nordgold

more than gold

2018 Annual Report

2018 IN BRIEF

Refined gold produced

907.0 koz

(6%)

Sales

US$ 1,143.2 million

(6%)

Refined gold sold

901.7 koz

(7%)

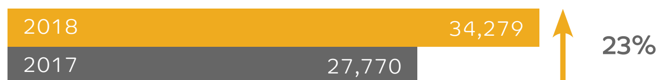
Gross profit

US$ 336.9 million

(3%)

Ore mined

34,279 kt



23%

Adjusted EBITDA

US$ 470.2 million

(10%)

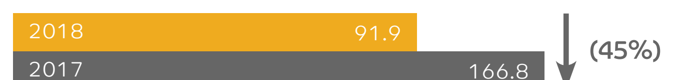
Ore processed

34,830 kt

19%

Net Profit

US$ 91.9 million



(45%)

Total cash cost

712 US$/oz

Free cash flow

US$ (81.7) million

Net Debt

US$ 917.2 million

Return to shareholders

US$ 56,1 million

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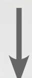
Refined gold produced

907.0 koz

2018	907.0
2017	968.3



(6%)

MILESTONES AND SIGNIFICANT EVENTS

February

Nordgold and World Wide Fund for Nature (WWF-Russia) signed a Memorandum of Understanding and Cooperation Agreement on environmental protection with the aim to collaborate to protect the environment and local biodiversity, support the areas under special environmental protection, and carry out analytical work on the environmental responsibility of businesses.

March

Nordgold announced a 7% rise in Mineral Resources to 33.6 million gold ounces and a 2% rise in Ore Reserves to 15.2 million gold ounces.

Nordgold signed a US$ 300 million, five-year unsecured debt facility with a group of international banks including ING, AO Raiffeisenbank, Raiffeisenbank Bank International AG, PJSC Rosbank, Societe Generale Corporate & Investment Banking and AO UniCredit Bank.

May

Nordgold announced the full and scheduled redemption of outstanding US$ 448 million listed Eurobonds.

Nordgold became a corporate member of the Mineral Deposit Research Unit of the University of British Columbia.

June

The Federal Subsoil Resources Management Agency issued a Deposit Discovery Certificate on the Vysokoe deposit at Nordgolds's Neryungri mine in Yakutia, Russia. The deposit's total gold resources are confirmed at almost 70 koz, with 1.3 g/t, and a further 80 koz with 0.7 g/t.

Gross mine launched

In September 2018 Nordgold's new Russian flagship Gross mine was officially launched.

The Gross mine represents an important part of Nordgold's future growth plans. Gross is expected to produce 200 koz of gold per year over a period of 17 years, raising Nordgold into the selected group of gold miners worldwide producing in excess of 1 million ounces every year. According to JORC 2012, the Gross mine's Mineral Resources are estimated at 9.74 moz, and Ore Reserves at 4.4 moz.

2018

July

184,338 ordinary shares amounting to US$ 0.64 million were purchased during the Tender Offer conducted in accordance with de-listing plan announced in February 2017.

August

Mining Convention Update for Nordgold's Lefa mine was signed by Mr. Alpha Condé, the President of the Republic of Guinea.

Mr. Brian Beamish joined the Board of Directors replacing Mr. Peter Lester, who stepped down from the Board after almost eight years service, as Independent Non-Executive Director and Chairman of the Safety and Sustainable Development Committee.

October

2,905,207 ordinary shares amounting to US$ 10.02 million were purchased during the Tender Offer conducted in accordance with the de-listing plan announced in February 2017.

November

The Company's Buryatzoloto Social Projects Competition was awarded second place at the Corporate Charity Leadership 2018. The Social Projects Competition received second place as the "Best programme supporting the implementation of the UN Sustainable Development Goals".

Montagne d'Or

In 2018, the public debates were conducted in French Guiana with the aim to raise awareness of the Montagne d'Or project and establish platform for ongoing dialogue with local communities. Nordgold confirmed decision to move forward with the permitting and development of Montagne D'Or mine incorporating a number of the recommendations made during the public debates.

FATALITIES

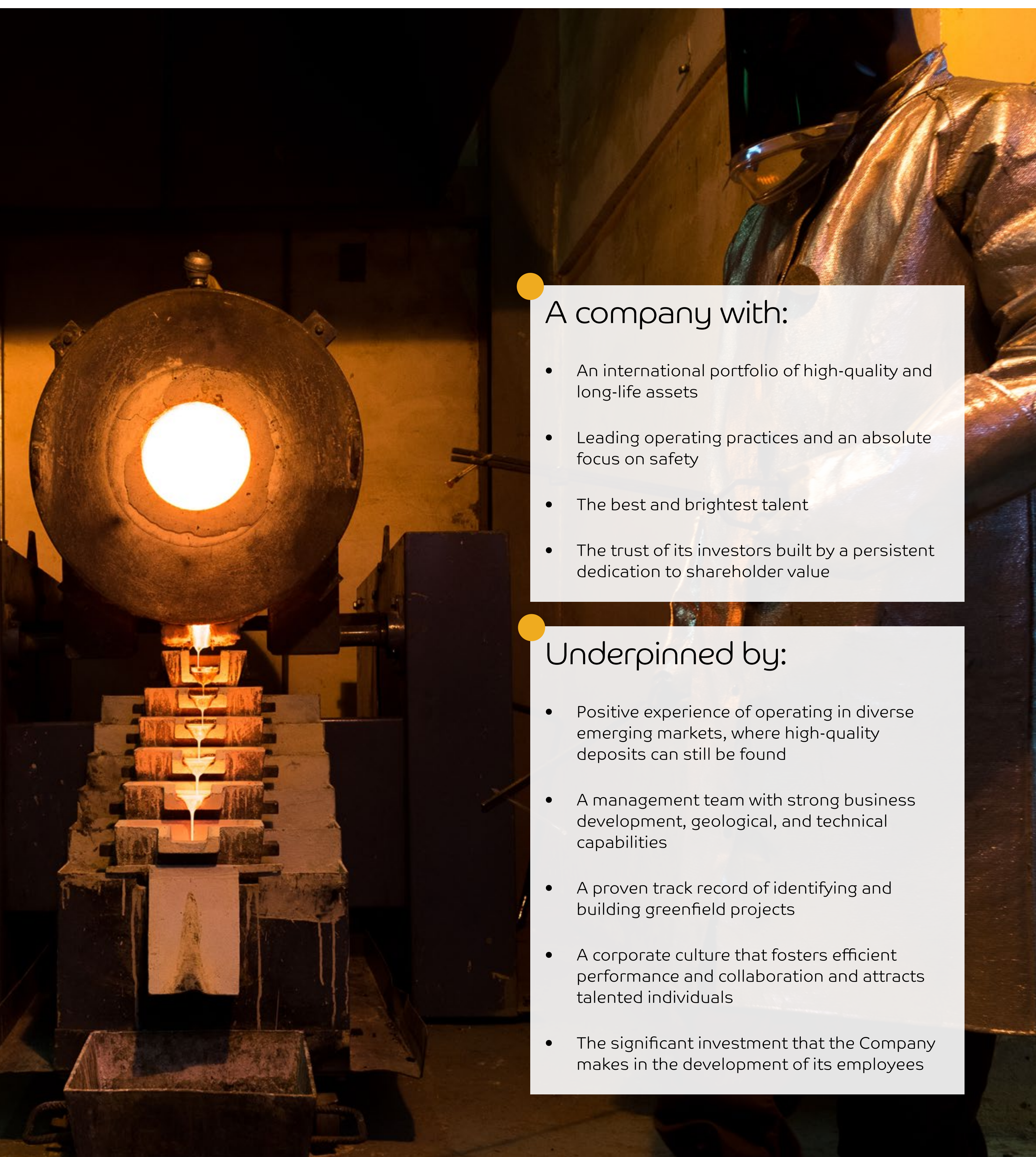
With deep regret we report that there were two employee fatalities in 2018 occurring in H1 2018 at the Zun-Holba underground mine and at the Irokinda mine. Additionally, two fatalities were registered with contractors' employees at the Irokinda mine in May 2018 and at the Gross construction site in August 2018. The incidents were fully investigated.

Safety remains the Board and management's absolute priority. Our objective is Zero Harm for our employees and contractors and we are dedicated to continuing to invest in our efforts to improve our overall safety performance.

VISION, VALUES AND GUIDING PRINCIPLES

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
- The 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 this.

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 continuously improving our processes throughout the value chain in order to help us achieve sustainable and best-in-class operating practices at all of our mines. We are able to deliver attractive, competitive and preferably superior returns on invested capital in all reasonable 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 the 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.

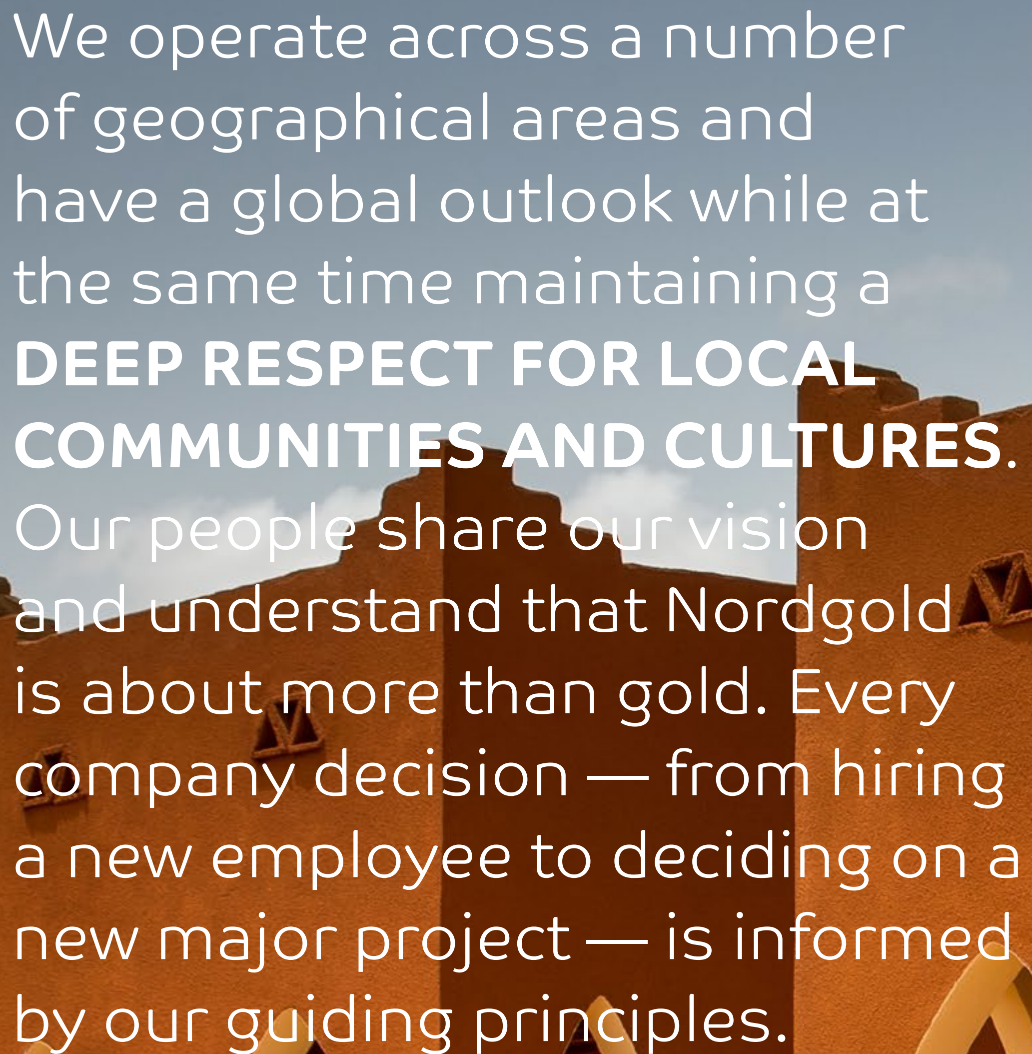
We want to contribute to the communities in which we operate and become a trusted local partner

The environment

Environmental responsibility is a core value for Nordgold. We take as much care as possible to ensure that we minimise damage to the environments in which we work.

We look after the environment

GUIDING PRINCIPLES



We operate across a number of geographical areas and have a global outlook 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.

OUR BUSINESS

BANK

FACTORY

Input suppliers

INVESTORS

- Shareholders, lenders and bondholders
- Investors
- Financial Community

BUSINESS PARTNERS

- Suppliers
- Industry bodies

EMPLOYEES

- Employees
- Trade unions
- Contractors

SOCIETY

- Governments and local authorities
- Local communities
- Media, NGO, and other opinion formers

Input capital

FINANCIAL CAPITAL

- Share capital
- Liabilities (long-term and short-term)

MANUFACTURED CAPITAL

- 9 operating mines
- Investments in exploration and mine construction
- Investments in modernisation, maintenance and new technology

HUMAN CAPITAL

- 8,331 of employees

SOCIAL CAPITAL

- Nordgold’s reputation
- Open, honest and mutually beneficial engagement with stakeholders
- Social and legal licences

NATURAL CAPITAL

- Ore Reserves
- Water
- Electricity

Business activities

Exploration and evaluation
↓
Design and construction
↓
Mining
↓
Processing
↓
Refining
↓
Sales
↓
Rehabilitation

Business outcomes

FINANCIAL CAPITAL

- Returns to shareholders
- Dividends

MANUFACTURED CAPITAL

- Gold produced
- New mine launched

HUMAN CAPITAL

- Payments to employees
- Employees training

SOCIAL CAPITAL

- Payments to government
- Community investment (social plans and programmes)

NATURAL CAPITAL

- Ecological investments and payments
- Reduction in the consumption of natural resources

WHERE WE OPERATE

Pistol Bay

CANADA

Montagne D’or

FRENCH GUIANA

Lefa
187.8 koz

Bissa-Bouly
261.5 koz

Taparko
102.2 koz

GUINEA

BURKINA FASO

2018 Gold production

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Ore mined

34,279 kt

2018	34,279
2017	27,770

23%

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 FIVE KEY PRIORITIES:

Priority	2018 targets	Result vs. target	2019 targets
Safety is the absolute priority for the Board and management	• Zero Harm for our employees and contractors	• In 2018 LTIFR[1] improved by 16% to 0.94 • We reported four fatalities in 2018, with two of them occurring in H1 2018 at the Zun-Holba underground mine and at the Irokinda mine and two fatalities were registered with contractors' employees at the Irokinda mine in May 2018 and at the Gross construction site in August 2018 • In 2017 there were four fatalities which occurred at Neryungri in January, Buryatzoloto in March, Berezitovy in November and Lefa in December	• Zero Harm for our employees and contractors • Safety is our top priority and we continue reviewing existing processes with particular emphasis on improving their quality. This will cover such areas as safety behaviour audits, improving healthy and safety standard operating procedures, safety and environmental training, and contractor safety policies and capabilities
Positive free cash flow generation	• Positive free cash flow (FCF) generation at all mines	• In 2018, the Group had negative free cash flow of US$ 81.7 million as far as the investments in capital expenditures in amount US$ 486.4 million exceeded the cash flow from operating activities in amount US$ 404.7 million. Capital expenditures included US$ 174.0 million cash outflow for the completion of Gross as well as the investments in exploration and evaluation activity of US$ 39.4 million[2] • In 2018, Bissa, Suzdal, Taparko and Lefa generated positive free cash flow while Buryatzoloto, Berezitovy and Neryungri had negative free cash flows • In 2017, positive free cash flow was US$ 62.3 million. This comprised cash flow from operating activities US$ 415.5 million less cash used in capital expenditures US$ 353.2 million, including US$ 146.5 million for Gross construction and US$ 44.2 million spent in exploration and evaluation activity • In 2017 all mines except for Buryatzoloto generated positive free cash flow	• Positive FCF generation at all mines through the ongoing improvement of operational performance, cost efficiency, and monitoring capital expenditures

[1] LTIFR — lost time injury frequency rate.
[2] Refer to section Operational performance and financial review — KPIs on page 30 for further details.

