CHINA NONFERROUS GOLD

LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

Company Registration Number WK-277188

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	Mr Xiaohua Wang	(Executive Director, Finance Director)
	Mr Xiuzhi Shi	(Non-Executive Director)
	Mr Yong Li	(Non-Executive Director)
	Mr Hui Zhang	(Executive Director, Managing Director)
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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 2021. Following the first successful normal production work in 2019, the Company has progressed well in several important aspects, with the Pakrut gold mine entering formal production and achieving full operational capacity in 2020.

The Company made significant achievements in 2021 and became an important gold-production enterprise in Tajikistan. The Pakrut gold mine achieved its internal production targets for 2021, which brings steady cash flows to support the sustainable development of the Company.

Operation

From January to December 2021, a total of 625,078 tons of ore was extracted from the Pakrut gold mine (2020: 640,036 tons), and a total of 650,995 tons of ore were processed at a grade of 2.29 g/t, 19,918 tons of gold concentrate were produced at a grade of 69.22 g/t,(2020: 640,035 tons of ore were processed at a grade of 2.04 g/t, 19,416 tons of gold concentrate were produced at a grade of 65.04g/t), 1,249 kg gold bullion were poured with a comprehensive recovery rate of 91.61% (2020: 1,126 kg gold bullion with a recovery rate of 92.94%).

COVID-19

With COVID-19 continuing to have a significant impact on the global economy, 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 30 April 2020, the Company has taken appropriate steps and effective measures to ensure that staff are protected at the mine 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.

The impact on working conditions has been reduced as much as is practical. Beijing has sought to reduce channels for the transmission of the virus and there have been no cases reported within the Company to date. 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 targets for 2021 were not affected by the suspended flights. Since COVID-19, direct flights from Tajik to China via Urumqi have been stopped. The Company has ensured the mobility of employees through multiple channels, such as returning through Dubai or Iran. It is gratifying that the Tajik government has issued an official statement that direct flights back to China may be opened in June 2022, which will greatly reduce ticket costs and travel time. The government of Tajikistan announced in early 2021 that 91% of the local adults had been vaccinated against the new variant, and all the staff of the Company have now been vaccinated with third vaccines to further guard against COVID-19. Moreover, the Tajik government has also lifted all entry-exit restrictions at the land ports between Uzbekistan and Tajikistan, facilitating the purchase of materials by the Company.

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 from the beginning of the 2019 financial year.

Administration expenditure for the year under review was US$19,878,782 (2020: US$17,827,290). The main reason for the increase this year is due to pandemic isolation costs for employees and the increase of pandemic subsidies for employees due to the pandemic, as well as road tax calculated by 70% of the income. The advance receipts of suppliers cannot be collected due to the bankruptcy of suppliers, resulting in bad debts of $370,000.

The overall loss incurred by the Group was US$6,245,062 (2020: US$6,357,743). Pakrut generated gold sales revenue of US$71,991,962 (2020: US$64,516,000), a significant increase as a result of entering full operational production and gold prices rose sharply due to Covid-19.

Financing Arrangements

During the course of the year, the Group did not enter into any new financing agreements with shareholders or their associates. Instead, the original repayment dates in December 2020 on the loan contracts previously signed with China Nonferrous Metals International Mining Co., Ltd. and China Nonferrous Metals Mining Group Co., Ltd. (“CNMC Loans”) were extended once more and are now repayable in December 2022.

In February 2021 ,the Group repaid US$20m of the CNMC International Capitals Company Limited. And in June 2021, the Group repaid another US$9.26 million(¥60million).

In June 2021, the Group repaid the remaining US$65 million to China Construction Bank Corporation Macau Branch (“CCBC”) in respect of its existing loan agreement, which was signed in 2016. In January 2021, the Group repaid a loan of US$20 million from Construction Bank Corporation Macau Branch (“CCBC”) , which was signed in 2019. In March 2021, the Group repaid a loan of US$14.55 million from China Construction Bank (Asia) Corporation Limited (“CCBC”), which was signed in 2020.

In January 2021, the Group executed an agreement with China CITIC Bank Corporation Limited (Zhuhai Branch) (“CITIC”) for a loan facility of up to CNY 300million which is equivalent to US$46.37million. The CITIC Loan facility is for a maximum of 12 months and is repayable 12 months from first drawdown. US$20million of the CITIC Loan was drawn down in January 2021 to replace the China Construction Bank (CCB) Macau loan of US$20million which fell due in January 2021. A second drawdown of US$14.55m in March 2021 was used to repay the CCB Asia loan of US$14.55m.

In June 2021, the Group executed an agreement with Bank of Shanghai (Hong Kong) Limited ("BOS") for a loan facility of up to US $65 million (the "BOS Loan"). The Loan facility is for a maximum of 24 months and is repayable 24 months from the drawdown. The total amount of US$65m of the BOS Loan had be drawn down in June 2021 to repay the CCBC Macau loan of US$65m .

The existing loan facilities from CITIC and BOS totaled US$99.55 million and the CNMC and CNMIM loan facilities totaled US$269 million so that, including interest, the total amount of loans drawn down by the Company was US$369 million (approximately US$319m without interest). As the major shareholder and ultimate beneficial owner, CNMIM and CNMC have confirmed they will continue to support the Company . The existing loans in place with the Company's shareholder (or its associates) were extended again once again in 2021 and now fall due for repayment in 2022.

The Group has continued production throughout 2021 despite the outbreak of COVID-19, enabling it to generate sufficient working capital for operations. However, in order to ensure the repayment of the existing loans detailed above a broader refinancing will be required. At the same time, for short-term loans from external banks, it will continue to communicate with multiple banks and make capital arrangements in advance to raise sufficient working capital to be able to continue the normal operations of the group. In order to ensure the repayment of existing loans a broader refinancing will be required. This has been completed post-year end and is disclosed in the following section. The ultimate parent Company CNMC has committed to support the CNG group should this be required for a period of at least 12 months from the date of approval of these financial statements.

Events after the Reporting Period

In January 2022, the Group executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of up to USD $34.55 million (the"CNMC Loan"). This CNMC Loan has been used to repay the existing China CITIC Bank Corporation Limited ("CITIC") bank facilities of USD $34.55m (being USD20m advanced in January 2021 ("First Loan") and USD14.55m advanced in March 2021 ("Second Loan")).

In addition in April 2022,the Group executed a foreign currency working capital loan agreement with China CITIC Bank Corporation Limited (Zhuhai Branch) ("CITIC") for a loan facility of up to US$20 million with an annual interest at 3.00% over 6 month LIBOR, which was used to repay US$20m of the CNMC Loan.

The Company continues to explore a wider refinancing of its loans.

Refer also to Note 28.

Outlook

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. In September 2021, the Company completed the signing of export sales contract with Daye Nonferrous Metals, completed the first batch of 50kg gold export sales in November 2021, and opened up the sales channel of Pakrut's gold from Tajikistan to China for the first time.

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 look forward to updating you on in the coming months.

