CHINA NONFERROUS GOLD LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

Company Registration Number WK-277188

Contents

Directors	Mr Boyi Liang	(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
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OJSC"AGROINVESTBANK" DUSHANBE, TAJIKISTAN

Dushanbe, Tajikistan

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Chief Executive Officer's Statement

As CEO of the board, it gives me great pleasure to present the CEO's statement of the annual report for the year ended 31 December 2019. Following successful completion of construction work at the mine site in 2018, the Company has progressed well in several important aspects, with the Pakrut gold mine entering normal production and achieving full operational capacity in 2019.

The Company made significant achievements in 2019 and became an important gold-production enterprise in Tajikistan. The Pakrut gold mine achieved its internal production targets for 2019, which brings steady cash flows to support the sustainable development of the Company.

Operation

Through the joint efforts of staff across the Group, construction works at the Pakrut gold project were successfully completed at the end of 2018, which made it possible to commence full production in 2019.

From January to December 2019, a total of 731,600 tons of ore was extracted from the Pakrut gold mine, and a total of 690,300 tons of ore were processed at a grade of 2.15 g/t, 17,966 tons of gold concentrate were produced at a grade of 73.73 g/t, 1,168 kg gold bullion were poured with a comprehensive recovery rate of 79.6%.

Full production continued at the start of 2020 despite COVID-19, and from January to the end of June 2020, a total of 261,268 tons of ore was extracted from the Pakrut gold mine, and a total of 344,652 tons of ore were processed at a grade of 2.28 g/t, 9,979 tons of gold concentrate were produced at a grade of 72.51 g/t, 541.55 kg gold bullion were poured with a comprehensive recovery rate of 79.14%. To date, the operation at the Pakrut gold mine remains stable overall and the key technical production figures including ore grade have been increased significantly since 2019.

COVID-19

With COVID-19 spreading globally, our priority is the safety and health of our people and ensuring the Company's operations can continue in operation as normal. Since the outbreak of COVID-19 in Tajikistan on April 30 2020, the Company has taken appropriate steps and effective measures to ensure that staff at protected at site. To date operations at the mine site at Pakrut continue as normal, and there are no confirmed or suspected cases in the Company in Tajikistan or China.

Thanks to the Chinese Government taking severe measures such as social distancing and self-isolation to reduce COVID-19 spreading and allowing healthcare systems to make critical adaptations for testing and triage capacity, there is no significant impact on working conditions in China. A tight prevention and control system involving all sectors of society has been set up. Beijing has now cut all channels for the transmission of the virus and there have been no cases reported within the Company to date in the second wave of COVID-19. After the outbreak of the Tajik epidemic, flights with China have not been opened, and Chinese personnel on vacation cannot return to work. The mine is still in normal operation. The amount of production personnel at the mine site remains sufficient to meet the required production level, so production is still progressing well at site in spite of COVID-19 and the target for the first half of 2020 is not affected by the suspended flights, as mentioned in CEO's statement. In addition, the Company has organised a private chartered flight to transport around 45 Chinese employees to Tajikistan from China, which is due to take off on 8 August 2020. We therefore remain confident that the annual internal production target can be achieved.

Financial results

The development and construction work at the Pakrut Gold Project was finalised at the end of the 2018 financial year. The Group therefore generated revenue from full operational production during 2019. The transition from trial production to full production at the beginning of 2019 has resulted in a reclassification of the mines under construction asset (2018: $399,400,000) into property, plant and equipment – producing mines. As a result of this reclassification and of the Group commencing full production, depreciation / depletion has also been charged on these assets for the full year.

Administration expenditure for the year was US$16,337,000 (2018: US$6,372,000). The main reason for this increase was due to the transition from trial production to full production at the Pakrut project in 2019 as noted above, and the associated change in classification of expenses – as a consequence of this change in status, expenditure including employment related expenses and taxes that were previously capitalised as part of the ongoing construction and development at the mine site are now reflected in the income statement.

The overall loss incurred by the Group was US$21,981,000 (2018: US$4,483,000). The increased losses are due to the non-capitalisation of administration expenditure in 2019, as set out above, as well as depreciation charged on property, plant and equipment and US$20,796,000 of finance costs in respect of loans held with related parties and banks, which was also capitalised in previous years within mines under construction during the exploration and trial production phases, but which are now charged to the income statement. During 2019, Pakrut generated gold sales revenue of US$49,157,000 (2018: US$17,926,000), a significant increase as a result of entering full operational production. In the current year other income of US$0.12 million (2018: US$2.8 million) has been generated from Pakrut’s sale of surplus stock materials (2018: US$2.8m, being compensation from the insurance provider following the snowfall disaster in early 2017).

During the course of the year, the Group did not enter into any further financing agreements with shareholders or their associates. The repayment dates in December 2019 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. (“CNMC Loans”) were extended to December 2020.

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 CNMC Trade Co., Ltd which constitutes a related party under the AIM Rules for Companies. In July 2019, the remaining $126.5 million was also transferred to the same party.

In 2019, the Group repaid US$10 million to China Construction Bank Corporation Macau Branch ("CCBC") in respect of its existing loan agreement, of which US$75 million remains outstanding at the year end. During 2019, the Group signed a new financing agreement with CCBC for a loan of $20 million, repayable in March 2021.

The existing CCBC loan facilities totalled US$95 million and the CNMC and CNMIM loan facilities totalled US$276 million so that, including interest, US$371 million of loans were payable as at 31 December 2019 (approximately US$344m without interest). US$267 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 April 2020, the Company drew down US$14.50 million on a new US$30 million loan facility with China Construction Bank (Asia) Corporation Limited, which is being used for general working capital purposes to fund the Pakrut gold mine.

The Group has continued production throughout 2020 despite the outbreak of COVID-19, enabling it to raise sufficient working capital. As announced on 15 July 2020, in order to ensure the repayment of existing loans can be made, a broader refinancing will be 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 parent Company CNMC has committed to supporting the CNG group should this be required for a period of at least 12 months from the date of approval of these financial statements.

The Company extended the repayment period of loans in place with CNMC Trade Company Limited (CNMC Trade), totalling US$146.50 million, to December 2020. The Company currently has total debt facilities (including banking facilities), before interest, of c.US$353.7 million (being the US$341m announced on 15 July 2020, plus the CNMIM loan of US$12.7m.

Outlook

With the normal production and operation of Pakrut gold mine, the Company is fully confident in its ability to achieve the production target of 680,000 tons of ore set at the beginning of this year. This is considered a prudent target in light of the uncertainties presented by the COVID pandemic, and revenue is still expected to increase based on the results of production to date in 2020 and the current gold prices.

