nordgold
more than gold

10
a golden decade

2017 Annual Report

2017 IN BRIEF

Refined gold produced

968.3 koz

2017	968.3	+11%
2016	868.8	

Sales

US$ **1,221** million

2017	1,221.0	+14%
2016	1,075.5	

Refined gold sold

966.7 koz

2017	966.7	+11%
2016	869.4	

Gross profit

US$ **345.6** million

2017	345.6	–8%
2016	376.0	

Ore mined

27,770 kt

2017	27,770	+22%
2016	22,694	

EBITDA

US$ **520.5** million

2017	520.5	+7%
2016	488.4	

Ore processed

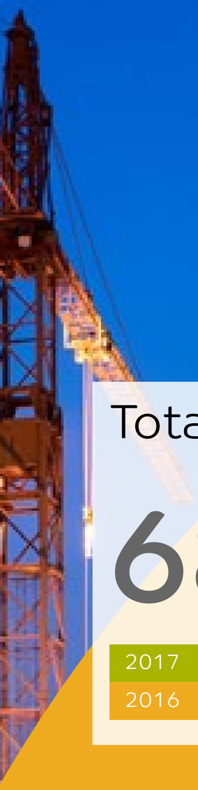
29,379 million

2017	29,379	+17%
2016	25,191	

Net Profit

US$ **166.8** million

2017	166.8	+4%
2016	160.1	



Total cash cost

689 US$/oz

2017	689	+6%
2016	648	

Free cash flow

US$ **62.3** million

2017	62.3	+0.2%
2016	62.2	

Net Debt

US$ **656.3** million

2017	656.3	+30%
2016	505.4	

Return to shareholders

(dividends paid and shares buyback)

US$ **197,6** million

2017	197.6	+734%
2016	23.7	

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A Golden decade

Nordgold is an internationally diversified gold producer established in 2007. The Company operates nine mines and has one project in construction phase, several prospective projects in feasibility study, advanced and early exploration phase in 6 countries over 4 continents.

NORDGOLD'S GOLDEN DECADE

2007

APRIL: Severstal initiates expansion into gold

OCTOBER: Acquisition of Aprelkovo and Neryungri mines in Russia

DECEMBER: Acquisition of control over the Suzdal and Zherek mines in Kazakhstan

2008

AUGUST: Acquisition of control over Balazhal mine in Kazakhstan as well as Taparko mine and Bissa project in Burkina Faso

NOVEMBER: Nordgold acquires control over Buryatzoloto (Zun-Holba and Irokinda mines) and Berezitovy mines in Russia

2009

DECEMBER: Nordgold optimises and integrates its assets, forming an integrated business model

2010

SEPTEMBER: Nordgold acquires control over the Lefa mine in Guinea

2011

JULY: Nordgold receives mining license for Bissa Project, Burkina Faso

NOVEMBER: Consolidation of 100% of Lefa ownership, integration of assets and creation of a unified business structure

2012

JANUARY: Nordgold splits off from Severstal, lists its GDRs on the London Stock Exchange

OCTOBER: Nordgold launches New Brand Concept

2013

JANUARY: Nordgold launches the new Bissa mine which was built on time, on budget and ramped up to nameplate capacity in record time

SEPTEMBER: Nordgold enters into a binding letter of intent to acquire 50.01% of Montagne d’Or deposit in French Guiana

2014

JUNE: Nordgold enters into Agreements to acquire Ronguen Gold Project in Burkina Faso

Nordgold’s Buryatzoloto receives an exploration and mining licence to develop and operate the Onot-Kitoyskaya gold area in the Republic of Buryatia in Russia

2015

FEBRUARY: Nordgold’s Berezitovy mine wins gold exploration and mining licence in Russia

JULY: Nordgold receives construction permit for Gross project

2016

JUNE: Nordgold starts construction of its low-cost, large-scale Gross mine in Yakutia, Russia

SEPTEMBER: Nordgold launches Bouly gold heap leach operation in Burkina Faso

MILESTONES AND SIGNIFICANT EVENTS

Nordgold announced its intention to delist its Global Depositary Receipts (GDRs) from the official list and trading on the London Stock Exchange, along with a share buy back

2017

FEBRUARY

The Board agreed that a key objective for the de-listing was to eliminate the current public market value benchmark, which it believed did not fully reflect the fundamental value of the Company and to consider a re-listing in the future, depending on the market conditions.

Trading in the Company's Global Depositary Receipts (the "GDRs") on the Main Market of the London Stock Exchange and the listing of the Company's GDRs on the Official List of the Financial Conduct Authority were cancelled 16 March 2017.

MARCH

Nordgold announced a positive bankable feasibility study for the Montagne d'Or project in French Guiana

Montagne d'Or is a world-class ore body and the Bankable Feasibility Study (BFS) demonstrated that it has robust economics. It benefits from straightforward metallurgy, excellent expected recovery rates, and a moderate stripping ratio. By completing the BFS and a minimum expenditure outlay of US$30 million, Nordgold fulfilled all the requirements of the Option agreement to acquire a 55.01% stake in the project.

FATALITIES

With deep regret we report that there were four fatalities in 2017, which occurred at Neryungri in January, Buryatzoloto in March, Berezitovy in November, and Lefa in December. Our deepest sympathy goes to the bereaved families and colleagues. Full Incident Cause Analysis Method (ICAM) investigations were conducted, and every effort was made to ensure we make changes necessary to meet our safety priorities.

GROSS CONSTRUCTION

In 2017 Nordgold developed Gross construction, its third exploration-to-construction project.

The Gross mine represents an important part of Nordgold’s future growth plans. The Company plans to invest up to US$250 million in the project over the full period of construction. When Gross is operating at full production capacity Nordgold will become a 1 million ounce gold producer, a landmark for the company. The project is progressing well and we look forward to first gold production in 2018.

MAY

Cancellation of Treasury Shares and decrease of Share Capital

Nordgold finalised the GDR Buyback process of a Tender Offer conducted in relation to the de-listing. In keeping with its strong commitment to good corporate governance and the fair treatment of minorities, the Company proposed a de-listing plan that would enable minority shareholders to choose whether to exit prior to de-listing or to retain their investment in Nordgold afterwards. Remaining members had the additional protection of the right to tender their shares back to Nordgold on the following occasions: after the announcement by the Company of its financial results for each of the half years ended 30 June 2017 and 2018 and for each of the full years ended 31 December 2017 and 2018.

SEPTEMBER

Nordgold acquired 55.01% stake in the Montagne d'Or project in French Guiana

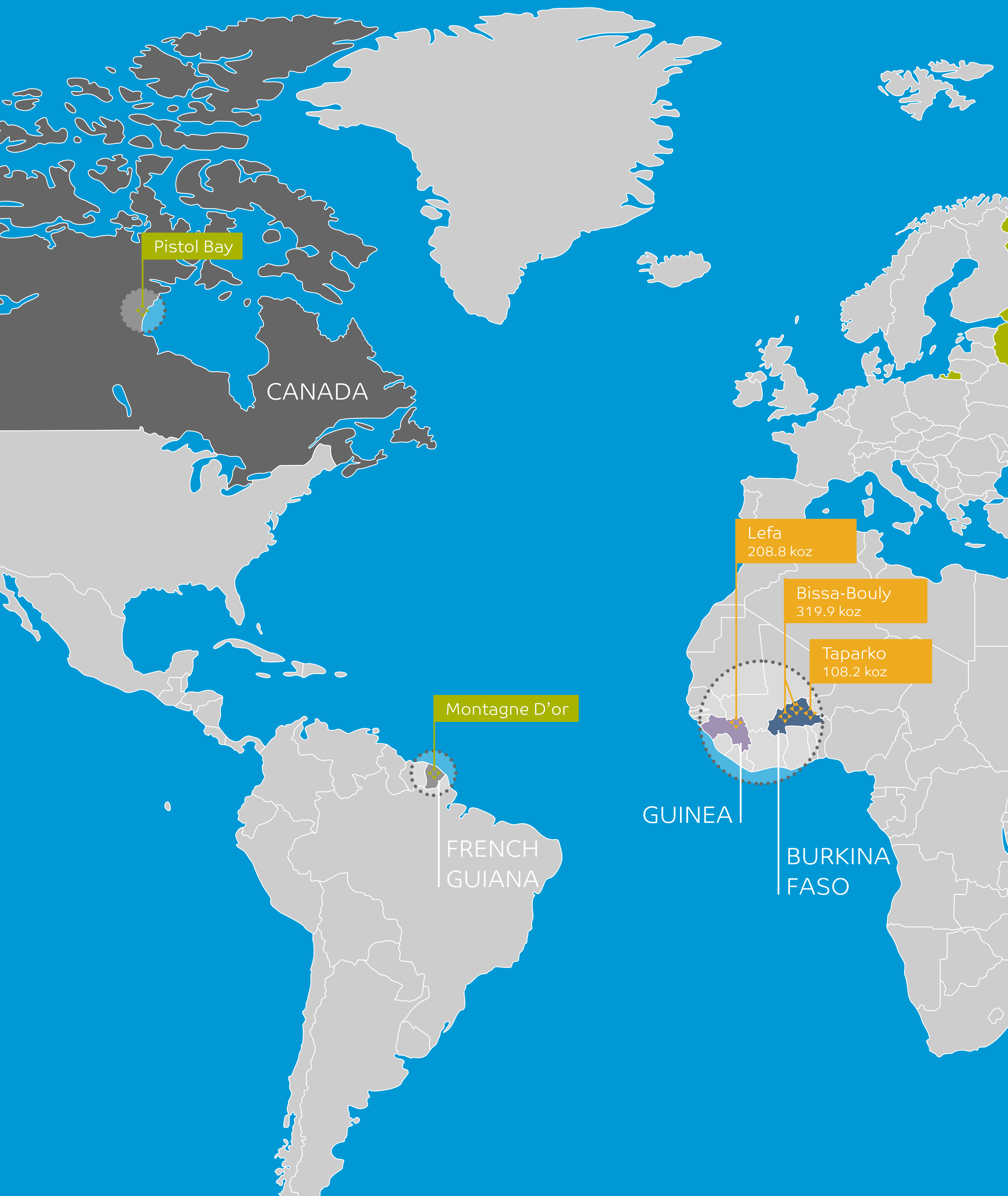
Nordgold signed a Shareholder Agreement with Columbus Gold Corp. outlining the rights and obligations of each joint venture partner in respect of the management and development of the Montagne d’Or project. At the same time, Nordgold appointed nominees to the Board of Directors of Compagnie Minière Montagne d’Or and the Company now holds three out of five board seats. Nordgold is also the operator of the project.

DECEMBER

Cancellation of Treasury Shares and decrease of Share Capital

Nordgold completed the repurchase of ordinary shares which remained after the termination of the GDR programme. Following the cancellation of the securities on 1 December 2017, the Company’s entire issued share capital now consists of 339,373,771 ordinary shares, with 0.97% owned by minority shareholders.

WHERE WE OPERATE



2017 Gold production

West Africa

Bissa

Bouly

Taparko

Lefa

Russia

Buryatzoloto

Berezitovy

Neryungri

Aprelkovo

Gross

Kazakhstan

Suzdal

Suzdal

French Guiana

Montagne d'Or

Canada

Pistol Bay

VISION, VALUES AND GUIDING PRINCIPLES

MISSION

Nordgold's mission is to provide forward growth for the business and value to its shareholders and all other stakeholders. But for us, success is about more than just gold.

Our values run deeper than effective gold production. We want our employees to know their safety is our absolute priority. We want the trust of the investment community. We want to contribute to the communities in which we operate and become a trusted local partner. We want to look after the environment.

OUR BIG IDEA. MORE THAN GOLD.

At Nordgold, we have always thought big. We are a young company, but we have grown quickly, meeting the challenges we have faced head on to become the successful international company we are today.

We realised that to really fulfill our potential and reach the next stage we needed a clear statement of our vision and of the values we are committed to.

These are the big idea values which drive our business, and they are worth more than gold to us

Vision

We are a young and ambitious business that is striving to become a

best-in-class gold mining company,

demonstrating efficiency and asset portfolio quality and generating value for our stakeholders through sustainable growth.

A company with:

- An international portfolio of high quality and long-life assets
- Leading operating practices and an absolute focus on safety
- The best and brightest talent
- The trust of its investors built by a persistent dedication to shareholder value

Underpinned by:

- Positive experience of operating in diverse emerging markets, where high-quality deposits can still be found
- A management team with strong business development, geological, and technical capabilities
- A proven track record of identifying and building greenfield projects
- A corporate culture that fosters efficient performance and collaboration and attracts talented individuals
- Significant investment that the Company makes in the development of its employees

Values

As a young and fast-growing company, we understand that

our success is due to more than just gold production —

our values run deeper than effective gold production.

Employee welfare

As an employer of thousands of people, Nordgold bears a responsibility for ensuring their safety. We want our employees to achieve their potential in conditions which are both comfortable and safe.

Safety is our absolute priority

Investor confidence

We are able to deliver superior returns on invested capital in any gold price environment. We firmly believe in the importance of growth and maintain a strong pipeline of highly efficient and low-cost development projects.

We want to earn the trust of investment community

Community development

Being a responsible member of the communities in which we operate is central to the way we do business. We believe that investing in these communities and helping them develop is a vital part of our role.

We want to contribute to the communities in which we operate and become a trusted local partner

The environment

Environmental responsibility is a core value for Nordgold. We take as much care as possible to ensure that we do not damage the environments in which we work.

We want to look after the environment

Guiding principles

We operate across a number of geographical areas and have always thought globally while at the same time maintaining

a deep respect for local communities and cultures.

Our people share our vision and understand that Nordgold is about more than gold. Every company decision — from hiring a new employee to deciding on a new major project — is informed by our guiding principles:

Respect

We place a high value on people and creating an atmosphere of mutual respect and dialogue.

Safety

We never compromise employee safety.

Efficiency

We are committed to the highest working and management standards to ensure a sustained growth of the business and achievements of our long-term targets.

Collaboration

We value the trust of all our stakeholders and strive to create a positive working environment founded on cooperation, reciprocity and responsibility.

Strategic report

MORE THAN GOLD

Gold production is the basis of our business, but our values run deeper than effective gold production. We want our employees to know their safety is our absolute priority. We want the trust of the investment community. We want to contribute to the communities in which we operate and become a trusted local partner

STRATEGY

Our long-term strategic objectives are to be a best-in-class and globally competitive gold mining company and an industry leader in terms of efficiency and asset portfolio quality. We seek to achieve these aims through safe, sustainable, and profitable production growth with a view to ensuring that we are in an optimum position to create value and generate returns for our shareholders and the communities in which we operate.

To this end our strategy, in a volatile price-operating environment, focuses on four key priorities:

- All mines generated positive free cash flow in 2017 except for Buryatzoloto (in 2016 all mines had positive free cash flow)
- US$62.3 million FCF in 2017 (US$62.2 million FCF in 2016)

- Net debt is US$656.3 million (US$505.4 million as at 31 December 2016)
- Net Debt/LTM EBITDA 1.3x (1.0x as at 31 December 2016)
- Target Net Debt/LTM EBITDA below 1.3x

- US$53.6 million total dividends for 2017 (US$66.9 million for 2016)
- Dividend payout ratio 30%
- Purchase of GDRs/Ordinary Shares for the total amount US$109.2 million

- First full-year performance of Bouly mine lunched on the end 2016
- 2% growth in Ore Reserves to 15.2 Moz
- 7% growth in Mineral Resources to 33.6 Moz
- US$141.6 million investments in Gross construction

Priority	2017 targets	Result vs. target	2018 targets	2018 target comments
Safety is the absolute priority for the Board and management	• Zero Harm for our employees and contractors	• FY 2017 LTIFR improved by 24% to 1.12 • With deep regret we report that there were four fatalities in 2017, which occurred at Neryungri in January, Buryatzoloto in March, Berezitovy in November, and Lefa in December	• Zero Harm for our employees and contractors	• The safety and development of our employees remain key strategic priorities • Safety is our top priority and we continue to make all efforts to further improve safety through mechanisation, training and continued cultural transformation
Positive free cash flow generation	• Positive free cash flow (FCF) generation at all mines • Continue to generate operational efficiencies	• In 2017 positive FCF was achieved at all mines except for Buryatzoloto • Total FCF stood at US$62.3 million in 2017. This comprised cash flow from operating activities less cash used in capital expenditure, including US$146.5 million for the Gross Construction • Comprehensive cost reduction and efficiency improvement programmes in place at all mines	• Positive FCF generation at all mines • Continue to generate operational efficiencies	• Our aim is to generate positive FCF at all mines through the ongoing improvement of operational performance, cost efficiency, and monitoring capital expenditures
Effective leverage management	• Target net debt/ LTM EBITDA in the range of 0.5–1.0x • Improve the liquidity position	• Net debt as at 31 December 2017 rose to US$656.3 million (US$505.4 million as at 31 December 2016) • 2017 net debt/ LTM EBITDA was 1.3x (1.0x in 2016)	• Continue to efficiently manage leverage, with a target net debt/ LTM EBITDA level of below 1.3x • Consider various options to refinance current debt in order to obtain a more favourable debt maturity structure	• Nordgold takes a proactive approach to managing its debt through effective portfolio management and by obtaining more favourable terms wherever possible • The Company is also focused on sustainable FCF generation
Consistent shareholder returns	• Maintain a dividend payout ratio of 30% of normalised net profit, attributable to shareholders on a quarterly basis	• Dividends of US$53.6[1] million for 2017, representing 30% of the normalised net profit attributable to shareholders of US$176.4 million • The purchase of GDRs/ordinary shares worth a total of US$109.2 million	• Distribute 30% of normalised net profit attributable to shareholders as dividends on a quarterly basis	• We aim to deliver consistent returns to our shareholders through the regular distribution of quarterly dividends
Continued growth and portfolio quality improvement	• Proceed with the Gross mine construction • Continue to invest in exploration programmes and pipeline development	• US$141.7 million Gross investment in construction in 2017 • A 2% rise in ore reserves, from 14.9 to 15.2 million gold ounces ("Moz") and a 7% rise in mineral resources, from 31.5 to 33.6 Moz in 2017 • First full-year performance of the Bouly mine. The mine was launched in September 2016 and reached its design capacity in 2017 • US$34.8 million invested in exploration and evaluation in 2017	• Continue to invest in exploration programmes and pipeline development • Launch of production at Gross in 2018	• Our aim is to maintain a high-quality asset portfolio through pursuing a balanced pipeline of exploration and development projects, and by increasing the lives of existing mines through focused exploration programmes. We will also seek and evaluate potential purchases of premium-quality reserves and resources that comply with our criteria

[1] Dividends of US$53.6 million includes US$38.3 million paid in interim dividends for Q1-Q3 2017 and US$15.3 million Q4 2017 dividends.

OPERATIONAL PERFORMANCE AND FINANCIAL REVIEW — KPIs[1]

[1] All financial and operational information is disclosed for the 12 months ended 31 December 2017 and 2016.

Operational performance

Operational Key Performance Indicators		2017	2016	Change,%
Refined gold produced	koz	968.3	868.8	11%
Refined gold sold	koz	966.7	869.4	11%
Ore mined	kt	27,770	22,694	22%
Ore processed	kt	29,379	25,191	17%
Grade in ore processed	g/t	1.21	1.34	–10%
Recovery	%	84%	82%	2pp
LTIFR, lost time injury frequency rate		1.12	1.47	–24%

In 2017 Nordgold exceeded its full-year guidance of 900–950 koz and produced 968.3 koz, 11% higher than in 2016. This rise was driven by the contribution of the new Bouly mine and the production performances at the Berezitovy, Lefa and Suzdal mines, partially offsetting production decreases at Buryatzoloto and Neryungri.

Gold produced by mines	2017 koz	2016 koz	Change	Change,%
Bissa-Bouly	319.9	213.9	106	50%
Bissa	195.7	185.8	10	5%
Bouly	124.2	28.1	96	342%
Lefa	208.8	194.7	14	7%
Taparko	108.2	111.2	–3	–3%
Berezitovy	94.3	79.7	15	18%
Suzdal	91.8	81.4	10	13%
Buryatzoloto	75.9	97.7	–22	–22%
Neryungri	67.4	80.5	–13	–16%
Aprelkovo	2.0	9.7	–8	–79%
Total	**968.3**	**868.8**	**99.5**	**11%**

LTIFR fell by 24%, from 1.47 to 1.12.

With deep regret we report that there were four fatalities in 2017, which occurred at Neryungri in January, Buryatzoloto in March, Berezitovy in November, and Lefa in December. Nordgold expresses heartfelt condolences to the bereaved families and friends of those concerned. Safety is our top priority and we continue to make all efforts to further improve safety through mechanisation, training and continued cultural transformation.

Notwithstanding the continued long term improvement in LTIFR, the four fatal accidents highlight the continued challenge of safety in our company and the need to continue to expand our efforts to keep people safe.

Financial review

Nordgold's financial performance is measured by management against the following IFRS and non-IFRS[1] KPIs:

Financial Key Performance Indicators		2017	2016	Change,%
Sales	US$ million	1,221.0	1,075.5	14%
Gross profit	US$ million	345.6	376.0	–8%
EBITDA	US$ million	520.5	488.4	7%
EBITDA margin	%	43%	45%	–6%
Net profit	US$ million	166.8	160.1	4%
Normalised net profit attributable to shareholders	US$ million	178.6	223.1	–20%
Total cash cost	US$/oz	689	648	6%
All-in-sustaining cost (AISC)	US$/oz	905	917	–1%
Cash flow from operating activities	US$ million	415.5	403.1	3%
Free cash flow	US$ million	62.3	62.2	0%
Capital expenditure	US$ million	349.6	349.8	0%
Net Debt	US$ million	–656.3	–505.4	30%
Net Debt/EBITDA	ratio	–1.3	–1.0	30%
Return to shareholders (dividends paid and shares buyback)	US$ million	–197.6	–23.7	734%

The IFRS measures are also disclosed in the Consolidated Financial Statements of Nord Gold SE, which are prepared in accordance with International Financial Reporting Standards (IFRS). The selected consolidated financial information below illustrates the main factors affecting performance, provides a detailed analysis of the financial results, and gives a better understanding of the Group's financial statements and financial KPIs.

Income statement

US$ million	2017	2016	Change	Change,%
Sales	1,221.0	1,075.5	145.5	14%
Cost of sales	–875.4	–699.6	–175.8	25%
Gross profit	345.6	376.0	–30.4	–8%
EBITDA	520.5	488.4	32.1	7%
EBITDA margin,%	43%	45%	–3%	–
Income tax	–49.8	–49.5	–0.3	1%
Profit for the year	166.8	160.1	6.7	4%
Normalised net profit attributable to shareholders	178.6	223.1	–44.5	–20%

[1] Non-IFRS measures are disclosed in the section Non-IFRS measures on pages 36–39.

Gold prices

In 2017 the average gold price rose to US$1,263 per ounce (2016: US$1,246 per ounce).

Historically, the price of gold has fluctuated considerably. It is affected by a number of factors, including international economic and geopolitical conditions, supply and demand levels, the availability and costs of substitutes and actions taken by governments and gold market participants.

Nordgold does not have any gold hedging policy in place, hence in 2017 our realised gold price remained close to the market price.

Sales

Consolidated sales (US$ million)

US$ million	2017	2016	Change	Change,%
Gold	1,215.3	1,068.4	146.9	13.7%
Silver	5.7	7.1	–1.4	–19.7%
Total	**1,221.0**	**1,075.5**	**145.5**	**13.5%**

2017 sales rose by 13.5%, as a result of an increase in sales volumes mainly due to Bouly mine start and higher gold prices.

Sales by customers are disclosed in the Note 6 «Sales» of the Consolidated Financial Statements on page 104.

Sales by mines (US$ million)

	2017	% participation of each mine	2016	% participation of each mine	Change %
Bissa-Bouly	402.9	33.0	257.0	23.9	9.1
Lefa	263.5	21.6	242.0	22.5	–0.9
Taparko	135.7	11.1	139.7	13.0	–1.9
Berezitovy	119.2	9.8	98.1	9.1	0.7
Suzdal	115.8	9.5	102.6	9.5	0.0
Neryungri	86.2	7.1	103.2	9.6	–2.5
Buryatzoloto	96.5	7.9	120.9	11.2	–3.3
Aprelkovo	1.2	0.1	12.0	1.1	–1.0
Total	**1,221.0**	**100**	**1,075.5**	**100**	

Cost of sales

Cost of sales breakdown by nature (US$ million)

US$ million	2017	2016	Change	Change,%
Material	149.1	120.8	28.3	23.4%
Personnel costs	143.1	118.1	25.0	21.2%
Fuel and energy	123.7	94.3	29.4	31.2%
External services	93.8	74.0	19.8	26.8%
Taxes other than income tax	75.3	73.8	1.5	2.0%
Repair and Maintenance cost	64.3	59.9	4.4	7.3%
Other expenses	16.3	8.4	7.9	94.2%
Change in obsolete provision and work-in-progress impairment	11.9	3.2	8.7	271.9%
Production cost	**677.5**	**552.5**	**125.0**	**22.6%**
Change in finished goods and work-in-progress	–7.1	–4.7	–2.4	51.1%
Depreciation and amortisation	205.0	151.8	53.2	35.0%
Cost of sales	**875.4**	**699.6**	**175.8**	**25.1%**

The overall increase in production costs was largely driven by first full-year performance at the Bouly mine, which was launched in September 2016.

Materials

The primary materials on which the Group depends comprise sodium cyanide, explosives, cement, and balls for milling. The price of key supplies, such as cyanide, is typically fixed for one year and then renegotiated annually.

The US$-denominated prices of all the above primary materials did not vary by more than 5% on 2016 FY prices. Thus growth in the cost of materials was mainly due to higher consumption at Bissa-Bouly (a US$22.7 million rise), and higher volumes mined and processed across the Group.

