CHINA NONFERROUS GOLD

LIMITED

Company Registration Number WK-277188

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2016

Directors	Mr Xiang Wu	*(Chairman and Non-Executive Director)*
	Mr Weili Tang	*(Executive Director)*
	Mr Li Li	*(Non-Executive Director)*
	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	
	China Construction Bank Macau Branch 5/F, Circle Square, 61 Avenida de Almeida Ribeiro, Macau	
	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
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As the Chairman of the Board, it gives me great pleasure to present the Chairman's Statement of the annual report for the year ended 31 December 2016. This was a momentous year for the Group during which 230,000 tonnes of ore were processed with 5,479 tonnes of gold concentrate produced. The total gold ingot production by the end of the year was 162kg.The period under review also saw, in June 2016, the ribbon-cutting ceremony of the Pakrut gold project and the Group was delighted that this ceremony was attended by Tajikistan President Rahmon. The ceremony was a highlight of the year.

Shortly after the year end however, the Pakrut mine site and Vahdat smelting plant experienced snowfall not seen for over 50 years which resulted in an avalanche, landslide and subsequent flooding at the mine site. The conditions at the mine site were so severe that full access to the mine site was restricted until May 2017. This materially impacted the operations of the Group and the management team is in the process of working to repair the damage while the mine site continues to suffer from flooding. Primarily as a result of the adverse weather conditions, in particular due to lack of access to inventory, insufficient time has been available to prepare all of the financial information necessary for the auditor to form an opinion on the financial statements. This has been intensified by the fact that key members of the finance team were lost during 2016, although the search for suitable replacements is ongoing. Now that access to the mine site has been reopened the Group will prepare and provide all outstanding audit information in respect of the year ended 31 December 2016 and continue to work with the auditors to review the relevant records and perform inventory counts. The Group will ask the auditor to perform an enhanced review on the 30 June 2017 interim figures. The Directors are also reviewing the structure of the accounting team to ensure that it is appropriately staffed and skilled to resolve the current situation.

Construction

Whilst 2016 saw many key project developments at the Pakrut project, the business made a number of important operational decisions. These included the selection of a backfilling system, mining method, underground production capacity and resources and reserves verification amongst others. As a result of the time required to ensure the appropriate options were considered fully it was not possible to fully establish the mine underground tunneling project. Despite this, the Group was pleased to achieve 2,386 meters of tunneling with1,694 metres of cutting completed during the period under review. However, further tunneling is still required.

The construction of all the processing units within the processing and smelting plant was completed during 2016 and neither plant was damaged by the avalanche. Furthermore, certain deficiencies within the processing units have been addressed and will improve the efficiency of the units going forwards.

Construction of the 2.5 kilometre access road to the Lufujia tailings dam was completed during the year. The Group has also completed a topographical map survey of the site as well as carried out engineering studies. Construction of the new tailings dam is expected to commence in early 2018. In the meantime the temporary tailings dam has been reinforced.

The maintenance and improvement of external roads around the Pakrut gold mine area was also an area of focus during the year. In addition, the construction of a permanent camp is expected to be finalised by the second half of 2018.

Project Operation

Trial production commenced at the Pakrut gold project in the fourth quarter of 2015 with the first gold poured in January 2016. In the first quarter of 2016 production was halted to resolve a number of minor technical issues at the processing plant. At the same time, LLC Pakrut also carried out the necessary maintenance and rectified a number of minor issues at the smelting plant. Once rectification was completed the connection between the smelting plant and processing plant was finalised enabling the Company to undertake production. Trial production recommenced in the second quarter of 2016 and ramped up to achieve 2,000 tonnes per day during October2016.

In the year ended 31 December 2016, a total of 230,000 tonnes of ore was processed. 5,479 tonnes of gold concentrate was produced and 162 kg of finished gold was produced by the smelting plant. This is held in inventory at 31 December 2016 and has since been sold in 2017.

Financial Results

As progress on the Pakrut project accelerated, expenditure continued to be incurred by the Group on development and construction work during the year and stood at US$72,768,000 (2015: US$112,572,000). Administration expenditure was US$5,100,000 (2015: US$3,166,000). The overall loss incurred by the Group was US$6,310,000 (2015: US$6,150,000).

During the course of the year the Group signed financing agreements with CNMC International Capitals Company Limited, an associate of China Nonferrous Metals International Mining Co., Ltd for a loan facility of USD$120 million ("CNMC Loan") and with China Construction Bank Corporation Macau Branch for a loan facility of up to USD$100 million ("CCBC Loan"). In addition, the 2012 China Nonferrous Metals Int'l Mining Co., Ltd. facility signed in May 2012,was extended post period end. The total balance outstanding under the loans noted above amounted to US$254.35 million at the end of the year.

It is the opinion of the board of directors that the Group requires additional funds to continue as a going concern. The Directors anticipate raising additional loan funding to complete the construction of the mine and to bring the mine into production, while also managing the repayments due on current loans. In this respect, the Directors have received a letter of support from a substantial shareholder, China Nonferrous Metal Mining Group (CNMC) Co.,Ltd, to provide the funding and support required to bring the mine into production. It should be noted however, that due to the disclaimer of opinion within the Financial Statements, no reference is made by the auditor regarding any conclusion drawn by the Directors in respect of going concern.

Post balance sheet events

As noted above, in early 2017, the Pakrut region suffered extreme snowfall which resulted in a serious avalanche, landslide and flooding. This disrupted the local traffic to the site and resulted in the interruption of power supply in the Pakrut area, whilst several buildings also collapsed and certain equipment was damaged. The mine was submerged below the main ramp at the 2,230 metre level and the avalanche halted all gold production and operations.