Net Debt

US$ 917.2 million

2018	917.2
2017	656.3

Dividends

US$ 34.4 million

2018	34.4
2017	53.66

Priority	2018 targets	Result vs. target	2019 targets
Effective leverage management	• Continue to efficiently manage leverage, with a target net debt/ LTM adjusted EBITDA level of below 1.3x • Consider various options to refinance current debt in order to obtain a more favourable debt maturity structure	• To finance the capital expenditures the Group increased the net debt to US$ 917.2 million as at 31 December 2018 (US$ 656.3 million as at 31 December 2017)[3] • Higher Net Debt resulted in Net Debt/LTM adjusted EBITDA[4] ratio to 2.0x (1.3x as at 31 December 2017)	• Continue to efficiently manage leverage with a target Net debt/adjusted EBITDA level of below 2.0x • Manage the debts through effective portfolio management and by obtaining more favourable terms wherever possible
Consistent shareholder returns	• Distribute 30% of normalised net profit attributable to shareholders as dividends on a quarterly basis	• US$ 34.4[5] million dividends for 2018 (US$ 53.6[6] million in 2017) • The re-purchase of ordinary shares worth a total of US$ 10.66 million (US$ 109.2 million in 2017)	• Deliver consistent returns to our shareholders
Continued growth and portfolio quality improvement	• Continue to invest in exploration programmes and pipeline development • Launch of Gross mine in 2018	• In September 2018 Nordgold's new Russian flagship Gross mine was officially launched • US$ 40.8 million was invested in exploration and evaluation in 2018 (US$ 34.8 million in 2017)	• Continue investment in near-mine exploration mainly in West Africa and investment in pipeline development projects including Montagne D'Or, Pistol Bay and Uryakh

[3] Refer to section Operational performance and financial review — KPIs on page 31 for further details.
[4] LTM adjusted EBITDA — last twelve months (LTM) adjusted EBITDA.
[5] Dividends of US$ 34.4 million includes US$ 30.1 million interim dividends for Q1-Q3 2018 and US$ 4.3 million Q4 2018 dividends.
[6] 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 2018 and 2017.

Operational performance

Operational Key Performance Indicators		2018	2017	Change, %
Refined gold produced	koz	907.0	968.3	(6%)
Refined gold sold	koz	901.7	966.7	(7%)
Ore mined	kt	34,279	27,770	23%
Ore processed	kt	34,830	29,379	19%
Grade in ore processed	g/t	1.02	1.21	(16%)
Recovery	%	80%	84%	(4pp)
LTIFR, lost time injury frequency rate		0.94	1.12	(16%)

In 2018 Nordgold produced 907.0 koz which is in line its full-year revised guidance of 900–950 koz and 6% lower than in 2017. This decrease was driven mainly by low production on Bissa-Bouly, Berezitovy and Lefa, partially offset by Neryungri's increase in production.

Gold produced by mines[2]	2018 koz	2017 koz	Change	Change, %
Bissa-Bouly	261.5	319.9	(58)	(18%)
Lefa	187.8	208.8	(21)	(10%)
Taparko	102.2	108.2	(6)	(6%)
Berezitovy	48.4	94.3	(46)	(49%)
Suzdal	83.5	91.8	(8)	(9%)
Buryatzoloto	64.7	75.9	(11)	(15%)
Neryungri[3]	159.0	67.4	92	136%
Aprelkovo	0	2	(2)	(100%)
Total	907.0	968.3	(61.3)	(6%)

[2] May include effect of rounding.

[3] Neryungri segment included Taborny and Gross mines.

Bissa-Bouly production decreased in 2018 by 18% mainly due to an increase in lower grade material processing as the mines were focused on pit extensions to expose higher-grade ore.

Lefa and Taparko production decreased by 10% and 6% respectively, this was mainly driven by the lower head grade in ore mined and processed.

The Berezitovy production decreased of 49% due to a rockslide in Q2 2018. Management rescheduled the mining plan and focused on investments in capital stripping activities to facilitate production in future years.

Suzdal production decreased by 9%, it is explained by lower head grade in ore mined and processed as well as lower recovery.

Buryatzoloto production decreased by 15% due to lower volumes mined and processed and lower head grades in ore mined and processed.

Neryungri more than doubled gold production due to higher volumes of ore mined and processed supported by higher gold grades.

Lost time injury frequency rate (LTIFR)

LTIFR fell by 16%, from 1.12 to 0.94.

With deep regret we report that there were two employee fatalities in 2018 occurring in H1 2018 at the Zun-Holba underground mine and at the Irokinda mine. Additionally, two fatalities were registered with contractors' employees at the Irokinda mine in May 2018 and at the Gross construction site in August 2018. Nordgold expresses heartfelt condolences to the bereaved families and friends of those concerned.

Safety is a core priority and we are absolutely committed to achieving zero harm for our employees and contractors.

14 March 2018 we announced a twenty-four hours work stoppage at all Nordgold operations to conduct a safety day. The programme for the day was designed to engage with our employees and contractors and to demonstrate leadership and commitment in safety. Each employee and contractor was given the opportunity to participate in a safety discussion with the business unit management, to contact the Nordgold hotline or Chief Operational Officer directly.

To achieve zero harm objective Nordgold will continue to be focused on development of a Duty of Care safety culture among all employees that will help the Company to prevent injuries from occurring. In 2019, the Company will design a comprehensive risk management process, in order to make sure risks are assessed and managed, risk registers are regularly reviewed by their owners at respective levels, and hazards are identified and eliminated, enabling continuous improvement in healthy and safety performances.

Financial review

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

Financial Key Performance Indicators		2018	2017	Change, %
Sales	US$ million	1,143.2	1,221.0	(6%)
Gross profit	US$ million	336.9	345.6	(3%)
Adjusted EBITDA*	US$ million	470.2	520.5	(10%)
Adjusted EBITDA margin*	%	41%	43%	(4%)
Profit for the year after income tax	US$ million	91.9	166.8	(45%)
Total cash cost*	US$/oz	712	689	3%
All-in-sustaining cost (AISC)*	US$/oz	1,051	905	16%
Cash flow from operating activities	US$ million	404.7	415.5	(3%)
Free cash flow*	US$ million	(81.7)	62.3	(231%)
Capital expenditures	US$ million	513.6	349.6	47%
Net debt*	US$ million	(917.2)	(656.3)	40%
Net debt/adjusted EBITDA*	ratio	2.0	1.3	54%
Return to shareholders (dividends paid and GDRs/ shares buyback)	US$ million	(56.1)	(197.6)	(72%)

[1] All Non-IFRS measures are disclosed in the section Non-IFRS measures on page 33.

* Adjusted EBITDA, adjusted EBITDA margin, Total cash cost, All-in sustaining cost, Free cash flow, Net debt and Net debt/adjusted EBITDA are Non-IFRS measures.

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	2018	2017	Change	Change, %
Sales	1,143.2	1,221.0	(77.8)	(6%)
Cost of sales	(806.3)	(875.4)	69.1	(8%)
Gross profit	336.9	345.6	(8.7)	(3%)
Adjusted EBITDA	470.2	520.5	(50.3)	(10%)
Adjusted EBITDA margin, %	41%	43%	(1%)	—
Income tax	(34.4)	(49.8)	15.4	(31%)
Profit for the year after income tax	**91.9**	**166.8**	**(74.9)**	**(45%)**

Gold prices

In 2018 the average gold price increased to US$ 1,268 per ounce (2017: US$ 1,263 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 has chosen not to operate a gold hedging policy, hence in 2018 our realised gold price remained close to the market price.

Sales

Consolidated sales (US$ million)

US$ million	2018	2017	Change	Change, %
Gold	1,138.5	1,215.3	(76.8)	(6.3%)
Silver	4.7	5.7	(1.0)	(17.5%)
Total	**1,143.2**	**1,221.0**	**(77.8)**	**(6.4%)**

2018 sales decreased by 6.4%, mainly as a result of decrease in sales volumes from 966.7 koz in 2017 to 901.7 koz in 2018. The decrease was mainly due to lower production at Bissa-Bouly, Berezitovy and Lefa partially offset by Neryungri's increase in production.

Sales by customers are disclosed in Note 6, Sales, of the Consolidated Financial Statements on page 94.

Sales by mines (US$ million)

	2018	% participation of each mine	2017	% participation of each mine	Change %
Bissa-Bouly	330.8	28.9	402.9	33.0	(4.1)
Lefa	239.0	20.9	263.5	21.6	(0.7)
Taparko	129.8	11.4	135.7	11.1	0.3
Neryungri	193.4	16.9	86.2	7.1	9.8
Suzdal	105.0	9.2	115.8	9.5	(0.3)
Buryatzoloto	82.9	7.3	96.5	7.9	(0.6)
Berezitovy	62.3	5.4	119.2	9.8	(4.4)
Aprelkovo	0.0	0.0	1.2	0.1	(0.1)
Total	**1,143.2**	**100**	**1,221.0**	**100**	

Cost of sales

Cost of sales breakdown by nature (US$ million)

US$ million	2018	2017	Change	Change, %
Material	140.6	149.1	(8.5)	(5.7%)
Personnel costs	132.9	143.1	(10.2)	(7.1%)
Fuel and energy	133.3	123.7	9.6	7.8%
External services	85.3	93.8	(8.5)	(9.1%)
Taxes other than income tax	74.7	75.3	(0.6)	(0.8%)
Repair and Maintenance cost	61.0	64.3	(3.3)	(5.1%)
Other expenses	0.4	16.3	(15.9)	(96.9%)
Change in obsolete provision and work-in-progress impairment	(3.0)	11.9	(14.9)	(125.2%)
Production cost	**625.2**	**677.5**	**(52.3)**	**(7.7%)**
Change in finished goods and work-in-progress	(5.6)	(7.1)	1.5	(21.1%)
Depreciation and amortisation	186.7	205.0	(18.3)	(8.9%)
Cost of sales	**806.3**	**875.4**	**(69.1)**	**(7.9%)**

The overall decrease in production costs was largely driven by lower gold produced and sold in 2018.

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.

There was a decrease of material costs associated with lower production at Berezitovy, Lefa, Buryatzoloto and Bissa. This was partially offset by production growth at Neryungri and higher material consumption at Suzdal due to a change in ore features.

Personnel costs

The decrease in personnel costs was primarily explained by payroll expenses that were capitalised into the capital stripping assets on Berezitovy and Taparko as well as headcount reduction on Buryatzoloto. This was partially offset by an increased headcount on Neryungri and an average increase in wages in 2018 of 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.

The average headcount of production employees fell to 8,034 in 2018 compared to 8,146 in 2017.

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. In 2018 diesel fuel and heavy fuel prices were higher than in 2017.

Fuel and energy costs increased, mainly due to a higher consumption of fuel to generate electricity on Lefa and due to production growth at Neryungri. The increase was partially offset by decreased costs at Berezitovy and Taparko as result of lower production.

External services

Production external services mainly include drilling and leasing of mining equipment.
In 2018 external services decrease was primarily explained by capitalised mining services into the capital stripping assets at Bissa and Taparko. This decrease was partially compensated by an increase in mining services at Lefa.

Depreciation and amortisation

Depreciation and amortisation decreased, primarily due to lower depreciation of capitalised stripping assets.

Exchange rates

The average RUB/US dollar and XOF/US dollar exchange rates changed from 58.35 RUB/US$ in 2017 to 62.70 RUB/US$ in 2018 and from 582 XOF/US$ in 2017 to 556 XOF/US$ in 2018. This resulted in cost decrease for Russian mines in total amount US$ 10.2 million and adverse impact on production cost in Burkina Faso in amount US$ 10.4 million.

Total cash cost and all-in sustaining cost

The definitions of TCC and AISC are included in the section Non-IFRS measures on page 33.

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.

TCC by mines (US$ per ounce)

US$ per ounce	2018	2017	Variance, %
Lefa	807	713	13%
Bissa-Bouly	743	609	22%
Taparko	791	867	(9%)
Berezitovy	667	574	16%
Neryungri	400	657	(39%)
Suzdal	602	510	18%
Buryatzoloto	1,181	1,037	14%
Total	**712**	**689**	**3%**

AISC (US$ per ounce)

US$ per ounce	2018	2017	Variance, %
Lefa	1,205	943	28%
Bissa-Bouly	992	744	33%
Taparko	1,307	1,032	27%
Berezitovy	1,325	766	73%
Neryungri	528	899	(41%)
Suzdal	756	628	20%
Buryatzoloto	1,398	1,322	6%
Total	**1,051**	**905**	**16%**

Lefa

TCC increased by 13% to 807$/oz mainly due to a higher operational stripping ratio, an increase in electricity production cost and inflation. AISC increased from 943$/oz to 1,205$/oz, this growth was driven by an increase in TCC and higher maintenance capital expenditure.

Bissa-Bouly

TCC increased by 22% to 743$/oz primarily as a result of lower grades. AISC growth from 744$/oz to 992$/oz is mainly explained by increase of capital stripping activity in 2018 as the mines were focused on pit extensions to expose higher-grade ore.

Taparko

TCC decreased by 9% to 791$/oz by reason of lower operational stripping costs. AISC increased by 27% to 1,307 $/oz mainly as a result of higher capital stripping costs.

Berezitovy

TCC increased by 16% to 667$/oz. TCC growth is mainly explained by involvement of lower grade stockpiles in processing. Due to a rockslide in Q2 2018 management rescheduled the mining plan and focused on investment in capital stripping activities which resulted in AISC growth from 766$/oz to 1,325$/oz.

Neryungri

TCC decreased by 39% to 400$/oz as a result of the higher head grade of ore processed and higher recovery. AISC decreased from 899$/oz to 528$/oz, the decrease was driven by higher gold production, lower TCC and lower sustaining capital expenditures.

Suzdal

TCC increased by 18% to 602$/oz mainly as a result of higher consumption of materials and lower head grade and lower recovery. AISC increased from 628$/oz to 756$/oz due to higher sustaining capital expenditures per ounce produced.

Buryatzoloto

TCC increased by 14% to 1,181$/oz and was mainly driven by a lower head grade. AISC increased from 1,322 to 1,398 $/oz as a result of higher TCC.

Adjusted EBITDA, adjusted EBITDA margin

In 2018 adjusted EBITDA decreased by US$ 50.3 million, to US$ 470.2 million. This was mainly driven by a higher TCC (US$ 42.6 million), a lower volume of gold sold (US$ 22.6 million) and was partially offset by a higher average gold price (US$ 5.9 million) and positive foreign exchange rates effect (US$ 3.0 million).

The adjusted EBITDA margin fell from 43% in 2017 to 41% in 2018, for the reasons stated in the preceding paragraph.

A definition of adjusted EBITDA is given in the section Non-IFRS measures on page 33.

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

Net Profit and Income tax expenses

Nordgold reported net profit of US$ 91.9 million in 2018, compared to US$ 166.8 million in 2017. In 2018, the Group recognised net impairment losses of non-current assets of US$ 39.1 million on pre-tax basis disclosed. The losses were formed mainly by impairment of Buryatzoloto's non-current assets.

Nordgold reported income tax expenses of US$ 34.4 million in 2018, compared to US$ 49.8 million in 2017. The Group paid US$ 55.8 million of income tax in 2018 (US$ 49.5 million in 2017).

In 2017 and 2018 the Group's profits were taxable at 20% in the Russian Federation and Kazakhstan, 27.5% in Burkina Faso, and 30% in Guinea.

