CHINA NONFERROUS GOLD LIMITED

Company Registration Number WK-277188

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2018

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

Company Secretary
Ms Ma Yifei

Registered Office
190 Elgin Avenue
George Town
Grand Cayman
KY1-9005
Cayman Islands

Nominated Adviser
WH Ireland Limited
24 Martin Lane
London
EC4R 0DR
United Kingdom

Bankers

UK
National Westminster Bank Plc
Knightsbridge Commercial
Business Centre
186 Brompton Road
London SW3 1HL

China
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

China Construction Bank Macau
Branch
5/F, Circle Square, 61
Avenida de Almeida
Ribeiro, Macau

Hong Kong
Wing Lung Bank Limited
Wing Lung Bank Building
45 Des Voeux Road

	Central Hong Kong
Bankers (continued)	JSC SO PBRR 'Tajprombank' 734025 Rudaki Avenue 22 Dushanbe Tajikistan
	JSC 'Agroinvestbank' 734018 Ave SaadiSherozi 21 Dushanbe Tajikistan
	SSB RT 'Amonatbank' Rudaki Avenue 22 Dushanbe Tajikistan
Independent Auditor	PKF Littlejohn LLP 1 Westferry Circus Canary Wharf London E14 4HD
Legal Advisors	*English law* Charles Russell Speechlys LLP 5 Fleet Place London EC4M7RD United Kingdom
	Tajikistan law Galimov Fa and Matt No. 60, Building 6, Somony Street Dushanbe Tajikistan
	Cayman Islands law Walkers Suite 1501-1507 Alexandra House 18 Chater Road Central Hong Kong

CEO'sStatement

As CEO, it gives me great pleasure to present the CEO'sstatement of the annual report for the year ended 31 December 2018. With the full cooperation of the construction companies, designers and equipment suppliers, the construction of the mine site at the Pakrut gold project was successfully completed at the end of 2018 with US$17.9m revenue being generated from trial production in the period. Following the successful completion of infrastructure and construction works at the mine site, the Pakrut gold project entered full operation in 2019 and is currently producing at levels of 2,000 tons per day.

This marks a new chapter for the Group as it becomes an important gold producer in Tajikistan and brings steady cash flows to support the sustainable development of the company.

Construction

2018 was a critical year for the Pakrut gold mine. The flotation tailings pond, filling station, mine camp and underground ventilation system, all of which began construction after the snowfall damage, were successfully completed and commissioned at the end of 2018, meaning that the construction works surrounding the Pakrut gold project were finalised and it has been possible to commence full production in 2019.

Operation

Through the joint efforts of company staff, the Pakrut gold mine produced the first gold since the suspended production in 2017 as a result of the snowfall disaster. In 2018, from trial production, a total of 268,200 tons of ore were processed at a grade of 2.18 g/t, 9,030 tons of gold concentrate were produced at a grade of 63.58 g/t, 451.46kg of gold bullion were poured with a comprehensive recovery rate of 80.89%. This achievement was hard-won because both construction and trial production for Pakrut gold project were carried out at the same time in 2018 to ensure that the Group could enter full production in 2019.

Full production commenced at the start of 2019 and from January to April 2019, 186,800 tons of ore were processed, 5,325 tons of gold concentrate were produced, the recovery rate of processing was 86.77%, the recovery rate of smelting was 87.3% and the output of gold ingots was 350kg. Revenue to April 2019 is US$12.5m and gross margin for the same period is 31.14%.

Financial results

As progress on the Pakrut project moved towards completion during the year, expenditure continued to be incurred by the Group on development and construction work and as at 31 December 2018 the value of mines under construction stood at US$397,876,955 (2017: US$331,160,369). Administration expenditure was US$6,371,750 (2017: US$5,084,991). The main reason for the increase is due to higher local taxes paid in Tajikistan during 2018 as a result of increases in subsoil taxes.

The overall loss incurred by the Group was US$4,483,499 (2017: US$15,036,884). The reduced loss is mainly as a result of the 2017 impairment to Mines under construction of US$10,702,895. In addition, in the current year other income of US$2.8 million (2017: US$Nil) has been generated, being compensation from the insurance provider following the snowfall disaster in early 2017.

During the course of the year, the Group signed financing agreements with CNMC International Capitals Company Limited（II）, an associate of China Nonferrous Metals International Mining Co., Ltd for a loan facility of USD$90 million ("CNMC Loan"). The time limits on the loan contracts previously signed with China National Capital International Co, Ltd., China Nonferrous Metals International Mining Co., Ltd. and China Nonferrous Metals Mining Group Co., Ltd. were extended to December 2019.

In July 2018, CNMC and China National Economic Trade Co, Ltd. signed an agreement transferring one of the loans of US$20 million to China Nonferrous Mining Group Co, Ltd. to Zhongse Economic and Trade Co., Ltd which constitutes a related party under the AIM Rules for Companies. In 2018, the Group repaid a loan of US$35 million to China Construction Bank Corporation Macau Branch.

The existing CCBC loan facility of US$85 million and the CNMC and CNMIM loan facilities of US$260 million amounted to US$345 million in total of loans payable as at 31 December 2018. Of this, US$163 million is payable within one year of the financial statements, which includes US$10 million due to CCBC and the remaining balance due to shareholders. The CCBC loan is due for repayment in March 2021.

Events after the Reporting Period

In January 2019, the Group drew down US$20 million on a US$30 million loan facility with China Construction Bank Corporation Macau Branch. The contract was signed in November 2018 but at that time there was no withdrawal.

As mentioned earlier, in order to ensure the repayment of existing loans, a broader refinancing is required. Discussions are ongoing and with the signing of the new loan agreement, the remaining discussions are expected to be completed in the near term. The Group has now entered full production and this should enable sufficient working capital to be raised. As previously announced, to ensure repayment of the existing facilities as they fall due, a wider refinancing will be required.

Outlook

With the completion of mine construction and improvement of technology, the Pakrut gold mine has now entered into full production, and the annual revenue target of ore is expected to increase based on normal operations in 2019.

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 strong 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 its shareholders in the future.

I would like to take this opportunity to thank all our employees, management and advisors for their continued efforts in 2018 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.

Yu Lixian

CEO 余利贤

28June2019

The Directors present their annual report and the audited Financial Statements of China Nonferrous Gold Limited for the year ended 31 December 2018.

Principal Activity

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

BUSINESS REVIEW

Introduction

China Nonferrous Gold Limited ("CNG") is a mineral exploration, development and mining company. The Group's project is 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 2018 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. CNG's medium term objective is to become a mid-tier gold producer and keep in mind the mission of state-owned enterprises, maintain strategic strength, and strive to achieve the production goal of Pakrut. The directors of CNG have a track record of operating successfully in Tajikistan and believe CNG to have been the first foreign company to obtain 100% ownership of a mining and exploration project in Tajikistan.

