

---

**CHINA NONFERROUS GOLD  
LIMITED**

*Company Registration Number WK-277188*

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2017**

---

	<i>Page</i>
Company Information	3-4
Chairman's Statement	5-8
Report of the Directors	9-17
Statement of Directors' Responsibilities	18
Report of the Independent Auditor	19-22
Consolidated Statement of Comprehensive Income	23
Consolidated Statement of Financial Position	24
Consolidated Statement of Changes in Equity	25
Consolidated Statement of Cash Flows	26
Accounting Policies	27-32
Notes to the Financial Statements	33-58

CHINA NONFERROUS GOLD LIMITED  
Company Information

---

Directors	Mr Xiang Wu Mr Lixian Yu Mr Hao Zhang Mr Xiuzhi Shi Mr Yong Li	(Chairman and Non Executive Director) (Executive Director, Managing Director) (Executive Director, Finance Director) (Non-Executive Director) (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 Tajikistan	

CHINA NONFERROUS GOLD LIMITED  
Company Information

---

Bankers (continued)	JSC 'Agroinvestbank' 734018 Ave Saadi Sherozi 21 Dushanbe Tajikistan
	SSB RT 'Amonatbank' Rudaki Avenue 22 Dushanbe Tajikistan
Independent Auditor	PKF Littlejohn LLP Statutory Auditor 1 Westferry Circus Canary Wharf London E14 4HD
Legal Advisors	<i>English law</i> Charles Russell Speechlys LLP 6 New Street Square London EC4A 3LX United Kingdom
	<i>Tajikistan law</i> Nazirbek Nazirov, LL.M. Crowe Horwath Legal Advisory 3rd floor, 306 office Business Center "Poytaht" 45, Mirzo Tursunzoda St Dushanbe Tajikistan
	<i>Cayman Islands law</i> Walkers Suite 1501-1507 Alexandra House 18 Chater Road Central Hong Kong

As the Chairman of the board, it gives me great pleasure to present the chairman's statement of the annual report for the year ended 31 December 2017. This was a difficult year for the Group during which the Pakrut Gold Mine experienced high-levels of snowfall that had not been seen for over 50 years, which resulted in the interruption of the construction and production, brought substantial economic loss to the Group and impacted the audit of the financial statements for the year ended 31 December 2016 on which the auditors issued a disclaimer of opinion.

However, we are also grateful that both our management and staff have worked tirelessly to repair the facilities damaged by the snow disaster and resolve the prior year audit issues. Continuous efforts have been made by the Group to finalise mine development and the overall construction of all projects is expected to be completed during the fourth quarter of 2018, and production recommenced in April 2018. The finance staff have been equally as focused resolving the prior year issues which have led to a prior year adjustment as the 2016 figures are restated as the relevant information and work has been able to be performed following access to the appropriate records.

### **Snowfall**

In February 2017, the Pakrut Gold Mine experienced high levels of snowfall that had not been seen for over 50 years with the electric pylons destroyed and extensive damage to plant and equipment. Due to the power supply to the mine site failing and the inability to access the mine, drainage work could not be commenced which resulted in the mine tunnels being flooded. The disaster brought material economic losses to the Pakrut Gold Mine and at the same time caused the project construction and production to fall significantly behind schedule.

However management made a number of important operational decisions to ensure development and construction could continue. After the snowstorm, the Group launched an emergency plan, organizing manpower and equipment to manage the disaster. In March, the roads were repaired to allow for traffic to return and site access to be restored. In May, temporary power supply was resumed. In September, underground drainage and dredging were completed. Damaged buildings and equipment were all repaired in October and normal power supply was restored at the end of December. With the joint efforts of the management team and all the staff, the facilities damaged by the snow disaster have now been fully repaired laying a good foundation for restoring production and completing all infrastructure construction works in 2018.

The insurance company has confirmed that the damage caused by the avalanches and landslides at the Pakrut Gold Mine falls within the scope of the insurance. The Group also accordingly has provided and submitted the documents regarding the various losses and repairs to the insurance provider as requested, and the insurance provider has performed an initial review thereon. At present, the claims with the Group's insurance provider have entered into the final negotiation stage of the compensation settlement. The amount (24,000,000CNY or \$3,639,452USD) is expected to cover most of the direct losses incurred from that snow disaster.

### **Construction**

Although the majority of the Pakrut Gold Mine projects have been completed and trial production was achieved in 2016, the Group has adjusted its mining methods, filling systems, ventilation systems and tailings pond in order to maximize efficiency and reach the scheduled design production target. Developments including the construction of the flotation tailings pond, backfill stations, mine camps and underground ventilation systems remain to be completed, but all infrastructure projects are expected to be finalised in the fourth quarter of 2018.

Following the snowfall, the construction work was restarted in the second half of 2017. The construction of the road to the flotation tailings pond has been fully completed. The basic excavation and foundation treatment of the mine camp has been completed with a third of the foundation construction now finalized, and the steel structure and other materials have arrived at the site. The basic excavation and foundation construction of the backfill station have all been finished and all filling equipment has already arrived at the site; a total of 21,270 cubic meters of excavation work has been completed in the level of 2350m/2230m/2110m.

The Group overcame the severe weather and the whole engineering construction was achieved ahead of what the Group had planned by the end of 2017. The construction of underground projects such as the ventilation system has been underway throughout the whole winter. In April 2018, surface construction projects have also been started and the overall construction of all projects is expected to be completed during the fourth quarter of 2018.

### Project Operation

The Pakrut Gold Mine produced the first gold ingot in January 2016 and processed 230,000 tons of ore and produced 162 kilograms of gold, which marked the point at which the Pakrut gold mine had officially entered the trial production stage. However, the snowfall in early 2017 disrupted the whole process and with power interrupted, tunnels flooded, and plant and equipment damaged, production was halted. The Group made full use of this period to solve the problems found in trial production of the processing plant and smelting plant by improving the process and replacing the maintenance equipment. By the end of 2017, the Group had increased the operating efficiency and recovery rate, and reduced the equipment failure rate and the cost of the processing plant and smelting plant.

In April 2018, further trial production has already been started with 50,000 tons of ore produced and stored. The processing plant has resumed trial production and the smelting plant is also operating well.

### Board Directors and Management

During 2017, the Group changed its board of directors and the management team of the Pakrut gold mine project. The new management team has extensive and abundant experience in mining management and operations, which brings the very knowledge that the company is in great need of in the future. At the same time, the Group has improved its board of directors as well by appointing two experienced independent non-executive directors. The Group is now actively looking for another non-executive director with extensive experience in mining investment and financing, western education and work experience, and familiar with Eastern corporate culture to enhance still further the corporate governance structure and balanced composition of the management team.

Name	Date of Appointment	Title	Age	Gender	Working Experience
Wu Xiang	2015/07/02	Non-executive Director, Chairman	53	Male	Over 30 years of experience in the nonferrous metal industry and numerous financial management.
Yu Lixian	2017/09/01	Executive Director, Managing Director	51	Male	Approximately 30 years of experience in project management roles in mining industries.
Zhang Hao	2017/09/01	Executive Director, Finance Director	41	Male	Over 20 years of experience in business development and financial management roles.
Li Yong	2017/12/19	Non-executive Director	43	Male	Over 20 years of combined experience in numerous industries including mining, manufacturing, infrastructure, construction, chemical engineering and in private equity and venture capital investment.
Shi Xiuzhi	2017/12/19	Non-executive Director	52	Male	Over 30 years of combined experience in gold and other nonferrous metals mining and relevant activities, mining engineering and safety engineering.

Wang Gen	2016/08/26	Chief Executive of Operation	61	Male	More than 30 years of combined experience in gold and nonferrous metals mining and management.
Li Youyu	2016/04/12	Legal Representative of LLC Pakrut	59	Male	Approximately 30 years of combined experience in gold and other nonferrous metals mining and relevant activities.
Zhang Gang	2016/05/20	General Manager of LLC Pakrut	54	Male	Approximately 30 years of combined experience in gold and other nonferrous metals mining and relevant activities.
Dong Zezhen	2017/09/13	Deputy GM of LLC Pakrut	55	Male	Approximately 30 years of combined experience in gold and nonferrous metals mining and management.
Long Liangfei	2017/09/13	Deputy GM of LLC Pakrut	44	Male	Over 20 years of combined experience in numerous industries in mining engineering and development.
Wang Hongjie	2017/09/13	Deputy GM of LLC Pakrut	36	Male	More than 10years experience mining engineering and project development.