The Nordgold effective tax rate in 2018 was 27.3% (22.9% in 2017).

Cash flows

A summary of the key items from the cash flow statements are presented below:

US$ million	2018	2017	Change	Change, %
Cash flow from operating activities before changes in working capital	**466.9**	**516.3**	**(49.4)**	**(10%)**
Change in working capital	39.7	(6.7)	46.4	(693%)
Cash flow from operations	**506.6**	**509.6**	**(3.0)**	**(1%)**
Net Interest paid	(46.1)	(44.6)	(1.5)	3%
Income tax paid	(55.8)	(49.5)	(6.3)	13%
Cash generated from operating activities	**404.7**	**415.5**	**(10.8)**	**(3%)**
Payments for property, plant and equipment	(447.0)	(309.0)	(138.0)	45%
Payments for exploration and evaluation activity	(39.4)	(44.2)	4.8	(11%)
Free cash flow	**(81.7)**	**62.3**	**(144.0)**	**(231%)**

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 decreased by 10%, to US$ 466.9 million, due to lower adjusted EBITDA generated in the current year. Cash flow from operations was US$ 404.7 million which is below the prior period (US$ 415.5 million).

In 2018, the Group had negative free cash flow of US$ 81.7 million mainly due to peak investment commitments related to the construction of the Gross mine. The Group spent US$ 174.0 million in Gross completion.

In 2018, Bissa, Suzdal, Taparko and Lefa generated positive free cash flow while Buryatzoloto, Berezitovy and Neryungri had negative free cash flows

In 2017, positive free cash flow was US$ 62.3 million. This comprised cash flow from operating activities US$ 415.5 million less cash used in capital expenditures US$ 353.2 million, including US$ 146.5 million for Gross construction and US$ 44.2 million spent in exploration and evaluation activity.

In 2017 all mines except for Buryatzoloto generated positive free cash flow

US$ million	2018	2017	Change	Change, %
Dividends paid	(45.4)	(88.4)	43.0	(49%)
Buyback of GDRs/ordinary shares	(10.7)	(109.2)	98.5	(90%)
Returns to shareholders	**(56.1)**	**(197.6)**	**141.5**	**(72%)**

Returns to shareholders amounted to US$ 56.1 million and consisted of US$ 10.7 million for the buyback of ordinary shares and US$ 45.4 million in paid dividends (includes US$ 15.3 million Q4 2017 dividends and US$ 30.1 million interim dividends for Q1-Q3 2018). Dividends paid in 2017 was US$ 88.4 million (includes US$ 31.1 million for Q2 and Q3 2016, US$ 19.0 million for Q4 2016 and US$ 38.8 million interim dividends for Q1-Q3 2017).

US$ million	31.12.2018	31.12.2017	Change	Change, %
Cash and cash equivalents	90.3	270.4	(180.1)	(67%)
Short-term deposits	0.0	70.2	(70.2)	(100%)
Cash and cash equivalents (including short-term deposits)	90.3	340.6	(250.3)	(73%)
Net Debt	(917.2)	(656.3)	(260.9)	40%
Net Debt/EBTIDA	2.0	1.3	0.7	54%

Free cash flow, net debt, and net debt/adjusted EBITDA are non-IFRS measures; their definitions and reconciliations are disclosed in the section Non-IFRS measures on page 33.

Net debt increased from US$ 656.3 million to US$ 917.2 million and net debt/adjusted EBITDA ratio increased to 2.0.

Capital expenditures

Capital expenditure by mines is presented below:

US$ million	2018	2017	Change	Change, %
Neryungri	190.9	159.8	31.1	19%
Lefa	74.6	47.9	26.7	56%
Bissa-Bouly	85.6	43.6	42.0	96%
Berezitovy	48.5	30.1	18.4	61%
Buryatzoloto	27.6	29.0	(1.4)	(5%)
Taparko	60.1	18.4	41.7	227%
Suzdal	12.8	12.0	0.8	7%
Other	13.5	8.8	4.7	53%
Total	**513.6**	**349.6**	**164.0**	**47%**

Neryungri’s expenditures on the completion of Gross construction was US$ 162.9 million in 2018 (2017 Gross construction investments were US$ 141.7million). Sustaining capital expenditures increased from US$ 16.5 million to US$ 24.5 million mainly as a result of higher capital stripping investments.

Lefa spent US$ 37.2 million maintenance expenditures (US$ 13.9 million in 2017). Current year maintenance expenditures mainly related to mining fleet renewal and investments in renewal of Mining Convention. Also, Lefa invested US$ 30.8 million in capital stripping activity (US$ 29.1 million in 2017) and US$ 6.6 million on sustaining explorations (US$ 4.8 million in 2017).

Bissa-Bouly capital expenditures included capital stripping and maintenance expenditures in amount US$ 61.1 million (US$ 41.3 million in 2017) and sustaining exploration US$ 3.8 million (US$ 2.3 million in 2017). Also, there was an investment in non-sustaining development US$ 20.8 million driven by Bouly stage 2 construction and new equipment purchase to increase production volumes at Bissa.

Berezitovy invested US$ 20.9 million in capitalized stripping as a result of a rescheduling of the mining plan in 2018 (US$ 9.1 million in 2017). Maintenance expenditures were US$ 10.0 million (US$ 7.6 million in 2017). The Group invested US$ 4.5 million in new exploration (US$ 3.7 million in 2017) and US$ 12.9 million for development of underground mining (US$ 9.1 million in 2017).

Buryatzoloto spent US$ 13.8 million on sustaining capital expenditures (US$ 21.9 million in 2017) and invested US$ 13.8 million in non-sustaining capital expenditures (US$ 7.0 million in 2017), which included expenditures on the development phase of Zun-Kholba further expansion.

In 2018, Taparko increased capitalised stripping costs to US$ 41.7 million, compared to US$ 9.0 million in 2017. US$ 9.6 million was spent on maintenance (US$ 5.6 million in 2017) and US$ 7.6 million on non-sustaining exploration and development (US$ 2.5 million in 2017).

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.

Adjusted EBITDA and adjusted EBITDA margin

Adjusted EBITDA and the adjusted EBITDA margin are non-IFRS financial measures. Adjusted 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 adjusted EBITDA in the reporting of its segments and in assessing its growth and operational efficiencies.

The adjusted EBITDA margin is adjusted EBITDA as a percentage of sales.

Information on adjusted EBITDA and the adjusted 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.

Adjusted 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.

A reconciliation between profit before income tax and adjusted EBTIDA is presented in Note 5, Segment Reporting, of the Consolidated Financial Statements on page 90.

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	2018	2017	Change, %
Cost of sales	**806.3**	**875.4**	**(8%)**
(Less)/plus items in income statements:			
Depreciation and amortisation	(186.7)	(205.0)	(9%)
Change in obsolete provision and work-in-progress impairment	3.3	(11.9)	(128%)
Tax penalties	0.0	(14.1)	(100%)
Change in finished goods	2.0	1.3	54%
Revenue of by-products	(4.7)	(5.7)	(18%)
Cost of production	**620.2**	**640.0**	**(3%)**
General and administrative expenses	55.4	62.9	(12%)
(Less)/plus items in income statements:			
Depreciation and amortisation	(6.7)	(7.4)	(9%)
Corporate overheads	(25.7)	(31.1)	(17%)
Mining administrative expenses	**23.0**	**24.4**	**(6%)**
Total cash cost	**643.2**	**664.4**	**(3%)**
Gold produced, kOz	903.4	963.8	(6%)
Total cash cost, US$/oz	**712**	**689**	**3%**
Corporate overheads	25.7	31.1	(17%)
Sustaining CAPEX	274.9	175.8	56%
Other cash expenses	5.6	0.7	>100%
Total All-in sustaining cost (AISC)	949.3	872.0	9%
Total All-in sustaining cost (AISC), US$/oz	**1,051**	**905**	**16%**

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	2018	2017	Change	Change, %
Cash generated from operating activities	**404.7**	**415.5**	**(10.8)**	**(3%)**
Payments for property, plant and equipment	(447.0)	(309.0)	(138.0)	45%
Payments for exploration and evaluation activity	(39.4)	(44.2)	4.8	(11%)
Free cash flow	**(81.7)**	**62.3**	**(144.0)**	**(231%)**

Net debt, net debt/LTM adjusted EBITDA

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/adjusted 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 adjusted EBITDA are kept constant.

The net debt calculation is presented in note 26, Financial Risk Management, of the Consolidated Financial Statements on page 123.

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 planning and also affects all our operational activities. It aims to identify events that may negatively affect the business and to manage and mitigate these risks so that the Company's 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 key risks and 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.

Risk registers

Identified risks are included in risk registers:

- Site Operational Risk Register: a register of individual business unit (BU) risks.
- Company Key Risks Register: a register of risks correspondent to the strategic objectives of the Company.

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.

In 2018 the Company prepared risk registers at all BUs. This work allowed us to improve the quality of our risk management process and to build a 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.

Internal audit annually tests the adequacy and effectiveness of internal control procedures over selected 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.

Responsible authorities

We defined the roles and ownership within Nordgold 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 Risk Management 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.

Principal risks and uncertainties

The most significant risks making up the Key Risks Register of the Company are provided below.

H for High M for Medium

↔ no change in risk evaluation from previous period

Risk description	Mitigation measures	Likelihood	Impact	Overall Score	Comparison to previous period
Health, Safety and Environmental risks — Safety Nordgold operates in hazardous industry.	Rigorously enforced comprehensive NG Safety Policy. Safety trainings for all NG employees. Leadership and oversight by the Safety and Sustainable Development Committee. Analysis and investigation of all accidents. Lessons learned. Safety compliance audits. Safety performance is included in management KPIs.	H	H	H	↔
Health, Safety and Environmental risks — Exposure to terrorist attacks We operate in territories with high level of terrorist activity.	An armed private security company has been engaged to ensure security at our high risk African BUs. Police are engaged to provide protection of our sites and travelling personnel.	H	H	H	↔
Market risk — Change in 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 Production, Capex, Operational efficiency and Finance.	We monitor gold prices and other macroeconomic indicators: inflation, foreign exchange rates, analyst forecasts, etc. and develop strategic scenarios with different gold prices. The risk is further mitigated with the Company's strategy of maintaining a portfolio of low-cost mines and a conservative approach to managing liquidity. The Company is ready to consider significant cost reduction initiatives in the event of a dramatic decrease in gold prices.	M	H	H	↔
Strategic risk — Reliability of production planning and forecasting complex orebodies 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.	The Company conducts detailed analyses and review of previous exploration results. 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. The Company recently hired a consultancy to assist in review and improve our geological models and processes of acquiring and analysing geological data.	M	H	H	↔

Risk	Mitigation				
Operational risk — 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.	Detailed geological models are created and constantly updated. Modern software for geological modelling is used. The geological department consists of experienced geologists and other specialists able to perform sufficiently complex geological research in different countries. Quality Control and Quality Assurance process (QC-QA) establihed. The Company recently hired a consultancy to review and improve our geological models and processes of acquiring and analysing geological data.				
Operational risk — 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.	The Company regularly analyzes and discusses production plans, the grade control process, and pre-development explorations results. There are three-month rolling plans, monthly operational plans which are reviewed for compliance with plan. Management have appropriate KPIs focused on the achievement of production targets.				
Operational risk — Unexpected business interruption Unexpected business interruption might lead to a significant delay in production and consequent decrease in profit. There is no comprehensive Business Continuity Plan established. The shortage of plan might lead to the significant business interruption, reputational risks and production delay.	Risks are identified and recovery plans are established at each mine site with appropriate levels of senior management oversight (including key spare parts management, maintenance program for key production equipment etc.). Centers of competence are established for key production equipment. Sharing of information and discussion of business interruption issues is encouraged across the business.				
Operational risk — Corporate affairs: Relationship with society Relationships with local communities may deteriorate or may be maintained on an inappropriate level which leads to the damage of company's reputation, social tension, and deferent threats to business and different assets.	Relationships with communities are based on long-term relationships and are regularly maintained by properly instructed and experienced managers from the local communities affected. Potential tension is communicated immediately both locally and to corporate headquarters. Community relationship programmes are set and monitored by the top level management at each mine site.				
Legal and compliance risk — Procedures and retention of required documents The lack of documents required for tax, customs and other fiscal purposes may lead to legal, reputational and financial exposures.	Procedures related to documents are generally in place. Internal audit conduct periodic audits of the processes efficiency and effectiveness of the established controls around process and documentary compliance of selected processes based on risk assessment.				

FUTURE DEVELOPMENTS

2019 key exploration and development priorities:

Organic growth remains the primary pillar of Nordgold's strategy. At operating mines, the company will continue to invest in near-mine and satellite deposits exploration with the aim of at least replacing mined out ore reserves annually, while progressing the growth pipeline.

In 2019, Nordgold will focus on exploration programmes designed to improve life of mine plans by targeting high margin Reserves at all our mines. This effort will be aligned with the Company's Strategic Business Plan, by strategically ranking high probability exploration targets to address specific operational requirements.

Nordgold 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 requirements for development capital investment and a short payback period fit the criteria for Nordgold's growth strategy.

On behalf of the Board:

Nikolay Zelenski
Chief Executive Officer
21 March 2019

Director's report

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Sales

US$ 1,143.2 million

Year	US$ million
2018	1,143.2
2017	1,221.0

↓ (6%)

DIVIDENDS

Net profit for the financial year 2018 was US$ 91.9 million, as against US$ 166.8 million in 2017.

The Company declares dividends quarterly subject to its financial condition, needs for investment, and availability of the distributable reserves. In accordance with the dividend policy the targeted payout ratio going forward is up to 30% of the average normalised net profit attributable to shareholders. The dividend policy was discussed at the 2018 Annual General Meeting as part of an annual report discussion item. The dividend policy will similarly be discussed at the 2019 Annual General Meeting.

In 2018 the Company declared the following interim dividends:

- 4.5 US cents per share or for Q4 2017, for a total amount of US$ 15.3 million
- 3.31 US cents per share or Q1 2018, for a total amount of US$ 11.2 million
- 2.84 US cents per share or for Q2 2018, for a total amount of US$ 9.6 million
- 2.75 US cents per share or for Q3 2018, for a total amount of US$ 9.3 million

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

The final dividend in respect of the three months ended 31 December 2018 is disclosed in note 28, Events after the reporting period, of the Consolidated Financial Statements on page 133.

ACQUISITION OF ORDINARY SHARES

Acquisition of ordinary shares are disclosed in note 21, Capital and Reserves, of the Consolidated Financial Statements on page 116.

GOING CONCERN

Details of borrowings and facilities are set out in note 18, Borrowings, of the Consolidated Financial Statements and net debt is set out above in the section Cash resources on page 112.

The Group's net debt at 31 December 2018 was US$ 917.2 million (US$ 656.3 million as at 31 December 2017). The net debt/adjusted EBITDA ratio as at 31 December 2018 is 2.0 (1.3 as at 31 December 2017).

The Directors have considered the Group's cash flow forecasts for the period to the end of March 2020. 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.

EVENTS AFTER THE BALANCE SHEET DATE

The UK is due to leave the European Union on 29 March 2019 (“Brexit”), the Group has no substantial operations in UK and therefore has no material Brexit-related risks.

Events after the balance sheet date are disclosed in note 28, Events after the reporting period, of the Consolidated Financial Statements on page 133.

FINANCIAL RISK MANAGEMENT

The risk management objectives and policies of the company are disclosed above in the section Risk Management, principal risks and uncertainties on page 36.

The exposure of the Company and its subsidiary undertakings to price, credit, liquidity, and cash flow risks is disclosed in Note 26, Financial Risk Management, of the Consolidated Financial Statements on page 123.