The Company is continuing to enhance its production capacity. Whilst improving production, the Company is also focusing on perfecting and improving the smelting process by reducing production costs, increasing recovery rates and improving competitiveness.

The Company has long been dedicated to becoming a significant gold producer in Central Asia. The Company has also established a strong relationship with the government of Tajikistan and other Central Asian countries, and it will consider other appropriate acquisitions at the right time, although there can be no guarantee that any acquisition will occur.

While we have taken big strides in the production and operation of the Pakrut gold mine and achieved much, there are still challenges to overcome and targets to meet, all of which I am confident to accomplish in the coming months.

Objectively speaking, uncertainty created by the coronavirus pandemic on production and operations still exists in Tajikistan, and the long term effects are difficult to predict and estimate. The Company will make every effort to meet pandemic prevention and control requirements, as well as stabilising and expanding the production and operation of Pakrut gold mine.

I would like to take this opportunity to thank all our employees, management and advisers for their continued hard work in 2019. I would also like to extend my thanks to all our stakeholders for their continued backing over the years. I very much look forward to updating our shareholders further on the mine developments, production levels, new strategy and direction.

Lixian Yu

Chief Executive Officer

31 July 2020

The Directors present their annual report and the audited Financial Statements of China Nonferrous Gold Limited for the year ended 31 December 2019.

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 and exploitation 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 2019 is provided in the CEO'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:

- Reached production capacity of 2,000 tons per day as a whole from January 2019;
- Processed a total of 690,300 tons of ore at a grade of raw ore of 2.15g/t;
- The recovery rate of processing was 89.26% and the recovery rate of smelting was 89.18%;
- 17,966 tons of gold concentrate were produced at the grade of 73.73 g/t, 1,168 kg gold bullion were poured with comprehensive recovery rate of 79.6%; and
- Generated revenue from production of US$49,157,000.

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. It is the current intention of the Group to seek an extension to the mining licence to ensure maximum exploitation of the resources available and this is permissible under the current terms of the arrangements in place.

FINANCIAL REVIEW

The results for the year ended 31 December 2019 were as follows:

	2019	***2018***
	US$000	***US$000***
Revenue	49,157	17,926
Mine construction costs capitalised during the year	-	(66,717)
Cost of sales	(32,842)	(17,926)
Administrative expenses	(16,337)	(6,192)
Other operating expenses	(136)	-
Total costs	49,315	90,835
% Administrative expenses to total costs	33.12%	6.82%
Operating loss	947	5,227
Less: interest receivable	(270)	(923)
Add: interest payable	20,796	-
Loss on ordinary activities before taxation	21,473	4,304
Earnings per share (cents)	(5.75)	(1.17)

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 2019, KPI index is at 33.12% (2018: 6.82%). Due to the Group entering full production at the beginning of 2019 and therefore no longer capitalising expenditure as part of mines under construction, the proportion of administrative expenses in total expenses in 2019 has increased.

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 for the year was US$49.16 million (2018: US$17.9 million, from trial production). This significant increase is in line with expectations given the increased production levels at the mine site from 2019 following completion of development works at the end of 2018.

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 is in a stable production and operation stage. The Company will need to manage change and innovation and accumulate valuable experience and systems as production levels continue to 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.

Production risks are related to the possibility that gold production or output levels are lower than expected. The main sources of production risk are bad weather conditions and limited production capacity, such as hail, snow disasters, and limited Chinese technical staff. Despite the control measures taken, the production risk may also be due to the harsh winter weather and the breakdown of production equipment and machinery. At present, Pakrut is adopting corresponding risk prevention and control strategies for the above risks, including purchase of equipment spare parts and materials in advance to ensure the sufficiency of raw materials and the normal operation of the machinery at the mine site; vigorously training Tajik technical personnel, exerting local talent policies, and rationally using manpower resources; reasonably estimate the impact of severe weather to ensure the achievement of the annual output target.

COVID-19 risk

Due to the impact of COVID-19, the price of gold has continued to rise as expected during an economic downturn, however the Tajik Somoni's exchange rate against the RMB has continued to fall. Currently, the cost of purchases in Tajikistan from foreign countries therefore remains high, which causes a risk of increased foreign exchange losses.

Secondly, due to travel restrictions, some Chinese technical staff have not been able to return to their posts at present, most notably the outsourced mining personnel of LLC Wen Jian. It is hoped that these technicians will arrive in August in order to ensure the production target for the year is met.

The Group has sought to mitigate this risk through constant communication with in-country personnel and ensuring that those onsite employee can perform what task they can to minimize disruption.

Additionally, the Group has adopted COVID-19 best practices to minimize the risk of infection amongst employees whilst maxmising their wellbeing.

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, terminated or not extended in accordance with expectations 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 Chinese Renminbi 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.

Pakrut is located in Tajikistan, an overseas country, and the tax pressure is relatively large. Due to the poverty and backwardness of the host country, the financial funds are tight, and the tax has become the main source of national revenue. Chinese companies in Tajikistan share the same feeling. In order to complete the taxation task, the taxation bureau took various measures to order, even threaten to require enterprises to pay more taxes, so there has been no local taxation policy change. In 2019, Pakrut further strengthens internal control and basic management, formulates tax management measures that meet the Company's management needs, promptly proposes tax-related risks and related countermeasures in the Company's business and management processes, and is responsible for establishing and maintaining tax authorities good relationship, prepare and maintain relevant tax-related business materials in accordance with the provisions of the tax law, strengthen tax planning, actively obtain various tax incentives in the process of economic business development, and safeguard the Company's overall interests.

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.

Funding

The Group may need to secure further funding for working capital and other purposes and in addition it will need to renegotiate its current funding in the short-medium term. There is the risk that this may not be forthcoming which would impact the Group operations. The Group has numerous funding options available and remain in close contact with its controlling shareholder who have, up to now, continued to provide economic support as required.

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. The Group will continue to monitor matters and seek advice as to how to mitigate any risks arising throughout the transition period.

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.

The Group seeks to mitigate this risk by actively engaging with its employees and seeking to offer a secure work environment with appropriate pay levels to maintain both motivation and loyalty to the Group.

Results and Dividends

The results for the year and the Group's financial position at the end of the year are shown in the following Financial Statements. The Directors do not recommend the payment of a dividend (2018: US$Nil).

Future Developments

Future prospects are set out in the CEO's Statement on pages 6 to 9 and above.

Directors and their Interests

The Directors who served the Group during the year do not hold any beneficial interests in the shares of the Group (2018: None).

No Director who served during the period held any share options in the Company.

