CHINA NONFERROUS GOLD

LIMITED

Company Registration Number WK-277188

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2015

Directors	Mr Xiang Wu	*(Chairman and Non-Executive Director)*
	Mr Weili Tang	*(Executive Director)*
	Mr Li Li	*(Executive Director)*
	Mr Wang Yubin	*(Executive Director)*
	Mr Abuali Ismatov	*(Non-Executive Director; resigned 8 February 2016)*
	Mr Pizhao Che	*(Non-Executive Director)*
Company Secretary	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	
	Bank of China 1/F CNMC Building 10 Anding Road Chaoyang District Beijing 10029 China	
	Industrial and Commercial Bank of China (Macau) Limited 18/F ICBC Tower Macau Landmark 555 Avenida da mizade Macau China	
	Wing Lung Bank Limited Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong	
	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	*English law* Charles Russell Speechlys LLP 6 New Street Square London EC4A 3LX United Kingdom *Tajikistan law* Nazirbek Nazirov, LL.M. Crowe Horwath Legal Advisory 3rd floor, 306 office Business Center "Poytaht" 45, Mirzo Tursunzoda St Dushanbe Tajikistan *Cayman Islands law* Walkers Suite 1501-1507 Alexandra House 18 Chater Road Central Hong Kong

As the Chairman of the Board, it gives me great pleasure to present the Chairman's Statement at a time when the Group has made significant progress. The year ending 31 December 2015 witnessed two significant milestones for our company with the completion of the project construction and first gold poured at our Pakrut Project.

Construction

In the first half of the year, work continued at a fast pace and by September we were able to report significant progress on the Main Decline, the West Ventilation Access Decline and the Ore Extraction Ramp. Furthermore, in the first half of the year we completed the onnection Ramp between 2,170 and 2,350 metres.

The Connection Ramp at the levels of 2,292, 2,230, 2,170 and 2,110 metres reached 4,943 metres by the end of the year and the mining preparation and cutting work continued over the course of the year with 4,545 metres of tunneling completed across all sublevels. At the same time, we finished 47 metres of the West Ventilation Shaft and 33.4 metres tunnelling to the adit of the East Ventilation shaft.

We continued to make considerable progress on mine engineering and development work in the second half of the year. Construction for nearly all of the workshops, the processing plant and most of the supporting facilities were completed during the course of the year and the processing plant was commissioned at the end of September 2015. Construction of the smelting plant was also completed in 2015 and the plant was commissioned in October 2015, as planned.

The construction and installation of 73 kilometres of external power lines up to sites and construction of two electrical substations at Pakrut and Hamza have been completed. From July 2015, electricity from the national grid began to be supplied to both the Pakrut processing plant and the smelting plant in Vahdat.

Trial Production

The mining of the ore started in the second half of the year at the 2,292 metre level and, by the end of the year, 98,445 tonnes of ore had been mined. Including ore accumulated during the construction period, we have a stock pile of more than 160,000 tonnes of ore as at the end of 2015. On 1 October, we were able to announce that trial production had started and on 29 December the first gold ingots were poured. In total, .

Financial Results

As progress on the Pakrut project accelerated, the amount of expenditure incurred by the Group on development and construction work during the year increased from the previous year and stood at US$ 112,592,000 (2014: US$81,488,000). Administration expenditure was US$3,166,000 (2014: US$4,968,000). The overall loss incurred by the Group was US$6,150,000 (2014: US$15,680,000).

The principal balance of the shareholder loan for the RMB tranch and USD tranches at the end of the period was US$20,864,188 (2014: US$47,059,863) and US$44,999,900 (2014: US$8,333,300) respectively, with the lender providing flexibility over the course of the year on the currency of draw down. The total balance outstanding under the Shareholder loan including accrued interest amounted to US$69,224,000 at the end of the period (2014: US$55,594,000). Loan repayments were made in accordance with the loan repayment schedule and financed from existing facilities.

In May 2015, the Group continued to draw down the final US$40,000,000 tranche of a bank term loan facility totalling US$120,000,000 from the Industrial and Commercial Bank of China (Macau) Limited, which was secured by standby letters of credit. A total of US$54,030,000 was drawn down during 2015. Interest is charged at a rate of 2.9% above the 3 month LIBOR rate. Loan repayments commenced in January 2016, post period end, in accordance with the relevant agreements and have been paid utilising the Company's existing facilities.

It is the opinion of the board of directors that the Group has sufficient funds to continue as a going concern, after taking into account revenue from projected gold sales. Shareholders attention is also drawn to the auditor's opinion set out on pages 17 and 18 which contains an emphasis of matter in relation to approval of Pakrut reserves by Tajik Department of Geology.

Post year end

On 6 May, 2016 the Company has signed documentation with CNMC International Capitals Company Limited ("CNMC"), an associate of China Nonferrous Metals International Mining Co., Ltd ("CNIMIM"), the Company's 38.36% shareholder, for a loan facility of USD$120 million ("CNMC Loan"). The CNMC Loan will be used to refinance the loan facility with the Industrial and Commercial Bank of China (Macau) Limited ("ICBC"), under which USD$115 million was drawn at the time of announcement, and for working capital. The CNMC Loan is repayable on 31 December 2018 and includes an annual fixed interest rate of 4% on the amount drawn down, payable half yearly in arrears. The Company is also in discussions to refinance its 2012 loan with China Nonferrous Metals Int'l Mining Co., Ltd.

Outlook

The transformation of the Pakrut Gold Project from construction to production is now almost complete and this remains the immediate focus of the management. Issues from trial mining have been resolved and the Company is on course to reach nameplate capacity for phase one of the project of 2,000 tonnes per day during the fourth quarter of 2016. The plant is currently processing 1,300 tonnes of ore per day.

During the course of the next 12 months the Company plans to construct a permanent camp at site, replacing the temporary one currently in use and relocate the tailings dam. The current tailings dam was always expected to be temporary in nature and the Company expects to complete the construction of a new permanent tailings dam in the first half of 2017. The current site has sufficient capacity until this time.

I would like to take this opportunity to thank all of our employees, management and advisors for their continued effort in 2015 and thank our shareholders for their continued support of our Group. I very much look forward to updating our shareholders on the mine developments and production levels.

Xiang Wu

Chairman
Director
30 June 2016

The Directors present their annual report and the audited Financial Statements of China Nonferrous Gold Limited for the year ended 31 December 2015.

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

BUSINESS REVIEW

Introduction
China Nonferrous Gold Limited ("CNG") is a mineral exploration,development and mining 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.