OPERATING REVIEW

To date the Group has:

- Completed the construction of flotation tailings pond, filling station, mine camp and underground ventilation system;
- After the year end, Pakrut gold mine reached production capacity of 2,000 tons per day as a whole once construction works were completed at the end of 2018;
- Processed a total of 268,200 tons of ore at a grade of raw ore of 2.18 g/t;
- Produced 9,030 tons of gold concentrate at 63.58 g/t, the recovery rate was 80.89%;
- Smelting Plant processed more than 300 tons of gold concentrate, produced gold ingots of 350 kg; and
- Generated revenue from trial production of US$17,925,914.

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 2018 were as follows:

	2018	***2017***
	US$000	***US$000***
Revenue	17,926	5,784
Mine construction costs capitalised during the year	(66,717)	(23,622)
Impairment of mine assets	-	(10,703)
Administrative expenses	(6,192)	(5,017)
Total costs	72,909	39,342
% Administrative expenses to total costs	100%	12.8%
Operating loss	5,227	14,970
Less: interest receivable	(923)	(1)
Loss on ordinary activities before taxation	4,304	14,969
Earnings per share (cents)	1.17	3.93

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. In 2018, KPI index is at 8.49% (2017: 12.75%). Administrative expenses have decreased in 2018 as a percentage of total costs due to the significant increase in mine asset additions.

Revenue is also considered to be a KPI and will be increasingly important to monitor now that the Group has entered full production in 2019. Revenue from trial production was US$17.9 million (2017: US$5.8 million) and is forecasted to increase significantly from the 2019 financial year over the license period now that the Group has entered into full production.

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

The Group is also committed to the development of its employees and encourages them to attend courses and 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 minimise risk to life and property damage.

Production Risk

In 2019, Pakrut entered the full production phase. The company's existing production equipment is considered to be sufficient to meet the requirements of the budgeted gold production targets. The right choice of production equipment has a major impact on productivity and costings.

The production process of the gold should be based on the specific performance requirements of the product. This requires an increase in production skills and requires training of company technicians. Technology is changing rapidly and existing production technology may have fallen behind, therefore technicians must continue to develop their knowledge and skillset to keep up with this pace.

At present, CNG has completed the trial production stage and entered the stage of comprehensive operation. The Company will need to manage change and innovation and accumulate valuable experience and systems as production levels ramp up. A key factor will be the continuous technological innovations and developments in the industry. To become an industry leader, CNG must adhere to the technology innovation strategy and seek innovative methods to achieve a comprehensive transformation.

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.

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 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.

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 followingFinancial Statements. The Directors do not recommend the payment of a dividend (2017: US$Nil).

Future Developments
Future prospects are set out in the Chairman's Statement on pages 5 to 6 and above.

Directors and their Interests

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

	At 31 December 2018	***At 31 December 2017***
Mr Xiang Wu	31,950	31,732
Mr Yong Li	23,737	839
Mr Lixian Yu	296,148	79,991
Mr Hao Zhang *	246,812	66,664
Mr Xiuzhi Shi	23,620	839

For further detail, please refer to Note 5.

* Mr Hao Zhang was appointed on 1st September 2017 and resigned on 22 November 2018.

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.

	Number of ordinary shares	***Percent of issued ordinary share capital***
China Nonferrous Metals Int'l Mining Co Ltd	146,666,666	38.36%
Zhao Bin	50,090,304	13.10%
Golden Max Group	33,823,113	8.85%
Huang Lihuo	33,068,430	8.65%
BOCOM International	16,500,000	4.31%
Rainbow Bridge Investment Fund	12,335,489	3.23%

Board of 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 Delin Feng (aged 48), Financial Director
Mr Feng, aged 48, a senior accountant, is the Chief Accountant of CNMIM, having joined the group in January 2019. He was appointed to the Board of China Nonferrous Gold on 21 March 2019. He graduated with a Bachelor's degree majoring in law from Wuhan University in the PRC in June 2004 and Bachelor of Science in Management Accounting from Zhongnan University of Economics and Law in the PRC in June 2007. He obtained the Master of Business Administration from Tianjin Polytechnic University in the PRC in March 2017.

Mr Feng has extensive accounting and management experience. From December 2008 to January 2010, he worked as head of Fund Division of Finance Department of Daye Nonferrous Metals Co., Ltd.; from January 2010 to May 2013, Deputy director of Finance Department of Daye Nonferrous Metals Group Holdings Co., Ltd.; from May 2013 to October 2015, Deputy director of Finance Department of Daye Nonferrous Metals Co., Ltd.; from October 2015 to February 2018, Director of Finance Department of Daye Nonferrous Metals Group Holdings Co., Ltd,; and from February 2018 to January 2019, Director of capital operation department of Daye Nonferrous Metals Group Holdings Co., Ltd.

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.

Going Concern
The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 5 to 6. Note 1 to the financial statements includes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

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 2020 and satisfying themselves that the Group will have sufficient funds on had to realise its assets and meet its obligations as they fall due.

In making this assessment the Directors have considered the fact that the mine has now entered full production and how the Group will be able to use the cash inflows from these operations to support its working capital position and repay loans when they fall due. The Directors have also considered the importance of working closely with its lenders, some of whom are related parties, and they have sought appropriate assurances from them regarding their continued support.

After making the due enquiries the Directors have a reasonable expectation that the Company and Group have access to adequate resources to continue in operational existence for the foreseeable future which is considered to be at least 12 months from the date of the signing of these financial statements. 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 28 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 余礼先

28 June 2019

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 余利先

28 June 2019

Corporate Governance Report

The Chairman of the Board of Directors of China Nonferrous Gold Ltd has a responsibility to ensure that CNG has a sound corporate governance policy and an effective Board.

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's recent changes to the AIM Rules requiring all AIM-quoted companies to adopt and comply with a recognised corporate governance code. The QCA code identifies ten principles to be followed in order for companies to deliver growth in long-term shareholder value, encompassing effective management with regular and timely communication to shareholders. This report follows the structure of those principles and explains how we have applied the guidance as well as disclosing any areas of non-compliance.

We will provide annual updates on our compliance with the code. The Board considers that the Group complies with the QCA code so far as is practicable having regard to the size, nature and current stage of development of the Company.

Principle 1: Establish a strategy and business model which promotes long-term value for shareholders

The principal strategy of the Group in the short term is to develop the Group's exploration assets and to bring the Pakrut Gold Project into a higher stage.

CNG is a gold exploration specialist, with operations in Pakrut. Our goal is to deliver long term value for our shareholders. We aim to do this by identifying good quality.