Personnel costs

The average increase in wages in 2017 was 5% in US dollar terms.

Personnel costs are affected by competition for labour with other mining companies in the regions where the Group operates, brought about by a relative shortage of qualified personnel and the remote location of mines.

Personnel costs denominated in local currencies were relatively stable, however when converted into US dollars they become more volatile.

The average headcount of production employees fell to 8,146 in 2017, down from 8,602 in 2016, as a result of continued operational efficiencies, including further mechanisation of mining processes, notwithstanding the production increase across the Company.

Fuel and energy costs

At certain mines the Group consumes diesel fuel and heavy fuel oil for power generation and mining operations.

Diesel fuel and heavy fuel oil are refined from crude oil and hence are subject to the same price volatility that affects crude oil prices. Diesel fuel and heavy fuel prices are determined by the market in Russia and Kazakhstan and government controlled in Burkina Faso and Guinea.

Fuel and energy costs rose, mainly due to the launch of the Bouly mine and higher fuel and electricity consumption at African mines.

External services

External services mainly increased at: Lefa (US$6.0 million), largely due to drilling and leasing of mining equipment; Bissa (US$5.0 million), due to the launch of the Bouly mine; Buryatzoloto (US$3.8 million), mostly due to mining preparation services; and Taparko (US$3.5 million), chiefly due to drilling and leasing of mining equipment.

Depreciation and amortisation

Depreciation and amortisation increased, primarily due to higher depreciation of capitalised stripping assets and the start of depreciation of Bouly's assets.

Exchange rates

The average RUB/US dollar and XOF/US dollar exchange rates changed from 67.02 RUB/US$ in 2016 to 58.35 RUB/US$ in 2017 and from 598 XOF/US$ in 2016 to 582 XOF/US$ in 2017. This had an adverse impact on production costs in Russia and Burkina Faso.

Total cash cost and all-in sustaining cost

Total cash cost (TCC) and all-in sustaining cost (AISC) are common performance measures used in the gold mining industry, but they are not defined by accounting rules (non-IFRS measures). The TCC measure is used by management to monitor and manage cash costs directly related to gold produced. The AISC metric was proposed by the World Gold Council to help investors, governments, and other stakeholders understand the sustaining cost of production over the life cycle of a mine. Management uses the AISC to monitor current production costs in conjunction with the capital expenditure required to maintain production in the future.

TCC and AISC are calculated by ounce of gold produced, which supports mine-by-mine comparison.

The definitions of TCC and AISC are included in the section Non-IFRS measures on pages 36–39.

Total cash cost by mines (US$ per ounce)

US$ per ounce	2017	2016	Variance,%
Lefa	713	710	0%
Bissa-Bouly	609	659	–8%
Taparko	867	690	26%
Berezitovy	574	538	7%
Neryungri	657	481	37%
Suzdal	510	491	4%
Buryatzoloto	1,037	681	52%
Aprelkovo	–	856	–100%
Total	**689**	**648**	**6%**

All-in sustaining cost (US$ per ounce)

US$ per ounce	2017	2016	Variance,%
Lefa	943	1,015	–7%
Bissa-Bouly	744	828	–10%
Taparko	1,032	1,045	–1%
Berezitovy	766	869	–12%
Neryungri	899	657	37%
Suzdal	628	582	8%
Buryatzoloto	1,322	919	44%
Aprelkovo	–	976	–100%
Total	**905**	**917**	**–1%**

Lefa

The production performance at Lefa was consistent with the previous year. A better head grade and a higher volume of production were offset by a higher stripping ratio, resulted in the same level of TCC as in 2016.

A reduction in AISC was mainly due to lower capital expenditure on mobile maintenance.

Bissa-Bouly

A TCC and AISC decrease was mainly driven by a full year of operation at the new low-cost Bouly mine. Higher volumes of material mined and lower grades affected Bissa operations.

Taparko

Taparko is a mature mine with high stripping ratio, older equipment and is thus relatively high costs. TCC increased, mainly as a result of higher operational stripping costs.

Berezitovy

TCC increased, mainly due to higher operational stripping costs and a negative foreign exchange rate effect.

Neryungri

TCC was affected by the low head grade in the heap leach processing in the first half of 2017 and a negative foreign exchange rate effect. An increase in AISC was due to higher TCC and repair and maintenance capital expenditure.

Buryatzoloto

High TCC and AISC were mainly driven by a lower head grade and a negative foreign exchange rate effect.

EBITDA, EBITDA margin

In 2017 EBITDA rose by US$32.1 million, to US$520.5 million. This was mainly driven by a higher volume of gold sold (US$66.1 million), a higher average gold price (US$29.1 million), and was partially offset by a negative foreign exchange rates effect (US$33.3 million) and higher TCC (US$30.2 million).

The EBITDA margin fell from 45% in 2016 to 43% in 2017, due to the higher cash costs and negative foreign exchange rates.

EBITDA is a non-IFRS metric and measures the Group's ability to generate operating cash flows to fund debt obligations, capital expenditure, and working capital.

EBITDA by mines is presented in Note 5, Segment reporting, of the Consolidated Financial Statements on page 100.

A definition of EBITDA is given in the section Non-IFRS measures on pages 36–39.

Income tax expense

Nordgold reported income tax expenses of US$49.8 million in 2017, compared to US$49.5 million in 2016. US$49.5 million was paid in income tax in 2017 (US$50.1million in 2016).

In 2017 the Group's profits were taxable at 20% in the Russian Federation and Kazakhstan, 17.5% and 27.5% in Burkina Faso, and 30% in Guinea.

The Nordgold effective tax rate in 2017 was 22.9% (23.6% in 2016).

Normalised net profit attributable to shareholders

Normalised net profit attributable to shareholders in 2017 was US$178.6 million (2016: US$223.1 million). The principal reason for the reduction in normalised net profit attributable to shareholders was the add back of impairment of non-current assets in 2016 of US$59.6 million, mostly related to Taparko.

The reconciliations of normalised net profit attributable to shareholders are disclosed in the section Non-IFRS measures on pages 36–39.

Cash flows

A summary of the key items of cash flow statements and net debt is presented below:

US$ million	2017	2016	Change	Change,%
Cash flow from operating activities before changes in working capital	**516.3**	**488.1**	**28.2**	**6%**
(Increase)/decrease in working capital	–6.7	4.7	–11.4	–243%
Cash flow from operations	**509.6**	**492.8**	**16.8**	**3%**
Net Interest paid	–44.6	–39.6	–5.0	13%
Income tax paid	–49.5	–50.1	0.6	–1%
Cash generated from operating activities	**415.5**	**403.1**	**12.4**	**3%**
Payments for property, plant and equipment	–309.0	–314.6	5.6	–2%
Payments for exploration and evaluation activity	–44.2	–26.5	–17.7	67%
Free cash flow	**62.3**	**62.2**	**0.3**	**0%**
Dividends paid	–88.4	–22.7	–65.7	289%
Buyback of GDRs/ordinary shares[1]	–109.2	–1.0	–108.2	>100%
Returns to shareholders	**–197.6**	**–23.7**	**–173.9**	**>100%**
Cash and cash equivalents as 31 December	**270.4**	**286.3**	**–15.9**	**–6%**
Short-term deposits	70.2	70.0	0.2	0%
Cash and cash equivalents (including short-term deposits) as 31 December	**340.6**	**356.3**	**–15.7**	**–4%**
Net Debt	**–656.3**	**–505.4**	**–150.9**	**30%**
Net Debt/EBTIDA	**–1.3**	**–1.0**	**–0.3**	**30%**

[1] Including US$2.17 million of transaction costs.

The Group continues to pay close attention to its liquidity position and optimising cash flow in order to maximise shareholder value.

Cash flows from operating activities before changes in working capital rose by 6%, to US$516.3 million, due to higher EBITDA generated in the current year. Working capital rose by US$6.7 million, compared to a US$4.7 million decline in 2016.

Free cash flow, net debt, and net debt/EBITDA are non-IFRS measures; their definitions and reconciliations are disclosed in the section Non-IFRS measures on pages 36–39.

Funds generated were mainly used to finance capital expenditure totalling US$309.0 million (including US$146.5 million for the Gross construction) and invest in exploration and evaluation activity (US$44.2 million, a 67% increase on 2016).

Free cash flow remained stable, at US$62.3 million.

Returns to shareholders amounted to US$197.6 million and consisted of a US$109.2 million for the buyback of GDRs/ordinary shares and US$88.4 million in paid dividends (including US$31.1 million in dividends for Q2 and Q3 2016, US$19.0 million for Q4 2016, and US$38.3 million interim dividends for Q1-Q3 2017).

Net debt rose by US$150.9 million, mainly due to the GDRs/ordinary shares buyback.

Capital expenditures

Capital expenditure by mines is presented below:

US$ million	2017	2016	Change	Change,%
Neryungri	159.8	56.7	103.1	182%
Lefa	47.9	60.6	–12.7	–21%
Bissa-Bouly	43.6	128.1	–84.5	–66%
Berezitovy	30.1	27.9	2.2	8%
Buryatzoloto	29.0	25.1	3.9	16%
Taparko	18.4	36.6	–18.2	–50%
Suzdal	12.0	9.8	2.2	22%
Other	8.8	5.0	3.8	76%
Aprelkovo	0.0	0.6	–0.6	–100%
Total	**349.6**	**349.8**	**–0.2**	**0%**

Neryungri's expenditure on the Gross construction project was US$141.7 million in 2017, compared to US$42.5 million in 2016, and sustaining capital expenditures stood at US$16.5 million.

Lefa spent US$43.0 million on capitalised stripping activity and maintenance equipment (US$54.7 million in 2016) and US$4.8 million on sustaining explorations.

Bissa-Bouly capital expenditure decreased by US$84.5 million. There were US$75.3 million of Bouly mine construction in 2016 (the mine was launched in September 2016).

Berezitovy invested US$17.4 million in sustaining capital expenditures and US$12.8 million in the developing technology and new explorations.

Buryatzoloto's capital development expenditures were US$7.0 million higher than in 2016.

In 2017, Taparko decreased capitalised stripping costs to US$9.0 million, compared to US$27.2 million in 2016, while US$5.6 million was spent on maintenance and US$2.5 million on non-sustaining exploration and development.

Non-IFRS measures

Nordgold discloses certain measures that are not defined under IFRS. These non-IFRS financial measures are used by management alongside IFRS measures to assess financial performance. They are also commonly used by investors and analysts to evaluate the financial performance of companies, particularly in the mining industry.

However, these measures should not be used instead of or considered as alternatives to historical financial results based on IFRS. There are no generally accepted principles governing the calculation of non-IFRS measures, and the criteria upon which these measures are based can vary from company to company.

EBITDA and EBITDA Margin

EBITDA and the EBITDA Margin are non-IFRS financial measures. EBITDA is calculated as profit before income tax for the period, adjusted for:

- gains on the disposal of available-for-sale investments
- finance income and finance costs
- foreign exchange losses / (gains)
- depreciation and amortisation
- impairment / (reversal of impairment) of non-current assets
- net losses on the disposal of property, plant and equipment
- work-in-progress impairment recognised in cost of sales
- provisions charged for previously recognised contingent liabilities

Nordgold uses EBITDA in the reporting of its segments and in assessing its growth and operational efficiencies.

The EBITDA margin is EBITDA as a percentage of sales.

Information on EBITDA and the EBITDA margin or similar measures is sometimes used by investors to evaluate the efficiency of a company's operations as well as its ability to use its earnings to repay debt, in capital expenditure, and for working capital requirements.

A reconciliation between profit before income tax and EBTIDA is presented in Note 5, Segment Reporting, of the Consolidated Financial Statements on page 100.

EBITDA, by itself, does not provide a sufficient basis to compare Nordgold's performance with that of other companies and should not be considered in isolation, either as a substitute for operating profit or any other measure as an indicator of operating performance, or as an alternative to cash generated from operating activities as a measure of liquidity.

Total cash cost

Total cash cost (TCC) comprises cost of sales and general and administrative expenses adjusted for depreciation and amortisation, allowances for slow-moving and obsolete inventories, work-in-process impairment, changes in finished goods, a provision charge for previously recognised contingent liability, sales by-products, and corporate overheads.

All-in sustaining cost

All-in sustaining cost (“AISC”) refers to costs related to sustaining production, and is calculated as the amount of production cash costs, plus cash selling general and administrative expenses, plus taxes other than income tax and other cash operating results, with the addition of capital expenditure spent on sustaining the production level. The latter includes maintenance Capex at all mines, exploration Capex at operating mines, and capitalised stripping together with underground development works performed at operating mines.

A reconciliation between TCC and AISC is presented below:

US$ million	2017	2016	Change,%
Cost of sales	**875.4**	**699.6**	**25%**
(Less)/plus items in income statements:			
Depreciation and amortisation	–205.0	–151.8	35%
Change in obsolete provision and work-in-progress impairment	–11.9	–4.1	190%
Tax penalties	–14.1	–3.9	262%
Inventory write-off	0.0	–2.8	–100%
Change in finished goods	1.3	–1.6	–181%
Revenue of by-products	–5.7	–7.1	–20%
Cost of production	**640.0**	**528.3**	**21%**
General and administrative expenses	62.9	53.6	17%
(Less)/plus items in income statements:			
Depreciation and amortisation	–7.4	–5.3	40%
Corporate overheads	–31.1	–21.5	45%
Mining administrative expenses	**24.4**	**26.8**	**–9%**
Total cash cost	**664.4**	**555.1**	**20%**
Gold produced, kOz	963.8	856.8	12%
Total cash cost, US$/oz	**689**	**648**	**6%**
Corporate overheads	31.1	21.5	45%
Sustaining CAPEX	175.8	207.0	–15%
Other cash operating expenses	0.7	2.0	–66%
Total All-in sustaining cost (AISC)	872.0	785.6	11%
Total All-in sustaining cost (AISC), US$/oz	**905**	**917**	**–1%**

Free cash flow

Free cash flow comprises cash generated from operating activities less cash funds used for payments related to property, plant and equipment and payments related to exploration and evaluation activity.

US$ million	2017	2016	Change	Change,%
Cash generated from operating activities	**415.5**	**403.1**	**12.4**	**3%**
Payments for property, plant and equipment	–309.0	–314.6	5.6	–2%
Payments for exploration and evaluation activity	–44.2	–26.5	–17.7	67%
Other reconciling items	–	0.2	–0.2	–100%
Free cash flow	**62.3**	**62.2**	**0.1**	**0%**

Net debt, net debt/LTM EBITDA

The net debt calculation is presented in note 27, Financial Risk Management, of Consolidated Financial Statements on page 132.

In order to assess Nordgold's leverage position, Nordgold's management uses a measure of net debt, which is defined as the short- and long-term borrowings less cash, cash equivalents, and short-term deposits. Net debt is an indication of a company's ability to repay its debts if they became due on the reporting date.

Net debt/EBITDA is a leverage ratio, which shows how many years it would take for a company to pay back its debts if net debt and EBITDA are kept constant.

Normalised net profit payable to shareholders

Normalised net profit attributable to shareholders is the profit for the year attributable to shareholders, adjusted by any impairment charge/(reversal) of non-current assets, impairment charge /(reversal) of work-in-progress, tax penalties, movement in the obsolesce provision, or movement in the provision for asset retirement obligations, each as attributable to shareholders.

US$ million	2017	2016
Profit for the year attributable to shareholders	157.2	155.4
One-off tax penalties	13.1	5.1
Change in obscolescence provision	6.4	–0.9
Impairment of non-current assets	–	59.6
Work-in-progress impairment	2.5	3.9
Other	–0.6	–
Normalised net profit attributable to shareholders	**178.6**	**223.1**

Mining statistical information

Management analyses certain operational or non-IFRS financial metrics in order to assess the performance of its business together with sales, capital expenditure, and cash flows from operations. The following describes certain line items used by the Group to monitor performance, and which are included in the Group's discussion of KPIs:

Ore mined — measures in tonnes the amount of ore mined and stockpiled for milling.

Ore milled — measures in tonnes the amount of ore processed through a mill.

Head grade — measures the metal content of mined ore entering a mill for processing, measured in grams per tonne.

Mill recovery — measures the proportion of valuable metal physically recovered in processing ore, measured as a percentage of metal recovered to total metal originally present in the ore.

Gold produced — measures the quantity of gold physically recovered in the processing of ore, here presented in thousands or millions of ounces.

RISK MANAGEMENT, PRINCIPAL RISKS AND UNCERTAINTIES

Risk Management System

Risk management is integrated into our strategic planning and also affects all our operational activities. It aims to identify events that may negatively affect the business and to manage these risks so that the Company's risk appetite is not exceeded and our objectives are achieved.

To facilitate effective risk mitigation, Nordgold has established a system of risk management that includes a set of regulations (policies and procedures), risk registers, controls, and responsible authorities. The system allows our senior management to identify, assess, and control the risks that we face, and thus increase investment attractiveness and shareholder value by improving the likelihood of achieving planned results and reducing potential losses.

Policy and Procedures

As part of the risk management process, Nordgold has developed and adopted a Risk Management Policy, a Risk Management Procedure, and other regulations that apply to all Nordgold Group business units and functional departments.

The Company follows an ongoing process for identifying, evaluating, and managing the main risks faced by the company. The systems have been in place for the year under review and up to the date of approval of the annual report and accounts. The Board regularly reviews identified risks and their mitigation procedures.

The Risk Management Policy was approved by the Chief Executive Officer on 15 August 2012. The policy covers the main principles, goals, and responsible parties involved in risk-management-related actions, which are set out in the Risk Management Procedure.

The Risk Management Procedure was adopted on 15 August 2012 and covers processes related to identifying, evaluating, managing, and lastly monitoring strategic and operational risks. The Risk Management Procedure also describes employee roles in risk management procedures, the Risk Matrix, and criteria for assessing the likelihood and impacts of risk.

Under the Risk Management Procedure risks are divided into two types:

1. Strategic risks: uncertain future events that may adversely affect the achievement of our vision and strategic objectives.

2. Operational risks: events that may adversely affect the performance or effectiveness of our day-today operations.

Risk registers

Identified risks are included in five different types of risk registers:

- Site Operational Risk Register: a register of individual mine (or business unit (BU)) risks. There is also a Site Key Risk Register and Top-10 Risk Register at each BU.
- Company Strategic Risks Register: a register of risks correspondent to the strategic objectives of the Company.
- Integrated Company Operational Risks Register. A combination of all BU risk registers, containing operational risks based on Functional Directors assessment.
- Key Risks Register: a register that comprises high-scoring (unacceptable) strategic and operational risks
- Top-10 Risk Register: a register of top 10 risks selected from the Key Risks Register.

The risk registers contain all salient information pertaining to risks: a description of risks including the risk owner, the risk rating (low, medium, or high) according to level of likelihood and impact, current and further risk mitigation measures for high risks, the status of management actions, and the planned risk rating.

In 2017 the Company completed detailed risk registers at all BUs. This work allowed us to improve the quality of our risk management process and to build a complete picture of the Company's risks.

Controls

Identifying, assessing, and managing Nordgold risks is an ongoing process throughout an annual cycle, which requires the development and regular update of internal controls in order to improve the risk management process. For this purpose, we have established an appropriate control environment, which includes a set of control procedures developed to mitigate each risk type.

Internal audit annually tests the adequacy and effectiveness of internal control procedures over identified risks and promptly address any weaknesses found – this allows us to provide independent and objective assurances to management, shareholders, and the Board over the sufficiency of implemented control procedures. Internal audit reviews have a risk-based approach and are linked to specific items in the risk registers.

When developing the annual internal audit plan, we also take into account requests from the Company's management on the need for various audits in certain areas. The 2017 Audit Plan comprised 11 audits (in 9 mines and in the Moscow head office) and it consisted of 8 individual themes agreed with management and the Audit Committee. The Internal Audit Plan has been 100% completed by the end of the year.

Nordgold 2017 self-assessment of effectiveness of risk and control processes

Annually we conduct a self-assessment by management of risk control procedures and prepare a report for the Audit Committee. The self-assessment in 2017 was based on criteria contained in the UK Corporate Governance Code.

Responsible authorities

We have clear ownership at all levels of the organisation to ensure an effective risk management process:

- The CEO has overall responsibility for the functionality of the risk management process and adopting risk management documents.

- The Board of Directors is responsible for annually reviewing the risk management system by analysing reports from the risk management and internal audit functions.

- The general directors of BUs and the Group's functional directors are responsible for ensuring that this policy is adopted within their areas of responsibility and that they have appointed individual heads of departments to be responsible for specific risk management actions defined in the procedure.

- The Risk Manager is responsible for efficient risk management methodology, supporting BUs to ensure a consistent integrated approach, and the cost effective implementation of this policy as well as the Risk Management Procedure.

- The Internal Audit, Internal Control, and the Risk Management Department is responsible for providing objective assurance over BUs' compliance with the Risk Management Policy and for monitoring control procedures as well as the implementation of risk mitigation measures.

Principle risks and uncertainties

Every year during the risk assessment process we update our risk registers and report to the Audit Committee on the progress that has been made to minimise risks. Risk assessment is conducted separately from internal audit, in order to ensure a proper segregation of duties and that any conflict of interest between management and audit is avoided.

In 2017 we identified a number of strategic risks. 163 departments from all operating mines were involved in this risk assessment process. There have been significant control improvements, and overall the risk-management culture has been significantly enhanced. All mines significantly decreased their risk impact levels.


nordgold

The most significant risks making up the Top-10 Risks Register of the Company are provided below.

H for High, M for Medium

Risk description	Mitigation measures	Likelihood	Impact	Overall Score	Comparison to previous period
Employee safety As a result of the improper implementation of the Labour Safety Code (and corresponding labour safety procedures), as well as technical deficiencies related to production safety, the possibility remains of injuries or deaths at mines.	1. All BUs are expected to fully comply with labour legislation and the safety code 2. Compliance audits are conducted by Internal Audit and the management of the Company. Nordgold analyses and investigates all incidents and sends assessment reports to the Safety and Sustainable Development Committee. 3. Safety performance is included in management KPIs; in addition, part of management's bonuses relates to this KPI. 4. All accidents and corrective controls are considered by the Safety and Sustainable development committee.	H	H	H	↔
Failure of preventative safety controls The labour Safety Code and correspondent labour safety procedures (with preventive safety control) are not properly developed and implemented. There may be shortages of technical services aimed at safety and efficient production. Both issues lead to unsafe working conditions and possible injuries or deaths in mines.	1. Oversight by the Safety and Sustainable Development Committee. 2. Clear guidelines contained in NG Safety Policy. 3. Analysis and investigation of all accidents. Lessons learned. 4. Experienced Labour safety personnel. 5. Safety compliance audit and Internal Audit. 6. Best practice investigation and implementation of new Personal Protective Equipment.	H	H	H	↔
Significant decrease of gold price The gold price can fall significantly, driven by external economic events, which might lead to increasing pressures on the margin, which in turn could lead to the non-achievement of our strategic objectives, including Safety and Production, Capex, Operational efficiency and Finance.	Currently we continue to monitor gold prices and other macroeconomic indicators: inflation, US dollar rates, analyst forecasts, etc. and based on this we develop strategic scenarios with different gold prices. This risk is further mitigated by the Company's strategy of maintaining a portfolio of low-cost mines and a conservative approach to managing liquidity. The Company is potentially ready to consider significant cost reduction initiatives in the event of a dramatic decrease in gold prices.	M	H	H	↔
Exposure to terrorist attacks In 2016–2017 there were terrorist attacks in Ouagadougou and Burkina-Faso, the hijacking of Australian doctors, an attack on hotel in Bamako in Mali and several attacks on Burkina policemen near the Nordgold mine (100 km from the mine).	1. Consider the adequacy and efficiency of controls over mine security, the safety of staff and key management, including NG management travelling to the African sites. Initiate and implement additional controls, if existing controls are not sufficient. 2. An armed private security company has been engaged for additional security at Bissa and Taparko. Police and the military are also used for security at LEFA.	H	H	H	↔

Inaccuracy of reserves data Historical or new geological data might be insufficient or unreliable for efficient assessment of resources and reserves of new deposits and properties, which might lead to wrong decisions in the valuation of the economic potential of new deposits and properties.	1. The Company conducts detailed analyses and discussions of previous exploration results. 2. We constantly improve geological modelling to make it reliable and sufficient for completion of the production plan with an independent Quality Control and Quality Assurance process and audit (QC–QA) in place.	M	H	H	↔
Failure to achieve production plan The production plan might not correspond to the production capacity of a mine and gold processing plant, or the quality of mineral reserves and the availability of qualified staff, which might lead to the non-achievement of the plan.	1. The Company regularly analyzes and discusses production plans, the grade control process, and pre-development explorations results. 2. There are three-month rolling plans, monthly operational plans which are reviewed for compliance with plan. 3. Management have appropriate KPIs focused on the achievement of production targets.	H	H	H	↔
Unexpected business interruption 1. Unexpected business interruption might lead to a significant delay in production and consequent decrease in profit. 2. There is no proper Business Continuity Plan (3 Elements — Emergency Response Plan, Crisis Management Plan, and Business Recovery Plan). The shortage of plan might lead to the significant business interruption, reputational risks and production delay.	1. Risks are identified and mitigating controls elaborated at each mine site with appropriate levels of senior management oversight (including key spare parts management, maintenance program for key production equipment etc.). 2. Centers of competence are established for key production equipment. Sharing of information and discussion of business interruption issues is encouraged across the business.	H	M	H	new
Geological Survey: Sufficiency and reliability of data Geological data may not be sufficient or reliable for the efficient exploration of mines which might lead to incorrect management decisions in mining and the failure to achieve corporate objectives.	1. Detailed geological models are created and constantly updated. 2. Comprehensive software for geological models is used. 3. The geological department consists of experienced geologists and other specialists able to perform successfully complicated geological research in different countries. 4. Quality Control and Quality Assurance process (QC–QA). 5. Independent audit of resources/reserves and QC–QA system.	H	H	H	new
Corporate affairs: Relationship with society Relationships with local communities are not developed and maintained on an appropriate level which leads to the damage of company's reputation, social tension, and deferent threats to BU business and different assets.	1. Relationships with communities are based on long-term relationships and are regularly maintained by properly instructed and experienced managers from the local communities affected. 2. Potential tension is communicated immediately both locally and to corporate headquarters. 3. Community relationship programmes are set and monitored by the top level management at each mine site.	M	H	H	new
Legal and compliance: Procedures The loss of documents can lead to legal, reputational, and financial risks.	1. Procedures related to documents are generally in place. 2. Internal audit conducted an audit of the effectiveness of the established controls in 2014–2017.	M	H	H	new

FUTURE DEVELOPMENTS

2018 Outlook

Nordgold expects gold production for the full year 2018 to be in the range of 950–1,000 koz. The key driver of this forecast gold production growth in 2018 is the planned Gross start-up with 77 koz of 2018 budgeted dore production.