In the immediate aftermath, progress at rectifying the damage caused by the avalanche has been very slow primarily due to access to the mine site. The road has now been reopened and a temporary solution to restore the power supply was reached at the end of May 2017. There is still however significant damage to a number of high-voltage wire towers which require repairing and the drainage work required to recommence mining will not commence until a permanent solution to the power supply situation is resolved. The equipment for the tailing filter press also requires restoration to allow operations to be resumed.

In 2016, LLC Pakrut purchased mining property insurance. In accordance with this the provider visited the mine site to investigate and evaluate the loss. Whilst claims are expected to be made throughout the year as the damage and impact of the avalanche and landslide becomes clearer, an initial claim of RMB62.7 million (US$:9.2 million) has been made, although this is currently subject to agreement by the insurance provider.

Outlook

The Group's immediate focus in the aftermath of the avalanche is to recommence production as well as work with the appropriate authorities and agencies to help repair the damage that has occurred in the local community. The Group does not expect operations at the mine site to return to normal levels until the first quarter of 2018. Consequently, the Pakrut gold mine will not achieve the originally budgeted sales revenue for the year ending 31 December 2017, save for the sale of existing inventory. As a result, the Group will continue to monitor its financial position and is in discussions with CNMC International Capitals Company Limited regarding its repayment obligations.

Beyond this, the backfilling station is expected to be completed in April 2018, and the soil excavation work for the tailing dam is expected to be completed at the end of 2017. It is also intended that the ventilation system for construction and mining operations will be carried out, in the areas not affected by the flood, above the level of 2,230 metres.

It has been a difficult year and the Group has faced unfortunate circumstances beyond the Group's control which has led to the necessity to divert the time and resources of the Group to rectify. Despite this, the Group has made significant progress and in that respect I would like to take this opportunity to thank all our employees, management and advisors for their continued efforts in 2016 and thank our shareholders for their continued support. I very much look forward to updating our shareholders further on the mine developments and production levels.

Xiang Wu

Chairman
Director

27 June 2017

The Directors present their annual report and the audited Financial Statements of China Nonferrous Gold Limited for the year ended 31 December 2016.

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 in Tajikistan.

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 2016 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, 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 and seeks to achieve this by bringing the Pakrut Gold Project into full production.

Adverse weather conditions
Shortly after the year end, the Pakrut mine site and Vahdat smelting plant experienced snowfall not seen for over 50 years which resulted in an avalanche, landslide and subsequent flooding at the mine site. The conditions at the mine site were so severe that full access to the mine site was restricted until May 2017. This materially impacted the operations of the Group and the management team is in the process of working to repair the damage while the mine site continues to suffer from flooding.

AUDIT REPORT

As a result of the adverse weather conditions experienced in Tajikistan and notably at the mine site insufficient time has been available to prepare all of the information necessary for the auditor to form an opinion on the financial statements. This has been accentuated by the fact that key members of the finance team were lost during 2016 and suitable replacements have not yet been recruited. The Directors have actively engaged with the auditors throughout the audit process and are aware of the key issues faced. An action plan has been put into place which includes continuing to work on the 31 December 2016 balances to rectify the issues and obtain all relevant outstanding information, accessing the mine site to obtain the relevant records and perform inventory counts, and asking the auditor to perform an enhanced review on the 30 June 2017 interim figures to ensure that matters are being addressed. Any material adjustments identified in relation to the year ended 31 December 2016 will be adjusted as a prior year adjustment. The Directors are also reviewing the structure of the accounting team to ensure that it is appropriately staffed and skilled to resolve the current situation.

OPERATING REVIEW

To date the Group has:

- Completed the mine underground development of 2,386.87 metres and cutting work continued over the course of the year with 1,694.54 metres;

- Processing Plant reached processing capacity of 2,000 tons per day after shutdown maintenance and technical transformation;

- Processed total of 241,600 tons of ore, the grade of raw ore was 1.36 g/t;

- Produced 6,072 tons of gold concentrate @ 46.18 g/t, the gold content of gold concentrate is 262.25kg, the recovery rate was 79.8%;

- Smelting Plant processed more than 300 tons of gold concentrate, produced gold ingots of 3 kg;

- Confirmed the location of tailings dam and the tender process for design will be finalized soon.

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 PakrutLicence 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 2016 and the year ended 31 December 2015 were as follows:

	2016	***2015***
	US$000	***US$000***
Revenue	–	–
Exploration and evaluation costs capitalised during the year as intangible assets	–	–
Mine construction costs capitalised during the year	72,768	112,572
Administrative expenses	5,100	3,166
Total costs	77,868	115,738
% Administrative expenses to total costs	6.5%	2.7%
Operating loss	6,315	6,154
Finance costs	–	–
Less: interest receivable	5	4
Loss on ordinary activities before taxation	6,310	6,150
Loss per share (cents)	1.65	1.61

The main financial Key Performance Indicator ('KPI') for the Group is administration costs as a percentage of total costs which continues to be at an acceptable proportion. Administrative expenses increased in 2016 as a percentage of total costs as additional administrative and technical staff were employed during 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.

PRINCIPAL RISKS AND UNCERTAINTIES

Environmental Risk
The Group's core operations are located in Pakrut, a mountainous area of Tajikistan. The area is remote and can be subject to adverse weather conditions which, as evidenced in the first half of 2017, can impact the ability of the Group to perform its core operations and may lead to substantial damage of the Group's properties. The Group seeks to manage this risk by taking out appropriate insurance and carefully monitoring weather reports during the seasons when adverse conditions are most likely and ensuring that appropriate action is taken to minimize risk to life and property damage.