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 2015 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

To date the Group has:

- Completed phase I construction of the Processing Plant at Pakrut and Smelting Plant at Vahdad providing capacity production capacity of 2,000 tons per day;

- Completed construction of the main underground decline, the west ventilation shaft and the access ramp of the Pakrut underground gold mine. This will enable the Group to mine at all three levels in accordance with the Mine Plan and Design;

- Completed construction on upgrading 55 kilometres of road to Pakrut, together with the reconstruction of bridges;

- Completed the construction of 73 kilometres of external power lines up to site and construction of two electrical substations at Pakrut and Hamza. Electricity from the national grid supplied to both Pakrut processing plant and the smelting plant in Vahdad; and

- Commissioned the processing plant in late September and commenced trial production shortly afterwards

Pakrut Gold Deposit and Licence Area
In April 2004, LLC Pakrut, a wholly owned subsidiary of the Group, 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 Fold Belt. This belt is reputed to have the second largest known gold resource after the Witwatersrand in South Africa. 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. Exploration and evaluation activities can continue at the Pakrut Gold Deposit in the area covered by the mining licence.

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 the Group envisages an initial processing capacity of 660,000 tons of ore per annum, increasing to 1,320,000 tons per annum. The mining licence is valid until 2 November 2030. An application has been submitted in accordance with the required procedures to obtain approval to mine all JORC compliant reserves arising from exploration and evaluation activities undertaken by the Group between 2009 and 2013. The application is currently being considered by the Tajik Department of Geology, following which approval is required by the Scientific and Technical Counsel.

FINANCIAL REVIEW

The results for the year ended 31 December 2015 and the year ended 31 December 2014 were as follows:

	2015	***2014***
	US$000	***US$000***
Revenue	–	–
Exploration and evaluation costs capitalised during the year as intangible assets	–	–
Mine construction costs capitalised during the year	112,592	81,488
Administrative expenses	3,166	4,968
Total costs	115,758	86,456
% Administrative expenses to total costs	2.7%	5.7%
Operating loss	6,154	15,637
Finance costs	–	49
Less: interest receivable	4	6
Loss on ordinary activities before taxation	6,150	15,680
Loss per share (cents)	1.61	4.11

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 decreased in 2015 as a percentage of total costs as the Group concentrated its efforts on mine construction. Additional administrative and technical staff were employed during 2015 in order to gear-up for the commencement of construction and production at the Pakrut Gold Project.

Corporate Responsibility

The Group will endeavor to build a sustainable and profitable business to maximise the return to its shareholders and in doing so will not knowingly overlook its 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 Company 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.

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 delays and 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.

Regulatory and Legal Risk (continued)
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 seeks and obtains sufficient and appropriate legal advice where considered necessary.

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 effect on the Group's financial condition. The Group works closely with the Government and local government departments on the mine project in order to ensure all parties are kept up to date on progress and closely monitors compliance with the conditions imposed under its existing licences and permits.

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. Economic risk is continually evaluated by the Group, including expectations of future events, and action undertaken as necessary.

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. Where possible the Group maintains bank and cash balances in the same denomination as its expected liabilities. The Group does not currently hedge its exposure to foreign currencies.

The Group currently has a comprehensive program of insurance but 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 and updated on 1 April 2015. 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. The Group is not currently revenue generating but seeks to protect its available tax losses carried forward.

Financial Risk
The Group's operations expose it to a number of financial risks. These are discussed under 'Financial Risk Management' within Note 1 of the Financial Statements.

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.

Political and Country Risk (continued)

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 currently 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 People's Republic of China ("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.

EU Referendum

The Group trades on the UK equity markets and as a result may be subject to the impact of the UK leaving the European Union. Given the recent uncertainty surrounding the situation the Group are monitoring matters and seeking advice as to how to mitigate any risks arising.

Performance of Key Personnel and Employees

The Group is dependent on a relatively small number of key 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 following Financial Statements. The Directors do not recommend the payment of a dividend (2014: US$Nil).

Future Developments

Future prospects are set out in the Chairman's Statement on pages 5 and 6 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 2015***	*At 1 January 2015**
Mr Abuali Ismatov	2,602,603	7,100,000
Mr Tao Luo	–	–
Mr. Xiang Wu	–	–
Mr Weili Tang	–	–
Mr Li Li	–	–
Mr Pizhao Che	–	–
Mr Wang Yubin	–	–

* or later date of appointment.
** or earlier date of resignation.

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

	At 31 December 2015	*At 1 January 2015*
Mr Abuali Ismatov	800,000	800,000
Mr Tao Luo	800,000	1,400,000
Mr. Xiang Wu	–	–
Mr Weili Tang	800,000	1,400,000
Mr Li Li	800,000	1,400,000
Mr Pizhao Che	–	–
Mr Wang Yubin	–	–

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

Mr Tao Luo resigned from the Board on 20 April 2015.

Mr Abuali Ismatov resigned from the Board on 8 February 2016.

Substantial shareholdings
As at 23 June 2016, 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	38.36%
Zhao Bin	49,990791	13.07%
Golden Max Group	33,823,113	8.85%
Huang Lihuo	31,131,244	8.14%
Walker Crips Stockbrokers	24,234,824	6.34%
Rainbow Bridge Investment Fund	12,335,489	3.23%

Share Capital
A statement of the changes in the share capital of the Group is set out in note 22 to the Financial Statements.

Directors

The current Board comprises:

Mr. Xiang Wu (aged 51), Chairman and Non-Executive Director
Mr Wu has been the Chief Accountant of China Nonferrous Metal Mining (Group) Co., Ltd, since November 2007 and joined the China Nonferrous Group in 1999, having since held numerous financial management roles within the Group. Mr Wu has served as Director and Chairman of Golden Bright Insurance Broker Co., Ltd since March 2012, Director and Deputy Chairman of China Nonferrous Metal Industry's Foreign Engineering and Construction Co., Ltd since April 2015 and Director and Chairman of China Nonferrous Metals International Mining Co., Ltd ("CNMIM") (the Company's largest shareholder) since April 2015.

Mr Weili Tang (David Tang) (aged 50), Managing Director
David is President of CNMIM. He graduated with a Bachelor of Science degree (1988) majoring in computer science from Central-South University, China and also holds a Master of Science degree (1991). In the early 1990s he pioneered the trading system for the first nonferrous metals future commodity exchange in China. He worked for several years in Canada in the investment management and consulting industry before returning to China to take up office at CNMIM.

Mr Li Li (Leonard Lee) (aged 51), Finance Director
Leonard was a director of Top Consultant (Hong Kong) Company Limited, has an MBA from the University of Rochester in New York and is fluent in Mandarin and English. He successfully set up businesses in Canada and China, and provided consultancy services to companies such as BASF and DZ BANK. Leonard is a representative on behalf of Golden Max Group Limited, a significant shareholder in the Group.