### 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\$331,160,000 as at 31 December 2017 (2016: US\$318,241,000). Administration expenditure was US\$5,017,000 (2016: US\$5,969,000). The overall loss incurred by the Group was US\$15,037,000 (2016: US\$7,180,000).

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\$6.5 million ("CNMC Loan") and with China Construction Bank Corporation Macau Branch for a loan facility of up to USD\$20 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 and the existing CCBC loan facility of US\$100 million and the CNMC loan facility of US\$140 million amounted to US\$279.2 million in total as at 31 December 2017.

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. In turn, which enables the Group to make loan repayments and raise new loans.

### Post balance sheet events

As detailed in the announcement released on 5 March 2018, a total loan facility was secured of US\$90 million from CNMC International Capitals Company Limited ( "CNMC International" ), and a US\$5 million repayment to China Construction Bank Corporation Macau Branch has already taken place.

The Group's gross debt outstanding as at the date of this announcement, before the repayments noted above, totals approximately US\$364.2 million of which \$175 million is repayable during 2018.

The Group expects to recommence production at the end of July 2018 and therefore to enable them to raise enough working capital. As previously announced, to ensure repayment of the existing facilities it will require a wider refinancing. Discussions are ongoing and with the signing of the Loan, the remaining discussions are expected to be concluded in advance of 31 December 2018 deadline.

### Outlook

The Group's new management and board of directors experienced a difficult year in 2017 with the extreme natural disasters. Operations have now almost been restored to normal and mining and the production processes have already commenced. The Group will start a new chapter in the fourth quarter of 2018 when it is expected that the infrastructure works will be complete and that full commercial production will begin.

It is expected that, in 2019, the Pakrut gold mine will achieve a production capacity of 660,000 tons per year and produce 1.3 tons of gold annually. The Group is currently continuing to enhance its production capacity and intends to double this capacity by 2021. Whilst improving production, the Group is also focusing on perfecting and improving the smelting process by reducing production costs, increasing recovery rates and improving competitiveness.

The Group has long been dedicated to becoming a significant gold producer in Central Asia and participating in the "Belt and Road Initiative" with the substantial support and advantages of major shareholders. The Group has also established a good relationship with the government of Tajikistan and other Central Asian countries and is well positioned to potentially gain more gold resources and gold mines so as to create greater benefits for our shareholders in the future.

I would like to take this opportunity to thank all our employees, management and advisors for their continued efforts in 2017 and thank our shareholders for their continued support. I very much look forward to updating our shareholders further on the mine developments, production levels, new strategy and direction.



Xiang Wu

Chairman  
Director

28 June 2018



The Directors present their annual report and the audited financial statements of China Nonferrous Gold Limited for the year ended 31 December 2017.

***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 License Area, and to 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 2017 is provided in the Chairman's Statement.

***Strategy***

CNG's strategy is to maximize 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.

**PRIOR YEAR ADJUSTMENT**

As a result of the adverse weather conditions experienced in Tajikistan and the mine site in early 2017 there was insufficient time available to prepare all of the information necessary for the auditor to form an opinion on the financial statements. This was accentuated by the fact that key members of the finance team were lost during 2016 and suitable replacements were not recruited with sufficient haste. As a result, a disclaimer of opinion was issued by the auditors in respect of the financial statements for the year ended 31 December 2016. An action plan was put into place to rectify the issues which gave rise to the disclaimer and these have been adjusted for as a prior year adjustment within these financial statements.

The 2017 financial statements include restated balances for both 2016 and 2015 years. Prior year adjustments have been made in respect of inventory due to the adverse weather conditions explained above, foreign exchange of LLC Pakrut upon consolidation and payable and receivable balances. Note 23 identifies the changes from the signed financial statements of 2016 and 2015 to the restated balances in these financial statements.

**OPERATING REVIEW**

To date the Group has:

- Completed the mine underground development of 2,386.87 meters and cutting work continued over the course of the year with 1,694.54 meters;
- Processing Plant reached processing capacity of 2,000 tons per day after shutdown maintenance and technical transformation;
- Processed a total of 241,600 tons of ore, the grade of raw ore was 1.36 g/t;
- Produced 6,072 tons of gold concentrate is 46.18 g/t, the gold content of gold concentrate is 262.25kg, the recovery rate was 82.99%;

- Smelting Plant processed more than 300 tons of gold concentrate, produced gold ingots of 3 kg; and
- Confirmed the location of tailings dam and the tender process for design will be finalized soon.

#### **Pakrut Gold Deposit and License Area**

In April 2004, LLC Pakrut, a wholly owned subsidiary of the Group, was granted a license and geological lease to explore and exploit the Pakrut License 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 license 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 license. 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 license.

In November 2011, the Government of the Republic of Tajikistan issued the Pakrut Project mining license to LLC Pakrut. According to the terms of the license, 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 license 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 2017 were as follows:

	<b>2017</b>	<b>2016</b>
	<b>US\$000</b>	<b>US\$000</b>
		<b>Restated</b>
Revenue	5,784	-
Mine construction costs capitalized during the year	23,622	63,274
Impairment of mine assets	10,703	-
Administrative expenses	5,017	5,969
Total costs	<u>39,342</u>	<u>69,243</u>
% Administrative expenses to total costs	12.8%	8.6%
Operating loss	14,970	7,185
Less: interest receivable	(1)	(5)
Loss on ordinary activities before taxation	14,969	7,180
Loss per share (cents)	3.93	1.88

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 2017 as a percentage of total costs as additional administrative and technical staff were employed during the year 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 maximize the return to its shareholders and in doing so will not knowingly overlook its Corporate Responsibilities.

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

### ***People***

The Group recognizes 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 programs to further develop their own skills. The Group also aims to provide a favorable 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 organization; 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 licenses 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 licenses 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 licenses 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 licenses 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 licenses 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, although is expected to be in the near future, 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 license, 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 licenses, 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 minimize 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 (2016: US\$Nil).

**Future Developments**

Future prospects are set out in the Chairman's Statement on pages 5 to 8 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:

	<i>At 31 December 2017</i>	<i>At 31 December 2016</i>
Mr Abuali Ismatov	—	—
Mr. Xiang Wu	—	—
Mr. Weili Tang **	—	—
Mr. Li Li **	—	—
Mr. Pizhao Che **	—	—
Mr. Wang Yubin	—	—
Mr. Lixian Yu *	—	—
Mr. Hao Zhang *	—	—
Mr. Xiuzhi Shi *	—	—
Mr. Yong Li *	—	—

\* Mr Lixian Yu was appointed on 1<sup>st</sup> September 2017 and Mr Hao Zhang was appointed on 1<sup>st</sup> September 2017. Mr Xiuzhi Shi and Mr Yong Li was appointed on 19<sup>th</sup> December 2017.

\*\* Mr Weili Tang resigned on 24<sup>th</sup> July 2017, Mr Li Li resigned on 1<sup>st</sup> September 2017 and Mr. Che Pizhao resigned on 19<sup>th</sup> December 2017.

No Director who served during the period held any share options in the Company. All Director related share options expired during 2016.

**Substantial shareholdings**

As at the date of these financial statements, the Directors were aware of the following shareholdings in excess of 3% of the Company's issued share capital.

	<i>Number of ordinary shares</i>	<i>Percent of issued ordinary share capital</i>
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%

**Directors**

The current Board comprises:

**Mr. Xiang Wu (aged 52), Chairman and Non-Executive Director**

Mr Wu joined the China Nonferrous Group in 1999 and has been the Chief Accountant of China Nonferrous Metal Mining (Group) Co., Ltd, since November 2007, having previously 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 Lixian Yu (aged 51), Managing Director**

Mr Yu, aged 51, a senior engineer, is the General Manger of China Nonferrous Metals Int'l Mining Co., Ltd. ("CNMIM"), the Company's largest shareholder, having joined CNMIM on July 2017. He graduated with a Bachelor's degree majoring in mining engineering from Central South University (formerly known as College of Changsha Nonferrous Metals) in the PRC in June 1990 and has a postgraduate degree in law from CPC Hubei Provincial Party School in the PRC. Mr Yu has extensive management and industry experience. From May 2002 to August 2006, Mr Yu held various positions in Daye Nonferrous Metals Co., a large-scale copper industry enterprise and from August 2006 to July 2017 he served as deputy president of Daye Nonferrous Metals Group Holdings Co., Ltd.