Remuneration of the Directors is disclosed in Note 5.

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	***Percentage of issued share capital***
China Nonferrous Metals Int'l Mining Co Ltd	146,666,667	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

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 CEO's Statement on pages 6 to 9. 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 and working capital requirements for the period to 31 July 2021 and satisfying themselves that the Group will have sufficient funds on hand to realise its assets and meet its obligations as they fall due.

In making their assessment, the Directors have considered the level of production and operation at the mine site 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 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. The Directors have also considered the ongoing COVID-19 pandemic and, although the extent of the global impact is as yet uncertain, the Group believes there are sufficient measures in place at the mine site in Tajikistan and in the Beijing head office to mitigate any potential risks presented and enable operations to continue as normal.

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 the Chief Executive Officer’s Statement and in Note 28 to the Financial Statements.

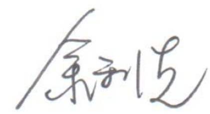
Relevant Audit Information

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 Board of Directors



Mr Lixian Yu

31 July 2020

Board of Directors

The current Board comprises:

Mr Boyi Liang (aged 57), CEO and Non-Executive Director

Mr. Liang, aged 57, holds a Master's degree and is a senior engineer by trade, has served as deputy manager of the asset operation department of China National Construction Group, as deputy manager of the planning department and as manager and director of the corporate department of the China Nonferrous Mining Group Company. He currently serves as the CEO of China Nonferrous Metals International Mining Company Limited, and the assistant to the general manager of the China Nonferrous Mining Group Company, and as director of the Strategic Research Office.

Mr Lixian Yu (aged 53), Managing Director

Mr Yu, aged 53, 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 50), Financial Director

Mr Feng, aged 50, 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 54), Non-Executive Director

Mr. Shi, aged 54, 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 45), Non-Executive Director

Mr. Li, aged 45, 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.

Statement of Directors' Responsibilities

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.

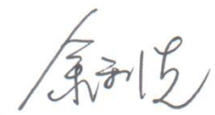
The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these Financial Statements, the Directors are required to:

- 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 Board of Directors



Mr Lixian Yu

31 July 2020

Corporate Governance Report

This report forms part of the Report of the Directors.

The CEO 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 regularly in accordance with their terms of reference (http://www.cnfgold.com/corporate-information/corporate-governance).

The three committees are all composed of Shi Xiuzhi, Li Yong and Liang Boyi.

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

The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities. The board should understand and challenges its own diversity, including gender balance, as part of its composition. The board should not be dominated by one person or a group of people. Strong personal bonds can be important but can also divide a board.

As companies evolve, the mix of skills and experience required on the board will change, and board composition will need to evolve to reflect this change.

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.

The Board recognizes that it has limited diversity and this will form a part of any future recruitment consideration if there are any Director resignations or the board concludes that additional Directors are required.

Each Director undertakes a mixture of formal and informal continual professional development as necessary to ensure that their skills remain current and relevant to the Group.

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 2019 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 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 Chief Executive Officer ('CEO') is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction.

The 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, to present business updates.

The table below sets out the attendance statistics for all current Board members through 2019:

	Meetings attended	Meetings held during the year (or since appointment)
Mr Boyi Liang**	3	3
Mr Lixian Yu	7	8
Mr Delin Feng*	5	6
Mr Xiuzhi Shi	8	8
Mr Yong Li	8	8

** Mr Delin Feng was appointed on 21 March 2019.*

*** Mr Boyi Liang was appointed on 30 July 2019.*

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 Shi Xiuzhi, Li Yong and Liang Boyi. The four audit committees were held on January 28, April 24, September 25, and December 20, 2019.

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 Shi Xiuzhi, Li Yong and Liang Boyi. The three remuneration committees were held on March 28, July 20, and November 25, 2019.

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 CEO 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

Opinion

We have audited the group financial statements of China Nonferrous Gold Limited (the 'group') for the year ended 31 December 2019 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 group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2019 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

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.

Emphasis of matter

We draw attention to Note 28 of the financial statements, as well as the disclosures made in the Chief Executive Officer's Statement on p.6 and the 'Principle Risks and Uncertainties' and 'Going concern' sections in the Report of the Directors, which describe the group's assessment of the COVID-19 impact on its ability to continue as a going concern. The group has explained that the events arising from the COVID-19 outbreak do not impact its use of the going concern basis of preparation nor do they cast significant doubt about the group's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our opinion is not modified in this respect.

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 group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our application of materiality

The scope of our audit was influenced by our application of materiality. We determined materiality for the financial statements as a whole to be US$3,500,000 (2018: US$3,500,000) for the group financial statements using 2% of gross assets as a basis, whilst also taking into consideration loss before tax.

We consider gross assets to be the most relevant 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. However, we consider that loss before tax will also be a key indicator of performance to financial statements users as the group completes its first year of full production and seeks to maximise production and operating efficiencies at the mine.

Whilst materiality for the financial statements as a whole was set a US$3,500,000 each significant component of the group was audited to an overall materiality ranging between US$12,000 and US$3,450,000 with performance materiality set at 70%. We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement.

An overview of the scope of our audit

In 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 considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represents 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 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 discussed significant events occurring during the year and post year-end period with the component auditor and performed a review of the component auditor's working papers, including review of planning and completion stage group reporting,. The group audit team are responsible for the scope and direction of the audit process. All other work was performed remotely by PKF Littlejohn LLP.

Key audit matters

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

Key Audit Matter	How the scope of our audit responded to the key audit matter
Valuation of PPE/Producing Mines – Pakrut LLC (Note 12) Producing mines within PPE is the most material balance within the financial statements and represents the key source from which the Group generates income. The value of Producing mines, as at 31 December 2019, is $390m and was transferred into PPE from Mines under Construction at the start of the 2019 financial year. The group entered full production from 1 January 2019 after experiencing delays in achieving full production levels. As a result there is now more clarity over the forecast cashflows expected over the mine's life as the Group now has greater visibility over actual costings. There is the risk that as a result the value of the mine is impaired.	Our work in this area included: ▪ A review of the costs transferred into PPE from Mines under construction in 2019 to ensure their appropriateness in accordance with IFRS, including a review of work performed by the component auditor. ▪ A review of management's impairment assessment, including consideration of any NPV calculations used. We challenged the source of the inputs and obtained and reviewed the supporting evidence. ▪ Assessment of the mining licenses held by the group to confirm their validity including discussions with legal team in Pakrut. ▪ Considering whether there any potential impairment indicators through review of announcements to the market and Board minutes, as well as our discussions with management and the component auditor.
Depletion of Producing Mines (Note 12) During 2019 the Group entered full production and as a result depreciation was required to be calculated and charged for the first time in respect of Producing mine assets, previously held as Mines under construction. The calculation of this amount requires significant judgement and the use of estimates by management and represents a material charge within the financial statements. There is the risk that this has been incorrectly calculated and	Our work in this area included: ▪ Verifying the mathematical accuracy of the calculations prepared by management; ▪ Reviewing the key inputs used within the calculations and challenging all estimates used (see note 2) and obtaining support; and ▪ Discussions with management in respect of the basis for the calculation. The lifespan of the mine used in the calculation is 18 years which is 8 years more than the licence currently held by CNG permits. Based on the information available to management they currently have no reason to expect the licence extension not to be granted however if it were not then there is the risk that the key inputs into this calculation