FUTURE DEVELOPMENTS

Future developments are disclosed in Strategic Report on page 40.

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. The Board provides leadership and direction including establishing the Group's culture, value and ethics, setting strategy and overseeing its implementation, ensuring only acceptable risks are taken and being responsible for corporate governance and the overall financial performance of the Group.

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.

David Morgan,

Independent Chairman

David was appointed as a Chairman in June 2014 having joined Nordgold as an independent non-executive director in October 2010. 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 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.

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 currently a non-executive director of PJSC Magnit and Ak Bars Bank as well as an executive director of nooli UK Ltd and its subsidiaries.

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 (MiningHons) from the University of Melbourne and is a member of the Australian Institute of Company Directors and the Australian Institute of Mining.

In June 2018 Peter Lester decided to step down from the Board after almost eight years of service, as an independent non-executive director and Chairman of the Safety and Sustainable Development Committee.

Brian Beamish

Independent Non-Executive Director

Brian joined the Board of Directors in August 2018 as an independent non-executive director and Chairman of the Safety and Sustainable Development Committee.

Brian was formerly the CEO of the Anglo American Global Base Metals business and Group Director, Mining and Technology at Anglo American, with whom he had a 36 year career. He was also a non-executive director of JSE-listed Anglo American Platinum Limited and DeBeers from 2010 to 2013. His previous executive roles included four years as Operations Director of Anglo Platinum and working as COO of Anglo American's global Base Metals business.

A graduate in mechanical engineering from Wits University and of the PMD programme at Harvard Business School, he has long experience in the global mining industry. Brian is currently Non-executive Chairman of Lonmin Plc.

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 RussianGuinean 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 non-executive 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

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.

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

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

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/.

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.

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 person who is 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 ought to have taken as a director in order to make himself 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
21 March 2019

Financial statements

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Gross profit

US$ 336.9 million

2018	336.9
2017	345.6

(3%)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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. 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 21 March 2019 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 of Nord Gold SE (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 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 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 statement of accounting policies;
- the related consolidated notes 1 to 28; and
- the related parent company notes 1 to 15, and Appendix 1.

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 Financial Reporting Standard 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 Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, 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.

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 FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

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 of 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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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.

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

21 March 2019

Consolidated statement of profit or loss

For the year ended 31 December 2018

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

		Year ended 31 December	
	Note	2018	2017
Sales	6	1,143,214	1,221,034
Cost of sales		(806,261)	(875,412)
Gross profit		**336,953**	**345,622**
General and administrative expenses	7	(55,403)	(62,871)
Impairment reversal/(charge) of non-current assets	9	(39,126)	(1,160)
Loss on partial disposal of subsidiary	23	(35,731)	—
Other operating expenses, net		(7,109)	(2,785)
Profit from operations		**199,584**	**278,806**
Gain on bargain purchase		—	690
Finance income	10	4,284	16,984
Finance costs	10	(115,601)	(75,382)
Foreign exchange gain/(loss), net		38,040	(4,524)
Profit before income tax		**126,307**	**216,574**
Income tax expense	11	(34,412)	(49,778)
Profit for the year		**91,895**	**166,796**
Attributable to:			
Shareholders of the Company		87,663	157,170
Non-controlling interests		4,232	9,626
Weighted average number of shares outstanding during the year (thousands of shares) — basic and diluted	22	338,589	351,215
Earnings per share			
Basic and diluted earnings per share (US dollars)	22	0.26	0.45

Consolidated statement of comprehensive income/(loss)

For the year ended 31 December 2018

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

	Note	Year ended 31 December 2018	Year ended 31 December 2017
Profit for the year		**91,895**	**166,796**
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange (loss)/gain on translation of foreign operations		(191,781)	118,861
Recycling of foreign exchange loss/(gain) on translation of foreign operations related to subsidiary disposal to profit or loss		17,576	(8,593)
Revaluation of debt/equity investments assets designated as FVOCI, net of tax		(5,029)	1,281
Other comprehensive (loss)/income for the year, net of tax		**(179,234)**	**111,549**
Total comprehensive (loss)/income for the year		**(87,339)**	**278,345**
Attributable to:			
Shareholders of the Company		(83,751)	260,396
Non-controlling interests		(3,588)	17,949

Consolidated statement of financial position

As at 31 December 2018

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

	Note	31 December 2018	31 December 2017
ASSETS			
Current assets			
Cash and cash equivalents	13	90,346	270,402
Short-term deposits	13	—	70,237
Accounts receivable	14	30,007	29,658
Inventories	15	196,545	177,269
VAT receivable		72,427	86,028
Income tax receivable		9,092	18,606
Total current assets		**398,417**	**652,200**
Non-current assets			
Property, plant and equipment	16	1,267,204	1,085,513
Intangible assets	17	671,946	765,660
Long-term financial investments		3,181	8,045
Restricted cash	13	16,395	14,919
Deferred tax assets	11	46,963	38,469
Inventories	15	88,952	92,782
Other non-current assets		36,257	4,998
Total non-current assets		**2,130,898**	**2,010,386**
TOTAL ASSETS		**2,529,315**	**2,662,586**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	18	381,369	453,564
Derivative financial instrument	18	58,402	—
Accounts payable	19	283,841	292,455
Income tax payable		9,996	20,251
Provisions	20	12,891	15,221
Total current liabilities		**746,499**	**781,491**

Non-current liabilities			
Long-term borrowings	18	567,800	541,583
Derivative financial instrument	18	—	1,835
Provisions	20	46,333	47,260
Deferred tax liabilities	11	97,807	102,542
Other non-current liabilities		8,122	7,783
Total non-current liabilities		**720,062**	**701,003**
TOTAL LIABILITIES		**1,466,561**	**1,482,494**
Equity			
Share capital	21	464,605	468,873
Other reserves		9,790	(11,409)
Additional paid-in capital	21	761,003	767,995
Foreign exchange translation reserve		(632,114)	(465,729)
Retained earnings		342,927	302,732
Revaluation reserve		(3,724)	1,305
Total equity attributable to shareholders of the Company		**942,487**	**1,063,767**
Non-controlling interests		120,267	116,325
TOTAL EQUITY		**1,062,754**	**1,180,092**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,529,315**	**2,662,586**

The financial statements of Nord Gold SE, registered number SE000102, were approved and authorised for issue by the Directors on 21 March 2019 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 2018

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

	Note	Year ended 31 December 2018	2017
Operating activities			
Profit for the year		**91,895**	**166,796**
Adjustments			
Finance income	10	(4,284)	(16 984)
Finance costs	10	115,601	75,382
Foreign exchange (gain)/loss		(38,040)	4,524
Income tax expense	11	34,412	49,778
Depreciation and amortisation		193,403	212,412
Impairment of non-current assets		39,126	1,160
Loss on partial disposal of subsidiary	23	35,731	—
Credit losses on financial assets and other provisions		1,458	10,394
Provision for obsolescence and write off of inventories		67	7,986
Other adjustments		(2,440)	4,851
		466,929	**516,299**
Changes in operating assets and liabilities:			
Accounts receivable		8,774	(5,110)
Inventories		(24,923)	(4,360)
VAT recoverable		(16,220)	(12,087)
Accounts payable		(1,386)	12,817
Non-cash movements for supplier financing borrowing arrangements	18	79,041	—
Other changes in operating assets and liabilities, net		(5,594)	2,012
Cash flows from operations		**506,621**	**509,571**
Interest paid		(62,220)	(63,095)
Interest received		4,279	5,860
Net interest from cross currency swap	18	11,805	12,682
Income tax paid		(55,797)	(49,470)
Cash generated from operating activities		**404,688**	**415,548**

Investing activities			
Acquisition of property, plant and equipment		(447,023)	(309,019)
Acquisition of exploration and evaluation assets		(39,430)	(44,190)
Lefa mining convention renewal	23	(14,651)	—
Acquisition of long-term investments		—	(2,348)
Acquisition of non-controlling interests		(2,528)	(4,021)
Decrease in short-term deposits	13	70,000	—
Other movements		(7,913)	(563)
Cash used in investing activities		**(441,545)**	**(360,141)**
Financing activities			
Proceeds from borrowings	18	465,566	510,000
Transaction cost paid		(4,713)	(7,460)
Repayment of borrowings	18	(532,520)	(375,000)
Dividends paid[1]	12	(45,384)	(88,433)
Ordinary shares and GDRs buyback	21	(10,659)	(109,223)
Other movements		(5,045)	(4,145)
Cash used in financing activities		**(132,755)**	**(74,261)**
Net decrease in cash and cash equivalents		**(169,612)**	**(18,854)**
Cash and cash equivalents at beginning of the year	**13**	**270,402**	**286,263**
Effect of exchange rate fluctuations on cash and cash equivalents		(10,444)	2,993
Cash and cash equivalents at end of the year	**13**	**90,346**	**270,402**

[1] Dividends paid for the year ended 31 December 2017 includes US$ 31.1 million of the total US$ 53.9 million dividends declared in 2016, which were paid in 2017.

Consolidated statement of changes in equity

For the year ended 31 December 2018

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

	Share capital	Other reserves	Treasury shares	Additional paid-in capital
Balance at 1 January 2017	**511,733**	**—**	**—**	**838,198**
Profit for the period	—	—	—	—
Other comprehensive income for the period, net of tax	—	—	—	—
Total comprehensive income for the period				
Acquisitions of non-controlling interest	—	—	—	—
Potential share buyback (Note 21)	—	(11,409)		—
Ordinary shares and GDRs buyback (Note 21)	—	—	(109,223)	—
Treasury shares cancellation (Note 21)	(42,860)	—	109,223	(70,203)
Acquisition of subsidiary	—	—	—	—
Dividends declared and paid (Note 12)	—	—	—	—
Balance at 31 December 2017	**468,873**	**(11,409)**	**—**	**767,995**
Adjustment related to IFRS 9 adoption (Note 2)	—	—	—	—
Adjusted balance at 1 January 2018	**468,873**	**(11,409)**	**—**	**767,995**
Profit for the period	—	—	—	—
Other comprehensive loss for the period, net of tax	—	—	—	—
Total comprehensive (loss)/income for the period				
Acquisitions of non-controlling interest	—	—	—	—
Ordinary shares buyback (Note 21)	—	10,659	(10,659)	—
Treasury shares cancellation (Note 21)	(4,268)	—	10,659	(6,992)
Loss on partial disposal of subsidiary (Note 23)	—	10,540	—	—
Dividends declared and paid (Note 12)	—	—	—	—
Balance at 31 December 2018	**464,605**	**9,790**	**—**	**761,003**

Attributable to the shareholders of the Company					
Foreign exchange translation reserve	Retained earnings	Revaluation reserve	Total	Non-controlling interests	Total
(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**
—	(372)	—	(372)	—	(372)
(465,729)	**302,360**	**1,305**	**1,063,395**	**116,325**	**1,179,720**
—	87,663	—	87,663	4,232	91,895
(166,385)	—	(5,029)	(171,414)	(7,820)	(179,234)
			(83,751)	(3,588)	(87,339)
—	(2,313)	—	(2,313)	(124)	(2,437)
—	—	—	—	—	—
—	601	—	—	—	—
—	—	—	10,540	10,540	21,080
—	(45,384)	—	(45,384)	(2,886)	(48,270)
(632,114)	**342,927**	**(3,724)**	**942,487**	**120,267**	**1,062,754**

Notes to the consolidated financial statements

For the year ended 31 December 2018

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

1. Operations

Nord Gold SE (the "Company) is incorporated in 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'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 2018 and 2017, the immediate parent company of the Company was Ocean Management Ltd. ("the Parent Company"), registered in the Cyprus. 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 23.

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 debt/equity investments assets designated as FVOCI 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 2018, the Group held US$ 90.3 million of cash and cash equivalents and had net debt of US$ 917.2 million.

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 2018.

Adoption of new and revised accounting standards

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

In 2018, the Group has adopted new and amended IFRSs and interpretations listed in the table below. Adoption of these standards did not have any significant effect on the financial performance or position of the Group as at 31 December 2018.

IFRSs and interpretations	IASB Effective Date — periods commencing on or after	EU-endorsed effective Date — periods commencing on or after
IFRS 9 Financial instruments	1 January 2018	1 January 2018
IFRS 15 Revenue from Contracts with Customers (and the related clarifications)	1 January 2018	1 January 2018
IFRIC 22 — Foreign Currency Transactions and Advance Consideration	1 January 2018	1 January 2018
Amended standards		
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	1 January 2018
Annual Improvements to IFRSs: 2014–2016 Cycle — amendments to IFRS 1 First Time Adoption of IFRS and	1 January 2018	1 January 2018
IAS 28 Investments in Associates and Joint Ventures Amendments to IAS 40: Transfers of Investment Property	1 January 2018	1 January 2018

IFRS 9 Financial Instruments

The Group has applied IFRS 9 from 1 January 2018 and has elected not to restate 2017 comparatives on the 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 remains unchanged under the new IFRS 9 model.

- Impairment: Based on the Group's assessment, the introduction of an 'expected credit loss model' for the assessment of impairment for financial assets held at amortised cost did 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 was to recognize a pre-tax impairment of US$ 0.4 million on the Group's consolidated receivables (principally trade receivables). The difference between the previous carrying amount and the impaired carrying amount at 1 January 2018 was recognizes through opening retained earnings. 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 did 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 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 superseded the revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations being 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 changed from one based on the transfer of risk and reward of ownership to the transfer of control. 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 was not 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.

Adoption of IFRS 15 had no impact on the Group's net income, net assets or financial key performance indicators for 2018.

The Group has adopted the amendments to IFRS 1 and IAS 28 included in Annual improvements to IFRSs 2014–2016 Cycle, the amendments to IFRS 2, IFRS 4 and IAS 40 for the first time in the current year. The application of these amendments had no impact on the Group's consolidated financial statements.

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

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations which have not been applied in these consolidated 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 16 Leases	1 January 2019	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021	Endorsement outstanding
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019	1 January 2019
Amended standards		
Amendments to IFRS 9: Prepayment features with Negative Compensation	1 January 2019	1 January 2019
Amendments to 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
Amendments to IAS 19: Plan amendments, curtailments or settlements	1 January 2019	Endorsement outstanding
Amendments to IFRS 3: Definition of a business	1 January 2020	Endorsement outstanding
Amendments to IAS 1 and IAS 8 (Oct 2018): Definition of Material	1 January 2020	Endorsement outstanding
Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020	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 16 Leases

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

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Group will be 1 January 2019.

The Group has chosen to apply IFRS 16 retrospectively with the cumulative effect of initially applying the Standard recognised at the date of initial application without restatement of comparative information

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has both:

- The right to obtain substantially all of the economic benefits from the use of an identified asset;
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019. In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown

that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting of operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16, for all leases (except as noted below), the Group will:

a) Recognise a lease liability at the date of initial application for leases previously classified as an operating lease applying IAS 17. That lease liability will be measured at the present value of the remaining lease payments and discounted using incremental borrowing rate at the date of initial application;

b) Recognise a right-of-use asset at the date of initial application for leases previously classified as an operating lease applying IAS 17. The right-of-use asset on a lease-by-lease basis will be equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

c) Separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments with annual fixed cost of US$ 14.3 million.

A preliminary assessment indicates that US$ 2.3 million of these arrangements relate to leases other than short-term leases and leases of low-value assets. The Group will recognise a right-of-use asset of US$ 10.4 and a corresponding lease liability in respect of all these leases. The impact on profit or loss is to decrease other expenses by US$ 2.3 million, to increase depreciation by US$ 2.2 million and to increase interest expense by US$ 0.4 million.

Under IAS 17, all lease payments on operating leases are presented as part of cash flows from operating activities. The impact of the changes under IFRS 16 would be to reduce the cash generated by operating activities and to increase net cash used in financing activities by the same amount.