AISC outlook for 2018 is 900–950 US$/oz. AISC 2017 guidance was 900–950 US$/oz and the actual AISC 2017 was 905 US$/oz.

The Capex budget is US$390 million for 2018: 64% of the budget is to be spent on sustaining Capex including exploration, maintenance and capital stripping and 36% to be spent on expansion exploration, development of new technology and Gross mine construction.

Exploration and development pipeline

Nord Gold SE reported a 2% rise in Ore Reserves to 15.2 million gold ounces ("Moz") and a 7% rise in Mineral Resources, to 33.6 Moz in 2017.

Metal	Units	Category	31 Dec 2017	31 Dec 2016	Change
MINERAL RESOURCES					
Gold	koz	Measured	2,539	2,399	6%
		Indicated	23,059	22,383	3%
		Measured+Indicated	**25,597**	**24,782**	**3%**
		Inferred	8,020	6,710	20%
		Total	**33,617**	**31,492**	**7%**
Silver	Moz	Measured	1	1	0%
		Indicated	42	36	17%
		Measured+Indicated	**43**	**37**	**16%**
		Inferred	8	4	100%
		Total	**51**	**41**	**24%**
ORE RESERVES					
Gold	koz	Proven	2,208	2,382	(7%)
		Probable	12,998	12,475	4%
		Proven+Probable	**15,206**	**14,858**	**2%**
Silver	koz	Proven	421	421	0%
		Probable	22,841	22,841	0%
		Proven+Probable	**23,262**	**23,262**	**0%**

Category	31 Dec 2017 (koz)	31 Dec 2016 (koz)	Change
MINERAL RESOURCES (Measured+Indicated+Inferred)			
Burkina Faso	8,850	8,277	7%
Guinea	4,339	3,678	18%
Russia	15,196	14,135	8%
Kazakhstan	1,844	2,014	(8%)
French Guiana	2,646	2,646	0%
Canada	742	742	0%
ORE RESERVES (Proven+Probable)			
Burkina Faso	4,152	3,994	4%
Guinea	2,198	2,336	(6%)
Russia	6,661	6,334	5%
Kazakhstan	685	684	0%
French Guiana	1,510	1,510	0%

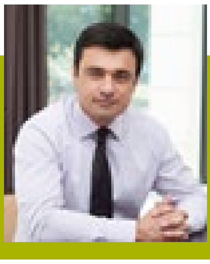
2018 key exploration and development priorities:

- Nordgold will continue to focus on near-mine and satellite deposit exploration at operating mines, with the aim of at least replacing mined out ore reserves annually, while progressing its growth pipeline.

- The strategy of organic growth remains the primary focus. The strength of its cash flow generation and balance sheet means that Nordgold is also able to review new opportunities continuously with a view to acquiring premium-quality reserves and resources at competitive valuations to further enhance the reserve base.

- The Company also seeks growth through acquisitions and partnerships in high-value gold projects. Projects in mining-friendly jurisdictions with over 2 Moz of potential minable Mineral Resources, production of above 150 koz, modest development capital investment and short payback period fit the criteria for Nordgold's growth strategy.

- After completion of the public debates for the Montagne d'Or project and adjustment of the Environmental and Social Impact Assessment reports Nordgold plans to apply for construction and mining authorisations in H2 2018.



On behalf of the Board:

Nikolay Zelenski
Chief Executive Officer
09 March 2018

Director's report

PROFESSIONALISM AND COMPETENCE

Nordgold is led by a dynamic, and capable management team. Our management style emphasizes both flexibility and responsiveness, and rejects bureaucracy. It facilitates swift decisions and rapid project development. It suggests a fresh approach to a timeless industry.

DIVIDENDS

Net profit for financial year 2017 was US$164.3 million, as against US$166.8 million in 2016.

The Company declares dividends quarterly subject to its financial condition, need for investment, and availability of the distributable reserves. The dividend payment ratio was 30% of the average normalised net profit attributable to shareholders. The Company's ability to pay and receive dividends from subsidiaries may, however, be restricted by applicable law. The dividend policy was discussed at the 2017 Annual General Meeting as part of an annual report discussion item. The dividend policy will similarly be discussed at the 2018 Annual General Meeting.

In 2017 the Company declared the following interim dividends:

- 5.12 US cents per share or GDR for Q4 2016, for a total amount of US$19.0 million
- 3.22 US cents per share or GDR for Q1 2017, for a total amount of US$11.0 million
- 4.82 US cents per share or GDR for Q2 2017, for a total amount of US$16.5 million
- 3.18 US cents per share or GDR for Q3 2017, for a total amount of US$10.8 million

Delivering dividends to shareholders remains a key focus of the Company.

The final dividends in respect of the three months ended 31 December 2017 are disclosed in note 29, Events after the reporting period, of Consolidated Financial Statements on page 141.

GOING CONCERN

The Group's net debt at 31 December 2017 was US$656.3 million (vs. 505.4 million as at 31 December 2016). The net debt/EBITDA ratio as at 31 December is 1.3 (vs. 1.03 as at 31 December 2016).

On 14 March 2018 the Group secured a new US$300 million, five-year debt facility with a group of international banks. The syndicated loan is provided by the following mandated lead arrangers: ING (a branch of ING-DIBA AG), AO Raiffeisenbank, Raiffeisen Bank International AG, PJSC Rosbank, Societe Generale and AO UniCredit Bank. Nordgold intends to use the proceeds of the facility to refinance its existing Eurobonds, which mature in May 2018 (US$448 million). The Eurobond refinancing will be partially funded by cash on the Company's balance sheet.

The Directors have considered the Group's cash flow forecasts for the period to the end of March 2019. The Board is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Details of borrowings and facilities are set out in note 19, Borrowings, of the Consolidated Financial Statements on page 122 and net debt is set out above in the section Cash resources.

ACQUISITION OF GDRs/ ORDINARY SHARES

Acquisition of GDRs/ ordinary shares are disclosed in note 22,Capital and Reserves, of the Consolidated Financial Statements on page 125.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the balance sheet date are disclosed in note 29, Events after the reporting period, of the Consolidated Financial Statements on page 141.

FINANCIAL RISK MANAGEMENT

The Group has 45% of equity in total capital as at 31 December 2017 (45% as at 31 December 2016). Equity to debt ratio is 1.19 as at 31 December 2017 and 1.22 as at 31 December 2016.

The risk management objectives and policies of the company are disclosed above in the section Risk Management, principal risks and uncertainties on page 40.

The exposure of the Company and its subsidiary undertakings to price, credit, liquidity, and cash flow risks is disclosed in Note 27, Financial Risk Management, of the Consolidated Financial Statements on page 132.

FUTURE DEVELOPMENTS

Future developments disclosed in Strategic report on pages 46–47.

LIST OF DIRECTORS

The Board is a one-tier board consisting of executive and non-executive directors. The executive directors and non-executive directors are members of the same corporate body and share overall responsibility for the management, general affairs, direction, and performance of the Company.

David Morgan

Independent Chairman

David is an Independent Chairman. Given his wide experience of both financial and general management in the chemical and precious metals industries, the directors considered his candidacy as most appropriate for the role and therefore, no external search consultancy nor open advertising were used.

Previously, David spent 20 years with Johnson Matthey plc and was on the board as the executive director responsible for corporate development from 1999–2009.

As of 31 December 2017 he was a Director of a number of companies, both public and private, including: Hargreaves Services plc, where he is chairman, SFC Energy AG and the Royal Mint.

David is a member of the Institute of Chartered Accountants in England and Wales and he holds an MA in Mineralogy and Petrology from Trinity College, Cambridge.

John Munro

Independent Non-Executive Director

John joined Nordgold in October 2015 as an independent non-executive director. He is an international mining industry executive with 27 years' experience in the sector.

John currently is a non-executive director of Manuli Rubber Industries and CEO of Cupric Canyon Capital.

Previously, he was a Director at First Reserve's Mining Buyout Group in London, and CEO at Rand Uranium, where he was responsible for setting up a new gold and uranium company in South Africa.

Prior to that, John held various positions in Gold Fields Limited, Gold Fields of South Africa Limited and Northam Platinum Limited, where he was variously responsible for corporate development, strategy, and international operations and projects.

John holds a BSc in Chemical Engineering from the University of Cape Town and an AMP from Harvard Business School.

The Board is made up of eight directors, of which two are executive directors (the CEO and the Chief Legal Officer, Corporate and Regulatory Affairs), and six are non-executive directors.

Gregor Mowat

Independent Non-Executive Director, Chairman of the Audit Committee

Gregor joined Nordgold in August 2017 as a non-executive director.

Gregor has more than 20 years of experience in public accounting much of its spent as an audit partner with KPMG in Emerging Market countries.

Gregor was a member of the Board of Partners and CFO of KPMG in Russia and the CIS and the Managing Partner of KPMG in Kazakhstan. He was also the founding Chairman of the British Chamber of Commerce in Kazakhstan.

Gregor is a member of the Institute of Chartered Accountants of Scotland (ICAS). He also holds a Bachelor of Arts degree in English Literature and Language from the University of Durham.

Peter Lester

Independent Non-Executive Director

Peter joined the Company in October 2010 as an independent non-executive director and Chairman of the Safety and Sustainable Development Committee.

He is a mining engineer with extensive experience in senior operations, development and corporate roles.

Previously Peter was the Executive General Manager for corporate development for Oxiana and OZ Minerals, which operated base metal and gold mines in Australia and Laos. His activities have covered Australia, south east and central Asia, the Middle East, and the Americas.

Peter holds a Bachelor of Engineering (Mining-Hons) from the University of Melbourne and is a member of the Australian Institute of Company Directors and the Australian Institute of Mining.

Roman Vasilkov

Non-Executive Director

Roman Vasilkov joined Nordgold in June 2017 as a non-executive director.

Roman has been Head of Corporate Control of Severgroup since September 2016, where his main responsibilities include investment, financial and economic analysis and control. Prior to that, he worked as manager of the Corporate Control Department of Severgroup. Mr. Vasilkov's past experience also includes various positions in the steel trading company Severstal-Invest.

Roman graduated from the St. Petersburg State Polytechnic University with a degree in Finance.

Evgeny Tulubensky

Chief Legal Officer, Corporate and Regulatory Affairs

Evgeny was appointed Chief Legal Officer, Corporate and Regulatory Affairs, in 2014 having joined Nordgold as Chief Legal Officer in 2007.

He was previously a senior lawyer at the mining division of Severstal. Before that, he was a legal consultant at Ernst & Young. Evgeny is a member of the Advisory Board of the Russian Society of Subsoil Experts and a participant of the Russian-Guinean Intergovernmental Commission and the Presidential Investment Council in Burkina Faso.

Evgeny graduated from the Law Faculty of St. Petersburg State University and he has an LLM (with honours) from Northwestern University (Chicago). He also holds a degree in economics from St. Petersburg State University of Engineering and Economics.

Nikolai Zelenski

Chief Executive Officer

Nikolai has led Nordgold's Management Team since the company's inception in 2007, having previously worked, from 2004, at Severstal as a Head of Severstal Resources' Gold Division, which subsequently became Nordgold. Earlier he was an Engagement Manager at McKinsey & Company in the mining sector.

Nikolai holds a Master of Technical Sciences degree from St Petersburg State Technical University in Russia, a PhD in molecular genetics from University of Texas in the US, and an MBA from Vanderbilt University in the US.

Alexey Mordashov

Non-Executive Director

Alexey was first appointed a nonexecutive director on 14 June 2012.

He worked for JSC Severstal (Severstal) from 1988, prior to being appointed a non-executive director of the Company. In December 1996 he was appointed Severstal's CEO. In June 2002 Alexey was elected Chairman of JSC Severstal, JSC Severstal Auto, Severstal Resource. From 2002 he served as the CEO of Severstal Group, and from December 2006 he worked as the CEO of Severstal.

Alexey serves on the Entrepreneurs Council of the Russian Federation Government. In addition, he is a member of the RussianGerman workgroup responsible for strategic economic and finance issues, and he is the head of the Russian Union of Industrialists and Entrepreneurs' (RSPP) Committee of Trade Policy and WTO. Since March 2006 he has been a member of the EURussia Business Cooperation Council. Alexey is a member of the Atlantic Council President's International Advisory Board. He is in addition a member of the supervisory board of the NonProfit Partnership Russian Steel and Deputy Chairman of the World Steel Association (since October 2011), which has its headquarters in Brussels, Belgium.

Alexey gained an undergraduate degree from the Leningrad Institute of Engineering and Economics. He also holds an MBA from Newcastle Business School in the UK. Alexey was granted an Honorary Doctorate from the St Petersburg State University of Engineering and Economics in 2001 and from the University of Northumbria in 2003.

COMPOSITION AND OPERATION OF BOARD AND COMMITTEES

Board Committees

The Board has established standing committees through which it executes some of its duties, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Safety and Sustainable Development Committee.

In 2016 in response to a MAR regulation the Board also established a Disclosure Committee. Details about the membership of the committees, as well as a brief description of their responsibilities and work, are set out below.

Audit Committee

http://www.nordgold.com/investors-and-media/corporate-governance/committees-terms-of-reference/.

The Audit Committee has an independent role from the management. The Board delegated to the Committee responsibility for overseeing the financial reporting and internal controls of the Company and its subsidiaries and for maintaining an appropriate relationship with the external auditor.

Audit Committee duties are set by the Audit Committee Terms of Reference valid as of 31 December 2017.

Remuneration Committee

The Remuneration Committee helps the Board meet its responsibilities to attract and motivate executives and senior management team members, including:

- Determining and agreeing with the Board the framework and policies for all executive director and Chairman remuneration, including appropriate performance-related incentive arrangements, pension rights, clawback mechanisms and consideration of the compensation commitments under the executive directors' terms of appointment and the consequences of early termination;
- Recommending and monitoring senior management remuneration;
- Setting, reviewing, and approving corporate and individual executive performance goals;
- Producing an annual remuneration report to be approved by shareholders at the Annual General Meeting;

- Reviewing Nordgold's Remuneration Policy annually for its ongoing appropriateness and relevance; and

- Determining the criteria for the selection, appointment and terms for any remuneration consultants who advise the committee, and obtaining reliable, up-to-date information about executive remuneration among the Company's peers.

Safety and Sustainable Development Committee

The Safety and Sustainable Development (S&SD) Committee monitors and evaluates reports on the effectiveness of S&SD policies, management standards, strategy, performance, and governance across the Group, and also reports to the Board on key S&SD issues.

The committee operates under terms of reference that are approved by the Board and it normally meets at least twice a year.

Details about terms of references of the committees are disclosed at the corporate site: http://www.nordgold.com/investors-and-media/corporate-governance/committees-terms-of-reference/.

EMPLOYMENT CONSULTATION

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group and the Company.

This is achieved through formal and informal meetings, the Company magazine and a special edition for employees of the annual financial statements. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

AUTHORITIES

Governments and regional authorities are another key stakeholder for the Group. Central and regional governments can have an impact on the Group's business through regulations and oversight. Therefore, our local government relations and communications teams maintain regular dialogue with relevant authorities, presenting our views on key legislation and policy issues. In dealing with government bodies, Nordgold always conducts itself in accordance with the highest ethical standards and, for example, never made any contributions to political parties, politicians or related institutions.

EXTERNAL AUDITOR

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board:

Nikolay Zelenski
Chief Executive Officer
15 March 2018

Financial statements

The Company has a track record of profitable growth and remains well-positioned to drive long-term sustainable cash flow and deliver returns to shareholders testament to the high quality of Nordgold' mines, combined with proven operational excellence of the management team.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements of Nord Gold SE ("the parent company") and its subsidiaries (together, "the Group") in accordance with applicable law and regulations.

Company law requires the Directors to prepare for each financial year the consolidated financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation. The Directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under Company law 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 and of the profit or loss of the company for that year.

In preparing the consolidated financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the entity's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and its subsidiaries' transactions, disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole;

- the strategic report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

This responsibility statement was approved by Directors on 15 March 2018 and signed on their behalf by:

Zelenski N.G.
Chief Executive Officer

Guzeev D.V.
Chief Financial Officer

Independent auditor's report to the members of Nord Gold SE

Report on the audit of the financial statements

Opinion

In our opinion:

- **the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;**
- **the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements of Nord Gold SE (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the Consolidated and Parent Company Statements of Profit or Loss,
- the Consolidated and Parent Company Statements of Comprehensive Income or Loss,
- the Consolidated and Parent Company Statements of Financial Position,
- the Consolidated and Parent Company Statements of Changes in Equity,
- the Consolidated Statement of Cash Flows,
- the related Consolidated notes 1 to 29, and
- the related Parent Company notes 1 to 14.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement that we identified. These matters included 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.

Our 2017 key audit matters for Mining assets and mineral rights impairment and impairment reversal and Valuation of slow moving non-metal inventories at African mines remain consistent with 2016.

Accounting for the Montagne D'Or acquisition is a new key audit matter for 2017. The Impairment of exploration and evaluation assets and Recoverability of input VAT related to operations in Africa key audit matters included in our prior year 2016 audit report were not considered to be key audit matters for 2017.

Mining assets and mineral rights impairment and impairment reversal

Risk description

Management is required to identify the individual cash generating units ("CGUs") within the Group's mining assets and mineral rights, and assess them in accordance with IAS 36 Impairment of Assets. The determination of CGUs and the identification of indicators of impairment and impairment reversals at each reporting period end are judgemental in nature.

As at 31 December 2017, the Buryatzoloto, Lefa and Taparko mine CGUs had carrying values of US$109 million, US$490 million and US$56 million respectively. Following operational performance issues at these mines during 2017 and/or relatively low valuation head rooms identified in prior periods, management identified indicators of impairment for these three CGUs as at 31 December 2017. No indicators of impairment or impairment reversal were identified at the remaining CGUs.

Accordingly, management estimated the recoverable amount of these three CGUs as at 31 December 2017. These valuations, which are key management estimates, are modelled using discounted cash flows (value in use) based on life of mine models with the latest operational assumptions, gold price forecasts and the relevant discount rates. No impairments were identified by management for the year ending 31 December 2017 (31 December 2016: US$64 million and US$3 million impairment charges for the Taparko and Aprelkovo CGUs respectively).

The determination of CGUs and the assessment of whether there are impairment and/or impairment reversal indicators is a critical accounting judgement as disclosed within note 4 to the financial statements on page 96. The estimation of recoverable amounts when required for CGUs with impairment and/or impairment reversal indicators is a key area of estimation uncertainty as disclosed within note 4 to the financial statements on page 97. Further details on the Group's significant accounting policy are provided in note 13 to financial statements on page 86.

How the scope of our audit responded to the risk

We evaluated the design and implementation of the key management controls in relation to the Group's impairment review processes.

We challenged management's CGU determination, scrutinised the impairment and impairment reversal indicator analysis and considered whether there was any contradictory evidence present. Where such indicators were identified we obtained and evaluated the discounted cash flow models used to determine the value in use of the relevant CGUs.

We verified the mathematical accuracy of the valuation models and relevant data inputs. We challenged management's gold price forecast by considering recent analyst forecast gold prices and assessed the reserves and resources included against the underlying Competent Person Reports.

We challenged the other key management estimates, including production profiles, capital expenditure, operating cost forecasts and the discount rates. We compared these estimates to third party documentation where available, utilised our Deloitte valuation specialists, consulted with operational management and considered various sensitivity analyses.

We also assessed these estimates against management's historical forecasting accuracy and whether the estimates had been determined and applied on a consistent basis across the Group.

Key observations

We found that the forecasts and estimates used were reasonable and had been determined and applied on a consistent basis across the Group. No additional impairments or impairment reversals were identified from the work performed.

Valuation of slow moving non-metal inventories at African mines

Risk description

Inventories are required to be carried at the lower of cost and net realisable value per IAS 2 Inventories. This assessment requires a significant level of management judgement, particularly when estimating whether specific non-metal inventory items will be useable in future periods or are deemed to be obsolete. The nature of whether a spare part is a consumable (held in inventory at cost until used), capital spare (held in PPE at cost until used) or critical spare (held in PPE at cost less depreciation) is also judgemental.

The Group has significant stores and spare parts inventory balances as at 31 December 2017, in particular at the Lefa mine in Guinea ($50 million), and the Bissa (including Bouly) ($36 million) and Taparko ($30 million) mines in Burkina Faso.

These relatively high inventory values reflect the Group's requirement for key stores and spares items to be available at the mine sites, given the logistical complexity and historical delays in obtaining non-metal inventories in the event of mechanical failure. The significance of the balance and the relative ageing, results in a heightened risk of obsolescence, particularly for those items which have not been utilised recently and those with an increased inherent risk of obsolescence.

During 2017, management performed a review of the stores and spares balance at Lefa, Bissa and Taparko. Inventories that were not utilised in the prior 24 months and slow-moving items were identified and analysed by management and updates were made to the inventory obsolescence provision measurement.

This key audit matter is a critical accounting judgement as disclosed within note 4 to the financial statements on page 97. Further details on the Group's significant accounting policy are provided in note 3 to financial statements on page 90.

How the scope of our audit responded to the risk

We evaluated the design and implementation of the key management controls in relation to the Group's non-metal inventory monitoring and review processes.

We held meetings with local African and Moscow head office management to understand the procedures undertaken as part of the stores and spares inventory review.

We challenged the appropriateness of management's classification between critical spares, capital spares and consumables as defined above.

Through the use of statistically determined sample selections, we challenged management's assessment of slow moving items and the corresponding provision for obsolescence to assess whether they are valued and classified appropriately.

We tested the existence of non-metal inventories by attending inventory counts performed by management's experts at all significant components, assessed the results of management's full stock counts, tested the movement reconciliations where required and reviewed management's analysis of stores and spares items turnover.

Key observations

No additional write-downs of metal inventories were identified from the work performed.

Accounting for the Montagne D'Or acquisition

Risk description

The appropriate accounting treatment for the Montagne D'Or acquisition, which completed during 2017, is a key management judgement, specifically in respect of determining whether the acquisition constitutes a business combination or an asset acquisition.

Management concluded that the Montagne D'Or acquisition constituted a business combination per IFRS 3 Business Combinations. Determining the fair value of the assets and liabilities acquired is a key management estimate, particularly given the requirement for management to estimate appropriately the relevant risk factors specific to the project construction, commissioning operation and remaining mining licence approvals.

The mineral right assets acquired were fair valued by management using a discounted cash flow model. SRK Consulting independently completed the Montagne D'or bankable feasible study ("BFS") in early 2017, which indicated a US$370 million fair value. Management applied the SRK BFS future operating and capital cost assumptions and the Group's macro-economic assumptions and an 8% French Guiana specific discount rate in estimating the US$100 million fair value of the mineral rights acquired.

This key audit matter is a key source of estimation uncertainty as disclosed within note 4 to the financial statements on page 97. Further details on the Group's significant accounting policy are provided in note 3 to financial statements on page 89.

How the scope of our audit responded to the risk	We evaluated the design and implementation of the key management controls in relation to the Group's acquisition processes. We reviewed the formal notification issued by the Group to Columbus Gold Corporation and verified that the acqusition had completed during the year ending 31 December 2017. We challenged management's assessment of whether the Montagne D'Or acquisition met the definition of business per IFRS 3 Business Combinations. We also challenged management's conclusion that the Group obtained control of the Montagne D'Or business per IFRS 10 Consolidated Financial Statements. We reviewed management's accounting treatment which fully consolidates the Montagne D'Or business with a non-controlling interest recognised in equity for the 45% non-controlling share held by Columbus Gold Corporation. We met with SRK Consulting to challenge the underlying BFS valuation model assumptions, understand any significant risks or judgements and to confirm their independence, objectivity and competence. We verified the mathematical accuracy of management's valuation model and relevant data inputs and we challenged management's key operational and macro assumptions.
Key observations	We are satisfied that the acquisition constitutes a business combination and has been accounted for appropriately on that basis. We concurred that the estimates used by management in the fair valuation of the business were reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	$13 million (2016: US$13 million)	$8 million
Basis for determining materiality	Approximately 5% of adjusted profit before tax averaged over the prior three years of Group results. The forecast adjusted profit before tax excludes impairment charges, gains/losses on foreign exchange, impact of swap revaluations, reversal of gains on acquisitions and disposals and mining tax provisions.	Less than 2% of net assets, consistent with the 2016 basis.
Rationale for the benchmark applied	We have determined that adjusted profit before tax provides us with a consistent year on year basis for determining materiality and is the most relevant key performance measure to the stakeholders of the Group. Our materiality is below 2% of equity (2016: below 2%).	We have determined that net assets is the most relevant key performance measure to stakeholders given that it acts as a holding company.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of US$650,000 (2016: US$650,000) for the group, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and the parent company and their environments, including internal control, and assessing the risks of material misstatement. The Group's head office is based in Russia and the primary mining operations are located in Burkina Faso, Guinea, Kazakhstan and Russia.