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 stabilizing 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 2021. 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.

Zhang Hui

Chief Executive Officer

30 June 2022

The Directors present their annual report and the audited Financial Statements of China Nonferrous Gold Limited for the year ended 31 December 2021.

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 on 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 2021 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

During 2021 the Group has:

- Reached production capacity of 1,713 tons per day from January 2021;
- Processed a total of 650,995 tons of ore at a grade of raw ore of 2.29g/t;
- The recovery rate of processing was 92.68% and the recovery rate of smelting was 91.61%;
- 19,909 tons of gold concentrate were produced at the grade of 69.22g/t, 1,249 kg gold bullion were poured; and
- Generated revenue from production of US$71,991,962.

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 license 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 2021 were as follows:

	2021	*2020*
	US$000	***US$000***
Revenue	71,992	64,516
Cost of sales	(37,256)	(35,297)
Administrative expenses	(19,879)	(17,827)
Foreign exchange loss	(1,853)	(1,076)
Other operating expenses	(2,416)	(46)
Total costs	61,405	54,247
% Administrative expenses to total costs	32.37%	32.86%
Operating profit/(loss)	10,587	10,268
Less: interest receivable	(6)	(196)
Add: interest payable	10,826	15,999
Loss on ordinary activities before taxation	(235)	(5,532)
Earnings per share (cents)	(1.63)	(1.64)

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 2021, KPI index is at 32.37% (2020: 32.86%).

Revenue is also considered to be a KPI and will be increasingly important to monitor now that the Group has entered full production. Revenue for the year was US$71.99 million (2020: US$64.52 million). This significant increase is in line with expectations given the increased production levels and increased price of gold at the mine site since 2019 now the mine operations are operating at full production capacity.

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

The Pakrut Gold Project is now operating at full production capacity. 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

Affected by the COVID-19, global gold price is still subject to some fluctuations. However, from the current situation, the average delivery price of gold for the first five months of 2022 was US$1,881.58 per ounce, and the average delivery price of gold for the whole year of 2021 was US$1,808.72 (2020:US$1,798.81) . From the above data, it can be concluded that the company’s average delivery price of gold is stable.

Secondly, the technicians of Shenyang Institute of Technology have come to Tajikistan in 2022 to guide local production, conduct field exploration, and further improve ore production and grade. Relevant technical innovations were discussed with the company's personnel and returned to China smoothly.

The pandemic situation in Tajikistan seems to have stabilize in 2022, no official numbers on infection and confirmed cases have been released since the beginning of this year. On March 15, 2022, the government of Tajikistan announced that all restrictive measures against the pandemic would be abolished in Tajikistan, and the local residents would fully return to normal life and work.

In addition, the Company has also arranged for Chinese employees to return home for vaccination. The good news is that by March 2022, Tajikistan and other transit third countries have liberalized the return policy,and Chinese residents can return home as long as the nucleic acid (covid test) is negative, which will greatly improve the mobility of returning personnel. So far, 100% of Chinese employees have been vaccinated with the three doses. The Company aims to minimize the risk of illness of employees and maximize the health level of employees.

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 not insignificant. Due to the regional poverty and developing status of the host country, the Directors understand that government funds are tight, and the tax has become the main source of national revenue. The taxation bureau has threatened that enterprises will be required to pay more taxes, although to date there has been no local taxation policy change. In 2020, Pakrut further strengthened its internal control and basic management, and has formulated tax management measures that meet the Company's management needs, that enables the team to promptly assess tax-related risks and related countermeasures in the Company's business and management processes, and is responsible for establishing and maintaining good relationships with the relevant tax authorities in order to make representations in regard to potential changes to tax law, tax planning, and tax incentives in order to 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 licenses, 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.

Tax risk

Tajikistan's poor tax environment, excessive discretion in tax collection and high tax risk could have an adverse impact on the normal production and operation of enterprises.

In 2021, compared with 2020, the corporate income tax increased significantly by $5,187,869. The main reason is that the Tajik Local Taxation Committee conducted a routine tax inspection on the Pakrut company. The Tax Committee does not recognise some of the expenses that the Company considered deductible which lead to an additional tax charge. This is the first inspection of the Pakrut company since commencing full production two years after the issuance of the presidential decree (an exemption from tax inspection).

The Company will further strengthen communication with the tax department and actively respond to tax requirements and proposed changes in order to protect the legitimate rights and interests of the enterprise.

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 remains in close contact with its controlling shareholder who have, up to now, continued to provide economic support as required.

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 (2020: US$Nil).

Future Developments

Future prospects are set out in the CEO’s Statement on page 8 under ‘Outlook’.

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 (2020: 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 December 2024 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 obtained 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 Director

Mr Hui Zhang

30 June 2022

Board of Directors

The current Board comprises:

Mr Lixian Yu (aged 54), Chairman and Non-Executive Director

Mr Yu, aged 54, a senior engineer, is the chairman of the board 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 Hui Zhang (aged 51), Managing Director

Mr. Zhang, aged 51, is the Managing Director of China Nonferrous Metals Int'l Mining Co., Ltd. ("CNMIM"), the Company's largest shareholder, having joined CNMIM in July 2020. He graduated with a Bachelor's degree from Kunming University of Science and Technology in the PRC, majoring in a specialty of civil engineering from September 1988 to July 1992.

As a senior mining engineer by trade, Mr. Zhang has significant mining and management experiences. From July 1992 to December 1998, he worked as an engineer in Beijing Central Engineering and Research Institute of Nonferrous Metallurgical Industries; from January 1999 to March 2003, chief engineer of China Nonferrous Metal Mining (Group) Co., Ltd; from March 2003 to March 2005, Vice General Manager of Department of Engineering Business of China Nonferrous Metal Mining (Group) Co., Ltd; from March 2005 to November 2007, Senior Engineer of Technical Department of NFC Africa Mining PLC, which is a listed Africa mining company in Honkong; from December 2007 to April 2018, Vice Director of Department of supervision and administration of production safety in China Nonferrous Metal Mining (Group) Co., Ltd; from April 2018 to April 2019, Deputy Mayor of De Hong City, Yun Nan Province; and from April 2019 to July 2020, Vice Director of Department of supervision and administration of production safety of China Nonferrous Metal Mining (Group) Co., Ltd.

He currently serves as the Managing Director of China Nonferrous Metals International Mining Company Limited.

Mr Xiaohua Wang(aged 51), Financial Director

Mr. Wang, aged 51, is the Chief Finance Officer of LLC Pakrut, the Company's wholly-owned subsidiary in Tajikistan, having joined LLC Pakrut in April 2018. He studied in Huang Shi Finance School with a major of financial accounting from September 1988 to June 1991. Mr. Wang graduated with a post-graduate's degree majoring in economic management from Party School of CPC Hubei Provincial Committee in the PRC in July 2009.