the relevant disclosures not made.	would need to be changed and this could lead to a material impact on the related charge within the financial statements.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the group 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 statement of directors' responsibilities, the directors are responsible for the preparation of the group 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 group 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 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://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 Company'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 Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Joseph Archer

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

15 Westferry Circus
Canary Wharf
London E14 4HD

31 July 2020

	Note	2019 US$000	2018 US$000
Revenue	3	49,157	17,926
Cost of sales		(32,842)	(17,926)
Gross Profit		16,315	-
Other operating income		116	2,838
Administrative expenses	6	(16,337)	(6,192)
Loss on foreign exchange		(905)	(1,873)
Other operating expenses		(136)	-
Operating Loss		(947)	(5,227)
Finance income	8	270	923
Finance costs	8	(20,796)	-
Loss before Income Tax		(21,473)	(4,304)
Income tax	7	(508)	(179)
Loss for the year attributable to owners of the parent		(21,981)	(4,483)
Total comprehensive income attributable to owners of the parent for the year		(21,981)	(4,483)
Basic and Diluted Earnings per share attributable to owners of the parent (expressed in cents per share)	9	(5.75)	(1.17)

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

The accounting policies and notes on pages 41 to 91 form part of these Financial Statements.

	Note	*As at 31 December 2019 US$000*	*As at 31 December 2018 US$000*
Non-Current Assets			
Mines under construction	11	-	399,400
Property, plant and equipment	12	402,548	7,422
Total Non-Current Assets		402,548	406,822
Current Assets			
Inventories	15	16,856	17,343
Trade and other receivables	16	4,766	3,709
Cash and cash equivalents		11,120	8,363
Total Current Assets		32,743	29,415
Non-Current Liabilities			
Borrowings	17	(103,586)	(182,285)
Provisions for other liabilities and charges	19	(913)	(838)
Total Non-Current Liabilities		(104,499)	(183,122)
Current Liabilities			
Borrowings	17	(267,527)	(162,724)
Trade and other payables	18	(77,050)	(82,194)
Total Current Liabilities		(344,577)	(244,918)
Net Current Liabilities		(311,843)	(215,503)
Net (Liabilities)/Assets		(13,785)	8,196

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		(89,899)	(67,918)
Total Equity		(13,785)	8,196

These Financial Statements were approved and authorised for issue by the Directors on 31 July 2020 and are signed on their behalf by

Mr Lixian Yu

Managing Director

The accounting policies and notes on pages 41 to 91 form part of these Financial Statements.

Attributable to owners of the parent

	Share capital	***Share premium***	***Other reserve***	***Retained earnings***	***Total***
	US$000	***US$000***	***US$000***	***US$000***	***US$000***
Balance at 1 January 2018	38	65,901	10,175	(63,435)	12,679
Loss for the year	-	-	-	(4,483)	(4,483)
Total comprehensive loss for the year	38	65,901	10,175	(67,918)	8,196
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-
Balance at 31 December 2018	38	65,901	10,175	(67,918)	8,196
Balance at 1 January 2019	38	65,901	10,175	(67,918)	8,196
Loss for the year				(21,981)	(21,981)
Total comprehensive loss for the year	38	65,901	10,175	(89,899)	(13,785)
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-
Balance at 31 December 2019	38	65,901	10,175	(89,899)	(13,785)

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 re-organisation reserve under the scheme of arrangement.

d) Retained earnings: cumulative net gains and losses recognised in the consolidated statement of comprehensive income. Also included in this figure is the share options and warrants reserve established in 2013 as part of the capital restructuring program. 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 41 to 91 form part of these Financial Statements.

	31 December 2019 US$000	*31 December 2018 US$000*
Cash flows from Operating Activities (Note 23)	3,624	3,556
Net cash generated from Operating Activities	3,624	3,556
Cash flows from Investing Activities		
Payments for mining rights and construction in progress		(48,394)
Purchase of property, plant and equipment	(5,842)	-
Interest received	270	923
Net cash used in Investing Activities	(5,572)	(47,471)
Cash flows from Financing Activities		
Proceeds from borrowings (net of capitalised issue costs)	20,000	90,000
Repayment of borrowings	(10,000)	(35,000)
Interest paid	(5,295)	(14,789)
Net cash generated from Financing Activities	4,705	40,211
Net increase/(decrease) in Cash and cash equivalents	2,757	(3,704)
Cash and cash equivalents at beginning of the year	8,363	12,067
Cash and cash equivalents at end of the year	11,120	8,363

The accounting policies and notes on pages 41 to 91 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 re-organisation 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 2019. 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:

- IFRS 16: Leases
- IFRIC 23: Uncertainty over income tax treatments
- Annual Improvements to IFRS Standards 2015-2017 Cycle

b) New and amended standards and interpretations issued but not yet effective for the financial year beginning 1 January 2019 and not early adopted

Standard	Title	Effective date
Conceptual Framework (Amendments)	n/a	1 January 2020
IAS 1 & IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 3 (Amendments)	Business Combinations	1 January 2020*
IAS 1 (Amendments)	Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2022*

**Subject to EU endorsement*

These Standards will have no material impact on the Group.

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 2019. 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

The Group classifies its financial assets into only one category, being those to be measured at amortised cost.

The classification is dependent 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 de-recognised 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

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”. 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.

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. In 2019, the mine has entered full production and therefore depletion/depreciation/amortisation has commenced and ‘Mines under construction’ has been transferred into Property, Plant and Equipment.

Impairment of non-financial assets

In accordance with its accounting policies and processes, each asset or cash generating unit (CGU) is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

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 of disposal (FVLCD) 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 assets including exploration and evaluation and producing mines 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.