Consistent with the prior year, we performed full scope audit procedures to component materiality at identified significant components using our component auditors and Group team as appropriate.

Considering operational and financial performance and risk factors, we revised our assessment of the significant components in Burkina Faso, Guinea, Kazakhstan and Russia. This resulted in us performing full scope audits of the Bissa (including Bouly), Lefa, Alel, Taparko components and Nordgold SE company only along with specified audit procedures at other components. Our full scope and specified audit procedures cover revenue (100% of Group total), total assets (93% of Group total) and profit before tax (81% of Group total).

Despite the operations of the Alel mines remaining consistent, due to the significance of the contribution of Alel to profit before tax in 2017, we performed full scope audit procedures, whereas in 2016 we performed specified audit procedures.

We performed specified audit procedures for the Berezitovy component in 2017 (2016: full scope audit), as we deemed this component to be a stable, mature mine and we plan for Berezitovy to be subject to full scope audit once every three years, unless events cause us to accelerate our rotation plan.

The work performed by the component audit teams at each component was guided by the Group audit team and we held component auditor direction and supervision meetings throughout the year. The component audits were executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from US$5.2 million to US$9.1 million (2016: US$7.7 million to US$8.4 million).

At Nordgold's Moscow head office the Group audit team tested the Group's consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Senior Statutory Auditor and/or a senior member of the audit team visits the head office multiple times every year and key operational assets on a rotational basis.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.	**We have nothing to report in respect of these matters.**

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the 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 financial statements, the directors are responsible for assessing the group's and the parent company'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 the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: 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 Chapter 3 of Part 16 of the Companies Act 2006. 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.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records	
Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration	
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.	**We have nothing to report in respect of this matter.**

Christopher Thomas ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

15 March 2018

Consolidated statement of profit or loss

For the year ended 31 December 2017

(Amounts in thousands of US dollars, except as otherwise stated)

		Year ended 31 December	
	Note	2017	2016
Sales	6	1,221,034	1,075,540
Cost of sales		(875,412)	(699,580)
Gross profit		**345,622**	**375,960**
General and administrative expenses	7	(62,871)	(53,630)
Impairment charge of non–current assets	9	(1,160)	(85,325)
Other operating expenses, net		(2,785)	(7,376)
Profit from operations		**278,806**	**229,629**
Gain on bargain purchase	25	690	–
Gain on disposal of available–for–sale investment	16	–	50,969
Gain on disposal of joint venture	24	–	29,718
Finance income	10	16,984	6,964
Finance costs	10	(75,382)	(65,923)
Foreign exchange loss		(4,524)	(41,741)
Profit before income tax		**216,574**	**209,616**
Income tax expense	11	(49,778)	(49,548)
Profit for the year		**166,796**	**160,068**
Attributable to:			
Shareholders of the Company		157,170	155,421
Non–controlling interests		9,626	4,647
Weighted average number of shares outstanding during the year (thousands of shares) — basic and diluted	23	351,215	370,511
Earnings per share			
Basic and diluted earnings per share (US dollars)	23	**0.45**	**0.42**

Consolidated statement of comprehensive income/(loss)

For the year ended 31 December 2017

(Amounts in thousands of US dollars, except as otherwise stated)

		Year ended 31 December	
	Note	2017	2016
Profit for the year		**166,796**	**160,068**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange gain on translation of foreign operations		118,861	80,938
Recycling of foreign exchange loss on translation of foreign operations related to subsidiary disposal to profit or loss		(8,593)	–
Revaluation of available–for–sale financial assets		1,283	27,564
Recycling of available–for–sale reserve to profit or loss	16	–	(50,969)
Deferred tax on revaluation of available–for–sale financial assets	11	(2)	878
Other comprehensive income for the year, net of tax		**111,549**	**58,411**
Total comprehensive income for the year		**278,345**	**218,479**
Attributable to:			
Shareholders of the Company		260,396	211,968
Non–controlling interests		17,949	6,511

Consolidated statement of financial position

As at 31 December 2017

(Amounts in thousands of US dollars, except as otherwise stated)

	Note	31 December 2017	31 December 2016
ASSETS			
Current assets			
Cash and cash equivalents	13	270,402	286,263
Short–term deposits	13	70,237	70,015
Accounts receivable	14	29,658	22,634
Inventories	15	177,269	174,871
VAT receivable		86,028	62,808
Income tax receivable		21,814	3,628
Total current assets		**655,408**	**620,219**
Non–current assets			
Property, plant and equipment	17	1,085,513	881,961
Intangible assets	18	765,660	647,494
Long–term financial investments	16	8,045	47,247
Restricted cash	13	14,919	10,886
Deferred tax assets	11	35,261	28,695
Inventories	15	92,782	66,589
Other non–current assets		4,998	8,336
Total non–current assets		**2,007,178**	**1,691,208**
TOTAL ASSETS		**2,662,586**	**2,311,427**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short–term borrowings	19	453,564	171,768
Accounts payable	20	292,455	264,745
Income tax payable		20,251	19,963
Provisions	21	15,221	3,285
Total current liabilities		**781,491**	**459,761**

Non-current liabilities			
Long-term borrowings	19	541,583	689,863
Derivative financial instrument	19	1,835	–
Provisions	21	47,260	46,768
Deferred tax liabilities	11	102,542	57,371
Other non-current liabilities		7,783	8,355
Total non-current liabilities		**701,003**	**802,357**
TOTAL LIABILITIES		**1,482,494**	**1,262,118**
Equity	22		
Share capital		468,873	511,733
Share buyback reserve		(11,409)	–
Additional paid-in capital		767,995	838,198
Foreign exchange differences		(465,729)	(567,674)
Retained earnings		302,732	200,662
Revaluation reserve		1,305	24
Total equity attributable to shareholders of the Company		**1,063,767**	**982,943**
Non-controlling interests		116,325	66,366
TOTAL EQUITY		**1,180,092**	**1,049,309**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,662,586**	**2,311,427**

The financial statements of Nord Gold SE, registered number SE000102, were approved and authorised for issue by the Directors on 15 March 2018 and signed on their behalf by:

Zelenski N.G.
Chief Executive Officer

Guzeev D.V.
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 31 December 2017

(Amounts in thousands of US dollars, except as otherwise stated)

	Note	Year ended 31 December 2017	2016
Operating activities			
Profit for the year		**166,796**	**160,068**
Adjustments			
Gain on disposal of available–for–sale investment	16	–	(50,969)
Gain on disposal of joint venture	24	–	(29,718)
Finance income	10	(16,984)	(6,964)
Finance costs	10	75,382	65,923
Foreign exchange loss		4,524	41,741
Income tax expense	11	49,778	49,548
Depreciation and amortisation		212,412	157,195
Impairment charge of non–current assets	9	1,160	85,325
Impairment charge of work–in–progress recognised in cost of sales		3,946	4,344
Loss on disposal of subsidiary		1,251	–
Loss on disposal of property, plant and equipment		344	245
Gain on bargain purchase		(690)	–
Provision for obsolescence and write off of inventories		7,986	(1,153)
Provision for doubtful receivables and other provisions		10,394	12,470
		516,299	**488,055**
Changes in operating assets and liabilities:			
Accounts receivable		(5,110)	(631)
Inventories		(4,360)	(15,559)
VAT recoverable		(12,087)	(17,742)
Accounts payable		12,817	27,781
Other changes in operating assets and liabilities, net		2,012	10,858
Cash flows from operations		**509,571**	**492,762**
Interest paid		(63,095)	(48,401)
Interest received		5,860	8,753
Net interest from cross currency swap	19	12,682	–
Income tax paid		(49,470)	(50,102)
Cash generated from operating activities		**415,548**	**403,012**

Investing activities			
Acquisition of property, plant and equipment		(309,019)	(314,554)
Acquisition of exploration and evaluation assets		(44,190)	(26,475)
Acquisition of long–term investments		(2,348)	(17,180)
Acquisition of non–controlling interests		(4,021)	(11,755)
Sale of available–for–sale investments	16	–	58,570
Sale of joint venture	24	–	30,000
Decrease in short–term deposits	13	–	10,000
Other movements		(563)	(6,994)
Cash used in investing activities		**(360,141)**	**(278,388)**
Financing activities			
Proceeds from borrowings	19	510,000	40,000
Transaction cost paid		(7,460)	–
Repayment of borrowings	19	(375,000)	(125,000)
Dividends paid[1]	12	(88,433)	(22,721)
GDRs buyback	22	(109,223)	(971)
Other movements		(4,145)	(3,791)
Cash used in financing activities		**(74,261)**	**(112,483)**
Net increase in cash and cash equivalents		**(18,854)**	**12,141**
Cash and cash equivalents at beginning of the year	13	286,263	281,695
Effect of exchange rate fluctuations on cash and cash equivalents		2,993	(7,573)
Cash and cash equivalents at end of the year	**13**	**270,402**	**286,263**

[1] Including US$31.1 million of the total US$53.9 million 2016 dividends declared which were paid during 2017.

Consolidated statement of changes in equity

For the year ended 31 December 2017

(Amounts in thousands of US dollars, except as otherwise stated)

	Share capital	Share buyback reserve	Treasury shares	Additional paid-in capital
Balance at 1 January 2016	**1,280,801**	**–**	**(300)**	**870,463**
Profit for the year	–	–	–	–
Other comprehensive (loss)/ income for the year, net of tax	–	–	–	–
Total comprehensive income for the year				
Acquisitions of non–controlling interest	–	–	–	–
GDRs buyback (Note 22)	–	–	(971)	–
Treasury shares cancellation (Note 22)	(1,469)	–	1,271	(998)
Capital reduction (Note 22)	(767,599)	–	–	(31,267)
Dividends declared (Note 12)	–	–	–	–
Balance at 31 December 2016	**511,733**	**–**	**–**	**838,198**
Profit for the year	–	–	–	–
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year				
Acquisitions of non–controlling interest	–	–	–	–
Potential share buyback (Note 22)	–	(11,409)		–
GDRs buyback (Note 22)	–	–	(109,223)	–
Treasury shares cancellation (Note 22)	(42,860)	–	109,223	(70,203)
Acquisition of subsidiary (Note 25)	–	–	–	–
Dividends declared and paid (Note 12)	–	–	–	–
Balance at 31 December 2017	**468,873**	**(11,409)**	**–**	**767,995**

	Attributable to the shareholders of the Company					
	Foreign exchange differences	Retained earnings/ (Accumulated losses)	Revaluation reserve	Total	Non-controlling interests	Total
	(646,748)	**(698,504)**	**22,551**	**828,263**	**71,218**	**899,481**
	–	155,421	–	155,421	4,647	160,068
	79,074	–	(22,527)	56,547	1,864	58,411
				211,968	6,511	218,479
	–	(2,456)	–	(2,456)	(9,415)	(11,871)
	–	–	–	(971)	–	(971)
	–	1,196	–	–	–	–
	–	798,866	–	–	–	–
	–	(53,861)	–	(53,861)	(1,948)	(55,809)
	(567,674)	**200,662**	**24**	**982,943**	**66,366**	**1,049,309**
	–	157,170	–	157,170	9,626	166,796
	101,945	–	1,281	103,226	8,323	111,549
				260,396	17,949	278,345
	–	(1,647)	–	(1,647)	(2,786)	(4,433)
	–	–	–	(11,409)	–	(11,409)
	–	–	–	(109,223)	–	(109,223)
	–	3,840	–	–	–	–
	–	–	–	–	36,346	36,346
	–	(57,293)	–	(57,293)	(1,550)	(58,843)
	(465,729)	**302,732**	**1,305**	**1,063,767**	**116,325**	**1,180,092**

Notes to the consolidated financial statements

For the year ended 31 December 2017

(Amounts expressed in thousands of US dollars, except as stated otherwise)

1. Operations

On 27 June 2016, Nord Gold SE (the "Company"), formerly Nord Gold N.V., re-domiciled from the Netherlands to the United Kingdom (England) as a European Public Limited-Liability Company registered in accordance with the corporate law of the European Union and the UK Companies Act 2006. The Company's registered office is 5th Floor, 6 St. Andrew Street, London EC4A 3AE, United Kingdom. The Company is a public company limited by shares.

As at 31 December 2017 and 2016, the immediate parent company of the Company was Ocean Management Ltd. ("the Parent Company"), registered in the Luxembourg. The controlling shareholder of the Company is Mr. Alexey A. Mordashov.

The principal activity of the Company and its subsidiaries (together referred to as the "Group") is the extraction, refining and sale of gold. Mining and processing facilities are located in Burkina Faso, Guinea, the Republics of Buryatia and Sakha (Yakutia) and the Amur and Transbaikal regions of the Russian Federation and in Kazakhstan. Detailed information about the Group's subsidiaries is presented in Note 24.

2. Basis for preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs EU").

Basis of measurement and presentation

The consolidated financial statements are prepared under the historical cost convention except for financial investments classified as available-for-sale and financial instruments, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The presentation currency of these consolidated financial statements is the US dollar.

Going concern

These consolidated financial statements have been prepared on the going concern basis as the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least the next 12 months.

In assessing its going concern status, the Group has taken account of its financial position, anticipated future trading performance, its borrowings and other available credit facilities, its forecast compliance with covenants on those borrowings and its capital expenditure commitments and plans. As at 31 December 2017, the Group held US$270.4 million of cash and cash equivalents, US$70.2 of short term deposits and had net debt of US$656.3 million. On 14 March 2018 the Group secured a new US$300 million, five-year debt facility with a group of international banks. The syndicated loan is provided by the following mandated lead arrangers: ING (a branch of ING-DIBA AG), AO Raiffeisenbank, Raiffeisen Bank International AG, PJSC Rosbank, Societe Generale and AO UniCredit Bank. Nordgold intends to use the proceeds of the facility to refinance its existing Eurobonds, which mature in May 2018 (US$448 million). The Eurobond refinancing will be partially funded by cash on the Company's balance sheet.

The Board of Directors is satisfied that the Group's forecasts and projections, having taken account of reasonably possible changes in trading performance, show that the Group has adequate resources to continue in operational existence for at least the next twelve months from the date of this report without material uncertainty and that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements for the year ended 31 December 2017.

Adoption of new and revised accounting standards

Amendments to accounting standards that are mandatory effective for the current year

The Group has adopted the following new and amended IFRS and IAS during the year. Adoption of these revised standards did not have any effect on the financial performance or position of the Group as at 31 December 2017.

International Accounting Standards (IFRS / IAS)	IASB Effective Date — periods commencing on or after	EU-endorsed effective Date — periods commencing on or after
Amendments to IAS 7: Disclosure Initiative (issued on 29 January 2016)	1 January 2017	1 January 2017
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016)	1 January 2017	1 January 2017
Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IFRS 12 Disclosure of Interests in Other Entities	1January 2017	1 January 2017

The Group has adopted the amendments to IAS 7 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings and certain derivatives (Notes 10, 19). A reconciliation between the opening and closing balances of these items is provided in Note 27. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. The application of these amendments has had no impact on the Group's consolidated financial statements.

The Group has adopted the amendments to IAS 12 for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference. The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in a way that is consistent with these clarifications.

The Group has adopted the amendments to IFRS 12 included in the Annual Improvements to IFRSs 2014–2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group. IFRS 12 states that an entity need not provide summarised financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

New and revised accounting standards and interpretations in issue but not yet effective

At the date of authorisation 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 had not yet been adopted by the EU):

International Accounting Standards (IFRS / IAS)	IASB Effective Date — periods commencing on or after	EU-endorsed effective Date — periods commencing on or after
New standards		
IFRS 15 Revenue from Contracts with Customers (and the related clarifications)	1 January 2018	1 January 2018
IFRS 9 Financial Instruments	1 January 2018	1 January 2018
IFRS 16 Leases	1 January 2019	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021	Endorsement outstanding
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018	Endorsement outstanding
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	Endorsement outstanding
Amended standards		
Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018	1 January 2018
Amendments to IFRS 2: Classification and Measurement of Share–based Payment Transactions	1 January 2018	Endorsement outstanding

Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IFRS 1 First Time Adoption of IFRS	1 January 2018	Endorsement outstanding
Amendments from Annual Improvements to IFRS Standards 2014–2016 Cycle to IAS 28 Investments in Associates and Joint Ventures	1 January 2018	Endorsement outstanding
Amendments to IAS 40: Transfers of Investment Property	1 January 2018	Endorsement outstanding
Amendments to IFRS 9: Prepayment features with Negative Compensation	1 January 2019	Endorsement outstanding
Amendments to IFRS10 and IAS 28: Long–term Interests in Associates and Joint Ventures	1 January 2019	Endorsement outstanding
Annual Improvements to IFRS standards 2015–2017 Cycle	1 January 2019	Endorsement outstanding

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use when accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2018.

The core principle of IFRS 15 is that an entity should recognise revenue in a manner that depicts the pattern of when contractually agreed performance obligations are completed for customers. Performance obligations are defined as "distinct" goods or services. The revenue amount recognised should reflect the consideration amount to which the entity expects to be entitled in exchange for those contractual performance obligations. The new standard requires entities to apportion revenue earned from contracts to individual performance obligations on a relative standalone selling price basis, based on a five-step model. Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

During 2017 the Group has undertaken a detailed accounting impact analysis based on a review of the existing contractual terms of its revenue portfolio streams and internal accounting policies have been developed under IFRS 15.

Under IFRS 15 the revenue recognition model will change from one based on the transfer of risk and reward of ownership to the transfer of control of ownership. The Group's revenue is primarily derived from gold sales, for which the point of revenue recognition is dependent on the contractual sales terms. As the transfer of risks and rewards under IAS 18 coincides with the transfer of control at a point in time under IFRS 15 per the Group's existing gold sales contractual terms, the timing and amount of revenue recognised by the Group will not be materially affected. The key judgements in reaching this conclusion are that the control of all goods and services (transferred to the customer under a gold sales contract) is satisfied at the point in time when gold delivery is made to the customer and there are no materially distinct performance obligations.

The adoption of IFRS 15 will have no impact on the Group's net income, net assets or financial Key Performance Indicators for 2018.

IFRS 9 Financial Instruments

The Group will apply IFRS 9 from 1 January 2018 and has elected not to restate 2017 comparatives on initial application of IFRS 9. The new standard is applicable to financial assets and financial liabilities, and covers the classification, measurement, impairment and de-recognition of financial assets and financial liabilities together with a new hedge accounting model.

During 2017 the Group has undertaken a detailed accounting impact analysis of the new standard based on the nature of the financial instruments it holds and the way in which they are used. The changes for the Group following the adoption of IFRS 9 are as follows:

- Classification and measurement: IFRS 9 establishes a principles based approach to determining whether a financial asset should be measured at amortised cost or fair value, based on the cash flow characteristics of the asset and the business model in which the asset is held. The Group concludes that the classification and measurement basis for its existing financial assets and liabilities will be unchanged under the new IFRS 9 model.

- Impairment: Based on the Group's assessment, the introduction of an 'expected credit model' for the assessment of impairment for financial assets held at amortised cost will not have a material impact on the Group's statement of financial position or results, given the relatively low exposure to counterparty default risk as a result of the credit risk management processes that are in place for financial assets. The financial impact on initial adoption will be to recognise a pre-tax impairment of less than US$1 million on the Group's consolidated receivables (principally trade receivables) and a pre-tax impairment of US$6 million on the Nord Gold SE company only intra-group loans and receivables. The difference between the previous carrying amount and the impaired carrying amount at 1 January 2018 will be recognised through opening retained. Subsequently no significant impact on net income is expected from applying the new impairment model.

- Hedge accounting: On initial application of IFRS 9 an entity may choose, as its accounting policy, to continue to apply the hedge accounting requirements of IAS 39 instead of the hedge accounting requirements of IFRS 9. The adoption of the new standard will not impact the Group as at 1 January 2018 as it holds no existing hedging arrangements, but could provide scope to apply hedge accounting to a broader range of transactions in the future.

IFRS 16 Leases

IFRS 16 was published in January 2016 and will be effective for the Group from 1 January 2019, replacing IAS 17 Leases.

The principal impact of IFRS 16 will be to change accounting by lessees of leases currently classified as operating leases. Lease agreements will give rise to the recognition by the lessee of an asset, representing the right to use the leased item, and a related liability for future lease payments. Lease costs will be recognised in the income statement in the form of depreciation of the right-of-use asset over the lease term, and finance charges representing the unwind of the discount on the lease liability. Certain exemptions from recognising leases on the statement of financial position are available for leases with terms of 12 months or less or where the underlying asset is of low value.

The Group has begun its impact assessment on the new standard and is also evaluating whether any additional arrangements will fall within the scope of the standard. The most significant impact on the Group financial statements is expected to be on the statement of financial position, as a consequence of the recognition of right-of-use assets and lease liabilities in relation to arrangements currently accounted for as operating leases.

3. Summary of significant accounting policies

These accounting policies have been consistently applied throughout the Group for all periods presented in these consolidated financial statements.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing these consolidated financial statements; unrealised losses are also eliminated unless the transaction provides an evidence of impairment of the asset transferred.

Acquisition of additional interest in subsidiaries

No goodwill is recognised where the Group acquires additional interests in subsidiaries. The difference between the share of net assets acquired and the cost of investment is recognised directly in equity.

Foreign currencies

The functional currency of each of the Group`s entities is determined separately.

For all Russian Federation entities, the functional currency is the Russian Rouble. The functional currency of the Group's entities located in Kazakhstan is the Tenge, the functional currency for Burkina Faso entities is the Communaute Financiere Africaine Franc and the functional currency for Guinea is the US Dollar.

The translation into the presentation currency is made as follows:

- All assets and liabilities, both monetary and non-monetary, are translated at the closing exchange rates at the dates of each statement of financial position presented;
- All income and expenses in each statement of profit or loss are translated at the average exchange rates for the periods presented; and
- All resulting exchange differences are recognised as a separate component in other comprehensive income.

Any conversion of amounts into US Dollars should not be interpreted as a representation that such amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rates used, or any other exchange rate. Transactions in foreign currencies are translated to the functional currency of each entity at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of each entity at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency of the entity at the foreign exchange rate ruling at the date of the transaction. Foreign exchange gains and losses arising on the translation are recognised in the consolidated statement of profit or loss.

Property, plant and equipment

Property, plant and equipment ("PP&E") are carried at cost less accumulated depreciation and accumulated impairment losses or at fair value when acquired as part of a business combination. Cost includes expenditure that is directly attributable to the acquisition of the asset and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. In the case of assets constructed by the Group, related works and direct project overheads are included in cost. The cost of replacing part of an item of PP&E is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. Repair and maintenance expenses are charged to the statement of profit or loss as incurred. Gains or losses on disposals of property, plant and equipment are recognised in the statement of profit or loss.

Assets previously being under construction are transferred from construction in progress to fixed assets and depreciated as soon as project production indicators are achieved. Particular production indicators are considered for each project separately depending on its technological specifics.

Capital expenditures for mine development works (pit opening, construction of capital mine workings and ore production stripping activity) are accounted for as buildings and construction.

Stripping activity related to pre-production phase is included in construction in progress. When production phase begins it is transferred to Capital stripping assets group and depreciated using units-of-production.

Depreciation is provided so as to write off property, plant and equipment over its expected useful life. Depreciation is calculated using the straight-line method for all the groups of PP&E, except for Capital stripping assets, where units-of-production method is used. The estimated useful lives of assets are reviewed regularly and revised.

The principal periods over which assets are depreciated are as follows:

Buildings and constructions	5–50 years
Plant and equipment	5–20 years
Other assets	1–20 years
Capital stripping assets	1–10 years

For assets of the newly acquired entities the periods for depreciation are determined in accordance with the terms above taking into consideration the period of previous usage.

Impairment of property, plant and equipment and mineral rights

At each statement of financial position date, the Group reviews the carrying amounts of its property, plant and equipment and associated mineral rights to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Intangible assets (excluding goodwill)

Recognition and amortisation

Intangible assets acquired by the Group are measured on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets are amortised over the estimated useful lives using the straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Mineral rights

Mineral rights are recorded as intangible assets when acquired as part of a business combination or when reclassified from exploration and evaluation assets.

Mineral rights are amortised on a straight-line basis over their useful life. The useful life is assessed on the basis of terms set up by the mineral license (contract) and estimated mineral reserves and resources subject to such license (contract).

Based on current mineral licenses (contracts) terms and available estimations of mineral reserves and resources useful lives of the Group's mineral rights vary from 2 to 19 years.

Amortisation of mineral rights is charged to cost of sales for the period.

Exploration and evaluation assets

Recognition and measurement

Exploration and evaluation assets are generated during exploration and evaluation works aimed to search for new mineral deposits at new or existing license (contract) areas (for extension of the mineral basis) after the Group may obtain the right to extract these new deposits.

An exploration and evaluation asset is no longer treated as such when the technical feasibility and commercial viability of extracting a new mineral deposit are demonstrable and the Group may extract these resources according to the local governmental procedures. The carrying amount of such exploration and evaluation asset is reclassified into mineral rights. An exploration and evaluation asset is assessed for impairment and if any, an impairment loss is recognised before reclassification.

The Group measures exploration and evaluation assets on initial recognition at cost or at fair value when acquired as part of a business combination. Following initial recognition, they are carried at cost less accumulated impairment losses.

The following expenditures comprise the cost of exploration and evaluation assets:

- Obtaining the rights to explore and evaluate mineral reserves and resources including costs directly related to this acquisition;
- Researching and analysing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and/or
- Compiling prefeasibility and feasibility studies.

Administration and other overhead costs are charged to the cost of exploration and evaluation assets only if directly related to an exploration and evaluation project.

