nordgold
more than gold

2019

Annual Report

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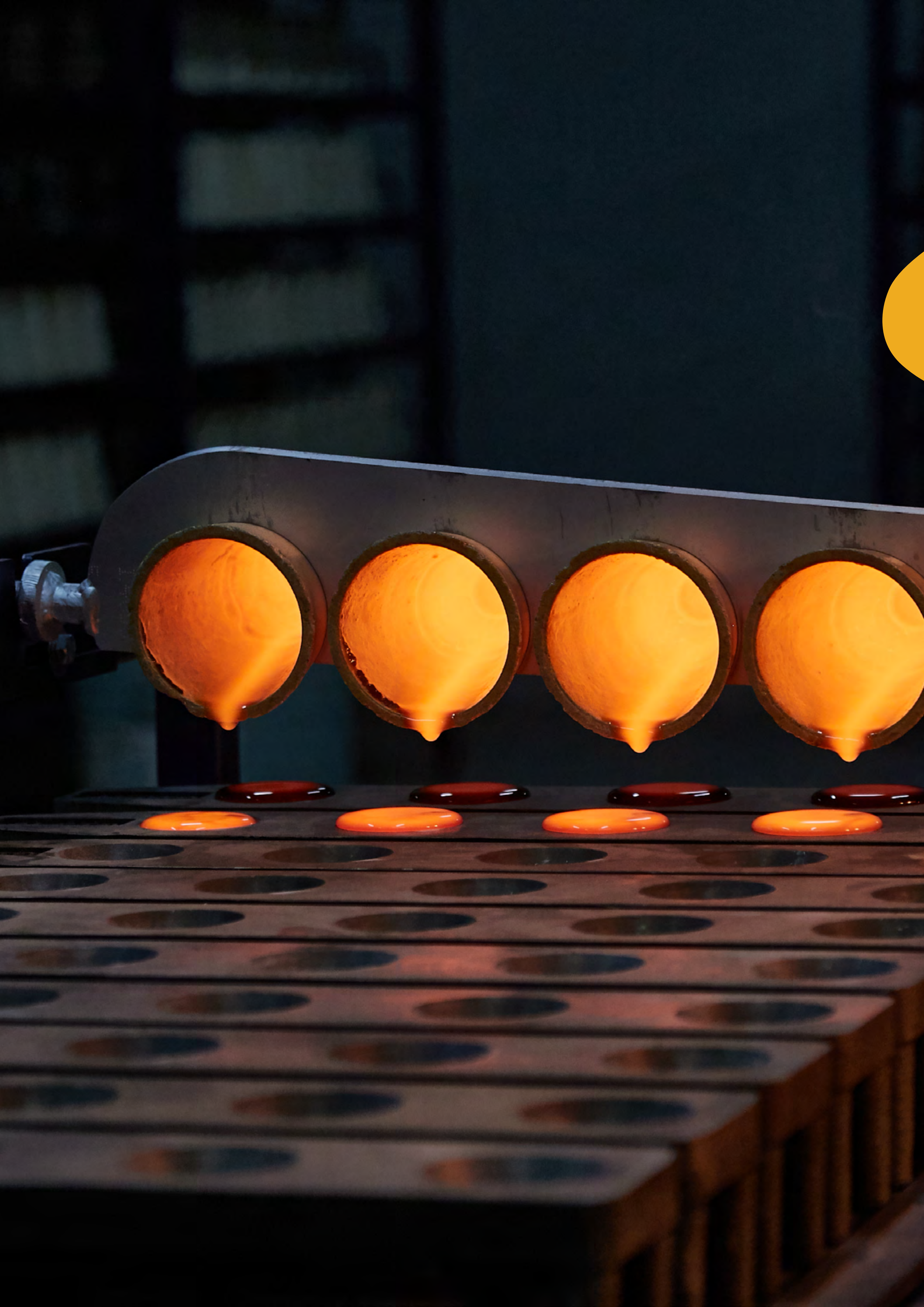

About Company

About us

Nord Gold SE (the "Company") and its subsidiaries (the "Group" or "Nordgold") is an international pure-play gold producer operating a diverse portfolio of ten mines in Burkina Faso, Guinea, the Russian Federation and Kazakhstan.

The Group also has five prospective projects located in Guyana, French Guiana, Canada and the Russian Federation, which either are undergoing feasibility studies or are in early or advanced exploration and development phases.

The Group employs over 8,000 people.

Guided by a strategy focused on finding, developing, operating and streamlining assets, Nordgold has a proven track record of creating value for shareholders and stakeholders.

Refined gold produced

1,041.1 koz

2019 1,041.1
2018 907.0
15%

Refined gold sold

1,034.5 koz

2019 1,034.5
2018 901.7
15%

Ore mined

42,098 kt

2019 42,098
2018 34,279
23%

Ore processed

43,704 kt

2019 43,704
2018 34,830
25%

2019 IN BRIEF

Sales

US$ 1,448.3 million

2019	1,448.3	27%
2018	1,143.2	

Total cash cost

722 US$ /oz

2019	722	1%
2018	712	

Gross profit

US$ 425.5 million

2019	425.5	26%
2018	336.9	

Free cash flow

US$ 167.0 million

2019	167.0	203%
2018	(162.4)	

Adjusted EBITDA

US$ 667.3 million

2019	667.3	42%
2018	470.2	

Net Debt

US$ 791.9 million

2019	791.9	14%
2018	917.2	

Net Profit

US$ 166.9 million

2019	166.9	82%
2018	91.9	

Return to shareholders

US$ 5.2 million

2019	5,2	91%
2018	56,1	

MILESTONES AND SIGNIFICANT EVENTS

FATALITIES

Safety is core to everything we do and remains an absolute priority for Nordgold. Our objective is to achieve a zero-incident rate in line with our Zero Harm policy. Despite our focus and commitment to zero harm, it is with real sadness that we have to report five fatalities at Nordgold mines in 2019: three employee fatalities at each of Taparko in Q1 2019, the Irokinda underground mine in Q4 2019 and Gross, also in Q4 2019, and two contractor fatalities, at Taparko in Q1 2019 and Bissa in Q4 2019.

Safety is a main priority and we are absolutely committed to achieving zero harm for our employees and contractors. To achieve this objective Nordgold developed the safety program measures which includes:

- Further engagement of line management in direct safety management through reconsidering their role in safety with continuous focus on dedication to safety behaviour of all employees;
- Appointment of safety ambassadors in all key departments which act as a safety role model and provide support to all employees;
- Enhancing control and accountability with consistent review the critical violations and further investigation that may lead to disciplinary actions;
- Prioritization of key risks through focusing on two most risky areas relevant for each mine and developing programme to manage these areas;
- Further involvement of technology in safety management including using trackers for vehicle to control the speed, implementation of surveillance systems and cameras with computer vision.

February

- Fitch Ratings affirmed Nordgold's Long-Term Issuer Default Rating (the "IDR") at BB' with Stable Outlook. The Short-Term IDR was affirmed at 'B'.

March

- New Mining Permit for Lefa mine in Guinea took effect on 21 March 2019. The new Permit and the Convention were extended for 15 years, in line with Lefa's life of mine.

June

- Nordgold announced an increase the investment it makes into the Employee Development Programme by 23% to approximately US$ 4.8 million in the 2019 financial year from US$ 3.9 million in 2018.

- Receipt of tenders in the 2019 Final Tender Offer conducted in accordance with the circular published on 9 February 2017 completed. A total of 20,297 Nordgold shares for the total amount of US$ 70,024.65 were validly tendered under the Tender Offer. All shares validly tendered were repurchased by the Company and subsequently cancelled.

- Nordgold entered into an Option Agreement with Alicanto Minerals Ltd (ASX: AQI) for the exclusive right to acquire a 100% interest in the Arakaka Gold Project in Co-operative Republic of Guyana. Under the terms of the Agreement, Nordgold has an option to acquire a 100% interest in the Arakaka Project by sole funding US$ 3 million in exploration expenditure within a one year option period, and paying an additional US$ 5 million to Alicanto to exercise the option.

2019

August

- Nordgold’s share capital decreased after registration by competent authorities of cancellation of shares repurchased by the Company as part of the 2019 Final Tender Offer in accordance with the circular published on 9 February 2017. Following this transaction, Nordgold’s entire issued share capital consists of 336,263,929 ordinary shares.

October

- Nordgold raised US$ 400 million in the Eurobond markets by issuing 5-year 4.125% Guaranteed Notes due 2024.

- Nordgold entered into a strategic agreement with Vostochnaya Technica, a Cat® designated dealer in Russia, which provides the framework for a long term partnership between the two companies. The agreement aims to improve the efficiency and sustainability of all Nordgold’s Russian operations by ensuring the highest levels of availability, productivity and cost effectiveness of its core mining equipment.

- Nordgold signed an exclusive agreement with Total Eren, Independent Power Producer specialised in renewable energies and Africa Energy Management Platform, its strategic development partner to construct a 13 MW Solar photovoltaic power plant.

November

- Nordgold announced the encouraging results of the 2019 drilling programme at the Vickers gold deposit, part of the 100%-owned Pistol Bay project in Canada. All of the 2019 drill holes confirmed the continuation of the high-grade mineralisation at Vickers, intersecting grades and widths potentially suitable for underground mining.

December

- The new Gross mine produced 259.2 koz exceeding its 2019 gold production outlook of 230–235 koz. This followed the expansion of the mine processing capacity in May to 14 million tonnes per year from 12 million tonnes along with the mine’s quicker than expected ramp up and better than planned recoveries.

VISION, VALUES AND GUIDING PRINCIPLES

We are a young and ambitious business committed to consolidating our position as a best-in-class gold mining company, through asset portfolio quality and efficient operation, generating value for our stakeholders and focussing on 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 Group makes in the development of its employees

Vision

Values

As a young and fast-growing company, we understand that our success is depend on more than just consistent and efficient 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 achieve sustainable and best-in-class operating practices at all our mines. We are committed to deliver attractive, competitive and preferably superior returns on invested capital in all reasonable gold price environments. We firmly believe in the importance of growth and maintain a strong pipeline of highly attractive 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 essential and a key consideration at all of our mines.

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 are committed to minimising damage to the environments in which we work.

We look after the environment

We operate across a number of geographical areas and have a global perspective, 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 group 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, productive and open working environment founded on respect, cooperation, reciprocity and responsibility.

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rinciples

OUR BUSINESS

Input suppliers

PROVIDERS OF CAPITAL
- 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)

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

HUMAN CAPITAL
- over 8,000 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
- Land

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

2019 Gold production

Strategic report

STRATEGY

Our long-term strategic objectives are to be a best-in-class 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 maximising value and generating superior returns for our shareholders, the communities in which we operate and other stakeholders.

TO THIS END OUR STRATEGY, IN A VOLATILE PRICE-OPERATING ENVIRONMENT, FOCUSES ON FIVE KEY PRIORITIES:

Priority	2019 targets	Result vs. target	2020 targets
Safety is the absolute priority for the Board and management	• Zero Harm for our employees and contractors	• In 2019 LTIFR[1] increased from 0.94 in 2018 to 1.67 in 2019 • There were five fatalities at Nordgold mines in 2019: three employee fatalities at each of Taparko in Q1 2019, the Irokinda underground mine in Q4 2019 and Gross, also in Q4 2019 and two contractor fatalities, at Taparko in Q1 2019, and Bissa in Q4 2019 • We reported four fatalities in 2018, with two employee fatalities occurring in H1 2018 at the Zun-Holba underground mine and at the Irokinda mine and two contractor fatalities at the Irokinda mine in May 2018 and at the Gross construction site in August 2018	• Zero Harm for our employees and contractors • Safety is our top priority and we continue reviewing existing processes with particular emphasis on improving safety in all aspects of our operations. This includes such aspects as safety behaviour audits, improving health 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 2019, the Group delivered positive free cash flow of US$ 167.0 million, US$ 329.4 million higher than in 2018, mainly due to contribution of Gross mine which was launched in September 2018[2] • In 2019 all mines except Taparko and Buryatzoloto had positive free cash flow • In 2018, the Group had negative free cash flow of US$ 162.4 million with investments in capital expenditures of US$ 488.0 million exceeding the cash flow from operating activities of US$ 325.6 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 • In 2018, Bissa, Suzdal, Taparko and Lefa generated positive free cash flow while Buryatzoloto, Berezitovy and Neryungri had negative free cash flows	• Positive FCF generation at all mines through the ongoing improvement of operational performance, cost efficiency, and capital discipline

[1] LTIFR – lost time injury frequency rate.
[2] Refer to Section "Operational performance and financial review – KPIs" on page 28 for further details.

Priority	2019 targets	Result vs. target	2020 targets
Effective leverage management	• Continue to efficiently manage leverage, with a target net debt/ LTM adjusted EBITDA level of below 2.0x • Consider various options to refinance current debt in order to obtain a more favourable debt maturity structure	• Decrease of Net Debt/LTM adjusted EBITDA[1] ratio from 2.0x as at as at 31 December 2018 to 1.2x as at 31 December 2019	• 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	• Deliver consistent returns to our shareholders	• US$ 53.3[2] million dividends for 2019 (US$ 34.4[3] million in 2018)	• Deliver consistent returns to our shareholders
Continued growth and portfolio quality improvement	• Continue investment in near-mine exploration mainly in Russian and West Africa and investment in pipeline development projects including Montagne D'Or, Pistol Bay and Tokkinsky	• US$ 50.7 million was invested in exploration and evaluation in 2019 (US$ 41.0 million in 2018)	• Continue investment in near-mine exploration mainly in Russia and West Africa and investment in pipeline development projects including Montagne D'Or, Pistol Bay and Tokkinsky

[1] LTM adjusted EBITDA — last twelve months (LTM) adjusted EBITDA.
[2] Dividends of US$ 53.3 million related to dividends for 2019 financial year. No interim dividends were declared in 2019.
[3] 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.

SECTION 172(1) STATEMENT

Section 172 (1) of the Companies Act 2006 provides that a director of a company must act in a way that he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to the following six factors:

a) the likely consequences of any decision in the long term;

b) the interests of the Company's employees;

c) the need to foster the Company's business relationships with suppliers, customers and others;

d) the impact of the Company's operations on the community and the environment;

e) the desirability of the Company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the Company.

We, the Board of Directors, both individually and together, are aware of this duty and consider that we have acted in accordance with s172 of the Companies Act 2006. In accordance with the Company's articles of association, the Board has a Chairman, who ensures the proper composition and functioning of the Board as a whole.

Each director has the specific expertise necessary to fulfil their role. Each independent, non-executive director has also been provided with relevant information on the Group and its operations. The ongoing training needs of directors will be kept under review and further training will be provided when appropriate. All directors have full and timely access to the information required to undertake their responsibilities in full and efficiently. They have access to the advice and services of the Company secretary, other members of the Group's management and staff, and external advisors. If necessary, the non-executive directors can take independent professional advice in the furtherance of their duties, at the Company's expense.

The composition and operation of board and committees are disclosed in Section "Composition and operation of board committee" on page 57.

The Board of Directors has established standing committees through which it executes some of its duties, namely the Audit Committee, Remuneration Committee, Nomination Committee and Safety and Sustainable Development Committee. The Board operates through these committees and delegates the responsibility for running the Company's business to the management team.

Matters below summarized how the Directors fulfil their duty.

Risk management

The details of the principal risks and Group approach to risk management are disclosed in Section "Risk management, principal risks and uncertainties" on page 42.

The Board of Directors is responsible for reviewing the policies and processes for identifying, assessing and managing business risks of the Group, including periodic reports on internal control, risk management issues and the effectiveness of corrective action taken by management.

Decision making

The agenda of the Board is driven by the Group's strategy and core values. There is a formal schedule of issues reserved for the Board, which includes:

- Approving the business strategy, objectives and budget;
- Proposing changes to the Group's capital structure;
- Approving all major capital projects, corporate, or related actions and investments with respect to a company in the Group.

Key decisions made by the Directors in 2019:

1) Dividends

The Board of Directors approves dividends based on the Company's dividend policy, the Group's capital structure and availability of the distributable reserves. Dividends are only paid when a holding company Nord Gold SE has sufficient distributable reserves. Where the Group maintains a strong balance sheet and there is a suitable capital to meet further investment needs, the Board of Directors seeks to provide shareholders with a fair return through a dividend payment. The Directors consider the Group's capital structure and distributable reserves amount before proposing dividends to ensure that a holding company Nord Gold SE has sufficient distributable reserves and the interests of all key stakeholders are protected.

The Company's dividend policy and dividends declared are disclosed in Section "Dividends" on page 53.

2) Borrowings

The Board of Directors approves the financial arrangements considering strategic objectives, the general finance needs of the Group and the ability to continue as a going concern.

In 2019 the Board of Directors approved a US$ 400 million 5-year Eurobond issue which improves the maturity profile of the Group's debt portfolio, as it ensures that there are no bank loan repayments due before 2021, while also freeing up cash flows to support its activities, including new growth projects in French Guiana and the development of the Tokkinsky deposit adjacent to the new Gross mine in Russia.

The Going concern statement is disclosed in Section "Going concern" on page 53.