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 Kazakh 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 consolidated statement of profit or loss as incurred. Gains or losses on disposals of property, plant and equipment are recognised in the consolidated 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:

Land, buildings and constructions	5–50 years
Plant and equipment	5–20 years
Capital stripping	1–18 years
Other assets	1–20 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 consolidated statement of profit or loss.

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 consolidated statement of profit or loss.

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 20 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.

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

Financial assets and financial liabilities are recognised in the Group’s statement of financial position when the Group 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.

Derivative financial instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Non-derivative financial instruments

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet certain conditions are measured subsequently at fair value through other comprehensive income (FVTOCI). By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Amortised cost and 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.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than

purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate

to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "finance income — interest income" line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using the average default risk attributable to the counterparties.

Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

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.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the endof each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Factoring arrangements

The Group has entered into reverse factoring arrangements with certain suppliers and financial institutions, whereby financial institutions make direct payments to certain suppliers on the Group's behalf for inventory purchases. The Group then reimburses the financial institution and makes payments for any interest and other charges, where applicable, at a later date. The Group is able to extend payment terms for purchases for up to six months under these arrangements compared to up to approximately two months under the previous supplier credit terms. Any liabilities the Group holds under these arrangements are deemed to be financing in nature and are separately classified as 'factoring arrangements' within short term borrowings in the consolidated statement of financial position.

Where the credit period extension is obtained directly from the supplier, the economic substance of the transaction is determined to be operating in nature, and these liabilities are recognised as "trade and other payables" of the consolidated statement of financial position.

Consistent with the presentation in the consolidated statement of financial position, the Group presents cash payments made by the Group to financial institutions under reverse factoring arrangements within financing cash outflows in the consolidated statement of cash flows line “Repayment of borrowings”. Inventory purchases from suppliers are disclosed as operating cash flow movements with a simultaneous increase in “Non-cash movements for supplier financing borrowing arrangements” within cash flows from operations. In the case that a transaction is deemed to be operating in nature, all associated cash flows are disclosed within operating activities.

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

The Group recognises revenue principally from the sale of gold refined bullion. All the revenue recognized from contracts with customers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of the product to a customer.

All the Group sales are wholesale. The product is sold to banks in Russian Federation and to refining plants in Kazakhstan and West Africa. No sales related warranties or rights of return are given.

Payment of the transaction price is done immediately after revenue and receivable recognition when the performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer:

- 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 consolidated financial statements.

Cash generating unit (“CGU”) determination and 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. Judgement is therefore required to determine whether these updates represent significant changes in the service potential of an asset or CGU, and are therefore indicators of impairment or impairment reversal.

Assets (other than goodwill) that have previously been impaired must also be assessed for indicators of impairment reversal. Such assets are, by definition, carried on the balance sheet at a value close to their recoverable amount at the last assessment. Therefore in principle any change to operational plans, economic parameters, or the passage of time, could result in further impairment or impairment reversal if an indicator is identified. Significant operating assets that the Group has previously impaired include Lefa, Taparko and Suzdal, of the combined carrying value of US$ 581.2 million within property, plant and equipment and intangible assets as at 31 December 2018

Impairment of exploration and evaluation 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 reporting 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 2018, the allowance amounted to US$ 40.6 million (31 December 2017: US$ 41.8 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 ore body. 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 2018, stripping costs in the amount of US$ 82.8 million were capitalized at Lefa, Taparko, Bissa, Berezitovy, Taborny and Gross mines (US$ 68.9 million during 2017). The carrying value of the stripping activity asset recognised within construction in progress as at 31 December 2018 amounted to US$ 186.7 million (31 December 2017: US$ 112.0 million). The total amount of the carrying value of the stripping activity asset recognised within property, plant and equipment as at 31 December 2018 amounted to US$ 298.2 million (31 December 2017: US$ 223.1 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 2018, 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 proved 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 2018 and the relevant sensitivity analysis performed are presented in Note 20.

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 2018 amounted to US$ 66.1 million (31 December 2017: US$ 56.7 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$ 29.5 million as at 31 December 2018.

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 2018, gold-in-process in the amount of US$ 79.6 million (31 December 2017: US$ 65.7 million) was classified within current assets and ore stockpiles in the amount of US$ 48.1 million (31 December 2017: US$ 50.5 million) were split between current and non-current assets based on mine operating plans. Non-current portion as at 31 December 2018 amounted to US$ 42.4 million (31 December 2017: US$ 41.4 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$ 2.5 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 Gross, Tabornoye and Pogromnoye. During 2017, the Group disposed of Aprelkovo 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. During 2018, the Group disposed of Balazhal as a result of its sale to third party with immaterial result.
- **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**. An 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 and Development assets**. Includes a number of gold deposits at exploration and evaluation stage located in Burkina Faso, Russian Federation, Canada and Montagne d'Or gold development project in French Guiana.

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

The Group's CEO uses adjusted EBITDA (non-IFRS measure) in assessing each segment's performance and allocating resources. Adjusted 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.

Business segment assets and liabilities are not reviewed by the CODM and therefore are not disclosed in these consolidated financial statements.

Segment financial performance

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

	Year ended 31 December	
	2018	2017
Sales		
Neryungri and Aprelkovo	193,387	87,462
Suzdal and Balazhal	104,980	115,845
Buryatzoloto	82,905	96,488
Berezitovy	62,307	119,178
Taparko	129,845	135,655
Lefa	238,964	263,523
Bissa and Bouly	330,826	402,883
Total	**1,143,214**	**1,221,034**

	Year ended 31 December	
	2018	2017
Adjusted EBITDA by segment		
Neryungri and Aprelkovo	134,430	40,672
Suzdal and Balazhal	54,681	68,941
Buryatzoloto	6,653	18,085
Berezitovy	29,369	63,609
Taparko	48,773	39,986
Lefa	87,406	114,488
Bissa and Bouly	136,808	209,633
Greenfields	(55)	(49)
Total adjusted EBITDA for reportable segments	**498,065**	**555,365**
Adjusted EBITDA for all other segments	(27,872)	(34,843)
Total	**470,193**	**520,522**

	Year ended 31 December	
	2018	2017
Segment capital expenditures		
Neryungri and Aprelkovo	190,944	159,839
Suzdal and Balazhal	12,843	11,969
Buryatzoloto	27,618	28,984
Berezitovy	48,518	30,131
Taparko	60,102	18,430
Lefa	74,622	47,867
Bissa and Bouly	85,567	43,646
Greenfields	13,868	8,476
Total capital expenditures for reportable segments	**514,082**	**349,342**
All other segments	581	280
Total segment capital expenditures	**514,663**	**349,622**
Depreciation capitalised	30,880	23,308
Other transfers	(2,051)	(174)
Additions to PP&E and Intangible assets	**543,492**	**372,756**

The reconciliation of profit before income tax to the adjusted EBITDA:

	Year ended 31 December	
	2018	2017
Profit before income tax	**126,307**	**216,574**
Finance income	(4,284)	(16,984)
Finance costs	115,601	75,382
Foreign exchange loss	(38,040)	4,524
Depreciation and amortisation	193,403	212,412
Impairment charge of non-current assets	39,126	1,160
Lefa non-controlling interest recognition	35,731	—
Impairment charge of work-in-progress recognised in cost of sales	(3,297)	3,946
Net loss on disposal of property, plant and equipment	1,009	344
Provision charge for previously recognised contingent liability	—	10,462
Other expenses	4,637	12,702
Adjusted EBITDA	**470,193**	**520,522**

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	
	2018	2017
Russian Federation	723,785	666,557
Burkina Faso	648,132	589,641
Guinea	494,543	512,377
French Guiana	109,278	105,367
Kazakhstan	44,731	46,798
Canada	25,274	26,722
Other	486	1,490
Total	**2,046,229**	**1,948,952**

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

	Year ended 31 December	
	2018	2017
Burkina Faso	460,671	538,538
Russian Federation	338,599	303,128
Guinea	238,964	263,523
Kazakhstan	104,980	115,845
Total	**1,143,214**	**1,221,034**

6. Sales

	Year ended 31 December	
	2018	2017
By product		
Gold	1,138,558	1,215,292
Silver	4,656	5,742
Total	**1,143,214**	**1,221,034**

	Year ended 31 December	
	2018	2017
By customer		
Switzerland: MKS Finance S.A.	690,883	666,406
Russian Federation: VTB	321,857	233,068
Kazakhstan: Tau-Ken Altyn	104,980	115,845
Switzerland: Metalor Technologies S.A.	8,752	135,655
Russian Federation: Otkrytie	8,277	70,060
Russian Federation: Sberbank	7,992	—
Russian Federation: Gazprombank	473	—
Total	**1,143,214**	**1,221,034**

7. General and administrative expenses

	Year ended 31 December	
	2018	2017
Wages and salaries	31,418	35,682
Professional and other services	15,273	17,339
Depreciation and amortisation	6,721	7,381
Other	1,991	2,469
Total	**55,403**	**62,871**

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

	Year ended 31 December	
	2018	2017
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	300
— The audit of the Company's subsidiaries	317	340
Total audit fees	**617**	**640**
— Other assurance services	125	125
Total non-audit fees	**125**	**125**

8. Staff cost

	Year ended 31 December	
	2018	2017
Wages and salaries	176,816	169,205
Long-term incentive program	3,397	5,597
Social security costs	30,483	30,239
	210,696	**205,041**
Less capitalised amounts:		
Wages and salaries	(37 392)	(23,588)
Social security costs	(7 845)	(4,207)
Total	**165,459**	**177,246**

Key management personnel comprise executive and non-executive directors ("Directors"). Total Directors' remuneration in 2018 amounted to US$ 11.9 million (2017: US$ 14.0 million). It included annual salaries of US$ 6.3 million (2017: US$ 6.4 million), annual bonuses of US$ 2.7 million (2017: US$ 3.6 million), and incentive programme accruals of US$ 2.9 million (2017: US$ 3.9 million).

Remuneration of the highest paid Director in 2018 amounted to US$ 3.5 million (2017: US$ 3.1 million) including annual salary of US$ 1.1 million (2017: US$ 1.0 million), annual bonus of US$ 1.5 million (2017: US$ 1.5 million), incentive programme accrual of US$ 0.8 million (2017: US$ 0.5 million), and benefit allowance of US$ 0.1 million (2017: US$ 0.1 million).

The average number of employees by business units:

	Year ended 31 December	
	2018	2017
Operating mines:		
Buryatzoloto	1,999	2,378
Neryungri	1,313	1,013
Bissa	1,234	1,223
Lefa	1,178	1,160
Suzdal	962	939
Berezitovy	895	932
Taparko	650	669
Aprelkovo	—	9
Other entities:		
Nordgold Management	97	102
Others	3	30
Total	**8,331**	**8,455**

9. Impairment of non-current assets

As at 31 December 2018 and 2017, 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 2018 and 2017 as follows:

	Year ended 31 December	
	2018	2017
Intangible assets (Note 17)		
Exploration and evaluation assets	969	1,160
Buryatzoloto intangible assets	37,154	—
	38,123	**1,160**
Property, plant and equipment (Note 16)		
Buryatzoloto property, plant and equipment	4,813	—
	4,813	**—**
Other assets		
Reversal of impairment	(3,810)	—
Impairment of non-current assets	**39,126**	**1,160**

Following operational performance issues at certain mines during 2018 and/or the presence of relatively low impairment review headrooms in prior periods, management conducted impairment valuation review at Buryatzoloto, Berezitovy and Lefa CGUs (2017: Buryatzoloto, Lefa and Taparko). For these CGUs the recoverable amounts were calculated based on the value in use, using discounted cash flow projections. As a result of the impairment review an impairment loss for Buryatzoloto was recognised (no impairment losses in 2017).

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 2019 gold price of US$ 1,282/oz, a 2020–2021 gold prices are US$ 1,333/oz, US$ 1,323/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 Berezitovy 11.5% (2017: no impairment test), Lefa 17.4% (2017: 15.3 %) and Buryatzoloto 10.7% (2017: 11.5%), 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	52,917
Long-term gold price of US$ 1,150 per ounce	78,854
Long-term gold price of US$ 1,100 per ounce	112,223
10% decrease in future production volume	161,468
10% increase in future cost of production	72,649
1pp increase in discount rate applied	44,371

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

The US$ 0.97 million (2017: US$ 1.16 million) pre-tax Impairment charge for exploration and evaluation assets related to exploration projects in Russia (2017: Russia) which did not result in the discovery of commercially viable quantities of gold resources (Note 17).

Reversal of impairment of other non-current assets US$ 3.81 million related to the indirect taxes in West Africa due to change of estimate in respect of their recoverability.

10. Finance income and finance costs

	Year ended 31 December	
	2018	2017
Finance income		
Interest income	4,284	6,137
Derivative net income	—	10,847
Total	**4,284**	**16,984**
Finance costs		
Interest expense	(61,764)	(67,240)
Derivative net loss	(44,762)	—
Royalties related to West African operations	(5,654)	(4,756)
Other	(3,421)	(3,386)
Total	**(115,601)**	**(75,382)**

Derivative net loss of US$ 44.8 million for 2018 (2017: net income of US$ 10.8 million) includes US$ 11.8 million of net interest from the cross currency swap (2017: US$ 12.7 million) which nets against the US$ 56.6 million derivative instrument charge for the year (2017: US$ 1.8 million) with a corresponding US$ 58.4 million financial liability recognised on the statement of financial position as at 31 December 2018 (31 December 2017: US$ 1.8 million).

11. Income tax

	Year ended 31 December	
	2018	2017
Current tax charge	(38,809)	(51 685)
Prior period adjustments	(375)	3,046
Deferred tax expense	4,772	(1 139)
Income tax expense	**(34,412)**	**(49 778)**

In 2018 and 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			
	2018		2017	
Profit before income tax expense	**126,307**		**216,574**	
Theoretical tax at rates applicable to the profits in the respective countries	(35,405)	28%	(36,329)	17%
Prior period adjustments	(375)	0%	3,046	(1%)
Effect of intragroup dividends	(4,816)	4%	(2 057)	1%
Current year losses not recognised	(1,430)	1%	(10,435)	5%
Permanent differences	(2,384)	2%	(4,003)	2%
Prior year losses recognised	5,903	5%	—	—
Utilisation of tax losses not recognised in prior periods	4,095	(3%)	—	—
Income tax expense	**(34,412)**	**27%**	**(49 778)**	**23%**

Current year losses not recognised during 2018 and 2017 relates to the Group’s holding and other entities which are not expected to generate enough taxable profits to recover these losses in future.

Prior year losses recognised relate to the deferred tax asset on the tax losses occurred in 2014 in Guinea which are deemed recoverable on the basis of sufficient future taxable income expected to be generated by Lefa.

In 2018 the Group has recognized US$ 4.1 million of tax losses as a result of transferring related expense from holding company to operating West African entity where those losses can be utilized against taxable profit.

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

2018	Opening balance	Recognised in profit or loss	Adjustment in respect of prior years	Translation difference	Closing balance
Deferred tax assets/ (liabilities) related to:					
Property, plant and equipment	(10,524)	(29,159)	1,651	5,328	(32,704)
Intangible assets	(100,168)	13,896	—	4,560	(81,712)
Inventories	(6,233)	(555)	—	1,270	(5,518)
Financial investments	5,146	224	—	(365)	5,005
Provisions	10,263	(1,439)	—	(952)	7,872
Other	12,532	(6,261)	—	(1,577)	4,694
Tax losses carried forward	24,911	28,066	—	(1,458)	51,519
Total	**(64,073)**	**4,772**	**1,651**	**6,806**	**(50,844)**

2017	Opening balance	Recognised in profit or loss	Business combina-tion	Adjustment in respect of prior years	Translation difference	Closing balance
Deferred tax assets/ (liabilities) related to:						
Property, plant and equipment	19,291	(13,523)	—	(16,481)	189	**(10,524)**
Intangible assets	(83,352)	4,444	(21,933)	—	673	**(100,168)**
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	7,562	—	—	193	**24,911**
Total	**(28,676)**	**(1,139)**	**(21,933)**	**(14 936)**	**2,611**	**(64,073)**

Adjustments in respect of the prior years represent corrections made in 2017 to tax returns for 2014–2016 to reflect 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 in 2017.