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 are required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at the Pakrut site.

There is no certainty that the exploration and development expenditures made by the Group as described in these financial statements will result in 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 macroeconomic 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 and nor can it guarantee that its level of insurance is sufficient to cover all outcomes and eventualities. 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 is 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 (2015: US$Nil).

Future Developments
Future prospects are set out in the Chairman's Statement on pages 5 to 7 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 2016*	***At 1 January 2016****
Mr Abuali Ismatov	–	2,602,603
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 2016	*At 1 January 2016*
Mr Abuali Ismatov	–	800,000
Mr. Xiang Wu	–	–
Mr Weili Tang	–	800,000
Mr Li Li	–	800,000
Mr Pizhao Che	–	–
Mr Wang Yubin	–	–

None of the Directors exercised any share options during the year. There are no share options held by Directors at the 31 December 2016 as they have expired during 2016.

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

Mr Wang Yubin resigned from the Board on 5 July 2016.

Substantial shareholdings
As at 23 June 2017, 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	50,090,304	13.10%
Golden Max Group	33,823,113	8.85%
Huang Lihuo	33,068,430	8.65%
BOCOM International	16,500,000	4.31%
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 52), 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 51), 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 52), Non-Executive 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 Pizhao Che (aged 60), Non-Executive Director
Mr. Che 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 Society, and Council Member of China International Law Society. Mr. Che is also a Deputy President of Beijing Arbitration Committee, and a member of China International Economic and Trade Arbitration Committee, an arbitrator of Singapore International Arbitration Centre, and the Kuala Lumpur Arbitration Centre.

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 of the Board. Accepting that no systems of control can provide absolute assurance against material misstatement or loss, the Directors believe that the established systems for internal control within the Group are appropriate to the business.

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 Group has 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 30 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 Tang Weili

27 June 2017

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. The Directors are required 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 Tang Weili

27 June 2017

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 2016 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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.

Basis for Disclaimer of Opinion on the Financial Statements

The audit evidence available to us was limited because we were unable to obtain full access to accounting records due to the high levels of snowfall at the Pakrut mine site and Vahdat smelting plant, together with the consequential effect from avalanches, landslides and flooding which was further impacted by the loss of key accounting personnel. Management has therefore been prevented from undertaking key accounting procedures in respect of the Group financial statements, which include counting physical inventories; undertaking key accounting reconciliations on inventories, payables, mines under construction and intercompany balances; reconciling the value of work performed by contractors at the accounting reference date; preparing an impairment assessment to include an estimate of the damage caused at the mine site and potential recoveries from the associated insurance claim; and performing a going concern review based upon revised budgets and cash flow forecasts. The preparation of financial information was significantly delayed as a result of the adverse weather which resulted in insufficient time for management to prepare the required audit information and resolve the issues created. As a result of the significant outstanding information, we have been unable to obtain sufficient appropriate audit evidence on which to form an audit opinion, including the appropriateness of the going concern basis.

Disclaimer of Opinion on Financial Statements

Because of the significance of the matters described in the Basis for Disclaimer of Opinion on Financial Statements paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly we do not express an opinion of the Financial Statements.

PKF Littlejohn LLP

PKF Littlejohn LLP
Chartered Accountants and Registered Auditor

27 June 2017

1 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

	Note	*2016* *US$000*	*2015* *US$000*
Revenue	3	–	–
Cost of sales		–	–
Gross Profit		–	–
Administrative expenses	6	(5,100)	(3,166)
Loss on foreign exchange		(1,215)	(2,988)
Operating Loss		(6,315)	(6,154)
Finance income	9	5	4
Finance costs	9	–	–
Loss before Income Tax		(6,310)	(6,150)
Income tax	8	–	–
Loss for the year attributable to owners of the parent		(6,310)	(6,150)
Total comprehensive income attributable to owners of the parent for the year		(6,310)	(6,150)
Basic and Diluted Earnings per share attributable to owners of the parent (expressed in dollars per share)	10	$(0.0165)	$(0.0161)

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

The accounting policies and notes on pages 24 to 52 form part of these Financial Statements.

	Note	As at 31 December 2016 US$000	As at 31 December 2015 US$000
Non-Current Assets			
Intangible assets	11	-	-
Mines under construction	12	317,297	244,529
Property, plant and equipment	13	3,946	11,624
Total Non-Current Assets		321,243	256,153
Current Assets			
Inventories	16	28,166	39,390
Trade and other receivables	17	4,084	1,010
Cash and cash equivalents		12,357	2,213
Total Current Assets		44,607	42,613
Non-Current Liabilities			
Borrowings	18	(227,684)	(56,437)
Provisions for other liabilities and charges	20	(704)	(646)
Total Non-Current Liabilities		(228,388)	(57,083)
Current Liabilities			
Borrowings	18	(26,667)	(132,583)
Trade and other payables	19	(82,209)	(74,204)
Total Current Liabilities		(108,876)	(206,787)
Net Current Liabilities		(64,269)	(164,174)
Net Assets		28,586	34,896
Equity attributable to the owners of the parent			
Share capital	22	38	38
Share premium		65,901	65,901
Other reserve		10,175	10,175
Retained earnings		(47,528)	(41,218)
Total Equity		28,586	34,896

These Financial Statements were approved and authorised for issue by the Directors on 27 June 2017 and are signed on their behalf by