The determination of FVLCD for each CGU are considered to be Level 3 fair value measurements, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Property, plant and equipment

(i) Initial recognition

Upon completion of the mine construction phase, the assets held within 'Mines under construction' are transferred into 'Property, plant and equipment' as 'Producing Mines'. Items of property, plant and equipment and producing mines are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Producing mines also consist of the value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

(ii) Depreciation/amortisation

Accumulated mine development costs or 'Producing mines' are depreciated/amortised on a unit of production (UOP) basis over the economically recoverable reserves of the mine concerned. The unit of account for run-of-mine (ROM) costs is tonnes of ore, whereas the unit of account for post-ROM costs is recoverable ounces of gold. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis, whereby the denominator is the proven and probable reserves.

Depreciation on other 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	–	8-10 years
Motor Vehicles	–	5-10 years
Office Furniture and Equipment	–	3-5 years

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

Assets under construction relate to ongoing construction work at the mine site which does not form part of the mine asset, for example office and accommodation buildings. Such assets are not depreciated until they are ready for use, at which time they are transferred into plant and equipment and depreciation commences.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset’s residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

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 after which they are expensed. 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.

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 Chief Executive Officer'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.

As at 30 June 2020 the Group had approximately US$19 million of cash and cash equivalents and US$340 million of debt (excluding accrued interest to the date of maturity, the terms of which are disclosed in the notes) comprising the following:

- CNMC Trade loan of US$146.5 million, repayable on 20 December 2020, excluding accrued interest to 20 December 2020.
- CNMC International Capitals Company Ⅱ Limited loan of US$90 million, repayable on 8 December 2020, excluding accrued interest to 8 December 2020.
- CCB Macau drawn down loan facility of US$70 million, excluding interest, the maturity date is 29 June 2021.
- CCB Macau drawn down loan facility of US$20 million, excluding interest, the maturity date is 28 January 2021.
- CCB Asia drawn down loan facility of US$14.55 million, excluding interest, the maturity date is 16 March 2021.

The Board has reviewed the Group's cash flow forecast for the period to 31 July 2021. The forecasts show that the CNMC Trade loan of US$146.5 million will need to be extended or refinanced before 20 December 2020, the $90 million loan will need to be extended or refinanced by 8 December 2020, and the Group forecasts it will not require further funding to meet operational commitments and overheads. The forecasts also show that if COVID 19 had an adverse impact on the Pakrut mine operations ,the Group would require further funding if the Pakrut mine was temporarily suspended for more than two months.

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. The Directors have also ensured that the ultimate parent has sufficient funds to provide such support.

Taking into account the above measures and after assessing the Group's current and future cash flow positions, the directors of the Company are satisfied that the Group will be able to meet their financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

At the beginning of the year, all units and departments of the Company closely centered on the production center to overcome adverse factors such as weather, equipment and ore nature changes, and organized production in a scientific, reasonable and coordinated manner. The annual production of gold was 1,168 kg, and revenue generated by the Group is $49.16m, providing financial guarantee for the Company's continued operation. Looking forward to 2020, the Company's main operating goal is to limit operating losses, and for the Pakrut Gold Project to strengthen operating cash flow position.

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.

Revenue

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It 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 (based on the opening market price in London – http://www.lbma.org.uk/precious-metal-prices#/), net of buyer's discount, treatment charges, freight costs and value added tax.

Other income

In the current year other income of US$0.12 million has been generated, which was derived from Pakrut's sale of surplus stock materials (2018: US$2.8 million, 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 the mine produces sufficient quantities of gold to be self-sufficient. 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. The potential impact of such fluctuations is not considered material to the financial statements.

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 of US$75 million is 2.10% per annum over the quarterly LIBOR rate and the loan is repayable in US$. The interest rate on the new CCB loan of US$20 million is 1.20% per annum over the quarterly LIBOR rate and the loan is repayable in US$. The interest rate on the CNMC loan of US$90 million taken out in 2018 is fixed at 5.8% per annum, calculated and paid on a half yearly basis. The interest rate on CNMCTC loans totaling $146.5 million is 3.70% per annum over the six month LIBOR rate and the loan is repayable in US$.

At 31 December 2019, the potential impact of fluctuations in interest rates is not considered material to the financial statements.

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. 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 2019 between the various currencies.

Somoni	**GBP Sterling**	**US Dollar**	**Renminbi**	**Total US$000**
482	35	10,461	142	11,120

Due to the different nature of assets and liabilities, changes in asset value caused by exchange rate changes have different ways of affecting a Company's free cash flow. Therefore, it must be considered separately when evaluating the value of an enterprise. The first is the monetary items in the corporate balance sheet. Typical monetary items include monetary funds, loans, accounts receivable and accounts payable. When the exchange rate changes, the above-mentioned assets or liabilities of the enterprise accounted in foreign currencies will increase or depreciate accordingly. For example, in the context of the depreciation of the Renminbi, the foreign currency deposits (Somoni/USD) held by enterprises will appreciate, which in itself has a substantial impact on the present value of cash. The foreign currency-settled bonds or other debts issued by companies can be repaid at a lower RMB cost, which can save companies more funds that can be used for free distribution, thereby promoting the enhancement of corporate value.

During 2019, the Group’s principal revenue, costs, assets and liabilities, including interCompany loans were denominated in USD. The Group manages foreign currency 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. The year end exchange rates used in the preparation of the financial statements for 2018 and 2019 were as follows:

	Somoni to USD	GBP to USD	Renminbi to USD
31 December 2019	9.6872	1.31162	6.9762
31 December 2018	9.4210	1.2741	6.8632

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 to fund operations, 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 2019						
Interest-bearing borrowings	267,527	103,586	-	-	371,113	371,113
Trade and other payables	77,050	-	-	-	77,050	77,050
Provisions for other liabilities	-	-	-	2,481	2,481	913
	344,577	103,586	-	2,481	450,644	449,076

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

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

Credit rating	***2019***	***2018***
	US$000	***US$000***
A	5,314	7,216
No independent credit rating available	5,806	992
	11,120	8,208

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 Producing mines (Note 12)

The Group tests annually whether exploration, evaluation and licensing assets and producing mines 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 producing mines at Pakrut, the Directors have used an independently prepared and Director approved bankable feasibility study (http://www.cnfgold.com/projects/pakrut-gold-project). 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.

The calculation assumes a mining capacity of 2,000 tonnes of ore daily increasing to 4,000 tonnes per day. Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted. Gold revenues have been estimated over that period at a price of US$1,600 based on management's estimates, which are derived from forward price curves and long-term views of global supply and demand, building on past experience of the industry and consistent with external sources.

The total cost per ounce is estimated to be around US$780 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 and direct costs, the gold price, and the discount rate. An impairment to the mine value would occur if the discount rate were to increase to 17%, gold prices fell by 14% or direct costs were to increase by 43%.