The Group concludes that recoverability of the recognised deferred tax asset of US$ 51.5 million at 31 December 2018 (31 December 2017: US$ 24.9 million) on tax losses carried forward is probable based upon expectations of future taxable income and available tax planning strategies.

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	
	2018	2017
Deferred tax liability	(97,807)	(102,542)
Deferred tax asset	46,963	38,469
Net deferred tax liability	**(50,844)**	**(64,073)**

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$ 367 million at 31 December 2018 (31 December 2017: US$ 425 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:

	31 December	
	2018	2017
Within one year	9	8,714
Between one and five years	2,107	3,299
Between five and ten years	2,519	3,920
Between ten and twenty years	1,800	3,377
No expiry date	66,633	73,300
Total	**73,068**	**92,610**

12. Dividends

	Cents per share	US$ thousand	Accrued and paid in
Final dividend 2016	5	18,981	2017
Interim dividend 2017 Q1	3	11,005	2017
Interim dividend 2017 Q2	5	16,460	2017
Interim dividend 2017 Q3	3	10,847	2017
Final dividend 2017	5	15,261	2018
Interim dividend 2018 Q1	3	11,226	2018
Interim dividend 2018 Q2	3	9,635	2018
Interim dividend 2018 Q3	3	9,262	2018
Total dividends for the year ended 31 December 2017 *			**57 293**
Total dividends for the year ended 31 December 2018			**45,384**

* During 2017, the Company also paid US$ 31.1 million of dividends that were declared in 2016.

13. Cash and cash equivalents and short-term deposits

		31 December
	2018	2017
Cash at banks	72,840	141,447
Short-term bank deposits (maturing within 3 months)	17,370	128,792
Petty cash	136	163
Total	**90,346**	**270,402**
Short-term deposits (maturing between 3 and 12 months)	—	70,237
Restricted cash in non-current assets	16,395	14,919

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 approximated 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 26.

14. Accounts receivable

	31 December	
	2018	2017
Advances paid and prepayments	15,827	10,734
Trade accounts receivable	1,497	1,934
Other receivables	13,763	18,420
Provision for credit losses		
Advances paid and prepayments	(143)	(314)
Trade accounts receivable	(246)	(285)
Other receivables	(691)	(831)
Total accounts receivable	**30,007**	**29,658**

The carrying value of trade and other accounts receivable approximated their fair values because of the short maturities of these instruments. The Group’s exposure to risks arising from accounts receivable and policies on provision for credit losses are discussed in Note 26.

15. Inventories

	31 December	
	2018	2017
Current inventories		
Materials and consumables	107,170	100,348
Work-in-progress	85,252	74,758
Finished goods	4,123	2,163
Total current inventories	**196,545**	**177,269**
Non-current inventories		
Long-term ore stockpiles	42,432	41,391
Long-term materials and consumables	46,520	51,391
Total non-current inventories	**88,952**	**92,782**

In 2018 inventories recognised as an expense within cost of sales amounted to US$ 281.7 million (2017: US$ 291.7 million).

As at 31 December 2018, the obsolescence and net realisable value provision amounted to US$ 40.6 million (31 December 2017: US$ 41.3 million). In 2018 reversal of obsolescence and net realisable value provision included in cost of sales in 2018 amounted to US$ 3.3 million (2017: charge amounted to US$ 11.9 million). The main reason for such reversal was cost reduction at related CGUs.

16. Property, plant and equipment

	Land, buildings and constructions	Plant and equipment	Capital stripping	Other assets	Construction in progress	Total
Cost						
Balance at 1 January 2017	**509,241**	**591,352**	**196,681**	**22,405**	**347,959**	**1,667,638**
Reclassifications to inventories	—	—	—	—	(5,597)	(5,597)
Reclassifications between groups	(48 925)	48,925	—	—	—	—
Additions	—	—	—	—	324,764	324,764
Change in environmental provision	(1,773)	—	—	—	—	(1,773)
Transfers	5,097	97,395	68,874	9,124	(180,490)	—
Disposals	(12,612)	(25,339)	—	(337)	(1,673)	(39,961)
Translation differences	45,814	36,272	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**
Reclassifications to inventories	—	—	—	—	(3,498)	(3498)
Reclassifications between groups	10,866	(10,866)	—	—	—	—
Additions	—	—	—	—	493,360	493,360
Change in environmental provision	574	—	—	—	—	574
Transfers	26,798	232,451	82,278	6,569	(348,096)	—
Disposals	(41)	(7,383)	—	(543)	(2,103)	(10,070)
Translation differences	(40,334)	(50,294)	(19,344)	(2,187)	(74,185)	(186,344)
Balance at 31 December 2018	**494,705**	**912,513**	**350,822**	**37,055**	**570,983**	**2 366,078**

Depreciation and impairment						
Balance at 1 January 2017	**(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
Translation 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)**
Reclassifications between groups	(13)	13	—	—	—	—
Depreciation for the year	(29,546)	(76,338)	(71,588)	(4,656)	—	(182,128)
Impairment	(2,551)	(2 262)				(4 813)
Disposals	34	6,629	—	372	—	7,035
Translation differences	24,731	32,501	9,001	962	380	67,575
Balance at 31 December 2018	**(298,815)**	**(527,048)**	**(239,365)**	**(22,896)**	**(10,750)**	**(1 098,874)**
Net book value						
Balance at 31 December 2017	**205,372**	**261,014**	**111,110**	**13,642**	**494,375**	**1,085,513**
Balance at 31 December 2018	**195,890**	**385,465**	**111,457**	**14,159**	**560,233**	**1 267,204**

17. Intangible assets

	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost				
Balance at 1 January 2017	**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)
Translation differences	34,005	5,554	1,791	41,350
Balance at 31 December 2017	**1,408,618**	**139,455**	**22,746**	**1,570,819**
Additions	—	49,066	1,065	50,131
Transfers	40,664	(40,664)	—	—
Disposals	—	(15)	(76)	(91)
Translation differences	(63,750)	(11,409)	(3,016)	(78,175)
Balance at 31 December 2018	**1 385,532**	**136,433**	**20,719**	**1 542,684**

Amortisation and impairment

Balance at 1 January 2017	**(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
Translation differences	(14,578)	(246)	(243)	(15,067)
Balance at 31 December 2017	**(724,362)**	**(67,567)**	**(13,230)**	**(805,159)**
Amortisation for the year	(47,211)	—	(3,638)	(50,849)
Impairment (Note 9)	(37,154)	(969)	—	(38,123)
Disposals	—	—	59	59
Translation differences	21,633	14	1,687	23,334
Balance at 31 December 2018	**(787,094)**	**(68,522)**	**(15,122)**	**(870,738)**
Net book value				
Balance at 31 December 2017	**684,256**	**71,888**	**9,516**	**765,660**
Balance at 31 December 2018	**598,438**	**67,911**	**5,597**	**671,946**

The movements in mineral rights by segments were the following:

	Neryungri and Aprelkovo	Buryatzoloto	Berezitovy
Cost			
Balance at 1 January 2017	**199,097**	**51,633**	**8,998**
Acquisitions through Business combinations	—	—	—
Additions	—	—	—
Transfers	635	14,086	675
Translation differences	6,957	3,175	477
Balance at 31 December 2017	**206,689**	**68,894**	**10,150**
Transfers	4,336	9,145	1,004
Translation differences	(26,353)	(12,001)	(1,768)
Balance at 31 December 2018	**184,672**	**66,038**	**9,386**
Amortisation			
Balance at 1 January 2017	**(28,226)**	**(19,646)**	**(4,018)**
Amortisation for the year	(1,884)	(4,012)	(1,254)
Translation differences	(484)	(1,097)	(229)
Balance at 31 December 2017	**(30,594)**	**(24,755)**	**(5,501)**
Amortisation for the year	(4,202)	(6,196)	(1,411)
Impairment	—	(37,154)	—
Translation differences	2,166	4,798	1,082
Balance at 31 December 2018	**(32,630)**	**(63,307)**	**(5,830)**
Net book value			
At 31 December 2017	**176,095**	**44,139**	**4,649**
At 31 December 2018	**152,042**	**2,731**	**3,556**

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 24).

Suzdal and Balazhal	Taparko	Bissa and Bouly	Lefa	Greenfields and Development assets	Total
68,872	**100,679**	**73,617**	**723,206**	**—**	**1,226,102**
—	—	—	—	100,340	100,340
—	—	—	—	3,865	3,865
525	4,338	19,218	4,829	—	44,306
222	12,338	10,216	—	620	34,005
69,619	**117,355**	**103,051**	**728,035**	**104,825**	**1,408,618**
305	2,722	5,829	7,267	10,056	40,664
(9,407)	(4,622)	(4,488)	—	(5,111)	(63,750)
60,517	**115,455**	**104,392**	**735,302**	**109,770**	**1 385,532**
(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)**
(656)	(3,383)	(6,186)	(25 177)	—	(47,211)
—	—	—	—	—	(37,154)
8,751	3,685	1,151	—	—	21,633
(56,178)	**(99,886)**	**(27,609)**	**(501,654)**	**—**	**(787,094)**
5,346	**17,167**	**80,477**	**251,558**	**104,825**	**684,256**
4,339	**15,569**	**76,783**	**233,648**	**109,770**	**598,438**

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

	Neryungri and Aprelkovo	Buryatzoloto	Berezitovy
Net book value at 1 January 2017	**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)	—
Translation differences	319	(34)	11
Net book value at 31 December 2017	**6,793**	**5,668**	**2,339**
Additions	3,776	12,024	2,138
Transfers to mineral rights	(4,336)	(9,145)	(1,004)
Impairment (Note 9)	(914)	—	(40)
Disposal	—	—	—
Translation differences	(1,184)	(1,993)	(516)
Net book value at 31 December 2018	**4,135**	**6,554**	**2,917**

Transfers of exploration and evaluation assets to mineral rights during 2018 of US $ 40.6 million (2017: US $ 44.3 million) 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 and Development assets	Total
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**
386	2,829	3,815	7,267	16,831	49,066
(305)	(2,722)	(3,713)	(7,267)	(12,172)	(40,664)
—	—	—	—	(15)	(969)
—	—	—	—	(15)	(15)
(74)	(107)	(102)	—	(7,419)	(11,395)
319	**—**	**—**	**—**	**53,986**	**67,911**

18. Borrowings

	31 December 2018	31 December 2017
Short-term borrowings		
Notes and bonds issued	—	448,000
Bank loans	342,598	—
Factoring arrangements	34,275	—
Accrued interest	4,656	6,003
Unamortised balance of transaction costs	(160)	(439)
Total short-term borrowings	**381,369**	**453,564**
Long-term borrowings		
Bank loans	576,051	547,745
Unamortised balance of transaction costs	(8,251)	(6,162)
Total long-term borrowings	**567,800**	**541,583**

Notes and bonds issued

In May 2018, the Company repaid at maturity US$ 500 million unsecured notes issued in May 2013.

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. In November the loan maturity and grace period were prolonged and US$ 100 million of the loan was converted into Euro. As a result the maturity moved to July 2020 with the first repayment in January 2020 and quarterly repayments thereafter and the outstanding amount as at 31 December 2018 was US$ 151.1 million USD including US$ 50 million nominated in US dollars and US$ 101.1 million nominated in Euro.

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.

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

- Facility A: RUB 18.6 billion two-year loan denominated in Russian Roubles, 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 CCS 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 consolidated financial statements Facility A and the CCS were treated as two separate instruments under IFRS 9 as at 31 December 2018.

As at 31 December 2018, the value of the loan denominated in Russian Roubles (held by Celtic Resources Holdings Limited which is a US$ functional currency entity) was US$ 267.6 million (31 December 2017: US$ 322.7 million) and the related CCS derivative financial instrument liability was held at a fair value of US$ 58.4 million (31 December 2017: US$ 1.8 million) and both were reclassified from long-term to short-term borrowings.

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. Interest is payable on a quarterly basis.

In March 2018, the Group secured a new US$ 300 million, five-year debt facility with a group of banks. The syndicated loan was 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. The facility is denominated in US dollars maturing in March 2023 with a grace period of 30 months and quarterly repayments thereafter. Interest is payable on a quarterly basis.

In April 2018, the Group entered a US$ 75 million unsecured uncommitted revolving credit facility ("RCF") with BANK GPB INTERNATIONAL S.A. denominated in US dollars with final maturity in April 2020. Interest is payable on a quarterly basis. For the purposes of these consolidated financial statements this RCF was classified as short-term.

In June 2018, the Group entered into a US$ 50 million unsecured committed revolving credit facility with Citibank Europe plc denominated in US dollars maturing in June 2020. The amounts drawn down are repayable at different maturities to the final maturity date. Interest is payable on a quarterly basis. For the purposes of these consolidated financial statements this RCF was classified as long-term debt.

The borrowings' average interest rate as at 31 December 2018 was 4.8% (31 December 2017: 5.2%).

The fair value of the Group's debt instruments approximated their carrying values at 31 December 2018 and 2017 except for the fair value of bonds which had a market value of US$ 453 million as at 31 December 2017 and were repaid in May 2018.

Unused credit facilities at 31 December 2018 amounted to US$ 90 million (31 December 2017: nil).

Factoring arrangements

As at 31 December 2018, the Group owed the amount of US$ 34.3 million (31 December 2017: nil) to third party financial institutions arising from reverse factoring arrangements in respect of non-inventory purchases in West Africa. The liabilities for these purchases were legally transferred from the supplier providing the non-metal inventories to financial institutions during the period. The liabilities transferred to financial institutions were disclosed as "Non-cash movements for supplier financing borrowing arrangements" within cash flows from operations in the statement of cash flows. Actual payments to financial institutions were disclosed as "Repayment of borrowings" within cash used in financing activities in the statement of cash flows.

19. Accounts payable

		31 December
	2018	2017
Trade accounts payable	181,794	171,180
Other taxes payable	44,032	41,013
Amounts payable to employees	28,124	34,460
Accrued expenses	2,104	1,996
Share buyback reserve	750	11,409
Advances received	226	211
Other payables	26,811	32,186
Total	**283,841**	**292,455**

The carrying values of trade and other accounts payable approximated their fair values because of the short maturities of these instruments.

20. Provisions

	Legal and tax claims	Environmental provision	Other	Total
Balance at 1 January 2017	**1,361**	**46,768**	**1,924**	**50,053**
Charge in the year	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)
Translation differences	469	3,074	12	3,555
Balance at 31 December 2017	**13,311**	**47,260**	**1,910**	**62,481**
Charge in the year	2,717	4,210	—	6,927
Change in estimate	—	(3 636)	—	(3 636)
Unwinding of discount	—	1,484	—	1,484
Provisions utilised	(2 908)	—	(248)	(3 156)
Translation differences	(1 884)	(2 985)	(7)	(4 876)
Balance at 31 December 2018	**11,236**	**46,333**	**1,655**	**59,224**

Legal and tax claims increase in 2018 mostly relates to change of risk assessment in respect of certain claims from Russian tax authorities related to mineral extraction tax. 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 2021–2039, accordingly environmental provisions were classified within non-current liabilities. The present value of expected cash outflows were estimated using existing technology and discounted using the following real discount rates:

	Year ended 31 December	
	2018	2017
Russian Federation	3.17–4.07%	2.89–3.94%
Kazakhstan	3.77%	3.2%
Burkina Faso	3.92–4.12%	3.92–4.1%
Guinea	4.65%	2.04%

Management performed an analysis of the reasonably possible change of discount rates used and its effect on the environmental provision as at 31 December 2018.The following scenarios were considered as reasonably possible and were used for this sensitivity analysis:

Scenarios	Environmental provision increase/ (decrease)
1% decrease in discount rate applied	3,133
1% increase in discount rate applied	(3,230)

21. Capital and reserves

Share capital

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").