Mr Wang Yubin (aged 52), Executive Director
Wang is the General Manager of Limited Liability Company Pakrut ("LLC Pakrut") and has over 20 years' experience as an engineer and manager for various non-ferrous projects both in China and overseas. He 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 Zhongman University of Economics and Law in the PRC in June 2004.

Mr Pizhao Che (aged 59), Non-Executive Director
Pizhao graduated graduated from the Law School of Wisconsin University and served as Professor of International Economic Law in the Law School of Tsinghua University. Mr Che also currently holds the positions of Deputy President of China International Economic Law Research, Deputy President of the China International Economic Law Society, and Executive Vice President of China International Law Society. Mr Che is also a member of the committee of Lawyer Review Oversight International Chamber of Commerce China National Committee ('ICC China'), Beijing Arbitration Committee, China International Economic Trade Arbitration Committee, Singapore International Arbitration Centre, Republic Business Federation International Court of Arbitration in Kazakhstan, and the Kuala Lumpur Arbitration Centre. In March 2012 he was appointed a non-executive director of Fangda Carbon, which is listed on the Shanghai Stock Exchange.

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 and has established the following committees:

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 ofthe 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.

i) Audit Committee

The Audit Committee comprises the Non-Executive Directors of the Group. 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.

ii) 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 Company and Group have adequate resources to continue their 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 31 to the Financial Statements.

Relevant Audit Information

The Directors who held office at the date of approval of this Report of the Directors 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
30 June 2016

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

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 year. In preparing these Financial Statements, the Directors are required to:

- select suitable Accounting Policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements: and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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.

Signed by order of the Directors

Mr Li Li
30 June 2016

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 2015 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 2015 and of the Group's loss for the year then ended; and

- the Financial Statements of the Company and Group have been properly prepared in accordance with IFRSs as adopted by the European Union.

Emphasis of matter – Approval of Pakrut reserves by Tajik Department of Geology

In forming our opinion on the Financial Statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 – Critical Accounting Estimates, Assumptions and Judgements, concerning the expected successful approval of the increased JORC compliant resources from the Tajik Department of Geology and the Scientific and Technical Counsel, which includes the results of all exploration and evaluation activities undertaken by the Group between 2009 and 2013. The application is currently subject to that approval process and, whilst the approval process remains ongoing and has not yet been finalised, the Directors are not aware of any legal or other impediments which would prevent approval of their application and therefore permit the Group to mine the increased resources. No provision for any impairment that may result if approval is not obtained has been made in the Financial Statements.

PKF Littlejohn LLP

PKF Littlejohn LLP
Chartered Accountants and Registered Auditor

30 June 2016

1 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

	Note	*2015*	*2014*
		US$000	*US$000*
Revenue	3	–	–
Cost of sales		–	–
Gross Profit		–	–
Administrative expenses	7	(3,166)	(4,968)
Listing and capital reorganisation expenses		–	(1,043)
Project impairment	11	–	(9,475)
Loss on foreign exchange		(2,988)	(151)
Operating Loss		(6,154)	(15,637)
Finance income	9	4	6
Finance costs	9	–	(49)
Loss before Income Tax		(6,150)	(15,680)
Income tax	8	–	–
Loss for the year attributable to owners of the parent		(6,150)	(15,680)
Total comprehensive income attributable to owners of the parent for the year		(6,150)	(15,680)
Basic and Diluted Earnings per share attributable to owners of the parent (expressed in dollars per share)	10	$(0.0161)	$(0.0411)

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

The accounting policies and notes on pages 23 to 52 form part of these Financial Statements.

	Note	As at 31 December 2015 US$000	As at 31 December 2014 US$000
Non-Current Assets			
Intangible assets	11	-	-
Mines under construction	12	244,529	132,530
Property, plant and equipment	13	11,624	14,259
Total Non-Current Assets		256,153	146,789
Current Assets			
Inventories	16	39,390	24,732
Trade and other receivables	17	1,010	1,049
Cash and cash equivalents		2,213	18,272
Total Current Assets		42,613	44,053
Non-Current Liabilities			
Trade and other payables	19	-	(7,390)
Borrowings	18	(56,437)	(88,042)
Provisions for other liabilities and charges	20	(646)	(593)
Total Non-Current Liabilities		(57,083)	(96,025)
Current Liabilities			
Borrowings	18	(132,583)	(30,916)
Trade and other payables	19	(74,204)	(23,045)
Total Current Liabilities		(206,787)	(53,961)
Net Current Liabilities		(164,174)	(9,908)
Net Assets		34,896	40,856
Equity attributable to the owners of the parent			
Share capital	22	38	38
Share premium		65,901	65,711
Other reserve		10,175	10,175
Retained earnings		(41,218)	(35,068)
Total Equity		34,896	40,856

These Financial Statements were approved and authorised for issue by the Directors on 30 June 2016and 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 52form part of these Financial Statements.

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 2014	38	65,616	10,175	(19,521)	56,308
Loss and Total comprehensive income for the year	-	-	-	(15,680)	(15,680)
Share based payments –option granted	-	-	-	133	133
Issue of ordinary shares	-	95	-	-	95
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	95	-	133	228
Balance at 31 December 2014	38	65,711	10,175	(35,068)	40,856
Balance at 1 January 2015	38	65,711	10,175	(35,068)	40,856
Loss and Total comprehensive income for the year	-	-	-	(6,150)	(6,151)
Issue of ordinary shares	-	190	-	-	190
Total contributions by and (distributions to) owners of the parent, recognised directly in equity	-	190	-	-	190
Balance at 31 December 2015	38	65,901	10,175	(41,218)	34,896

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

The accounting policies and notes on pages 23 to 52 form part of these Financial Statements.

	31 December 2015 US$000	***31 December 2014 US$000***
Cash flows from Operating Activities (note 24)	44,042	45,151
Net cash generated from Operating Activities	44,042	45,151
Cash flows from Investing Activities		
Payments for mining rights and construction in progress	(111,999)	(59,627)
Purchase of property, plant and equipment	(2,282)	(12,903)
Movement in inventories	(14,658)	(18,122)
Interest received	4	6
Net cash used in Investing Activities	(128,935)	(90,646)
Cash flows from Financing Activities		
Cash acquired from contractor		
Proceeds from issuance of equity share capital	190	95
Proceeds from borrowings (net of capitalised issue costs)	110,909	74,712
Repayment of borrowings	(31,375)	(15,681)
Interest paid	(10,890)	(3,962)
Net cash generated from Financing Activities	68,834	55,164
Net (decrease)/increase in Cash and cash equivalents	(16,059)	9,670
Cash and cash equivalents at beginning of the year	18,272	8,602
Cash and cash equivalents at end of the year	2,213	18,272

Major non-cash transactions

Year ended 31 December 2015

During 2015 the Group made drawdowns from its loan facility with CNMIM of USD 10,470,925, and made drawdowns from ICBC loan facilities of USD 100,000,000, which under the agency arrangement were paid directly to suppliers and contractors in order to settle the Group’s liabilities for mine construction, power line construction and the provision of processing plant equipment and materials.