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 'Producing mines' (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.

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

Mineral resource and reserve estimates

Reserves are estimates of the amount of resources that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. This analysis requires complex geological 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 property, plant and equipment and inventories.

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues.

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

Depreciation/Amortisation (Note 12)

As the mine entered full production during the period, 2019 was the first period for which depreciation / amortisation was charged in respect of the producing mine assets. As mentioned in the judgement above judgement is required in the calculation of this amount with the key estimates considered to be surrounding the amount of economically recoverable resources and the lifespan of the asset. The economically recoverable reserves are considered to be those detailed out on the website (see above for link) and the lifespan of the mine is considered to be 18 years. As mentioned above the Group currently only has a mining license that is valid until November 2030 which is less than the 18 year period used within the depreciation/amortisation calculation. After considering the information available to them which includes discussions with Tajik officials and the required timing for extending the mining licence, management have made the judgement that they will be able to secure the necessary extensions and therefore continue to the mine for a period of 18 years. If a 10 year licence period were to be used then depreciation for 2019 would be approximately $17.6 million.

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 the beginning of 2019 that the mine's plant was available for use as intended by management, as it was at the end of 2018 that production levels were stable, process technologies improved to ensure target mineral recoveries of reliable and high-quality gold were achieved in line with budgeted levels.

Therefore, in the 2019 financial year, the mine assets in the consolidated financial statements have been presented as producing mines.

Changes in estimates are accounted for prospectively.

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 mining 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.

2019	*UK and PRC* *US$000*	*Tajikistan Pakrut* *US$000*	*Total* *US$000*
Revenue	-	49,157	49,157
Cost of sales	-	(32,842)	(32,842)
Administrative expenses (including foreign exchange)	(4,536)	(12,705)	(17,241)
Other operating expenses		(136)	(136)
Impairment	-	-	-
Other operating income	-	116	116
Operating profit/(loss)	(4,536)	3,590	(947)
Finance costs	(20,796)	-	(20,796)
Finance income	270	-	270
Income tax	-	(508)	(508)
Loss for the year	(25,062)	3,082	(21,981)
Total assets	8,787	426,504	435,291
Total liabilities	414,609	34,467	449,076
Depreciation	22	2,544	2,566
Additions to property, plant and equipment	-	5,842	5,842

Revenue of Pakrut generated in the period was from two customers, the government of Tajikistan and an independent bank. The revenue from this party during the year was TJS 463,551 (USD 47,841).

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)
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

4. Particulars of Employees

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

	2019	***2018***
	No.	***No.***
Administrative and management	129	121
Operational staff	574	375
	703	496

The aggregate costs of the above were:

	2019	***2018***
	US$000	***US$000***
Wages and salaries	4,721	3,380
Social security costs	861	693
	5,582	4,072

As the mine was in full production for whole of 2019 no staff costs have been capitalised. US$ 2.045m of staff costs were capitalised in 2018 within mines under construction.

5. Directors' Emoluments

The Directors' emoluments in respect of qualifying services were:

2019	***Salary and fees*** ***US$***	***Bonus and holiday pay*** ***US$***	***Other benefits*** ***US$***	***Termination fees*** ***US$***	***Total*** ***US$***
Mr Boyi Liang****	49,360	-	-	-	49,360
Mr Xiang Wu**	17,953	-	-	-	17,953
Mr Yong Li	22,853	-	-	-	22,853
Mr Lixian Yu	227,754	-	-	-	227,754
Mr Delin Feng***	140,340	-	-	-	140,340
Mr Xiuzhi Shi	22,989	-	-	-	22,989
	481,249	-	-	-	481,249

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

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

5. Directors' Emoluments

The following amounts were payable to Directors as at 31 December 2019 (2018: $Nil):

Mr Lixian Yu - $56,507

Mr Boyi Liang - $25,112

Mr Delin Feng - $47,081

** Mr Hao Zhang resigned on 22 November 2018.*

*** Mr Xiang Wu resigned on 30 July 2019.*

**** Mr Delin Feng was appointed on 21 March 2019.*

***** Mr Boyi Liang was appointed on 30 July 2019.*

6. Expenses by nature

	2019	***2018***
	US$000	***US$000***
Employee benefit expenses	6,057	2,530
Operating lease expenses	186	94
Depreciation	2,566	3,526
Less transfer to mines under construction	-	(3,453)
Legal, professional and regulatory costs	338	911
Travel and entertaining	232	289
Social & other taxes	5,721	1,232,354
Other Expenses	159	922
Commission/bank fees	1,077	142
Total administrative expenses	16,337	6,192

6. Expenses by nature (continued)

	2019	*2018*
	US$000	***US$000***
Fees payable to the Company's auditor for the audit of the consolidated financial statements	104	110
Fees payable to the Company's auditor for other services:		
- Tax compliance services	-	3
	104	113

7. Income Tax

a) Analysis of Charge in the Year

	2019	*2018*
	US$000	***US$000***
Current tax:		
Current tax	508	179
Deferred tax	-	-
Total	508	179

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 469,386,040 – equivalent to US$ 49,156,539 (2018: TJS 164,152,371 – equivalent to US$ 17,926,000). 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.

7. Income Tax (continued)

Factors Affecting Current Tax Charge

The tax assessed on the loss for the year is higher than the weighted average standard rate of corporation tax of 20% (2018 – 20%).

	2019	2018
	US$000	**US$000**
Loss before income tax	(21,473)	(4,304)
Loss on ordinary activities by weighted average rate of tax at 20% (2018 – 20%)	(4,295)	(861)
Expenses not deductible for tax purposes	513	73
Tax losses for which no deferred income tax asset was recognised	4,289	967
	508	179

The Group did not recognise deferred income tax assets of approximately US$4,289,000 (2018: US$967,000). Unused Tajik tax losses amounting to approx. US$16,772,000 at 31 December 2018 can be carried forward for three years from the year incurred and used against future taxable income at 15%.

8. Finance Income and Costs

	2019	***2018***
	US$000	***US$000***
Finance Income		
Interest income on short term bank deposits	270	923
Finance Costs		
Interest expense on shareholder's loans wholly repayable within five years	16,304	11,871
Interest expense on bank borrowings wholly repayable within five years	4,493	4,522
Less: Borrowing costs capitalised in qualifying assets	-	(16,393)
Finance costs	20,797	-

9. Earnings per Share

	2019	***2018***
	US$	***US$***
Basic and diluted earnings per share (cents)	(5.75)	(1.17)

The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US$21,981,000 (2018: loss $4,483,000) by the weighted average number of shares in issue and carrying the right to receive dividend. For the year ended 31 December 2019 this was 382,392,292 (2018– 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 nil (2018: nil) share options outstanding that are potentially dilutive in the future.