Impairment of exploration and evaluation assets

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The following facts and circumstances, among others, indicate that exploration and evaluation assets must be tested for impairment:

- The exploration license in the specific area has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of gold resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of gold resources in the specific area have not led to the discovery of commercially viable quantities of gold resources and the decision was made to discontinue such activities in the specific area;
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For the purpose of assessing exploration and evaluation assets for impairment, such assets are allocated to cash-generating units, being exploration license areas.

Any impairment loss is recognised as an expense in accordance with the policy on impairment of assets set out below.

Impairment of financial assets

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and its recoverable amount that is the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. For other assets the recoverable amount is the greater of the fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Financial asset impairment reversal

An impairment loss in respect of a loan or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes an asset or liability resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously-held interests in the acquired entity is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the weighted average principle and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition.

Inventories include materials and consumables, work-in-progress and finished goods.

Materials and consumables are valued at cost less allowances for slow-moving and obsolete items.

Work-in-progress consists of ore stockpiles and gold-in-process (including dore alloy).

Stockpiles represent mined ore before processing and are measured based on each stockpile's average cost per tonne.

Gold in ore involved in processing (crushing, milling, leaching and other operations for recovery of gold in the form of Dore alloy) is accounted for as gold-in-process. Gold-in-process and dore alloy are measured based on recoverable ounces of gold.

Work-in-progress is valued at production costs incurred at the relevant stage of the production process. Production costs include materials and consumables, labour costs, mining and other services, refining costs, amortisation and depreciation of operating assets, etc.

Refined gold represents the Group's finished goods, and is valued on the basis of total production cost.

Financial instruments

Derivative financial instruments

Financial instruments are initially recognised at fair value. Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when either the rights to receive cash flows from those assets have expired or when the Group transfers its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset or (b) has transferred control of the asset. Financial liabilities are derecognised when the Group's obligations under the liability are discharged, or cancelled, or have expired.

Non-derivative financial instruments

Financial assets

Financial assets include cash and cash equivalents, short term deposits, investments, and loans and receivables.

Cash and cash equivalents comprise cash balances, cash deposits and highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Short term deposits comprise deposits with an original maturity of more than three months and with an end date less than twelve months from the date of the statement of financial position

Financial assets are classified into the following specified categories: 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the carrying value of a financial asset held at amortised cost and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, short-term deposits and other receivables (excluding prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Loans and receivables are reviewed and subsequently assessed for impairment on an individual basis. Objective evidence of impairment for an individual account receivable could include: significant financial difficulty of the issuer or counterparty; or breach of contract, such as default or delinquency in payments; or it becoming probable that the counterparty will enter bankruptcy or financial re-organisation.

AFS financial assets

AFS financial assets are those non-derivative financial assets that are not classified as held-to-maturity or loans and receivables and are stated at fair value. Listed shares that are traded in an active market are stated at their market value. Investments in unlisted shares that do not have a quoted market price in an active market are measured at management's estimate of fair value. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, which are recognised directly in the statement of profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to the statement of profit or loss for the period.

If after the initial recognition of an AFS financial asset objective evidence indicating a loss event occurs and that loss event has a negative effect on the estimated future cash flows of that asset, the AFS financial asset is impaired.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance
of an active market for a security. In addition, for an investment in an equity security, a signif-icant
(in excess of 20 percent) or prolonged (for the period more than nine months) decline in the fair value below cost is objective evidence of impairment.

Impairment losses are recognised in the statement of profit or loss, computed as the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

Dividends on AFS equity instruments are recognised in the statement of profit or loss when the Group's right to receive the dividends is established.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised in the statement of profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Income tax

Income tax comprises current and deferred tax and is recognised in the statement of profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax expense is calculated by each entity on a pre-tax profit determined in accordance with the tax law of the country, in which the entity is incorporated, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting and taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which these assets can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised in respect of the following:

- Investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future;
- If it arises from the initial recognition of an asset or liability that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss;
- Initial recognition of goodwill.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Environmental provision

The Group has environmental obligations related to restoration of soil and other related works, which are due upon the closures of certain of its production sites.

Provision for each production site is estimated case-by-case based on available information, taking into account applicable local legal requirements. The estimation is made using existing technology,
at current prices, and discounted using a real discount rate.

Future costs, discounted to net present value, are recognised in the period, in which the environmental disturbance occurs.

Costs are capitalised if environmental disturbance occurred during the construction of property, plant and equipment or charged to production costs for the period if the environmental disturbance occurred as part of the operating production process.

The unwinding of the environmental provisions is included in the consolidated statement of profit or loss as interest expense.

Share capital

Share capital comprises ordinary shares. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of tax effects.

Revenue

Revenue is derived principally from the sale of gold refined bullion.

Revenue from the sale of gold is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably (price is fixed for the relevant lot).

In the Russian Federation revenue from gold sales is recognised at the time of shipment from the refining plant to a bank.

In Kazakhstan sales revenue from gold sales is recognised at the time of arrival to the refining plant.

In West Africa revenue recognition depends on each particular contract but the most common approaches are:

(a) at the time of shipment from the Group production plant,

(b) at the time of delivery to the refining plant,

(c) at the time of delivery to the relevant Airport destination.

Other expenses

Lease payments

Payments made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the contingency no longer exists and the lease adjustment is known.

Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the statement of profit or loss as incurred.

Finance income and costs

Finance income comprises interest income on funds invested, dividend income, and net foreign currency gains. Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest method. Dividend income is recognised in the statement of profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, net foreign currency losses and impairment losses recognised on financial assets. All borrowing costs are recognised in the statement of profit or loss using the effective interest method except borrowing costs capitalised as part of qualifying assets.

Foreign currency gains and losses are reported on a net basis.

Earnings per share

The Group's basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. No dilutive instruments were present during the period.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment may engage in business activities for which it has yet to earn revenues, for example, entities on the exploration and evaluation stage.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker ("CODM"), the Group's Chief Executive Officer ("CEO"). The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Cash generating unit ("CGU") determination and impairment and reversal of impairment indicators

Management exercises judgement in determining the Groups individual CGUs based upon an assessment of the whether the cash inflows generated are capable of being separately identifiable and independent. Management also applies judgement in allocating assets that do not generate independent cash inflows to the Group's CGUs. Any changes to CGU determinations would impact the carrying values of the respective CGUs.

The Group considers both external and internal sources of information in assessing whether there are any indications that its CGUs are impaired. External sources of information include changes in the market, economic and legal environment in which the Group operates that are not within its control. Internal sources of information include the manner in which mining properties and plant and equipment are being used or are expected to be used and indicators of economic performance of such assets. Assets (other than goodwill) that have previously been impaired must also be assessed for indicators of impairment reversal.

Impairment of Exploration and Evaluation intangible assets

The Group carries out exploration and evaluation activities, and some of its licensed properties contain gold resources under the definition of internationally recognised mineral resource reporting methodologies. Management judgement is required to determine whether the expenditures which are capitalised as exploration and evaluation assets will be recovered by future exploitation or sale or whether they should be impaired. In assessing this, management determines the possibility of finding recoverable ore reserves related to a particular area of interest, which is a subject to significant uncertainties. Many of the factors, judgements and variables involved in measuring resources are beyond the Group's control and may prove to be incorrect over time. Subsequent changes in gold resources could impact the carrying value of exploration and evaluation assets.

Valuation of non-metal materials and consumables

Materials and spare parts are carried at the lower of cost or net realisable value. Determination of net realisable value is based on the most reliable evidence available at the time when assessment is performed. These values take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the period.

Management applies judgement in creating an allowance for any obsolete and slow-moving materials and consumables based on the nature of the item and whether it is deemed to be usable or not in future periods. The allowance is reviewed on a rolling basis by management. As at 31 December 2017, the allowance amounted to US$33.5 million (31 December 2016: US$17.9 million).

Stripping activity assets

In certain mining operations, rock or soil overlying a mineral deposit, known as overburden, and other waste materials must be removed to access the orebody. The process of removing this overburden and other waste materials is referred to as stripping. The Group incurs stripping costs during the production phases of its surface mining operations. Management judgement is required to distinguish between the stripping activities which relate to current production and those which create a stripping activity asset.

In order to perform the allocation the Group is required to identify separate components towards which the stripping costs have been incurred for the ore bodies in each of its mines. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Management judgement is required to identify and define these components and also to determine the expected volumes of waste to be stripped and ore to be mined in each of these components. For the purposes of identification of separate components the Group uses mine operating plans. All amounts capitalised in respect of waste removal are depreciated using the unit of production method based on proved and probable reserves of the component of the ore body to which they relate.

During 2017, stripping costs in the amount of US$68.9 million were capitalized at Lefa, Taparko, Bissa and Berezitovy mines (US$102.3 million during 2016). The carrying value of the stripping activity asset recognised within construction in progress as at 31 December 2017 amounted to US$112.0 million (31 December 2016: US$95.1 million).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimating recoverable amount fair values

Calculation of the recoverable amounts of the Group's CGUs requires management to make estimates with respect to future production levels, operational and capital costs, future gold prices, foreign exchange rates, discount rates and the renewal of any expiring mining licenses. Any changes in any of the estimates used in determining the recoverable amounts could impact the recoverable amount and impairment analysis. These key estimates were also required when the Group measured the fair value of the Montagne D'Or mineral rights acquired during 2017 under the IFRS 3 Business Combination requirements.

As at 31 December 2017, management performed impairment valuation tests for those CGUs where impairment indicators were identified. The estimates adopted in those valuation tests, as well as the relevant sensitivity analysis, are disclosed in Note 9.

Mineral reserves and life of mine plans ("LOMs")

Estimates of the quantities of proven and probable mineral reserves are based on the feasibility and technical reports produced by qualified persons, and form the basis for the LOM plans. LOM plans are updated on an annual basis and are used for a number of important business and accounting purposes, including calculation of future cash flows for non-current assets impairment testing, estimations of useful economic lives of property, plant and equipment, capitalization of production stripping costs and forecasting timing of payments related to environmental obligations.

When determining LOM plans, assumptions that were valid at time of estimation may change when new information becomes available. Such assumptions include:

- change in estimates of proved and probable reserves;
- the grade of ore reserves varying significantly from time to time;
- unforeseen operational issues at mine sites; and
- future gold prices, foreign exchange rates and discount rates.

Any changes in these estimates would affect prospective depreciation rates and asset carrying values and, as a result, the determination of Mineral reserves and LOMs are considered to be key sources of estimation uncertainty (see related sensitivity analysis in Note 9).

Environmental provisions

The Group mining and exploration activities are subject to various laws and regulations governing the protection of the environment. Management reviews its environmental provision on an annual basis and when new information becomes available. The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Considerable estimation is required in forecasting future decommissioning and site restoration costs, the timing of these expenditures, and the impact of changes in discount rates and foreign exchange rates. The key estimates used as at 31 December 2017 and the relevant sensitivity analysis performed are presented in Note 21.

Recoverability of indirect taxes

The Group is due substantial amounts of indirect tax in West Africa from the local tax authorities. At each reporting date management estimates the forecast recoverability of the respective asset and creates an impairment provision when required. In addition, timing of the expected cash inflows is assessed for the purposes of classifying the respective asset as current or non-current. The total balance of indirect taxes recoverable in West Africa as at 31 December 2017 amounted to US$56.7 million (31 December 2016: US$39.5 million). Due to the associated uncertainty, it is possible that estimates may need to be revised as further information around the likely recoverable amount becomes available. Whilst a range of outcomes is possible, the directors believe that the reasonably possible range is an increase in indirect taxes recoverable of up to US$32.3 million as at 31 December 2017.

Valuation of gold stockpiles and gold-in-process

Costs that are incurred in the production process are accumulated as stockpiles, gold-in-process and gold doré. Stockpiles are measured based on each stockpile's average cost per tonne; gold-in-process and gold doré are measured based on recoverable ounces of gold.

Stockpile quantities are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

Although the quantities of recoverable gold are reconciled by comparing the grades of ore to the quantities of gold actually recovered (metallurgical balancing), the nature of the process inherently limits the ability to monitor precisely recoverability levels. As a result, the metallurgical balancing process is constantly monitored and engineering estimates are refined based on actual results over time. Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realisable value are accounted for on a prospective basis.

As at 31 December 2017, gold-in-process in the amount of US$65.7 million (31 December 2016: US$50.5 million) was classified within current assets and ore stockpiles in the amount of US$50.5 million (31 December 2016: US$50.6 million) were split between current and non-current assets based on mine operating plans. Non-current portion as at 31 December 2017 amounted to US$41.4 million (31 December 2016: US$43.5 million).

Gold-in-process and ore stockpiles are carried at the lower of cost or net realisable value. Management applies estimation in measuring the net realisable value of gold inventories based on the most reliable evidence available at the time. Any changes in these estimates would affect the inventories carrying amounts, as a result, these are considered to be key sources of estimation uncertainty . Whilst a range of outcomes is reasonably possible, the extent of the reasonably possible change is a reduction in assets of up to US$1.8 million.

5. Segment reporting

The Group has eight reportable segments, as described below, representing the strategic business units. Each strategic business unit is managed separately with relevant results regularly reviewed by the Group's Chief Executive Officer ("CEO"). The following summary describes the operations of each reportable segment:

- **Neryungri and Aprelkovo.** The segment includes gold mining activities in the Republic of Sakha (Yakutia) and the Zabaykalskiy region of the Russian Federation, including open-pit operating mines with the heap-leaching technology for gold processing Tabornoye and Pogromnoye and Gross gold development project. During 2017 the Aprelkovo segment was disposed by the Group following the bankruptcy of the legal entity.

- **Suzdal and Balazhal.** Includes the Suzdal underground gold mine located in Kazakhstan with flotation, bio-oxidation and carbon-in-leach ("CIL") technology for gold processing and the Balazhal gold deposit in Kazakhstan.

- **Buryatzoloto.** Includes two underground gold mines located in the Republic of Buryatia of the Russian Federation: Zun-Holba with gravity, flotation and carbon-in-pulp ("CIP") technology for gold processing and Irokinda with gravity and flotation technology for gold processing.

- **Berezitovy.** An open-pit gold mine located in the Amur region of the Russian Federation with CIP technology for gold processing.

- **Taparko.** An open-pit gold mine located in Burkina Faso, West Africa with CIL technology for gold processing.

- **Lefa.** Includes the Lefa open-pit gold mine located in Guinea, West Africa with CIP technology for gold processing.

- **Bissa and Bouly.** Open-pit gold mines located in Burkina Faso, West Africa with CIL and heap-leaching technologies for gold processing.

- **Greenfields.** Includes a number of gold deposits at exploration and evaluation stage located in Burkina Faso, Russian Federation, Canada and French Guiana.

Operations of the holding company (Nord Gold SE) and its subsidiaries involved in non-core activities are disclosed as "Other companies", none of which meet the criteria for separate reporting to the Group's CEO.

The Group's CEO uses EBITDA (non-IFRS measure) in assessing each segment's performance and allocating resources. EBITDA represents profit for the year adjusted to exclude income tax expense, finance income, finance costs, depreciation and amortisation, impairment of non-current assets, impairment of work-in progress, net loss on disposal of property, plant and equipment, change in provisions and other expenses/ (income), net.

Business segment assets and liabilities are not reviewed by the chief operating decision maker and therefore are not disclosed in these consolidated financial statements.

Segment financial performance

The following is an analysis of the Group's sales and EBITDA by segment:

	Year ended 31 December	
	2017	2016
Sales		
Neryungri and Aprelkovo	87,462	115,196
Suzdal and Balazhal	115,845	102,571
Buryatzoloto	96,488	120,920
Berezitovy	119,178	98,097
Taparko	135,655	139,721
Lefa	263,523	242,044
Bissa and Bouly	402,883	256,991
Total	**1,221,034**	**1,075,540**

	Year ended 31 December	
	2017	2016
EBITDA by segment		
Neryungri and Aprelkovo	40,672	66,217
Suzdal and Balazhal	68,941	62,785
Buryatzoloto	18,085	53,228
Berezitovy	63,609	54,140
Taparko	39,986	58,784
Lefa	114,488	103,380
Bissa and Bouly	209,633	119,544
Greenfields	(49)	(75)
Total EBITDA for reportable segments	**555,365**	**518,003**
EBITDA for other companies	(34,843)	(29,565)
Total	**520,522**	**488,438**

	Year ended 31 December	
	2017	2016
Segment capital expenditures		
Neryungri and Aprelkovo	159,839	57,325
Suzdal and Balazhal	11,969	9,827
Buryatzoloto	28,984	26,181
Berezitovy	30,131	27,939
Taparko	18,430	36,605
Lefa	47,867	79,779
Bissa and Bouly	43,646	138,580
Greenfields	8,476	6,500
Total capital expenditures for reportable segments	**349,342**	**382,736**
Other companies	280	564
Total segment capital expenditures	**349,622**	**383,300**
Depreciation capitalised	23,308	38,105
Other reconciling items	(174)	3,915
Additions to PP&E and Intangible assets	**372,756**	**425,320**

The reconciliation of profit before income tax to the EBITDA:

	Year ended 31 December	
	2017	2016
Profit before income tax	**216,574**	**209,616**
Gain on disposal of available–for–sale investment	–	(50,969)
Gain on disposal of joint venture	–	(29,718)
Finance income	(16,984)	(6,964)
Finance costs	75,382	65,923
Foreign exchange loss	4,524	41,741
Depreciation and amortisation	212,412	157,195
Impairment charge of non–current assets	1,160	85,325
Impairment charge of work–in–progress recognised in cost of sales	3,946	4,344
Net loss on disposal of property, plant and equipment	344	245
Provision charge for previously recognised contingent liability	10,462	3,477
Other expenses	12,702	8,223
EBITDA	**520,522**	**488,438**

Geographical information

The following is a summary of the Group's non-current assets by location of asset, excluding financial instruments and deferred tax assets:

		31 December
	2017	2016
Russian Federation	666,557	456,358
Burkina Faso	589,641	557,530
Guinea	512,377	527,733
French Guiana	105,367	–
Kazakhstan	46,798	41,694
Canada	26,722	20,796
Other	1,490	269
Total	**1,948,952**	**1,604,380**

The following is a summary of the Group's sales by location of operations:

		Year ended 31 December
	2017	2016
Burkina Faso	538,538	396,712
Russian Federation	303,128	334,213
Guinea	263,523	242,044
Kazakhstan	115,845	102,571
Total	**1,221,034**	**1,075,540**

6. Sales

	Year ended 31 December	
	2017	2016
By product		
Gold	1,215,292	1,068,446
Silver	5,742	7,094
Total	**1,221,034**	**1,075,540**

	Year ended 31 December	
	2017	2016
By customer		
Switzerland: MKS Finance S.A.	666,406	499,035
Russian Federation: VTB	233,068	187,818
Switzerland: Metalor Technologies S.A.	135,655	139,721
Kazakhstan: Tau-Ken Altyn	115,845	91,069
Russian Federation: Otkrytie	70,060	157,897
Total	**1,221,034**	**1,075,540**

7. General and administrative expenses

	Year ended 31 December	
	2017	2016
Wages and salaries	35,682	29,778
Professional and other services	17,339	15,315
Depreciation and amortisation	7,381	5,313
Other	2,469	3,224
Total	**62,871**	**53,630**

The analysis of the auditor's remuneration is as follows:

	Year ended 31 December	
	2017	2016
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts		
— The audit of the company	300	340
— The audit of the company's subsidiaries	340	396
Total audit fees	**640**	**736**
— Other assurance services	125	125
Total non–audit fees	**125**	**125**

8. Staff costs

	Year ended 31 December	
	2017	**2016**
Wages and salaries	169,205	140,906
Long-term incentive program	5,597	2,806
Social security costs	30,239	25,386
	205,041	**169,098**
Less capitalised amounts:		
Wages and salaries	(23,588)	(18,896)
Social security costs	(4,207)	(3,603)
Total	**177,246**	**146,599**

Total directors' remuneration in 2017 is US$14.0 million (2016: US$15.5 million). It includes annual salary US$6.4 million (2016: US$8.3 million), annual bonus US$3.6 million (2016: US$3.5 million), incentive programme US$3.9 million (2016: US$3.7 million).

The remuneration of the highest paid director in 2017 is US$3.1 million (2016: US$2.5 million). It includes annual salary US$1.0 million (2016: US$1.0 million), annual bonus US$1.5 million (2016: US$1.2 million), incentive programme US$0.5 million (2016: US$0.2 million), benefit allowance US$0.1 million (2016: US$0.1 million).

The number of employees by business units:

	31 December	
	2017	**2016**
Operating mines:		
Buryatzoloto	2,316	2,492
Bissa	1,215	1,007
Lefa	1,154	1,202
Neryungri	1,111	860
Suzdal	960	917
Berezitovy	892	959
Taparko	664	657
Aprelkovo	0	41
Other entities:		
Nordgold Management	103	101
Others	4	45
Total	**8,419**	**8,281**

9. Impairment of non-current assets

As at 31 December 2017 and 2016, the Group's property, plant and equipment were assessed for impairment in accordance with IAS 36 and its Exploration and Evaluation assets were assessed for impairment in accordance with IFRS 6. Impairment charges/ (reversals) were recognised in the Group's consolidated statement of profit or loss for 2017 and 2016 as follows:

	Year ended 31 December	
	2017	2016
Intangible assets (Note 18)		
Taparko mineral rights	–	23,239
Exploration and evaluation assets	1,160	17,521
	1,160	**40,760**
Property, plant and equipment (Note 17)		
Taparko	–	41,170
Aprelkovo	–	3,413
	–	**44,583**
Impairment of non–current assets	**1,160**	**85,343**

Following operational performance issues at certain mines during 2017 and/or the presence of relatively low impairment review headrooms in prior periods, management conducted impairment valuation reviews at Buryatzoloto, Lefa and Taparko CGUs (2016: Lefa, Bissa (including Bouly), Taparko, Tabornoe and Aprelkovo). For these CGUs the recoverable amounts were calculated based on the value in use, using discounted cash flow projections. No impairment losses were identified.

As at 31 December 2016, a pre -tax impairment charge of US$64.4 million was recognised at Taparko against the value of the operations (US$41.2 million for property, plant and equipment and US$23.2 million for mineral rights), based on a recoverable amount of US$102.2 million. This impairment charge was driven by a combination of lower head grade forecasts and increased forecast operating costs.

The recoverable amount valuations are sensitive to changes in key assumptions, particularly future gold prices, production volumes and costs and discount rates, which are subject to a high level of estimation uncertainty. Key assumptions used by the Group in determining the value in use of reviewed CGUs were as follows:

- A 2018 gold price of US$1,293/oz, a 2019–2021 gold prices are US$1,323/oz, US$1,325/oz and US$1,322/oz respectively and long-term gold price of US$1,300/oz, based on third party analysts' consensus data;
- Approved mine plans which include relevant production and cost assumptions;
- Pre-tax real discount rate for Taparko 18.12% (2016: 10.81%), Lefa 15.27% (2016 : 14.02%) and Buryatzoloto 11.47% (2016: no impairment test), based on the Group's weighted average cost of capital and specific asset risk factors.

Sensitivity analysis

Management performed an analysis as to whether a reasonably possible adverse change to any of the key assumptions used would lead to any additional impairment loss in all of impairment models for all of CGUs above with impairment indicators.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

Scenarios	Combined impairment loss
Long–term gold price of US$1,200 per ounce	–
Long–term gold price of US$1,150 per ounce	23,276
Long–term gold price of US$1,100 per ounce	49,116
10% decrease in future production volume	90,662
10% increase in future cost of production	24,627
1% increase in discount rate applied	–

All of the scenarios presented above assumed that the relevant assumptions move in isolation.

The US$1.16 million (2016: US$17.5 million) pre-tax Impairment charge for exploration and evaluation assets relates to exploration projects in Russia (2016: Russia, Guinea and Burkina Faso) which did not result in the discovery of commercially viable quantities of gold resources (Note 17).

10. Finance income and costs

	Year ended 31 December	
	2017	2016
Finance income		
Interest income	6,137	6,964
Derivative net income	10,847	–
Total	**16,984**	**6,964**
Finance costs		
Interest expense	(67,240)	(48,145)
Royalties related to West African operations	(4,756)	(11,993)
Discounting of non–current receivables	–	(3,441)
Other	(3,386)	(2,344)
Total	**(75,382)**	**(65,923)**

Derivative net income of US$10.8 million for 2017 (2016: nil) includes US$12.7 million of net interest from the cross currency swap which nets against the US$1.8 million derivative instrument charge for the year with a corresponding US$1.8 million financial liability recognised on the statement of financial position as at 31 December 2017.

11. Income tax

	Year ended 31 December	
	2017	2016
Current tax charge	(48,477)	(53,794)
Prior period adjustments	3,046	(408)
Deferred tax expense	(4,347)	4,654
Income tax expense	**(49,778)**	**(49,548)**

In 2017, the Group's profits were taxable at 20% in the Russian Federation and Kazakhstan, 17.5% and 27.5% in Burkina Faso and 30% in Guinea.

The amount of income tax recorded in the consolidated statement of profit or loss differs from the theoretical amount that would arise by applying the weighted average tax rate to profit before tax and is reconciled as follows:

	Year ended 31 December			
		2017		2016
Profit before income tax expense	**216,574**		**209,616**	
Theoretical tax at rates applicable to the profits in the respective countries	(40,242)	19%	(42,172)	20%
Prior period adjustments	3,046	–1%	(408)	0%
Effect of special rate for intragroup dividend	1,856	–1%	3,695	–2%
Current year losses not recognised	(10,435)	5%	(12,069)	6%
Profits taxed at special rates			6,516	–3%
Permanent differences	(4,003)	2%	(5,110)	3%
Income tax expense	**(49,778)**	**23%**	**(49,548)**	**24%**

Current year losses not recognised during 2017 and 2016 relates to the Group's holding and other entities which are not expected to generate enough taxable profits to recover these losses in future.