Year ended 31 December 2014

During 2014 the Group made drawdowns from its loan facility with CNMIM under the RMB tranche of RMB274,409,000 (equivalent to US$43,557,000), which under the agency arrangement were paid directly to suppliers and contractors in order to settle the Group’s liabilities for mine construction, power line construction and the provision of processing plant equipment and materials.

The accounting policies and notes on pages 23 to 52 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 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.

Changes in Accounting Policies and Disclosures

a) New and amended standards adopted by the Group

A number of new standards and amendments to standards and interpretations are effective for the annual period beginning after 1 January 2015 and have been applied in preparing these financial statements.

Standard	Impact on initial application
Annual Improvements Cycle 2010-2012	Amendments to IFRS 2 (Share-based payments – Definition of "vesting condition"), IFRS 3 (Business combinations – accounting for contingent consideration in a business combination), IFRS 8 (Operating segments – aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets), IFRS 13 (Fair value measurement – short-term receivables and payables), IAS 16 (Property, plant and equipment – revaluation method – proportionate restatement of accumulated depreciation), IAS 24 (Related party disclosures – key management personnel), and IAS 38 (Intangible assets – revaluation method – proportionate restatement of accumulated amortization). Effective 1 February 2015
Annual Improvements Cycle 2011-2013	Amendments to IFRS 1 (First time adoption of International Financial Reporting Standards – meaning of effective IFRSs), IFRS 3 (Business combinations – scope of exception for joint ventures), IFRS 13 (Fair value measurement – scope of paragraph 52 (portfolio exception)), and IAS 40 (Investment property – clarifying the inter-relationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property). Effective 1 January 2015

Adoption of these standards has not had a material impact on the Group.

b) New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 January 2015 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 Company and Group intend to adopt these standards, if applicable, when they become effective.

Standard		**Effective Date**
IAS 7 (Amendment)	Statement of Cash Flows	1 January 2017
IFRS 9	Financial Instruments	*1 January 2018
IFRS 16	Leases	*1 January 2019
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	*1 January 2017
IFRS 10, IFRS 12 and IAS 28 (Amendment)	Investment entities – applying the consolidation exception	*1 January 2016
IAS 1 (Amendment)	Disclosure initiative	1 January 2016
Annual Improvements Cycle 2012-2014	Improvements to IFRS 5 (Non-current assets held for sale and discontinued operations – change of disposal method), IFRS 7 (Financial instruments – disclosures – servicing contracts), IFRS 7 (Financial instruments – disclosures – applicability of the amendments to IFRS 7 on offsetting financial assets and financial liabilities to condensed interim financial statements), IAS 19 (Employee benefits – discount rate – regional market issue), and IAS 34 (Interim financial reporting – disclosure of information ‘elsewhere in the interim financial report’)	1 July 2016
IAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortization	1 January 2016
IFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016

**Subject to EU endorsement*

Whilst the Directors do not anticipate the adoption of these standards and interpretation in future reporting periods will have a material impact on the Group’s financial statements, they have yet to complete their full assessment in relation to the impact.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group

Basis of Consolidation

The consolidated Financial Statements comprise the financial statements of the Group as at 31 December 2015. Subsidiaries are all entities over which the Group has control which is where 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. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

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 source.

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 “Property, Plant and Equipment” or “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, infrastructure facilities, 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. Exploration and evaluation assets are impaired when the Group’s right to explore in an area has expired.

Property, Plant and Equipment
Items of property, plant and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

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

Property, Plant and Equipment (continued)
Depreciation on assets used in exploration and evaluation activities and mines under construction 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.

Inventories
Inventories, comprising materials, spares, mining and processing equipment, 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 recognised in profit and 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 due to the uncertainty as to the timing of profits.

Operating Lease Agreements
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are recognised as expenses 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 the statement of comprehensive income 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 and Project Impairment
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 during the year ended 31 December 2014, together with the associated capital reorganisation, are considered exceptional. The Securities and Futures Commission of Hong Kong ("the SFC") objected to the Group's listing application, and the listing cannot proceed without the SFC's permission.

In addition, the impairment, incurred during the year ended 31 December 2014, of exploration and evaluation assets, following non-renewal of the exploration licence covering the Eastern Pakrut, Rufigar and Sulfidnoye mineral deposit areas, is considered an exceptional item.

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$65.86 million of that secured loan facility was utilised as at 31 December 2015, being the latest available drawdown date. The Group has made repayments since that date in accordance with the terms of the loan agreement.

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 ("ICBC"), 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 2014 and 18 June 2015 in order to enable the Group to drawdown US$80 million and US$40 million respectively under the facility. The principal loan repayments commence on 30 January 2016 (see note 19). As at 31 December 2015, the Group had fully drawn down the loan facility extended.

On 6th May 2016 the Group obtained a loan with CNMC International Capitals Company Limited ("CNMC"), an associate of CNMIM of US$120 million ("CNMC Loan"). This loan has been used to refinance the loan facility with ICBC. The CNMC Loan is repayable on 31 December 2018 and includes an annual fixed interest rate of 4% on the amount drawn down, payable in arrears.

On 27th June 2016 the Group drew down a further loan of US$19,114,809 from CNMIM for working capital purposes.

As at the date of approval of these Financial Statements, and based upon the budgeted levels of expenditure and Board approved cash flow forecasts and expected production dates, the Directors are satisfied that the Group has sufficient cash and loan facilities to finance the Group's operating expenses and any further development and construction of the Pakrut Gold Project that is required.

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 maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive board of Directors.

1. 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.

Market Risk

a) Cash Flow and Interest Rate Risk

The continued operation of the Group is dependent on the ability to raise sufficient working capital until commencement of commercial production. The Group currently finances itself through the issue of equity share capital and the secured loan facilities from CNMIM and ICBC. 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$404,000 held in a sterling deposit account. A 0.25% change to the interest rate would give rise to a US$1,000 increase or decrease in interest on this deposit, on an annual basis.

The Group's interest rate risk arises from long-term borrowings. The Group's has both variable and fixed rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash invested at variable rates. 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. The interest rate on the ICBC loan is 2.90% per annum over the quarterly LIBOR rate and the loan is repayable in US$.

At 31 December 2015, if interest rates on variable rate borrowings at that date had been 0.25% higher/lower, with other variables held constant, the recalculated loss for the year would be US$30,000 higher/lower due to the higher/lower interest expense.

b) 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 Group did not have significant exposure to foreign exchange risk relating to its non-US$ denominated bank deposits.