Mr. Wang is well experienced in the fields of accounting and management. From March 2011 to October 2016, he worked as CFO of Tibet Investment Corporation of Daye Nonferrous Metals Co., Ltd.; from October 2016 to April 2018, CFO of Boyuan environmental protection corporation of Daye Nonferrous Metals Group Holdings Co., Ltd.; from April 2018 to July 2018, Assistant to CEO of LLC Pakrut; from July 2018 to present, CFO of LLC Pakrut.

Mr Xiuzhi Shi (aged 55), Non-Executive Director

Mr. Shi, aged 55, 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 46), Non-Executive Director

Mr. Li, aged 46, is an attorney and managing Partner of Sequoia Smith LLP.. 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 Directors

Zhang Hui

30 June 2022

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 advancing the operations of Pakrut in an efficient manner and seek to identifying good quality assets for future exploration.

Consequently we:

- Focus on the efficiency of the Pakrut asset, as set out in the CEO's statement;
- use our expertise to identify those areas with potentially economically feasible deposits;
- assess the business environment of the target country and its attractiveness for prospecting and eventual mining operation; and
- 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*

Directors must develop a good understanding of the needs and expectations of all elements of the company's shareholder base.

The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions

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.

The Company maintain an email address for shareholders to contact the Company directly which is fengzhishuo@cnmim.com.

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

Long-term success relies upon good relations with a range of different stakeholder groups both internal (workforce) and external (suppliers, customers, regulators and others). The board needs to identify the company's stakeholders and understand their needs, interests and expectations.

Where matters that relate to the company's impact on society, the communities within which it operates or the environment have the potential to affect the company's ability to deliver shareholder value over the medium to long-term, then those matters must be integrated into the company's strategy and business model.

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 the 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. For example, Tajik employees could choose to go to local schools to learn mining and metallurgy related knowledge and increase work skills; In Tajik, on important local festivals, company distribute living materials to improve employees' well-being.

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.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups.

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*

The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver strategy; companies need to consider their extended business, including the company's supply chain, from key suppliers to end-customer.

Setting strategy includes determining the extent of exposure to the identified risks that the company is able to bear and willing to take (risk tolerance and risk appetite).

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

Risk matters are reviewed in board meetings on a regular basis as part of a Risk Register; and the details of how such risks are minimized are discussed and documented in that register. The risks register includes macro-level risks but also incorporates regular updates from the team in Pakrut (including from the environmental consultant; the mining team and the investor relations manager). The key risks are reported to stakeholders as part of the Company's annual report.

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

The board members have a collective responsibility and legal obligation to promote the interests of the company, and are collectively responsible for defining corporate governance arrangements. Ultimate responsibility for the quality of, and approach to, corporate governance lies with the chair of the board.

The board (and any committees) should be provided with high quality information in a timely manner to facilitate proper assessment of the matters requiring a decision or insight.

The board should have an appropriate balance between executive and non- executive directors and should have at least two independent non- executive directors. Independence is a board judgement.

The board should be supported by committees (e.g. audit, remuneration, nomination) that have the necessary skills and knowledge to discharge their duties and responsibilities effectively.

Directors must commit the time necessary to fulfill their roles.

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 the non-executive directors Shi Xiuzhi, Li Yong and Yu Lixian.

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.

The team has a good balance of skills with Mr Wang Xiaohua having relevant financial market skills and Mr Shi Xiuzhi and Mr Li Yong having relevant experience in mining. In addition Mr Zhang Hui and Mr Yu Lixian have extensive management and industry experience.

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 a director 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.

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. Recent training has included Institutional learning of CNMC and benchmarking with local Tajik Enterprises.

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

The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.

The board performance review may be carried out internally or, ideally, externally facilitated from time to time. The review should identify development or mentoring needs of individual directors or the wider senior management team.

It is healthy for membership of the board to be periodically refreshed. Succession planning is a vital task for boards. No member of the board should become indispensable.

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 board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

The policy set by the board should be visible in the actions and decisions of the chief executive and the rest of the management team. Corporate values should guide the objectives and strategy of the company.

The culture should be visible in every aspect of the business, including recruitment, nominations, training and engagement. The performance and reward system should endorse the desired ethical behaviours across all levels of the company.

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 should maintain governance structures and processes in line with its corporate culture and appropriate to its:

- size and complexity; and
- capacity, appetite and tolerance for risk.

The governance structures should evolve over time in parallel with its objectives, strategy and business model to reflect the development of the company's 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 2021:

	Meetings attended	Meetings held during the year (or since appointment)
Mr Lixian Yu	11	13
Mr Zhang Hui	11	13
Mr Xiaohua Wang**	3	3
Mr Xiuzhi Shi	13	13
Mr Yong Li	13	13
Mr Delin Feng*	7	13

**Mr Delin Feng resigned on November 2021*

***Mr Xiaohua Wang appointed on November 2021*

Board committees

The Board is supported by the Audit, Remuneration and Nomination 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 Yu Lixian. The four audit committees were held on January 20, April 29, September 15, and December 20 2021.

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 Yu Lixian. The three remuneration committees were held on March 20, July 10, and November 25 2021.

The Nominations Committee is a special committee of the board of directors of the company. It is mainly responsible for making suggestions on the qualifications, employment standards and selection procedures of the company's directors and managers, and Nominating and reviewing specific candidates. The Nominations committee met once during the year. All three members were present at all meetings, being Shi Xiuzhi, Li Yong and Yu Lixian. The audit committee were held on April 20, 2021.

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

A healthy dialogue should exist between the board and all of its stakeholders, including shareholders, to enable all interested parties to come to informed decisions about the company. In particular, appropriate communication and reporting structures should exist between the board and all constituent parts of its shareholder base. This will assist:

- the communication of shareholders' views to the board; and
- the shareholders' understanding of the unique circumstances and constraints faced by the company.

It should be clear where these communication practices are described (annual report or website).

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; and as set out above has also appointed an Investor Relations manager to further ensure communications are prioritized.

Opinion

We have audited the group financial statements of China Nonferrous Gold Limited (the ‘group’) for the year ended 31 December 2021 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 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 2021 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the group’s ability to continue to adopt the going concern basis of accounting included an analysis of qualitative and quantitative aspects within management’s forecast financial information up to the 31 December 2024, as well as obtaining a letter of support from the group’s ultimate parent as well as the latest financial information of this entity.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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$3,900,000 (2020: US$4,478,000) for the group financial statement using 1% of gross assets as a basis.

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 producing mines, other property, plant and equipment, inventory 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 is still in the early stages of its production cycle and continues to seek to maximise production and operating efficiencies at the mine.

Whilst materiality for the financial statement as a whole was set a US$3,900,000, each significant component of the group was audited to an overall materiality ranging between US$75,000 and US$3,800,000 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.

Our approach to the 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 producing mines, 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, with the group's key accounting function for all being based in China with a local finance function in Tajikistan.