Consequently we:

- use our expertise to identify those areas with economically feasible deposits,
- assess the business environment of the target country and its attractiveness for prospecting and eventual mining operation,
- understand existing interests in a license area in order to ensure we can earn-in to existing interests on terms favourable to our shareholders.

Principle 2: Seek to understand and meet shareholder needs and expectations

The board is committed to regular shareholder dialogue with both its institutional and retail shareholders. The principal opportunity for the board to meet shareholders is at the Company's AGM, to which shareholders are encouraged to attend.

Charles Chung has been appointed by the board to act as the investor relations manager for CNG. Mr Chung is the principal contact point for shareholders wishing to discuss matters with the board and any shareholder views received by Mr Chung are communicated to the full board.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long term success

Given the industry in which CNG operates, good relationships are essential with both its suppliers and local communities. CNG strives to have a strong relationship with those local communities and is committed to respecting their laws and customs. To further this, CNG as far as possible seeks to employ local workers so as to ensure that some benefits of the Group's operations are kept within those local communities. The Group also has a two-way dialogue with relevant local communities to discuss any concerns which may arise.

Linked to this, the Group retains the services of a local environmental consultant to ensure any actual or potential issues impacting on the environment in which the Group operates are brought to the attention of management as soon as possible so they can be addressed.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

We have set out on pages 9-12 of this report the principal risks to the Company's business and outlook, and how such risks are minimised.

Risk matters are reviewed in board meetings on a regular basis and are reported against in the Company's annual report below.

Principle 5: Maintaining the Board as a well-functioning, balanced team led by the Chair

The board is responsible for running the Company, maintaining all internal control systems and considering all major business and financial risks. All strategic decisions are decided by the board acting collectively.

The board consists of three non-executive directors and two executive directors. It is considered that Mr Shi and Mr Li are independent non-executive directors. Board minutes and related papers are circulated to directors in good time ahead of the relevant board meeting.

The board has established audit, remuneration and nomination committees which meet regulatory in accordance with their terms of reference.

The three committees are all composed of Wu Xiang, Shi Xiuzhi and Li Yong.

Principle 6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Nomination Committee is required to give recommendations to the directors where there are vacancies or where it is felt that additional directors should be appointed. For new appointments the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board.

Whilst the Company's largest shareholder, China Nonferrous Metals Int'l Mining Co Ltd, has the right to appoint directors to the Board, the Nomination Committee will still assess any proposed appointees to ensure that the board maintains an appropriate balance of skills and experience.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The board reviews its effectiveness annually and as shown by the changes to the board of directors in 2018, the board will make changes to its composition when deemed necessary.

Additional non-executives may be considered for appointment to the board to improve the make-up of the board's skills. The Company is currently looking for an additional non-executive director with extensive industry and other relevant experience in order to enhance CNG's corporate governance structure.

Principle 8: Promote a culture that is based on ethical values and behaviours

The report of the directors sets out CNG's values including those relating to corporate responsibility, the Group's people, its social impact and the impact upon the environment.

The Board aims to lead by example and do what is in the best interests of the Company. We operate in remote and under-developed areas and ensure our employees understand their obligations towards the environment and in respect of their job obligations.

The board seeks to ensure that all of its employees are aware of CNG's ethical values and this is covered in the mandatory induction process for new employees.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Company has established a robust governance structure in order to manage internal and external risks. These are reviewed regularly to ensure they remain suitable for the Company.

Board programme

The Board sets direction for the Company through a formal schedule of matters reserved for its decision. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed by the Company Secretary several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and are then followed up by the Company's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of exploration projects; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction.

The Chief Executive Officer ('CEO') is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company. The CEO, together with the Chief Financial Officer ('CFO') and other senior employees, is responsible for establishing and enforcing systems and controls, and liaison with external advisors. The CEO has responsibility for communicating with shareholders, assisted by the CFO and other senior employees.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings when deemed appropriate by the CEO or Chairman, to present business updates.

Board committees

The Board is supported by the Audit and Remuneration committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The company is looking for an additional non-executive director in part to enhance its corporate governance structure.

The Audit Committee provides a formal review of the effectiveness of the internal control systems, the Group's financial reports and results announcements and the external audit process. The audit committee met four times during the year. All three members were present at all meetings, being Wu Xiang, Shi Xiuzhi and Li Yong.

The Remuneration Committee provides a formal and transparent review of the remuneration of the Executive Directors and senior employees and makes recommendations to the Board on individual remuneration packages. The remuneration committee met three times during the year. All members were present at all meetings, being Wu Xiang, Shi Xiuzhi, Li Yong and Yu Lixian.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company is committed to open dialogue with both institutional and retail shareholders. The Chairman liaises with CNG's principal shareholders and relays their views to the wider board.

The Company considers that its annual AGM is an important part of this dialogue and encourages shareholders to attend.

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 (the 'Group') for the year ended 31 December 2018 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 notes to the financial statements, 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.

In our opinion, the financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and of its 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 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 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 financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company'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. We have set headline materiality at US$3,500,000 (2017: US$3,000,000) for the group financial statements using 2% of gross assets as a basis. The increase in materiality from the prior year is predominantly due to significant increases in mine assets as well as revenue.

We consider gross assets to be the most significant determinant of the group's financial position and performance used by shareholders, with the key financial statement balances being mine assets and cash. The going concern of the group is dependent on its ability to fund operations going forward, as well as on the valuation of its assets, which represent the underlying value of the group.

Whilst materiality for the financial statements as a whole was set at US$3,500,000, each significant component of the group was audited to an overall materiality ranging between US$13,000 and US$3,000,000 with performance materiality set at 75%. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements.

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 impairment of mine assets and production start date, 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 visited their offices in Dushanbe to hold discussions surrounding significant events during the year and to review the working papers. The team communicated regularly with the component auditor during all stages of the audit, including review of planning and completion stage group reporting, and are responsible for the scope and direction of the 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter ("KAM")	How the scope of our audit responded to the key audit matter
Revenue recognition Under ISA 240 there is a presumption that revenue recognition is a fraud risk. During the year gold has been produced and revenue of US$17.9 million has been recognised. This is considered a risk due to the increase in revenue from the following year as the Group move towards full production.	Our work included but was not restricted to: ▪ Obtaining and reviewing the sales contract and other related documentation; ▪ Understanding the revenue recognition policy and reviewing for compliance with IFRS; ▪ Reviewing the gold price used with reference to the London Bullion market price on the date of sale and ensure that the invoice raised is in accordance with the required contracted price; and ▪ Reviewing work performed by component auditor in respect of revenue and holding discussions thereon. We are satisfied that revenue has been recognised in accordance with IFRS and is not materially misstated in the financial statements.
Valuation of Mines under construction This represents the most material balance within the financial statements, at US$399.4 million at the year end, and represents the key source from which the Group is and will continue to generate income. Given delays in achieving full production (which has now been achieved post-year end) there is the risk that the value of the mine is impaired. There is also the risk that costs have been incorrectly capitalised and should be expensed.	Our work included but was not restricted to: ▪ A review of the work performed by contractors and capitalised borrowing costs during the period; ▪ A review of the component auditor's working papers to ensure the appropriate capitalisation of costs to mine assets in accordance with IFRS; ▪ Performing substantive audit testing on items capitalised during the year to ensure their capitalisation is in accordance with IFRS and to gain an understanding of the nature of such costs; ▪ Ensuring valid mining licenses are held at the year end; ▪ A review of management's impairment considerations, including challenge and sensitivity analysis of the key inputs to management's NPV calculations; and ▪ Consideration of any potential impairment indicators through a site visit and consideration of other sources. We are satisfied that the valuation of these assets is not materially misstated in the financial statements.