Liquidity Risk and Credit 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 and ICBC. 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.

1. Financial Risk Management (continued)

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 2015						
Interest-bearing borrowings	132,583	-	56,437	-	189,020	189,020
Trade and other payables	74,204	-	-	-	74,204	74,204
Provisions for other liabilities	-	-	-	-	-	-
	206,787	-	56,437	-	263,224	263,224
Year ended 31 December 2014						
Interest-bearing borrowings	31,373	37,353	52,959	-	121,685	121,685
Trade and other payables	23,044	7,390	-	-	30,434	30,434
Provisions for other liabilities	-	-	-	-	2,481	593
	54,417	44,743	52,959	-	154,600	152,712

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

Credit rating	*2015 US$000*	*2014 US$000*
A	1,831	143
AA-	123	12,093
No independent credit rating available	259	6,036
	2,213	18,272

If a bank has no credit rating, the Group assesses the credit quality through local knowledge and past experience in the particular jurisdiction.

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 facilities from CNMIM and ICBC, 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.

2. 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 and development 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 and property, plant and equipment relating to the particular site.

Approval of Pakrut reserves by Tajik Department of Geology

In November 2011, the Government of the Republic of Tajikistan issued the Pakrut Gold 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 the Group envisages an initial processing capacity of 660,000 tons of ore per annum, increasing to 1,320,000 tons per annum. The mining licence is valid until 2 November 2030.

The mining licence issued in November 2011 currently entitles the Group to mine JORC compliant resources (measured, indicated and inferred) of 904,000 ounces out of total JORC compliant resources of 4,383,000 ounces at Pakrut, excluding the Eastern Pakrut, Rufigar and Sulfidnoye ore zones. The JORC compliant resources include the results from the Group's exploration and evaluation work subsequent to the mining licence issue date.

LLC Pakrut has sought approval of the increased JORC compliant resources from the Tajik Department of Geology and the Scientific and Technical Counsel which includes the results of all exploration and evaluation activities undertaken by the Group between 2009 and 2013. The application is currently subject to that approval process and the Directors are not aware of any legal or other impediments which would prevent approval of their application and therefore permit the Group to mine the increased resources. However, the approval process currently remains incomplete.

The mine design and construction work undertaken to date, together with the assessment of the recoverable amount of 'Mines under Construction' (see below), is based upon the total quantity of JORC compliant resources of which part falls outside the area covered by the mining licence and still subject to formal approval, as noted above. Failure to obtain this approval would lead to an impairment of 'Mines under Construction', together with inventories, and also impact the going concern basis of preparation of the Financial Statements. No provision for impairment has been recognised in these Financial Statements relating to this uncertainty.

Estimated impairment of exploration and evaluation assets and mines under construction (notes 11 and 12)

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.

2. Critical Accounting Estimates, Assumptions and Judgements (continued)

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 to the expiration of the licence in 2030, which consists of 2 years to prepare for full production, and 13 years of full production. Gold revenues have been estimated over that period at a price of US$1,100 per ounce to US$1,210. 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. The total cost per ounce including royalties, taxes, depreciation and amortisation is US$698, 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.

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, the gold price, and the discount rate. An impairment to the mine value would occur if gold prices fell to the five year low, costs were to increase by 10%, and the discount factor used were to increase to 12%.

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.

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. Although the Directors are not aware of any legal or other impediments which would ultimately prevent approval of the licence extension, the Directors fully impaired the carrying value of the exploration and evaluation assets relating to Eastern Pakrut, Rufigar and Sulfidnoye during 2014 due to non-renewal of the Exploration Licence as at 31 December 2014. The licences remain unapproved as at 31 December 2015. Exploration and evaluation activities can continue at the Pakrut Gold Deposit in the area covered by the Mining Licence.

2. Critical Accounting Estimates, Assumptions and Judgements (continued)

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 expenditure and 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 mines under construction, property, plant and equipment and inventories.

Mine rehabilitation provision (note 20)

Rehabilitation costs will be incurred by the Group at the end of the operating life of the Pakrut mine and some of the processing 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 2015 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 'Mine Properties' and '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; and
- 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.

2. Critical Accounting Estimates, Assumptions and Judgements (continued)

Contingencies (note 28)

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.

3. Revenue

No revenue was generated in the year.

4. 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 and PRC segment.

The Group's exploration and evaluation activities are located in Tajikistan, principally within the Pakrut Gold Project. 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.

4. Segment Information (continued)

2015	*UK and PRC US$000*	*Tajikistan Pakrut US$000*	*Total US$000*
Operating loss	(3,813)	(2,341)	(6,154)
Finance income	4	-	4
Finance cost	-	-	-
Loss for the year	(3,809)	(2,341)	(6,150)
Intersegment revenue	-	-	-
Total assets	2,363	296,403	298,766
Total liabilities	(262,908)	(962)	(263,870)
Depreciation	23	1,862	1,885
Additions to property, plant and equipment	-	2,326	2,326
Additions to mines under construction	-	111,999	111,999
2014			
Operating loss	(2,851)	(12,786)	(15,637)
Finance income	6	-	6
Finance cost	-	(49)	(49)
Loss for the year	(2,845)	(12,835)	(15,680)
Intersegment revenue	671	-	671
Total assets	28,456	162,386	190,842
Total liabilities	(128,863)	(21,122)	(149,985)
Depreciation	13	2,291	2,304
Additions to property, plant and equipment	13	12,891	12,904
Additions to mines under construction	-	81,488	81,488

5. Particulars of Employees

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

	2015 No.	*2014 No.*
Administrative and management	83	89
Exploration, evaluation and construction in progress	178	194
	261	283

The aggregate costs of the above were:

	2015 US$000	**2014 US$000**
Wages and salaries	3,744	3,924
Social security costs	397	444
Share based payments	-	133
	4,141	4,501

Staff costs include US$2.285 million (2014 – US$2.448 million) of costs capitalised and included within additions to ‘Mines under Construction’.

6. Directors' Emoluments

The Directors' emoluments in respect of qualifying services were: During the year, no Directors (2014 – none) exercised share options.