Mr Weili Tang
Managing Director

The accounting policies and notes on pages 24 to 52 form 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 2015	38	65,711	10,175	(35,068)	40,856
Loss and Total comprehensive income for the year	-	-	-	(6,150)	(6,150)
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
Balance at 1 January 2016	38	65,901	10,175	(41,218)	34,896
Loss and Total comprehensive income for the year	-	-	-	(6,310)	(6,310)
	38	65,901	10,175	(47,528)	28,586
Total contributions by and distributions to owners of the parent, recognised directly in equity	-	-	-	-	-
Balance at 31 December 2016	38	65,901	10,175	(47,528)	28,586

Description and purpose of reserves:

a) Share capital: share capital consists of amounts subscribed for share capital at nominal value.

b) Share premium: share premium consists of amounts subscribed for share capital in excess of nominal value.

c) Other reserve: other reserve comprises the capital reorganisation reserve under the scheme of arrangement.

d) Retained earnings: cumulative net gains and losses recognised in the consolidated statement of comprehensive income. Also included in this figure is an amount of $7.39m (2015: $8.14m), being the share options and warrants reserve established in 2013 as part of the capital restructuring program. This consists of the fair value of options and warrants outstanding at the year end.

The accounting policies and notes on pages 24 to 52 form part of these Financial Statements.

	31 December 2016 US$000	***31 December 2015 US$000***
Cash flows from Operating Activities (note 24)	306	44,042
Net cash generated from Operating Activities	306	44,042
Cash flows from Investing Activities		
Payments for mining rights and construction in progress	(66,391)	(111,999)
Purchase of property, plant and equipment	(333)	(2,282)
Movement in inventories	11,224	(14,658)
Interest received	5	4
Net cash used in Investing Activities	(55,495)	(128,935)
Cash flows from Financing Activities		
Cash acquired from contractor		
Proceeds from issuance of equity share capital	-	190
Proceeds from borrowings (net of capitalised issue costs)	244,837	110,909
Repayment of borrowings	(167,435)	(31,375)
Interest paid	(12,069)	(10,890)
Net cash generated from Financing Activities	65,333	68,834
Net increase/(decrease) in Cash and cash equivalents	10,144	(16,059)
Cash and cash equivalents at beginning of the year	2,213	18,272
Cash and cash equivalents at end of the year	12,357	2,213

Major non-cash transactions

Year ended 31 December 2016

During the year the Group made drawdowns from its loan facility with CNMC of USD 10,162,387, which under the terms of the agreement were paid directly to CNMIM as part settlement of its loan facility with CNMIM.

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.

The accounting policies and notes on pages 24 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 in Note 2.

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

The following IFRSs or IFRIC interpretations were effective for the first time for the financial year beginning 1 January 2016. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

Standard / Interpretation	
IFRS 11 (amendments)	Accounting for Acquisitions of Interests in Joint Operations
IAS 16 and IAS 18 (amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 27 (amendments)	Equity method in separate financial statements
Annual Improvements to IFRSs: 2012-2014 Cycle	Amendments to: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 Financial Instruments: Disclosures, IAS 19 Employee Benefits and IAS 34 Interim Financial Reporting
IAS 1 (amendments)	Disclosure Initiative

b) New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 January 2016 and not early adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) have not yet been adopted by the EU. The Group intend to adopt these standards, if applicable, when they become effective.

Standard / Interpretation		Effective Date
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 16	Leases	1 January 2019*
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017*
IAS 7 (amendments)	Disclosure Initiative	1 January 2017*
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	1 January 2017*
Annual Improvements to IFRSs: 2014-2016 Cycle	Amendments to: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates	1 January 2017 (IFRS 12)* / 1 January 2018 (IFRS 1 and IAS 28)*
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018*

**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. Particular attention will be paid to the impact of IFRS 9 and IFRS 15 on the Group's financial statements.

IFRS 15 "Revenue from Contracts with Customers" provides a single, principles based five-step model to be applied to all contracts with customers. The standard includes guidance on the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. IFRS 15 also introduces new disclosures about revenue. This will be relevant for the Group once the Pakrut Gold Project enters full production and revenue is generated.

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 2016. 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.

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 also 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

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.

Inventories comprising gold are valued at the lower of weighted average cost and net realisable value. Cost includes direct materials, direct labour costs and production overheads, including depreciation and depletion of relevant property, plant and equipment.

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'), being US Dollar. The Group Financial Statements are presented in US Dollars, which is the Group's functional and presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items at the Statement of Financial Position date, are included in the Statement of Comprehensive Income for the period.

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.

Going Concern
The Group's activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Report of the Directors. These areas also include the Group's objective, policies and procedures for managing its business risk objectives, which includes its exposure to economic, political, environmental and other operational risks.

The Directors of the Group have prepared cash flow forecasts which reflect the Group's forecast development costs and cash inflows. In making these assessments the Directors have considered:

- The additional expenditure required to repair the mine and bring it to an operational and revenue generating state and the timescale required to achieve this;
- Success and quantum of the insurance claim made by the Group in respect of the damage to the mine site;
- Sources, availability and potential for further funding;
- Ability of the Group to settle its debts as they fall due including all loan repayments; and
- The continued financial support of its largest shareholder.

Going Concern (continued)

Based on this assessment, the Directors have identified that the Group will require additional funding to continue in operational existence for at least 12 months from the date of signing these Financial Statements. The Directors have received a letter confirming that the largest shareholder will continue to support the Group to bring the mine into production and therefore the Directors believe that the funding will be forthcoming. Thus they continue to adopt the going concern basis of accounting in preparing the Financial Statements. The Financial Statements do not include any adjustments that may be required should the Group be unable to continue as a going concern.