3) Strategic business plan

Each year the Board of Directors reviews in depth the Group strategic business plan for the following five years. The plan is designed in compliance with the Group's strategy and forms the basis for further plans, investment decisions regarding the assets portfolio and other strategic decisions.

Strategic business plan took into account the returns to the shareholders and debt investors, as far as the employee's well-being and the impact of the Group operations on the community and environment.

4) Exploration and development projects

The Board of Directors is focused on the growth of the reserve and resources base and building a high quality projects pipeline. Successful development projects transferred into production stage create new workplaces and have a fiscal impact in the countries of operation.

In 2019 the Board of Directors approved entering into an Option Agreement with Alicanto Minerals for the exclusive right to acquire a 100% interest in the Arakaka Gold Project, Republic of Guyana.

5) Environmental impacts

Nordgold is focused on exploiting resources in a responsible manner and strives to minimise environmental impacts in all operations. Environmental issues are an important matter of the Board of Directors' agenda. The Board of Directors has established the Safety and Sustainable Development Committee which reports to the Board of Directors on a quarterly basis.

The risk register is shown in the Section "Risk management, principal risks and uncertainties" on page 42.

The Board of Directors considers environmental risk as a principal risk of the Group.

The directors recognised that climate change is a significant challenge which may have impact on the Nordgold's business model including legislative and regulatory changes, customer demand for carbon-reduced gold production and new green loan's compliance requirements from the financial institutes.

Nordgold is constantly working on the fuel efficiency programs, control over cyanide consumption, water cleaning and solar energy.

In 2019, Nordgold has entered into an exclusive agreement with Total Eren, an Independent Power Producer (IPP) specialising in renewable energy and Africa Energy Management Platform (AEMP), its strategic development partner to construct a 13 MW Solar photovoltaic (PV) power plant.

Development a solar PV plant complemented by a Battery Energy Storage System will reduce the mines fuel consumption by approximately 6.4 million liters and CO_2 emission by approximately 18,000 tons per year.

Also, Nordgold started the construction a new powerhouse at Lefa mine. This new facility will reduce fuel consumption by 15%.

Stakeholder engagement

Section "Stakeholder engagement" below discloses how the board considers stakeholders in its decision making.

STAKEHOLDER ENGAGEMENT

Nordgold seeks to achieve its strategic goals through safe, sustainable, and profitable production growth to create value and generate returns for the shareholders and the communities in which the Group operates.

Nordgold believes that continued stakeholder engagement is fundamental to the strategy and long-term success of the business. The Group is committed to working with all its stakeholders in a reliable, comprehensive and transparent manner, building relationships based on mutual respect and trust in all the geographical regions where the Group operates.

The table below sets out types of stakeholders, their areas of interest, our engagement channels and how different Board Committees and the Board of Directors address stakeholder interests.

Employees

Areas of interest	Engagement channels	Committee/Board Agenda
Health and safety Workforce management Career planning Training and career development	Line management Corporate website (www.nordgold.com) Corporate newspapers (in Russian and French) Corporate Intranet portal Information desks with the latest news Corporate news Meetings with general directors and the heads of HSE and HR at each mine Corporate cultural events (Nordgold Company Day, Metallurgy Day, Safety Day) and corporate competitions Annual opinion survey HR hotline	The Board of Directors considers the annual employee engagement index survey by business units. A hotline is in place since 2012 which operates in three languages and can be used by any employee to report violations, including those relating to ethical behavior, employee rights, conflicts of interest, corruption, and fraud. The Audit Committee reviews the efficiency of the Hotline and the Ethics committee. Directors regularly visit business units which provide an opportunity to communicate directly with employees. The Board of Directors has adopted the Code of Business Conduct and Ethics to aid the Group’s directors, officers and employees in making ethical and legal decisions when conducting Group business, performing day-to-day duties and fulfilling responsibilities. The Remuneration Committee is regularly made aware of pay and employment conditions of employees and annually considers these and other factors when determining senior executive remuneration. The Safety and Sustainable Development Committee monitors and evaluates reports on the effectiveness of health, safety, the environment and community and the Group’s sustainable development policy, strategy and performance. In 2019 the Safety and Sustainable Development Committee considered, among other issues, the Group’s safety performance, including lessons learnt from fatalities as well as discussing the worsening security trend in Burkina Faso due to the threat of terrorist attack.

Investors: Shareholders and debt investors (bondholders and lenders)

Areas of interest	Engagement channels	Committee/Board Agenda
Business strategy Financial and operating performance Corporate governance Business risk Environmental performance Health and safety Human rights Community relations	Annual General Meeting of shareholders Roadshows Participation in industry/ investment conferences Irish Stock Exchange Corporate website (www. nordgold.com) Annual Report Interim financial and operating reporting Ad-hoc presentations on specific issues	The controlling shareholders of the Company are Mr. Alexey A. Mordashov and his sons, Mr. Kirill A. Mordashov and Mr. Nikita A. Mordashov with a stake of approximately 99.94% in the Company. The Board considers it appropriate that given the current ownership structure of the Company, Alexey Mordashov should be a member of the Board of Directors. The Board of Directors has developed a policy on payment of dividends. It also declares dividends and makes proposals to shareholders and, where applicable for share buy-backs. These decisions are made considering the availability of distributable reserves, general finance needs of the Group and in the context of wider capital allocation decisions. Nordgold's dividend policy disclosed in Section "Dividends" on page 53. The Audit Committee is responsible for overseeing the financial information including Annual Report, interim financial statements and quarterly releases. The Audit Committee is responsible for overseeing the financial information including Annual Report, interim financial statements and quarterly releases. Also, the Audit Committee oversees the relationship with external auditor including, but not limited, selection the external auditor, review of their remuneration and discussion of any significant issues which arise during the audit. Also, the Audit Committee is responsible for the overall supervision of the Group's internal control system and risk management function including appointing and overseeing the Head of Internal Audit and the Internal Audit Department. The Board of Directors approves the Annual Report, interim financial statements and quarterly press-releases to keep investors informed about financial and operational performance of the Group. The Board of Directors approves credit facilities and bonds issues as they are needed by the Group. In 2019, the Board of Directors approved a US$ 400 million 5-year Eurobond issue.

Business partners: contractors, suppliers and customers

Areas of interest	Engagement channels	Committee/Board Agenda
Safety Supplier requirements Agreement terms Regulatory compliance Long-term business relations Quality products	Tendering process Presentations Workshops Contractual negotiations Corporate website (www.nordgold.com) Conferences Documents and correspondence sent via post/email One-on-one meetings Annual Report	The Corporate Code of Business Conduct and Ethics, approved by the Board of Directors, outlines Nordgold's commitment to fair and ethical relationships with partners and provides detailed guidance on the expected conduct of employees. In 2013, the Company developed and adopted an anti-corruption policy and implemented it throughout the Group. The policy was accepted and approved by the Board of Directors. The adoption of the anti-corruption policy demonstrates the Company's commitment both to high standards of corporate governance and to the principles of open and fair business practices. The Safety and Sustainable Development Committee monitors contractors' safety performance statistics every quarter and has recommended that contractors should, from a safety perspective, receive the same treatment and adhere to the same requirements as Nordgold's employees.

The Group expects its suppliers and customers to comply with local laws and regulations, as well as with Nordgold's policies and codes of conduct. This includes adhering to good practice in areas such as labour and human rights, safety, environmental management, business integrity and supporting economic development.

Communities and governments

Areas of interest	Engagement channels	Committee/Board Agenda
Taxes and royalties Employment opportunities Economic development of local communities Environmental protection Financial and operating performance Business strategy Land rights Mine closure planning Access to resources	Face to face meetings by leadership Community media Corporate website (www.nordgold.com) Corporate newsletter for local communities Annual report Industry bodies Conferences, presentations, and workshops Publications in media Local community meetings Information desks in some communities	The Board of Directors believes that engaging effectively with local communities is as important as any part of business, since it helps protect and maintain our social licence to operate. The Safety and Sustainable Development Committee is involved in overseeing the appropriate management of community relations. The committee regularly discusses key developments in community relations and engagement. In addition, The Safety and Sustainable Development Committee periodically reviews all elements related to the safety and sustainability of mines from the adequate application of environmental policies to the appropriate level of provisioning for mine closures. The Board of Directors regularly discusses the impact of taxes on the Company's operations, including monitoring recoverable VAT in different jurisdictions with a view to ensuring that the Group pursues responsible tax policies. The Board of Directors is aware of the ultimate responsibility for Nordgold's tax strategy and tax compliance. The Group published the Nordgold UK Tax Strategy on its website. The Board of Directors ensures that Nordgold's tax strategy is one of the factors considered in all investments and significant business decisions taken. Annually Nordgold publishes a Payments to Government Report and discloses its total economic contribution to the economies of host nations including capital investments, salaries, taxes, royalties, dividends and other community investments.

OPERATIONAL PERFORMANCE AND FINANCIAL REVIEW — KPIs[1]

Operational performance

Operational Key Performance Indicators[2]		2019	2018	Change, %
Refined gold produced	koz	1,041.1[3]	907.0	15%
Refined gold sold	koz	1,034.5[4]	901.7	15%
Ore mined	kt	42,098	34,279	23%
Ore processed	kt	43,704	34,830	25%
Grade in ore processed	g/t	0.92	1.02	(10%)
Recovery	%	79.36%	79.64%	(0.28pp)
LTIFR, lost time injury frequency rate		1.67	0.94	78%

In 2019 Nordgold produced 1,041.1 koz, 15% higher than in 2018. This growth was mainly driven by the excellent performance of the new Gross mine which was launched in September 2018.

Gold produced by mines[5]	2019 koz	2018 koz	Change	Change, %
Gross[6]	259.2	59.2	200.0	338%
Taborny (former Neryungri)[6]	76.4	99.8	(23.4)	(23%)
Bissa-Bouly	253.8	261.5	(7.7)	(3%)
Lefa	189.8	187.8	2.0	1%
Suzdal	75.8	83.5	(7.7)	(9%)
Taparko	68.2	102.2	(34.0)	(33%)
Berezitovy	60.1	48.4	11.7	24%
Buryatzoloto	57.7	64.7	(7.0)	(11%)
Total	**1,041.1**	**907**	**134.1**	**15%**

In 2019 Gross produced 259.2 koz and Taborny produced 76.4 koz, 111% higher than combined production of Gross and Taborny in 2018. In 2019 Gross produced 259.2 koz, 36% higher than planned. This follows the expansion of the mining and processing operations to 14 million tonnes per year, from 12 million tonnes, along with the mine's quicker than expected ramp up and better than planned recoveries.

1 All financial and operational information is disclosed for the 12 months ended 31 December 2019 and 2018
2 Refined gold produced and refined gold sold include 4.75 thousand gold equivalent ounces of silver production in 2019 and 3.69 thousand gold equivalent ounces of silver production in 2018 (based on ~1:87 Ag/Au and ~1:81 Ag/Au respectively)
3 Including 9.8 koz Q1–Q3 2019 capitilised gold production of Zun-Holba
4 Excluding 9.8 koz Q1-Q3 2019 capitilised gold production of Zun-Holba
5 May include effect of rounding
6 In 2018 Taborny and Gross were reported as Neryungri segment

Bissa-Bouly, a second largest segment, produced 253.8 koz in 2019 which is 3% lower than in 2018 while 2019 Lefa production was 189.8 koz, 1% higher than in 2018.

Suzdal production decreased by 9%, it is explained by lower head grade in ore mined and processed as well as lower recovery due to change the quality of ore mined.

Taparko decreased its production from 102.2 koz in 2018 to 68.2 koz in 2019 due to significantly lower grade in ore mined and processed and lower recovery. Overall head grade in ore processed decreased by 0.48 g/t, from 1.89 g/t in 2018 to 1.41 g/t in 2019. Mill recovery rate decreased from 83.7% in 2018 to 79.5% in 2019.

Berezitovy production increased by 24% from 48.4 koz in 2018 to 60.1 koz in 2019 due to higher ore mined, higher grade in ore mined and processed and higher recovery. The higher grade was driven mainly by start of underground mining.

Buryatzoloto production decreased by 11% from 64.7 koz in 2019 to 57.7 koz in 2018 due to lower volumes mined and processed which was partially compensated by higher grade and recovery.

Lost time injury frequency rate (LTIFR)

LTIFR increased from 0.94 in 2018 to 1.67 in 2019.

With deep sadness, we confirm there were five fatalities at Nordgold mines in 2019: three employee fatalities at each of Taparko in Q1 2019, the Irokinda underground mine in Q4 2019 and Gross, also in Q4 2019, and two contractor fatalities, at Taparko in Q1 2019 and Bissa in Q4 2019.

In 2019 Nordgold continued the practice of an annual global Safety Day. This allowed management to further increased its focus on safety issues and completed a number of activities at all Nordgold business units; from safety talks and briefings, to audits and other practical actions aimed at addressing emerging trends and making Nordgold a safer place to work.

Nordgold developed the safety program measures which includes:

- Further engagement of line management in direct safety management through reconsidering their role in safety with continuous focus on dedication to safety behaviour of all employees;
- Appointment of safety ambassadors in all key departments which act as a safety role model and provide support to all employees;
- Enhancing control and accountability with consistent review the critical violations and further investigation that may lead to disciplinary actions;
- Prioritization of key risks through focusing on two most risky areas relevant for each mine and developing programme to manage these areas;
- Further involvement of technology in safety management including using trackers for vehicle to control the speed, implementation of surveillance systems and cameras with computer vision.

Financial review

All Non-IFRS measures are disclosed in the Section "Non-IFRS measures" on page 39.

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

Financial Key Performance Indicators		2019	2018	Change, %
Sales	US$ million	1,448.3	1,143.2	27%
Gross profit	US$ million	425.5	336.9	26%
Adjusted EBITDA[1]	US$ million	667.3	470.2	42%
Adjusted EBITDA margin[1]	%	46%	41%	5pp
Net profit for the period	US$ million	166.9	91.9	82%
Total cash cost[1]	US$ /oz	722	712	1%
All-in-sustaining cost (AISC)[1]	US$ /oz	1,023	1,051	(3%)
Cash flow from operating activities	US$ million	584.8	325.6	80%
Free cash flow[1]	US$ million	167.0	(162.4)	203%
Capital expenditures	US$ million	425.4	513.6	(17%)
Net Debt[1]	US$ million	(791.9)	(917.2)	(14%)
Net Debt/adjusted EBITDA[1]	ratio	1.2	2.0	(40%)
Return to shareholders (dividends paid and GDRs/shares buyback)	US$ million	(5.2)	(56.1)	(91%)

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	2019	2018	Change	Change, %
Sales	1,448.3	1,143.2	305.1	27%
Cost of sales	(1,022.8)	(806.3)	(216.5)	27%
Gross profit	425.5	336.9	88.6	26%
Adjusted EBITDA	667.3	470.2	197.1	42%
Adjusted EBITDA margin, %	46%	41%	5pp	—
Income tax	(12.0)	(34.4)	21.3	(62%)
Net profit for the period	**166.9**	**91.9**	**75.0**	**82%**

[1] 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

Gold prices

In 2019 the average gold price increased to US$ 1,399 per ounce (2018: US$ 1,268 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 2019 our realised gold price remained close to the market price. Average afternoon gold LBMA price fixing in 2019 was US$ 1,399 per ounce (2018: US$ 1,268 per ounce).

Sales

Consolidated sales (US$ million)

US$ million	2019	2018	Change	Change, %
Gold	1,441.2	1,138.5	302.7	26.6%
Silver	7.1	4.7	2.4	51.1%
Total	**1,448.3**	**1,143.2**	**305.1**	**26.7%**

2019 sales increased by US$ 305.1 million (or 26.7%) from US$ 1,143 million in 2018 to US$ 1,448 million in 2019 as a result of increase in sales volumes by 14% from 901.7 koz in 2018 to 1,034.5 koz in 2019 as well as increase of an average gold price by 10% from US$1,268 per ounce in 2018 to US$ 1,399 per ounce in 2019.

Sales by customers are disclosed in Note 6 "Sales" of the Consolidated Financial Statements on page 102.

Sales by mines (US$ million)

	2019	% participation of each mine	2018	% participation of each mine	Change, pp
Gross[1]	367.6	25.4	68.9	6.0	19.4
Taborny (former Neryungri)[1]	108.5	7.5	124.5	10.9	(3.4)
Bissa-Bouly	352.7	24.4	330.8	28.9	(4.5)
Lefa	263.5	18.2	239.0	20.9	(2.7)
Suzdal	107.1	7.4	105.0	9.2	(1.8)
Taparko	96.7	6.7	129.8	11.4	(4.7)
Berezitovy	85.1	5.9	62.3	5.4	0.5
Buryatzoloto	67.1	4.6	82.9	7.3	(2.7)
Total	**1,448.3**	**100**	**1,143.2**	**100**	

[1] In 2018 Taborny and Gross were reported as Neryungri segment

Cost of sales

Cost of sales breakdown by nature (US$ million)

US$ million	2019	2018	Change	Change, %
Material	164.0	139.0	25.0	18.0%
Fuel and energy	164.7	132.1	32.6	24.7%
Personnel costs	135.5	131.5	4.0	3.0%
External services	105.7	85.9	19.8	23.1%
Taxes other than income tax	78.0	74.7	3.3	4.4%
Repair and Maintenance cost	72.9	58.9	14.0	23.8%
Other expenses	4.4	0.5	3.9	>100%
Change in obsolete provision and work-in-progress impairment	6.7	(3.0)	9.7	323.3%
Production cost	**731.9**	**619.6**	**112.3**	**18.1%**
Depreciation and amortisation	290.9	186.7	104.2	55.8%
Cost of sales	**1 022.8**	**806.3**	**216.5**	**26.9%**

The overall increase in production costs was largely driven by higher gold produced and sold in 2019.