Profits taxed at special rates during 2016 related to application of lower than statutory income tax rates in Canada in respect of the certain financial investments sale in accordance with local tax legislation.

The movement in the net deferred tax liabilities was as follows:

2017	Opening balance	Recognised in profit or loss	Business combination	Adjustment in respect of prior years	Foreign exchange difference	Closing balance
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	19,291	(11,834)	–	(16,481)	189	**(8,835)**
Intangible assets	(83,352)	2,755	(21,933)	–	673	**(101,857)**
Inventories	4,498	(10,433)	–	–	(298)	**(6,233)**
Financial investments	4,709	101		–	336	**5,146**
Provisions	6,666	3,157	–		440	**10,263**
Other	2,356	7,553		1,545	1,078	**12,532**
Tax losses carried forward	17,156	4,354	–	–	193	**21,703**
Total	**(28,676)**	**(4,347)**	**(21,933)**	**(14,936)**	**2,611**	**(67,281)**

2016	Opening balance	Recognised in profit or loss	Recognised in other comprehensive income	Reclassifications	Foreign exchange difference	Closing balance
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	9,682	10,569	–	(15)	(945)	**19,291**
Intangible assets	(99,270)	18,803	–	218	(3,103)	**(83,352)**
Inventories	7,315	(957)	–	(1)	(1,859)	**4,498**
Financial investments	3,064	(195)	878	–	962	**4,709**
Provisions	5,244	519	–	–	903	**6,666**
Other	4,878	(2,968)	–	–	446	**2,356**
Tax losses carried forward	36,835	(21,117)	–	(202)	1,640	**17,156**
Total	**(32,252)**	**4,654**	**878**	**–**	**(1,956)**	**(28,676)**

Adjustments in respect of the prior year reflect the amendments to tax returns made in 2017 for 2014-2016 to reflect the changes in the tax policy for stripping costs. As a result an income tax benefit of $15.7 million and deferred tax charge of $16.5 million have been recognised during 2017 in the $3 million prior year adjustments line

The Group concludes that recoverability of the recognised deferred tax asset of US$21.7 million at 31 December 2017 (31 December 2016: US$17.2 million) on tax losses carried forward is more likely than not based upon expectations of future taxable income and available tax planning strategies.

The Group considers deferred tax assets and liabilities related to inventories due within one year. Other deferred tax assets and liabilities are considered due within more than one year as they mostly relate to non-current assets and liabilities.

Certain deferred tax assets and liabilities have been offset to the extent they relate to taxes levied in the same jurisdiction and on the Group's entities which can pay taxes on a consolidated basis. Deferred tax balances (after offset) presented in the consolidated statement of financial position were as follows:

	31 December	
	2017	2016
Deferred tax liability	(102,542)	(57,371)
Deferred tax asset	35,261	28,695
Net deferred tax liability	**(67,281)**	**(28,676)**

Taxable differences related to investments in subsidiaries where the Group is able to control the timing of the reversal and it is probable that the recurring temporary difference will not reverse in the foreseeable future, amounted to US$1,538 million at 31 December 2017 (31 December 2016: US$1,076 million) and have not been recognised in the consolidated financial statements.

The Group has not recognised deferred tax assets on tax losses carried forward related to certain Group entities where it is not probable that deferred tax assets can be utilised.

The cumulative amounts of unrecognised tax losses with related expiry dates were the following (stated in millions of US dollars):

	31 December	
	2017	2016
Within one year	8.7	–
Between one and five years	3.3	2.6
Between five and ten years	3.9	3.0
Between ten and twenty years	3.4	14.0
No expiry date	73.3	60.2
Total	**92.6**	**79.8**

12. Dividends

Dividends declared and recognised during the years ended 31 December 2017 and 31 December 2016 are detailed below:

	Dividends			
	Cents per share	US$ thousand	Approved and deducted from equity during the year	Paid in
Final dividend 2015	2	5,896	2016	2016
Interim dividend 2016 Q1	3	11,814	2016	2016
Interim dividend 2016 Q2	6	20,444	2016	2016, 2017
Interim dividend 2016 Q3	4	15,707	2016	2017
Final dividend 2016	5	18,981	2017	2017
Interim dividend 2017 Q1	3	11,005	2017	2017
Interim dividend 2017 Q2	5	16,460	2017	2017
Interim dividend 2017 Q3	**3**	**10,847**	**2017**	**2017**
Total dividends for the year ended 31 December 2016		**–**	**53,861**	**22,721**
Total dividends for the year ended 31 December 2017		**–**	**57,293**	**88,433**

For the US$20.4 million interim dividend approved in 2016 Q2, US$5.0 million was paid in 2016 and the remaining US$15.4 million was paid in 2017 .

13. Cash and cash equivalents and short-term deposits

	31 December	
	2017	2016
Cash at banks	141,447	182,353
Short–term bank deposits (maturing within 3 months)	128,792	103,769
Petty cash	163	141
Total	**270,402**	**286,263**
Short–term deposits (maturing between 3 and 12 months)	70,237	70,015
Restricted cash in non–current assets	14,919	10,886

Restricted cash comprises cash reserved in banks in accordance with the local legislation requirements in connection with the future site restoration costs in Burkina Faso, Guinea and Kazakhstan.

The carrying values of cash and cash equivalents approximate to their fair values because of the short maturities of these instruments.

The Group's exposure to risks associated with cash and cash equivalents is disclosed in Note 27.

14. Accounts receivable

	31 December	
	2017	2016
Advances paid and prepayments	10,734	10,541
Trade accounts receivable	1,934	1,681
Other receivables	18,420	11,689
Allowance for doubtful debts		
Advances paid and prepayments	(314)	(188)
Trade accounts receivable	(285)	(284)
Other receivables	(831)	(805)
Total accounts receivable	**29,658**	**22,634**

The carrying value of trade and other accounts receivable approximates their fair values because of the short maturities of these instruments. The Group's exposure to risks arising from accounts receivable and policies on creating allowance for doubtful debts are discussed in Note 27.

15. Inventories

	31 December	
	2017	2016
Current inventories		
Materials and consumables	100,348	115,327
Work–in–progress	74,758	57,550
Finished goods	2,163	1,994
Total current inventories	**177,269**	**174,871**
Non–current inventories		
Long–term ore stockpiles	41,391	43,540
Long–term materials and consumables	51,391	23,049
Total non–current inventories	**92,782**	**66,589**

Inventories expensed and included in cost of sales in 2017 amounted to US$291.7 million (2016: US$237.7 million).

As at 31 December 2017, the obsolescence and net realisable value provision amounted to US$41.3 million (31 December 2016: US$40.0 million). The net obsolescence provision and impairment of work-in-progress charges included in 2017 cost of sales in amounted to US$11.9 million (2016: US$3.2 million).

16. Long-term financial investments

As at 31 December 2017, the Group's US$8.0 million (2016: US$47.3 million) long-term financial investments consisted of several individually immaterial investments and available for sale investments represented by a number of holdings in gold exploration and mining companies.

The decrease in the long-term financial investments balance as at 31 December 2017 compared to 2016 year end was due to the consolidation of the Montagne d'Or business during 2017 following the controlling interest obtained via the acquisition. The Group's investment in Montagne d'Or was previously held as a financial investment (Note 25) (31 December 2016: US$40.4 million).

During 2016, the Group sold 3,089,057 shares of Detour Gold Corporation, representing the Group's entire 1.8% equity interest in this entity, for a total consideration of US$58.6 million resulting in a 2016 gain from disposal of US$51.0 million.

17. Property, plant and equipment

	Land, buildings and constructions	Plant and equipment	Capital stripping	Other assets	Construction in progress	Total
Cost						
Balance at 1 January 2016	**362,613**	**513,690**	**118,269**	**16,970**	**266,740**	**1,278,282**
Reclassifications to inventories	–	–	–	–	(3,725)	(3,725)
Additions	–	–	–	–	392,447	392,447
Change in environmental provision	5,972	–	–	–	–	5,972
Transfers	126,562	75,851	102,297	6,108	(310,818)	–
Disposals	(95)	(13,773)	(18,225)	(469)	(22)	(32,584)
Foreign exchange differences	14,189	15,584	(5,660)	(204)	3,337	27,246
Balance at 31 December 2016	**509,241**	**591,352**	**196,681**	**22,405**	**347,959**	**1,667,638**
Reclassifications to inventories	–	–	–	–	(5,597)	(5,597)
Reclassifications between groups	47,838	(47,838)	–	–	–	–
Additions	–	–	–	–	324,764	324,764
Change in environmental provision	(1,773)	–	–	–	–	(1,773)
Transfers	(97,416)	199,908	68,874	9,124	(180,490)	–
Disposals	(12,612)	(25,339)	–	(337)	(1,673)	(39,961)
Foreign exchange differences	51,564	30,522	22,333	2,024	20,542	126,985
						–
Balance at 31 December 2017	**496,842**	**748,605**	**287,888**	**33,216**	**505,505**	**2,072,056**

Depreciation and impairment						
Balance at 1 January 2016	**(194,514)**	**(333,269)**	**(56,053)**	**(14,424)**	**(10,894)**	**(609,154)**
Depreciation for the year	(37,252)	(78,168)	(29,046)	(2,328)	–	(146,794)
Impairment (Note 9)	(1,729)	(416)	(41,168)	(18)	(1,252)	(44,583)
Disposals	95	13,427	18,225	469	–	32,216
Foreign exchange differences	(7,304)	(10,401)	521	239	(417)	(17,362)
Balance at 31 December 2016	**(240,704)**	**(408,827)**	**(107,521)**	**(16,062)**	**(12,563)**	**(785,677)**
Reclassifications between groups	(6,893)	6,893	–	–	–	–
Depreciation for the year	(32,666)	(89,299)	(55,663)	(2,880)	–	(180,508)
Disposals	12,612	24,908	–	333	1,618	39,471
Foreign exchange differences	(23,819)	(21,266)	(13,594)	(965)	(185)	(59,829)
Balance at 31 December 2017	**(291,470)**	**(487,591)**	**(176,778)**	**(19,574)**	**(11,130)**	**(986,543)**
Net book value						
Balance at 1 January 2016	**168,099**	**180,421**	**62,216**	**2,546**	**255,846**	**669,128**
Balance at 31 December 2016	**268,537**	**182,525**	**89,160**	**6,343**	**335,396**	**881,961**
Balance at 31 December 2017	**205,372**	**261,014**	**111,110**	**13,642**	**494,375**	**1,085,513**

18. Intangible assets

	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost				
Balance at 1 January 2016	**1,158,050**	**136,616**	**15,923**	**1,310,589**
Additions	–	31,168	1,705	32,873
Transfers	42,228	(42,228)	–	–
Disposals	–	(247)	–	(247)
Foreign exchange differences	25,824	11,068	1,268	38,160
Balance at 31 December 2016	**1,226,102**	**136,377**	**18,896**	**1,381,375**
Additions	3,865	41,830	2,297	47,992
Transfers	44,306	(44,306)	–	–
Acquisitions through business combinations	100,340	–	–	100,340
Disposals	–	–	(238)	(238)
Foreign exchange differences	34,005	5,554	1,791	41,350
Balance at 31 December 2017	**1,408,618**	**139,455**	**22,746**	**1,570,819**

Amortisation and impairment

Balance at 1 January 2016	**(575,488)**	**(46,310)**	**(5,927)**	**(627,725)**
Amortisation for the year	(52,873)	–	(2,956)	(55,829)
Impairment (Note 9)	(23,239)	(17,521)	–	(40,760)
Foreign exchange differences	(6,670)	(2,330)	(567)	(9,567)
Balance at 31 December 2016	**(658,270)**	**(66,161)**	**(9,450)**	**(733,881)**
Amortisation for the year	(51,514)	–	(3,698)	(55,212)
Impairment (Note 9)	–	(1,160)	–	(1,160)
Disposals	–	–	161	161
Foreign exchange differences	(14,578)	(246)	(243)	(15,067)
Balance at 31 December 2017	**(724,362)**	**(67,567)**	**(13,230)**	**(805,159)**
Net book value				
Balance at 1 January 2016	**582,562**	**90,306**	**9,996**	**682,864**
Balance at 31 December 2016	**567,832**	**70,216**	**9,446**	**647,494**
Balance at 31 December 2017	**684,256**	**71,888**	**9,516**	**765,660**

The movements in mineral rights by segments were the following:

	Neryungri and Aprelkovo	Buryatzoloto	Berezitovy
Cost			
Balance at 1 January 2016	**155,574**	**35,988**	**5,680**
Transfers	21,482	8,185	2,077
Foreign exchange differences	22,041	7,460	1,241
Balance at 31 December 2016	**199,097**	**51,633**	**8,998**
Acquisitions through business combinations	–	–	–
Additions	–	–	–
Transfers	635	14,087	675
Foreign exchange differences	6,957	3,175	477
Balance at 31 December 2017	**206,689**	**68,895**	**10,150**
Amortisation			
Balance at 1 January 2016	**(23,141)**	**(13,600)**	**(2,761)**
Amortisation for the year	(374)	(2,996)	(637)
Impairment reversal (Note 9)	–	–	–
Foreign exchange differences	(4,711)	(3,050)	(620)
Balance at 31 December 2016	**(28,226)**	**(19,646)**	**(4,018)**
Amortisation for the year	(1,884)	(4,012)	(1,254)
Foreign exchange differences	(484)	(1,097)	(229)
Balance at 31 December 2017	**(30,594)**	**(24,755)**	**(5,501)**
Net book value			
At 1 January 2016	**132,433**	**22,388**	**2,919**
At 31 December 2016	**170,871**	**31,987**	**4,980**
At 31 December 2017	**176,095**	**44,140**	**4,649**

In 2017, the Group obtained a controlling 55.01% interest in Compagnie Miniere Montagne d'Or SAS ("CMMO"), the development company for the Montagne d'Or, an early stage gold development project in French Guiana (Note 25).

Suzdal and Balazhal	Taparko	Bissa and Bouly	CMMO	Lefa	Total
66,850	**102,080**	**72,616**	**–**	**719,262**	**1,158,050**
805	2,219	3,516	–	3,944	42,228
1,217	(3,620)	(2,515)	–	–	25,824
68,872	**100,679**	**73,617**	**–**	**723,206**	**1,226,102**
–	–	–	100,340	–	100,340
–	–	–	3,865	–	3,865
525	4,338	19,218	–	4,828	44,306
222	12,338	10,216	620	–	34,005
69,619	**117,355**	**103,051**	**104,825**	**728,034**	**1,408,618**
(61,163)	**(53,037)**	**(10,779)**	**–**	**(411,007)**	**(575,488)**
(983)	(8,878)	(4,346)	–	(34,659)	(52,873)
–	(23,239)	–	–	–	(23,239)
(1,160)	2,279	592	–	–	(6,670)
(63,306)	**(82,875)**	**(14,533)**	**–**	**(445,666)**	**(658,270)**
(779)	(7,340)	(5,434)	–	(30,811)	(51,514)
(188)	(9,973)	(2,607)	–	–	(14,578)
(64,273)	**(100,188)**	**(22,574)**	**–**	**(476,477)**	**(724,362)**
5,687	**49,043**	**61,837**	**–**	**308,255**	**582,562**
5,566	**17,804**	**59,084**	**–**	**277,540**	**567,832**
5,346	**17,167**	**80,477**	**104,825**	**251,557**	**684,256**

The movements in exploration and evaluation assets by segments were the following:

	Neryungri and Aprelkovo	Buryatzoloto	Berezitovy
Net book value at 1 January 2016	**21,579**	**1,145**	**1,586**
Additions	2,144	10,041	847
Transfers to mineral rights	(21,482)	(8,185)	(2,077)
Impairment (Note 9)	(712)	(31)	–
Disposal	–	–	(184)
Foreign exchange differences	3,911	801	315
Net book value at 31 December 2016	**5,440**	**3,771**	**487**
Additions	2,121	16,725	2,516
Transfers to mineral rights	(635)	(14,086)	(675)
Impairment (Note 9)	(452)	(708)	–
Foreign exchange differences	319	(34)	11
Net book value at 31 December 2017	**6,793**	**5,668**	**2,339**

In 2016, the Group acquired 48.46% non-controlling stake in Northquest Limited for a cash consideration of US$11.8 million, bringing its share in the company to 100.00%. As a result of this transaction a non-controlling interest in Northquest Limited decreased by US$9.4 million.

The reclassification of US$ 44.3 million (2016: US$ 42.2 million) exploration and evaluation assets to mineral rights during 2017 related to exploration projects close to operating mines, which resulted in increase of available gold reserves for those operating mines.

Suzdal and Balazhal	Taparko	Bissa and Bouly	Lefa	Greenfields	Total
–	**–**	**–**	**–**	**65,996**	**90,306**
814	2,294	3,646	4,775	6,607	31,168
(805)	(2,219)	(3,516)	(3,944)	–	(42,228)
–	–	–	(831)	(15,947)	(17,521)
–	–	–	–	(63)	(247)
36	(75)	(130)	–	3,880	8,738
45	**–**	**–**	**–**	**60,473**	**70,216**
803	2,186	2,357	4,829	10,293	41,830
(525)	(2,237)	(2,452)	(4,829)	(18,867)	(44,306)
–	–	–	–	–	(1,160)
(11)	51	95	–	4,877	5,308
312	**–**	**–**	**–**	**56,776**	**71,888**

19. Borrowings

	31 December 2017	31 December 2016
Short-term borrowings		
Notes and bonds issued	448,000	–
Bank loans	–	166,667
Accrued interest	6,003	5,101
Unamortised balance of transaction costs	(439)	–
Total short-term borrowings	**453,564**	**171,768**
Long-term borrowings		
Notes and bonds issued	–	448,000
Bank loans	547,745	248,337
Unamortised balance of transaction costs	(6,162)	(6,474)
Total long-term borrowings	**541,583**	**689,863**

Notes and bonds issued

In May 2013, the Company issued US$500 million unsecured notes. The notes are denominated in US Dollars, mature in May 2018, and bear interest of 6.375% per annum payable semi-annually in May and November, commencing November 2013. The notes are unconditionally and irrevocably guaranteed by certain Group subsidiaries.

During 2014, the Company repurchased US$50 million of the notes in the open-market for the total consideration of US$46.4 million. The resulting gain of US$3.6 million was recognised as finance income. During the year ended 31 December 2015, the Company repurchased US$2 million of the notes in the open-market for the total consideration of US$1.8 million. The resulting gain of US$0.2 million was recognised as finance income.

On the 14 March 2018 the Group entered into a new US$300 million five-year debt facility with a syndicate of international banks to refinance the US$448 million unsecured notes that mature in May 2018 (see Note 29 for details).

Bank loans

In December 2016, the Group arranged a US$150 million unsecured loan facility from ING Bank N.V. denominated in US dollars maturing in December 2019 with a grace period of 27 months and quarterly repayments thereafter. Interest is payable on a quarterly basis. As at 31 December 2017, the Group had drawn down the entire loan facility, which was included in long-term bank loans (31 December 2016: US$40 million).

In March 2017, the Group’s wholly owned subsidiary Celtic Resources Holdings Limited, arranged an unsecured US$325 million loan from Sberbank of Russia JSC, maturing in March 2024 with a grace period of 63 months and quarterly repayments thereafter. This new loan was fully drawn down as at 31 December 2017 as it was used to repay the US$375 million loan received from Sberbank of Russia JSC in 2014 maturing in March 2019.

The loan is a hybrid instrument consisting of the following separate components:

- Facility A: RUB 18.6 billion two year loan denominated in Russian rubles, effective from March 2017 until March 2019;

- Cross-Currency swap ("CCS"), under which Celtic Resources Holdings Limited will pay floating interest on US Dollars notional and receive fixed interest on RUB notional starting from March 2017 with the final notional amounts exchanged on maturity in March 2019;

- Facility B: US$325 million five year loan denominated in US dollar, effective from March 2019 until March 2024.

The CSS is conditional on the utilisation of both Facility A and B.

Facility A and the CCS resulted in a cash inflow of US$325 million in March 2017 and quarterly interest payments on a US dollar denominated loan.

For the purposes of these financial statements Facility A and the CCS were treated as two separate instruments under IAS 39 as at 31 December 2017.

As at 31 December 2017, the value of the loan denominated in Russian rubles (held by Celtic Resources Holdings Limited which is a US$ functional currency entity) was US$322.7 million and the related CCS derivative financial instrument was held at a fair value of US$1.8 million.

In May 2017, the Group entered into a US$75 million unsecured loan with AO UniCredit Bank denominated in US dollars maturing in May 2020 with a grace period of 36 months and full repayment thereafter. As at 31 December 2017, the facility was fully drawn down, which was included in long-term bank loans.

The bond notes and bank loans average interest rate as at 31 December 2017 was 5.2% (31 December 2016: 5.01%).

The fair value of the Group's debt instruments approximated to their carrying values at 31 December 2017, except for the fair value of bonds which had a market value of US$453 million (31 December 2016: US$465.2 million).

20. Accounts payable

	31 December 2017	31 December 2016
Trade accounts payable	171,180	138,084
Other taxes payable	41,013	32,539
Amounts payable to employees	34,460	27,833
Share buyback reserve	11,409	–
Accrued expenses	1,996	2,474
Advances received	211	140
Dividends payable	–	31,140
Other payables	32,186	32,535
Total	**292,455**	**264,745**

The carrying values of trade and other account payable approximate to their fair values because of the short maturities of these instruments.

21. Provisions

	Legal and tax claims	Environmental provision	Other	Total
Balance at 1 January 2016	**962**	**38,447**	**2,026**	**41,435**
Additional accruals	4,408	6,926	–	11,334
Change in estimate	(13)	(1,033)	–	(1,046)
Unwinding of discount	–	1,151	–	1,151
Provisions utilised	(4,056)	(63)	(95)	(4,214)
Foreign exchange differences	60	1,340	(7)	1,393
Balance at 31 December 2016	**1,361**	**46,768**	**1,924**	**50,053**
Additional accruals	12,302	2,816	(26)	15,092
Change in estimate	–	(4,826)	–	(4,826)
Unwinding of discount	–	1,378	–	1,378
Provisions utilised	(821)	(1,950)	–	(2,771)
Foreign exchange differences	469	3,074	12	3,555
Balance at 31 December 2017	**13,311**	**47,260**	**1,910**	**62,481**

Legal and tax claims increase in 2017 mostly relates to change of risk assessment in respect of certain claims from Russian tax authorities related to mineral extraction tax (Note 28).

Environmental provisions were classified within non-current liabilities, and provision for legal and tax claims and other provisions were classified as current liabilities based on the Group's forecast cash outflow timings. The Group's environmental liabilities relate to the restoration of soil and other related mining works cash outflows, which are due upon the closures of mines and production facilities. These costs are expected to be incurred between 2020–2035. The present value of expected cash outflows were estimated using existing technology and discounted using the following real discount rate:

	Year ended 31 December	
	2017	2016
Russian Federation	2.89–3.94%	2.61–3.71%
Kazakhstan	3.2%	0.3%
Burkina Faso	3.92–4.1%	3.46–3.51%
Guinea	2.04%	2.06%

Management performed an analysis of the reasonably possible change of discount rates used and its effect on the environmental provision as at 31 December 2017.

The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

Scenarios	Combined environmental provision increase/ (decrease)
1% decrease in discount rate applied	3,355
1% increase in discount rate applied	(3,089)

22. Capital and reserves

Share capital

On 7 April 2016 a total of 425,210 GDRs with a value of US$1,271,000, which were purchased in accordance with the earlier approved share buyback programmes, were withdrawn from the GDR programme and the treasury shares representing such GDRs were . Following this transaction, the Company’s entire issued share capital as at 7 April 2016 consisted of 370,396,229 ordinary shares.

On 8 December 2016, the Company made a reduction of capital by reducing the nominal value of each of the ordinary shares of the Company and the cancellation of the Company's share premium account. This reduction of capital was required to create sufficient distributable reserves at a company only level to facilitate the payment of dividends in accordance with UK company law.

The Capital Reduction was formally approved by the Companies Court of the Chancery Division in the High Court of Justice on 7 December 2016. Following registration of the court order and the Company's statement of capital with Companies House, the Capital Reduction became effective on
8 December 2016.

Following the Capital Reduction, the issued share capital of the Company consists of 370,396,229 ordinary shares of €1.00 each, as at 8 December 2016. This represented a value of US$511,733 thousand, a reduction in share capital of US$767,599 thousand which combined with the elimination in full of the US$31,267 thousand share premium balance and increased retained earnings and distributable reserves by US$798,866 thousand.

In February 2017, the Company announced its intention to cancel the listing of its Global Depositary Receipts (“GDRs”) from the official list and from trading on the London Stock Exchange (“LSE”) in accordance with Listing Rule 5.2.8 and proposed a plan for de-listing that enabled the minority shareholders to choose whether to exit prior to de-listing or to retain their investment in Nordgold after de-listing. To effect this, the Board agreed to make a tender offer that provided the Company’s minority shareholders the ability to choose, at their discretion between:

(a) tendering their GDRs to Nordgold at US$3.45 per GDR (representing the 5-day volume weighted average price (VWAP) for the 5 trading days preceding this announcement) at any point from 9 February 2017 until 12.01 am on 16 March 2017 (being five trading days after the anticipated date of the De-listing) (the “GDR Tender Offer”); or

(b) remaining a member of the de-listed Company and:

- receiving the benefit of its consistent returns in the form of dividends, as well as the benefit of any potential re-listing of the Company that might occur in future, which the Board believes will value the Company more accurately; and

- have the additional protection of the right to tender their shares back to Nordgold at US$3.45 per share (representing the 5-day VWAP for the 5 trading days preceding this announcement) on four occasions following the de-listing: after the announcement by the Company of its financial results for each of the half years ending 30 September 2017 and 2018 and for each of the full years ending 31 December 2017 and 2018 (the “Share Tender Offers”).