10. Intangible Assets

	Exploration and evaluation assets
	US$000
Cost	
At 1 January 2018, 31 December 2018 and 31 December 2019	9,941
Impairment	
At 1 January 2018, 31 December 2018 and 31 December 2019	(9,941)
Net Book Value	
At 31 December 2018 and 31 December 2019	-

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 2018	35,022	296,138	331,160
Additions	-	68,240	68,240
At 31 December 2018 and 1 January 2019	35,022	364,378	399,400
Additions			
Transfer to PPE	(35,022)	(364,378)	(399,400)
At 31 December 2019	-	-	-

Mining rights comprised of 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 was capitalised within mining rights. Mining rights also included the subsoil contract signature bonus and payments to obtain land use rights.

Construction in progress comprised 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 included 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 and signified by the formal commissioning of the mine for production. Construction was completed at the end of the 2018 financial year with the mine being deemed to be fully operation at the start of the 2019 financial year and therefore in the current accounting period all accumulated capitalised costs have been transferred into Property, Plant and Equipment.

In 2018, 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. In 2019, the entire CIP amount of USD 399,400 has been transferred to PPE.

12. Property, Plant and Equipment

	Land	Office furniture and equipment	Motor vehicles	Plant and machinery	Producing mines	Assets under construction	Total
	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Cost							
At 1 January 2018	32	851	8,868	14,817	-	-	24,567
Additions		114	1,904	242	-	-	2,260
Transfer from MUC	-	-	-	-			-
Disposals	-	(209)	-	(68)	-	-	(278)
At 31 December 2018	32	755	10,772	14,990	-	-	26,549
Additions	-	152	-	2,129	-	3,561	5,842
Transfer from MUC	-	-	-	-	398,639	761	399,400
Disposals	-	(320)	(2,074)	-	-	-	(2,394)
At 31 December 2019	32	587	8,698	17,119	398,639	4,322	429,396

12. Property, Plant and Equipment (continued)

Accumulated Depreciation							
At 1 January 2018	-	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
Charge for the year	-	31	392	869	8,823	-	10,116
Disposal	-	(320)	(2,074)	-	-	-	(2,394)
At 31 December 2019	-	322	6,227	11,476	8,823	-	26,849
Net Book Value							
At 31 December 2019	32	265	2,471	5,643	389,816	4,322	402,548
At 31 December 2018	32	144	2,862	4,384	-	-	7,422

Depreciation of US$3,453,000 was capitalised within mines under construction in 2018.

In 2019 as the mine entered full production, mines under construction were transferred into Property, Plant & Equipment under the sub-category of Producing mines as presented above, and depreciation/depletion charged as per the accounting policies.

The carrying value of the PPE, most notably producing mines, and the depreciation / depletion methodology used, are both considered to be key accounting judgements. Detail of these are disclosed in Note 2 along with the related key estimates.

13. Subsidiary Undertakings

The Group had the following subsidiary undertakings as at 31 December 2019:

Name of Company	***Holding***	***Country of Incorporation***	***Proportion of Voting Rights held***	***Nature of Business***	***Registered addresses***
Directly held					
Kryso Resources (BVI) Limited	Ordinary shares (CNG)	British Virgin Islands	100%	Holding Company	190 Elgin Avenue, Grand Cayman, KY1-9005, Cayman Islands
Kryso Resources Limited	Ordinary shares (CNG)	UK	100%	Holding Company	Unit 2.24, the Plaza 535 Kings Road
Indirectly held					
International Mining Supplies and Services Limited (BVI holds 100% share)	Ordinary shares (BVI)	UK	100%	Service Company	Unit 2.24, the Plaza 535 Kings Road
LLC Pakrut (BVI holds 100% share)	Ordinary shares (BVI)	Tajikistan	100%	Mineral exploitation, development and mining	Bahor district, Vahdat, Tajikistan

14. Financial Instruments by category

	Financial assets at amortised cost
	US$000
31 December 2019	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	4,766
Cash and cash equivalents	11,120
Total	15,886

	Financial liabilities at amortised cost
	US$000
31 December 2019	
Liabilities per Statement of Financial Position	
Borrowings	371,113
Provisions for other liabilities and charges	913
Trade and other payables, excluding non-financial liabilities	77,050
Total	449,076

14. Financial Instruments by category (continued)

	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

15. Inventories

	2019	***2018***
	US$000	***US$000***
Gold	-	49
Construction materials and processing equipment	16,856	17,294
	16,856	17,343

The inventory balance in 2019 relates to raw materials and semi-finished products used in gold production.

16. Trade and Other Receivables

	Group	***Group***
	2019	***2018***
	US$000	***US$000***
Other receivables	3,137	2,984
Prepayments and deposits	1,629	725
Total	4,766	3,709

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

Other receivables includes $2,758,418 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

	2019 US$000	2018 US$000
Bank borrowings	95,000	85,000
Other loans	276,113	260,010
Total	371,113	345,010
Non-current portion	103,586	182,285
Current portion	267,527	162,724

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$Nil was outstanding as at 31 December 2019 (2018: US$Nil). The amount outstanding on the RMB tranche of the loan as at 31 December 2019 was US$12,683,599 (2018: US$12,683,599).

CNMC loans

The loan agreement between CNMC International Capitals Company Limited (“CNMICC”) and China Nonferrous Gold Limited was signed on 20 September 2017. Under this agreement, CNMICC 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.

During 2019, the loan was transferred from CNMICC to another member of the group, CNMCTC. On 15 July 2020, a loan extension agreement was signed extending the repayment date until 20 December 2020. The extension agreement incurs interest at a rate of 6 months LIBOR + 3.7%.

A loan agreement between CNMC International Capitals Company Limited (“CNMICC”) and China Nonferrous Gold Limited was signed on 27 April 2016. Under this agreement, CNMICC 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 was 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.

During 2019, the loan was transferred from CNMICC to another member of the group, CNMCTC. On 15 July 2020, a loan extension agreement was signed extending the repayment date until 20 December 2020. The extension agreement incurs interest at a rate of 6 months LIBOR + 3.7%.

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 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.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.

During 2018, the loan was transferred from CNMC to another member of the group, CNMCTC. A further extension has been signed extending the repayment date until 26 November 2020.