The group's Tajikistan operations are audited by a component auditor. 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 our scope addressed this matter
Revenue recognition (Accounting Policies and Note 3)	
The group records revenues from the sale of gold generated by the Pakrut Gold Project in Tajikistan. **There is the risk that the revenues associated with gold sales have not been recognised and disclosed appropriately in the financial year, and that revenue cut-off has not been appropriately accounted for.**	Our work in this area included: ▪ Reviewing component auditor's working papers in respect of revenue which included the following: - Obtaining and reviewing the sales contract and relevant documentation during the period to support the revenue recognised; - Review of the gold price used with reference to the London Bullion market price on the date of sale and ensure that the invoice was accurate; - Review of post year end receipts to ensure completeness of income recorded in the accounting period;

	- Testing revenue cut-off to ensure completeness of income recorded in the accounting period; and - Obtaining the contracts signed between Pakrut LLC and other parties to which gold was sold during the year, and the associated approval from the National Bank of Tajikistan regarding the sale of gold. ▪ Understanding the revenue recognition policy and reviewing for compliance with International Financial Reporting Standard (IFRS) 15.
Settlement of contractor balances (Note 19)	
Following the completion of all construction work at the Pakrut mine site by the end of 2018, the balances payable to the contractors 15MCC, Wenxhou and Shanxi were due to be settled before the 31 December 2020. The carrying value of contractor balances, as at 31 December 2021, is US$24.7m (2020: US$22.7**m).** **There is a risk that the final net payable balance has not been correctly adjusted and accounted for in the financial statements as the final settlement agreements have not yet been reached with all parties, particularly given there are multiple factors involved in reaching the final net payable balance for each contractor including pre-settlement amount, retentions, local equipment and local project expenditures in Tajikistan.**	Our work in this area included: ▪ Obtaining all available correspondence and agreements between the contractors, the group and the independent consultant relating to the settlement of the balances; ▪ Obtaining the third party consultant's final settlement certificates or reports and vouched the final payable balances; ▪ Agreeing payments made during the year to bank statements and the nominal ledger; and ▪ Reviewing adjustments posted by management regarding the contractors balance settlement in the nominal ledger to ensure these have been correctly accounted for.
Valuation of PPE/Producing Mines (Note 13)	
Producing Mines within PPE is the most material balance with the financial statement and represents the key source from which the group generates income. The carrying value of Producing Mines, as at 31 December 2021, is US$357m (2020: US$362m). **There is the risk that the value of the mine is impaired.**	Our work in this area included: ▪ A review of management's impairment assessment, including consideration of net present value ('NPV') calculations used and providing challenge to the source of the inputs, obtaining support where possible; and ▪ Undertaking a sensitivity analysis on the NPV calculations to assess the impact on the headroom for possible changes to key assumptions; and ▪ Ensuring valid mining licenses are held; and ▪ Considering any potential impairment indicators through discussion with management and the component auditor, who has visited the mine site as part of their audit, as well as review of

	announcements to the market and Board minutes for evidence of impairment; and ▪ Reviewing management's assessment of the impact of COVID-19 on operations at the mine site as well as external macroeconomic factors, and consider whether there is evidence to suggest the mine asset should be impaired. We noted that the lifespan of the mine used in the depletion calculation is 18 years which is 8 years more than the licence currently held by CNG permits. Based on the information available to management there is currently no reason to expect the licence extension will not be granted however if it were not then there is the risk that the key inputs into this calculation would need to be amended. This could lead to a material impact on the related charge within the financial statements and therefore on the carrying value of Producing Mine.

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 contained within the annual report. Our opinion on the group financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, and discussions with the internal legal team in Pakrut conducted by the component auditor. We also selected a specific audit team based on experience with auditing entities within this industry facing similar audit and business risks.
- We determined the principal laws and regulations relevant to the group in this regard to be those arising from:
    - AIM Rules
    - Local industry regulations in Tajikistan
    - Local tax and employment law in China and Tajikistan
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group with those laws and regulations. These procedures included, but were not limited to:
    - Enquiries of management;
    - Review of Board minutes;
    - Review of legal ledger accounts;
    - A review of RNS announcements; and
    - A review of component auditor's work surrounding local law and regulation in Tajikistan.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, we did not identify any significant fraud risks.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 10 May 2021. 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.

David Thompson (Engagement Partner)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

30 June 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

		2021	2020
		US$000	**US$000**
Revenue	3	71,992	64,516
Cost of sales		(37,256)	(35,297)
Gross Profit		34,736	29,219
Other operating income		-	1
Administrative expenses	6	(19,879)	(17,827)
Loss on foreign exchange		(1,855)	(1,076)
Other operating expenses	7	(2,416)	(46)
Operating Profit		10,585	10,271
Finance income	9	6	196
Finance costs	9	(10,826)	(15,999)
Loss before Income Tax		(235)	(5,532)
Income tax	8	(6,012)	(824)
Loss for the year attributable to owners of the parent		(6,247)	(6,356)
Total comprehensive income attributable to owners of the parent for the year		(6,247)	(6,356)
Basic and Diluted Earnings per share attributable to owners of the parent (expressed in cents per share)	10	(1.63)	(1.66)

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

The accounting policies and notes on pages 45 to 99 form part of these Financial Statements.

	Note	*As at* *31 December 2021* *US$000*	*As at* *31 December 2020* *US$000*
Non-Current Assets			
Property, plant and equipment	13	364,337	373,201
Total Non-Current Assets		364,337	373,201
Current Assets			
Inventories	16	17,334	15,911
Trade and other receivables	17	4,202	5,649
Cash and cash equivalents		7,472	27,196
Total Current Assets		29,008	48,756
Non-Current Liabilities			
Borrowings	18	(65,000)	(19,822)
Provisions for other liabilities and charges	20	(1,084)	(995)
Total Non-Current Liabilities		(66,084)	(20,817)
Current Liabilities			
Borrowings	18	(303,953)	(368,919)
Trade and other payables	19	(49,696)	(52,363)
Total Current Liabilities		(353,649)	(421,282)
Net Current Liabilities		(324,841)	(372,526)
Net Liabilities		(26,388)	(20,143)

Equity attributable to the owners of the parent

Share capital	22	38	38
Share premium		65,901	65,901
Other reserve		10,175	10,175
Retained earnings		(102,502)	(96,257)
Total Equity		(26,388)	(20,143)

These Financial Statements were approved and authorised for issue by the Directors on 30 June 2022 and are signed on their behalf by:

Mr Hui Zhang

Managing Director

The accounting policies and notes on pages 45 to 99 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 2020	38	65,901	10,175	(89,899)	(13,785)
Loss for the year	-	-	-	(6,356)	(6,356)
Total comprehensive income for the year	-	-	-	(6,356)	(6,356)
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-
Balance at 31 December 2020	38	65,901	10,175	(96,255)	(20,141)
Balance at 1 January 2021	38	65,901	10,175	(96,255)	(20,141)
Loss for the year	-	-	-	(6,247)	(6,247)
Total comprehensive income for the year	-	-	-	(6,247)	(6,247)
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-
Balance at 31 December 2021	38	65,901	10,175	(102,502)	(26,388)

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 23).