The GDR Tender Offer closed on 16 March 2017 resulting in the cancellation of the listing of the Company’s GDRs on the Official List of the Financial Conduct Authority.

28,763,465 GDRs of the Company amounting to US$101.4 million were validly tendered under the Tender Offer. This equated to approximately 84% of the GDRs in respect of which the Tender Offer was made. Approximately 16% of the Company's minority shareholders retained their investment in Nordgold after de-listing. In May 2017, all GDRs, which were purchased in accordance with GDR Buyback process, had been withdrawn from the GDR programme and the treasury shares representing such GDRs were cancelled on 4 May 2017.

On 5 October 2017, all of 22,236 ordinary shares amounting to US$0.1 million, which were repurchased during the second Tender Offer conducted in accordance with the circular published on 30 August 2017 and the treasury shares representing these shares, had been cancelled.

On 1 December 2017, all of 2,236,757 ordinary shares amounting to US$7.7 million, which remained underlying after the termination of the Nordgold GDR programme, from Deutsche Bank Trust Company Americas and the treasury shares representing these shares, had been cancelled. The repurchase price was determined at US$3.45 per share in accordance with the Circular published on 9 February 2017.

Following these transactions, the Company's issued share capital as at 1 December 2017 consisted of 339,373,771 ordinary shares amounting to US$468.9 million.

As at 31 December 2017, a US$11.4 million potential share buyback reserve was recognised, with a corresponding liability within current accounts payable related to the remaining Company shares owned by non-controlling shareholders, which the Company may be obliged to repurchase under the protective rights offered to the minority shareholders in March 2017.

The Company has one class of ordinary shares which carry no right to fixed income.

Additional paid-in capital

Additional paid-in capital includes the excess of consideration received over the par value of shares and GDRs issued by the Company, and the effects of transactions under common control in the course of the Group's formation. The 2017 reduction of additional paid-in capital relates to the cancelations of treasury shares described above in the Share capital section which is summarized in the table below. Additional paid-in capital amounted to US$768.0 million after the treasury shares cancelation in 2017.

The table below set outs a summary of the treasury shares cancelled during 2017 and the related movements in the equity:

	Number of shares	Consideration paid during buyback	Share capital reduction	Additional paid-in capital reduction	Retained earnings effect
4 May 2017	28,763,465	101,429	39,739	65,091	(3,401)
5 October 2017	22,236	77	31	50	(4)
1 December 2017	2,236,757	7,717	3,090	5,062	(435)
Total	31,022,458	109,223	42,860	70,203	(3,840)

Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments, net of the related tax effects.

23. Earnings per share

Basic earnings per share for the year ended 31 December 2017 were based on the profit attributable to shareholders of the Company of US$157.2 million (2016: US$155.4 million) and a weighted average number of outstanding ordinary shares of 351,215 thousand (31 December 2016: 370,511 thousand), calculated as per below (in thousands of shares):

	Issued shares	Weighted average number of shares
1 January 2016	**370,821**	**370,821**
Shares cancelled in April 2016	(425)	(310)
31 December 2016	**370,396**	**370,511**
1 January 2017	**370,396**	**370,396**
Shares cancelled in May 2017	(28,763)	(18,992)
Shares cancelled in October 2017	(22)	(5)
Shares cancelled in December 2017	(2,237)	(184)
31 December 2017	**339,374**	**351,215**

24. Subsidiaries

The following is a list of all of the Group' subsidiaries and the effective ownership holdings therein:

Subsidiaries	31 December 2017	31 December 2016	Location	Activity
Neryungri and Aprelkovo segment				
OOO Neryungri–Metallik	100.0%	100.0%	Republic of Sakha (Yakutia), Neryungri town. Hani pgt. 70 years of October, d. 3, kv. 55, 678976, Russian Federation	Gold mining
ZAO Mine Aprelkovo	n/a	100.0%	Leningradskoe shosse, 39, str.2., Moscow,125212, Russian Federation	Gold mining
Suzdal and Balazhal segment				
Celtic Resources Holdings Ltd	100.0%	100.0%	Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, D02 T292, Ireland	Holding company
Celtic Resources (Central Asia)	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
JSC FIC Alel	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Gold mining
Zherek LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Gold mining
Opeloak Ltd	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Gold sales
Semgeo LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Gold exploration
Buraytzoloto segment				
OJSC Buryatzoloto (*)	93.7%	92.8%	Shalyapina street, 5V, Republic of Buryatia, Ulan–Ude,670045, Russian Federation,	Gold mining
Berezitovy segment				
LLC Berezitovy Rudnik	100.0%	100.0%	Centralnaya Str. 14, Amur Region, Tynda District, with. Pervomaiskoye, 676260, Russian Federation	Gold mining
Taparko segment				
Societe Des Mines de Taparko (*)	90.0%	90.0%	01 B.P. 2509, Ouagadougou 01, Immeuble UPAK, Boulevard France — Afrique, Secteur 15, Ouaga 2000, Burkina Faso	Gold mining
Nordgold YEOU SA (*)	90.0%	90.0%	Secteur 19, Quartier Kossodo, Rue 1749 Boulevard Tansoba Silzaedre, Section zz, lot 14, parcelle №8, arrodissement №4 de Ouagadougou, Burkina Faso	Gold mining
Lefa segment				
Crew Gold Corporation	100.0%	100.0%	13–14 Espalande Street, St Heller, JE1 1BD,Jersey	Holding company
Crew Development Ltd	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Other

Crew Acquisition Corporation	100.0%	100.0%	200–204 Lambert Street, Whitehorse, YT,Y1A 1Z4, Canada	Holding company
Guinor Gold Corporation	100.0%	100.0%	3081,3rd ave.,Whitehorse, Yukon, Canada	Holding company
Kenor AS	100.0%	100.0%	Arbins gate 4, 0253 Oslo, Norway	Holding company
Delta Gold Mining Ltd.	100.0%	100.0%	Registered office 28–30 The Parade, St Helier Jersey, JE1 1EQ	Holding company
Societe Miniere de Dinguiraye	100.0%	100.0%	4ème étage — Immeuble Moussoudougou — Résidence 2000,Corniche Coléah Sud — Commune de Matam BP 2162, Conakry, République de Guinée	Gold mining
Bissa and Greenfields segments				
High River Gold Mines (International) Ltd (*)	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1–1103, Cayman Islands	Holding company
High River Gold Mines (West Africa) Ltd (*)	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1–1103, Cayman Islands	Holding company
Bissa Gold SA (*)	90.0%	90.0%	11 B.P. 1229 CMS 11 OUAGA 11, 783 rue de la Chambre de Commerce 15,618 commune de Ouagadougou, Burkina Faso	Gold mining
High River Gold Exploration Burkina SARL (*)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Jilbey Burkina SARL (*)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Kaya Exploration SARL (*)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Tenga Exploration SARL (*)	n/a	100.0%	Secteur n°25 de Ouagadougou, Parcelle n°11 Lot 12 Section 22, Burkina Faso	Gold exploration
Prognoz Exploration Burkina SARL	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Other companies				
Nordgold Management LLC	100.0%	100.0%	Leningrad highway, 39, building 2,125212 Moscow, Russian Federation	Management services
Nordgold (UK) Ltd	100.0%	100.0%	5th Floor, 6 St.Andrew street, London EC 4A 3AE, United Kingdom	Other
Northquest Limited	100.0%	100.0%	Suite 101–50 Richmond Street East, Toronto, Ontario M5C 1N7, Canada	Gold exploration
Compagnie Miniere Montagne d'Or SAS	55.1%	n/a	1, rue de l'Indigoterie 97354 Rémire–Montjoly	Gold exploration
Zabaykalskoye Zoloto LLC	100.0%	100.0%	Trans–Baikal Territory, Chita, Kosciusko–Grigorovich, 5, office 504, 672000, Russian Federation	Other
Nord Prognoz Ltd	100.0%	100.0%	Ritter House Wickhams Cay II Road Town, Tortola, British Virgin Islands	Holding company
NordPolar Ltd	100.0%	100.0%	Ritter House Wickhams Cay II Road Town, Tortola, British Virgin Islands	Holding company

Nord Gold (Yukon) Inc.	100.0%	100.0%	200–204 Lambert Street, Whitehorse, YT,Y1A 1Z4, Canada	Holding company
High River Gold Mines Ltd	100.0%	100.0%	Suite 2100, Scotia Plaza, 40 King Street West Toronto, Ontario, M5H 3C2, Canada	Holding company
High River Gold Management Africa S.A. (*)	100.0%	100.0%	11 BP 635 Ouagadougou, CMS 11, Immeuble UPAK Boulevard France –Afrique, secteur 15, Ouaga 2000, Burkina Faso	Other
High River Acquisition Corp. (*)	100.0%	100.0%	200–204 Lambert Street, Whitehorse, Yukon Territory Y1A 1Z4, Canada	Other
Amur Gold Limited (*)	100.0%	100.0%	Karaiskaki, 6 CITY HOUSE 3032, Limassol, Cyprus	Holding company
Centroferve Limited	100.0%	100.0%	Karaiskaki,6, City House, P.C. 3032, Limassol, Cyprus	Holding company
Castleway Limited	n/a	100.0%	Karaiskaki,6, City House, P.C. 3032, Limassol, Cyprus	Holding company
Ken Kazgan LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Other
Eureka Mining Plc	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
Celtic Asian Gold LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Other
Kentau Exploration and Minig LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Other
Moliken LLP	50.0%	50.0%	Stepnogorsk city, 4 microdistrict, building 2, office 106, Akmola region, the Republic of Kazakhstan	Holding company
Arman LLP	50.0%	50.0%	East–Kazakhstan region, the city of Semipalatinsk, Lenin street 5a, the Republic of Kazakhstan	Other
Chelyabinsk Copper Co Ltd	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
Oldlove Ltd	100.0%	100.0%	1, Costakis Pantelides Avenue, Nicosia, CY1010, CYPRUS	Other

(*) Subsidiary of High River Gold Mines Ltd.

- In November 2016, the Group sold to an unrelated party its 100% equity investment in Prognoz Invest Ltd. holding 50% stake in Prognoz silver exploration project for the cash consideration of US$29.7 million. Investment was previously impaired in full, resulting in a gain on disposal of investment in joint venture amounting US$29.7 million.
- During 2016 North Gold Mining Company was merged with LLC Berezitovy Rudnik.
- During 2017 Castleway Limited and Tenga Exploration SARL were liquidated.
- During 2017 ZAO Mine Aprelkovo was disposed by the Group due to bankruptcy.
- During 2017 Compagnie Miniere Montagne d'Or SAS was acquired (Note 25).

25. Acquisition of subsidiary

On 7 March 2017, the Bankable Feasibility Study ("BFS") for Montagne d'Or, an early stage gold mining project in French Guiana, was completed and the Group obtained a controlling 55.01% interest in Compagnie Miniere Montagne d'Or SAS ("CMMO"), the development company for the project. The exploration activity and study costs incurred since 2014 of US$43.8 million represented the carrying value of the earned-in option. The Group is not required to pay any further consideration to CMMO to acquire the controlling interest.

The CMMO acquisition meets the definition of a business pursuant to IFRS 3 and accordingly, it has been accounted for at fair value using the acquisition method. The Group applied the Montagne d'Or operating assumptions from the US$370 million NPV BFS, however the Group's own macroeconomic assumptions and 8% post–tax real discount rate were applied in determining the US$100 million intangible asset valuation below.

The following table summarizes allocation of the purchase price to the fair value of assets acquired and liabilities assumed:

ASSETS	
Cash and cash equivalents	1,013
Other current assets	1,741
Intangible assets	100,340
Other non–current assets	727
TOTAL ASSETS	**103,821**
LIABILITIES	
Current liabilities	1,100
Deferred tax liabilities	21,933
TOTAL LIABILITIES	**23,033**
Total identifiable net assets at fair value	**80,788**
Non–controlling interests	(36,346)
Gain on bargain purchase	(690)
Cash and cash equivalents acquired	(1,013)
Total consideration	**42,739**
Satisfied by:	
Carrying value of the earn in option brought forward	43,752
Less: cash and cash equivalents acquired	(1,013)
Net cash outflow	**42,739**

26. Related party transactions and balances

Transactions with entities under common control mainly included purchases of goods and services and were the following:

	Year ended 31 December	
	2017	2016
Operating expenses	3,472	2,472
Capital expenditures	6,423	1,281

There was no contribution from CMMO to the Group's revenues or profit for the period from the date of acquisition to the balance sheet date. Had CMMO's acquisition taken place at the beginning of the reporting period (1 January 2017), there would be no change to revenues or profit for the year ending 31 December 2017.

As at 31 December 2017, balances with entities under common control included accounts payable of US$2.6 million (31 December 2016: US$1.3 million), which are to be settled in cash.

27. Financial risk management

Capital management

The Group's policy is to maintain a strong capital base to ensure investor, creditor and market confidence and to sustain future development of the business. This policy includes compliance with certain externally imposed minimum capital requirements. According to UK legislation the Company has to maintain its share capital at a minimum of £50,000.

As at 31 December 2017, external credit ratings of the Group were as follows:

- Moody's: Ba2, stable outlook;
- Fitch: BB-, positive outlook.

As at 31 December 2016 external credit ratings of the Group were as follows:

- Moody's: Ba3, positive outlook;
- Fitch: BB-, stable outlook.

The Group's management constantly monitors profitability and leverage ratios and compliance with the minimum capital requirements. As per the tables below, the Group uses the return on assets ratio which is defined as profit from operations divided by total assets (averaged over the measurement period) and the leverage ratio calculated as net debt, comprising of long-term and short-term indebtedness and the related derivative instruments less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity.

Return on assets ratio:

	31 December 2017	31 December 2016
Profit from operations	278,806	229,629
Total assets	2,662,586	2,311,427
Return on assets ratio	**10%**	**10%**

Net debt reconciliation:

	31 December 2017	31 December 2016
Non–current interest bearing loans and borrowings	541,583	689,863
Derivative financial instrument	1,835	–
Current interest bearing loans and borrowings	453,564	171,768
Less: short term deposits	(70,237)	(70,015)
Less: cash and cash equivalents	(270,402)	(286,263)
Net debt	**656,343**	**505,353**

Leverage ratio:

	31 December 2017	31 December 2016
Net debt	656,343	505,353
Share–holders equity	1,063,767	982,943
Leverage ratio	**62%**	**51%**

Total liabilities from financing activities reconciliation

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

	31 December 2016	Cash flows	Non-cash changes						31 December 2017
			Foreign exchange movement	Transaction costs amortization	Dividends declared	Transfers	Share buyback reserve recognition	Other changes	
Non-current borrowings	696,333	510,000	(2,258)	–	–	(656,333)	–	–	547,742
Current borrowings	166,667	(375,000)	–	–	–	656,333	–	–	448,000
Dividends payable	31,140	(88,433)	–	–	57,293	–	–	–	–
Share buyback reserve	–	(109,223)	–	–	–	–	120,632	–	11,409
Other movements	(6,470)	(11,605)	–	5,771		–	–	5,707	(6,597)
Total financing activities	**887,670**	**(74,261)**	**(2,258)**	**5,771**	**57,293**	**–**	**120,632**	**5,707**	**1,000,554**

Major categories of financial instruments

The Group's principal financial liabilities comprise notes and bonds issued, bank loans and trade and other payables. The Group's principal financial assets comprised trade and other receivables, short — term deposits, financial investments, cash and cash equivalent and restricted cash.

	31 December 2017	31 December 2016
Financial assets		
Cash and cash equivalents	270,402	286,263
Short–term deposits	70,237	70,015
Trade and other receivables	17,386	11,614
Restricted cash	14,919	10,886
Long–term financial investments	8,045	6,846
Total financial assets	**380,989**	**385,624**
Financial liabilities		
Notes and bonds issued	448,000	448,000
Bank and other credit organizations loans	547,306	415,004
Trade and other payables	259,014	240,421
Total financial liabilities	**1,254,320**	**1,103,425**

The Group's activities expose it to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk;
- Currency risk;
- Interest rate risk.

Presented below is information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's capital management. Quantitative disclosures are included throughout these consolidated financial statements.

The Group has established comprehensive risk management policies to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Board of Directors monitors compliance with the Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Group.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position, as detailed in the table below, and arises principally from the Group's cash and cash equivalents, trade and other receivables, loans given and short-term deposits:

	31 December 2017	31 December 2016
Cash and cash equivalents	270,402	286,263
Restricted cash	14,919	10,886
Trade and other receivables	17,386	11,614
Short–term deposits	70,237	70,015
Long–term financial investments	8,045	47,247
Total	**380,989**	**426,025**

Group management believes that credit risk is limited based on the following:

- a substantial portion of gold sales are made to banks on immediate payment terms, therefore the credit risk related to trade receivables is minimal;
- the Group does not provide significant loans to third parties;
- the majority of the Group's cash and cash equivalents and short-term deposits are placed in reputable banks that have credit ratings not lower than "B" from Moody's credit rating agency.

Analysis of trade and other receivables

The aging of trade and other receivables:

	31 December 2017		31 December 2016	
	Gross	Impairment	Gross	Impairment
Not past due	14,324	–	10,602	–
Past due 0–365 days	3,062	–	1,012	–
More than one year	1,117	(1,117)	1,092	(1,092)
Total	**18,503**	**(1,117)**	**12,706**	**(1,092)**

Concentration of credit risk

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. As at 31 December 2017, the Group had a concentration of cash and cash equivalents and bank deposits with Sberbank in the amount of US$198.1 million . (31 December 2016: US$157.1 million).

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The following table details the contractual maturity of the Group's non-derivative financial liabilities as at 31 December 2017, including both principal and interest cash flows on an undiscounted basis:

	Carrying amount	Future contractual cash flows*	Less than 1 year	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Notes and bonds issued	448,000	462,688	462,688	–	–	–
Bank and other credit organizations financing	547,306	648,224	22,880	173,181	241,637	210,526
Trade and other payables	259,014	259,014	251,005	227	2,114	5,668
Total	1,254,320	1,369,926	736,573	173,408	243,751	216,194
Net exposure	**1,254,320**	**1,369,926**	**736,573**	**173,408**	**243,751**	**216,194**

* Including future interest payments.

Market risk

The Group activities expose it primarily to the financial risks of changes in commodity prices, foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Commodity price risk

The Group is exposed to a gold price risk. Market prices of gold to be sold in future influence the Group's future profitability and the recoverability of assets. Management monitors gold price trends and regulates sales policy accordingly. The Group does not use derivatives to mitigate its exposure to commodity price risk.

Sensitivity analysis

Management believes 10 percent change in gold price can be reasonably expected considering gold price movements during 2017. A 10 percent decrease of gold price would have decreased profit after tax for the year ended 31 December 2017 by US$100.2 million (2016: US$85.9 million). Commodity prices would not have impacted materially on any other line item in the consolidated statement of financial position or in the consolidated statement of profit or loss except for Sales with further effect on Gross profit, Profit from operations, Profit before income tax and Net profit.

Currency risk

Currency risk arises when a Group entity enters into transactions denominated in foreign currencies. The Group has monetary assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

The Group is mainly exposed to changes in the following currencies: US Dollar, Russian Rouble, Kazakh Tenge, Canadian Dollar and Central African Franc.

The Group’s exposure to foreign currency risk based on notional amounts of assets and liabilities was as follows:

	USD	RUB	KZT	CAD	CFA (XOF)	Other
31 December 2017						
Cash and cash equivalents	109,515	19	–	11	–	188
Trade and other receivables *	31,239	–	–	270	17,729	1,686
Financial investments *	165,297	13,246	–	2,121	100,254	14
Borrowings*	(192,447)	(919)	–	(6,238)	–	(201)
Trade and other payables *	(28,211)	(7,056)	–	(333)	(19)	(29,037)
Net exposure	85,393	5,290	–	(4,169)	117,964	(27,350)
31 December 2016						
Cash and cash equivalents	119,073	11	–	17,060	–	161
Trade and other receivables *	8,805	–	–	225	15,005	1,147
Financial investments *	205,334	36,868	–	4,542	85,219	15,769
Borrowings*	(178,739)	(6,770)	–	(14,474)	–	(3,988)
Trade and other payables *	(33,077)	(533)	–	(305)	(16)	(22,633)
Net exposure	121,396	29,576	–	7,048	100,208	(9,544)

* Including Group's intercompany balances and interest.

Sensitivity analysis

Management believes that a 20 percent change in foreign currencies can be reasonably expected considering currency rates movements during 2017. A 20 percent strengthening of the following currencies as at 31 December 2017 and 2016 would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. Foreign currency differences, arising on translation into the presentation currency were not considered, only monetary items.

	31 December 2017	31 December 2016
USD	17,478	24,563
RUB	750	5,623
KZT	–	–
CAD	(830)	1,527
CFA (XOF)	29,492	25,053
Other	(4,890)	(1,549)
Total	42,000	55,217

A 20% weakening of the following currencies as at 31 December 2017 and 2016 would have increased/ (decreased) profit and equity by the amounts shown below, on the basis that all other variables remain constant.

	31 December 2017	31 December 2016
USD	(11,652)	(16,375)
RUB	(500)	(3,748)
KZT	–	–
CAD	553	(1,018)
CFA (XOF)	(19,662)	(16,702)
Other	3,260	1,033
Total	**(28,001)**	**(36,810)**

Interest rate risk

Interest rates on the Group's debt finance are either fixed or variable at a fixed spread over LIBOR for the duration of the contract. Changes in interest rates impact loans and borrowings by changing their fair value (fixed rate debt) or future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. When raising new financing, management uses its judgment to decide whether fixed or variable rate would be more favourable over the expected period until maturity.

The Group's interest-bearing financial instruments at variable rates:

	31 December 2017	31 December 2016
Financial liabilities at interest with fixed spread over LIBOR	(547,745)	(415,004)
Net position	**(547,745)**	**(415,004)**

Cash flow sensitivity analysis for variable rate instruments

Management believes 100 basis points change in interest rates can be reasonably expected considering interest rates movements during 2017. A change of 100 basis points in variable interest rates would increase/ (decrease) profit for the year ended 31 December 2017 by US$4.3 million (2016: US$4.8 million).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, except financial instruments measured at amortised cost, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2
Balance at December 31, 2017		
Available–for–sale financial assets	7,949	–
Derivative financial instrument	–	(1,835)
Balance at December 31, 2016		
Available–for–sale financial assets	6,752	–

At 31 December 2017 and 2016, the Group did not have any Level 3 financial instruments.

The fair value of the Group's financial assets and liabilities carried at amortised cost approximated to their carrying values at 31 December 2017, except for the fair value of bonds (Note 19).

28. Commitments and contingencies

Capital commitments

As at 31 December 2017, the Group had contractual capital commitments of US$77.1 million (31 December 2016: US$19.9 million) related to purchases of property, plant and equipment predominantly related to construction of the Gross mine under development as at 31 December 2017.

Operating environment

A significant portion of the Group's operations is based in the Russian Federation and is consequently exposed to the economic and political effects of the policies adopted by the Russian Federation government. Operations in the Russian Federation involve risks that typically do not exist in other markets. In addition, the contraction in the capital and credit markets and its impact on the Russian economy has further increase the level of economic uncertainty in the environment.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian Federation businesses to international capital markets, economic recession and other negative consequences. The impact of further economic developments on future operations and financial position of the Group's Russian Federation subsidiaries is difficult to determine at this stage. No impact of these circumstances is expected on the Group's subsidiaries located in other countries.

The Group also conducts business in Kazakhstan, Burkina Faso and Guinea. Each of these countries are subject to significant economic, political and social risks. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights.

The consolidated financial statements reflect management's assessment of the impact of the Russian, Kazakhstan, Burkina Faso and Guinean business environment on the operations and the financial position of the Group. The future developments in political and economic environment in the countries where the Group operates may differ from management's assessment.

Legal proceedings

The Group operates in various jurisdictions, and accordingly is exposed to numerous legal risks. The Group entities are currently and may be from time to time involved in a number of legal proceedings, including inquiries from and discussions with governmental authorities that are incidental to their operations. The material current proceedings related to taxation are discussed below. The outcome of currently pending and future proceedings cannot be predicted with certainty. An adverse decision in a lawsuit could result in additional costs and could significantly influence the business and results of operations.

At 31 December 2017, management estimated the total amount of potential non-tax legal proceedings at US$5.5 million (31 December 2016: US$1.2 million). Management assesses the likelihood of unfavourable outcome as possible and therefore provision was not recognised in the consolidated financial statements.

Tax contingencies

The taxation system and regulatory environment of the Russian Federation, Kazakhstan, Burkina Faso and Guinea are relatively new and characterised by frequently changing legislation, which is often unclear, contradictory and subject to varying interpretations between the differing regulatory authorities and jurisdictions. Events during recent years suggest that the regulatory authorities within these countries are adopting a more assertive stance regarding the interpretation and enforcement of legislation. This situation creates substantial tax and regulatory risks.

As at 31 December 2017, management has identified the following tax risks where unfavorable outcome was assessed as possible:

Russian Federation

Total amount of potential claims from Russian tax authorities was nil (31 December 2016: US$13.3 million) due to change of risk assessment to probable and recognition of related provision (Note 21).

Burkina Faso

Total amount of various tax risks of Group's entities located in Burkina Faso, which may lead to negative consequences, was estimated at US$9.6 million (31 December 2016: US$0.5 million).

Guinea

Total amount of tax risks of Société Minière de Dinguiraye located in Guinea, which may lead to negative consequences, was estimated at US$24.1 million (31 December 2016: US$6.3 million).

Other jurisdictions

Guinor, a subsidiary of the Group, which is a Canadian tax resident, is exposed to tax risks up to US$14.7 million (31 December 2016: US$14.4 million).

No provision was recognised in the consolidated financial statements in respect of the tax risks listed above.