It should be noted that due to the disclaimer of opinion within the Financial Statements, no reference is made by the auditor regarding any conclusion drawn by them in respect of going concern.

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, CNMC and CCB. 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$82,518 held in a sterling deposit account. A 0.25% change to the interest rate would give rise to a US$206 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 CCB loan is 2.10% per annum over the quarterly LIBOR rate and the loan is repayable in US$. The interest rate on the CNMC loans is a fixed annual interest rate of 4% on the amount drawn down, payable in arrears.

At 31 December 2016, 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$137,000 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. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has cash assets denominated in UK Sterling, United States Dollars, Tajik Somoni and PRC Renminbi and incurs liabilities for its working capital expenditure in all of these denominations, primarily Tajik Somoni. Payments are made in all of these denominations at the pre-agreed price and converted (if necessary) as soon as payment needs to occur. Currency conversions and provisions for expenditure are only made as soon as debts are due and payable. The Group is therefore exposed to currency risk in so far as its liabilities are incurred in UK Sterling, PRC Renminbi and Tajik Somoni, and fluctuations occur due to changes in the exchange rates against the functional and presentational currency of US Dollar.

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, CNMC and CCB. 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 2016						
Interest-bearing borrowings	26,667	10,000	217,683	-	254,350	254,350
Trade and other payables	82,210	-	-	-	82,210	82,210
Provisions for other liabilities	-	-	-	2,481	2,481	705
	108,877	10,000	217,683	2,481	339,041	337,265
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	-	-	-	2,481	2,481	646
	206,787	-	56,437	2,481	265,705	263,870

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

Credit rating	*2016 US$000*	*2015 US$000*
A	9,954	1,831
AA-	115	123
No independent credit rating available	2,288	259
	12,357	2,213

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. The Group holds debt in the form of both shareholder and external loans and defines capital based on the total equity of the Company. Except for the secured loan facilities from CNMIM, CNMC and CCB, 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 mine under construction assets and property, plant and equipment relating to the particular site.

Estimated impairment of mines under construction (note 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.

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 1 year 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 14%, 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.

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

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 2016. Exploration and evaluation activities can continue at the Pakrut Gold Deposit in the area covered by the Mining Licence.

In making their assessment consideration has been given to the adverse weather conditions (heavy snowfall) experienced at the mine site in Tajikistan shortly after the year end, which resulted in damages to buildings and equipment, and the expected cost required to repair said damages and from where this cost will be sourced, including insurance proceeds.

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. The Group has made the judgement that this approval will be forthcoming. No provision for impairment has been recognised in these Financial Statements relating to this uncertainty.

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 2016 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)

Going concern

The Group's ability to continue as a going concern is dependent on a variety of factors including its ability to secure further financing, the amount of insurance received, the time required to bring the mine into production and the timing of the first gold sales. As a result in performing their going concern assessment the Directors exercised their judgment accordingly in relation to these factors.

3. Segment Information

The following segments are based on the management reports received by the Executive Directors, who are the chief operating decision makers. The Group operates principally in three geographical areas, UK, PRC 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.

2016	***UK and PRC US$000***	***Tajikistan Pakrut US$000***	***Total US$000***
Operating loss	(3,444)	(2,871)	(6,315)
Finance income	5	-	5
Finance cost	-	-	-
Loss for the year	(3,439)	(2,871)	(6,310)
Intersegment revenue	-	-	-
Total assets	8,785	357,065	365,850
Total liabilities	317,198	20,066	337,264
Depreciation	8	5,972	5,980
Additions to property, plant and equipment	-	(1,698)	(1,698)
Additions to mines under construction	-	72,768	72,768
2015			
Operating loss	(3,813)	(2,341)	(6,154)
Finance income	4	-	4
Finance cost	-	-	-
Loss for the year	(3,809)	(2,341)	(6,150)
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

4. Particulars of Employees

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

	2016 *No.*	*2015* *No.*
Administrative and management	79	83
Construction in progress	242	178
	321	261

The aggregate costs of the above were:

	2016 *US$000*	**2015** **US$000**
Wages and salaries	4,182	3,744
Social security costs	891	397
	5,073	4,141

Staff costs include US$2.280 million (2015 – US$2.285 million) of costs capitalised and included within additions to 'Mines under Construction'.

5. Directors' Emoluments

During the year, no Directors (2015 – none) exercised share options.

The Directors' emoluments in respect of qualifying services were:

2016	*Salary and fees* *US$*	*Bonus and holiday pay* *US$*	*Other benefits* *US$*	*Termination fees* *US$*	*Total* *US$*
Mr. Xiang Wu	31,351	-	-	-	31,351
Mr Abuali Ismatov	9,179	-	-	-	9,179
Mr Weili Tang	23,413	-	-	-	23,413
Mr Li Li	127,267	-	-	-	127,267
Mr Pizhao Che	23,413	-	-	-	23,413
Mr Wang Yubin	-	-	-	-	-
	214,623	-	-	-	214,623

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

Key management comprises Executive and Non-Executive Directors.