Valuation and existence of inventory	Our work included but was not restricted to:
Inventory held by Pakrut LLC at the year-end is valued at US$17.3 million and includes consumables for use in exploration activities and construction materials for use in the construction and maintenance of the mine and related assets (processing plants, tailings dams, electrical supply infrastructure etc.). There is a risk that inventory balances are misstated due to incorrect valuation basis or inaccurate reporting of stock quantities held at year end. The volume and geographical spread of inventory also gives rise to a control risk in terms of completeness and accuracy, together with the risk of misappropriation.	▪ A review of the component auditor's working papers in respect of the stock count performed at the mine site, as well as inventory valuation and cut-off; ▪ Additional work performed to test post-year end cut-off on a sample of inventory items; and ▪ A review of the post year-end inventory movement to ensure cut-off is correct. We are satisfied that inventory is not materially misstated in the financial statements.

Other information

The other information comprises the information included in the annual report4, 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 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the entity's members, as a body, in accordance with our engagement letter dated 10 May 2019. Our audit work has been undertaken so that we might state to the entity'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 entity and the entity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer

Joseph Archer (Engagement Partner)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

1 Westferry Circus
Canary Wharf
London E14 4HD

29 June 2019

	Note	2018 US$000	2017 US$000
Revenue	3	17,926	5,784
Cost of sales		(17,926)	(5,784)
Gross Profit		-	-
Other operating income		2,838	-
Administrative expenses	6	(6,192)	(5,017)
(Loss)/gain on foreign exchange		(1,873)	750
Impairment of mines under construction		-	(10,703)
Operating Loss		(5,227)	(14,970)
Finance income	8	923	1
Finance costs	8	-	-
Loss before Income Tax		(4,304)	(14,969)
Income tax	7	(179)	(68)
Loss for the year attributable to owners of the parent		(4,483)	(15,037)
Total comprehensive income attributable to owners of the parent for the year		(4,483)	(15,037)
Basic and Diluted Earnings per share attributable to owners of the parent (expressed in cents per share)	9	(1.17)	(3.93)

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

The accounting policies and notes on pages 30 to 58 form part of these Financial Statements.

	Note	As at 31 December 2018 US$000	As at 31 December 2017 US$000
Non-Current Assets			
Intangible assets	10	-	-
Mines under construction	11	399,400	331,160
Property, plant and equipment	12	7,422	8,967
Total Non-Current Assets		406,822	340,127
Current Assets			
Inventories	15	17,343	18,216
Trade and other receivables	16	3,709	629
Cash and cash equivalents		8,363	12,067
Total Current Assets		29,415	30,912
Non-Current Liabilities			
Borrowings	17	(182,285)	(106,500)
Provisions for other liabilities and charges	19	(838)	(767)
Total Non-Current Liabilities		(183,122)	(107,267)
Current Liabilities			
Borrowings	17	(162,724)	(172,684)
Trade and other payables	18	(82,194)	(78,409)
Total Current Liabilities		(244,918)	(251,093)
Net Current Liabilities		(215,503)	(220,180)
Net Assets		8,196	12,679
Equity attributable to the owners of the parent			
Share capital	21	38	38
Share premium		65,901	65,901
Other reserve		10,175	10,175
Retained earnings		(67,918)	(63,435)
Total Equity		8,196	12,679

These Financial Statements were approved and authorised for issue by the Directors on 28 June 2019 and are signed on their behalf by

Mr Lixian Yu
Managing Director

The accounting policies and notes on pages 30 to 58 form part of these Financial Statements.

Attributable to owners of the parent

	Share capital US$000	***Share premium US$000***	***Other reserve US$000***	***Retained earnings US$000***	***Total US$000***
Balance at 1 January 2017	38	65,901	10,175	(48,398)	27,716
Loss and Total comprehensive income for the year	-	-	-	(15,037)	(15,037)
	38	65,901	10,175	(63,435)	12,679
Total contributions by and distributions to owners of the parent, recognized directly in equity	-	-	-	-	-
Balance at 31 December 2017	38	65,901	10,175	(63,435)	12,679
Balance at 1 January 2018	38	65,901	10,175	(63,435)	12,679
Loss and Total comprehensive income for the year	-	-	-	(4,483)	(4,483)
	38	65,901	10,175	(67,918)	8,196
Total contributions by and distributions to owners of the parent, recognized directly in equity	-	-	-	-	-
Balance at 31 December 2018	38	65,901	10,175	(67,918)	8,196

Description and purpose of reserves:

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

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

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

d) Retained earnings: cumulative net gains and losses 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. As at 31 December 2018, this reserve holds a $Nil balance and has been recycled in full through retained earnings as all options and warrants have expired (see Note 22).

The accounting policies and notes on pages 30 to 58 form part of these Financial Statements.

	31 December 2018 US$000	***31 December 2017 US$000***
Cash flows from Operating Activities (Note 23)	3,556	(4,101)
Net cash used in Operating Activities	3,556	(4,101)
Cash flows from Investing Activities		
Payments for mining rights and construction in progress	(48,394)	(9,322)
Purchase of property, plant and equipment	-	(13)
Disposal of property, plant and equipment	-	42
Interest received	923	-
Net cash used in Investing Activities	(47,471)	(9,293)
Cash flows from Financing Activities		
Proceeds from borrowings (net of capitalized issue costs)	90,000	26,500
Repayment of borrowings	(35,000)	(1,667)
Interest paid	(14,789)	(11,935)
Net cash generated from Financing Activities	40,211	12,898
Net decrease in Cash and cash equivalents	(3,703)	(496)
Cash and cash equivalents at beginning of the year	12,067	12,563
Cash and cash equivalents at end of the year	8,363	12,067

Major non-cash transactions

Year ended 31 December 2018
During the year the Group drew down from its loan facility with CNMC of US$Nil (2017: US$10,162,387) which under the terms of the agreement were paid directly to CNMIM as part settlement of its loan facility with CNMIM, rather than being paid to China Nonferrous Gold Ltd.