The accounting policies and notes on pages 45 to 100 form part of these Financial Statements.

	31 December 2021 US$000	***31 December 2020 US$000***
Cash flows from Operating Activities (Note 24)	13,904	17,137
Net cash generated from Operating Activities	13,904	17,137
Cash flows from Investing Activities		
Purchase of property, plant and equipment	(994)	(1,942)
Interest received	6	196
Net cash used in Investing Activities	(989)	(1,746)
Cash flows from Financing Activities		
Proceeds from borrowings (net of capitalised issue costs)	99,550	14,550
Repayment of borrowings	(128,806)	(10,000)
Interest paid	(3,384)	(3,866)
Net cash generated from Financing Activities	(32,640)	684
Net increase in Cash and cash equivalents	(19,724)	16,075
Cash and cash equivalents at beginning of the year	27,196	11,120
Cash and cash equivalents at end of the year	7,472	27,196

Major non-cash transactions

During the year, the Company settled historic contractor liabilities, resulting in a non-cash adjustment of $4.3m.

The accounting policies and notes on pages 45 to 99 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 (IFRIC) 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

The principal accounting policies applied in the preparation of financial statements are set out below ('Accounting Policies' or 'Policies'). These Policies have been consistently applied to all the periods presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of China Nonferrous Gold Limited have been prepared in accordance with International Financial Reporting Standards ('IFRS') and IFRS Interpretations Committee ('IFRS IC') as adopted by the European Union ('EU'). The consolidated financial statements have been prepared under the historical cost convention.

The financial statements are presented in United States dollar (currency symbol: USD or US$), rounded to the nearest thousand, which is the Group's functional and presentational currency.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed.

(a) New and amended standards, and interpretations issued and effective for the financial year beginning 1 January 2021

The following new standards, amendments and interpretations are effective for the first time in these financial statements. However, none has had a material impact on the financial statements:

Standard	**Effective date**
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2;	1 January 2021
Amendment to IFRS 16 in respect of Covid-19-Related Rent Concessions beyond 30 June 2021	1 January 2021

(b) New standards, amendments and interpretations in issued but not yet effective

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective: (and in some cases not yet adopted by the UK):

Standard	**Effective date**
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);	1 January 2022
Amendments to IFRS 3: References to Conceptual Framework;	1 January 2022
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023
Disclosure of accounting policies (Amendments to IAS 1);	1 January 2023

Definition of accounting estimates (Amendments to IAS 8);	1 January 2023

The Directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group or Company in future periods.

Basis of Consolidation

The consolidated Financial Statements comprise the financial statements of the Group as at 31 December 2021. 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 entered full production and therefore depletion/depreciation/amortisation commenced and ‘Mines under construction’ balances were 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 weighted average cost 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 April 2022 the Group had approximately US$9.53 million of cash and cash equivalents and US$319 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$161.05 million, repayable in December 2022, excluding accrued interest to December 2022.
- CNMC International Capitals Company Ⅱ Limited loan of US$60.74 million, repayable on 8 December 2022, excluding accrued interest to 8 December 2022.
- Bank of Shanghai (Hong Kong) Limited drawn down loan facility of US$65 million, excluding interest, the maturity date is 9 June 2023.
- China CITIC Bank Zhuhai branch drawn down loan facility of US$20 million, excluding interest, the maturity date is 24 January 2023.

The Board has reviewed the Group's cash flow forecast for the period to 30 June 2023 and beyond. The forecasts show that the CNMC Trade loan of US$161.05 million will need to be extended or refinanced before December 2022, the $60.74 million loan will need to be extended or refinanced by December 2022, and the Group forecasts it will not require further funding to meet operational commitments and overheads.

The Directors have obtained 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.

The Company is working closely on operational efficiencies across the board to improve profitability and the Directors consider that these initiatives, along with points mentioned above will ensure that mine develops as intended.

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 expense

Other expenses are mainly non operating costs, including public welfare donations, loss of fixed assets, fines and other expenses. In 2021, the impairment loss of fixed assets in Pakrut that have been damaged and can no longer be used is $2,306,597, and the donation expenditure is $2,227,084.

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 BOS loan of US$65 million is 1.50% per annum over the quarterly LIBOR rate and the loan is repayable in US$. The interest rate on the CITIC loan of US$20 million is 2.70% per annum over the 6 month LIBOR rate and the loan is repayable in US$. The interest rate on the CITIC loan of US$14.55 million is 2.71% per annum over the 12 month LIBOR rate and the loan is repayable in US$. The interest rate on the CNMC loan of US$207.24million is 3.25% per annum over the quarterly LIBOR rate .

1. Financial Risk Management (continued)

At 31 December 2021, the potential impact of fluctuations in interest rates is 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 2021 between the various currencies.

Somoni	**GBP Sterling**	**US Dollar**	**Renminbi**	**Total US$000**
3,342	4	3,869	257	7,472

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.

1. Financial Risk Management (continued)

During 2021, 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 2021 and 2020 were as follows:

	Somoni to USD	GBP to USD	Renminbi to USD
31 December 2021	11.30	1.3499	6.3757
31 December 2020	11.30	1.3625	6.5250

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, CCB, CITIC and Bank of Shanghai. 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.

1. Financial Risk Management (continued)

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

	Less than 1 Year US$000	Between 1 and 2 Years US$000	Between 2 and 5 Years US$000	Over 5 Years US$000	Total US$000	Carrying amount US$000
Year ended 31 December 2021						
Interest-bearing borrowings	303,953	65,000	-	-	368,953	368,953
Trade and other payables	49,696	-	-	-	49,696	49,696
Provisions for other liabilities	-	-	-	1,085	1,085	1,085
	353,649	65,000	-	1,085	419,734	419,734

1. Financial Risk Management (continued)

Year ended						
31 December 2020						
Interest-bearing borrowings	368,919	19,822	-	-	388,741	388,741
Trade and other payables	52,363	-	-	-	52,363	52,363
Provisions for other liabilities	-	-	-	2,481	2,481	995
	421,453	19,822	-	2,481	443,585	442,099

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

Credit rating	***2021***	***2020***
	US$000	***US$000***
A	3,229	21,212
No independent credit rating available	4,243	5,984
	7,472	27,196

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

1. Financial Risk Management (continued)

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 13)

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.

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

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 gradual increase in mining capacity of 2,000 tonnes of ore daily. 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$1,820 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 57%. Royalties have been calculated at 6% of sales revenues and corporate income tax at 13%, 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, compared to the base case scenario, the discount rate were to increase to 13%, gold prices fell by 5%, or direct costs were to increase by 25%.

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 760,000 tons of ore per annum, increasing to 800,000 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.

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

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.

Depreciation/Amortisation (Note 13)

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 license, 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 license period were to be used then depreciation for 2021 would be approximately $15 million.

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.