6. Expenses by nature

	2016 *US$000*	*2015* *US$000*
Employee benefit expenses	2,793	1,856
Operating lease expenses	168	138
Depreciation	5,688	1,885
Less transfer to intangible assets and mines under construction	(5,605)	(1,343)
Legal, professional and regulatory costs	677	175
Travel and entertaining	655	32
Consulting fees	1	63
Public relations	-	12
Other expenses	723	348
Total administrative expenses	5,100	3,166

	2016 *US$000*	*2015* *US$000*
Fees payable to the Company's auditor for the audit of the consolidated financial statements	80	80
Fees payable to the Company's auditor for other services:		
– Tax advisory services	4	4
	84	84

7. Income Tax

a) Analysis of Charge in the Year

	2016 *US$000*	*2015* *US$000*
Current tax:		
Current tax on loss for the year	–	–
Overseas tax	–	–
Total current tax	–	–

No provision for income taxes arises in the Cayman Islands, the UK, British Virgin Islands and Tajikistan as the companies comprising the Group did not have taxable income during 2015 and 2016.

8. Income Tax (continued)

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 18.20% (2015 – 18.60%).

	2016 *US$000*	*2015* *US$000*
Loss before income tax	(6,310)	(6,150)
Loss on ordinary activities by weighted average rate of tax at 18.20% (2015 – 18.60%)	(1,148)	(1,144)
Expenses not deductible for tax purposes	83	2
Tax losses for which no deferred income tax asset was recognised	1,065	1,142

The standard rate of Corporation Tax in the UK changed from 21% to 20% on 1 April 2015. There have been no further changes since this time.

The Group did not recognise deferred income tax assets of approximately US$1,065,000 (2015 – US$1,142,000). These were in respect of unused Tajikistan tax losses amounting to approximately US$20,075,220 (2015 – US$16,630,000). The Tajikistan tax losses can be carried forward for three years from the year incurred and used against future taxable income at 14%.

9. Finance Income and Costs

	2016 *US$000*	*2015* *US$000*
Finance Income		
Interest income on short term bank deposits	5	4
Finance Costs		
Interest expense on shareholder's loans wholly repayable within five years	8,967	5,099
Interest expense on bank borrowings wholly repayable within five years	4,530	3,673
Less: Borrowing costs capitalised in qualifying assets	(13,497)	(8,772)
Provisions: Unwinding of discount	58	53
Less: Unwinding of discount capitalised in qualifying assets	(58)	(53)
Finance costs	-	-

10. Earnings per Share

	2016 *US$*	*2015* *US$*
Basic and diluted earnings per share	(0.0165)	(0.0161)

The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US$6,310,000 (2015 – loss US$6,150,000) by the weighted average number of shares in issue and carrying the right to receive dividend. For the year ended 31 December 2016 this was 382,392,292 (2015 – 382,232,000) 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 1,525,000 (2015 – 5,625,000) share options outstanding that are potentially dilutive in future.

11. Intangible Assets

	Exploration and evaluation assets *US$000*
Cost	
At 1 January 2015	9,941
Additions	-
At 31 December 2015	9,941
Additions	-
At 31 December 2016	9,941
Impairment	
At 1 January 2015	(9,941)
Impairment	-
At 31 December 2015	(9,941)
Impairment	-
At 31 December 2016	(9,941)
Net Book Value	
At 31 December 2015	-
At 31 December 2016	-

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 pn that specific licence area were transferred into mines under construction. The remaining 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.

11. Intangible Assets (continued)

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 2015	35,595	96,935	132,530
Additions including foreign exchange differences	(573)	112,572	111,999
At 31 December 2015	35,022	209,507	244,529
Additions including foreign exchange differences	-	72,768	72,768
At 31 December 2016	35,022	282,275	317,297
At 31 December 2015	35,022	209,507	244,529

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.

Construction in progress comprises the mine, smelting plant, tailings pond, 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 China Construction Bank ("CCB"), 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 2015	32	367	5,115	14,922	20,436
Additions	-	44	2,282	-	2,326
Exchange movements	-	(88)	-	(3,076)	(3,164)
Disposals					
At 31 December 2015	32	323	7,397	11,846	19,598
Additions	-	123	82	2	202
Exchange movements	-	(31)	(703)	(1,166)	(1,900)
Disposals	-	-	-	-	-
At 31 December 2016	32	415	6,776	10,678	17,900
Accumulated Depreciation					
At 1 January 2015	-	269	1,156	4,752	6,177
Charge for the year	-	34	603	1,248	1,885
Exchange movements	-	(88)	-	-	(88)
Disposals					
At 31 December 2015	-	215	1,759	6,000	7,974
Charge for the year	-	94	1,725	3,869	5,688
Exchange movements	-	7	74	211	292
Disposals	-	-	-	-	-
At 31 December 2016	-	316	3,558	10,080	13,954
Net Book Value					
At 31 December 2016	32	305	3,218	391	3,946
At 31 December 2015	32	108	5,638	5,846	11,624

Depreciation of US$5,605,000 (2015 – US$1,343,000) has been capitalised as part of mines under construction assets. The net book value of tangible assets used in exploration and evaluation was US$ Nil (2015 – US$ Nil). The net book value of tangible fixed assets used in mines under construction was US$3,946,053 (2015 – US$11,623,680).

14. Subsidiary Undertakings

The Group had the following principal subsidiaries at 31 December 2016:

Name of Company	*Holding*	*Country of Incorporation*	*Proportion of Voting Rights held*	*Nature of Business*
Directly held				
Kryso Resources BVI Limited	Ordinary Shares	British Virgin Islands	100%	Holding Company
Kryso Resources Limited	Ordinary Shares	UK	100%	Holding Company
Indirectly held				
International Mining Supplies and Services Limited	Ordinary Shares	UK	100%	Service Company
LLC Pakrut	Ordinary Shares	Tajikistan	100%	Mineral exploitation, development and mining

15. Financial Instruments by category

	Loans and Receivables US$000
31 December 2016	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	3,621
Cash and cash equivalents	12,357
Total	15,978

	Liabilities at amortised cost US$000
31 December 2016	
Liabilities per Statement of Financial Position	
Borrowings	254,350
Provisions for other liabilities and charges	704
Trade and other payables, excluding non-financial liabilities	82,210
Total	337,265

15. Financial Instruments by category (continued)

	Loans and Receivables US$000
31 December 2015	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	202
Cash and cash equivalents	2,213
Total	2,415

	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

16. Inventories

	2016 US$000	*2015 US$000*
Gold	133	150
Construction materials and processing equipment	28,033	39,240
	28,166	39,390

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 2016 was US$ Nil (2015 – US$ Nil).