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.

In 2019, material cost increased by US$ 25.0 million or 18.0% compared to the previous year. This increase mainly associated with full year of Gross production and higher volume of gold produced on both Gross and Taborny mines. Additionally there was higher consumption of materials at Taparko and Lefa partially reduced by lower Buryatzoloto operational production.

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 2019 diesel fuel and heavy fuel prices were higher than in 2018.

Fuel and energy costs increased by US$ 32.6 million or 24.7%, mainly due to a higher production on Gross and Taborny partially compensated by lower Buryatzoloto operational production. Higher fuel and energy consumption per unit of production was experienced at Bissa, Lefa and Taparko.

Personnel costs

Personal costs increased by US$ 4.0 million or 3.0%. The increase in personnel costs was primarily explained by Gross headcount increase which was partially compensated by 30% headcount reduction on Buryatzoloto. An average increase in wages in 2019 was 5% in US dollar terms.

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

The average headcount of production employees reduced to 8,285 in 2019 compared to 8,331 in 2018.

External services

Production external services, mainly include drilling and other mining services, increased by US$ 19.8 million or 23.1%. In 2019 mining services increased mainly on Lefa, Bissa and Taparko which was partially compensated by a decrease at Buryatzoloto due to lower operational production.

Repair and maintenance

Repair and maintenance costs increased by US$ 14.0 million or 23.8% compared to prior period mainly due to repair and maintenance expenses at Gross and higher maintenance cost per unit of production at Taparko, Bissa and Lefa.

Depreciation and amortisation

Depreciation and amortisation increased from US$ 186.7 million in 2018 to US$ 290.9 million in 2019, primarily due to higher depreciation of capitalised stripping assets at Bissa and start of depreciation of Gross assets.

Exchange rates

The average RUB/US dollar and XOF/US dollar exchange rates changed from 62.70 RUB/US$ in 2018 to 64.70 RUB/US$ in 2019 and from 556XOF/US$ in 2018 to 586XOF/US$ in 2019. This resulted in cost decrease for Russian and Burkina Faso mines in total amount US$ 5.7 million and US$ 14.2 million respectively.

Total cash cost and all-in sustaining cost

The definitions of TCC and AISC are included in the Section "Non-IFRS measures" on page 40.

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	2019	2018	Variance, %
Gross[1]	314	233	35%
Taborny (former Neryungri)[1]	559	498	12%
Suzdal	633	602	5%
Berezitovy	718	667	8%
Buryatzoloto	805	1,181	(32%)
Bissa-Bouly	840	743	13%
Lefa	944	807	17%
Taparko	1,390	791	76%
Total	**722**	**712**	**1%**

AISC (US$ per ounce)

US$ per ounce	2019	2018	Variance, %
Gross [1]	407	342	19%
Taborny (former Neryungri) [1]	893	634	41%
Suzdal	864	756	14%
Berezitovy	1,148	1,325	(13%)
Buryatzoloto	1,170	1,398	(16%)
Bissa-Bouly	1,069	992	8%
Lefa	1,354	1,205	12%
Taparko	1,844	1,307	41%
Total	**1,023**	**1,051**	**(3%)**

[1] In 2018 Taborny and Gross were reported as Neryungri segment

Gross and Taborny (former Neryungri segment)

Gross, a low-cost mine, produced 259.2 koz in 2019 with TCC 314$/oz and AISC 407$/oz, while Taborny TCC was 559$/oz and AISC was 893$/oz.

In 2018 both Gross and Taborny presented one segment Neryungri.

Suzdal

TCC increased by 5% from 602$/oz in 2018 to 633$/oz in 2019 mainly due to lower head grade in ore processed and lower recovery. AISC increased from 756$/oz in 2018 to 864$/oz in 2019 due to higher maintenance capital expenditures per ounce produced.

Berezitovy

An increase in TCC by 8%, from 667$/oz in 2018 to 718$/oz in 2019. 2018 low costs are partially explained by involving in processing zero cost off-balance ore. AISC decreased by 13% from 1,325$/oz in 2018 to 1,148$/oz in 2019 due to a decrease in maintenance capital expenditures per ounce produced.

Buryatzoloto

TCC decreased by 32%, to 805$/oz in 2019, compared to 1,181$/oz in 2018, mainly due to increase in head grade of ore processed and recovery as well as a reduction in headcount and an increase in mechanisation at both mines. AISC decreased by 16%, from 1,398$/oz in 2018 to 1,170$/oz in 2019 primarily due to lower TCC which was partially offset by higher sustaining exploration per ounce produced.

Bissa-Bouly

TCC increased by 13% in 2019 to 840$/oz mainly due to higher consumption of fuel and materials. AISC increased by 8%, from 992$/oz in 2018 to 1,069$/oz in 2019, primarily due to higher total cash cost which was partially offset by decrease of stripping capital expenditures per ounce produced.

Lefa

TCC increased by 17% to 944$/oz mainly due to an increase in fuel consumption and mining contractor unit cost, as well as higher operational stripping ratio and lower recovery rate. AISC increased from 1,205$/oz in 2018 to 1,354$/oz in 2019, this growth was driven by an increase in TCC and higher maintenance and capital stripping expenditure.

Taparko

TCC increased by 76% to 1,390$/oz mainly due to the lower head grade and lower recovery rate. AISC increased by 41% from 1,307 $/oz in 2018 to 1,844 $/oz in 2019 mainly as a result of increase in TCC which was partially offset by decrease of stripping capital expenditures per ounce produced.

Adjusted EBITDA, adjusted EBITDA margin

Adjusted EBITDA by mines is presented in Note 5, "Segment reporting", of the Consolidated Financial Statements on page 98.

A definition of adjusted EBITDA is given in the Section "Non-IFRS measures" on page 39.

In 2019 adjusted EBITDA increased by US$ 197.1 million, to US$ 667.3 million. This was mainly driven by a higher gold price (US$ 143.6 million), higher volume of gold sold (US$ 81.5 million), positive foreign exchange rates effect (US$ 25.7 million) and was partially offset by a higher total cash cost (US$ 83.4 million).

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$ 166.9 million in 2019, compared to US$ 91.9 million in 2018. In 2019, the Group recognised net impairment losses of non-current assets of US$ 129.7 million (US$ 39.1 million in 2018) on pre-tax basis. The losses were formed mainly by impairment of Berezitovy, Buryatzoloto and Taparko non-current assets.

Further details are disclosed in Note 11 "Income Tax" of the Consolidated Financial Statements on page 108.

Nordgold reported income tax expense US$ 12.0 million in 2019, compared to income tax expense US$ 34.4 million in 2018. Significant decrease in income tax expenses is explained by application of the regional investment project exemption on Gross mine. Starting 01 January 2019 LLC Neryungri-Metallik, an entity which owns Gross mine, has received income tax relief as a Regional Investment Projects participant. The Group paid US$ 30.7 million of income tax in 2019 (US$ 55.8 million in 2018).

In 2018 and 2019 the Group's profits were taxable at 20% in the Russian Federation and Kazakhstan, 17.5% and 27.5% in Burkina Faso, and 30% in Guinea.

The Nordgold effective tax rate in 2019 was 6.7% (27.3% in 2018). Decrease of the effective tax rate is explained mainly by application of the regional investment project exemption on Gross mine, which had a significant share in profit of the Group in 2019.

Cash flows

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

US$ million	2019	2018	Change	Change, %
Cash flow from operating activities before changes in working capital	**663.9**	**466.9**	**197.0**	**42%**
Change in working capital	(2.6)	(39.4)	36.8	(93%)
Net Interest paid	(45.9)	(46.1)	0.2	0%
Income tax paid	(30.6)	(55.8)	25.2	(45%)
Cash generated from operating activities	**584.8**	**325.6**	**259.2**	**80%**
Payments for property, plant and equipment	(367.1)	(447.0)	79.9	(18%)
Payments for exploration and evaluation activity	(50.7)	(41.0)	**(9.7)**	**24%**
Free cash flow	**167.0**	**(162.4)**	**329.4**	**203%**

Cash flows from operating activities before changes in working capital increased by US$ 197.0 million (or 42%), from US$ 466.9 million in 2018 to US$ 663.9 million in 2019, due to higher adjusted EBITDA generated in the current year. Cash flow from operating activities was US$ 584.8 million which is US$ 259.2 million higher than in 2018.

In 2019, the Group had positive free cash flow of US$ 167.0 million due to increase of cash flow from operating activities and decrease of payments for property, plant and equipment and exploration and evaluation activity.

In 2019 all mines except Taparko and Buryatzoloto had positive free cash flow.

In 2018, the Group had negative free cash flow of US$ 162.4 million mainly due to peak investment commitments related to the construction of the Gross mine. In 2018 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.

US$ million	2019	2018	Change	Change, %
Dividends paid to shareholders	(5.2)	(45.4)	40.2	(89%)
Buyback of GDRs/ordinary shares	0.0	(10.7)	10.7	(100%)
Returns to shareholders	**(5.2)**	**(56.1)**	**50.9**	**(91%)**

In 2019 dividends paid were US$ 5.2 million. In 2018 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).

US$ million	31.12.2019	31.12.2018	Change	Change, %
Cash and cash equivalents	189.9	90.3	99.6	110%
Net Debt	(791.9)	(917.2)	125.4	(14%)
Net Debt/EBTIDA	1.2	2.0	(0.8)	(40%)

Net debt decreased from US$ 917.2 million as at 31 December 2018 to US$ 791.9 million as at 31 December 2018 and net debt/adjusted EBITDA ratio decreased to 1.2.

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 39.

Capital expenditures

Capital expenditure by mines is presented below:

US$ million	2019	2018	Change	Change, %
Lefa	84.3	74.6	9.7	13%
Bissa-Bouly	84.1	85.6	(1.5)	(2%)
Gross[1]	71.3	174.0	(102.7)	(59%)
Taborny (former Neryungri)[1]	48.7	16.9	31.8	188%
Berezitovy	38.9	48.5	(9.6)	(20%)
Buryatzoloto	29.9	27.6	2.3	8%
Taparko	39.7	60.1	(20.4)	(34%)
Suzdal	17.6	12.8	4.8	38%
Other	10.9	13.5	(2.6)	(19%)
Total	**425.4**	**513.6**	**(88.2)**	**(17%)**

Lefa incurred US$ 39.2 million maintenance expenditures (US$ 37.2million in 2018) and invested US$ 33.2 million in capital stripping activity (US$ 30.8 million in 2018) and US$ 5.2 million on sustaining explorations (US$ 6.6 million in 2018). In 2019 Lefa non-sustaining capital expenditures was US$ 6.6 million which related mainly to powerhouse replacement project (zero in 2018).

Bissa-Bouly capital expenditures included capital stripping and maintenance expenditures of US$ 29.8 million and US$ 23.8 million respectively (US$ 36.7 and US$ 24.3 million in 2018) and sustaining exploration US$ 4.5 million (US$ 3.8 million in 2018). An investment in development was US$ 25.9 including Bouly stage 2 construction and development projects related to tailing storage facility, Samtenga infrastructure and Gougre relocation. In 2018 investment in development was US$ 20.8 million driven by Bouly stage 2 construction and new equipment purchase to increase production volumes at Bissa.

In 2019 Gross sustaining capital expenditure was US$23.8 million (US$11.1 million in 2018) which includes capital stripping expenditure of US$15.7 million (US$6.4 million in 2018) and maintenance of US$7.8 million (US$4.6 million in 2018). In 2019 Gross development capital expenditures were US$47.4 million including US$ 34.7 million spent for completion of Gross construction (US$162.9 in 2018) and US$10.1 million spent for mining equipment for Gross expansion (zero in 2018).

In 2019 Taborny sustaining capital expenditure was US$25.4 million (US$13.5 million in 2018) including capital stripping expenditure in total amount US$13.6 million (US$2.7 million in 2018) and US$ 10.7 million maintenance expenditures (US$10.5 million in 2018). Taborny development expenditures were US$23.2 million including and US$7.8 million of non-sustaining exploration (US$2.9 million in 2018) and investment US$12.6 million in mining equipment for further production expansion (zero in 2018).

Berezitovy invested US$ 20.8 million in capitalized stripping (US$ 20.9 million in 2018). Maintenance expenditures were US$ 4.8 million (US$ 10.0 million in 2018). The Group invested US$ 4.2 million in new exploration (US$ 4.5 million in 2018). Expenditures for underground mining development and exploration were US$ 8.9 million (US$ 12.9 million in 2018).

Buryatzoloto spent US$ 17.2 million on sustaining capital expenditures (US$ 13.8 million in 2018) and invested US$ 12.7 million in underground capital development. 2018 develop-

[1] In 2018 Taborny and Gross were reported as Neryungri segment

ment expenditures were US$ 13.8 million and included expenditures on development phase of Zun-Kholba expansion.

In 2019, Taparko decreased capitalised stripping costs to US$ 21.5 million, compared to US$ 41.7 million in 2018. US$ 8.3 million was spent on maintenance (US$ 9.6 million in 2018). In 2019 the non-sustaining exploration and development expenditures was US$ 8.8 million (US$ 7.6 million in 2018).

Suzdal invested US$ 13.8 million in maintenance expenditures (US$ 10.6 million in 2018), capitalized stripping capital expenditures were US$ 2.5 million (US$ 1.9 million in 2018).

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 group's operations as well as its ability to use its earnings to repay debt, in capital expenditure, and for working capital requirements.

A reconciliation between profit before income tax and adjusted EBTIDA is presented in Note 5 "Segment Reporting" of the Consolidated Financial Statements on page 98.

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.

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	2019	2018	Change, %
Cost of sales	**1,022.8**	**806.3**	**27%**
(Less)/plus items in income statements:			
Depreciation and amortisation	(290.9)	(186.7)	56%
Change in obsolete provision and work-in-progress impairment	(6.7)	3.3	(303%)
Change in finished goods	(0.5)	2.0	(125%)
Revenue of by-products	(7.1)	(4.7)	51%
Cost of production	**717.6**	**620.2**	**16%**
General and administrative expenses	60.3	55.4	9%
(Less)/plus items in income statements:			
Depreciation and amortisation	(5.8)	(6.7)	(13%)
Corporate overheads	(30.9)	(25.7)	20%
Mining administrative expenses	**23.6**	**23.0**	**3%**
Total cash cost	**741.2**	**643.2**	**15%**
Gold produced, kOz	1,027.2	903.4	14%
Total cash cost, US$ /oz	**722**	**712**	**1%**
Corporate overheads	30.9	25.7	20%
Sustaining CAPEX	277.6	274.9	1%
Other cash expenses	1.6	5.5	(71%)
Total All-in sustaining cost (AISC)	1,051.3	949.3	11%
Total All-in sustaining cost (AISC), US$ /oz	**1,023**	**1,051**	**(3%)**

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.

For calculation of free cash flow calculation disclosed in Section "Cash flow" on page 36.

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 Group'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 Group 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 131.

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 influences 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 Group'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: see below), 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 and other regulations that apply to all Nordgold business units and functional departments.

The Group follows an ongoing process for identifying, evaluating, and managing the main risks faced by the Group. 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 measures.

The Risk Management Policy was approved by the Chief Executive Officer on 15th August 2012 and updated in 2019. The policy covers the main principles, goals, responsible parties involved in risk-management-related actions, processes related to identifying, evaluating and managing risks, and lastly, monitoring operational and strategic risks. The Risk Management Policy 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.
- Group Key Risks Register: a register of risks correspondent to the operational and strategic objectives of the Group.

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.

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 communicates identified weaknesses – this provides 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 adoption of risk management protocols.
- The Board of Directors is responsible for annually reviewing the risk management system and analysing reports from the risk management and internal audit functions.
- The General Managers of BUs and the Group's functional directors are responsible for ensuring that the Risk Management 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 Policy.
- The Risk Manager is responsible for setting and overseeing efficient risk management methodology, supporting BUs to ensure a consistent integrated approach, and the cost effective implementation of Risk Management Policy.
- The Internal Audit, Internal Control, and the Risk Management Department is responsible for providing reasonable assurance on BUs' compliance with the Risk Management Policy, on effectiveness and efficiency of controls and on implementation of risk mitigation measures.