**Mr Hao Zhang (aged 41), Financial Director**

Mr Zhang, aged 41, a senior accountant, is the Chief Accountant of CNMIM, having joined in December 2015. From September 1999 to July 2003, he worked for the Anshan branch of Industrial and Commercial Bank of China and in the credit ratings department. From July 2005 to December 2015, he served as head of the funds department of China Nonferrous Metal Mining Group Co., Ltd. Mr Zhang holds a Master's degree majoring in business administration from Renmin University of China.

**Mr Xiuzhi Shi (aged 52), Non-Executive Director**

Mr. Shi, aged 52, holds a PhD in Mining Engineering from the Central South University, where he has been an Associate Professor and Professor of the School of Resources and Safety Engineering since September 1999. Mr. Shi has significant industry and academic experience in mining engineering and safety engineering. From May 1990 to August 1999, Mr. Shi worked as the technical market researcher at the Hebei Coal Science Research Institute while holding the post of mining engineer at the Gypsum Mine project for the Yunlong Group. Mr. Shi is a member of the mining committee of the Nonferrous Metals Society of China, a standardisation expert for the China Safety Industry Association and a safety culture expert for the State Administration of Work Safety. Mr. Shi has also hosted or participated in more than 80 scientific research projects in mining and safety engineering and has published over 160 academic papers in well-known domestic and overseas academic journals.

**Mr Yong Li (aged 43), Non-Executive Director**

Mr. Li, aged 43, is an attorney and senior counsel (Partner) of Gaopeng & Partners. He is also the Executive Director at the Case Law Research Centre and is a supervisor of graduate students at the Law School of the Central University of Finance and Economics. Mr. Li holds a PhD degree in Law from the Tsinghua University and is a visiting scholar of Stanford Law School. Mr. Li has significant expertise in academic research in Company Law, International Law and International Investment Law. He also has experience in investment, banking and mergers and acquisitions. Mr. Li has also worked in dispute resolutions in numerous industries including mining, manufacturing, infrastructure, construction, chemical engineering and in private equity and venture capital investment. He is a director at the Beijing Finance Law Institute and the China Securities Law Institute, and is a member of the China Law Society and the China National Lawyers' Association.

**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 Code of Corporate Governance. The Company has acknowledged the new governance requirements for AIM companies which will be applicable from 28 September 2018 and are taking appropriate actions to ensure compliance. The Board of Directors supports the principles of good governance and has established the following committees:

**i) Audit Committee**

The Audit Committee comprises the Non-Executive Directors of the Group (Mr. Yong Li as Chairman, Mr. Xiuzhi Shi and Mr. Xiang Wu). 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 (Mr. Xiuzhi Shi as Chairman, Mr. Yong Li and Mr. Xiang Wu). 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.

**iii) Nomination Committee**

The Nomination Committee comprises the Non-Executive Directors of the Group (Mr. Xiang Wu as Chairman, Mr. Xiuzhi Shi and Mr. Yong Li). It is responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the board in a regular manner and make recommendations on any proposed changes to the board.

**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.



**Going Concern**

The directors have prepared the Group financial statements on a going concern basis after reviewing the Group's forecast cash position for the period to 30 June 2019 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as and when they fall due.

In making this assessment, the directors have recognised the challenges faced by the Group. They have estimated when the mine will enter its production phase and therefore made assumptions and judgements as to when revenues and subsequent cash receipts will flow to the Company to support its working capital position and repay loans as they fall due.

The Group has worked closely with its lenders, some of whom are related parties, and has successfully managed its debt and met all interest payments thereon despite the delays incurred in production as a result of the heavy snowfall in 2017 and subsequent mine damage.

Key to achieving the Group's forecast cash position and therefore its going concern assumption are the following:

- Achieving gold production and sales in the second half of 2018; and
- Successful renegotiation of the loans with CNMC and CCBC which fall due within the fourth quarter of 2018

The Group's business activities, together with the factors likely to affect its future development, performance and position can be found in the Group's annual report and accounts within the Chairman's Statement on page 5. In addition, note 1 to the Group financial statements includes the Group objectives, details of its financial instrument exposures to credit risk and liquidity risk. After making due enquiry, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the annual report and financial statements.

**Events after the Reporting Period**

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

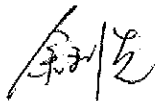
**Relevant Audit Information**

The Directors who held office at the date of approval of this 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 Lixian Yu

28 June 2018

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.

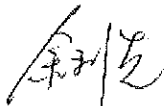
The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these Financial Statements, the Directors are required to:

- Select suitable Accounting Policies and then apply them consistently;
- Make judgments 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 Lixian Yu

28 June 2018

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

### **Opinion**

We have audited the Consolidated Financial Statements of China Non-Ferrous Gold Limited for the year ended 31 December 2017 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 and the related notes, including a summary of significant accounting policies. 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.

In our opinion, the Consolidated Financial Statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the AIM Rules for Companies.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### **Our application of materiality**

The scope of our audit was influenced by our application of materiality. The quantitative and qualitative thresholds for materiality determine the scope of our audit and the nature, timing and extent of our audit procedures. Group materiality was US\$3,000,000 based on a blend of revenue, results before tax and net assets. For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality.

### An overview of the scope of our audit

As part of designing our audit we determined materiality, as above, and assessed the risk of material misstatement in the Financial Statements. In particular, we looked at areas requiring the directors to make subjective judgements, for example in respect of significant accounting estimates including share based payment transactions and impairment of intangible assets, and considered future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

A full scope audit was performed on the complete financial information of the Group's operating components located in Tajikistan, China and United Kingdom, with the Group's key accounting function for all being based in China with a local function in Tajikistan.

The Group's Tajik operations are audited by a non-PKF network firm. The audit team visit their offices in Dushanbe, interact regularly with them during all stages of the audit, and are responsible for the scope and direction of their audit process. All other work is performed on site in both China and Tajikistan by PKF Littlejohn LLP.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter ("KAM")	How the scope of our audit responded to the key audit matter
<p><b>Opening balances</b></p> <p>The audit opinion for the year ended 31 December 2016 was disclaimed. As a result, there is a risk that opening balances are misstated.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>▪ Reviewing the changes made to the opening balance and obtaining appropriate audit evidence thereon;</li> <li>▪ Reviewing the work performed by the component auditors in respect of opening balances; and</li> <li>▪ Obtaining information from management to allow us to perform the relevant work that was unable to be performed in the prior year.</li> </ul> <p>All relevant prior year adjustments have been appropriately made and disclosed in the financial statements.</p>
<p><b>Classification and valuation of Mines Under Construction ("MUC")</b></p> <p>As at 31 December 2017 US\$331 million of costs have been capitalised within MUC. The mine commenced trial production in the previous year and revenue was recognised in respect of gold sales for the first time during the year. There is the risk that the classification of mines under construction is incorrect. There is also the risk that the carrying value of MUC is impaired.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>▪ Discussion with management surrounding the basis for classifying the capitalised costs as MUC;</li> <li>▪ A review of the component auditors working papers to ensure that the capitalisation of MUC is in accordance with IFRS;</li> <li>▪ Reviewing a sample of other MUC costs capitalised in the period to ensure that their capitalisation is accordance with IFRS;</li> </ul>

	<ul style="list-style-type: none"> <li>▪ A review of management's impairment assessment, including verification of its mathematical accuracy and challenging the reasonableness of assumptions used. Consideration was also given as to the source of the inputs and the competency of the preparer; and</li> <li>▪ Ensuring appropriate licences are held.</li> </ul> <p>The classification and valuation of these assets are believed to be materially accurate in the financial statements.</p>
<p><b>Revenue recognition</b></p> <p>The Group generated first revenue in the period from sales arising as a result of trial production.</p> <p>There is an inherent risk around the accuracy of revenue.</p>	<p>Our work in this area included the following:</p> <ul style="list-style-type: none"> <li>▪ Obtaining and reviewing the sales contract and other related documentation;</li> <li>▪ Understanding the revenue recognition policy and reviewing for compliance with IFRS;</li> <li>▪ Reviewing the gold price used with reference to the appropriate market price on the date of sale and ensure that the invoice raised is in accordance with the required contracted price;</li> <li>▪ Review of the component auditor working papers;</li> <li>▪ Performing a walkthrough test; and</li> <li>▪ Performing a review of post year end receipts to ensure completeness of income recorded in the accounting period.</li> </ul> <p>No issues were noted and revenue was believed to be materially accurate.</p>
<p><b>Inventory – existence and valuation of inventory</b></p> <p>Inventory held by the Company includes mined gold, consumables and construction materials.</p> <p>At the year end the balance totalled US\$18.1 million representing a material balance.</p> <p>There is a risk that inventory balances are misstated due to incorrect valuation basis or inaccurate reporting of stock quantities held at period end.</p>	<p>Our work in this area included:</p> <ul style="list-style-type: none"> <li>▪ A review of the inventory listing and roll-back prepared to 31 December 2016;</li> <li>▪ Selecting a sample of reconciling items in the roll-back and tracing them through to supporting documentation; and</li> <li>▪ Reviewing the component auditor's working papers in respect of the stock take they performed on the perpetual system.</li> </ul> <p>Inventory is believed to be materially accurate in the financial statements.</p>