During 2017, the Company repurchased 31 022 458 ordinary shares for US$ 109.2 million, all of which were cancelled.

During 2018, the Company repurchased 3 089 545 ordinary shares for US$ 10.7 million, all of which were cancelled.

Following these transactions, the Company's issued share capital as at 31 December 2018 consisted of 336,284,226 ordinary shares with par value of 1 EUR per share amounting to US$ 464.6 million (31 December 2017: 339,373,771 ordinary shares with par value of 1 EUR per share amounting to US$ 468.9 million).

As at 31 December 2018, a US $0.8 million potential share buyback reserve was recognised (31 December 2017: US$ 11.4 million), 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.

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 2017–2018 reduction of additional paid-in capital related to cancelations of treasury shares described above in the Share capital section is summarized in the table below. Additional paid-in capital amounted to US$ 761 million after the treasury shares cancelation in 2018. The table below set outs a summary of the treasury shares cancelled during 2017–2018 and the related movements in 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 2017	**31,022,458**	**109,223**	**42,860**	**70,203**	**(3,840)**
2 July 2018	184,338	636	255	417	(36)
5 October 2018	2,905,207	10,023	4,013	6,575	(565)
Total 2018	**3,089,545**	**10,659**	**4,268**	**6,992**	**(601)**

Revaluation reserve

The revaluation reserve comprises the cumulative net change in the fair value of debt/equity investments assets designated as FVOCI, net of the related tax effects.

22. Earnings per share

Basic and diluted earnings per share for the year ended 31 December 2018 were based on the profit attributable to shareholders of the Company of US$ 87.7 million (2017: US$ 157.2 million) and a weighted average number of outstanding ordinary shares of 338,589 thousand (31 December 2017: 351,215 thousand), calculated as per below (in thousands of shares):

	Issued shares	Weighted average number of shares
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**
1 January 2018	**339,374**	**339 374**
Shares cancelled in July 2018	(185)	(92)
Shares cancelled in October 2018	(2,905)	(693)
31 December 2018	**336,284**	**338,589**

23. Subsidiaries

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

Subsidiaries	31 December 2018	31 December 2017 (2)	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
OOO Rudnik Taborny (3)	100.0%	n/a	Republic of Sakha (Yakutia), Olekminsky district, Olekminsk town, Brovina street, 4a, 678100, 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 (4)	n/a	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Gold exploration
Buraytzoloto segment				
OJSC Buryatzoloto (1)	93.8%	93.7%	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 (1)	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 (1)	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 (6)	n/a	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 (7)	92.5%	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	n/a	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1–1103, Cayman Islands	Holding company
(International) Ltd (1) (8)				
High River Gold Mines	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1–1103, Cayman Islands	Holding company
(West Africa) Ltd (1) (8)				
Bissa Gold SA (1)	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 (1)	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 (1)	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 (1)	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, 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 (5)	55.1%	55.1%	1, rue de l'Indigoterie 97354 Rémire-Montjoly	Gold exploration
Nord Gold Guiana SAS	100.0%	100.0%	1, Avenue Gustave Charlery, route de Montabo Imm Faic, 97300 Cayenne	Gold exploration
Nord Prognoz 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. (1)	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. (1)	100.0%	100.0%	200–204 Lambert Street, Whitehorse, Yukon Territory Y1A 1Z4, Canada	Other
Amur Gold Limited (1)	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
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 Mining LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, 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

(1) Subsidiary of High River Gold Mines Ltd.

(2) During 2017 Castleway Limited, NordPolar Limited and Tenga Exploration SARL were liquidated. During 2017 ZAO Mine Aprelkovo was disposed of by the Group due to bankruptcy.

(3) During 2018 LLC Rudnik Taborny owing Taborny gold deposit was separated from LLC Neryungri metallic owing Gross gold deposit in order to separate legal entities running different licenses.

(4) During 2018 Semgeo LLP owning Balazhal gold deposit was sold to the third party (Note 5).

(5) During 2017 Compagnie Miniere Montagne d’Or SAS was acquired (Note 24).

(6) During 2018 Crew Development Ltd. was liquidated.

(7) During 2018 7.5% of share in Societe Miniere de Dinguiraye was transferred to the government of Guinea according to the new mining convention terms.

(8) During 2018 High River Gold Mines (International) Ltd. was merged with High River Gold Mines (West Africa) Ltd.

During 2018 the Company has extended Lefa’s Mining Permit and Mining Convention for a period of 15 years, in line with Lefa’s current life of mine. Expenses related to this extension amounting to US$ 14.7 million were recognised in the consolidated statement of profit or loss within Loss on partial disposal of subsidiary. The new Mining Permit is effective from 21 March 2019. The Mining Convention determines the taxation and customs regimes under which Societe Miniere de Dinguiraye (“SMD”), the owner of the Lefa mine, operates, as well as other provisions regulating the Company’s activities in Guinea. In accordance with local law, the Republic of Guinea should receive 15% of the share capital of SMD. The first transfer of 7.5% occurred in October 2018 and the second will occur within two years after the ratification of the amendments to the Convention. As a result additional non-controlling interest related to the first tranche and amounting to US$ 10.5 million and a provision for the second tranche for the same amount were recognised in the consolidated statement of changes in equity. The corresponding effect amounted to US$ 21.1 million and was recognised in the consolidated statement of profit or loss within Loss on partial disposal of subsidiary.

24. 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**

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.

25. Related party transactions and balances

Transactions with entities under common control mainly included purchases of goods and services amounted to US$ 9.4 million in 2018 (2017: US$ 9.9 million)

As at 31 December 2018, balances with entities under common control included accounts payable of US$ 3.6 million (31 December 2017: US$ 2.6 million), which are to be settled in cash.

26. 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 2018, external credit ratings of the Group were as follows:

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

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

- Moody's: Ba2, stable outlook;
- Fitch: BB-, positive 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 2018	31 December 2017
Profit from operations	199,584	278,806
Total assets	2,529,315	2,662,586
Return on assets ratio	**8%**	**10%**

Net debt reconciliation:

	31 December 2018	31 December 2017
Non-current interest bearing loans and borrowings	567,800	541,583
Derivative financial instrument	58,402	1,835
Current interest bearing loans and borrowings	381,369	453,564
Less: short term deposits	—	(70,237)
Less: cash and cash equivalents	(90,346)	(270,402)
Net debt	**917,225**	**656,343**

Leverage ratio:

	31 December 2018	31 December 2017
Net debt	917,225	656,343
Share-holders equity	942,487	1,063,767
Leverage ratio	**97%**	**62%**

The leverage ratio increase mostly relates to significant reduction of Cash and cash equivalents as at 31 December 2018 resulting primarily from the spend on property, plant and equipment due to completion of Gross construction during 2018 and repayment of notes in May 2018.

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

			Non-cash changes						
	31 December 2017	Cash flows	Foreign exchange movement	Transaction costs amortization	Dividends declared	Transfers	Non-cash movements for supplier financing borrowing arrangements	Other changes	31 December 2018
Non-current borrowings	547,742	300,000	(54,096)	—	—	(217,595)	—	—	576,051
Current borrowings	448,000	(322,684)	(313)	—	—	217,595	—	—	342,598
Factoring arrangements	—	(44,270)	(496)	—	—	—	79,041	—	34,275
Transaction cost	(6,597)	(4,713)	—	2,899	—	—	—	—	(8,411)
Dividends payable	—	(45,385)	—	—	45,385	—	—	—	—
Share buy-back reserve	11,409	(10,659)	—	—	—	—	—	(9,501)	(8,751)
Other movements	—	(5,044)	—	—	—	—	—	5,044	—
Total financing activities	**1,000,554**	**(132,755)**	**(54,905)**	**2,899**	**45,385**	**—**	**79,041**	**(4,457)**	**935,762**

	31 December 2016	Cash flows	Foreign exchange movement	Transaction costs amortization	Dividends declared	Transfers	Share buyback reserve recognition	Other changes	31 December 2017
			Non-cash changes						
Non-current borrowings	696,333	510,000	(2,258)	—	—	(656,333)	—	—	547,742
Current borrowings	166,667	(375,000)	—	—	—	656,333	—	—	448,000
Transaction cost	(6,470)	(7 460)	—	5,771	—	—	—	1,562	(6,597)
Dividends payable	31,140	(88,433)	—	—	57,293	—	—	—	—
Share buyback reserve	—	(109,223)	—	—	—	—	120,632	—	11,409
Other movements	—	(4,145)	—	—		—	—	4,145	—
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 accrued interest and trade and other payables. The Group's principal financial assets comprised trade and other receivables, short-term deposits, financial investments, cash and cash equivalents and restricted cash.

	31 December 2018	31 December 2017
Financial assets		
Cash and cash equivalents	90,346	270,402
Short-term deposits	—	70,237
Trade and other receivables	13,012	17,386
Restricted cash	16,395	14,919
Long-term financial investments	3,181	8,045
Total financial assets	**122,934**	**380,989**
Financial liabilities		
Notes and bonds issued	—	448,000
Bank loans	918,649	547 745
Accrued interest	4,656	6,003
Derivative financial instrument	58,402	1,835
Factoring arrangements	34,275	—
Trade and other payables	247,705	259,014
Total financial liabilities	**1 263,687**	**1,262,597**

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.

To minimise Group's exposure to credit risk management undertakes 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 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 2018		31 December 2017	
	Gross	Provision for credit losses	Gross	Provision for credit losses
Not past due	9,518	—	14,324	—
Past due 0–365 days	3,494	—	3,062	—
More than one year	937	(937)	1,117	(1,117)
Total	**13,949**	**(937)**	**18,503**	**(1,117)**

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 2018, the Group had a concentration of cash and cash equivalents and bank deposits with Sberbank in the amount of US$ 20.8 million (31 December 2017: US$ 198.1 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, including both principal and interest cash flows on an undiscounted basis:

As at 31 December 2018:

	Carrying amount	Future contrac-tual cash flows (*)	Less than 1 year	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Factoring arrangements	34,275	34,892	34,892	—	—	—
Bank loans and accrued interest	918,649	1,111,522	115,781	341,616	613,107	41,018
Trade and other payables	247,705	247,705	239,583	—	2,637	5,485
Total	1 200,629	1,394,119	390,256	341,616	615,744	46,503
Net exposure	**1 200,629**	**1 394,119**	**390,256**	**341,616**	**615,744**	**46,503**

* Including future interest payments

As at 31 December 2017:

	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 loans and accrued interest	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 risk of changes in the gold price, which 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 2018. A 10 percent decrease of gold price would have decreased profit after tax for the year ended 31 December 2018 by US$ 94.5 million (2017: US$ 100.2 million).

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, Guinean Franc and Central African Franc.

Group's exposure to Other foreign currency risk includes exposures to changes in the following currencies: Euro, Canadian Dollar, South African Rand, Kazakhstani Tenge, Norwegian Krone, Australian Dollar, British Pound.

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

31 December 2018	USD	RUB	GNF	CFA (XOF)	Other
Cash and cash equivalents	5,159	22	219	—	4,600
Trade and other receivables *	11,222	—	1,361	577	497
Financial investments *	25,081	8,230	—	46,874	2,144
Borrowings*	(222,407)	(919)	—	—	(11,263)
Trade and other payables *	(42,480)	(5,897)	(20,209)	(44)	(11,700)
Net exposure	(223,425)	1,436	(18,629)	47,407	(15,722)

31 December 2017	USD	RUB	GNF	CFA (XOF)	Other
Cash and cash equivalents	109,515	19	18	—	188
Trade and other receivables *	31,239	—	1,559	17,729	397
Financial investments *	165,297	13,246	—	100,254	2,135
Borrowings*	(192,447)	(919)	—	—	(6,439)
Trade and other payables *	(28,211)	(7,056)	(21,253)	(19)	(8,117)
Net exposure	85,393	5,290	(19,676)	117,964	(11,843)

* 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 2018. The sensitivity analysis was applied to monetary items at the reporting dates denominated in the foreign currencies and assumes that all variables other than foreign exchange rates remain constant.

A 20 percent strengthening of the following currencies as at 31 December 2018 and 2017 would have increased/(decreased) profit and equity by the amounts shown below:

	31 December 2018	31 December 2017
USD	(44,834)	17,478
RUB	(21)	750
GNF	(3,260)	(3,443)
CFA (XOF)	11,855	29,492
Other	(3,031)	(2,277)
Total	**(39,291)**	**42,000**

A 20 percent weakening of the following currencies as at 31 December 2018 and 2017 would have increased/ (decreased) profit and equity by the amounts shown below:

	31 December 2018	31 December 2017
USD	29,889	(11,652)
RUB	14	(500)
GNF	2,173	2,296
CFA (XOF)	(7,903)	(19,662)
Other	2,020	1,517
Total	**26,193**	**(28,001)**

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 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 2018	31 December 2017
Financial liabilities at interest with fixed spread over LIBOR	(918,649)	(547,745)
Net position	**(918,649)**	**(547,745)**

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 2018. A change of 100 basis points in variable interest rates would increase/ (decrease) profit for the year ended 31 December 2018 by US$ 8.2 million (2017: US$ 4.3 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 for 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, 2018		
Debt/equity investments assets designated as FVOCI	2,778	—
Derivative financial instrument	—	(58,402)
Balance at December 31, 2017		
Debt/equity investments assets designated as FVOCI	7,949	—
Derivative financial instrument	—	(1 835)

At 31 December 2018 and 2017, 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 their carrying values at 31 December 2018.

27. Commitments and contingencies

Capital commitments

As at 31 December 2018, the Group had contractual capital commitments of US$ 76.4 million (31 December 2017: US$ 77.1 million) related to purchases of property, plant and equipment predominantly related to construction of the Gross mine.

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 2018, management estimated the total amount of potential non-tax legal proceedings at US$ 0.8 million (31 December 2017: US$ 5.5 million). No provision has been recognised in these consolidated financial statements as management does not consider that there is any probable loss.

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 2018, management has identified the following tax risks where unfavorable outcome was assessed as possible:

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$ 9.3 million (31 December 2017: US$ 9.6 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$ 31.5 million (31 December 2017: US$ 24.1 million).

Other jurisdictions

Guinor, a subsidiary of the Group, which is a Canadian tax resident, is exposed to tax risks up to US$ 15.0 million (31 December 2017: US$ 14.7 million).

28. Events after the reporting period

On 13 March 2019, the Board of Directors approved a final dividend of 1.3 US cents per share in respect of the three months ended 31 December 2018, representing a total pay-out of US$ 4.3 million.