The accounting policies and notes on pages 30 to 58 form part of these Financial Statements.

Accounting Policies

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 consolidated 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 judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 2.

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

General Information

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

Changes in Accounting Policies and Disclosures

a) New and amended standards adopted by the Group

The International Accounting Standards Board (IASB) issued various amendments and revisions to IFRS and IFRIC interpretations. The amendments and revisions were effective for the first time for the financial year beginning 1 January 2018. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

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

- IFRS15: Revenue from Contracts with Customers
- IFRIC 22 revisions: Foreign Currency Transactions and Advance Consideration
- Annual Improvements: 2014-2016 Cycle (IFRS 1 & IAS 28)
- IFRS 9: Financial Instruments
- IFRS 2 amendments: Measurement of Share-based Payment Transactions

IFRS 9 has been adopted without restating comparative information. There have been no reclassifications or adjustments arising from the adoption of IFRS 9, however accounting policies have been updated to reflect the requirements of the standard.

IFRS 15 has been adopted without restating comparative information. There has been no financial impact on the group in respect the new standard although the revenue recognition accounting policy has been updated to reflect the increased disclosure requirements.

b) New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 January 2018 and not early adopted

Standard	Impact on initial application	Effective date
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation	1 January 2019
IFRS 3 (Amendments)	Business Combinations	1 January 2020*
IFRS 16	Leases	1 January 2019
Annual Improvements	2015 – 2017 cycle	1 January 2019*
IFRS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures	1 January 2019*
IFRIC 23	Uncertainty over Income tax treatments	1 January 2019
IAS19 (Amendments)	Plan Amendment, Curtailment or Settlement	1 January 2019*
IAS 1 & IAS 8 (Amendments)	Definition of Material	1 January 2020*

**Subject to EU endorsement*

IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.This will have no material impact on the Group going forward due to the present value of leases currently held. This will change if the Group enters into any material lease arrangements and appropriate considerations will be made should this be the case.

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 2018. 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

Classification

From 1 January 2018, the Group classifies its financial assets into only one category, being those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Impairment

From 1 January 2018 the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Intangible Assets – Exploration and Evaluation Expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Research expenditure is written off in the year in which it is incurred. The Group recognises expenditure as exploration and evaluation assets when it determines that 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 capitalised within mining rights.

All expenditure on the construction, installation or completion of infrastructure facilities is capitalised as construction in progress within “Mines under construction”. Once the mine is fully operational and normal production levels commence, all assets included in “Mines under construction” are transferred into “Property, Plant and Equipment” or “Producing mines”. It is at this point that depreciation/amortisation commences over its useful economic life. Since the year end, the mine has entered full production and therefore depletion/depreciation/amortisation will commence from 2019.

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

Impairment of non-financial assets

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

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

Property, Plant and Equipment

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

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

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

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

Impairment

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (ie. CGUs). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In calculating value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

Borrowing costs

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

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

Inventories

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

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

Foreign Currencies

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

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

Current Income Tax and Deferred Taxation

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

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

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

Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are recognised as expenses on a straight-line basis over the period of the lease.

Share Based Payments

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

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

Rehabilitation and Environmental Provision

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

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

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

The Group does not recognise a 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 objectives, policies and procedures for managing its business risk objectives, which includes its exposure to economic, political and environmental and other operational risks.

The Directors of the Group have prepared cash flow forecasts which reflect the Group's forecast production, operational and overhead costs, cash inflows and loan repayments. In making these assessments the Directors have considered all available information available to date including actual revenues generated, costs incurred, golds prices, productions volumes, financing costs as well as loan repayments.

The Directors have received a letter confirming that the ultimate parent will continue to support the Group and therefore the Directors believe that funding and financial support will be forthcoming if required although this is not guaranteed.

Based on consideration of the above the Directors have a reasonable expectation that the Group has access to adequate resources to continue in operation for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements for the year ended 31 December 2018.

Segmental 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

i) Revenue
IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces IAS 18 Revenue and related interpretations and establishes a five-step model to accounts for revenue arising from contracts with customers. These steps are as follows: identification of the customer contract; identification of the contract performance obligations; determination of the transaction price; allocation of the transaction price to the performance obligations; and revenue recognition as performance obligations are satisfied.

Under IFRS 15, revenue is recognised when performance obligations are met. This is considered to be the point of delivery of goods to the customer. Revenue is measured at the fair value of consideration received or receivable from sales of gold to an end user, net of buyer's discount, treatment charges, freight costs and value added tax.

The application of the new standard including the five-step approach has not resulted in any changes to the timing of recognition of revenue in the current or any prior period. Accordingly, the information for 2017 has not been restated.

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.

Other income

In the current year other income of US$2.8 million has been generated, being compensation from the insurance provider following the snowfall disaster in early 2017.

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$20,786 held in a sterling deposit account. A 0.25% change to the interest rate would give rise to a US$52 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 USD and RMB denominated tranches. All payments of principal and interest in respect of the RMB denominated tranche are repayable at a fixed RMB: USD 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 new CNMC loan of US$90 million is fixed at 5.8% per annum, calculated and paid on a half yearly basis. The interest rate on all other CNMC loans is a fixed annual interest rate of 4% on the amount drawn down, payable in arrears.

At 31 December 2018, 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$9,978 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 2018 between the various currencies.

Somoni	**GBP Sterling**	**US Dollar**	**Renminbi**	**Total US$000**
1,098	31	7,142	92	8,363

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.

	Less than 1 Year US$000	*Between 1 and 2 Years US$000*	*Between 2 and 5 Years US$000*	*Over 5 Years US$000*	*Total US$000*	*Carrying amount US$000*
Year ended 31 December 2018						
Interest-bearing borrowings	162,724	117,285	65,000	-	345,010	345,010
Trade and other payables	82,194	-	-	-	82,194	82,194
Provisions for other liabilities	-	-	-	2,481	2,481	837
	244,918	117,285	65,000	2,481	429,685	428,041
Year ended 31 December 2017						
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
	251,093	31,500	75,000	2,481	360,074	358,360

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

Credit rating	*2018 US$000*	*2017 US$000*
A	7,216	11,489
AA-	-	-
BBB+	-	60
No independent credit rating available	992	518
	8,208	12,067

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 impairment of the mine.

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 from full production from January 2019. 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$650 with a gross margin of circa 60%. Royalties have been calculated at 6% of sales revenues and corporate income tax at 15%, according to the relevant laws in Tajikistan. A discount rate of 10% has been utilised.

The calculations have been tested for sensitivity to changes in the key assumptions. The most sensitive inputs in the calculation of the value in use are operating costs, the gold price, and the discount rate. An impairment to the mine value would occur if the discount rate were to increase to 12%, gold prices fell by 1% or costs were to increase by 1%.