2015	***Salary and fees US$***	***Bonus and holiday pay US$***	***Other benefits US$***	***Termination fees US$***	***Total US$***
Mr. Xiang Wu	18,080	-	-	-	18,080
Mr Abuali Ismatov	135,558	-	-	-	135,558
Mr Tao Luo	20,663	-	-	-	20,663
Mr Weili Tang	34,448	-	-	-	34,448
Mr Li Li	166,335	-	-	-	166,335
Mr Pizhao Che	34,548	-	-	-	34,548
Mr Wang Yubin	102,280	-	-	-	102,280
	511,912	-	-	-	511,912

2014	***Salary and fees US$***	***Bonus and holiday pay US$***	***Other benefits US$***	***Termination fees US$***	***Total US$***
Mr. Xiang Wu	-	-	-	-	-
Mr Abuali Ismatov	148,156	-	-	-	148,156
Mr Tao Luo	29,426	-	-	-	29,426
Mr Weili Tang	27,758	-	-	-	27,758
Mr Li Li	152,481	-	-	-	152,481
Mr Pizhao Che	29,242	-	-	-	29,242
Mr Wang Yubin	97,200	-	-	-	97,200
	484,263	-	-	-	484,263

Key management comprises Executive and Non-Executive Directors.

7. Expenses by nature

	2015 US$000	**2014 US$000**
Employee benefit expenses	1,856	1,821
Operating lease expenses	138	314
Depreciation	1,885	2,304
Less transfer to intangible assets and mines under construction	(1,343)	(2,237)
Legal, professional and regulatory costs	175	646
Travel and entertaining	32	625
Consulting fees	63	25
Public relations	12	142
Other expenses	348	1,328
Total administrative expenses	3,166	4,968

	2015 US$000	**2014 US$000**
Fees payable to the Company's auditor for the audit of the consolidated financial statements	80	100
Fees payable to the Company's auditor for other services:		
– Tax advisory services	4	4
– Tax compliance services	-	36
– Other services	84	140

8. Income Tax

a) Analysis of Charge in the Year Group

	2015 US$000	**2014 US$000**
Current tax:		
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 2014 and 2015.

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 18.6% (2014 – 16.2%).

8. Income Tax (continued)

	2015 US$000	2014 US$000
Loss before income tax	(6,150)	(15,680)
Loss on UK ordinary activities by rate of tax at 20.25% (2014 – 21.5%)	(772)	(612)
Loss on Tajikistan ordinary activities by rate of tax at 15% (2014 – 15%)	(351)	(1925)
Expenses not deductible for tax purposes	2	43
Tax losses for which no deferred income tax asset was recognised	1,121	2,494
Total tax – (note 8(a))	-	-

The standard rate of Corporation Tax in the UK changed from 21% to 20% on 1 April 2015 and from 23% to 21% on 1 April 2014.

The Group did not recognise deferred income tax assets of approximately US$1,121,000 (2014 – US$2,146,000). These were in respect of unused UK tax losses amounting to approximately US$ nil (2014 – US$ nil) and unused Tajikistan tax losses amounting to approximately US$16,630,745 (2014 – US$14,308,000). The Group can no longer utilise its UK tax losses following the change in tax residency. The Tajikistan tax losses can be carried forward for three years from the year incurred and used against future taxable income at 15%.

9. Finance Income and Costs

	2015 US$000	2014 US$000
Finance Income		
Interest income on short term bank deposits	4	6
Finance Costs		
Interest expense on shareholder's loan wholly repayable within five years	5,099	3,950
Interest expense on bank borrowings wholly repayable within five years	3,673	487
Less: Borrowing costs capitalised in qualifying assets	(8,772)	(4,437)
Provisions: Unwinding of discount	-	49
Finance costs	-	49

10. Earnings per Share

	2015 US$000	2014 US$000
Basic and diluted earnings per share	*(0.0161)*	*(0.0411)*

The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US$6,150,000 (2014 – loss US$15,680,000) by the weighted average number of shares in issue and carrying the right to receive dividend. For the year ended 31 December 2015 this was 382,232,000 (2014 – 381,500,100) shares.

As the Group has incurred a loss for the year, no option or warrant is potentially dilutive, and hence the basic and diluted earnings per share are the same. At year end there were 5,625,000 (2014 – 8,475,000) share options and no warrants outstanding that are potentially dilutive in future.

11. Intangible Assets

	Exploration and evaluation assets
	US$000
Cost	
At 1 January 2014	9,941
Additions	-
At 31 December 2014	9,941
Additions	-
At 31 December 2015	9,941
Impairment	
At 1 January 2014	(466)
Impairment	(9,475)
At 31 December 2014	(9,941)
Impairment	-
At 31 December 2015	(9,941)
Net Book Value	
At 31 December 2014	-
At 31 December 2015	-

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 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 renewal application by the Group to extend the exploration licence is being considered by the Government of Tajikistan. Although the Directors are not aware of any legal or other impediments which would ultimately prevent approval of the licence extension, the Directors fully impaired the carrying value of the exploration and evaluation assets during 2014 due to non-renewal of the Exploration Licence. Exploration and evaluation activities can continue at the Pakrut Gold Deposit in the area covered by the mining licence.

12. Mines under Construction

Cost	***Mining rights US$000***	***Construction in progress US$000***	***Total US$000***
At 1 January 2014	34,891	16,151	51,042
Additions including foreign exchange differences	704	80,784	81,488
At 31 December 2014	35,595	96,935	132,530
Additions including foreign exchange differences	(573)	113,165	112,592
At 31 December 2015	35,022	210,100	245,122
At 31 December 2014	35,595	96,935	132,530

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. Mining rights also includes the subsoil contract signature bonus, a share based payment for securing the Pakrut Mining Licence and payments to obtain land use rights.

The decrease in mining rights during the year is a result of foreign exchange losses recognised in the amount of US$2,238,417, which was offset by additions to the Pakrut asset of US$1,665,417 during the period.

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") and Industrial and Commercial Bank of China (Macau) Limited ("ICBC"), together with associated legal, professional and consultancy costs.

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.

13. Property, Plant and Equipment

	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 2014	32	284	887	6,337	7,540
Additions		83	4,228	8,592	12,903
Disposals				(7)	(7)
At 31 December 2014	32	367	5,115	14,922	20,436
Additions	-	44	2,282	-	2,282
Transfers to construction in progress	-	(88)	-	(3,076)	(3,391)
Disposals	-	-	-	-	-
At 31 December 2015	32	323	7,397	11,846	19,598
Accumulated Depreciation					
At 1 January 2014	-	199	441	3,239	3,879
Charge for the year	-	70	715	1,520	2,305
Disposals	-	-	-	(7)	(7)
At 31 December 2014	-	269	1,156	4,752	6,177
Charge for the year	-	34	603	1,248	1,885
Transfers to construction in progress		(88)	-	-	(88)
Disposals	-	-	-	-	-
At 31 December 2015	-	215	1,759	6,000	7,974
Net Book Value					
At 31 December 2015	32	108	5,638	5,846	11,624
At 31 December 2014	32	98	3,959	10,170	14,259

Depreciation of US$1,342,983 (2014 – US$2,236,508) has been capitalised as part of exploration and evaluation assets. The net book value of tangible assets used in exploration and evaluation was US$ Nil (2014 – US$ Nil). The net book value of tangible fixed assets used in mines under construction was US$11,623,680 (2014 – US$14,259,171).