	UK and PRC	***Tajikistan Pakrut***	***Total***
2021	***US$000***	***US$000***	***US$000***
Revenue	-	71,992	71,992
Cost of sales	-	(37,256)	(37,256)
Administrative expenses (including foreign exchange)	(9,454)	(12,280)	(21,734)
Other operating expenses	2,117	(4,534)	(2,416)
Operating profit/(loss)	(9,454)	20,039	10,585
Finance costs	(10,825)	-	(10,825)
Finance income	6	-	6
Income tax	-	(6,012)	(6,012)
(Loss)/profit for the year	(20,273)	14,027	(6,247)
Total assets	3,101	390,246	393,347
Total liabilities	383,777	35,957	419,734
Additions to property, plant and equipment	-	994	994

3. Segment Information (continued)

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.

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

	UK and PRC	***Tajikistan Pakrut***	***Total***
2020	***US$000***	***US$000***	***US$000***
Revenue	-	64,516	64,516
Cost of sales	-	(35,297)	(35,297)
Administrative expenses (including foreign exchange)	(2,313)	(16,591)	(18,904)
Other operating expenses	-	(46)	(46)
Impairment	-	-	-
Other operating income	-	1	1
Operating profit/(loss)	(2,313)	12,583	10,270
Finance costs	(15,999)	-	(15,999)
Finance income	151	45	196
Income tax	-	(824)	(824)
Loss for the year	(18,115)	11,804	(6,357)
Total assets	24,472	397,567	422,039
Total liabilities	418,203	23,898	442,099
Additions to property, plant and equipment	-	1,942	1,942

4. Particulars of Employees

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

	2021	***2020***
	No.	***No.***
Administrative and management	116	125
Operational staff	590	607
	706	732

The aggregate costs of the above were:

	2021	***2020***
	US$000	***US$000***
Wages and salaries	4,575	4,379
Basic pension cost	1,036	885
	5,611	5,265

No staff costs were capitalised as the Group entered into full production from January 2019.

5. Directors' Emoluments

The Directors' emoluments in respect of qualifying services were:

2021	***Salary and fees US$***	***Total US$***
Mr Wang Xiaohua**	37,500	37,500
Mr Yong Li	18,000	18,000
Mr Lixian Yu	80,000	80,000
Mr Delin Feng*	91,027	91,027
Mr Xiuzhi Shi	18,000	18,000
Mr Hui Zhang	18,000	18,000
	262,527	262,527

2020	***Salary and fees US$***	***Total US$***
Mr Boyi Liang	76,797	76,797
Mr Yong Li	23,088	23,088
Mr Lixian Yu	197,131	197,131
Mr Delin Feng	194,921	194,921
Mr Xiuzhi Shi	22,233	22,233
Mr Hui Zhang	61,142	61,142
	575,312	575,312

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

**Mr Delin Feng resigned on November 2021*

***Mr Xiaohua Wang appointed on November 2021*

6. Expenses by nature

	2021	***2020***
	US$000	***US$000***
Employee benefit expenses	6,758	6,617
Operating lease expenses	50	145
Depreciation	3,023	3,200
Legal, professional and regulatory costs	515	170
Travel and entertaining	521	125
Social & other taxes	6,609	6,287
Other Expenses	1,067	258
Commission/bank fees	1,336	1,025
Total administrative expenses	19,879	17,827

6. Expenses by nature (continued)

	2021	*2020*
	US$000	*US$000*
Fees payable to the Company's auditor for the audit of the consolidated financial statements	119	114
Fees payable to the Company's auditor for other services:		
- Tax compliance services	-	3
	119	117

7. Other operating expenses

	2021	*2020*
	US$000	*US$000*
Impairment loss of fixed assets	2,307	-
Public welfare donation expenditure	2,227	46
Gain on dissolution of subsidiaries	(2,118)	-
	2,416	46

Total other expenses in 2021 were US$2,416,000 (2020:US$46,312), net of gain on dissolution of subsidiaries IMSS and Kryso Resources Ltd during the year of US$2,118,000. The main reason for the increase compared to 2020 is that at the request of the Tajik government, the donation expenditure increased compared with last year; secondly, a number of fixed assets of Pakrut have incurred physical wear and tear as a result of long-term use and cannot be repaired for further use, so they were scrapped.

8. Income Tax

a) Analysis of Charge in the Year

	2021	2020
	US$000	US$000
Current tax:		
Current tax	6,012	824
Deferred tax	-	-
Total	6,012	824

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 814,171,620 – equivalent to US$ 71,991,962 (2020: TJS 671,738,902 – equivalent to US$ 64,515,782). Thereby, the Company paid the amount of advance payments of income tax according to the Tax Code of the Republic of Tajikistan, being 1.00% of revenue.

The main reasons for the substantial increase in income tax compared with last year are as follows: Pakrut was subject to a tax inspection by the local tax Commission during 2021; secondly, the increase in sales revenue this year resulted in a corresponding increase in corporate income tax.

Faced with the harsh tax environment in Tajikistan, the company has continued to strengthen the study and research on the tax law of Tajikistan to reduce tax losses; secondly, strengthen the visit and communication with the tax bureau and the Tax Committee, maintain good relations, and continue to reduce the prepaid tax.

8. Income Tax (continued)

Factors Affecting Current Tax Charge

The tax assessed on the loss for the year is higher than the weighted average standard rate of corporation tax of 20% (2020 – 20%).

	2021	2020
	US$000	US$000
Loss before income tax	(235)	(5,451)
Loss on ordinary activities by weighted average rate of tax at 20% (2020: 20%)	(47)	(1,090)
Expenses not deductible for tax purposes	630	875
(Utilisation of tax losses)/Tax losses for which no deferred income tax asset was recognised	(611)	215
Pakrut income tax	6,012	824
Current tax payable	6,012	824

The Group did not recognise deferred tax assets of approximately US$Nil (2020: $215,000). Unused Tajik tax losses amounting to approx. US$14,027,000 at 31 December 2021 can be carried forward for three years from the year incurred and used against future taxable income at 15%.

9. Finance Income and Costs

	2021	***2020***
	US$000	***US$000***
Finance Income		
Interest income on short term bank deposits	6	196
Finance Costs		
Interest expense on shareholder’s loans wholly repayable within five years	7,315	13,111
Interest expense on bank borrowings wholly repayable within five years	3,510	2,888
Finance costs	10,825	15,999

10. Earnings per Share

	2021	***2020***
	US$	***US$***
Basic and diluted earnings per share (cents)	(1.63)	(1.66)

The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US$6,245,000 (2020: 6,357,000) by the weighted average number of shares in issue and carrying the right to receive dividend. For the year ended 31 December 2021 this was 382,392,292 (2020: 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 (2020: nil) share options outstanding that are potentially dilutive in the future.

11. Intangible Assets

	Exploration and evaluation assets
	US$000
Cost	
At 1 January 2019, 31 December 2019, 31 December 2020 and 31 December 2021	-
Impairment	
At 1 January 2019, 31 December 2019, 31 December 2020 and 31 December 2021	-
Net Book Value	
At 31 December 2019, 31 December 2020 and 31 December 2021	-

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.