Principal risks and uncertainties

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

H for High M for Medium L for Low ↔ no change in risk evaluation from previous period

Risk description	Mitigation measures	Likelihood	Impact	Overall Score	Comparison to previous period
Health and Safety risks Nordgold mines can be hazardous environments which could negatively affect people's lives and health	Safety trainings for all NG employees Development and roll-out of a Corporate HSE Risk Management procedure Focus on employee behaviour and management leadership 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	↔
Exposure to terrorist attacks in West Africa We operate in territories with high level of terrorist activity	We constantly interact with Authorities in Burkina Faso and Guinea and monitor terrorist level activity in regions where we operate Specific security measures are taken in order to potentially reduce impact	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.	Monitor gold prices and other macroeconomic indicators: inflation, foreign exchange rates, analyst forecasts, etc. and develop strategic scenarios with different gold prices. Following a strategy of maintaining a portfolio of low-cost mines and a conservative approach to managing liquidity. The Group is ready to consider significant cost reduction initiatives in the event of a dramatic decrease in gold prices.	M	H	H	↔
Strategic risk — New Projects Development The Group strategic business plan is heavily dependent on starting new mines. Lack of new mines may be the reason of strategic goals non-achievement	We are focused on finding potential acquisitions to compensate potential delays and cancellations of development projects with uncertainties around launch time and overall success	M	H	H	↔
Strategic risk — Insufficient Reserves (shortage of High Margin Ounces & Mature Mines) Lack of high margin ounces and mines maturity could be reasons of decreased financial results of the Group due to higher costs to extract them and lower production volumes.	Identification of vulnerabilities in BUs Life of Mine (LoM) Reserves Prioritization of Corporate and BUs Exploration strategies to align deliverables/outcomes with key gaps in Corporate and BUs LoM Reserves Exploration Target Ranking system implementation Monitoring and updating exploration plans based on half year results Corporate tracking of BUs Exploration plans implementation and compliance	M	H	H	↔

Operational risk — Execution of Mining Plans: unreliable resource models and poor compliance with mining plans Unreliable resource models result in low quality production and mining plans which in turn may lead to operational underperformance and inability to plan Group short and long term perspectives	Improvement of employees capabilities responsible for Mineral Resource Management (MRM) and mining technical services (MTS) SOPs development, implementation and training Software standardization People assessment and individual development plans Centralized MRM-MTS office	H	H	H	↔
Operational risk — Operations Interruptions due to Geotechnical and water incidents (pit wall stability, earthquakes, flooding, wet season), Mining Fleet and Plant Equipment Unavailability Operations interruption might lead to a significant delay in production and consequent decrease in profit.	Wet season effects are considered and included in the BP and mine schedules to avoid mining in pit bottoms during the wet season Incorporation of geotechnical and water management into the Corporate Technical Services, and mine planning process 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.	H	M	H	↔
Operational risk — Community Relations Relationships with local communities may deteriorate or may be maintained on an inappropriate level which leads to the damage of Group's reputation, social tension, and deferent threats to business and different assets.	Relationships with communities are based on a long-term view and are overseen 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 senior management at each mine site.	M	H	H	↔
Environmental Risk — Failure to comply with ecological regulation The NG activities are subject to environmental hazards as a result of the chemicals used in gold extraction and production methods. Failure to comply with requirements could lead to production suspension, significant civil and criminal penalties, negative reputational consequences	Monitoring compliance with regulations Internal inspections Development and roll-out of a Corporate HSE Risk Management procedure HSE data management automation	M	L	M	new
Coronavirus risk Despite the fact that Nordgold BUs are in remote and at some degree isolated locations we are still dependant on international Supply Chain system. Further virus spread may cause business interruptions due to failure of Supply Chain and infection of Nordgold employees.	As initial action we have introduced special terms on Nordgold employees business travel. Russian and Kazakhstan BUs may be less influenced by potential failure of supply chain due to lower share of imported inventories. At West African BUs we should have inventories enough to cover supply chain interruption for few month. We continue to monitor status of coronavirus outbreak and consider recommendations of World Health Organization.	M	H	H	new

We continue to conclude that the potential impact of Brexit on Nordgold is not likely to have a material impact as far as the Group has no substantial operations in UK and therefore has no material Brexit-related risks.

The impact of a potential movement in the value of foreign currencies and interest rates is articulated in Note 26 of the Consolidated Financial Statements on page 136.

FUTURE DEVELOPMENTS

2020 key exploration and development priorities:

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

In 2020, 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 Group'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
13 March 2020

Director's report

CORPORATE GOVERNANCE

For the year ended 31 December 2019, under the Companies (Miscellaneous Reporting) Regulations 2018, Nordgold has applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council (FRC) in December 2018.

The Wates Principles are a set of six high level principles of corporate governance issued to help the largest private companies meet the new legislative requirements for periods commencing on or after 1 January 2019. A company that adopts the Wates Principles should follow them using an 'apply and explain' approach in a way that is most appropriate for their particular organisation.

The summary below indicates how Nordgold applies the six Wates principles with reference to where more information can be found in the Annual Report.

Purpose and leadership

Nordgold's vision, values and guiding principles are disclosed in Section "Vision, values and guiding principles" on page 10.

The Group' strategy is shown in Section "Strategy" of the Strategic Report on page 20.

Section "Section 172(1) Statement" (page 22) discloses how the Board of Directors develops and promotes the purpose of a company, and ensures that its strategy and values align with that purpose.

Approving the business strategy and objectives for the Group is the matter which specifically reserved for the Board of Directors. The Board of Directors makes the decisions necessary not only to shape the strategy, but to ensure that the strategic goals are achieved in line with our values.

The Board of Directors promotes the corporate culture as an unified culture space that embodies corporate values and drives personnel engagement. Nordgold corporate culture is underpinned by the corporate strategy, vision and corporate values, which are documented in Code of Business Conduct and Ethics. The Board of Directors has adopted this code to aid the Group's directors, officers and employees in making ethical and legal decisions when conducting Group business, performing day-to-day duties and fulfilling responsibilities.

Board Composition

The Board is made up of eight directors, of which two are executive directors (the CEO and the CLO), and six are non-executive directors, one of which is the controlling shareholder.

The Board of Directors comprises three non-executive directors, which are independent of the management and free from any business or other relationship which could materially interfere with their ability to exercise independent judgement.

The Board of Directors members are appointed until the next annual general meeting and are subject to annual re-election. The Board of Directors submits its proposal on the appointment or re-election of the Board of Directors members at the annual general meeting. During the reporting period, there were no changes to the Board of Directors composition.

A particular skill set of the Board of Directors members delivers a meaningful contribution to the Nordgold’s sustainable growth. The Board of Directors has an appropriate balance of experience, independence and knowledge of the Group to enable it to discharge its duties and responsibilities effectively. The Board of Directors consists of international mining executives and experts, who oversee our management processes, identify material risks, and ensure the effective functioning of the necessary risk management and internal control systems.

The list of directors with their experience and background is disclosed in Section “List of Directors” on page 54.

The Chairman, in conjunction with the Company secretary, leads the process whereby the Board of Directors formally assesses its own performance and the performance of its committees and individual directors, with the aim of helping improve the effectiveness.

Director responsibilities

The articles of association provide for the appointment of executive and non-executive directors, with the executive directors responsible for the day-to-day management of the Group and successful implementation of the Group’s objectives, and the non-executive directors responsible for supervising and generally assisting the executive directors . The executive directors regularly report to the Board of Directors the operational and financial performance of the Group, the safety statistics, key business risks, exploration development, community and government relations and other relevant matters. At the end of each Board meeting a non-executive director session is held, without the presence of the executive directors.

The Board of Directors is led by an independent Chairman. The division of responsibilities between the Chairman and CEO is clearly established, formalised in writing, and approved by the Board of Directors.

The Board of Directors has implemented a continuous process for identifying and managing the risks faced by the Group, and taken action to address any weaknesses. The Board with assistance from the Audit Committee is responsible for the overall supervision of the Group’s internal control system and risk management function. The Board performs an annual review of internal control and risk management systems and adopts the Group’s major policies relating to business conduct, environmental, health and safety, risk management, and labour law issues.

The composition and operation of board and committees are disclosed in Section “Composition and operation of board committees” on page 57.

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

Opportunity and risk

At least once a year a separate strategy meeting is held, at which the Board of Directors discusses the strategic direction of the Company including long-term strategic opportunities. The strategic opportunities considered by the Board of Directors include the future exploration and development projects, expansion of the existing mines, capital structure, M&A activities and other strategic opportunities.

The details of the principal risks and Group approach to risk management are disclosed Section “Risk management, principal risks and uncertainties” on page 42.

The Board of Directors determines the nature and extent of the significant risks it is willing to take in achieving its strategic objectives and setting and maintaining appropriate policies on risk management and internal control so as to ensure the effectiveness of the Group's systems of risk management and internal control. Internal control shall comprise all material controls, including financial, operational and compliance controls and risk management systems.

Remuneration

The Remuneration Committee determines and agrees with the Board of Directors the framework and policies for all executive director and Chairman remuneration, including appropriate performance-related incentive arrangements and consideration of the compensation commitments under the executive directors’ terms of appointment and the consequences of early termination.

The Board of Directors is committed to remunerating its Directors and senior Executives in a manner that is market competitive, consistent with the best practice and which promotes the long-term success of the Group. The remuneration of senior executives takes into account fair pay and conditions across the company’s employees.

The other responsibilities of the Remuneration Committee as well as the link to the Terms of Reference is presented in Section “Composition and operation of board committees” on page 57.

The Remuneration Policy, adopted by the Board of Directors, ensures a strong performance link to annual and longer term performance targets through variable pay for Executive Directors and Senior Executive team members.

The Remuneration Committee is regularly made aware of pay and employment conditions of employees and annually considers these and other factors when determining senior executive remuneration.

Stakeholder relationships and engagement

Sections “Section 172(1) Statement” (page 22) and “Stakeholder engagement” (page 25) discloses the list of the key stakeholders , their interest and how these interests are reflected in the Board of Directors’ agenda.

Embedding stakeholder engagement within the corporate management system ensures that the Board of Directors of the Company always considers stakeholder interests when conducting its business and proactively addresses their concerns.

DIVIDENDS

Net profit for the financial year 2019 was US$ 166.9 million, as against US$ 91.9 million in 2018.

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 pay-out 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 2019 the Company declared the following dividends:

- 1.3 US cents per share or for Q4 2018, for a total amount of US$ 4.3 million

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

The final dividend in respect of the three months ended 31 December 2019 is disclosed in Note 28 "Events after the reporting period" of the Consolidated Financial Statements on page 141.

GOING CONCERN

The Group's net debt at 31 December 2019 was US$ 791.9 million (US$ 917.2 million as at 31 December 2018). The net debt/adjusted EBITDA ratio as at 31 December 2019 is 1.2 (2.0 as at 31 December 2018).

The Directors have considered the Group's cash flow forecasts for the period to the end of March 2021. The Board of Directors is satisfied that the Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the period assessed. For this reason, the Group continues to adopt the going concern basis in preparing its financial statements.

Details of borrowings and facilities are set out in Note 19 "Borrowings" of the Consolidated Financial Statements on page 122.

The net debt calculation is presented in Note 26 "Financial Risk Management" of the Consolidated Financial Statements on page 131.

ACQUISITION OF ORDINARY SHARES

Acquisition of ordinary shares are disclosed in Note 22 "Capital and Reserves" of the Consolidated Financial Statements on page 126.

EVENTS AFTER BALANCE SHEET DATE

Events after the balance sheet date are disclosed in Note 28 "Events after the reporting period" of the Consolidated Financial Statements on page 141.

FINANCIAL RISK MANAGEMENT

The risk management objectives and policies of the Group are disclosed above in the Section "Risk Management, principal risks and uncertainties" page 42.

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 131.

FUTURE DEVELOPMENTS

Future developments are disclosed in Section "Future developments" of the Strategic Report on page 46.

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.

David Morgan,

Independent Chairman

David was appointed as 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 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 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.

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.

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.

The Terms of Reference of the Board Committees are available on the Company's website: http://www.nordgold.com/investors-and-media/corporate-governance/committees-terms-of-reference/.

Audit Committee

The Audit Committee helps the Board of Directors meet its responsibilities relating to internal and external audits and controls, including:

- Reviewing the Group's annual, half-year and interim financial statements;
- Assessing the scope of the annual audit and the extent of the auditors' non-audit work;
- Advising on the appointment of external auditors; and
- Reviewing the effectiveness of the Group's internal controls

The Audit Committee members are all independent non-executive directors. The committee is responsible for overseeing the financial reporting and internal controls of the Group, and for maintaining an appropriate relationship with the external auditor. The committee operates under the terms of reference approved by the Board of Directors and will normally meet at least four times a year.

Gregor Mowat chairs the committee and its other members comprise Brian Beamish and John Munro. The Board of Directors appoints Audit Committee members on the recommendation of the Nomination Committee and in consultation with the Audit Committee Chairman.

Details about the number of Audit Committee meetings held during the year ended 31 December 2015, as well as its members' attendance, are set out below:

Members	Number of meetings attended
Gregor Mowat	4 out of 4
Brian Beamish	4 out of 4
John Munro	4 out of 4

In addition to formal meetings, committee members undertook regular communications by telephone and email between themselves and management team members. Issues covered at committee meetings in 2019 included:

- Reviewing legal claims and their accounting treatments;
- Accounting policy issues, including accounting for stripping and depreciation;
- Financial reporting and disclosures;
- Effectiveness of internal audit reporting and activities, including reviews of internal controls, whistleblowing statistics, and internal audits undertaken and planned;
- Company financing;
- Dividend payments;
- Reviews of working capital, general and administrative costs, impairment provisioning, and the value of intangible assets;
- Reports from external auditors, together with assessment of the performance and fees of external auditors.

At each meeting the committee also receives updates from the Chief Financial Officer on key operating and financial results, from the Head of Internal Audit on internal control and risk management, and from the Chief Legal Officer on pending legal claims against or being made by the Company.

External auditors attend and present at each Audit Committee meeting at which periodic financial statements are considered, including the annual financial statements.

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;
- 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.

John Munro chairs the committee as of the date of his appointments and its other members are David Morgan, Brian Beamish and Gregor Mowat. The Board appoints committee members on the recommendation of the Nomination Committee and in consultation with the Remuneration Committee Chairman. The Remuneration Committee meets at least twice a year.

The number of Remuneration Committee meetings held during the year ended 31 December 2015 and member attendance are set out below:

Members	Number of meetings attended
John Munro	4 out of 4
David Morgan	4 out of 4
Brian Beamish	4 out of 4
Gregor Mowat	4 out of 4

Areas on which the committee focused in its formal meetings in 2019 included:

- 2018 bonus payments and 2019 compensation packages for the CEO and individuals who report directly to him;
- Reviewing the long-term incentive plan (LTIP);
- The organisational structure of the executive team, including succession planning, the retention of key personnel, and discussing candidates for certain key senior roles;
- Employee survey findings;

At each meeting the committee also receives an update from the CEO on the structure, development, and succession planning needs of his executive team, and regularly consults with the CEO and HR Director outside these meetings on issues relating to executive remuneration.

The committee operates under terms of reference approved by the Board, which are available on the Company's web-site.

Nomination Committee

The Nomination Committee has an independent role. It does not assume the functions of management, which remain the responsibility of the management team and the Board, The Committee helps the Board determine its composition. It is also responsible for:

- Periodically reviewing the Board's structure and assessing the size, composition and performance of the Board and evaluating the balance of skills, experience, independence and knowledge of the Board
- Identifying potential candidates to be directors and drawing up selection criteria, including a description of the role and capabilities required for a particular appointment, and making proposals for the (re) appointment of directors; and
- Assessing succession planning for the Chairman and CEO.

The committee operates under terms of reference approved by the Board of Directors and meets as and when appropriate.

David Morgan chairs the committee, and its other members comprise Brian Beamish, Gregor Mowat and John Munro. Nomination Committee members are appointed by the Board of the Directors.

The number of Nomination Committee meetings held during the year ended 31 December 2015 and member attendance are set out below:

Members	Number of meetings attended
David Morgan	4 out of 4
Brian Beamish	4 out of 4
Gregor Mowat	4 out of 4
John Munro	4 out of 4

Safety and Sustainable Development Committee

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

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

Brian Beamish chairs the Safety and Sustainable Development Committee and its other members comprise David Morgan, Gregor Mowat and John Munro. Safety and Sustainable Development Committee members are appointed by the Board of Directors in consultation with the Safety and Sustainable Development Committee Chairman. Committee meetings are also attended by the CEO and representatives of the management team responsible for various areas of safety and sustainability. The number of Safety and Sustainable Development Committee meetings held during the year ended 31 December 2015 and member attendance is set out below:

Members	Number of meetings attended
Brian Beamish	4 out of 4
David Morgan	4 out of 4
Gregor Mowat	4 out of 4
John Munro	4 out of 4

Areas on which the committee focused in its formal meetings in 2019 included:

- Reviewing safety statistics and incidents during the previous quarter;
- Assessing Group's safety performance, including lessons learnt from fatalities
- The Group's response to the terrorist threats in Burkina Faso;
- Mine rehabilitation plans.

In 2016, in response to a Market Abuse Regulation regulation the Board also established a Disclosure Committee . The Disclosure Committee makes sure the Group provides equally accessible for all stakeholders regular updates on its social, environmental, operational and financial performance in a timely manner, precisely and consistently.