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.

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

Estimations are made in the determination of the point at which development ceases and production commences for a mine development project. This point determines the cut-off between pre-production and production accounting. The group ceases to capitalise pre-production costs and begins depreciation and amortisation of mine assets at the point at which the mine's plant becomes available for use as intended by management. Determining when this is achieved is an assessment made by the group's management and includes the following factors:

- The level of development expenditure compared to project cost estimates.
- Completion of a reasonable period of testing of the mine plant and equipment.
- Achieved mineral recoveries, plant availability and throughput levels are at or near expected / budgeted levels.
- The ability to produce gold into a saleable form.
- The achievement of continuous production.

In December 2018, the construction and infrastructure projects at the mine site were completed and production levels began to ramp up. However, management have assessed that it was not until early 2019 that the mine's plant has been available for use as intended by management, as it has been seen since the year end that production levels are stable, process technologies have improved leading to efficiencies and target mineral recoveries of reliable and high-quality gold are being achieved in line with budgeted levels.

Therefore, in the 2019 financial year, the mine assets in the consolidated financial statements will be presented accordingly.

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 as these segments are jointly managed

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.

2018	***UK and PRC US$000***	***Tajikistan Pakrut US$000***	***Total US$000***
Revenue	-	17,926	17,926
Cost of sales	-	(17,926)	(17,926)
Administrative expenses (including foreign exchange)	(3,257)	(4,808)	(8,065)
Impairment	-	-	-
Other operating income	-	2,838	2,838
Operating loss	(3,257)	(1,970)	(5,227)
Finance income	923	-	923
Income tax	-	(179)	(179)
Loss for the year	(2,334)	(2,149)	(4,483)
Intersegment revenue			
Total assets	10,375	425,862	436,237
Total liabilities	394,784	33,257	428,041
Depreciation	23	50	73
Additions to property, plant and equipment	-	-	-
Additions to mines under construction	-	66,717	66,717

Revenue generated in the period was from two customers, the government of Tajikistan and an independent bank, the latter being minimal at TJS 363,139.

2017			
	-	5,784	5,784
Revenue	-	(5,784)	(5,784)
Cost of sales	(870)	(3,397)	(4,267)
Administrative expenses (including foreign exchange)	-	(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)
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

4. Particulars of Employees

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

	2018 No.	***2017 No.***
Administrative and management	121	130
Construction in progress	375	409
	496	539

The aggregate costs of the above were:

	2018 US$000	**2017 US$000**
Wages and salaries	3,380	3,984
Social security costs	693	882
	4,072	4,866

Staff costs include US$2.045 million (2017: US$2.26 million) of costs capitalised and included within additions to 'Mines under Construction'.

5. Directors' Emoluments

During the year, no Directors (2017 – none) exercised share options.

The Directors' emoluments in respect of qualifying services were:

2018	***Salary and fees US$***	***Bonus and holiday pay US$***	***Other benefits US$***	***Termination fees US$***	***Total US$***
Mr Xiang Wu	31,950	-	-	-	31,950
Mr Lixian Yu	296,148	-	-	-	296,148
Mr Yong Li	23,737	-	-	-	23,737
Mr Xiuzhi Shi	23,620	-	-	-	23,620
Mr Hao Zhang *	246,812	-	-	-	246,812
	622,267	-	-	-	622,267

2017	***Salary and fees US$***	***Bonus and holiday pay US$***	***Other benefits US$***	***Termination fees US$***	***Total US$***
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
	216,368	-	-	-	216,368

Key management comprises Executive and Non-Executive Directors and all emoluments are short term in nature.

* Mr Hao Zhang resigned on 22 November 2018.

6. Expenses by nature

	2018 *US$000*	*2017* *US$000*
Employee benefit expenses	2,530	2,818
Operating lease expenses	94	393
Depreciation	3,526	2,488
Less transfer to mines under construction	(3,453)	(2,382)
Legal, professional and regulatory costs	911	1,069
Travel and entertaining	289	371
Social & other taxes	1,232,354	-
Other Expenses	922	159
Commission/bank fees	142	101
Total administrative expenses	6,192	5,017

	2018 *US$000*	*2017* *US$000*
Fees payable to the Company's auditor for the audit of the consolidated financial statements	137	135
Fees payable to the Company's auditor for other services:		
- Tax compliance services	12	-
	149	135

7. Income Tax

a) Analysis of Charge in the Year

	2018 *US$000*	*2017* *US$000*
Current tax:		
Current tax	179	68
Deferred tax	-	-
Total	179	68

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 TJS 164,152,371 – equivalent to US$ 17,926,000 (2017: TJS 49,442,586 – 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, being 1% of revenue. During the year ended 31 December 2018, LLC Pakrut was in development stage of the mine. Although Pakrut produced income, it is in a state of loss, so does not incur corporation tax at 15%.

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% (2017 – 20%).

	2018	2017
	US$000	**US$000**
Loss before income tax	(4,304)	(14,169)
Loss on ordinary activities by weighted average rate of tax at 20% (2017 – 20%)	(861)	(2,994)
Expenses not deductible for tax purposes	73	106
Tax losses for which no deferred income tax asset was recognised	967	2,956
	179	68

The Group did not recognise deferred income tax assets of approximately US$967,000 (2017 – US$2,956,000). These were in respect of unused Tajikistan tax losses amounting to approximately US$16,772,000 (2017– US$14,802,000). The Tajikistan tax losses can be carried forward for three years from the year incurred and used against future taxable income at 15%.

8. Finance Income and Costs

	2018	***2017***
	US$000	***US$000***
Finance Income		
Interest income on short term bank deposits	923	1
Finance Costs		
Interest expense on shareholder's loans wholly repayable within five years	11,871	7,531
Interest expense on bank borrowings wholly repayable within five years	4,522	4,404
Less: Borrowing costs capitalized in qualifying assets	(16,393)	(11,935)
Provisions: Unwinding of discount	69	63
Less: Unwinding of discount capitalized in qualifying assets	(69)	(63)
Finance costs	-	-

9. Earnings per Share

	2018	***2017***
	US$	***US$***
Basic and diluted earnings per share (cents)	(1.17)	(3.93)

The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US$4,483,000 (2017– loss $15,037,000) by the weighted average number of shares in issue and carrying the right to receive dividend. For the year ended 31 December 2018 this was 382,392,292 (2017– 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 no (2017 – 50,000) share options outstanding that are potentially dilutive in the future.

10. Intangible Assets

	Exploration and evaluation assets
	US$000
Cost	
At 1 January 2017, 31 December 2017 and 31 December 2018	9,941
Impairment	
At 1 January 2017, 31 December 2017 and 31 December 2018	(9,941)
Net Book Value	
At 31 December 2017 and 31 December 2018	-

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. Currently, staff members of Pakrut are coordinating with the local government for exploration licenses.