12. Mines under Construction

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 operational at the start of the 2019 financial year and all accumulated capitalised costs were transferred into Property, Plant and Equipment at 1 January 2019.

13. 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 2020	32	587	8,698	17,119	398,639	4,322	429,396
Additions	-	106	-	1,836	-	-	1,942
Transfer from Assets under construction	-	-	-	4,322	-	(4,322)	-
Settlement of historic liabilities	-	-	-	-	(20,214)	-	(20,214)
At 31 December 2020	32	693	8,698	23,277	378,425	-	411,125
Additions	-	-	190	805	-	-	994
Disposals	-	(90)	(3,465)	(2,639)	-	-	(6,193)
Settlement of historical liabilities	-	-	-	-	4,307	-	4,307
At 31 December 2021	32	602	5,423	21,443	382,732	-	410,233

13. Property, Plant and Equipment (continued)

Accumulated Depreciation							
At 1 January 2020	-	322	6,227	11,476	8,823	-	26,849
Charge for the year	-	32	414	2,580	8,050	-	11,076
Disposals	-	-	-	-	-	-	-
At 31 December 2020	-	354	6,641	14,056	16,873	-	37,924
Charge for the year	-	-	319	2,521	9,026	-	11,866
Disposals	-	(90)	(2,112)	(1,690)	-	-	(3,892)
At 31 December 2021	-	264	4,847	14,888	25,899	-	45,898
Net Book Value							
At 31 December 2021	32	341	575	6,555	356,833	-	364,377
At 31 December 2020	32	339	2,057	9,221	361,552	-	373,201

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 estimate

14. Subsidiary Undertakings

The Group had the following subsidiary undertakings as at 31 December 2021:

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
Indirectly held					
LLC Pakrut (BVI holds 100% share)	Ordinary shares (BVI)	Tajikistan	100%	Mineral exploitation, development and mining	Bahor district, Vahdat, Tajikistan

15. Financial Instruments by category

	Financial assets at amortised cost
	US$000
31 December 2021	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	3,565
Cash and cash equivalents	7,472
Total	11,037

	Financial liabilities at amortised cost
	US$000
31 December 2021	
Liabilities per Statement of Financial Position	
Borrowings	368,953
Provisions for other liabilities and charges	1,084
Trade and other payables, excluding non-financial liabilities	49,696
Total	419,733

15. Financial Instruments by category (continued)

	Financial assets at amortised cost
	US$000
31 December 2020	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	3,016
Cash and cash equivalents	27,196
Total	30,212

	Financial liabilities at amortised cost
	US$000
31 December 2020	
Liabilities per Statement of Financial Position	
Borrowings	388,741
Provisions for other liabilities and charges	995
Trade and other payables, excluding non-financial liabilities	52,363
Total	442,099

16. Inventories

	2021	2020
	US$000	US$000
Gold	-	-
Construction materials and processing equipment	17,334	15,911
	17,334	15,911

Construction materials and processing equipment relates to raw materials and semi-finished products used in gold production.

17. Trade and Other Receivables

	Group	Group
	2021	2020
	US$000	US$000
Other receivables	3,565	3,016
Prepayments and deposits	638	2,633
Total	4,203	5,649

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.

18. Borrowings

	2021	***2020***
	US$000	***US$000***
Bank borrowings	99,550	99,550
Other loans	269,403	289,191
Total	368,953	388,741
Non-current portion	65,000	19,822
Current portion	303,953	368,919

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

LIBOR is relied on the inherently subjective expert judgement of the panel of submitting banks, such rates are prone to manipulation and are no longer truly reflective of how banks fund in practice. Following the announcement by Financial Conduct Authority (FCA) on 5 March 2021, the panel bank submissions for all LIBOR have ceased or are no longer representative. As such, LIBOR rates were no longer available. The implications of the reform were that: 1) lenders were no longer able to issue loans based on LIBOR from 1 April 2021, therefore new loans must reference a 'risk free rate' or alternative non-LIBOR rate and 2) any existing contracts based on LIBOR should have been switched to an alternate reference rate before 31 December 2021. The new interest rate benchmark reforms have been considered, the impact is not material in the current year and an appropriate rate will be reflected in next year's financial statements.

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$Nil was outstanding as at 31 December 2021 (2020: US$Nil). The amount outstanding on the RMB tranche of the loan as at 31 December 2021 was US$12,683,599 (2020: US$12,683,599).

CNMC loans

The loan agreement between CNMC International Capitals Company Limited and CNG was signed on 20 September 2017. Under this agreement, CNMC International Capitals Company Limited provided a loan facility of US$6,500,000 to CNG. 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 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 CNMC International Capitals Company Limited to another member of the group, CNMC Trade. 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%.

On 26 March 2021, a loan extension agreement was signed, extending the repayment date until 20 December 2022. The extension agreement incurs interest at a rate of 3 months LIBOR + 3.25%.

A loan agreement between CNMC International Capitals Company Limited and CNG was signed on 27 April 2016. Under this agreement, CNMC International Capitals Company Limited provided a loan facility of US$120,000,000 to CNG. 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 CNMC International Capitals Company Limited to another member of the group, CNMC Trade. On 26 March 2021, a loan extension agreement was signed extending the repayment date until 20 December 2022. The extension agreement incurs interest at a rate of 3 months LIBOR + 3.25%.

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 CNG 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, CNMC Trade. A further extension has been signed extending the repayment date until 26 November 2020. On 26 March 2021, a loan extension agreement was signed extending the repayment date until 2022. The extension agreement incurs interest at a rate of 3 months LIBOR + 3.25%.

A loan agreement between CNMC International Capitals Company Ⅱ Limited (CNMC International) and CNG 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 annually 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. On 8 February 2021 US$20,000,000 was repaid, and on 26 March 2021, a loan extension agreement was signed extending the repayment date of US$70,000,000 until 8 December 2022,and the extension agreement incurs interest at a rate of 3 months LIBOR + 3.25%.In June 2021, the Company repaid US$9.26m (¥60million) of its outstanding loan.

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 – 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. It has been repaid on 29 January 2021.

The third loan agreement between China Construction Bank ("CCB") and China Nonferrous Gold Limited was signed on 9 March 2020. Under this agreement CCB provided a loan facility of US$14,550,000 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$30,000,000, with validity of not less than 12 months in favor of CCB.

The full amount of the loan was drawn down on 13 April 2020. The loan incurs interest at a rate of 3 months LIBOR + 1.15% and is payable quarterly in arrears. It was repaid on 16 March 2021.

CITIC loans

In 2022, the Group executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of up to USD $34.55 million (the"CNMC Loan"). This CNMC Loan has been used to repay the existing China CITIC Bank Corporation Limited ("CITIC") bank facilities of USD $34.55m (being USD20m advanced in January 2021 ("First Loan") and USD14.55m advanced in March 2021 ("Second Loan").