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 loans

The first 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

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

The second loan agreement between China Construction Bank ("CCB") and China Nonferrous Gold Limited was signed on 29 January 2019. Under this agreement CCB provided a loan facility of US$20,000,000 to China Nonferrous Gold Limited. This loan was used for the purpose of working capital for Pakrut Gold Project. 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$20,620,000, with validity of not less than 12 months in favor of CCB.

The full amount of the loan was drawn down on 29 January 2019. The loan incurs interest at a rate of 3 months LIBOR + 1.2% and is payable quarterly in arrears.

18. Trade and other payables

	2019	***2018***
	US$000	***US$000***
Trade and other payables	77,050	82,194
	77,050	82,194

Trade and other payables include amounts due of US$61,010,581 (2018: US$65,906,519) in relation to mine development.

19. Provisions for Other Liabilities and Charges

	Rehabilitation	***Total***
	US$000	***US$000***
At 1 January 2019	838	838
Unwinding of discount	75	75
At 31 December 2019	913	913

All provisions are non-current.

19. Provisions for Other Liabilities and Charges (continued)

The Group makes full provision for the future cost of rehabilitating the mine site 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 2019 is 9% per annum. The value of the undiscounted provision is US$2,481,000 (2018: 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.

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

	2019	*2019*	**2018**	**2018**
	No. of ordinary shares	***Share Capital US$000***	***No. of ordinary shares***	***Share Capital US$000***
At 1 January (Ordinary shares of $0.0001) each	382,392,292	38	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:

	2019		***2018***	
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
Expired during the year	-	-	50,000	30.00
Outstanding at end of year	-	-	-	-
Exercisable at 31 December	-	-	-	-

There were no share options outstanding at the year end.

23. Cash flow information

	31 December 2019	*31 December 2018*
	US$000	***US$000***
Cash flows from Operating Activities		
Loss before income tax	(21,473)	(4,304)
Adjustments for:		
Finance income	(270)	(923)
Finance costs	20,796	-
Depreciation	7,722	73
Foreign exchange loss	905	-
Change in working capital:		
Inventory	487	873
Trade and other receivables	(904)	(172)
Trade and other payables	(7,039)	(766)
Other current assets	(154)	(2,908)
Other current liabilities	3,554	11,684
Net Cash generated from Operating Activities	**3,624**	**3,556**

23. Cash flow information (continued)

Net debt reconciliation

	31 December 2019 US$000	31 December 2018 US$000
Cash and cash equivalents	11,120	8,363
Borrowings – repayable within one year	(267,527)	(162,724)
Borrowing – repayable after one year	(103,586)	(182,285)
Net debt	**(359,993)**	**(336,646)**

	31 December 2019 US$000	31 December 2018 US$000
Cash and cash equivalents	11,120	8,363
Borrowings – fixed interest rates	(116,685)	(260,010)
Borrowings – variable interest rates	(254,429)	(85,000)
Net debt	**(359,993)**	**(336,647)**

23. Cash flow information (continued)

	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 2018	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)**
Cash flows	2,757	10,000	(14,705)	(1,948)
Interest accrued	-	-	(21,400)	(21,400)
Movement between current and non-current	-	(114,803)	114,803	-
Net debt as at 31 December 2019	**11,120**	**(267,527)**	**(103,586)**	**(359,993)**

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:

	2019	***2018***
	US$000	***US$000***
Capital expenditure contracted for but not provided for in respect of new treatment facilities, electrical upgrades and construction design fees (2018: acquisition of mines under construction and property, plant and equipment)	-	5,029

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

26. Contingent Liabilities

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.

27. Related Party Transactions

The amount paid by the Company and Kryso Resources Limited to CNMIM for interest on the loan in 2019 amounted to US$Nil (2018:US$Nil). The amount due to CNMIM as at 31 December 2019 was US$18,586,242 (2018: US$17,299,431). CNMIM is a significant shareholder of China Nonferrous Gold Limited and Boyi Liang and Lixian Yu are CEO and President of CNMIM respectively. During 2019, CNG did not pay any interest to CNMC.

The amount payable by the Company to CNMC for interest on the loans in 2019 amounted to US$5,989,013 (2018: US$9,857,378). The amount due to CNMC as at 31 December 2019 was US$101,402,291 (2018: US$221,913,278). CNMC is the ultimate parent of China Nonferrous Gold Limited and Feng Delin is Chief Accountant of CNMC.

During the year, the loan amount of US$126,500,000 and interest payable of US$7,761,698.75 due to CNMC was transferred to being due to CNMCTC, a related party to China Nonferrous Gold Limited through being a subsidiary of CNMC, the Company’s ultimate controlling party.

27. Related Party Transactions (continued)

During 2019, 15MCC (a related party to CNG through being a subsidiary of CNMC, the Company's ultimate controlling party) provided equipment and materials, together with installation and construction work to the Group amounting to US$Nil (2018: $20,462,214) and the Group advanced payments to 15MCC amounting to US$3,945,580 (2018: $20,462,214). As at 31 December 2019, the total liability due to 15MCC was $28,541,552 (2018: US$33,976,176).

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 the year of 2019 CNMC provided a guarantee for standby letters of credit amounting to US$134,020,629 as security for the Group's bank loan facility with China Construction Bank. During the year of 2018, CNMC provided a guarantee from standby letters of credit amounting to US$103,092,784 as security for the Group's bank loan facility with China Construction Bank.

27. Related Party Transactions (continued)

During 2019, there is a total receivable amount of $2,739,702 (2018: US$2,739,702) 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$25,079 payable by the entities within the group owed to CNMIM as at 31 December 2019 (2018: US$25,079).

As at 31 December 2019, there is a total payable amount of $226,080 (2018: $Nil) owed to Daye Nonferrous Metal Group Holding Co., Ltd, a subsidiary of the ultimate controlling party, CNMC.

28. Events after the Reporting Period

In April 2020, the Company drew down US$14.50 million on a new US$30 million loan facility with China Construction Bank (Asia) Corporation Limited, which is being used for general working capital purposes to fund the Pakrut gold mine.

The Group has continued production throughout 2020 despite the outbreak of COVID-19, enabling it to raise sufficient working capital. As announced on 15 July 2020, in order to ensure the repayment of existing loans can be made, a broader refinancing will be 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 parent Company CNMC has committed to supporting the CNG group should this be required for a period of at least 12 months from the date of approval of these financial statements.

The Company extended the repayment period of loans in place with CNMC Trade Company Limited (CNMC Trade), totalling US$146.50 million, to December 2020. The Company currently has total debt facilities (including banking facilities), before interest, of c.US$353.7 million (being the US$341m announced on 15 July 2020, plus the CNMIM loan of US$12.7m.