## Independent Auditor's Report (continued)

### Other information

The other information comprises the information included in the Annual Report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the Consolidated Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Consolidated Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of directors

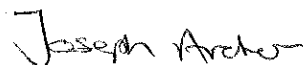
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Consolidated Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable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

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

### Auditor's responsibilities for the audit of the Financial Statements

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

A further description of our responsibilities for the audit of the Consolidated Financial Statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for>. This description forms part of our auditor's report.



**Joseph Archer (Senior Statutory Auditor)**  
**For and on behalf of PKF Littlejohn LLP**  
**Statutory Auditor**

28 June 2018

1 Westferry Circus  
Canary Wharf  
London E14 4HD  
United Kingdom

CHINA NONFERROUS GOLD LIMITED  
Consolidated Statement of Comprehensive Income  
Year ended 31 December 2017

		<i>2017</i>	<i>2016</i>
		<i>US\$000</i>	<i>US\$000</i>
	<i>Note</i>	<i>US\$000</i>	<i>(Restated)</i>
<b>Revenue</b>	3	5,784	-
Cost of sales		(5,784)	-
<b>Gross Profit</b>		-	-
Administrative expenses	6	(5,017)	(5,969)
Gain/(Loss) on foreign exchange		750	(1,216)
Impairment of mines under construction		(10,703)	-
<b>Operating Loss</b>		(14,970)	(7,185)
Finance income	8	1	5
Finance costs	8	-	-
<b>Loss before Income Tax</b>		(14,969)	(7,180)
Income tax	7	(68)	-
<b>Loss for the year attributable to owners of the parent</b>		(15,037)	(7,180)
<b>Total comprehensive income attributable to owners of the parent for the year</b>		(15,037)	(7,180)
<b>Basic and Diluted Earnings per share attributable to owners of the parent (expressed in cents per share)</b>	10	(3.93)	(1.88)

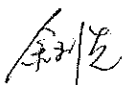
All of the activities of the Group are classed as continuing.

The accounting policies and notes on pages 27 to 58 form part of these Financial Statements.

CHINA NONFERROUS GOLD LIMITED  
Consolidated Statement of Financial Position

		<i>As at 31 December 2017 US\$000</i>	<i>As at 31 December 2016 US\$000 (As restated)</i>	<i>As at 31 December 2015 US\$000 (As restated)</i>
<b>Non-Current Assets</b>				
Intangible assets	10	-	-	-
Mines under construction	11	331,160	318,241	254,967
Property, plant and equipment	12	8,967	11,467	15,924
<b>Total Non-Current Assets</b>		<b>340,127</b>	<b>329,708</b>	<b>270,891</b>
<b>Current Assets</b>				
Inventories	15	18,216	20,948	28,130
Trade and other receivables	16	629	718	1,061
Cash and cash equivalents		12,067	12,563	2,388
<b>Total Current Assets</b>		<b>30,912</b>	<b>34,229</b>	<b>31,579</b>
<b>Non-Current Liabilities</b>				
Borrowings	17	(106,500)	(227,684)	(56,437)
Provisions for other liabilities and charges	19	(767)	(704)	(646)
<b>Total Non-Current Liabilities</b>		<b>(107,267)</b>	<b>(228,388)</b>	<b>(57,083)</b>
<b>Current Liabilities</b>				
Borrowings	17	(172,684)	(26,667)	(132,583)
Trade and other payables	18	(78,409)	(81,166)	(77,908)
<b>Total Current Liabilities</b>		<b>(251,093)</b>	<b>(107,833)</b>	<b>(210,491)</b>
<b>Net Current Liabilities</b>		<b>(220,180)</b>	<b>(73,604)</b>	<b>(178,912)</b>
<b>Net Assets</b>		<b>12,679</b>	<b>27,716</b>	<b>34,896</b>
<b>Equity attributable to the owners of the parent</b>				
Share capital	21	38	38	38
Share premium		65,901	65,901	65,901
Other reserve		10,175	10,175	10,175
Retained earnings		(63,435)	(48,398)	(41,218)
<b>Total Equity</b>		<b>12,679</b>	<b>27,716</b>	<b>34,896</b>

These Financial Statements were approved and authorized for issue by the Directors on 28 June 2017 and are signed on their behalf by



Mr Lixian Yu  
Managing Director

The accounting policies and notes on pages 27 to 58 form part of these Financial Statements.



CHINA NONFERROUS GOLD LIMITED  
Consolidated Statement of Changes in Equity  
Year ended 31 December 2017

*Attributable to owners of the parent*

	<b>Share capital US\$000</b>	<b>Share premium US\$000</b>	<b>Other reserve US\$000</b>	<b>Retained earnings US\$000</b>	<b>Total US\$000</b>
<b>Balance at 1 January 2016 (restated)</b>	38	65,901	10,175	(41,218)	34,896
<b>Prior year adjustment (note 23)</b>	-	-	-	-	-
Loss and Total comprehensive income for the year	-	-	-	(7,180)	(7,180)
	38	65,901	10,175	(48,398)	27,716
<b>Total contributions by and distributions to owners of the parent, recognized directly in equity</b>	-	-	-	-	-
<b>Balance at 31 December 2016 (restated)</b>	38	65,901	10,175	(48,398)	27,716
<b>Balance at 1 January 2017</b>	38	65,901	10,175	(48,398)	27,716
Loss and Total comprehensive income for the year	-	-	-	(15,037)	(15,037)
<b>Total contributions by and distributions to owners of the parent, recognized directly in equity</b>	-	-	-	-	-
<b>Balance at 31 December 2017</b>	38	65,901	10,175	(63,435)	12,679

**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 reorganization reserve under the scheme of arrangement.
- d) Retained earnings: cumulative net gains and losses recognized in the consolidated statement of comprehensive income. Also included in this figure is 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 (See note 22).

The accounting policies and notes on pages 27 to 58 form part of these Financial Statements.

CHINA NONFERROUS GOLD LIMITED  
Consolidated Statement of Cash Flows  
Year ended 31 December 2017

	<b>31 December 2017</b>	<b>31 December 2016</b>
	<b>US\$000</b>	<b>US\$000 (As restated)</b>
<b>Cash flows from Operating Activities (note 24)</b>	(4,169)	761
<b>Net cash generated from Operating Activities</b>	<u>(4,169)</u>	<u>761</u>
<b>Cash flows from Investing Activities</b>		
Payments for mining rights and construction in progress	(9,254)	(45,843)
Purchase of property, plant and equipment	(13)	(345)
Disposal of property, plant and equipment	42	11
<b>Net cash used in Investing Activities</b>	<u>(9,225)</u>	<u>(46,177)</u>
<b>Cash flows from Financing Activities</b>		
Proceeds from borrowings (net of capitalized issue costs)	26,500	255,000
Repayment of borrowings	(1,667)	(186,829)
Interest paid	(11,935)	(12,580)
<b>Net cash generated from Financing Activities</b>	<u>12,898</u>	<u>55,591</u>
<b>Net increase/(decrease) in Cash and cash equivalents</b>	(496)	10,175
<b>Cash and cash equivalents at beginning of the year</b>	<u>12,563</u>	<u>2,388</u>
<b>Cash and cash equivalents at end of the year</b>	<u>12,067</u>	<u>12,563</u>

**Major non-cash transactions**

**Year ended 31 December 2016**

During the year the Group drew down 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.

The accounting policies and notes on pages 27 to 58 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 judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment 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 group reorganization 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 International Accounting Standards Board (IASB) issued various amendments and revisions to International Financial Reporting Standards and IFRIC interpretations. The amendments and revisions were applicable for the period ended 31 December 2017 but did not result in any material changes to the financial statements of the Group or Company.

