payables	1,124	–	1,124	–	–	–	–	–	–	–	–	–	–
Borrowings	3,551	(2,004)	1,547	6,091	(3,097)	–	–	–	–	2,994	–	–	–
Provisions for other liabilities and charges	544	–	544	–	–	–	–	–	–	–	–	–	–
Total Non-Current Liabilities	5,219	(2,004)	3,215	6,091	(3,097)	–	–	–	–	2,994	–	–	–
Current Liabilities													
Borrowings	14,020	(439)	13,581	–	–	–	–	–	–	–	–	–	–
Trade and other payables	15,091	–	15,091	18,104	–	–	–	–	(1,900)	16,204	109	–	109
Total Current Liabilities	29,111	(439)	28,672	18,104	–	–	–	–	(1,900)	16,204	109	–	109
Net Current Assets	(5,094)	439	(4,655)	17,582	–	–	–	–	1,900	19,482	13,860	–	13,860
Net Assets	56,308	–	56,308	66,584	–	(4,743)	–	–	–	61,841	38,263	(4,743)	33,520
Equity attributable to the owners of the parent													
Share capital	38	–	38	6,270	–	–	–	–	–	6,270	4,640	–	4,640
Share premium	65,616	–	65,616	68,709	–	–	–	766	–	69,475	37,995	–	37,995
Other reserve	10,175	–	10,175	–	–	–	–	–	–	–	–	–	–
Retained earnings	(19,521)	–	(19,521)	(8,395)	–	(4,743)	–	(766)	–	(13,904)	(4,372)	(4,743)	(9,115)
Total Equity	56,308	–	56,308	66,584	–	(4,743)	–	–	–	61,841	38,263	(4,743)	33,520

30. Changes in Accounting Policies and Prior Period Adjustments (continued)
Impact on Statement of Changes in Equity

	Share capital US$000	*Share premium US$000*	*Retained earnings US$000*	*Total US$000*
Balance at 1 January 2012 as previously reported	4,640	37,995	(4,372)	38,263
Effect of prior period adjustments	–	–	(4,743)	(4,743)
Balance at 1 January 2012 (restated)	4,640	37,995	(9,115)	33,520
Total comprehensive income for the year as previously reported	–	–	(2,852)	(2,852)
Effect of prior period adjustments	–	–	(766)	(766)
Total comprehensive income for the year as restated	–	–	(3,618)	(3,618)
Total contributions by and distributions to owners of the parent, recognised directly in equity as previously reported	1,630	30,714	(1,171)	31,173
Effect of prior period adjustments	–	766	–	766
Total contributions by and distributions to owners of the parent, recognised directly in equity as previously as restated	1,630	31,480	(1,171)	31,939
Balance as at 31 December 2012 as previously reported	6,270	68,709	(8,395)	66,584
Balance as at 31 December 2012 as restated	6,270	69,475	(13,904)	61,841

30. Changes in Accounting Policies and Prior Period Adjustments (continued)
Impact on Consolidated Statement of Cash Flows

	Year ended 31 December 2012	*Re-categorise movement in inventories to investing activities*	*Re-categorise payment of borrowing costs to financing activities*	*Re-categorise exploration and evaluation assets*	*Re-categorise qualifying interest to financing activities*	*Year ended 31 December 2012 Restated*
	US$000	US$000	US$000	US$000	US$000	US$000
Cash flows from Operating Activities	(1,319)	469	–	–	–	(850)
Net Cash used in Operating Activities	(1,319)	469	–	–	–	(850)
Cash Flows from Investing Activities						
Payments for exploration and evaluation	(8,975)	–	1,871	6,559	145	(400)
Payments for mining rights within mine under construction	–	–	–	(6,559)	–	(6,559)
Purchase of property, plant and equipment	(1,593)	–	–	–	–	(1,593)
Movement in inventories – consumables	–	(469)	–	–	–	(469)
Interest received	44	–	–	–	–	44
Net Cash used in Investing Activities	(10,524)	(469)	1,871	–	145	(8,977)
Cash Flows from Financing Activities						
Proceeds from issuance of equity share capital	26,878	–	–	–	–	26,878
Payments for borrowing costs	–	–	(1,871)	–	–	(1,871)
Interest paid	–	–	–	–	(145)	(145)
Net Cash generated from Financing Activities	26,878	–	(1,871)	–	(145)	24,862
Net Increase in Cash and cash equivalents	15,035					15,035
Cash and cash equivalents at beginning of the year	11,050					11,050
Cash and cash equivalents at end of the year	26,085					26,085

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