17. Trade and Other Receivables

	Group 2016 US$000	*Group 2015 US$000*
Other receivables	3,621	202
Prepayments and deposits	463	808
Total	4,084	1,010

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

18. Borrowings

	2016 US$000	2015 US$000
Bank borrowings	100,000	120,916
Other loans	154,811	69,224
Less: unamortised borrowing costs	(461)	(1,120)
Total	254,350	189,020
Non-current portion	227,684	56,437
Current portion	26,667	132,583

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 original 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 under the original agreement 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 under the original agreement 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.

Subsequent to the year end, an extension was granted by CNMIM, revising the original loan term of 31 May 2017 to 31 May 2022, at which time the outstanding balance on the loan will be payable in full. Hence the final repayment instalment under the above repayment schedule was not paid on 31 May 2017. All other terms remain consistent with the original agreement.

During the year the Group received drawdowns under the RMB tranche of RMB Nil (equivalent to US$ Nil) (2015 – RMB11,627,252 equivalent to US$1,845,596) and US$ Nil (2015 – US$40,000,000) under the US$ tranche. The Group repaid US$8,495,687 and US$3,333,400 during 2016 of the RMB and US$ tranches respectively. Repayments of the RMB tranche were not made in line with the terms of the original agreement, which are set out above. The Group loan interest charge was US$2,011,643 (2015 – US$1,876,426) 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.

CNMC loans

The loan agreement between CNMC International Capitals Company Limited ("CNMC") and China Nonferrous Gold Limited was signed on 27 April 2016. Under this agreement, CNMC provided a loan facility of US$ 120,000,000 to China Nonferrous Gold Limited. This loan was used to refinance the previous ICBC loan of the same amount, and the purpose of these funds is for development, operations and management of the Pakrut Gold Project, including operating and related expenses.

The full amount of the loan was drawn down on the 27 April 2016. The loan contains annual fixed interest at 4%, however where the loan is used for a purpose other than that stated in the contract (Pakrut Mine – see comments above), the proportion of the loan used will incur interest at a fixed rate of 8% per annum. Payment of interest will be made biannually in June and December.

The loan is repayable in full on 31 December 2018. For any outstanding amounts owed after this date, interest will be charged at a rate of 6% per annum until the outstanding amount is paid.

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

A further loan agreement was entered into between CNMC and China Nonferrous Gold Limited during the year for a total amount of US$20,000,000, which was drawn down in full on 27 June 2016. The loan period per the contract was 6 months, from 27 May 2016 to 26 November 2016. The loan was not repaid on 26 November 2016 and remains unpaid at the date of these Financial Statements. As at 31 December 2016 there is no extension agreement in place, however the Company has received a letter of support from the loan provider.

The loan contains a fixed interest rate of 4% per annum, which is calculated on a monthly basis from the 21st of the month to the 20 of the following month. Interest payments are due on a quarterly basis on the 21st of the month. Interest on the overdue balance will be charged at 150% of the fixed interest rate per the agreement.

CCB loan

The loan agreement between China Construction Bank ("CCB") and China Nonferrous Gold Limited was signed on 14 June 2016. Under this agreement CCB provided a loan facility of US$ 100,000,000 to China Nonferrous Gold Limited. This loan was used to refinance a previous loan from CNMC of US$ 55,000,000, with the remainder used for development, operations and management of the Pakrut Gold Project, including operating and related expenses. This use is in line with the terms of the agreement.

The loan is secured by Standby Letter(s) of Credit to be issued by China Construction Bank Corporation, Beijing Branch, and guaranteed by CNMC under the terms of the loan agreement, for an aggregate amount of not less than US$ 103,092,783, with validity of not less than 60 months in favour of CCB.

The full amount of the loan was drawn down on 30 June 2016. The loan incurs interest at a rate of 3 months LIBOR + 2.1% and is payable in arrears at the end of each applicable interest period.

The loan is repayable in 8 instalments commencing 18 months from drawdown date and every 6 months thereafter as follows:

31/12/17 – US$5,000,000
30/06/18 – US$5,000,000
31/12/18 – US$5,000,000
30/06/19 – US$5,000,000
31/12/19 – US$5,000,000
30/06/20 – US$5,000,000
31/12/20 – US$5,000,000
30/06/21 (or 14 working days prior to expiry date of relevant Standby Letter(s) of Credit – whichever is earlier) – Balance of loan

19. Trade and other payables

	2016 *US$000*	*2015* *US$000*
Trade and other payables	82,210	74,204
Accrued expenses	-	-
	82,210	74,204
Non-current portion	-	-
Current portion	82,210	74,204

Trade and other payables include amounts due of US$72,867,768 (2015 – US$71,599,133) 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 2016	646	646
Unwinding of discount	58	58
At 31 December 2016	704	704

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 2016 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 2016 and 2015 there were no monetary assets denominated in currencies other than the functional currencies of the Group's operations.