The following standards were adopted by the Group during the year;

- IAS 7 – Statement of Cash Flow amendments (effective 1 January 2017)
- IAS 12 (Amendment) – Recognitions of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017)
- Annual improvement Cycle 2012-2014

#### b) New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 January 2017 and not early adopted

Standard	Impact on initial application	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
IFRS 2 (Amendments)	Share-based payments – classification and measurement	1 January 2018
Annual Improvements	2015 – 2016 cycle	*1 January 2018
IAS 28 (Amendments)	Accounting for investments – Applying the consolidation exemption	Postponed
IFRIC Interpretation 22	Foreign currency transactions and advanced consideration	1 January 2018
IFRIC 23	Uncertainty over Income tax treatments	*1 January 2018
IAS 28 (Amendments)	Long term interests in associates and joint ventures	*1 January 2019
IFRS 15 (Clarifications)	Revenue from contracts with customers	*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 recognized, 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 2017. 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 intra-group 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 recognized at fair value.

Financial assets comprise loans and receivables and cash and cash equivalents. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate ("EIR") method, less provision for impairment in the case of receivables. A financial asset is derecognized 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 or 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 recognized 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 amortized cost using the EIR method. The EIR amortization is included as finance costs in profit or loss. A financial liability is derecognized 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 recognized, 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 recognized 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 recognizes expenditure as exploration and evaluation assets when it determines that the legal rights to said assets have been obtained. When a decision is taken that a mining property becomes viable for commercial production, all further pre-production expenditure is capitalized. 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 capitalized within mining rights.

All expenditure on the construction, installation or completion of infrastructure facilities is capitalized 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/amortization 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 capitalized and categorized 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 amortized 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 utilized.

The Group has losses to be carried forward on which no deferred tax asset is recognized due to the uncertainty as to the timing of profit.

### **Operating Lease Agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the less or are recognized 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 recognized 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 recognized in the statement of comprehensive income as part of finance costs.

The Group does not recognize 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, and environmental and other operational risks.

**Going Concern (continued)**

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 timing as to when the first sale of gold will occur and when the receipt of funds from said sales will occur;
- 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.

Based on this assessment, the Directors have identified that the Group has sufficient resources 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 and therefore the Directors believe that the funding will be forthcoming although this is not guaranteed. 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.

**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.

**Trial production revenue and costs**

During the period, the mine incurred its first sales as a result of trial production. As a result, the following accounting policies have been adopted.

*i) Revenue*

Revenue represents the value of gold sold, excluding value added tax, and is recognised when goods are delivered and risk and reward has passed, and is measured at the fair value of the consideration received or receivable.

*ii) Trial Production Costs*

Costs associated with the production of gold during the trial production phase are estimated to match the revenue generated and are deducted from the mines under construction representing the cost of said production.



## 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 exposure to interest rate fluctuations on cash balances is restricted to the rate earned on these short-term deposits. At the year end the Group had cash reserves of US\$47,738 held in a sterling deposit account. A 0.25% change to the interest rate would give rise to a US\$119 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 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 2017, 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 table below details the split of the cash held as at 31 December 2017 between the various currencies.

Somoni	GBP Sterling	PRC RMB	US Dollar	Total US\$000
518	67	145	11,337	12,067

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 material exposure to foreign exchange risk relating to its non-US\$ denominated bank deposits and as such this not disclosed.

**1. Financial Risk Management (continued)**

***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.

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

	<i>Less than 1 Year US\$000</i>	<i>Between 1 and 2 Years US\$000</i>	<i>Between 2 and 5 Years US\$000</i>	<i>Over 5 Years US\$000</i>	<i>Total US\$000</i>	<i>Carrying amount US\$000</i>
<b>Year ended 31 December 2017</b>						
Interest-bearing borrowings	172,684	31,500	75,000	-	279,184	279,184
Trade and other payables	78,409	-	-	-	78,409	78,409
Provisions for other liabilities	-	-	-	2,481	2,481	767
	<u>251,093</u>	<u>31,500</u>	<u>75,000</u>	<u>2,481</u>	<u>360,074</u>	<u>358,360</u>
<b>Year ended 31 December 2016</b>						
Interest-bearing borrowings	26,667	10,000	217,684	-	254,351	254,351
Trade and other payables	81,166	-	-	-	81,166	81,166
Provisions for other liabilities	-	-	-	2,481	2,481	704
	<u>107,833</u>	<u>10,000</u>	<u>217,684</u>	<u>2,481</u>	<u>337,998</u>	<u>336,221</u>

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

Credit rating	2017	2016
	US\$000	US\$000
A	11,489	10,160
AA-	-	115
BBB+	60	-
No independent credit rating available	518	2,288
	<u>12,067</u>	<u>12,563</u>

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 consider equity to be their capital. The Group's objective when managing their 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 Judgments

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 judgments are required. The most significant judgment 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 11)***

The Group tests annually whether exploration, evaluation and licensing assets and mines under construction have suffered any impairment. The recoverable amounts of the cash generating units ("CGUs") have been determined based on value in use calculations which require the use of estimates and assumptions such as long-term commodity prices, gold recovery rates, discount rates, operating costs and therefore expected margins, 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 period used in management's assessment is the anticipated life of the mine to the expiration of the license in 2030 with revenues being generated in the second half of 2018. Gold revenues have been estimated over that period at a price of US\$1,300. 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 is estimated to be around US\$500 with a gross margin of circa 60%. 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 utilized.

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 the discount rate were to increase to 12%, gold prices fell by 8 % or costs or costs were to increase by 10%.

## 2. Critical Accounting Estimates, Assumptions and Judgments (continued)

### ***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 license to LLC Pakrut. According to the terms of the license, 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 license is valid until 2 November 2030.

The mining license 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 license 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 license 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.

### ***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 judgments 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. Details of the mineral resources and reserve estimates can be found on [www.cnfgold.com](http://www.cnfgold.com).

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.

## 2. Critical Accounting Estimates, Assumptions and Judgments (continued)

### ***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 that will be 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 will consider various relevant criteria to assess when the production phase is considered to have commenced. At the point of production, 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 capitalization. It is also at this point that depreciation commences.

### 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.

<b>2017</b>	<b>UK and PRC US\$000</b>	<b>Tajikistan Pakrut US\$000</b>	<b>Total US\$000</b>
Revenue	-	5,784	5,784
Cost of sales	-	(5,784)	(5,784)
Administrative expenses (including foreign exchange)	(870)	(3,397)	(4,267)
Impairment	-	(10,703)	(10,703)
Operating loss	(870)	(14,100)	(14,970)
Finance income	1	-	1
Income tax	-	(68)	(68)
Loss for the year	(869)	(14,168)	(15,037)
Intersegment revenue			
Total assets	2,747	368,292	371,039
Total liabilities	337,413	20,947	358,360
Depreciation	25	81	106
Additions to property, plant and equipment	-	11	11
Additions to mines under construction	-	23,622	23,622

All revenue generated in the period was from one customer, the government of Tajikistan.

#### 2016

Revenue	-	-	-
Cost of sales	-	-	-
Administrative expenses (including foreign exchange)	(3,735)	(3,450)	(7,185)
Operating loss	(3,735)	(3,450)	(7,185)
Finance income	5	-	5
Income tax	-	-	-
Loss for the year	(3,730)	(3,450)	(7,180)
Total assets	5,285	358,652	363,937
Total liabilities	315,558	20,662	336,221
Depreciation	27	56	83
Additions to property, plant and equipment	-	344	344
Additions to mines under construction	-	63,274	63,274

#### 4. Particulars of Employees

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

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Administrative and management	130	79
Construction in progress	409	242
	<u>539</u>	<u>321</u>

The aggregate costs of the above were:

	<b>2017</b>	<b>2016</b>
	<b>US\$000</b>	<b>US\$000</b>
		<b>Restated</b>
Wages and salaries	3,984	4,135
Social security costs	882	894
	<u>4,866</u>	<u>5,029</u>

Staff costs include US\$ 2.26million (2016: US\$2.28 million) of costs capitalised and included within additions to 'Mines under Construction'.

#### 5. Directors' Emoluments

During the year, no Directors (2016 – none) exercised share options.