14. Principal Subsidiary Undertakings

The Group had the following principal subsidiaries at 31 December 2015:

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
International Mining Supplies and Services Limited	Ordinary Shares	UK	100%	Service Company

15. Financial Instruments by category

	Loans and Receivables US$000
31 December 2015	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	1,010
Cash and cash equivalents	2,213
Total	3,223

	Liabilities at amortised cost US$000
31 December 2015	
Liabilities per Statement of Financial Position	
Borrowings	189,020
Provisions for other liabilities and charges	646
Trade and other payables, excluding non-financial liabilities	74,204
Total	263,870

15. Financial Instruments by category (continued)

	Loans and Receivables US$000
31 December 2014	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	1,036
Cash and cash equivalents	18,272
Total	19,308

	Liabilities at amortised cost US$000
31 December 2014	
Liabilities per Statement of Financial Position	
Borrowings	118,958
Provisions for other liabilities and charges	593
Trade and other payables, excluding non-financial liabilities	30,435
Total	149,986

16. Inventories

	2015 US$000	***2014 US$000***
Gold	150	-
Consumables	-	4,050
Construction materials and processing equipment	39,240	20,682
	39,390	24,732

Inventories categorised as consumables are acquired for use in exploration and evaluation and mine construction 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 and processing equipment are acquired for use in mine construction at which time they are charged to construction in progress within Mines under construction.

The cost of inventories recognised as an expense in profit or loss during 2015 was US$ Nil (2014 – US$ Nil).

17. Trade and Other Receivables

	Group 2015 US$000	***Group 2014 US$000***
Other receivables	202	160
Prepayments and deposits	808	889
Total	1,010	1,049

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

18. Borrowings

	2015 US$000	2014 US$000
Bank borrowings	120,916	66,293
Other loans	69,224	55,594
Less: unamortised borrowing costs	(1,120)	(2,929)
Total	189,020	118,958
Non-current portion	56,437	88,042
Current portion	132,583	30,916

The fair value of borrowings equals their carrying amounts, as the impact of discounting is not significant.

CNMIM loan

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.

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:

- 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:

- 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. As at 30 November 2014, being the end of the loan availability period, the Group had drawn down RMB384,802,696 (equivalent to US$61,079,793 at the fixed repayment exchange rate) under the RMB tranche and US$10,000,000 under the US$ tranche.

During the year the Group received drawdowns under the RMB tranche of RMB11,627,252 (equivalent to US$1,845,596) (2014 –RMB274,409,147 equivalent to US$43,557,007) and US$40,000,000 under the US$ tranche. The Group repaid US$28,041,269 and US$3,333,400 during 2015 of the RMB and US$ tranches respectively. The Group loan interest charge was US$1,876,426 (2014 –US$4,436,839) during the year. The interest is directly attributable to the construction or production of a qualifying asset and has been capitalised within 'Mine Construction' costs and property, plant and equipment.

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

Industrial and Commercial Bank of China (Macau) Limited ("ICBC") loan

On 19 June 2014, the Group obtained a bank term loan facility of US$120,000,000 from ICBC, secured by standby letters of credit provided by China Nonferrous Metals Mining (Group) Co. Limited, to finance construction and development costs in respect of the Pakrut Gold Project. 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 2014 for US$84,500,000, enabling the Group to drawdown up to a maximum of US$80,000,000 in 2014. 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 supply of associated documentation.

During the year the Group received drawdowns of US$54,030,000. Borrowing costs paid in the year of US$1,669,479.17 have been capitalised, comprising application and guarantee fees. The Group loan interest charge was US$3,131,098.08 during the year. The interest is directly attributable to the construction or production of a qualifying asset and has been capitalised within 'Mine Construction' costs and property, plant and equipment.

The repayment schedule is as follows:

- 30/01/16 – US$5,000,000
- 30/07/16 – US$10,000,000
- 30/01/17 – US$10,000,000
- 30/07/17 – US$15,000,000
- 30/01/18 – US$20,000,000
- 30/07/18 – US$20,000,000
- 30/01/19 – US$20,000,000
- 08/06/19 – US$20,000,000

As at 31 December 2015, the Group had undrawn floating rate US$ denominated borrowings of US$14,030,000 expiring within one year.

If the facility is not fully drawn down within the loan availability period, the principal repayments are reduced in inverse order of the repayment schedule above. In the event of default, ICBC has the right to demand full repayment of the outstanding loan and charge default interest at 3% over the contracted interest rate.

The loan is secured by China Nonferrous.

19. Trade and other payables

	2015 US$000	2014 US$000
Trade and other payables	74,204	30,159
Accrued expenses	-	276
	74,204	30,435
Non-current portion	-	7,390
Current portion	74,204	23,045

Trade and other payables include amounts due of US$78,629,000 (2014 – US$29,498,000) in relation to exploration and evaluation activities and mines under construction.

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.

20. Provisions for Other Liabilities and Charges

	Rehabilitation US$000	Total US$000
At 1 January 2015	593	593
Unwinding of discount	53	53
At 31 December 2015	646	646

All provisions are non-current.

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 2030, 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 2015 is 9% per annum. The value of the undiscounted provision is US$2,481,000.

21. 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 2015 and 2014 there were no monetary assets denominated in currencies other than the functional currencies of the Group’s operations.

21. Treasury Policy and Financial Instruments (continued)

There are no material differences between the book value and fair value of the financial assets at the year end. Except for the impact of discounting on the provisions for liabilities and other charges, there are no material differences between the book value and fair value of financial liabilities at the year end.

22. Share Capital

	2015 No. of ordinary shares	***2015*** Share Capital US$000	***2014*** No. of ordinary shares	***2014*** Share Capital US$000
At 1 January (Ordinary shares of £0.01) each	381,642,292	38	381,292,292	38
Issued during the year	750,000		350,000	
At 31 December (Ordinary shares of US$0.0001 each)	382,392,292	38	381,642,292	38

On 19 March 2015, 750,000 ordinary shares were issued through the exercise of options.