In January 2021, the Company executed an agreement with China CITIC Bank Corporation Limited (Zhuhai Branch) ("CITIC") for a loan facility of up to CNY 300million which is equivalent to US$46.37m.

The CITIC Loan facility is for a maximum of 12 months and is repayable 12 months from first drawdown. US$20m of the CITIC Loan was drawn down in January 2021 including an annual interest rate at 2.7% plus 6 month LIBOR. It has been repaid on 20 January 2022.

Another US$14.55m of the CITIC Loan was drawn down in March 2021 including an annual interest rate at 2.71% plus 12 month LIBOR. It has been repaid on 26 January 2022.

Bank of Shanghai loan

The Company executed an agreement with Bank of Shanghai (Hong Kong) Limited ("BOS") for a loan facility of up to US $65 million (the "BOS Loan"). The Loan facility is for a maximum of 24 months and is repayable 24 months from the drawdown. The total amount of US$65m of the BOS Loan was drawn down on 28 June 2021 in order to repay the CCBC Macau loan. The loan is secured by Standby Letter(s) of Credit to be issued by Bank of Shanghai, Beijing Branch, and guaranteed by CNMC under the terms of the loan agreement, for an aggregate amount of not less than US$66,000,000, with validity of not less than 24 months in favor of BOS.

19. Trade and other payables

	2021	***2020***
	US$000	***US$000***
Trade and other payables	49,696	52,363
	49,696	52,363

Trade and other payables include amounts due of US$44.3m (2020: US$42.4m) in relation to mine development.

20. Provisions for Other Liabilities and Charges

	Rehabilitation	***Total***
	US$000	***US$000***
At 1 January 2021	995	995
Unwinding of discount	90	90
At 31 December 2021	1,085	1,085

All provisions are non-current.

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 2021 is 9% per annum. The value of the undiscounted provision is US$2,481,000 (2020: US$2,481,000).

21. Treasury Policy and Financial Instruments

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

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

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

22. Share Capital

	2021 No. of ordinary shares	***2021 Share Capital US$000***	***2020 No. of ordinary shares***	***2020 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.

23. Share Based payments

Options can be granted to any employee of the Group in accordance with the rules 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), falling which, the options will lapse.

There were no share options outstanding at the year end.

24. Cash flow information

	31 December 2021	*31 December 2020*
	US$000	***US$000***
Cash flows from Operating Activities		
Loss before income tax	(235)	(5,451)
Adjustments for:		
Finance income	(6)	(196)
Finance costs	10,826	15,999
Depreciation	7,972	11,072
Foreign exchange loss	1,853	1,076
Change in working capital:		
Inventory	(1,423)	945
Trade and other receivables	(1,869)	(1,004)
Trade and other payables	3,222	(5,405)
Other current assets	(549)	121
Other current liabilities	(5,890)	(19)
Net Cash generated from Operating Activities	**13,904**	**17,137**

24. Cash flow information (continued)

Net debt reconciliation

	31 December 2021 US$000	31 December 2020 US$000
Cash and cash equivalents	7,472	27,196
Borrowings – repayable within one year	(303,953)	(368,919)
Borrowing – repayable after one year	(65,000)	(19,822)
Net debt	**(361,481)**	**(361,545)**

	31 December 2021 US$000	31 December 2020 US$000
Cash and cash equivalents	7,472	21,196
Borrowings – fixed interest rates	(117,664)	(126,538)
Borrowings – variable interest rates	(251,289)	(262,204)
Net debt	**(361,481)**	**(361,545)**

24. 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 2020	11,120	(267,527)	(103,586)	(359,993)
Cash flows	16,076	(677)	-	15,392
Interest accrued	-	-	(16,950)	(16,950)
Movement between current and non-current	-	(100,715)	100,715	-
Net debt as at 31 December 2020	**27,196**	**(368,919)**	**(19,822)**	**(361,545)**
Cash flows	(19,724)	30,613	-	10,889
Interest accrued	-	-	(10,825)	(10,825)
Movement between current and non-current	-	34,353	(34,353)	-
Net debt as at 31 December 2021	**7,472**	**(303,953)**	**(65,000)**	**(361,481)**

25. Controlling Party

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

26. 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 2021 amounted to US$Nil (2019:US$Nil). The amount of loan interest accrued by the company to CNMIM in 2021 was US$1,257,032 (2020: US$1,242,352). CNMIM is a significant shareholder of China Nonferrous Gold Limited and Lixian Yu and Hui Zhang are President and CEO of CNMIM respectively. During 2021, CNG did not pay any interest to CNMIM.

The amount of loan interest accrued by the Company to CNMC Trade in 2021 was US$5,062,816 (2020: US$6,561,195). The amount of loan interest accrued by the Company to CNMC International Capitals Company Ⅱ in 2021 was US$2,207,276 (2020: US$5,307,000). CNMC is the ultimate parent of China Nonferrous Gold Limited.

27. Related Party Transactions (continued)

During 2021, 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 (2020: $Nil) and the Group advanced payments to 15MCC amounting to US$Nil in 2021 (2020:$ 1,524,503). As at 31 December 2021, the total liability due to 15MCC was US$11,819,082 (2020: US$15,917,473).

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 2021, CNHFMG provided equipment and materials, together with installation and construction work to the Group amounting to US$Nil (2020:US$Nil) and the Group advanced payments to CNHFMG amounting of 2021 was Nill(2020: US$304,887). As at 31 December 2021, the total liability due to CNHFMG was US$370,859 (the arrears have been paid off in January 2022).As of June 2022, the project funds between the company and CNHFMG have been fully settled.

27. Related Party Transactions (continued)

During the year of 2021 CNMC provided a guarantee for standby letters of credit amounting to US$66,000,000 as security for the Group's bank loan facility with Bank of Shanghai.

During the year of 2021 CNMC guaranteed the Company's loan to China CITIC Bank with a total amount of US$3.455 million.

As at 31 December 2021, PAKRUT has opened a foreign sales channel, and the seller is Daye Nonferrous Metals. In December 2021, a total of 50.056kg gold sales occurred in related party transactions, with an amount of US $2,938,161.24, which has been received.

28. Events after the Reporting Period

In 2022, the Group executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of up to USD $34.55 million (the "CNMC Loan"). This CNMC Loan has been used to repay the existing China CITIC Bank Corporation Limited ("CITIC") bank facilities of USD $34.55m (being USD20m advanced in January 2021 ("First Loan") and USD14.55m advanced in March 2021 ("Second Loan").

In 2022, the Group executed a foreign currency working capital loan agreement with China CITIC Bank Corporation Limited (Zhuhai Branch) ("CITIC") for a loan facility of up to US$20 million (the "new CITIC Loan"), with an annual interest at 3.00% over 6 month LIBOR, which was used to repay US$20m of the CNMC Loan

The Group has continued production throughout 2021 despite the outbreak of COVID-19, enabling it to raise sufficient working capital.

The Company currently has total debt facilities (including banking facilities), before interest, of c.US$319 million.