COMPANY ONLY FINANCIAL STATEMENTS

For the year ended 31 December 2018

FRS 101 Nord Gold SE
Registered number: SE000102

Statement of Director's responsibilities

The Directors are responsible for preparing the financial statements for 12 months ended 31 December 2018 in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for 12 months ended 31 December 2018, under that law the Directors have elected to prepare the financial statements for 12 months ended 31 December 2018 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

	Note	Year ended 31.12.18 $'000	Year ended 31.12.17 $'000
Other operating income		30	435
Administrative expenses		(2,356)	(3,257)
Impairment of investments in subsidiaries	9	(159,094)	—
Reverse of impairment of investments in subsidiaries	7	46,056	—
Disposal of subsidiaries	7	(36,988)	—
Impairment of investments in loans to related parties	8	(16,570)	—
Other operating expenses		—	(2,517)
Operating loss		**(168,922)**	**(5,339)**
Investment income		43,238	31,904
Dividend income		101,090	23,355
Foreign exchange gains		367	2,499
Finance costs		(14,087)	(40,112)
Profit/(loss) before taxation		**(38,314)**	**12,307**
Income tax		(5,148)	(1,433)
Profit after taxation for the financial year attributable to the owners of the Company		**(43,462)**	**10,874**

Statement of comprehensive income or loss

	Year ended 31.12.18 $'000	Year ended 31.12.17 $'000
Profit/(Loss) for the year	**(43,462)**	**10,874**
Items that may be reclassified subsequently to profit or loss:		
Available for sale financial assets	(4,524)	1,221
	(4,524)	**1,221**
Total comprehensive income/(loss) for the period attributable to the owners of the Company	**(47,986)**	**12,095**

Statement of financial position

	Note	31.12.2018 $'000	31.12.2017 (as restated)[1] $'000
Non-current assets			
Investments in subsidiaries	7	993,458	1,192,321
Other investments	8	2,144	6,668
Total non-current assets		**995,602**	**1,198,989**
Current assets			
Loans to related parties	8	505,638	464,466
Trade and other receivables		19,256	11,315
Cash at bank and in hand		111	7,415
Total current assets		**525,005**	**483,196**
Total assets		**1,520,607**	**1,682,185**
Current liabilities			
Trade and other payables		(1 154)	(11 816)
Income tax payable		(5 148)	—
Advances received	10	(924 000)	(549 000)
Loans and borrowings	11	(10 836)	(527 069)
Total current liabilities		**(941 138)**	**(1,087 885)**
Net current assets		**(416,133)**	**(604,689)**
Total assets less current liabilities		**579,469**	**594,300**
Non-current liabilities			
Loans and borrowings	11	(84 668)	—
Total non-current liabilities		**(84 668)**	**—**
Total liabilities		**(1,025 806)**	**(1,087 885)**
Net assets		**494,801**	**594,300**
Equity			
Share capital	12	(464 605)	(468 873)
Share buyback reserve		750	11,409
Revaluation reserves	13	3 575	(949)
Retained earnings and profit for the year	14	(34 521)	(135 887)
Equity attributable to owners of the Company		**(494 801)**	**(594 300)**

The financial statements of FRS 101 Nord Gold SE (registered number SE000102) were approved by the board of directors and authorised for issue on 21 March 2019. They were signed on its behalf by:

Zelenski N.G.
Chief Executive Officer

Guzeev D.V.
Chief Financial Officer

[1] Restatement is disclosed in note 5. Correction of error in accounting for share buyback reserve

Statement of changes in equity

	Share capital $'000	Treasury shares $'000	Share buyback reserve	Revaluation reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2017	**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**
Ordinary shares and GDRs buyback	—	(109,222)	—	—	—	(109,222)
Share buyback reserve	—	—	(11,409)	—	—	(11,409)
Treasury share cancellation	(42,860)	109,222	—	—	(66,362)	—
Dividends paid	—	—	—	—	(57,293)	(57,293)
Balance at 31 December 2017 (as restated)	**468,873**	**—**	**(11,409)**	**949**	**135,887**	**594,300**
Adjustment related to IFRS 9 adoption	—	—	—	—	(6,128)	(6,128)
Balance at 1 January 2018	**468,873**	**—**	**(11,409)**	**949**	**129,759**	**588,172**
Profit for the year	—	—		—	(43,462)	(43,462)
Other comprehensive income for the year	—	—		(4,524)	—	(4,524)
Total comprehensive income for the year						**(47,986)**
Ordinary shares buyback	—	(10,659)	—	—	—	(10,659)
Share buyback reserve	—	—	10,659	—	—	10,659
Treasury share cancellation	(4,268)	10,659	—	—	(6,391)	—
Dividends paid	—	—	—	—	(45,385)	(45,385)
Balance at 31 December 2018	**464,605**	**—**	**(750)**	**(3,575)**	**34,521**	**494,801**

Notes to the financial statements

For the period ended 31 December 2018

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.

From 1 January 2018, the following amendments are effective in the Company's Financial Statements:

- IFRS 9, 'Financial Instruments';
- Annual Improvements 2014–2016 cycle.

The impact of adoption of IFRS 9 is detailed in note 2 of the consolidated financial statements, and the impact of the impairment model changes on Company-specific financial assets is detailed in the Financial instruments section below. No other standards or amendments had a material impact on the Company's financial statements.

The financial statements have been prepared on the historical cost basis, except for: investments in subsidiaries that have been recognised at deemed cost on transition to FRS 101, certain financial instruments that are designated at fair value through profit or loss on initial recognition or required to be measured at fair value through profit or loss or other comprehensive income on initial recognition, 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

The carrying values of investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an investment in a subsidiary undertaking is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, management estimates the future cash flows that 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.

The carrying amount of investments in subsidiaries at the balance sheet date was US$ 993,458 thousand (US$ 1,192,321 thousand as at 31 December 2017) with impairment charge in total amount US$ 159,094 thousand recognised in 2018 (no impairment charge in 2017) and impairment reversal in total amount US$ 46,056 thousand (no impairment reversal in 2017).

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 in accordance with IAS 27: ‘Separate financial statements’, less any provision for impairment as necessary for any subsequent investments.

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

The Company’s accounting policies for financial instruments are consistent with those of the Group as disclosed in note 3 to the consolidated financial statements. The Company’s financial risk management policies are consistent with those of the Group and are described in note 26 to the consolidated financial statements.

Impairment of financial assets

The Company's impairment policies in relation to financial assets are consistent with those of the Group, with additional consideration given to amounts owed by Group subsidiaries. Except for certain loans due in greater than one year, all outstanding receivable balances are repayable on demand and arise from funding provided by the Company to its subsidiaries. The Company deems it unlikely that net receivers of funding would be able to repay loan balances in full at the end of the reporting period if the debt was called upon and in such circumstances the counterparty would either negotiate extended credit terms with the Company or obtain external financing to repay the balance. As such, the expected credit loss is either considered immaterial based on discounting the loan over the extended payment term, or has been calculated by applying a default loss rate based on the actual or proxy credit rating of the counterparty. No change in credit risk is deemed to have occurred since initial recognition for amounts not repayable and therefore a 12-month expected credit loss has been calculated based on the assessed probability of default.

On initial application of IFRS 9, the Company recognised an additional provision for expected credit losses on amounts owed by subsidiaries of $6 million.

5. Correction of error in accounting for share buyback reserve

In March 2017, the Company announced a repurchase of their remaining shares owned by non-controlling shareholders, which the Company may be obliged to repurchase under the protective rights offered to the minority shareholders.

In preparation of the financial statements for 2018, it was identified that as at 31 December 2017, a US$ 11.4 million potential share buyback reserve, with a corresponding liability within current accounts payable, was not accounted for by omission resulting in understatement of "Trade and other payables" and understatement of "Share buyback reserve". The error was corrected by retrospective restatement of the 2017 comparatives in the current year financial statements.

Statement of financial position (extract)	31.12.2017 $'000	Restatement adjustment $'000	31.12.2017 (as restated) $'000
Current liabilities			
Trade and other payables	(407)	(11,409)	(11,816)
Total current liabilities	**(1,076,476)**	**(11,409)**	**(1,087,885)**
Net current assets	**(593,280)**	**(11,409)**	**(604,689)**
Total assets less current liabilities	**605,709**	**(11,409)**	**594,300**
Total liabilities	**(1,076,476)**	**(11,409)**	**(1,087,885)**
Net assets	**605,709**	**(11,409)**	**594,300**
Equity			
Share buyback reserve	—	11,409	11,409
Equity attributable to owners of the Company	**(605,709)**	**11,409**	**(594,300)**

6. Dividends

Dividends recorded in the statement of changes in equity for 2018 comprise dividends paid in 2018 for the three months ended 31 December 2017 (US$ 15.3 million) and dividends accrued for the three months ended 30 March 2018 (US$ 11.2 million), 30 June 2018 (US$ 9.6 million) and 30 September 2018 (US$ 9.3 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 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).

7. Subsidiaries

Cost	$'000
At 1 January 2018	1,308,603
Additions	25,592
Return of investments	(74,429)
Disposals	(36,988)
At 31 December 2018	1,222,778
Provisions for impairment	
At 1 January 2018	(116,282)
Reversal of impairment of investment in subsidiaries	46,056
Impairment of investments in subsidiaries	(159,094)
At 31 December 2018	(229,320)
Carrying amount	
At 31 December 2017	1,192,321
At 31 December 2018	993,458

Additions mainly include increase of investments in Semgeo, HRG Mines Ltd., Centroferve Ltd and Nord Prognoz Ltd.

Return of investments relates to return from HRG Mines Ltd in amount US$ 74.4 million.

Disposal of subsidiaries includes write-off the investment in Semgeo in amount US$ 37.0 million.

Reversal of impairment of investment in subsidiaries includes reversal of impairment of Semgeo in amount US$ 26.6 million and reversal of impairment of investment in Centro-ferve Ltd in amount US 19.4 million.

Losses from impairment of investments in subsidiaries include impairment of investment in Crew Gold Corporation in amount US$ 159.0 million.

The impairment of investments in subsidiaries as at 31 December 2018 includes full impair-ment of investment in Crew Gold Corporation in total amount US$ 229.3 million.

The impairment of investment in subsidiaries as at 31 December 2017 includes full impairment of investment in Semgeo in total amount US$ 26.6 million and partial impairment of investment in Crew Gold Corporation in total amount US$ 70.2 million and Centroferve Ltd in total amount US$ 19.4 million.

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

8. Other investments and loans to related parties

	Current assets		Non-current assets	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	$'000	$'000	$'000	$'000
Equity investments assets designated at FVOCI				
Investments in shares	—	—	2,144	6,668
	—	—	2,144	6,668
Loans receivable carried at amortised cost				
Loans to related parties	505,638	464,466	—	—
Total investments	505,638	464,466	2,144	6,668

The investment in shares of US$ 2,144 thousand (31 December 2017: US$ 6,668 thousand) represents by investment in Columbus Gold Corp.

Related party loans includes mainly loans receivable from Delta Gold Mining with interest rate 3 month LIBOR3M + 7% (3 month LIBOR3M + 5% in 2017) and loans receivable from Neryungri-Metallik with interest rates range 4%-9.11% (6.6–9.11% in 2017).

As at 31 December 2018 the Company recognised the impairment loss related to loan receivable from Delta Gold Mining Ltd in total amount US$ 18.0 million (no impairment losses as at 31 December 2017).

The reversal of impairment losses in total amount US$ 1.4 million was recognized in 2018 in accordance with IFRS 9 requirements.

9. Impairment of investment in subsidiaries

The investment in subsidiaries and loans to related parties recoverability testing is estimated on a value in use basis using discounted cash flow models.

Following the presence of relatively low impairment review headroom in prior periods, management conducted impairment valuation review for investment in Crew Gold Corporation and Centroferve Ltd (2017: Crew Gold Corporation and Centroferve Ltd).

For these investments the recoverable amounts were calculated based on the value in use, using discounted cash flow projections. As a result of the impairment review the Company recognised reversal of impairment in Centroferve Ltd in total amount US$ 19.4 million and

impairment losses of investment in Crew Gold Corporation in total amount US$ 159.0 million (no impairment losses in 2017). As a result the investments in Crew Gold Corporation is fully impaired.

The recoverable amount valuations are not 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 2019 gold price of US$ 1,282/oz, a 2020–2021 gold prices are US$ 1,333/oz, US$ 1,323/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 Lefa 17.4% (2017: 15.3 %), based on the Company's weighted average cost of capital and specific asset risk factors.

10. Advances received

Advances received represent a US$ 924 million cash amounts received as at 31 December 2018 (2017: US$ 549 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.

11. Loans and Borrowings

	31.12.2018 $'000	31.12.2017 $'000
Unsecured borrowing		
Amounts owed to group undertakings	95,504	74,765
Unamortised balance of transaction cost	—	(439)
	95,504	74,326
Secured borrowing		
Notes and bond issued (including interest and unamortised balance of transaction cost)	—	452,743
	—	452,743
Total borrowings	**95,504**	**527,069**
Amounts owed to group undertakings	10,836	74,765
Notes and bond interest	—	452,743
Unamortised balance of transaction cost	—	(439)
Amount due for settlement within 12 months	**10,836**	**527,069**
Amounts owed to group undertakings	84,668	—
Amount due for settlement after 12 months	**84,668**	**—**

In May 2018, the Company repaid at maturity US$ 448 million unsecured notes issued in May 2013.

Amounts owed to group undertakings mainly represent the loans received from the subsidiaries with interest accrued including loans Celtic Resources Holdings Ltd with interest rate 3.5% (3.5% as at 31 December 2017), Opeloak Ltd with interest rate 3.5% (3.5% as at 31 December 2017) and Celtic Resources (Central Asia) Ltd with interest rate 3.5% (3.5% at 31 December 2017).

Short-term borrowings include Buryatzoloto JSC with interest rate 5.35%-5.9%, maturing in 2019.

12. Share capital

	31.12.2018 $'000
Issued and fully paid:	
336,284 226 ordinary shares of EUR 1.0 each	464,605

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").

During 2017, the Company repurchased 31 022 458 GDRs/ordinary shares for US$ 109.2 million, all of which were cancelled.

During 2018, the Company repurchased 3 089 545 ordinary shares for US$ 10.7 million, all of which were cancelled.

Following these transactions, the Company's issued share capital as at 31 December 2018 consisted of 336,284,226 ordinary shares amounting to US$ 464.6 million (31 December 2017: 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**
GDRs/ordinary shares buyback	(3,089,545)	(10,659)	—	
Treasury share cancellation	3,089,545	10 659	(3,089,545)	(4,268)
Balance at 31 December 2018	**—**	**—**	**336,284,226**	**464,605**

13. Revaluation reserves

	$’000
Balance at 1 January 2017	**(272)**
Increase in equity investments assets designated at FVOCI	1,221
Balance at 1 January 2018	**949**
Increase in equity investments assets designated at FVOCI	(4,524)
Balance at 31 December 2018	**(3,575)**

14. Retained earnings

	$’000
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**
Adjustment related to IFRS 9 adoption	(6,128)
Balance at 1 January 2018	**129,759**
Dividends paid	(45,385)
Net profit for the year	(43,462)
Treasury share cancellation	(6,391)
Balance at 31 December 2018	**34,521**

15. Controlling party

As at 31 December 2018 and 2017, the immediate parent company of the Company was Ocean Management Ltd (“the Parent Company”), registered in Cyprus. The controlling shareholder of the Company is Mr. Alexey A. Mordashov.

16. Events after the reporting period date

On 13 March 2019, the Board of Directors approved a final dividend of 1.3 US cents per share in respect of the three months ended 31 December 2018, representing a total pay-out of US$ 4.3 million.

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 2018	31 December 2017	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
OOO Rudnik Taborny	100.0%	n/a	Republic of Sakha (Yakutia), Olekminsky district, Olekminsk town, Brovina street, 4a, 678100, 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	n/a	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Gold exploration
Buraytzoloto segment				
OJSC Buryatzoloto (*)	93.8%	93.7%	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	n/a	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	92.5%	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 (*)	n/a	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
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%	55.1%	1, rue de l'Indigoterie 97354 Rémire-Montjoly	Gold exploration
Nord Gold Guiana SAS	100.0%	100.0%	1, Avenue Gustave Charlery, route de Montabo Imm Faic, 97300 Cayenne	Gold exploration
Nord Prognoz 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
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 Mining LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, 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