11. Mines under Construction

Cost	*Mining rights US$000*	*Construction in progress US$000*	*Total US$000*
At 1 January 2017	35,022	283,219	318,241
Additions		23,622	23,622
Impairment	-	(10,730)	(10,730)
At 31 December 2017	35,022	296,138	331,160
Additions	-	68,240	68,240
Impairment	-	-	-
At 31 December 2018	35,022	364,378	399,400

The additions figure is stated net of costs relating to depletion of mine assets as a result of trial production of US$17,925,914 (2017: US$5,783,976).

Mining rights comprise exploration and evaluation assets up to the date the Pakrut Gold Project was determined to be technically feasible and commercially viable. All subsequent exploration and evaluation expenditure at this site is capitalised within mining rights. Mining rights also includes the subsoil contract signature bonus, a share-based payment for securing the Pakrut Mining 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. This is discussed further in Note 2.

12. Property, Plant and Equipment

	Land US$000	*Office furniture and equipment US$000*	*Motor vehicles US$000*	*Plant and machinery US$000*	*Total US$000*
Cost					
At 1 January 2017	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
Additions	-	114	1,904	242	2,260
Disposals	-	(209)	-	(68)	(278)
At 31 December 2018	32	755	10,772	14,990	26,549
Accumulated Depreciation					
At 1 January 2017	-	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
Charge for the year	-	87	3,234	205	3,526
At 31 December 2018	-	611	7,909	10,607	19,127
Net Book Value					
At 31 December 2018	32	144	2,862	4,384	7,422
At 31 December 2017	32	327	4,193	4,415	8,967

Depreciation of US US$3,453,000 (2017 – US$2,382,000) has been capitalised as part of mines under construction assets. The net book value of tangible assets used in exploration and evaluation was US$ Nil (2017 – US$ Nil). The net book value of tangible fixed assets used in mines under construction was US$5,277,980 (2017 – US$8,730,980).

13. Subsidiary Undertakings

The Group had the following principal subsidiaries at 31 December 2018:

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

14. Financial Instruments by category

	Financial assets at amortised cost US$000
31 December 2018	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	3,709
Cash and cash equivalents	8,363
Total	12,072

	Financial liabilities at amortised cost US$000
31 December 2018	
Liabilities per Statement of Financial Position	
Borrowings	345,010
Provisions for other liabilities and charges	838
Trade and other payables, excluding non-financial liabilities	82,194
Total	428,041

14. Financial Instruments by category (continued)

	Financial assets at amortised cost US$000
31 December 2017	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	629
Cash and cash equivalents	12,067
Total	12,696

	Financial liabilities at amortised cost US$000
31 December 2017	
Liabilities per Statement of Financial Position	
Borrowings	279,184
Provisions for other liabilities and charges	767
Trade and other payables, excluding non-financial liabilities	78,409
Total	358,360

15. Inventories

	2018 US$000	***2017 US$000***
Gold	49	49
Construction materials and processing equipment	17,294	18,167
	17,344	18,216

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

The cost of inventories recognised as an expense in profit or loss during 2018 was US$ Nil (2017 –US$Nil).

16. Trade and Other Receivables

	Group 2018 US$000	***Group 2017 US$000***
Other receivables	2,983	75
Prepayments and deposits	725	554
Total	3,709	629

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

Other receivables includes $2,739,702 (2017: $Nil) due from related party CNMIM in relation to funds received from the insurance provider after the snowfall disaster, which were received on behalf of CNG.

17. Borrowings

	2018 *US$000*	*2017* *US$000*
Bank borrowings	85,000	120,000
Other loans	260,010	159,184
Less: unamortised borrowing costs	-	-
Total	345,010	279,184
Non-current portion	182,285	106,500
Current portion	162,724	172,684

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 has been settled in full and US$Nil was outstanding as at 31 December 2018 (2017: US$Nil). The amount outstanding on the RMB tranche of the loan as at 31 December 2018 was US$12,683,599 (2017: 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 September 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 operations of China Nonferrous Gold Limited.

The full amount of the loan was drawn down on the 20 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 annum. Payment of interest is made quarterly.

The loan is repayable in full on 20 December 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.

A 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 20 December 2019. 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 loan agreement between CNMC and China Nonferrous Gold Limited was signed on 27 May 2016 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. During 2018, the loan was transferred from CNMC to another member of the group, CNMCTC. As at 31 December 2017, a loan extension agreement was signed extending the repayment date until 26 November 2018. A further extension has been signed extending the repayment date until 26 November 2019.

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

A loan agreement between CNMC and China Nonferrous Gold Limited was signed on 8 February 2018 for a total amount of US$90,000,000, which was drawn down in full on 9 February 2018. The loan was provided for the purposes of the construction, 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 period per the contract was from 9 February 2018 to 8 December 2020.

The loan contains a fixed interest rate of 5.8% per annum, which is calculated on a half yearly basis from the 21st of December to the 20th June, and from the 21st June to 20th December. Payment of interest will be made biannually in June and December of each year. 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 11.6% per annum. At the repayment date, interest will be charged at 8.7% on any unpaid balance.

CCB loan

The first loan agreement between China Construction Bank ("CCB") and China Nonferrous Gold Limited was signed on 13 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 13 April 2016. The loan incurs interest at a rate of 3 months LIBOR + 1.3% and is payable in quarterly in arrears.

The principal amount of the loan was repaid on 12 October 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$103,092,783.51, 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

	2018 *US$000*	*2017* *US$000*
Trade and other payables	82,194	78,409
	82,194	78,409

Trade and other payables include amounts due of US$65,906,519 (2017 – US$70,474,164) in relation to exploration and evaluation activities and mines under construction.

19. Provisions for Other Liabilities and Charges

	Rehabilitation *US$000*	*Total* *US$000*
At 1 January 2018	767	767
Unwinding of discount	71	71
At 31 December 2018	838	838

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 2018 is 9% per annum. The value of the undiscounted provision is US$2,481,000 (2017: 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 2018 and 2017 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

	2018 No. of ordinary shares	***2018 Share Capital US$000***	***2017 No. of ordinary shares***	***2017 Share Capital US$000***
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)	382,392,292	38	382,392,292	38

All shares are authorised for issue and fully paid.

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:

	2018		***2017***	
Share Option Scheme	***No. of share options***	***Weighted average exercise price (pence)***	***No. of share options***	***Weighted average exercise price (pence)***
Outstanding at beginning of year	50,000	30.00	1,525,000	30.00
Expired during the year	50,000	30.00	(1,475,000)	30.00
Outstanding at end of year	-	-	50,000	30.00
Exercisable at 31 December	-	-	50,000	30.00

There were no share options outstanding at the year end.