23. 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:

Share Option Scheme	***2015*** No. of share options	***2015*** Weighted average exercise price (pence)	***2014*** No. of share options	***2014*** Weighted average exercise price (pence)
Outstanding at beginning of year	8,475,000	25.38	8,825,000	24.92
Granted during the year				
Exercised during the year	(750,000)	16.25	(350,000)	16.25
Expired during the year	(2,100,000)	16.25	-	-
Outstanding at end of year	5,625,000	30.00	8,475,000	25.38
Exercisable at 31 December	5,625,000	30.00	8,475,000	25.38

23. Share Based Payments Share Option Scheme (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices.

	No. of share options	***Expiry date***	***Exercise price***
Grant – Vest			
2012 – 2013	4,100,000	28 September 2016	30.00
2013 – 2014	1,475,000	18 April 2017	30.00
2013 – 2014	50,000	18 April 2018	30.00

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 weighted average share price at the date of exercise of the options during the year ended 31 December 2015 was 16.25 pence. The weighted average remaining option life as at 31 December 2015 is 0.90 years. The weighted average exercise price of the outstanding options at 31 December 2015 is 30 pence.

The total fair value has been spread over the relevant vesting periods with the final charge recongnised in the statement of comprehensive income in 2014.

Warrants
Details of warrants granted by the Company were as follows:

	2015		***2014***	
	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
Exercised during the year	-	-	(300,000)	15.00
Outstanding at end of year	-	-	-	-
Exercisable at 31 December	-	-	-	-

24. Cash flows from Operating Activities

	31 December 2015 US$000	31 December 2014 US$000
Cash flows from Operating Activities		
Loss before income tax	(6,150)	(15,680)
Adjustments for:		
Finance income	(4)	(6)
Depreciation	542	68
Share based payments	-	133
Project impairment	-	9,475
Finance costs	-	49
Change in working capital:		
Trade and other receivables	39	8,830
Trade and other payables	49,615	42,282
Net Cash generated from in Operating Activities	44,042	45,151

25. Controlling Party

The Directors consider China Nonferrous Metals Mining (Group) Co. Limited ("CNMC") to be the ultimate controlling party, by virtue of their shareholding and representation on the Board of Directors.

26. Capital Commitments – Pakrut Gold Project

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

	2015 US$000	2014 US$000
Capital expenditure contracted for but not provided for in respect of acquisition of mines under construction and property, plant and equipment	279	63,611

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

27. Operating Lease Commitments

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

	2015 US$000	2014 US$000
Within one year	361	198
Later than one year and no later than five years	–	158
	361	356

28. Contingent Liabilities

The Group has no contingent liabilities as at 31 December 2015.

29. Related Party Transactions

At the year-end, Abuali Ismatov was due US$29,215 (2014 – US$1,144) 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 2015 was US$138,924 (2014 – US$109,157).

The amount payable by the Company and Kryso Resources Limited to CNMIM for interest on the loan in 2015 amounted to US$5,632,976 (2014 – US$4,436,839). The amount due to CNMIM as at 31 December 2015 was US$65,863,384 (2014 – US$55,594,123). CNMIM is a significant shareholder of Kryso Resources Plc and Xiang Wu and David Tang are Chairman and President of CNMIM respectively.

During 2015, 15MCC provided equipment and materials, together with installation and construction work to the Group amounting to US$ 12,739,432.51 and the Group advanced payments to 15MCC under the CNMIM loan amounting to US$ 5,297,692.43.

During the year the Group entered into two additional consultancy contracts with 15MCC and one with CNMC Hongtoushan Fushun Mining Co Ltd., through CNMIM as agent as follows:

a) Concentrator and ancillary facilities for Tajikistan Pakrut Gold Mine Project

The Group contracted 15MCC to provide project management and consultancy services relating to the construction of the flotation concentrator and ancillary facilities at the Pakrut Gold Mine. The total cost of the project was estimated at RMB243,276,905 (equivalent to US$39,212,912) comprising construction costs of RMB206,785,369 (equivalent to US$33,330,975) and a management fee of RMB36,491,536 (equivalent to US$5,881,937). Advance payments of RMB119,460,889 (equivalent to US$19,424,341) were made in 2014 for the provision of materials and equipment, and a construction service charge, to include materials and equipment, of RMB75,185,551 (equivalent to US$12,225,171) was owing to 15MCC as at 31 December 2014, which was offset against advance payments.

b) Tailings ponds for Tajikistan Pakrut Gold Mine Project

The Group contracted 15MCC to provide project management and consultancy services relating to the construction of the tailing ponds at the Pakrut Gold Mine flotation concentrator. The total cost of the project was estimated at RMB89,897,178 (equivalent to US$14,490,196) comprising construction costs of RMB76,862,601 (equivalent to US$12,389,201) and a management fee of RMB13,034,577 (equivalent to US$2,100,996). Advance payments of RMB4,473,046 (equivalent to US$727,317) were made in 2014 for the provision of materials and equipment, and a construction service charge, to include materials and equipment, of RMB33,223,887 (equivalent to US$5,402,204) was owing to 15MCC as at 31 December 2014, which was offset against advance payments.

Relating to the above mentioned transactions a) and b) 15MCC provided equipment and materials, together with installation and construction work to the Group amounting to US$ 52,180,753.31 and the Group advanced payments to 15MCC under the CNMIM loan amounting to US$ 28,191,840.70 during 2015.

As at 31 December 2015, the total liability due to 15MCC US$26,566,538.

29. Related Party Transactions (continued)

c) Smelting and Processing Agreement

CNMC Hongtoushan Fushun Mining Co Ltd.(CNHFMG) is a copper mine and processing operation owned by CNMC. On 7th of September, 2015, the Group entered into a smelting and processing agreement with CNHFMG.

Under the terms of the Agreement, CNG will pay to CNHFMG an amount of RMB 17.99 (approximately US$2.8) per gram of finished gold once the Project commences the 12 month production period. Prior to this period the Company will cover the labour and associated costs of CNFMG. Once in production, in the event the recovery of the plant is above the Beijing General Research Institute of Mining and Metallurgy forecast rate over the life of production of 82.99 percent, CNHFMG will share 40 percent of the profits from the upside directly due to the increased recovery. In the event recovery is below 75 percent, CNHFMG will bear 20 per cent of any loss incurred by the Company from the Project due to directly to recovery levels.

During the year China Nonferrous provided standby letters of credit amounting to US$84,500,000 as security for the Group's bank loan facility with ICBC.

30. Events after the Reporting Period

a) On 6 May, 2016 the Company has signed documentation with CNMC International Capitals Company Limited ("CNMC"), an associate of China Nonferrous Metals International Mining Co., Ltd ("CNIMIM"), the Company's 38.36% shareholder, for a loan facility of USD$120 million ("CNMC Loan"). The CNMC Loan will be used to refinance the loan facility with the Industrial and Commercial Bank of China (Macau) Limited ("ICBC"), under which USD$115 million is currently drawn, and for working capital. The CNMC Loan is repayable on 31 December 2018 and includes an annual fixed interest rate of 4% on the amount drawn down, payable half yearly in arrears.
b) On 27 June 2016 the Group drew down a further US$19 million on the loan facility with CNMIM.