The Directors' emoluments in respect of qualifying services were:

	<b>Salary and</b>	<b>Bonus and</b>	<b>Other</b>	<b>Termination</b>	<b>Total</b>
	<b>fees</b>	<b>holiday pay</b>	<b>benefits</b>	<b>fees</b>	<b>US\$</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>2017</b>					
Mr. Xiang Wu	31,732	-	-	-	31,732
Mr Lixian Yu *	79,991	-	-	-	79,991
Mr Yong Li *	839	-	-	-	839
Mr Xiuzhi Shi	839	-	-	-	839
Mr Weili Tang **	13,256	-	-	-	13,256
Mr Hao Zhang *	66,664	-	-	-	66,664
Mr Pizhao Che **	23,047	-	-	-	23,047
	<u>216,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>216,368</u>

	<b>Salary and</b>	<b>Bonus and</b>	<b>Other</b>	<b>Termination</b>	<b>Total</b>
	<b>fees</b>	<b>holiday pay</b>	<b>benefits</b>	<b>fees</b>	<b>US\$</b>
	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>	<b>US\$</b>
<b>2016</b>					
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 **	-	-	-	-	-
	<u>214,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,623</u>

Key management comprises Executive and Non-Executive Directors.

\* Mr Lixian Yu was appointed on 1<sup>st</sup> September 2017 and Mr Hao Zhang was appointed on 1<sup>st</sup> September 2017. Mr Xiuzhi Shi and Mr Yong Li was appointed on 19<sup>th</sup> December 2017.



5. Directors' Emoluments (continued)

\*\* Mr Weili Tang resigned on 24<sup>th</sup> July 2017, Mr Li Li resigned on 1<sup>st</sup> September 2017 and Mr. Che Pizhao resigned on 19<sup>th</sup> December 2017.

6. Expenses by nature

	<i>2017</i>	<i>2016</i>
	<i>US\$000</i>	<i>US\$000</i>
	<i>US\$000</i>	<i>Restated</i>
Employee benefit expenses	2,818	2,805
Operating lease expenses	393	169
Depreciation	2,488	4,792
Less transfer to intangible assets and mines under construction	(2,382)	(4,709)
Legal, professional and regulatory costs	1,069	677
Travel and entertaining	371	707
Consulting fees	-	1
Write off of historical balances	-	864
Other Expenses	157	560
Commission/bank fees	101	103
Total administrative expenses	<u>5,017</u>	<u>5,969</u>

	<i>2017</i>	<i>2016</i>
	<i>US\$000</i>	<i>US\$000</i>
	<i>US\$000</i>	<i>Restated</i>
Fees payable to the Company's auditor for the audit of the consolidated financial statements	135	80
Fees payable to the Company's auditor for other services:		
– Accounts preparation services	-	13
	<u>135</u>	<u>93</u>

7. Income Tax

a) Analysis of Charge in the Year

	2017 US\$000	2016 US\$000 <i>Restated</i>
<b>Current tax:</b>		
Current tax on loss for the year	68	-
Overseas tax	-	-
Total current tax	<u>68</u>	<u>-</u>

No provision for income taxes arose in the Cayman Islands, the UK, British Virgin Islands. A current income tax expense arose in Tajikistan during the year as LLC Pakrut sold gold in the amount of TJS49,442,586 (equivalent to US\$ 5,784,000). Thereby, the Company paid the amount of advance payments of income tax according to the Tax Code of the Republic of Tajikistan. During the year ended 31 December 2016, LLC Pakrut was in development stage of the mine and no revenues were generated and hence no taxes charged.

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 20% (2016 – 18.20%).

	2017 US\$000	2016 US\$000
Loss before income tax	(14,169)	(7,180)
Loss on ordinary activities by weighted average rate of tax at 20% (2016 – 18.20%)	(2,834)	(1,307)
Expenses not deductible for tax purposes	106	83
Tax losses for which no deferred income tax asset was recognised	2,969	1,224
	<u>68</u>	<u>-</u>

The Group did not recognize deferred income tax assets of approximately US\$2,073,000 (2016 – US\$1,876,000). These were in respect of unused Tajikistan tax losses amounting to approximately US\$14,802,000 (2016 – US\$13,396,000). The Tajikistan tax losses can be carried forward for three years from the year incurred and used against future taxable income at 14%.

**8. Finance Income and Costs**

	<b>2017</b>	<b>2016</b>
	<b>US\$000</b>	<b>US\$000</b>
		<b>Restated</b>
<b>Finance Income</b>		
Interest income on short term bank deposits	1	5
<b>Finance Costs</b>		
Interest expense on shareholder's loans wholly repayable within five years	7,531	8,967
Interest expense on bank borrowings wholly repayable within five years	4,404	3,613
Less: Borrowing costs capitalized in qualifying assets	(11,935)	(12,580)
Provisions: Unwinding of discount	63	58
Less: Unwinding of discount capitalized in qualifying assets	(63)	(58)
Finance costs	-	-

**9. Earnings per Share**

	<b>2017</b>	<b>2016</b>
	<b>US\$</b>	<b>US\$</b>
		<b>Restated</b>
Basic and diluted earnings per share (cents)	(3.93)	(1.88)

The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US\$15,036,884 (2016– loss US\$7,179,643) by the weighted average number of shares in issue and carrying the right to receive dividend. For the year ended 31 December 2017 this was 382,392,292 (2016 – 382,392,292) 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 the year end, there were 50,000 (2016 – 1,525,000) share options outstanding that are potentially dilutive in the future.

**10. Intangible Assets**

	<i>Exploration and evaluation assets US\$000</i>
<b>Cost</b>	
At 1 January 2016	9,941
Additions	-
At 31 December 2016	9,941
Additions	-
At 31 December 2017	9,941
<b>Impairment</b>	
At 1 January 2016	(9,941)
Impairment	-
At 31 December 2016	(9,941)
Impairment	-
At 31 December 2017	(9,941)
<b>Net Book Value</b>	
At 31 December 2016	-
At 31 December 2017	-

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.

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 license 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 license extension, the Directors fully impaired the carrying value of the exploration and evaluation assets during 2014 due to non-renewal of the Exploration License. Exploration and evaluation activities can continue at the Pakrut Gold Deposit in the area covered by the mining license.

**11. Mines under Construction**

<b>Cost</b>	<i>Mining rights</i> <b>US\$000</b>	<i>Construction in progress</i> <b>US\$000</b>	<b>Total US\$000</b>
At 1 January 2016 (restated)	35,022	219,945	254,967
Additions	-	63,274	63,274
At 31 December 2016	35,022	283,219	318,241
Additions	-	23,622	23,622
Impairment	-	(10,703)	(10,703)
At 31 December 2017	35,022	296,138	331,160

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 capitalized within mining rights. Mining rights also includes the subsoil contract signature bonus, a share based payment for securing the Pakrut Mining License 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.

**12. Property, Plant and Equipment**

	<i>Land US\$000</i>	<i>Office furniture and equipment US\$000</i>	<i>Motor vehicles US\$000</i>	<i>Plant and machinery US\$000</i>	<i>Total US\$000</i>
<b>Cost</b>					
At 1 January 2016 (restated)	32	667	8,811	14,752	24,262
Additions	-	190	83	72	344
Disposals	-	(9)	-	(1)	(10)
At 31 December 2016	32	848	8,894	14,823	24,596
Additions	-	11	-	-	11
Disposals	-	(8)	(26)	(6)	(40)
At 31 December 2017	32	851	8,868	14,817	24,567
<b>Accumulated Depreciation</b>					
At 1 January 2016 (restated)	-	327	1,859	6,152	8,338
Charge for the year	-	101	1,752	2,939	4,792
At 31 December 2016	-	428	3,611	9,091	13,130
Charge for the year	-	96	1,064	1,311	2,471
At 31 December 2017	-	524	4,675	10,402	15,601
<b>Net Book Value</b>					
At 31 December 2017	32	327	4,193	4,415	8,967
At 31 December 2016	32	420	5,283	5,732	11,467
At 31 December 2015	32	340	6,952	8,600	15,924

Depreciation of US\$2,382,000 (2016 – US\$4,709,000) 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 (2016 – US\$ Nil). The net book value of tangible fixed assets used in mines under construction was US\$8,730,980 (2016 – US\$11,188,406).