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 Group 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:

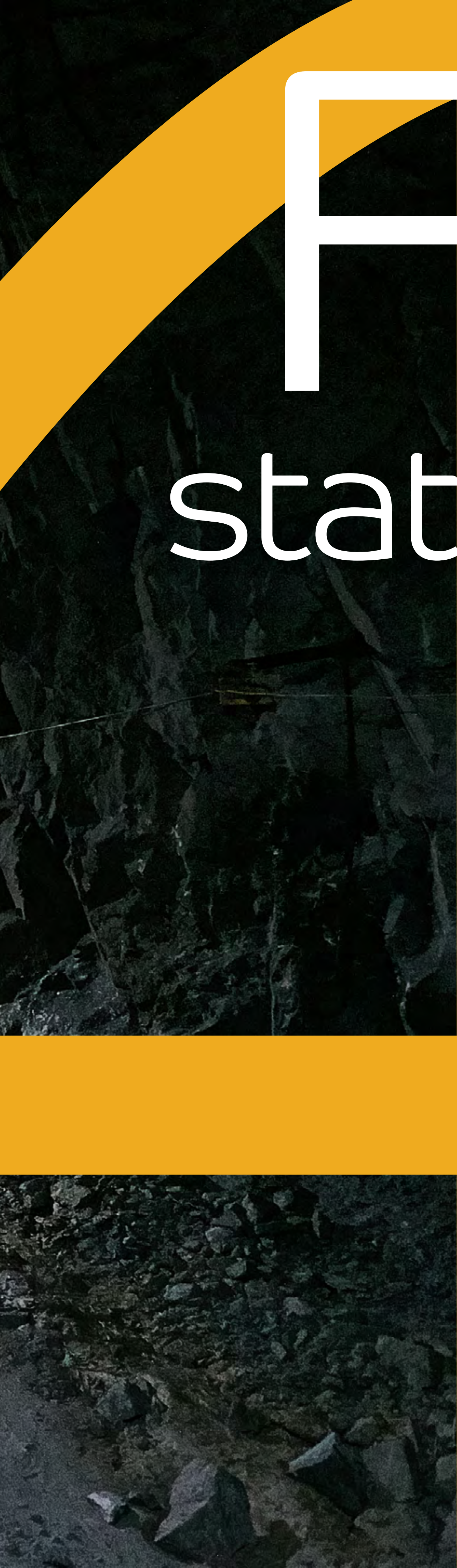
- so far as the director is aware, there is no relevant audit information of which the Company’s auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company’s 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
13 March 2020



Financial statements

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

Statement of Directors’ responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements of Nord Gold SE (“the 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 13 March 2020 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 company's affairs as at 31 December 2019 and of its profit for the year then ended;
- 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)]; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- 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.

The financial reporting framework that has been applied in the preparation of the consolidated 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 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 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 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 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 company and its 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

13 March 2020

Consolidated statement of profit or loss

For the year ended 31 December 2019

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

		Year ended 31 December	
	Note	2019	2018
Sales	6	1,448,281	1,143,214
Cost of sales		(1,022,795)	(806,261)
Gross profit		**425,486**	**336,953**
General and administrative expenses	7	(60,333)	(55,403)
Impairment charge of non-current assets	9	(129,739)	(39,126)
Loss on partial disposal of subsidiary	24	—	(35,731)
Other operating expenses, net		(6,497)	(7,109)
Profit from operations		**228,917**	**199,584**
Finance income	10	28,152	4,284
Finance costs	10	(59,376)	(115,601)
Foreign exchange (loss)/gain, net		(18,833)	38,040
Profit before income tax		**178,860**	**126,307**
Income tax expense	11	(11,977)	(34,412)
Profit for the year		**166,883**	**91,895**
Attributable to:			
Shareholders of the Company		173,097	87,663
Non-controlling interests		(6,214)	4,232
Weighted average number of shares outstanding during the year (thousands of shares) – basic and diluted	23	336,274	338,589
Earnings per share			
Basic and diluted earnings per share (US dollars)	23	0.51	0.26

Consolidated statement of comprehensive income/(loss)

For the year ended 31 December 2019

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

	Year ended 31 December	
	2019	2018
Profit for the year	**166,883**	**91,895**
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange gain/(loss) on translation of foreign operations	85,126	(191,781)
Recycling of foreign exchange loss on translation of foreign operations related to subsidiary disposal to profit or loss	(2,149)	17,576
Items that will not be reclassified to profit or loss		
Revaluation of equity investments designated as FVOCI, net of tax	(758)	(5,029)
Other comprehensive income/(loss) for the year, net of tax	**82,219**	**(179,234)**
Total comprehensive income/(loss) for the year	**249,102**	**(87,339)**
Attributable to:		
Shareholders of the Company	255,615	(83,751)
Non-controlling interests	(6,513)	(3,588)

Consolidated statement of financial position

As at 31 December 2019

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

	Note	31 December 2019	31 December 2018
ASSETS			
Current assets			
Cash and cash equivalents	14	189,891	90,346
Accounts receivable	15	37,632	30,007
Inventories	16	219,756	196,545
VAT receivable		62,118	72,427
Income tax receivable		18,808	9,092
Total current assets		**528,205**	**398,417**
Non-current assets			
Property, plant and equipment	17	1,328,745	1,267,204
Intangible assets	18	675,464	671,946
Long-term financial investments		2,961	3,181
Restricted cash	14	18,993	16,395
Deferred tax assets	11	36,551	46,963
Inventories	16	87,419	88,952
VAT receivable		54,906	25,404
Other non-current assets		7,028	10,853
Total non-current assets		**2,212,067**	**2,130,898**
Assets held for sale	12	12,607	—
TOTAL ASSETS		**2,752,879**	**2,529,315**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	19	50,063	381,369
Derivative financial instrument	19	—	58,402
Accounts payable	20	297,342	283,841
Income tax payable		12,072	9,996
Provisions	21	4,462	12,891
Total current liabilities		**363,939**	**746,499**

Non-current liabilities			
Long-term borrowings	19	931,710	567,800
Provisions	21	57,181	46,333
Deferred tax liabilities	11	70,437	97,807
Other non-current liabilities		12,825	8,122
Total non-current liabilities		**1,072,153**	**720,062**
Liabilities directly associated with assets held for sale	12	9,573	—
TOTAL LIABILITIES		**1,445,665**	**1,466,561**
Equity			
Share capital	22	464,577	464,605
Other reserves		10,540	9,790
Additional paid-in capital	22	760,957	761,003
Foreign exchange translation reserve		(548,838)	(632,114)
Retained earnings		511,724	342,927
Revaluation reserve		(4,482)	(3,724)
Total equity attributable to shareholders of the Company		**1,194,478**	**942,487**
Non-controlling interests		112,736	120,267
TOTAL EQUITY		**1,307,214**	**1,062,754**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,752,879**	**2,529,315**

The financial statements of Nord Gold SE, registered number SE000102, were approved and authorised for issue by the Directors on 13 March 2020 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 2019

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

		Year ended 31 December	
	Note	2019	2018[1]
Operating activities			
Profit for the year		**166,883**	**91,895**
Adjustments			
Finance income	10	(28,152)	(4,284)
Finance costs	10	59,376	115,601
Foreign exchange loss/(gain)		18,833	(38,040)
Income tax expense	11	11,977	34,412
Depreciation and amortisation		296,743	193,403
Impairment of non-current assets		129,739	39,126
Impairment of work-in-progress recognised in cost of sales		6,747	(3,297)
Loss on partial disposal of subsidiary	24	—	35,731
Other adjustments		1,789	2,382
		663,935	**466,929**
Changes in operating assets and liabilities:			
Accounts receivable		26,532	8,774
Inventories		(16,350)	(24,923)
VAT recoverable		(8,187)	(16,220)
Accounts payable		(6,059)	(1,386)
Other changes in operating assets and liabilities, net		1,488	(5,594)
Cash flows from operations		**661,359**	**427,580**
Interest paid		(48,854)	(62,220)
Interest received		954	4,279
Net interest from cross currency swap	19	2,010	11,805
Income tax paid		(30,649)	(55,797)
Cash generated from operating activities		**584,820**	**325,647**
Investing activities			
Acquisition of property, plant and equipment		(367,130)	(447,023)
Acquisition of exploration and evaluation assets		(50,716)	(41,002)

[1] The group continues to employ supplier financing arrangements. There are two permitted presentations for these in the consolidated statement of cash flows. In the current year the Group has determined that the alternative approach to disclose non-cash movements related to liabilities transferred to financial institutions within the line "Proceeds from borrowings" better presents the Group's financing arrangements and changed to that. The comparative information has been restated to be on a consistent basis.

Lefa mining convention renewal	24	—	(14,651)
Decrease in short-term deposits		—	70,000
Other movements		(4,699)	(7,913)
Cash used in investing activities		**(422,545)**	**(440,589)**
Financing activities			
Proceeds from borrowings	19	580,372	544,607
Transaction cost paid		(4,234)	(4,713)
Repayment of borrowings	19	(630,091)	(532,520)
Dividends paid	13	(5,322)	(48,270)
Acquisition of non-controlling interests		—	(956)
Ordinary shares and GDRs buyback	22	(70)	(10,659)
Other movements		(1,107)	(2,159)
Cash used in financing activities		**(60,452)**	**(54,670)**
Net decrease in cash and cash equivalents		**101,823**	**(169,612)**
Cash and cash equivalents at beginning of the year	**14**	**90,346**	**270,402**
Effect of exchange rate fluctuations on cash and cash equivalents		(612)	(10,444)
Less cash and cash equivalents related to assets classified as held for sale at end of the period	12	(1,666)	—
Cash and cash equivalents at end of the year	**14**	**189,891**	**90,346**

Consolidated statement of changes in equity

For the year ended 31 December 2019

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

	Share capital	Other reserves	Treasury shares	Additional paid-in capital
Balance at 31 December 2017	**468,873**	**(11,409)**	**—**	**767,995**
Adjustment related to IFRS 9 adoption	—	—	—	—
Balance at 1 January 2018	**468,873**	**(11,409)**	**—**	**767,995**
Profit for the year	—	—	—	—
Other comprehensive loss for the year, net of tax	—	—	—	—
Total comprehensive (loss)/income for the year				
Acquisitions of non-controlling interest	—	—	—	—
Ordinary shares buyback (Note 22)	—	10,659	(10,659)	—
Treasury shares cancellation (Note 22)	(4,268)	—	10,659	(6,992)
Loss on partial disposal of subsidiary (Note 24)	—	10,540	—	—
Dividends declared and paid (Note 13)	—	—	—	—
Balance at 31 December 2018	**464,605**	**9,790**	**—**	**761,003**
Profit for the year	—	—	—	—
Other comprehensive income/(loss) for the period, net of tax	—	—	—	—
Total comprehensive income/(loss) for the year				
Ordinary shares buyback (Note 22)	—	70	(70)	—
Treasury shares cancellation (Note 22)	(28)	—	70	(46)
Shares buyback provision reversal (Note 22)	—	680	—	—
Dividends declared and paid (Note 13)	—	—	—	—
Balance at 31 December 2019	**464,577**	**10,540**	**—**	**760,957**

	Attributable to the shareholders of the Company					
Foreign exchange translation reserve	Retained earnings	Revaluation reserve	Total	Non-controlling interests	Total
(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**
—	173,097	—	173,097	(6,214)	166,883
83,276	—	(758)	82,518	(299)	82,219
			255,615	(6,513)	249,102
—	—	—	—	—	—
—	4	—	—	—	—
—	—	—	680	—	680
—	(4,304)	—	(4,304)	(1,018)	(5,322)
(548,838)	**511,724**	**(4,482)**	**1,194,478**	**112,736**	**1,307,214**

Notes to the consolidated financial statements

For the year ended 31 December 2019

(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 4th Floor, 27 Dover Street, Mayfair, London, W1S 4LZ, United Kingdom. The Company is a public company limited by shares.

As at 31 December 2019 and 2018, the immediate parent company of the Company was Ocean Management Ltd. ("the Parent Company"), registered in the Cyprus. The controlling shareholders of the Company are Mr. Alexey A. Mordashov and his sons, Mr. Kirill A. Mordashov and Mr. Nikita A. Mordashov.

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

2. Basis for preparation of the consolidated financial statements

Statement of compliance

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

Basis of measurement and presentation

The consolidated financial statements are prepared under the historical cost convention except for financial investments classified as debt/equity investments assets designated as FVOCI and financial instruments, which are measured at revalued amounts or fair value at the end of each reporting period. 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 2019, the Group held US$ 189.9 million of cash and cash equivalents and had net debt of US$ 791.9 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 2019.

Adoption of new and revised accounting standards

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

In 2019, 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 2019.

IFRSs and interpretations	IASB Effective Date — periods commencing on or after	EU-endorsed effective Date — periods commencing on or after
IFRS 16 Leases	1 January 2019	1 January 2019
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	1 January 2019
Annual Improvements to IFRS standards 2015–2017 Cycle	1 January 2019	1 January 2019
Amendments to IAS 19: Plan amendments, curtailments or settlements	1 January 2019	1 January 2019

IFRS 16 Leases

The Group adopted IFRS 16 'Leases' from 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease, requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

The Group is not party to any leases where it acts as a lessor, but the Group does have a number of material property and equipment leases.

In accordance with the transition provisions of IFRS 16, for contracts entered into before 1 January 2019, the requirements of the standard have been applied only to contracts previously identified as leases in accordance with IAS 17: 'Leases'. For contracts entered into or changed after that date the definition of a lease in IFRS 16 has been applied.

On application of IFRS 16 comparative information has not been restated.

Details of the Group's accounting policies under IFRS 16 are set out below, followed by a description of the impact of adopting IFRS 16.

Accounting policies under IFRS 16 Leases

The Group utilised the recognition exemptions for both short-term leases applicable to machinery, property and exploration and production assets that have a lease term of 12 months or less and for leases of low value assets. The lease payments associated with those leases are recognised as an expense on a straight-line basis over the lease term. The Group has also applied wherever applicable the following transition allowances:

- application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- election not to apply the measurement requirements of the standard to leases where the term ends within 12 months of the date of initial application; and
- exclusion of initial direct costs from the measurement of the right of use asset at the date of initial application.

On transition, the Group measured lease liabilities for leases previously assessed as operating at the present value of the remaining lease payments and elected to measure the associated right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. For arrangements previously assessed as finance leases, the asset and liability balances at 31 December 2018 were carried forward as the opening IFRS 16 balances and subsequently measured in accordance with the new standard.

Application resulted in the recognition of US$ 10.1 million of total lease liabilities and right-of-use assets on 1 January 2019.

Right-of-use assets are presented in property, plant and equipment on the Statement of Financial Position. Lease liabilities are included in short-term and long-term borrowings.

A reconciliation of the operating lease commitment at 31 December 2018 to the opening IFRS 16 lease liability is shown below, along with a summary of the key judgments applied by the Group in determining these opening positions:

Operating lease commitments at 31 December 2018	**13,269**
Short-term and low value lease commitments straight-line expensed under IFRS 16	(1,158)
Effect of discounting	(2,053)
Payments due in periods covered by extension options that are included in the lease term	—
Finance lease liabilities recognised under IAS 17 at 31 December 2018	—
Lease liabilities recognised at 1 January 2019	**10,058**

The weighted average incremental borrowing rate used by the Group for IFRS 16 is 4.8%.

The comparative information continues to be reported in accordance with IAS 17 and the accounting policies applicable for this period are included in the Group Consolidated financial statements for the year ended 31 December 2018.

Definition of a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

As a lessee

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounting using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, lease-term extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use of asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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 within Cost of sales as permitted by IFRS 16.

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 17 Insurance Contracts	1 January 2021	Endorsement outstanding
Amended standards		
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.

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	1–17 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 21 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 recognised 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 FVTOCI

Financial assets at fair value through other comprehensive income are equity instruments that the Group has elected to recognise the changes in fair value of in other comprehensive income. In the prior year, these instruments were classified as available-for-sale. They are recognised initially at fair value in the Group Statement of Financial Position and are re-measured subsequently at fair value with gains and losses arising from changes in fair value recognised directly in equity and presented in the Group Statement of Comprehensive Income.

Cumulative gains and losses on equity instruments at fair value through other comprehensive income are not recycled to the Group Income Statement.

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 within financing cash inflows in the consolidated statement of cash flows line “Proceeds from borrowings”.

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 recognised 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.

The Group recognises the proceeds from selling refined gold bullion produced during the pre-production phase of operations in the consolidated statement of profit or loss.

Other expenses

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 at or 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, Buryatzoloto and Suzdal, with a combined carrying value of US$ 713.1 million within property, plant and equipment and intangible assets as at 31 December 2019.

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 2019, the allowance amounted to US$ 39.1 million (31 December 2018: US$ 40.6 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 at its surface mining operations. Stripping costs incurred in order to provide initial access to the ore body (referred to as pre-production stripping) are capitalized within Construction in progress. Management judgement is required to define the point at which the production phase starts.