23. Cash flow information

	31 December 2018 US$000	*31 December 2017 US$000*
Cash flows from Operating Activities		
Loss before income tax	(4,304)	(14,969)
Adjustments for:		
Finance income	(923)	(1)
Depreciation	73	102
Impairment	-	10,703
Foreign exchange loss	-	
Change in working capital:		
Inventory	873	2,732
Trade and other receivables	(172)	90
Trade and other payables	(766)	(2,758)
Other current assets	(2,908)	-
Other current liabilities	11,684	-
Net Cash generated from Operating Activities	**3,556**	**(4,101)**

Net debt reconciliation

	31 December 2018 US$000	**31 December 2017 US$000**
Cash and cash equivalents	8,363	12,067
Borrowings – repayable within one year	(162,724)	(172,684)
Borrowing – repayable after one year	(182,285)	(106,500)
Net debt	**(336,646)**	**(267,117)**

	31 December 2018 US$000	**31 December 2017 US$000**
Cash and cash equivalents	8,363	12,067
Borrowings – fixed interest rates	(260,010)	(159,184)
Borrowings – variable interest rates	(85,000)	(120,000)
Net debt	**(336,647)**	**(267,117)**

	Cash at bank US$000	**Borrowings due within 1 year US$000**	**Borrowings due after 1 year US$000**	**Total US$000**
Net debt as at 1 January 2017	**12,563**	**(26,667)**	**(227,684)**	**(241,787)**
Cash flows	(496)	(146,017)	121,184	(25,329)
Net debt as at 31 December 2017	**12,067**	**(172,684)**	**(106,500)**	**(267,117)**
Cash flows	(3,703)	9,960	(75,785)	(69,528)
Net debt as at 31 December 2018	**8,363**	**(162,724)**	**(182,285)**	**(336,645)**

24. 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.

25. Capital Commitments – Pakrut Gold Project

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

	2018 ***US$000***	***2017*** ***US$000***
Capital expenditure contracted for but not provided for in respect of new treatment facilities, electrical upgrades and construction design fees (2017: acquisition of mines under construction and property, plant and equipment)	5,029	35,735

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

26. Contingent Liabilities

a) During 2018, a contract was entered into between LLC Pakrut & LLC WenJian, a company set up by a former employee of Pakrut (Dept. 2), to provide outsourced services including the extraction of ore, delivery of ore to smelting plant, cleaning of mine, mine development and construction works. LLC WenJian is not considered to be a related party.

   Although LLC WenJian hold the relevant license for the construction works, the company does not hold a license in accordance with the laws of Tajikistan "On subsoil" and "On licensing of certain types of activities" for implementing the other services they have been contracted to perform. This is a breach of Tajik laws and regulations which could result in penalties being imposed on both parties to the contract. The outcome of this situation is unclear and could result in fines imposed with the worst-case scenario being that Pakrut could have their own license rescinded by the Tajik government. There is no visibility surrounding the value or nature of any penalty at this time.

b) In accordance with the terms of the 'investment agreement' for sale of gold between the government of Tajikistan, Kryso Resources (BVI) Limited and LLC Pakrut, the employee ratio at Pakrut should be 80% Tajik citizens and 20% foreign. The actual ratio during 2018 was 68% Tajik & 32% foreign employees. Non-compliance could result in penalties or, in the worst case, unilateral termination of the agreement by government of Tajikistan (to which Pakrut currently makes all sales). The potential value of the monetary impact of any consequences is unknown at this time.

27. Related Party Transactions

The amount paid by the Company and Kryso Resources Limited to CNMIM for interest on the loan in 2018 amounted to US$Nil (2017: US$1,847,814). The amount due to CNMIM as at 31 December 2018 was US$17,299,431 (2017: US$16,095,682). CNMIM is a significant shareholder of China Nonferrous Gold Limited and Xiang Wu and Leo Yu are Chairman and President of CNMIM respectively. During 2018, CNG did not pay any interest to CNMC.

The amount payable by the Company to CNMC for interest on the loans in 2018 amounted to US$9,857,378 (2017: US$5,805,833). The amount due to CNMC as at 31 December 2018 was US$221,913,278 (2017: US$149,283,611). CNMC is the ultimate parent of China Nonferrous Gold Limited and Xiang Wu is Chief Accountant of CNMC.

During the year, the loan amount of US$20,000,000 and interest payable of US$811,111 due to CNMC was transferred to being due to CNMCTC a related party to China Nonferrous Gold Limited.

During 2018, 15MCC provided equipment and materials, together with installation and construction work to the Group amounting to US$27,684,899 (2017: $3,391,001) and the Group advanced payments to 15MCC amounting to US$20,462,214 (2017: $6,494,020). As at 31 December 2018, the total liability due to 15MCC was $33,976,176 (2017: US$33,762,180).

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 7th of September 2015, the Group entered into a smelting and processing agreement with CNHFMG.

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

During 2018, CNHFMG provided equipment and materials, together with installation and construction work to the Group amounting to US$Nil (2017: US$Nil) and the Group advanced payments to CNHFMG amounting to US$98,302 (2017: USD$102,263). As at 31 December 2018, the total liability due to CNHFMG was $1,047,414 (2017: US$1,217,446). In October 2018, the contract with CNHFMG was terminated by mutual agreement.

During the year of 2018 CNMC provided a guarantee for standby letters of credit amounting to US$103,092,784 as security for the Group’s bank loan facility with China Construction Bank. During the year of 2017, CNMC provided a guarantee from standby letters of credit amounting to US$118,556,701 as security for the Group’s bank loan facility with China Construction Bank.

During the year, there is a total receivable amount of $2,739,702 (2017: US$Nil) owed by CNMIM for the insurance claim on the 2017 snowfall disaster which is held on the Group’s behalf. There is also a total amount of US$10,123,046 payable by the entities within the group owed to CNMIM as at 31 December 2018 (2017: US$Nil).

There is an amount of US$1,911 (2017: $2,026) owed to Pizhao Che who is a retired director of the group.

28. Events after the Reporting Period

In January 2019, the Group drew down US$20 million on a US$30 million loan facility with China Construction Bank Corporation Macau Branch. The contract was signed in November 2018 but at that time there was no withdrawal.

The Group has resumed production in January 2019, enabling it to raise sufficient working capital. As mentioned earlier, in order to ensure the repayment of existing loans, a broader refinancing is required. Discussions are ongoing and with the signing of the new loan agreement, the remaining discussions are expected to be completed in the near term. The Group has now entered full production and this should enable sufficient working capital to be raised. As previously announced, to ensure repayment of the existing facilities as they fall due, a wider refinancing will be required.