### 13. Subsidiary Undertakings

The Group had the following principal subsidiaries at 31 December 2017:

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

### 14. Financial Instruments by category

	<i>Loans and Receivables US\$000</i>
<b>31 December 2017</b>	
<b>Assets per Statement of Financial Position</b>	
Trade and other receivables, excluding prepayments	629
Cash and cash equivalents	12,067
Total	<u>12,696</u>
	<i>Liabilities at amortized cost US\$000</i>
<b>31 December 2017</b>	
<b>Liabilities per Statement of Financial Position</b>	
Borrowings	279,184
Provisions for other liabilities and charges	767
Trade and other payables, excluding non-financial liabilities	78,409
Total	<u>358,360</u>

**14. Financial Instruments by category (continued)**

	<i>Loans and Receivables US\$000</i>
<b>31 December 2016</b>	
<b>Assets per Statement of Financial Position</b>	
Trade and other receivables, excluding prepayments	718
Cash and cash equivalents	12,563
Total	<u>13,281</u>
	<i>Liabilities at amortized cost US\$000</i>
<b>31 December 2016</b>	
<b>Liabilities per Statement of Financial Position</b>	
Borrowings	254,350
Provisions for other liabilities and charges	704
Trade and other payables, excluding non-financial liabilities	81,166
Total	<u>336,220</u>

**15. Inventories**

	<i>2017 US\$000</i>	<i>2016 US\$000 Restated</i>
Gold	49	172
Construction materials and processing equipment	18,167	20,776
Total	<u>18,216</u>	<u>20,948</u>

Inventories categorized 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 recognized as an expense in profit or loss during 2017 was US\$Nil (2016 – US\$ Nil).

**16. Trade and Other Receivables**

	<i>Group 2017 US\$000</i>	<i>Group 2016 US\$000 Restated</i>
Other receivables	75	76
Prepayments and deposits	554	642
Total	<u>629</u>	<u>718</u>

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

The amount of reimbursement for snow disaster in Pakrut from PICC insurance company of China is recorded in current period.



17. Borrowings

	2017 US\$000	2016 US\$000 <i>Restated</i>
Bank borrowings	120,000	100,000
Other loans	159,184	154,811
Less: unamortised borrowing costs	-	(461)
Total	<u>279,184</u>	<u>254,350</u>
Non-current portion	<u>106,500</u>	<u>227,684</u>
Current portion	<u>172,684</u>	<u>26,667</u>

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 endeavors to secure mine funding for the construction and development of the Pakrut Gold Project.

The USD tranche of the loan was settled in full during the year and US\$Nil was outstanding as at 31 December 2017. The RMB tranche of the loan was settled in full after the year-end. The amount outstanding as at 31 December 2017 was US\$12,683,599.

**CNMC loans**

The loan agreement between CNMC International Capitals Company Limited ("CNMC") and China Nonferrous Gold Limited was signed on 20<sup>th</sup> Sep 2017. Under this agreement, CNMC provided a loan facility of US\$ 6,500,000 to China Nonferrous Gold Limited. This loan was used to improve the daily business operation of China Nonferrous Gold Limited.

The full amount of the loan was drawn down on the 20<sup>th</sup> September 2017. The loan contains annual fixed interest at 4%, however where the loan is used for a purpose other than that stated in the contract (see comments above), the proportion of the loan used will incur interest at a fixed rate of 8% per annual. Payment of interest will be made quarterly.

The loan is repayable in full on 19<sup>th</sup> Jan 2019. For any outstanding amounts owed after this date, interest will be charged at a rate of 6% per annual until the outstanding amount is paid.

The Group has pledged its 100% equity interest in China Nonferrous Gold Limited to CNMC as security for repayment of the loan.

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 2017, a loan extension agreement was signed extending the repayment date until 26 November 2018.

The loan contains a fixed interest rate of 4% per annum, which is calculated on a monthly basis from the 21<sup>st</sup> of the month to the 20 of the following month. Interest payments are due on a quarterly basis on the 21<sup>st</sup> of the month. Interest on the overdue balance will be charged at 150% of the fixed interest rate per the agreement. The maturity of loan agreement is extended between CNMC and China Nonferrous Gold Limited until 26<sup>th</sup> November 2018.

### **CCB loan**

The first loan agreement between China Construction Bank (“CCB”) and China Nonferrous Gold Limited was signed on 13th April 2016. Under this agreement CCB provided a loan facility of US\$ 20,000,000 to China Nonferrous Gold Limited. This loan was used to improve operations and management of the Pakrut Gold Project as well as recovery from snow disaster. 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\$20,618,556.70, with validity of not less than 12 months in favor of CCB.

The full amount of the loan was drawn down on 13rd April 2016. The loan incurs interest at a rate of 3 months LIBOR + 1.3% and is payable in arrears at the end of each applicable interest period.

The payment of interest is repayable quarterly and the principal amount of the loan is repayable on 26<sup>th</sup> Nov 2018.

The second 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 favor 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 installments commencing 18 months from drawdown date and every 6 months thereafter as follows:

31/12/17 – US\$5,000,000 (payment made in January 2018)  
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

**18. Trade and other payables**

	<i>2017</i> <i>US\$000</i>	<i>2016</i> <i>US\$000</i>
Trade and other payables	78,409	81,166
	<u>78,408</u>	<u>81,166</u>

Trade and other payables include amounts due of US\$70,474,164 (2016 – US\$76,837,454) in relation to exploration and evaluation activities and mines under construction.

**19. Provisions for Other Liabilities and Charges**

	<i>Rehabilitation</i> <i>US\$000</i>	<i>Total</i> <i>US\$000</i>
At 1 January 2017	704	704
Unwinding of discount	63	63
At 31 December 2017	<u>767</u>	<u>767</u>

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 license. 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 2017 is 9% per annum. The value of the undiscounted provision is US\$2,481,000.

**20. Treasury Policy and Financial Instruments**

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

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

At 31 December 2017 and 2016 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.

## 21. Share Capital

	<b>2017</b> <b>No. of</b> <b>ordinary</b> <b>shares</b>	<b>2017</b> <b>Share</b> <b>Capital</b> <b>US\$000</b>	<b>2016</b> <b>No. of</b> <b>ordinary</b> <b>shares</b>	<b>2016</b> <b>Share</b> <b>Capital</b> <b>US\$000</b>
At 1 January (Ordinary shares of \$0.0001) each	382,392,292	38	382,392,292	38
Issued during the year	-	-	-	-
At 31 December (Ordinary shares of US\$0.0001 each)	<u>382,392,292</u>	<u>38</u>	<u>382,392,292</u>	<u>38</u>

## 22. 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:

	<b>2017</b>	<b>Weighted</b>	<b>2016</b>	<b>Weighted</b>
	<b>No. of</b>	<b>average</b>	<b>No. of</b>	<b>average</b>
	<b>share</b>	<b>exercise</b>	<b>share</b>	<b>exercise</b>
	<b>options</b>	<b>price</b>	<b>options</b>	<b>price</b>
		<b>(pence)</b>		<b>(pence)</b>
Share Option Scheme				
Outstanding at beginning of year	1,525,000	30.00	5,625,000	30.00
Granted during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(1,475,000)	30.00	(4,100,000)	30.00
Outstanding at end of year	<u>50,000</u>	<u>30.00</u>	<u>1,525,000</u>	<u>30.00</u>
Exercisable at 31 December	<u>50,000</u>	<u>30.00</u>	<u>1,525,000</u>	<u>30.00</u>

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

	<b>No. of share</b>		<b>Exercise</b>
	<b>options</b>	<b>Expiry date</b>	<b>price</b>
Grant – Vest			
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 2017 is 0.90 years. The weighted average exercise price of the outstanding options at 31 December 2017 is 30 pence.