During the production phase management judgement is also required 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, 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 2019, stripping costs in the amount of US$ 160.6 million were capitalized at Lefa, Taparko, Bissa, Berezitovy, Taborny and Gross mines (US$ 82.8 million during 2018). The carrying value of the stripping activity asset recognised within construction in progress as at 31 December 2019 amounted to US$ 145.6 million (31 December 2018: US$ 186.7 million). Total carrying value of the stripping activity asset recognised within property, plant and equipment as at 31 December 2019 amounted to US$ 284.9 million (31 December 2018: US$ 298.2 million).

Assets Held for Sale

During 2019 Zun-Holba mine, part of Buryatzoloto operations, was separated from OJSC Buryatzoloto into a standalone legal entity, LLC Zun-Holba. Assets related to Zun-Holba operations were transferred from OJSC Buryatzoloto to LLC Zun-Holba as a contribution to the share capital.

On 1 December 2019 management concluded that the carrying value of Zun-Holba non-current assets will be recovered through a sale transaction rather than through continuing use and accordingly these were classified as held for sale.

Management judgement is required to assess whether the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification is probable (Note 12).

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.

As at 31 December 2019, 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 2019 and the relevant sensitivity analysis performed are presented in Note 21.

Recoverability of indirect taxes

The Group is due substantial amounts of indirect tax in West Africa from the local tax authorities. At each reporting date management estimates the forecast recoverability of the respective asset and creates an impairment provision when required. In addition, timing of the expected cash inflows is assessed for the purposes of classifying the respective asset as current or non-current. The total balance of indirect taxes recoverable in West Africa as at 31 December 2019, net of provision, amounted to US$ 85.1 million (31 December 2018: US$ 66.1 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 within 12 months is an increase in indirect taxes recoverable or reversal of historical provision for indirect taxes recoverable of up to US$ 6.5 million as at 31 December 2019.

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 2019, gold-in-process in the amount of US$ 82.1 million (31 December 2018: US$ 79.6 million) was classified within current assets and ore stockpiles in the amount of US$ 53.7 million (31 December 2018: US$ 48.1 million) were split between current and non-current assets based on mine operating plans. Non-current portion as at 31 December 2019 amounted to US$ 44.3 million (31 December 2018: US$ 42.4 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$ 1.5 million.

5. Segment reporting

The Group has nine 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:

- **Gross.** An open pit gold mine Gross with the heap-leaching technology for gold processing located in the Republic of Sakha (Yakutia) of the Russian Federation.

- **Taborny (former Neryungri).** An open pit gold mine Taborny with the heap-leaching technology for gold processing located in the Republic of Sakha (Yakutia) of the Russian Federation.

- **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 through sale to a third party, of which the result was immaterial.

- **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. During 2019 Zun-Holba was classified as asset held for sale (Note 12).

- **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 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, foreign exchange gain/loss 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	
	2019	2018
Sales		
Gross	367,619	68,880
Taborny (former Neryungri)	108,546	124,507
Suzdal and Balazhal	107,060	104,980
Buryatzoloto	67,075	82,905
Berezitovy	85,069	62,307
Taparko	96,683	129,845
Lefa	263,532	238,964
Bissa and Bouly	352,697	330,826
Total	**1,448,281**	**1,143,214**

	Year ended 31 December	
	2019	2018
Adjusted EBITDA by segment		
Gross	282,768	55,572
Taborny (former Neryungri)	65,391	78,858
Suzdal and Balazhal	59,044	54,681
Buryatzoloto	27,934	6,653
Berezitovy	40,813	29,369
Taparko	2,514	48,773
Lefa	84,349	87,406
Bissa and Bouly	138,420	136,808
Greenfields	(119)	(55)
Total adjusted EBITDA for reportable segments	**701,114**	**498,065**
Adjusted EBITDA for all other segments	(33,847)	(27,872)
Total	**667,267**	**470,193**

	Year ended 31 December	
	2019	2018
Segment capital expenditures		
Gross	68,627	44,646
Taborny (former Neryungri)	49,058	146,298
Suzdal and Balazhal	17,644	12,843
Buryatzoloto	22,768	27,618
Berezitovy	39,129	48,518
Taparko	39,589	60,102
Lefa	89,927	74,622
Bissa and Bouly	86,852	85,567
Greenfields	10,005	13,868
Total capital expenditures for reportable segments	**423,599**	**514,082**
All other segments	5,388	581
Total segment capital expenditures	**428,987**	**514,663**
Depreciation capitalised	35,269	30,880
Other transfers	(5,647)	(2,052)
Additions to PP&E and Intangible assets	**458,609**	**543,491**

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

	Year ended 31 December	
	2019	2018
Adjusted EBITDA	**667,267**	**470,193**
Finance income	28,152	4,284
Finance costs	(59,376)	(115,601)
Foreign exchange (loss)/gain	(18,833)	38,040
Depreciation and amortisation	(296,743)	(193,403)
Impairment charge of non-current assets	(129,739)	(39,126)
Loss on partial disposal of subsidiary	—	(35,731)
Impairment charge of work-in-progress recognised in cost of sales	(6,747)	3,297
Net loss on disposal of property, plant and equipment	(1,471)	(1,009)
Other expenses	(3,650)	(4,637)
Profit before income tax	**178,860**	**126,307**

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	
	2019	2018
Russian Federation	838,043	723,785
Burkina Faso	604,660	648,132
Guinea	509,233	494,543
French Guiana	114,058	109,278
Kazakhstan	52,900	44,731
Canada	28,684	25,274
Other	5,984	486
Total	**2,153,562**	**2,046,229**

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

	Year ended 31 December	
	2019	2018
Russian Federation	628,309	338,599
Burkina Faso	449,380	460,671
Guinea	263,532	238,964
Kazakhstan	107,060	104,980
Total	**1,448,281**	**1,143,214**

6. Sales

	Year ended 31 December 2019	Year ended 31 December 2018
By product		
Gold	1,441,149	1,138,558
Silver	7,132	4,656
Total	**1,448,281**	**1,143,214**

		Year ended 31 December 2019	Year ended 31 December 2018
By customer	**By segment**		
Switzerland: MKS Finance S.A.	Bissa and Bouly, Lefa, Taparko	712,912	690,883
Russian Federation: VTB	Gross, Taborny (former Neryungri), Berezitovy, Buryatzoloto	449,843	321,857
Russian Federation: Otkrytie	Gross, Taborny (former Neryungri), Berezitovy, Buryatzoloto	178,466	8,277
Kazakhstan: Tau-Ken Altyn	Suzdal and Balazhal	107,060	104,980
Switzerland: Metalor Technologies S.A.	Taparko	—	8,752
Russian Federation: Sberbank	Taborny (former Neryungri)	—	7,992
Russian Federation: Gazprombank	Taborny (former Neryungri)	—	473
Total		**1,448,281**	**1,143,214**

All revenues are derived from the contracts with customers.

7. General and administrative expenses

	Year ended 31 December	
	2019	2018
Wages and salaries	34,209	31,418
Professional and other services	17,853	15,273
Depreciation and amortisation	5,830	6,721
Other	2,441	1,991
Total	**60,333**	**55,403**

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

	Year ended 31 December	
	2019	2018
Fees payable to the Company’s auditor and their associates for the audit of the Company’s annual accounts		
The audit of the Company	339	300
The audit of the Company’s subsidiaries	368	317
Total audit fees	**707**	**617**
Other assurance services	373	125
Total non-audit fees	**373**	**125**

8. Staff cost

	Year ended 31 December	
	2019	2018
Wages and salaries	177,213	176,816
Long-term incentive program	5,025	3,397
Social security costs	34,901	30,483
	217,139	**210,696**
Less capitalised amounts:		
Wages and salaries	(38,080)	(37,392)
Social security costs	(10,692)	(7,845)
Total	**168,367**	**165,459**

Key management personnel comprise executive and non-executive directors ("Directors"). Total Directors' remuneration in 2019 amounted to US$ 13.2 million (2018: US$ 11.9 million). It included annual salaries of US$ 5.8 million (2018: US$ 6.3 million), annual bonuses of US$ 3.8 million (2018: US$ 2.7 million), and incentive programme accruals of US$ 3.6 million (2018: US$ 2.9 million).

Remuneration of the highest paid Director in 2019 amounted to US$ 4.0 million (2018: US$ 3.5 million) including annual salary of US$ 1.0 million (2018: US$ 1.1 million), annual bonus of US$ 1.2 million (2018: US$ 1.5 million), incentive programme of US$ 1.7 million (2018: US$ 0.8 million), and benefit allowance of US$ 0.1 million (2018: US$ 0.1 million).

The average number of employees by business units:

	Year ended 31 December	
	2019	2018
Operating mines:		
Buryatzoloto	1,380	1,999
Bissa	1,248	1,234
Lefa	1,305	1,178
Gross	1,010	629
Suzdal	976	962
Berezitovy	890	895
Taborny (former Neryungri)	704	684
Taparko	667	650
Other entities:		
Nordgold Management	103	97
Others	2	3
Total	**8,285**	**8,331**

9. Impairment of non-current assets

As at 31 December 2019 and 2018, the Group's property, plant and equipment and mineral rights at certain business units with impairment indicators 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 2019 and 2018 as follows:

	Year ended 31 December	
	2019	2018
Property, plant and equipment (Note 17)		
Berezitovy	58,229	—
Taparko	23,652	—
Buryatzoloto	6,339	4,813
	88,220	**4,813**
Intangible assets (Note 18)		
Buryatzoloto mineral rights and exploration and evaluation assets	10,546	37,154
Taparko mineral rights	6,370	—
Bissa mineral rights	5,699	—
Berezitovy mineral rights	4,134	—
Other intangible assets	563	969
	27,312	**38,123**
Other assets		
Assets held for sale impairment (Note 12)	22,140	—
Reversal of impairment	(7,933)	(3,810)
	14,207	**(3,810)**
Impairment of non-current assets	**129,739**	**39,126**

Due to the presence of impairment indicators in 2019, management conducted impairment valuation reviews at Buryatzoloto, Berezitovy and Taparko CGUs (2018: Buryatzoloto, Berezitovy and Lefa). 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, Berezitovy and Taparko was recognised (impairment loss for Buryatzoloto was recognised in 2018).

The valuations of recoverable amount 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 2020 gold price of US$ 1,500/oz, a 2021 and 2022 gold prices are US$ 1,437/oz and 1,394/oz respectively and long-term gold price of US$ 1,400/oz, based on third party analysts' consensus data;
- Approved mine plans which include relevant production and cost assumptions;

- A pre-tax real discount rate for Berezitovy of 10.1% (2018: 11.5%), Taparko 8.9% (2018: no impairment test) and Buryatzoloto 12.3% (2018: 10.7%), 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	1,867
Long-term gold price of US$ 1 150 per ounce	2,333
Long-term gold price of US$ 1 100 per ounce	2,800
10% decrease in future production volume	56,680
10% increase in future cost of production	33,348
1pp increase in discount rate applied	1,743

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

The US$ 5.7 million (no impairment losses during 2018) pre-tax impairment charge for Bissa mineral rights related to project Zinigma in West Africa which did not result in the discovery of commercially viable quantities of gold resources. The US$ 7.5 million (no impairment losses during 2018) pre-tax impairment charge for Buryatzoloto exploration and evaluation assets related to project Zhanok in Russian Federation.

Impairment of assets held for sale related to LLC Zun-Holba. Proceeds from disposal are expected to be US$ 3.0 million while the carrying amount of the related net assets as at 31 December 2019 was US$ 25.1 million. Impairment loss of US$ 22.1 million was recognised accordingly in respect of assets held for sale, including impairment of property, plant and equipment US$ 20.5 million and impairment of intangible assets US$ 1.6 million.

Impairment reversal in 2019 of other non-current assets of US$ 7.9 million (2018: US$ 3.8 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	
	2019	2018
Finance income		
Interest income	822	4,284
Net income from derivative	27,330	—
Total	**28,152**	**4,284**
Finance costs		
Interest expense	(51,971)	(61,764)
Net loss from derivative	—	(44,762)
Environmental provision discount unwinding	(1,898)	(1,484)
Royalties related to West African operations	(2,752)	(5,654)
Other	(2,755)	(1,937)
Total	**(59,376)**	**(115,601)**

Net income from derivative of US$ 27.3 million for 2019 (2018: net loss US$ 44.8 million) related to a cross currency swap and includes US$ 2.3 million of net interest and US$ 25.0 million derivative instrument fair value change. The swap provided an economic hedge of a Ruble denominated loan held by an entity with US dollar functional currency. The translation of the loan gave a current year US$ 24.0 million loss included in the net foreign exchange loss. The swap was closed out in 2019 (with the financial liability of US$ 33.4 million fully de-recognised) and the loan redenominated into US dollar as set out in Note 19 with no gain or loss, or transfer of cash arising.

11. Income tax

	Year ended 31 December	
	2019	2018
Current tax charge	(29,190)	(38,809)
Prior period adjustments	4,104	(375)
Deferred tax expense	13,109	4,772
Income tax expense	**(11,977)**	**(34,412)**

In 2019 and 2018, 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			
	2019		2018	
Profit before income tax expense	**178,860**		**126,307**	
Theoretical tax at rates applicable to the profits in the respective countries	(30,751)	17%	(35,405)	28%
Effect of the regional investment project	46,033	(26%)	—	—
Prior period adjustments	4,104	(2%)	(375)	0%
Effect of intragroup dividends	(2,317)	1%	(4,816)	4%
Current year losses not recognised	(3,574)	2%	(1,430)	1%
Income/(expenses) that are non-deductible	(2,297)	1%	(2,384)	2%
Prior year deferred tax write-off/recognised	(23,175)	13%	5,903	(5%)
Utilisation of tax losses not recognised in prior periods	—	—	4,095	-3%
Income tax expense	**(11,977)**	**7%**	**(34,412)**	**27%**

Starting from 1 January 2019 LLC Nerungri-Metallik, a 100% subsidiary of the Group that owns the Gross mine, applies the following reduced rates on income tax because it entered into a regional investment project: 0% for 2019–2023; 10% for 2024–2028; and the standard 20% rate thereafter.

The effect of the regional investment project includes the effect of revision of income tax rate in 2019 and effect of different tax rates applied compared to a statutory tax.

Current year losses not recognised during 2019 and 2018 related to the Group's holding and other entities which are not expected to generate enough taxable profits to recover these losses in future.

In 2019, the Group has written off deferred tax assets related to Taparko, High River Gold Mines Ltd. and Nordgold Management which are deemed non-recoverable. Prior year deferred tax recognised in 2018 related 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 recognised 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:

2019	Opening balance	Recognised in profit or loss	Adjustment in respect of prior years	Translation difference	Reclassified as held for sale	Closing balance
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	**(32,704)**	16,707	—	(2,661)	2,877	**(15,781)**
Intangible assets	**(81,712)**	(10,084)	4,395	(1,093)	722	**(87,772)**
Inventories	**(5,518)**	2,079	—	(979)	—	**(4,418)**
Financial investments	**5,005**	(4,707)	—	(84)	—	**214**
Provisions	**7,872**	(752)	—	615	—	**7,735**
Other	**4,694**	3,985	(291)	379	(79)	**8,688**
Tax losses carried forward	**51,519**	5,881	—	48	—	**57,448**
Total	**(50,844)**	**13,109**	**4,104**	**(3,775)**	**3,520**	**(33,886)**

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)**

Management concluded that recoverability of the recognised deferred tax asset of US$ 57.4 million at 31 December 2019 (31 December 2018: US$ 51.5 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
	2019	2018
Deferred tax liability	(70,437)	(97,807)
Deferred tax asset	36,551	46,963
Net deferred tax liability	**(33,886)**	**(50,844)**

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$ 632 million at 31 December 2019 (31 December 2018: US$ 367 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
	2019	2018
Within one year	9	9
Between one and five years	13,577	2,107
Between five and ten years	5,485	2,519
Between ten and twenty years	7,154	1,800
No expiry date	47,461	66,633
Total	**73,686**	**73,068**

12. Disposal group classified as held for sale

During 2019 Zun-Holba mine, a part of Buryatzoloto operations, was separated from OJSC Buryatzoloto into separate legal entity LLC Zun-Holba. Assets related to Zun-Holba operations were transferred from OJSC Buryatzoloto to LLC Zun-Holba as a contribution to the share capital.

As a result of such separation Zun-Holba operations were ready for sale in its present condition and management assessed that it is highly probable that Zun-Holba will be disposed during the next year leading to classification of assets and liabilities of Zun-Holba as held for sale starting from 1 October 2019, when decision was taken to dispose of Zun-Holba mine and negotiations with several interested parties have subsequently taken place. Assets and liabilities of Zun-Holba operations, which are expected to be disposed of within 12 months, were classified as at 31 December 2019 as assets held for sale and liabilities directly associated with assets held for sale, respectively, and presented separately in the consolidated statement of financial position.

Proceeds from disposal are expected to be US$ 3.0 million while the carrying amount of the related net assets as at 31 December 2019 was US$ 25.1 million. Impairment loss of US$ 22.1 million was recognised accordingly in respect of assets held for sale.