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

	2016		*2015*	
	No. of ordinary shares	*Share Capital US$000*	*No. of ordinary shares*	*Share Capital US$000*
At 1 January (Ordinary shares of $0.0001) each	382,392,292	38	381,642,292	38
Issued during the year	-	-	750,000	-
At 31 December (Ordinary shares of US$0.0001 each)	382,392,292	38	382,392,292	38

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

23. Share Based Payments

Options can be granted to any employee of the Group in accordance with the rules of the 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:

	2016		*2015*	
Share Option Scheme	*No. of share options*	*Weighted average exercise price (pence)*	*No. of share options*	*Weighted average exercise price (pence)*
Outstanding at beginning of year	5,625,000	30.00	8,475,000	25.38
Granted during the year	-	-	-	-
Exercised during the year	-	-	(750,000)	16.25
Expired during the year	(4,100,000)	30.00	(2,100,000)	16.25
Outstanding at end of year	1,525,000	30.00	5,625,000	30.00
Exercisable at 31 December	1,525,000	30.00	5,625,000	30.00

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			
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 remaining option life as at 31 December 2016 is 0.90 years. The weighted average exercise price of the outstanding options at 31 December 2016 is 30 pence.

24. Cash flows from Operating Activities

	31 December 2016 US$000	*31 December 2015 US$000*
Cash flows from Operating Activities		
Loss before income tax	(6,310)	(6,150)
Adjustments for:		
Finance income	(5)	(4)
Depreciation	83	542
Foreign exchange movements	1,606	-
Change in working capital:		
Trade and other receivables	(3,074)	39
Trade and other payables	8,006	49,615
Net Cash generated from Operating Activities	306	44,042

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:

	2016 US$000	*2015 US$000*
Capital expenditure contracted for but not provided for in respect of acquisition of mines under construction and property, plant and equipment	3,737	279

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:

	2016 US$000	*2015 US$000*
Within one year	75	361
Later than one year and no later than five years	–	–
	75	361

28. Contingent Liabilities

The Group has no contingent liabilities as at 31 December 2016.

29. Related Party Transactions

At the year-end, Abuali Ismatov was due US$Nil (2015 – US$29,215) 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 2016 was US$111,928 (2015 – US$138,924).

The amount payable by the Company and Kryso Resources Limited to CNMIM for interest on the loan in 2016 amounted to US$3,816,629 (2015 – US$5,632,976). The amount due to CNMIM as at 31 December 2016 was US$14,350,099 (2015 – US$65,863,384). CNMIM is a significant shareholder of Kryso Resources Plc and Xiang Wu and David Tang are Chairman and President of CNMIM respectively.

The amount payable by the Company to CNMC for interest on the loans in 2016 amounted to US$6,339,872 (2015 – US$623,000). The amount due to CNMC as at 31 December 2016 was US$140,000,000 (2015 – US$40,000,000). CNMC is the ultimate parent of China Nonferrous Gold Limited and Xiang Wu is Chief Accountant of CNMC.

During 2016, 15MCC provided equipment and materials, together with installation and construction work to the Group amounting to US$20,173,562 (2015: $12,739,433) and the Group advanced payments to 15MCC amounting to US$14,746,862 (2015: $5,297,692). As at 31 December 2016, the total liability due to 15MCC was $41,001,123 (2015: US$26,566,538).

During the prior year the Group entered into an additional consultancy contract with CNMC Hongtoushan Fushun Mining Co Ltd., through CNMIM as agent as follows:

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 2016, CNHFMG provided equipment and materials, together with installation and construction work to the Group amounting to US$1,664,077 (2015: $nil) and the Group advanced payments to CNHFMG amounting to US$445,257 (2015: $nil). As at 31 December 2016, the total liability due to CNHFMG was $1,236,554 (2015: US$nil). In October 2016, the contract with CNHFMG was terminated by mutual agreement.

During the year CNMC provided a guarantee for standby letters of credit amounting to US$104,000,000 as security for the Group's bank loan facility with China Construction Bank.

30. Events after the Reporting Period

a) On 2 February 2017, Pakrut gold mine suffered continuous high levels of snowfall, resulting in an avalanche that caused significant damage at the mine site. This included the destruction of three towers for 110kV external power supply lines and over 2,000 metres of transmission lines, as well as a complete interruption of power supply in the Pakrut area. Other damages include pumping stations of surface tailings press filter workshop, vehicles engineering and machinery maintenance workshop, garage for engineering trucks, test laboratory, part of staff housing and a warehouse. Damage to construction and production equipment included tailings press filter, electric generator, air compressor, water pump, drilling rig, ventilator, and concrete mixer. In addition, access from Romit to the mine has been limited as a result of the severe avalanches and landslide.

   A claim has been made to the Group's insurance provider, Peoples Insurance Company of China (PICC) in respect of property damage at the site. The Directors consider that the damages incurred are within the scope of the insurance policies. At the current time the directors' best estimate of the cost of damages is RMB 62,716,842 (equating to approximately US$ 9,024,655) and this is the amount that has been claimed. The claim is currently under review by the insurance provider and the likelihood of this amount being recovered in full by the Group is uncertain.

   Recovery work is ongoing, with partial access from Romit to the Pakrut site having been resumed. The Directors estimate that the completion of all claims work will take approximately one year.

b) On 31 May 2017 an agreement was signed between CNMIM and China Nonferrous Gold Limited to extend the term of the shareholder loan to 31 May 2022 under the same provisions as the original loan agreement, with the outstanding balance becoming due in full on this date. The original loan terms included an expiry date of 31 May 2017.