29. Events after the reporting period

On 9 March 2018, the Board of Directors approved a final dividend of 4.5 US cents per share in respect of the three months ended 31 December 2017, representing a total pay-out of US$15.3 million.

On 14 March 2018 the Group secured a new US$300 million, five-year debt facility with a group of international banks. The syndicated loan is provided by the following mandated lead arrangers: ING (a branch of ING-DIBA AG), AO Raiffeisenbank, Raiffeisen Bank International AG, PJSC Rosbank, Societe Generale and AO UniCredit Bank. Nordgold intends to use the proceeds of the facility to refinance its existing Eurobonds, which mature in May 2018 (US$448 million). The Eurobond refinancing will be partially funded by cash on the Company's balance sheet.

COMPANY ONLY FINANCIAL STATEMENTS

For the year ended 31 December 2017

FRS 101 Nord Gold SE
Registered number: SE000102

Statement of Director's responsibilities

For the year ended 31 December 2017

The Directors are responsible for preparing the financial statements for 12 months ended 31 December 2017 in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for 12 months ended 31 December 2017, under that law the Directors have elected to prepare the financial statements for 12 months ended 31 December 2017 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law 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 company and of the profit or loss of the company for that period. 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 FRS 101 "Reduced Disclosure Framework" has 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 company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the board

Zelenski N.G.
Chief Executive Officer

Guzeev D.V.
Chief Financial Officer

Statement of profit or loss

For the year ended 31 December 2017

	Year ended 31.12.17 $'000	Year ended 31.12.16 $'000
Other operating income	435	–
Administrative expenses	(3,257)	(3,201)
Impairment of intercompany investment	–	(137,858)
Other operating expenses	(2,517)	(97)
Operating loss	**(5,339)**	**(141,156)**
Investment income	31,904	32,898
Dividend income	23,355	–
Foreign exchange gains	2,499	269
Net finance costs	(40,112)	(50,344)
Profit / (loss) before taxation	**12,307**	**(158,333)**
Taxation charge	(1,433)	–
Profit / (loss) after taxation for the financial year attributable to the owners of the Company	**10,874**	**(158,333)**

Statement of comprehensive income or loss

For the year ended 31 December 2017

	Year ended 31.12.17 $'000	Year ended 31.12.16 $'000
Profit/(Loss) for the year	**10,874**	**(158,333)**
Items that may be reclassified subsequently to profit or loss:		
Available for sale financial assets	**1,221**	**2,277**
	1,221	**2,277**
Total comprehensive income/(loss) for the period attributable to the owners of the Company	**12,095**	**(156,056)**

Statement of financial position

As at 31 December 2017

	Note	31.12.2017 $'000	31.12.2016 $'000
Non-current assets			
Investments in subsidiaries	6	1,192,321	1,177,826
Other investments	7	6,668	117,044
Total non-current assets		**1,198,989**	**1,294,870**
Current assets			
Intercompany loans receivable	7	464,466	412,122
Trade and other receivables		11,315	7,661
Cash at bank and in hand		7,415	54,127
Total current assets		**483,196**	**473,910**
Total assets		**1,682,185**	**1,768,780**
Current liabilities			
Trade and other payables		(407)	(407)
Dividends payable		–	(31,140)
Advances received	8	(549,000)	(40,000)
Loans and borrowings	9	(527,069)	(171,872)
Total current liabilities		**(1,076,476)**	**(243,419)**
Net current assets		**(593,280)**	**230,491**
Total assets less current liabilities		**605,709**	**1,525,361**
Non-current liabilities			
Borrowings	9	–	(765,232)
Total non-current liabilities		**–**	**(765,232)**
Total liabilities		**(1,076,476)**	**(1,008,651)**
Net assets		**605,709**	**760,129**
Equity			
Share capital	10	(468,873)	(511,733)
Revaluation reserves	11	(949)	272
Retained earnings and profit for the year	12	(135,887)	(248,668)
Equity attributable to owners of the Company		**(605,709)**	**(760,129)**

The financial statements of FRS 101 Nord Gold SE (registered number SE000102) were approved by the board of directors and authorised for issue on 15 March 2018. They were signed on its behalf by:

Zelenski N.G.
Chief Executive Officer

Guzeev D.V.
Chief Financial Officer

Statement of changes in equity

For the 12 months ended 31 December 2017

	Share capital $'000	Treasury shares $'000	Share premium account $'000	Revaluation reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2016	**1,280,801**	**(300)**	**31,303**	**(2,549)**	**(338,238)**	**971,017**
Loss for the year	–	–	–	–	(158,333)	(158,333)
Other comprehensive income for the year	–	–	–	2,277	–	2,277
Total comprehensive income for the year						**(156,056)**
GDRs buyback	–	(971)	–	–	–	(971)
Treasury share cancellation	(1,469)	1,271	(36)	–	234	–
Share captial reduction	(767,599)	–	(31,267)	–	798,866	–
Dividends paid	–	–	–	–	(53,861)	(53,861)
Balance at 31 December 2016	**511,733**	**–**	**–**	**(272)**	**248,668**	**760,129**
Profit for the year	–	–	–	–	10,874	10,874
Other comprehensive income for the year	–	–	–	1,221	–	1,221
Total comprehensive income for the year	–	–	–	–	–	**12,095**
GDRs buyback	–	(109,222)	–	–	–	(109,222)
Treasury share cancellation	(42,860)	109,222	–	–	(66,362)	–
Dividends paid	–	–	–	–	(57,293)	(57,293)
Balance at 31 December 2017	**468,873**	**–**	**–**	**949**	**135,887**	**605,709**

Notes to the financial statements

For the period ended 31 December 2017

1. General information

FRS 101 Nord Gold SE (the Company) is a Company incorporated in the United Kingdom under the Companies Act 2006.

On 27 June 2016, the Company, formerly Nord Gold N.V., re-domiciled from the Netherlands to the United Kingdom as a European Public Limited-Liability Company registered in accordance with the corporate law of the European Union and the UK Companies Act 2006.

The Company is a public Company limited by shares and is registered in England. The address of the Company's registered office is 5th Floor, 6 St. Andrew street, London EC4A 3AE, United Kingdom.

2. Basis of preparation and presentation

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 prior to their mandatory effective date of accounting periods beginning on or after 1 January 2016.

Consistent with the 2016 year end financial statements, the Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. The financial statements have therefore been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, standards not yet effective, impairment of assets and related parties transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Nord Gold SE. The auditor's remuneration for audit and other services is disclosed in note 7 of the Group consolidated financial statements.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 4, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The company has no critical accounting judgements and one key source of estimation uncertainty that is detailed below:

Impairment of investments in subsidiaries

Determining whether the Company's investments in its subsidiaries have been impaired requires estimations of the investments' values in use. The value in use calculations require management to estimate the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values (i.e. using discounted cash flow models). The carrying amount of investments in subsidiaries at the balance sheet date was US$1,192,321 thousand (US$1,177,826 thousand as at 31 December 2016) with no impairment charge recognised in 2017 (US$116,282 thousand impairment charge in 2016).

4. Significant accounting policies

Going concern

As discussed in the Directors' Report, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus the going concern basis of accounting in preparing the financial statements continues to be adopted.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Investment Income

Dividend and interest income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

The financial statements are presented in United States dollars consistent with the Group accounts. The functional currency is United States dollars, which is the currency of the primary economic environment in which the Company operates.

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of profit or loss.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available for sale (AFS) financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed shares and listed redeemable notes held by the Company that are traded in an active market are classified as being AFS and are stated at fair value. The Company also has investments in unlisted shares that are not traded in an active market but that are classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income or loss and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is reclassified to profit or loss.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the balance sheet date. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income or loss.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income or loss are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income or loss and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Reclassification of financial assets

Reclassification is only permitted in rare circumstances and where the asset is no longer held for the purpose of selling in the short-term. In all cases, reclassifications of financial assets are limited to debt instruments. Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income or loss and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income or loss is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income or loss is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of profit or loss

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

5. Dividends

Dividends recorded in the statement of changes in equity for 2017 comprise dividends paid in 2017 for the three months ended 31 December 2016 (US$18.96 million) and dividends accrued for the three months ended 30 March 2017 (US$11.00 million), 30 June 2017 (US$16.46 million) and 30 September 2017 (US$10.87 million).

The payment of these dividends did not have any tax consequences for the Company.

Dividends recorded in the statement of changes in equity for 2016 comprised dividends paid in 2016 for the three months ended 31 December 2015 (US$5.89 million) and dividends accrued for the three months ended 30 March 2016 (US$11.82 million), 30 June 2016 (US$20.44 million) and 30 September 2016 (US$15.71 million).

Interim dividends for the three months ended 30 March 2016 (US$11.82 million) were declared and paid prior to the Company re-domiciliation to the UK.

Interim dividends for the three months ended 30 June 2016 (US$20.44 million) and 30 September 2016 (US$15.71 million) were declared and partially paid after the Company re-domiciled to the UK. Dividends payable as at 31 December 2016 was US$31.1 million.

6. Subsidiaries

	$'000
Cost	
At 1 January 2017	1,294,108
Additions	55,493
Disposals	(40,998)
At 31 December 2017	1,308,603
Provisions for impairment	
At 1 January 2017	(116,282)
Impairment of investments in subsidiaries	–
At 31 December 2017	(116,282)
Carrying amount	
At 31 December 2016	1,177,826
At 31 December 2017	1,192,321

The impairment of investments in subsidiaries as at 31 December 2016 and 31 December 2017 includes full impairment of the investment in Semgeo (US$26.6 million impairment) and partial impairments of investments in JSC FIC Alel (US$19.4 million impairment) and in Societe Miniere de Dinguiraye (US$70.2 million impairment). The investment in subsidiaries recoverability testing is estimated on a value in use basis using discounted cash flow models.

Appendix 1 includes details of all related undertakings and forms part of these financial statements.

7. Other investments

	Current assets		Non-current assets	
	31.12.2017 $'000	31.12.2016 $'000	31.12.2017 $'000	31.12.2016 $'000
Available–for–sale investments carried at cost				
Advances paid for the bankable feasibility study	–	–	–	40,401
Available–for–sale investments carried at fair value				
Investments in shares	–	–	6,668	5,447
	–	–	6,668	45,848
Loans receivable carried at amortised cost				
Loans to related parties	464,466	412,122	–	71,196
Total investments	464,466	412,122	6,668	117,044

The US$40,401 thousand of advances paid to Columbus Gold Corporation for the bankable feasibility study as at 31 December 2016 was a requirement of the Option agreement to acquire a 55.01% stake in the Montagne d'Or gold mining project in French Guiana. Nord Gold had the right to exercise the option by completing a bankable feasibility study and by expending not less than US$30 million in staged work expenditures during one year. These two requirements were completed in March 2017 and the Group exercised the option in 2017. In 2017, the Company obtained a controlling 55.01% interest in Compagnie Miniere Montagne d'Or SAS ("CMMO"), the development company for the Montagne d'Or, an early stage gold mining project in French Guiana.

The investment in shares of US$6,668 thousand (31 December 2016: US$5,447 thousand) represents by a number of holdings in different gold exploration and mining companies.

Intercompany loans receivable interest rate is 6.5% with the exception of loans receivable of Delta Gold Mining with the interest rate 3 month LIBOR + 5% and OOO Neryungri-Metallik with interest rate LIBOR12M + 7%.

8. Advances received

Advances received represent a US$549 million cash amounts received as at 31 December 2017 (2016: US$40 million) from Celtic Resources Holding Ltd. (a wholly owned subsidiary) in relation to the purchase price of shares of subsidiaries owned by Nord Gold SE, which will be purchased by Celtic Resources Holdings Ltd from Nord Gold SE.

9. Loans and Borrowings

	31.12.2017 $'000	31.12.2016 $'000
Unsecured borrowing		
Amounts owed to group undertakings	74,765	114,002
Unamortised balance of transaction cost	(439)	–
	74,326	114,002
Secured borrowing		
Notes and bond issued (including interest and unamortised balance of transaction cost)	452,743	451,192
Bank loans	–	371,910
	452,743	823,102
Total borrowings	**527,069**	**937,104**
Bank loans	–	167,107
Amounts owed to group undertakings	74,765	–
Notes and bond interest	452,743	4,765
Unamortised balance of transaction cost	(439)	–
Amount due for settlement within 12 months	**527,069**	**171,872**
Notes and bond issued	–	448,000
Bank loans	–	208,337
Unamortised balance of transaction cost	–	(5,107)
Amounts owed to group undertakings	–	114,002
Amount due for settlement after 12 months	**–**	**765,232**

The other principal features of the Company's loans and borrowings are as follows:

(i) In May 2013, the Company issued US$500 million unsecured notes. The notes are denominated in US Dollars, mature in May 2018, and bear interest of 6.375% per annum payable semi-annually in May and November, commencing November 2013. The notes are unconditionally and irrevocably guaranteed by certain Group subsidiaries. During 2014–2015 the Company repurchased US$52 million of notes in the open-market.

(ii) Bank loans as at 31 December 2016 are represented by the loan facility from Sberbank. As at 31 December 2017, the Group had drawn down the entire bank loans facilities.

(iii) Amounts owed to group undertakings mainly represent the loans received from the subsidiaries with interest accrued Celtic Resources Holdings Ltd US$47,657 thousands, interest rate 3.5%, maturing in 2018 (US$48,412 thousands as at 31 December 2016) and Buryatzoloto JSC US$26,926 thousands, interest rate 5.35%-5.9%, maturing in 2018 (US$65,408 thousands as at 31 December 2016).

10. Share capital

	31.12.2017 $'000
Issued and fully paid:	
339,373,771 ordinary shares of EUR 1.0 each	468,873

On 8 December 2016, the Company made a reduction of capital by reducing the nominal value of each of the ordinary shares of the Company and the cancellation of the Company's share premium account. This reduction of capital was required to create sufficient distributable reserves at a company only level to facilitate the payment of dividends in accordance with UK company law.

The Capital Reduction was formally approved by the Companies Court of the Chancery Division in the High Court of Justice on 7 December 2016. Following registration of the court order and the Company's statement of capital with Companies House, the Capital Reduction became effective on 8 December 2016.

Following the Capital Reduction, the issued share capital of the Company consists of 370,396,229 ordinary shares of €1.00 each, as at 8 December 2016. This represented a value of US$511,733 thousand, a reduction in share capital of US$767,599 thousand which combined with the elimination in full of the US$31,267 thousand share premium balance and increased retained earnings and distributable reserves by US$798,866 thousand.

In February 2017, the Company announced its intention to cancel the listing of its Global Depositary Receipts ("GDRs") from the official list and from trading on the London Stock Exchange ("LSE") in accordance with Listing Rule 5.2.8 and proposed a plan for de-listing that enabled the minority shareholders to choose whether to exit prior to de-listing or to retain their investment in Nordgold after de-listing. To effect this, the Board agreed to make a tender offer that provided the Company's minority shareholders the ability to choose, at their discretion between:

(a) tendering their GDRs to Nordgold at US$3.45 per GDR (representing the 5-day volume weighted average price (VWAP) for the 5 trading days preceding this announcement) at any point from 9 February 2017 until 12.01 am on 16 March 2017 (being five trading days after the anticipated date of the De-listing) (the "GDR Tender Offer"); or

(b) remaining a member of the de-listed Company and:

- receiving the benefit of its consistent returns in the form of dividends, as well as the benefit of any potential re-listing of the Company that might occur in future, which the Board believes will value the Company more accurately; and

- have the additional protection of the right to tender their shares back to Nordgold at US$3.45 per share (representing the 5-day VWAP for the 5 trading days preceding this announcement) on four occasions following the de-listing: after the announcement by the Company of its financial results for each of the half years ending 30 September 2017 and 2018 and for each of the full years ending 31 December 2017 and 2018 (the "Share Tender Offers").

The GDR Tender Offer closed on 16 March 2017 resulting in the cancellation of the listing of the Company's GDRs on the Official List of the Financial Conduct Authority. All of 28,763,465 GDRs of the Company amounting to US$99.2 million were validly tendered under the Tender Offer. This equated to approximately 84% of the GDRs in respect of which the Tender Offer was made. Approximately 16% of the Company's minority shareholders retained their investment in Nordgold after de-listing. In May 2017, all GDRs, which were purchased in accordance with GDR Buyback process, had been withdrawn from the GDR programme and the treasury shares representing such GDRs were cancelled on 4 May 2017.

On 5 October 2017, all of 22,236 ordinary shares, which were repurchased during the second Tender Offer conducted in accordance with the circular published on 30 August 2017 and the treasury shares representing these shares, had been cancelled.

On 1 December 2017, all of 2,236,757 ordinary shares, which remained underlying after the termination of the Nordgold GDR programme, from Deutsche Bank Trust Company Americas and the treasury shares representing these shares, had been cancelled. The repurchase price was determined at US$3.45 per share in accordance with the Circular published on 9 February 2017.

Following these transactions, the Company's issued share capital as at 1 December 2017 consisted of 339,373,771 ordinary shares, amounting to US$468.9 million .

	Treasury shares		Share capital	
	No of shares	Value, $'000	No of shares	Value, $'000
Balance at 31 December 2016	**–**	**–**	**370,396,229**	**511,733**
GDRs buyback	(31,022,458)	(109,222)	–	
Treasury share cancellation	31,022,458	109,222	(31,022,458)	(42,860)
Balance at 31 December 2017	**–**	**–**	**339,373,771**	**468,873**

11. Revaluation reserves

	$'000
Balance at 1 January 2016	**(2,549)**
Increase in fair value of available–for–sale investments	2,277
Balance at 1 January 2017	**(272)**
Increase in fair value of available–for–sale investments	1,221
Balance at 31 December 2017	**949**

12. Retained earnings

	$'000
Balance at 1 January 2016	**(338,238)**
Dividends paid	(53,861)
Net loss for the year	(158,333)
Treasury share cancellation	234
Share capital reduction	798,866
Balance at 1 January 2017	**248,668**
Dividends paid	(57,293)
Net profit for the year	10,874
Treasury share cancellation	(66,362)
Balance at 31 December 2017	**135,887**

13. Controlling party

As at 31 December 2017 and 2016, the immediate parent company of the Company was Ocean Management Ltd ("the Parent Company"), registered in the Luxembourg. The controlling shareholder of the Company is Mr. Alexey A. Mordashov.

14. Events after the reporting period date

On 9 March 2018, the Board of Directors approved a final dividend of 4.5 US cents per share in respect of the three months ended 31 December 2017, representing a total pay-out of US$15.3 million.

On 14 March 2018 the Group secured a new US$300 million, five-year debt facility with a group of international banks. The syndicated loan is provided by the following mandated lead arrangers: ING (a branch of ING-DIBA AG), AO Raiffeisenbank, Raiffeisen Bank International AG, PJSC Rosbank, Societe Generale and AO UniCredit Bank. Nordgold intends to use the proceeds of the facility to refinance its existing Eurobonds, which mature in May 2018 (US$448 million). The Eurobond refinancing will be partially funded by cash on the Company's balance sheet.

Appendix 1. Parent company subsidiaries and other investments

This forms part of these financial statements.

The parent Company has investments in the following subsidiary undertakings and other investments:

Subsidiaries	31 December 2017	31 December 2016	Location	Activity
Neryungri and Aprelkovo segment				
OOO Neryungri–Metallik	100.0%	100.0%	Republic of Sakha (Yakutia), Neryungri town. Hani pgt. 70 years of October, d. 3, kv. 55, 678976, Russian Federation	Gold mining
ZAO Mine Aprelkovo	n/a	100.0%	Leningradskoe shosse, 39, str.2., Moscow,125212, Russian Federation	Gold mining
Suzdal and Balazhal segment				
Celtic Resources Holdings Ltd	100.0%	100.0%	Fitzwilliam Hall, Fitzwilliam Place, Dublin 2, D02 T292, Ireland	Holding company
Celtic Resources (Central Asia)	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
JSC FIC Alel	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Gold mining
Zherek LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Gold mining
Opeloak Ltd	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Gold sales
Semgeo LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Gold exploration
Buraytzoloto segment				
OJSC Buryatzoloto (*)	93.7%	92.8%	Shalyapina street, 5V, Republic of Buryatia, Ulan–Ude,670045, Russian Federation,	Gold mining
Berezitovy segment				
LLC Berezitovy Rudnik	100.0%	100.0%	Centralnaya Str. 14, Amur Region, Tynda District, with. Pervomaiskoye, 676260, Russian Federation	Gold mining

Taparko segment				
Societe Des Mines de Taparko (*)	90.0%	90.0%	01 B.P. 2509, Ouagadougou 01, Immeuble UPAK, Boulevard France — Afrique, Secteur 15, Ouaga 2000, Burkina Faso	Gold mining
Nordgold YEOU SA (*)	90.0%	90.0%	Secteur 19, Quartier Kossodo, Rue 1749 Boulevard Tansoba Silzaedre, Section zz, lot 14, parcelle №8, arrodissement №4 de Ouagadougou, Burkina Faso	Gold mining
Lefa segment				
Crew Gold Corporation	100.0%	100.0%	13–14 Espalande Street, St Heller, JE1 1BD, Jersey	Holding company
Crew Development Ltd	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Other
Crew Acquisition Corporation	100.0%	100.0%	200–204 Lambert Street, Whitehorse, YT,Y1A 1Z4, Canada	Holding company
Guinor Gold Corporation	100.0%	100.0%	3081,3rd ave.,Whitehorse, Yukon, Canada	Holding company
Kenor AS	100.0%	100.0%	Arbins gate 4, 0253 Oslo, Norway	Holding company
Delta Gold Mining Ltd.	100.0%	100.0%	Registered office 28–30 The Parade, St Helier Jersey, JE1 1EQ	Holding company
Societe Miniere de Dinguiraye	100.0%	100.0%	4ème étage — Immeuble Moussoudougou — Résidence 2000,Corniche Coléah Sud — Commune de Matam BP 2162, Conakry, République de Guinée	Gold mining
Bissa and Greenfields segments				
High River Gold Mines (International) Ltd (*)	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1–1103, Cayman Islands	Holding company
High River Gold Mines (West Africa) Ltd (*)	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1–1103, Cayman Islands	Holding company
Bissa Gold SA (*)	90.0%	90.0%	11 B.P. 1229 CMS 11 OUAGA 11, 783 rue de la Chambre de Commerce 15,618 commune de Ouagadougou, Burkina Faso	Gold mining
High River Gold Exploration Burkina SARL (*)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Jilbey Burkina SARL (*)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Kaya Exploration SARL (*)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Tenga Exploration SARL (*)	n/a	100.0%	Secteur n°25 de Ouagadougou, Parcelle n°11 Lot 12 Section 22, Burkina Faso	Gold exploration
Prognoz Exploration Burkina SARL	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration

Other companies

Nordgold Management LLC	100.0%	100.0%	Leningrad highway, 39, building 2,125212 Moscow, Russian Federation	Management services
Nordgold (UK) Ltd	100.0%	100.0%	5th Floor, 6 St.Andrew street, London EC 4A 3AE, United Kingdom	Other
Northquest Limited	100.0%	100.0%	Suite 101 – 50 Richmond Street East, Toronto, Ontario M5C 1N7, Canada	Gold exploration
Compagnie Miniere Montagne d'Or SAS	55.1%	n/a	1, rue de l'Indigoterie 97354 Rémire–Montjoly	Gold exploration
Zabaykalskoye Zoloto LLC	100.0%	100.0%	Trans–Baikal Territory, Chita, Kosciusko–Grigorovich, 5, office 504, 672000, Russian Federation	Other
Nord Prognoz Ltd	100.0%	100.0%	Ritter House Wickhams Cay II Road Town, Tortola, British Virgin Islands	Holding company
NordPolar Ltd	100.0%	100.0%	Ritter House Wickhams Cay II Road Town, Tortola, British Virgin Islands	Holding company
Nord Gold (Yukon) Inc.	100.0%	100.0%	200–204 Lambert Street, Whitehorse, YT,Y1A 1Z4, Canada	Holding company
High River Gold Mines Ltd	100.0%	100.0%	Suite 2100, Scotia Plaza, 40 King Street West Toronto, Ontario, M5H 3C2, Canada	Holding company
High River Gold Management Africa S.A. (*)	100.0%	100.0%	11 BP 635 Ouagadougou, CMS 11, Immeuble UPAK Boulevard France — Afrique, secteur 15, Ouaga 2000, Burkina Faso	Other
High River Acquisition Corp. (*)	100.0%	100.0%	200–204 Lambert Street, Whitehorse, Yukon Territory Y1A 1Z4, Canada	Other
Amur Gold Limited (*)	100.0%	100.0%	Karaiskaki, 6 CITY HOUSE 3032, Limassol, Cyprus	Holding company
Centroferve Limited	100.0%	100.0%	Karaiskaki,6, City House, P.C. 3032, Limassol, Cyprus	Holding company
Castleway Limited	n/a	100.0%	Karaiskaki,6, City House, P.C. 3032, Limassol, Cyprus	Holding company
Ken Kazgan LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Other
Eureka Mining Plc	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
Celtic Asian Gold LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Other
Kentau Exploration and Minig LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East–Kazakhstan region, the Republic of Kazakhstan	Other
Moliken LLP	50.0%	50.0%	Stepnogorsk city, 4 microdistrict, building 2, office 106, Akmola region, the Republic of Kazakhstan	Holding company
Arman LLP	50.0%	50.0%	East–Kazakhstan region, the city of Semipalatinsk, Lenin street 5a, the Republic of Kazakhstan	Other
Chelyabinsk Copper Co Ltd	100.0%	100.0%	200 Strand, London, WC2R 1DJ, United Kingdom	Holding company
Oldlove Ltd	100.0%	100.0%	1, Costakis Pantelides Avenue, Nicosia, CY1010, CYPRUS	Other

(*) Subsidiary of High River Gold Mines Ltd.

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Designed by Konstantin Lapushkin