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	31 December 2019
Property, plant and equipment	6,527
VAT receivable	4,414
Cash and cash equivalents	1,666
Total assets classified as held for sale	**12,607**
Accounts payable	2,608
Deferred tax liabilities	3,520
Other non-current liabilities	3,445
Total liabilities directly associated with assets classified as held for sale	**9,573**
Net assets of disposal group	**3,034**

13. Dividends

	Cents per share	US$ thousand	Accrued and paid in
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
Final dividend 2018	1	4,304	2019
Total dividends for the year ended 31 December 2018		**45,384**	
Total dividends for the year ended 31 December 2019		**4,304**	

14. Cash and cash equivalents and short-term deposits

		31 December
	2019	2018
Cash at banks	140,999	72,840
Short-term bank deposits (maturing within 3 months)	48,715	17,370
Petty cash	177	136
Total	**189,891**	**90,346**
Restricted cash in non-current assets	18,993	16,395

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.

15. Accounts receivable

	31 December 2019	2018
Advances paid and prepayments	20,881	15,827
Trade accounts receivable	2,062	1,497
Other receivables	15,879	13,763
Provision for credit losses		
Advances paid and prepayments	(151)	(143)
Trade accounts receivable	(248)	(246)
Other receivables	(791)	(691)
Total accounts receivable	**37,632**	**30,007**

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 are discussed in Note 26.

16. Inventories

	31 December 2019	2018
Current inventories		
Materials and consumables	124,006	107,170
Work-in-progress	91,503	85,252
Finished goods	4,247	4,123
Total current inventories	**219,756**	**196,545**
Non-current inventories		
Long-term ore stockpiles	44,277	42,432
Long-term materials and consumables	43,142	46,520
Total non-current inventories	**87,419**	**88,952**

In 2019 inventories recognised as an expense within cost of sales amounted to US$ 345.0 million (2018: US$ 281.7 million).

As at 31 December 2019, the obsolescence and net realisable value provision amounted to US$ 47.3 million (31 December 2018: US$ 40.6 million). In 2019 accrual of obsolescence and net realisable value provision included in cost of sales in 2019 amounted to US$ 6.7 million (2018: reversal of US$ 3.3 million). The main reason for such accrual was cost increase at certain CGUs leading to additional net realizable value provision.

17. Property, plant and equipment

	Land, buildings and constructions	Plant and equipment	Capital stripping	Other assets	Construction in progress	Total
Cost						
Balance at 1 January 2018	**496,842**	**748,605**	**287,888**	**33,216**	**505,505**	**2,072,056**
Reclassifications to inventories	—	—	—	—	(3,498)	(3,498)
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**
Effect of IFRS 16 adoption	10,058	—	—	—	—	10,058
Balance at 1 January 2019	**504,763**	**912,513**	**350,822**	**37,055**	**570,983**	**2,376,136**
Reclassifications to inventories	—	—	—	—	(10,030)	(10,030)
Reclassifications between groups	31,746	(42,361)	—	10,615	—	—
Reclassified as held for sale	(36,259)	(9,809)	—	(80)	(7,522)	(53,670)
Additions	—	—	—	—	406,670	406,670
Change in environmental provision	11,357	—	—	—	—	11,357
Transfers	39,532	362,442	199,475	7,351	(608,800)	—
Disposals	(87)	(5,356)	—	(268)	(1,430)	(7,141)
Translation differences	9,411	35,106	4,176	1,030	23,942	73,665
Balance at 31 December 2019	**560,463**	**1,252,535**	**554,473**	**55,703**	**373,813**	**2,796,987**

Depreciation and impairment						
Balance at 1 January 2018	**(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)**
Reclassifications between groups	(2,266)	3,025	—	(759)	—	—
Reclassified as held for sale	18,411	8,111	—	80	—	26,602
Depreciation for the year	(48,517)	(120,836)	(123,612)	(3,257)	—	(296,222)
Impairment (note 9)	(28,343)	(1,514)	(52,811)	(188)	(5,364)	(88,220)
Disposals	43	5,122	—	102	—	5,267
Translation differences	(5,565)	(11,501)	658	(116)	(271)	(16,795)
Balance at 31 December 2019	**(365,052)**	**(644,641)**	**(415,130)**	**(27,034)**	**(16,385)**	**(1,468,242)**
Net book value						
Balance at 31 December 2018	**195,890**	**385,465**	**111,457**	**14,159**	**560,233**	**1,267,204**
Balance at 31 December 2019	**195,411**	**607,894**	**139,343**	**28,669**	**357,428**	**1,328,745**

The most significant right of use assets balance as at 31 December 2019 of US$ 7.1 million (31 December 2018: nil) relates to Land, buildings and constructions category.

18. Intangible assets

	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost				
Balance at 1 January 2018	**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**
Additions	—	49,642	2,297	51,939
Transfers	36,558	(36,349)	(209)	—
Reclassified as held for sale	(32,429)	—	—	(32,429)
Disposals	—	(19)	(88)	(107)
Translation differences	23,337	7,831	1,346	32,514
Balance at 31 December 2019	**1,412,998**	**157,538**	**24,065**	**1,594,601**

Amortisation and impairment

Balance at 1 January 2018	**(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)**
Amortisation for the year	(40,940)	—	(2,528)	(43,468)
Reclassified as held for sale	30,830	—	—	30,830
Impairment (Note 9)	(19,748)	(7,564)	—	(27,312)
Disposals	—	—	92	92
Translation differences	(7,286)	(588)	(667)	(8,541)
Balance at 31 December 2019	**(824,238)**	**(76,674)**	**(18,225)**	**(919,137)**
Net book value				
Balance at 31 December 2018	**598,438**	**67,911**	**5,597**	**671,946**
Balance at 31 December 2019	**588,760**	**80,864**	**5,840**	**675,464**

Movement in mineral rights by segment:

	Taborny (former Neryungri)	Gross	Buryatzoloto	Berezitovy
Cost				
Balance at 1 January 2018	**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**
Reclassification	(133,499)	133,499	—	—
Transfers	827	345	10,189	2,013
Reclassified as held for sale	—	—	(32,429)	—
Translation differences	3,910	16,411	7,945	1,116
Balance at 31 December 2019	**55,910**	**150,255**	**51,743**	**12,515**
Amortisation				
Balance at 1 January 2018	**(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)**
Reclassification	2,300	(2,300)	—	—
Amortisation for the year	(2,018)	(6,503)	(917)	(1,765)
Reclassified as held for sale	—	—	30,830	—
Impairment	—	—	(3,024)	(4,134)
Translation differences	(1,430)	(574)	(6,559)	(786)
Balance at 31 December 2019	**(33,778)**	**(9,377)**	**(42,977)**	**(12,515)**
Net book value				
At 31 December 2018	**152,042**	**—**	**2,731**	**3,556**
At 31 December 2019	**22,132**	**140,878**	**8,766**	**—**

Suzdal and Balazhal	Taparko	Bissa and Bouly	Lefa	Greenfields and Development assets	Total
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**
—	—	—	—	—	—
1,275	3,351	5,760	6,054	6,744	36,558
—	—	—	—	—	(32,429)
488	(2,219)	(2,319)	—	(1,995)	23,337
62,280	**116,587**	**107,833**	**741,356**	**114,519**	**1,412,998**
(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)**
—	**—**	**—**	**—**	**—**	**—**
(725)	(5,478)	(5,545)	(17,989)	—	(40,940)
—	—	—	—	—	30,830
—	(6,370)	(5,699)	—	(521)	(19,748)
(448)	1,912	599	—	—	(7,286)
(57,351)	**(109,822)**	**(38,254)**	**(519,643)**	**(521)**	**(824,238)**
4,339	**15,569**	**76,783**	**233,648**	**109,770**	**598,438**
4,929	**6,765**	**69,579**	**221,713**	**113,998**	**588,760**

Movement in exploration and evaluation assets by segment:

	Taborny (former Neryungri)	Gross	Buryatzoloto	Berezitovy
Net book value at 1 January 2018	**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**
Additions	6,952	333	9,998	1,978
Transfers to mineral rights	(827)	(339)	(10,189)	(2,013)
Impairment (Note 9)	—	—	(7,522)	—
Disposal	—	—	—	—
Translation differences	763	6	1,248	478
Net book value at 31 December 2019	**11,023**	**—**	**89**	**3,360**

Transfers of exploration and evaluation assets to mineral rights during 2019 of US$ 36.3 million (2018: US$ 40.6 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
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**
1,238	3,387	5,433	6,054	14,269	49,642
(1,275)	(3,273)	(5,405)	(6,054)	(6,974)	(36,349)
—	—	—	—	(42)	(7,564)
—	—	—	—	(19)	(19)
7	(24)	(28)	—	4,793	7,243
289	**90**	**—**	**—**	**66,013**	**80,864**

19. Borrowings

	31 December 2019	31 December 2018
Short-term borrowings		
Bank loans	—	342,598
Factoring arrangements	38,038	34,275
Accrued interest	6,153	4,656
Lease liability	5,872	—
Unamortised balance of transaction costs	—	(160)
Total short-term borrowings	**50,063**	**381,369**
Long-term borrowings		
Bank loans	525,000	576,051
Bonds issued	400,000	—
Lease liability	16,259	—
Unamortised balance of transaction costs	(9,549)	(8,251)
Total long-term borrowings	**931,710**	**567,800**

Notes and bonds issued

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

In October 2019, the Group raised US$ 400 million in a Eurobond issues. The notes are issued by Celtic Resources Holdings DAC, a wholly-owned subsidiary of Nord Gold SE, and are guaranteed by certain Group subsidiaries. The notes are denominated in US Dollars, mature in October 2024, and bear interest of 4.125% per annum payable semi-annually in arrears, on 9 April and 9 October, commencing on 9 April 2020. The notes were admitted to the Official List of Euronext Dublin and traded on the Global Exchange Market of Euronext Dublin from 9 October 2019. The notes were further used for full repayment of short term loans and for repayment of an HSBC loan classified as long term.

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 variable and payable on a quarterly basis. In November 2018, 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. As at 31 December 2019 the loan was fully repaid.

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 was 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 an effective US$ 325 million denominated loan. Interest is variable.

In March 2019, the CCS was fully settled resulting in full de-recognition of the derivative financial instrument and Facility A from the statement of financial position and recognition of Facility B treated as a long term borrowing in the amount of US$ 325 million without any cash movements. This resulted in no gain or loss from March 2017 till full settlement of the CCS. Facility B related interest is variable and payable on quarterly basis.

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 variable and payable on a quarterly basis. As at 31 December 2019 the loan was fully repaid.

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 variable and payable on a quarterly basis. As at 31 December 2019, the outstanding amount of the facility was US$ 200 million.

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 variable and payable on a quarterly basis. As at 31 December 2019 there was no outstanding amount related to this facility.

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 variable and payable on a quarterly basis. As at 31 December 2019 there was no outstanding amount related to this facility.

In November 2018, the Group entered a US$ 90 million unsecured uncommitted multicurrency revolving credit facility (“RCF”) with Sberbank of Russia JSC maturing in November 2021. The amounts drawn down are repayable at different maturities to the final maturity date. Interest is variable and payable on a monthly basis. As at 31 December 2019 there was no outstanding amount related to this facility.

In May 2019, the Group entered into a US$ 75 million unsecured committed revolving credit facility with HSBC Bank plc denominated in US dollars maturing in April 2021. The amounts drawn down are repayable at different maturities to the final maturity date. Interest is variable and payable on a quarterly basis. As at 31 December 2019 there was no outstanding amount related to this facility.

The borrowings' average interest rate as at 31 December 2019 was 4.6% (31 December 2018: 4.8%).

The fair value of the Group's debt instruments approximated their carrying values at 31 December 2019 and 31 December 2018, except for the fair value of bonds which had a market value of US$ 413.0 million (31 December 2018: nil).

Unused credit facilities at 31 December 2019 amounted to US$ 290 million (31 December 2018: US$ 90 million), US$ 165 million relates to uncommitted credit facilities and US$ 125 million to committed one (31 December 2018: the whole amount of US$ 90 related to uncommitted credit facilities).

Factoring arrangements

As at 31 December 2019, the Group owed the amount of US$ 38.0 million (31 December 2018: US$ 34.3 million) to third party financial institutions arising from reverse factoring arrangements in respect of non-metal 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 and actual payments to financial institutions were presented within financing activities of the consolidated statement of cash flows in lines "Proceeds from borrowings" and "Repayment of borrowings", accordingly. Payments to financial institutions for 2019 amounted to US$ 115.9 million (2018: US$ 44.3 million).

Lease liability

Cash outflow for leases during 2019 amounted to US$ 5.8 million (2018: nil).

20. Accounts payable

		31 December
	2019	2018
Trade accounts payable	182,908	181,794
Other taxes payable	59,965	44,032
Amounts payable to employees	29,412	28,124
Accrued expenses	2,073	2,104
Share buyback reserve	—	750
Advances received	521	226
Other payables	22,463	26,811
Total	**297,342**	**283,841**

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

21. Provisions

	Legal and tax claims	Environmental provision	Other	Total
Balance at 1 January 2018	**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**
Reclassified as held for sale (Note 12)	—	(3,445)	—	(3,445)
Charge in the year	(4,027)	13,608	—	9,581
Change in estimate	—	(2,251)	—	(2,251)
Unwinding of discount	—	1,898	—	1,898
Provisions utilised	(5,187)	—	(69)	(5,256)
Translation differences	854	1,038	—	1,892
Balance at 31 December 2019	**2,876**	**57,181**	**1,586**	**61,643**

Legal and tax claims increase in 2019 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 2022–2040, 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	
	2019	2018
Russian Federation	1.92–2.71%	3.17–4.07%
Kazakhstan	2.81%	3.77%
Burkina Faso	4.19–4.52%	3.92–4.12%
Guinea	4.5%	4.65%

Management performed an analysis of the reasonably possible change of discount rates used and its effect on the environmental provision as at 31 December 2019.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	4,002
1% increase in discount rate applied	(4,934)

22. Capital and reserves

Share capital

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

During 2019, the Company repurchased 20,297 ordinary shares for US$ 0.1 million, all of which were cancelled.

Following these transactions, the Company's issued share capital as at 31 December 2019 consisted of 336,263,929 ordinary shares with par value of 1 EUR per share amounting to US$ 464.6 million (31 December 2018: 336,284,226 ordinary shares with par value of 1 EUR per share amounting to US$ 464.6 million).

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 2018–2019 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 2019. The table below set outs a summary of the treasury shares cancelled during 2018–2019 and the related movements in equity:

	Number of shares	Consideration paid during buyback	Share capital reduction	Additional paid-in capital reduction	Retained earnings effect
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)**
4 July 2019	20,297	70	28	46	(4)
Total 2019	**20,297**	**70**	**28**	**46**	**(4)**

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.

23. Earnings per share

Basic and diluted earnings per share for the year ended 31 December 2019 were based on the profit attributable to shareholders of the Company of US$ 173.1 million (2018: US$ 87.7 million) and a weighted average number of outstanding ordinary shares of 336,274 thousand (31 December 2018: 338,589 thousand), calculated as per below (in thousands of shares):

	Issued shares	Weighted average number of shares
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**
1 January 2019	**336,284**	**336,284**
Shares cancelled in July 2019	(20)	(10)
31 December 2019	**336,264**	**336,274**

24. Subsidiaries

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

Subsidiaries	31 December 2019	31 December 2018	Location	Activity
Gross segment				
LLC Neryungri-Metallik (2)	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
Taborny (former Neryungri) segment				
LLC Rudnik Taborny (2)	100.0%	100.0%	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
Buraytzoloto segment				
OJSC Buryatzoloto (1,4)	93.8%	93.8%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Holding
LLC Irokinda (1,4)	93.8%	n/a	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Gold mining
LLC Zun-Holba (1,4)	93.8%	n/a	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 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 (3)	92.5%	92.5%	4ème étage — Immeuble Moussoudougou — Résidence 2000,Corniche Coléah Sud — Commune de Matam BP 2162, Conakry, République de Guinée	Gold mining
Bissa and Bouly and Greenfields segments				
High River Gold Mines (West Africa) Ltd (1)	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1–1103, Cayman Islands	Holding company
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%	4th Floor, 27 Dover Street, Mayfair, London, W1S4LZ, 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%	Immeuble Chopin — 1, rue de l’Indigoterie 97354 Rémire-Montjoly, Cayenne	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 (5)	n/a	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 (5)	n/a	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 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.

(3) 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.

(4) During 2019 LLC Irokinda and LLC Zun-Holba were separated from OJSC Buryatzoloto in order to separate legal entities running different licenses.

(5) During 2019 Eureka Mining Plc and Chelyabinsk Copper Co Ltd were liquidated.

During 2018, the Group 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.