23. Prior year adjustment

	Signed 2016 financial statements US\$000	Adjustments US\$000	Restated as at 31 December 2016 US\$000
	-		
Mines under construction	317,297	944	318,241
Property, plant and equipment	3,946	7,521	11,467
<b>Total Non-Current Assets</b>	<b>321,243</b>	<b>8,465</b>	<b>329,708</b>
Inventories	28,166	(7,218)	20,948
Trade and other receivables	4,084	(3,366)	718
Cash and cash equivalents	12,357	206	12,563
<b>Total Current Assets</b>	<b>44,607</b>	<b>(10,378)</b>	<b>34,229</b>
Borrowings	(227,684)	-	(227,684)
Provisions for other liabilities and charges	(704)	-	(704)
<b>Total Non-Current Liabilities</b>	<b>(228,388)</b>	<b>-</b>	<b>(228,388)</b>
Borrowings	(26,667)	-	(26,667)
Trade and other payables	(82,209)	1,043	(81,166)
<b>Total Current Liabilities</b>	<b>(108,876)</b>	<b>1,043</b>	<b>(107,833)</b>
<b>Net Current Liabilities</b>	<b>(64,269)</b>	<b>(9,335)</b>	<b>(73,604)</b>
<b>Net Assets</b>	<b>28,586</b>	<b>(870)</b>	<b>27,716</b>
<b>Equity attributable to the owners of the parent</b>			
Share capital	38	-	38
Share premium	65,901	-	65,901
Other reserve	10,175	-	10,175
Retained earnings	(47,528)	(870)	(48,398)
<b>Net Assets</b>	<b>28,586</b>	<b>(870)</b>	<b>27,716</b>

23. Prior year adjustment (continued)

	Signed 2015 financial statements US\$000	Adjustments US\$000	Restated as at 31 December 2015 US\$000
Mines under construction	244,529	10,438	254,967
Property, plant and equipment	11,624	4,300	15,924
<b>Total Non-Current Assets</b>	<b>256,153</b>	<b>14,738</b>	<b>270,891</b>
Inventories	39,390	(11,260)	28,130
Trade and other receivables	1,010	51	1,061
Cash and cash equivalents	2,213	175	2,388
<b>Total Current Assets</b>	<b>42,613</b>	<b>(11,033)</b>	<b>31,579</b>
Borrowings	(56,437)	-	(56,437)
Provisions for other liabilities and charges	(646)	-	(646)
<b>Total Non-Current Liabilities</b>	<b>(57,083)</b>	<b>-</b>	<b>(57,083)</b>
Borrowings	(132,583)	-	(132,583)
Trade and other payables	(74,204)	(3,704)	(77,908)
<b>Total Current Liabilities</b>	<b>(206,787)</b>	<b>(3,704)</b>	<b>(210,491)</b>
<b>Net Current Liabilities</b>	<b>(164,174)</b>	<b>(14,738)</b>	<b>(178,912)</b>
<b>Net Assets</b>	<b>34,896</b>	<b>-</b>	<b>34,896</b>
<b>Equity attributable to the owners of the parent</b>			
Share capital	38	-	38
Share premium	65,901	-	65,901
Other reserve	10,175	-	10,175
Retained earnings	(41,218)	-	(41,218)
<b>Net Assets</b>	<b>34,896</b>	<b>-</b>	<b>34,896</b>

The 2015 and 2016 balances have been restated in the 2017 financial statements. The balances have been restated because of the following reasons:

- 1) In 2015 and 2016, figures were being incorrectly translated when consolidating LLC Pakrut into the financial statements. The result of these prior year adjustments is immaterial to the Statement of Comprehensive Income and Retained Earnings but impacted certain balances with the Statement of Financial Position as detailed above.
- 2) Due to the heavy snowfall at the Pakrut site no inventory count could be performed at the 2016 year end. When an inventory roll-back exercise was performed when access to site had been restored the carrying value of inventory was required to be restated as at 31 December 2016.
- 3) Prior year adjustments were also recorded in respect of historical payable and receivable balances that were either written off to the Statement of Comprehensive Income in 2016 or reclassified to its correct allocation. The net impact of these reclassification and write offs on the Statement of Comprehensive Income was US\$864,000.

24. Cash flow information

	31 December 2017 US\$000	31 December 2016 Restated US\$000
Cash flows from Operating Activities		
Loss before income tax	(15,037)	(7,180)
<i>Adjustments for:</i>		
Finance income	(1)	-
Depreciation	102	-
Impairment	10,703	-
<i>Change in working capital:</i>		
Inventory	2,732	7,182
Trade and other receivables	90	343
Trade and other payables	(2,758)	416
<b>Net Cash generated from Operating Activities</b>	<b>(4,169)</b>	<b>761</b>

Net debt reconciliation

	31 December 2017 US\$000	Restated 31 December 2016 US\$000
Cash and cash equivalents	12,067	12,563
Borrowings – repayable within one year	(172,684)	(26,667)
Borrowing – repayable after one year	(106,500)	(227,684)
<b>Net debt</b>	<b>(267,117)</b>	<b>(241,787)</b>

	31 December 2017 US\$000	Restated 31 December 2016 US\$000
Cash and cash equivalents	12,067	12,563
Borrowings – fixed interest rates	(159,184)	(154,350)
Borrowings – variable interest rates	(120,000)	(100,000)
<b>Net debt</b>	<b>(267,117)</b>	<b>(241,787)</b>

	Cash at bank US\$000	Borrowings due within 1 year US\$000	Borrowings due after 1 year US\$000	Total US\$000
<b>Net debt as at 1 January 2016</b>	<b>2,388</b>	<b>(132,583)</b>	<b>(56,437)</b>	<b>(186,632)</b>
Cash flows	10,175	105,916	(171,247)	(55,156)
<b>Net debt as at 31 December 2016</b>	<b>12,563</b>	<b>(26,667)</b>	<b>(227,684)</b>	<b>(241,787)</b>
Cash flows	(496)	(146,017)	121,184	(25,329)
<b>Net debt as at 31 December 2017</b>	<b>12,067</b>	<b>(172,684)</b>	<b>(106,500)</b>	<b>(267,117)</b>

**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:

	<b>2017</b>	<b>2016</b>
	<b>US\$000</b>	<b>US\$000</b>
Capital expenditure contracted for but not provided for in respect of acquisition of mines under construction and property, plant and equipment	<u>35,735</u>	<u>8,606</u>

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

**27. Contingent Liabilities**

The Group has no contingent liabilities as at 31 December 2017.



## 28. Related Party Transactions

At the year-end, Abuali Ismatov (a former Director until February 2016) was due US\$Nil (2016 – US\$ Nil) 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 2017 was US\$23,700 (2016 – US\$111,928).

The amount paid by the Company and Kryso Resources Limited to CNMIM for interest on the loan in 2017 amounted to US\$1,847,814 (2016 – US\$1,223,857). The amount due to CNMIM as at 31 December 2017 was US\$16,095,682 (2016 – US\$17,884,829). CNMIM is a significant shareholder of Kryso Resources Plc and Xiang Wu and Leo Yu are Chairman and President of CNMIM respectively.

The amount payable by the Company to CNMC for interest on the loans in 2017 amounted to US\$5,805,833 (2016 – US\$6,315,427). The amount due to CNMC as at 31 December 2017 was US\$149,283,611 (2016 – US\$140,024,444). CNMC is the ultimate parent of China Nonferrous Gold Limited and Xiang Wu is Chief Accountant of CNMC.

During 2017, 15MCC provided equipment and materials, together with installation and construction work to the Group amounting to US\$3,391,001 (2016: \$20,180,559) and the Group advanced payments to 15MCC amounting to US\$6,494,020 (2016: \$16,746,862). As at 31 December 2017, the total liability due to 15MCC was \$33,762,180 (2016: US\$39,472,920).

In 2015 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 7<sup>th</sup> 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 2017, CNHFMG provided equipment and materials, together with installation and construction work to the Group amounting to US\$Nil (2016: \$1,664,077) and the Group advanced payments to CNHFMG amounting to US\$102,263 (2016: \$445,257). As at 31 December 2017, the total liability due to CNHFMG was \$1,217,446 (2016: US\$1,221,766). In October 2017, the contract with CNHFMG was terminated by mutual agreement.

During the year of 2017 CNMC provided a guarantee for standby letters of credit amounting to US\$118,556,701.03 as security for the Group's bank loan facility with China Construction Bank. During the year of 2016, CNMC provided a guarantee from standby letters of credit amounting to US\$ 103,092,783.505 as security for the Group's bank loan facility with China Construction Bank.

**29. Events after the Reporting Period**

A new loan agreement between CNMC International Capitals Company Limited ("CNMC") and China Nonferrous Gold Limited was signed on 8th February 2018. Under this agreement, CNMC have provided a loan facility of US\$90,000,000 to China Nonferrous Gold Limited. This loan has been provided with the purpose of improving daily business operations of China Nonferrous Gold Limited.

The loan contains annual fixed interest at 5.8%. Where the loan is used for a purpose other than that stated in the contract (see comment above), the proportion of the loan used will incur interest at a fixed rate of 11.6% per annual. Payment of interest will be made bi-annually.

The loan is repayable in full on 8th Dec 2020. For any outstanding amounts owed after this date, interest will be charged at a rate of 8.7% per annual until the outstanding amount is paid.