25. Related party transactions and balances

Transactions with entities under common control mainly included purchases of goods and services amounted to US$ 14.5 million in 2019 (2018: US$ 9.4 million)

As at 31 December 2019, balances with entities under common control included accounts payable of US$ 2.3 million (31 December 2018: US$ 3.6 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 2019, external credit ratings of the Group were as follows:

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

As at 31 December 2018 external credit ratings of the Group were as follows:

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

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

Return on assets ratio:

	31 December 2019	31 December 2018
Profit from operations	228,917	199,584
Total assets	2,752,879	2,529,315
Return on assets ratio	**8%**	**8%**

Net debt reconciliation:

	31 December 2019	31 December 2018
Non-current interest bearing loans and borrowings	931,710	567,800
Derivative financial instrument	—	58,402
Current interest bearing loans and borrowings	50,063	381,369
Less: cash and cash equivalents	(189,891)	(90,346)
Net debt	**791,882**	**917,225**

Leverage ratio:

	31 December 2019	31 December 2018
Net debt	791,882	917,225
Shareholders' equity	1,194,478	942,487
Leverage ratio	**66%**	**97%**

The leverage ratio decrease mostly relates to an increase in the balance of cash and cash equivalents as at 31 December 2019. This resulted primarily from the completion of the construction of Gross mine in 2019 and the consequent absence of construction-related expenditure in 2019.

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 2018	Cash flows	Foreign exchange movement	Transaction costs amortization	Dividends declared	Transfers	Non-cash movements for supplier financing borrowing arrangements	Other changes	31 December 2019
Non-current borrowings	576,051	300,000	—	—	—	48,949	—	—	925,000
Current borrowings	342,598	(348,413)	21,408	—	—	(48,949)	—	33,356	—
Factoring arrangements	34,275	(115,856)	(753)	—	—	—	120,372	—	38,038
Transaction cost	(8,411)	(4,234)	—	3,729	—	—	—	(633)	(9,549)
Lease liability	—	(5,822)	(515)	—	—	—	—	28,468	22,131
Dividends payable	—	(5,236)	—	—	4,304	—	—	932	—
Other reserves	(9,790)	(70)	—	—	—	—	—	(680)	(10,540)
Other movements	—	(1,193)	—	—	—	—	—	1,193	—
Total financing activities	**934,723**	**(180,824)**	**20,140**	**3,729**	**4,304**	**—**	**120,372**	**62,636**	**965,080**

	31 December 2016	Cash flows	Foreign exchange movement	Transaction costs amortization	Dividends declared	Transfers	Share buy-back reserve recognition	Other changes	31 December 2017
						Non-cash changes			
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	—	—	—	—
Other reserves	11,409	(10,659)	—	—	—	—	—	(10,540)	(9,790)
Other movements	—	(6,000)	—	—	—	—	—	6,000	—
Total financing activities	**1,000,554**	**(133,711)**	**(54,905)**	**2,899**	**45,385**	**—**	**79,041**	**(4,540)**	**934,723**

Major categories of financial instruments

The Group's principal financial liabilities and financial assets are presented as follows:

	31 December 2019	31 December 2018
Financial assets		
Cash and cash equivalents	189,891	90,346
Trade and other receivables	13,891	10,861
Restricted cash	18,993	16,395
Long-term financial investments	2,961	3,181
Total financial assets	**225,736**	**120,783**
Financial liabilities		
Notes and bonds issued	400,000	—
Bank loans	525,000	918,649
Accrued interest	6,153	4,656
Derivative financial instrument	—	58,402
Lease liabilities	22,131	—
Factoring arrangements	38,038	34,275
Trade and other payables	247,611	245,601
Total financial liabilities	**1,238,933**	**1,261,583**

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 analyze 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,.

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.

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 2019, the Group had a concentration of cash and cash equivalents and bank deposits with Sberbank in the amount of US$ 141.2 million (31 December 2018: US$ 20.8 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 2019:

	Carrying amount	Future contractual cash flows	Less than 1 year	1–2 years	2–5 years	More than 5 years
Non-derivative financial liabilities						
Factoring arrangements	38,038	38,722	38,722	—	—	—
Notes and bonds issued	400,000	479,521	16,775	16,729	446,017	—
Bank loans	525,000	595,992	24,635	102,273	469,084	—
Lease liabilities	22,131	25,807	6,634	6,333	12,840	
Trade and other payables	247,611	247,611	234,784	3,821	2,859	6,147
Total	1,232,780	1,387,653	321,550	129,156	930,800	6,147

As at 31 December 2018:

	Carrying amount	Future contractual 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	918,649	1,111,522	115,781	341,616	613,107	41,018
Trade and other payables	245,601	245,601	237,479	—	2,637	5,485
Total	1,198,525	1,392,015	388,152	341,616	615,744	46,503

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 2019. A 10 percent decrease of gold price would have decreased profit after tax for the year ended 31 December 2019 by US$ 125.8 million (2018: US$ 94.5 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, Euro.

Group's exposure to Other foreign currency risk includes exposures to changes in the following currencies: 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 2019	USD	RUB	GNF	CFA (XOF)	EUR	Other
Cash and cash equivalents	8	14	631	—	128,907	(14)
Trade and other receivables*	6,768	—	2,378	568	18,685	261
Financial investments*	(4,885)	5,924	—	30,568	479	1,964
Borrowings*	(48,515)	(919)	—	—	(43,808)	(5,724)
Trade and other payables*	(40,383)	(6,860)	(21,372)	(1,337)	(9,207)	(1,135)
Net exposure	(87,007)	(1,841)	(18,363)	29,799	95,056	(4,648)

31 December 2018	USD	RUB	GNF	CFA (XOF)	EUR	Other
Cash and cash equivalents	5,159	22	219	—	4,625	(25)
Trade and other receivables*	11,222	—	1,361	577	349	148
Financial investments*	25,081	8,230	—	46,874	396	1,748
Borrowings*	(222,407)	(919)	—	—	(6,094)	(5,169)
Trade and other payables*	(42,480)	(5,897)	(20,209)	(44)	(10,096)	(1,604)
Net exposure	(223,425)	1,436	(18,629)	47,407	(10,820)	(4,902)

* 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 2019. 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 2019 and 2018 would have increased/(decreased) profit and equity by the amounts shown below:

	31 December 2019	31 December 2018
USD	(16,760)	(44,834)
RUB	(714)	(21)
GNF	(3,214)	(3,260)
CFA (XOF)	7,550	11,855
EUR	19,947	(2,065)
Other	(1,316)	(966)
Total	**5,493**	**(39,291)**

A 20 percent weakening of the following currencies as at 31 December 2019 and 2018 would have increased/ (decreased) profit and equity by the amounts shown below:

	31 December 2019	31 December 2018
USD	11,173	29,889
RUB	476	14
GNF	2,142	2,173
CFA (XOF)	(5,033)	(7,903)
EUR	(13,298)	1,377
Other	877	613
Total	**(3,663)**	**26,163**

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 2019	31 December 2018
Financial liabilities at interest with fixed spread over LIBOR	(525,000)	(918,649)
Net position	**(525,000)**	**(918,649)**

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 2019. A change of 100 basis points in variable interest rates would increase/(decrease) profit for the year ended 31 December 2019 by US$ 10.0 million (2018: US$ 8.2 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 31 December 2019		
Debt/equity investments assets designated as FVOCI	5,397	—
Derivative financial instrument	—	—
Balance at 31 December 2018		
Debt/equity investments assets designated as FVOCI	2,778	—
Derivative financial instrument	—	(58,402)

At 31 December 2019 and 2018, the Group did not have any Level 3 financial instruments.

27. Commitments and contingencies

Capital commitments

As at 31 December 2019, the Group had contractual capital commitments of US$ 37.9 million (31 December 2018: US$ 76.4 million) related to purchases of property, plant and equipment.

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 2019, management estimated the total amount of potential non-tax legal proceedings at US$ 0.4 million (31 December 2018: US$ 0.8 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. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. Where uncertainty exists, the Group has accrued tax liabilities as management's best estimate of the probable outflow of resources which will be required to settle such liabilities. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

As at 31 December 2019, 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 nil (31 December 2018: US$ 9.3 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$ 34.0 million (31 December 2018: US$ 31.5 million).

Other jurisdictions

Guinor, a subsidiary of the Group, which is a Canadian tax resident, is exposed to tax risks up to US$ 3.7 million (31 December 2018: US$ 15.0 million).

28. Events after the reporting period

On 10 March 2020, the Board of Directors approved a final dividend of 15.9 US cents per share in respect of 2019, representing a total pay-out of US$ 53.3 million.

COMPANY ONLY FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 2019 in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for 12 months ended 31 December 2019, under that law the Directors have elected to prepare the financial statements for 12 months ended 31 December 2019 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 31.12.19 $'000	Year ended 31.12.18 $'000
Other operating income		—	30
Other non-operating income		(188)	—
Administrative expenses		(2,261)	(2,356)
Impairment of investments in subsidiaries	8	—	(159,094)
Reverse of impairment of investments in subsidiaries	8	—	46,056
Disposal of subsidiaries		—	(36,988)
Reversal of Impairment in loans to related parties	7	19,600	(16,570)
Operating profit/(loss)		**17,151**	**(168,922)**
Investment income		14,905	43,238
Dividend income		34,894	101,090
Net foreign exchange (loss)/gain		(916)	367
Finance costs		(4,431)	(14,087)
Profit/(loss) before taxation		**61,603**	**(38,314)**
Income tax		(3,108)	(5,148)
Profit/(loss) after taxation for the financial year attributable to the owners of the Company		**58,495**	**(43,462)**

Statement of comprehensive income or loss

	Year ended 31.12.19 $'000	Year ended 31.12.18 $'000
Profit/(loss) for the year	**58,495**	**(43,462)**
Items that will not be reclassified to profit or loss:		
Revaluation of equity investments designated as FVOCI, net of tax	(538)	(4,524)
Other comprehensive loss for the year, net of tax	**(538)**	**(4,524)**
Total comprehensive income/(loss) for the year attributable to the owners of the Company	**57,957**	**(47,986)**

Statement of financial position

	Note	31.12.2019 $'000	31.12.2018 $'000
Non-current assets			
Investments in subsidiaries	6	1,332,064	993,458
Other investments	7	4,763	2,144
Total non-current assets		**1,336,827**	**995,602**
Current assets			
Loans to related parties	7	154,745	505,638
Trade and other receivables		28,022	19,256
Cash at bank and in hand		8,535	111
Total current assets		**191,302**	**525,005**
Total assets		**1,528,129**	**1,520,607**
Current liabilities			
Trade and other payables		(131)	(1,154)
Income tax payable		(6,511)	(5,148)
Advances received	9	(924,000)	(924,000)
Loans and borrowings	10	(23,085)	(10,836)
Total current liabilities		**(953,727)**	**(941,138)**
Net current liabilities		**(762,425)**	**(416,133)**
Total assets less current liabilities		**574,402**	**579,469**
Non-current liabilities			
Loans and borrowings	10	(25,268)	(84,668)
Total non-current liabilities		**(25,268)**	**(84,668)**
Total liabilities		**(978,995)**	**(1,025,806)**
Net assets		**549,134**	**494,801**
Equity			
Share capital	11	(464,577)	(464,605)
Share buyback reserve		—	750
Revaluation reserve	12	4,113	3,575
Retained earnings	13	(88,670)	(34,521)
Equity attributable to owners of the Company		**(549,134)**	**(494,801)**

The financial statements of FRS 101 Nord Gold SE (registered number SE000102) were approved by the board of directors and authorised for issue on 13 March 2020. They were signed on its behalf by:

Zelenski N.G.
Chief Executive Officer

Guzeev D.V.
Chief Financial Officer

Statement of changes in equity

For the 12 months ended 31 December 2019

	Share capital $'000	Treasury shares $'000	Share buyback reserve	Revaluation reserve $'000	Retained earnings $'000	Total $'000
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**
Profit for the year	—	—	—	—	58,495	58,495
Other comprehensive loss for the year	—	—	—	(538)	—	(538)
Total comprehensive income for the year						**57,957**
Ordinary shares buyback	—	(70)	70	—	—	—
Share buyback reserve	—	—	680	—	—	680
Treasury share cancellation	(28)	70	—	—	(42)	—
Share captial reduction	—	—	—	—	—	—
Dividends	—	—	—	—	(4,304)	(4,304)
Balance at 31 December 2019	**464,577**	**—**	**—**	**(4,113)**	**88,670**	**549,134**

Notes to the financial statements

For the period ended 31 December 2019

1. General information

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

The Company is a public company limited by shares and is registered in England and Wales. The address of the Company's registered office is Fourth Floor, 27 Dover Street, Mayfair, London, England, W1S 4LZ.

2. Basis of preparation and presentation

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 ‘Reduced Disclosure Framework’ (FRS 101). In preparing these financial statements, the Company applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) but makes amendments where necessary in order to comply with Companies Act 2006 and sets out where advantage of the FRS 101 disclosure exemptions has been taken.

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 2019, the following amendments are effective in the Company's Financial Statements:

- Amendments to IFRS 9: Prepayment features with Negative Compensation
- Annual Improvements to IFRS standards 2015–2017 Cycle

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$ 1,332,064 thousand (US$ 993,458 thousand as at 31 December 2018) with no impairment charge recognised in 2019 (impairment charge US$ 159,094 thousand was recognised in 2018) and no impairment reversal in 2019 (impairment reversal in total amount of US$ 46,056 thousand was recognised in 2018).

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.

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. As at 31 December 2019 the provision for expected credit losses on amount owed by subsidiaries was $3.1 million.

5. Dividends

Dividends recorded in the statement of changes in equity for 2019 comprise dividends paid in 2019 for the three months ended 31 December 2018 (US$ 4.3 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 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).

6. Subsidiaries

Cost	$'000
At 1 January 2019	1,222,778
Additions	375,736
Return of investments	(37,130)
At 31 December 2019	1,561,384
Provisions for impairment	
At 1 January 2019	(229,320)
At 31 December 2019	(229,320)
Carrying amount	
At 31 December 2018	993,458
At 31 December 2019	1,332,064

Additions mainly include increase of investments in Centroferve Ltd and HRG Mines Ltd.

Return of investments mainly relates to return from HRG Mines Ltd in amount US$ 36.5 million.

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

Details of Company's subsidiaries including information about countries of their incorporation are listed in note 24 to the consolidated financial statements.

7. Other investments and loans to related parties

	Current assets		Non-current assets	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	$'000	$'000	$'000	$'000
Equity investments assets designated at FVOCI				
Investments in shares	—	—	4,763	2,144
	—	—	4,763	2,144
Loans receivable carried at amortised cost				
Loans to related parties	154,745	505,638	—	—
Total investments	154,745	505,638	4,763	2,144

The investment in shares of US$ 2,301 thousand represents by investment in Columbus Gold Corp (31 December 2018: US$ 2,144 thousand) and US$ 2,462 thousand represents by investment in Alicanto Minerals (31 December 2018: nil).

Related party loans includes mainly loans receivable from Delta Gold Mining with interest rate 3 month LIBOR3M + 7% (3 month LIBOR3M + 7% in 2018) and loans receivable from Neryungri-Metallic with interest rates range 4% (4%–9.11% in 2018).

Amounts receivable by the Company are stated net of provisions of $3.1 million (2018: $22.7 million).

The reversal of impairment losses in total amount US$ 19.6 million was recognised primarily as a result of cash inflows during the year and decrease of the balance of loans to related parties (US$ 1.4 million in 2018).

8. Impairment of investment in subsidiaries

The investment in subsidiaries test is estimated on a value in use basis using discounted cash flow models.

As at 31 December 2019 there was no indication that investment in subsidiaries may be impaired.

As at 31 December 2018 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. 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. As a result the investments in Crew Gold Corporation is fully impaired.

9. Advances received

Advances received represent a US$ 924 million cash amounts received as at 31 December 2019 (2018: US$ 924 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.

10. Loans and Borrowings

	31.12.2019 $'000	31.12.2018 $'000
Unsecured borrowing		
Amounts owed to group undertakings	23,085	10,836
Amount due for settlement within 12 months	**23,085**	**10,836**
Amounts owed to group undertakings	25,268	84,668
Amount due for settlement after 12 months	**25,268**	**84,668**
Amounts owed to group undertakings	**48,353**	**95,504**

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 2018), Opeloak Ltd with interest rate 6.9% (3.5% as at 31 December 2018).

As at 31 December 2018 amounts owed to group undertakings include also Buryatzoloto JSC with interest rate 5.35%–5.9%.

11. Share capital

	31.12.2019 $'000
Issued and fully paid:	
336,263,929 ordinary shares of EUR 1.0 each	464,577

12. Revaluation reserve

	$'000
Balance at 1 January 2019	**(3,575)**
Revaluation of equity investments assets designated as FVOCI	(538)
Balance at 31 December 2019	**(4,113)**

13. Retained earnings

	$'000
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**
Dividends paid	(4,304)
Net profit for the year	58,495
Treasury share cancellation	(42)
Balance at 31 December 2019	**88,670**

14. Controlling party

As at 31 December 201 and 2018, the immediate parent company of the Company was Ocean Management Ltd ("the Parent Company"), registered in Cyprus. The controlling shareholders of the Company are Mr. Alexey A. Mordashov and his sons, Mr. Kirill A. Mordashov and Mr. Nikita A. Mordashov.

15. Events after the reporting period date

On 10 March 2020, the Board of Directors approved a final dividend of 15.9 US cents per share in respect of 2019, representing a total pay-out of US$ 53.3 million.

For further information on Nordgold
please visit our website:

www.nordgold.com

Designed by Konstantin Lapushkin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