nordgold
more than gold

2020 Annual Report

CONTENTS

About Company

Strategic report

Director’s report

Financial statements

Refined gold produced

1,045.6 koz

2020	1,045.6
2019	1,041.1

↑ 0.4%

Refined gold sold

1,046.3 koz

2020	1,046.3
2019	1,034.5

↑ 1,1%

About Company

ABOUT US

Nord Gold UK Societas (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 prospective projects located in 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 optimising assets, Nordgold has a proven track record of creating value for shareholders and stakeholders.

nordgold
more than gold

2020 IN BRIEF

Refined gold produced

1,045.6 koz

2020	1,045.6	↑ 0.4%
2019	1,041.1	

Refined gold sold

1,046.3 koz

2020	1,046.3	↑ 1,1%
2019	1,034.5	

Ore mined

44,996 kt

2020	44,996	↑ 6.9%
2019	42,098	

Ore processed

46,215 kt

2020	46,215	↑ 5.7%
2019	43,704	

Sales

US$ 1,861.4 million

2020	1,861.4
2019	1,448.3

↑ 29%

Total cash cost

751 US$ /oz

2020	751
2019	722

↑ 4%

Gross profit

US$ 767.7 million

2020	767.7
2020	425.5

↑ 80%

Free cash flow

US$ 551.9 million

2020	551.9
2019	171.5

↑ 222%

Adjusted EBITDA

US$ 1,016.9 million

2020	1,016.9
2019	667.3

↑ 52%

Net Debt

US$ 251.8 million

2020	251.8
2019	791.9

↓ 68%

Net Profit

US$ 578.2 million

2020	578.2
2019	153.8

↑ 276%

Return to shareholders

US$ 54.2 million

2020	54,2
2019	5,3

↑ 923%

MILESTONES AND SIGNIFICANT EVENTS

COVID-19

Nordgold continued to make progress in executing its strategy in 2020, despite the challenges caused by the COVID-19 pandemic. All mines continued operations and Nordgold performance has not been materially affected by the pandemic.

In H1 2020, Nordgold assessed potential risks and developed Business Continuity Action Plans to mitigate risks to health and potential disruptions, maintain the availability of employees and contractors and support supply chain continuity.

The Group implemented mine-specific measures, including:

- Global COVID-19 testing programmes of our employees and contractors, reaction protocols, extended shift schedule to reduce changeover frequency, incoming rotational staff quarantine upon arrival on site, travel restrictions, work from home protocols (where applicable), daily medical checks, strict enforcement of social distancing at all locations, availability of personal sanitisation to all employees, significantly increased frequency of disinfection of all public areas, camp and canteen, evacuation procedures and agreements with clinics to treat employees who contact COVID-19.

- Identification, verification and replenishment of critical stock; and identification of alternative suppliers.

- Special gold transportation measures were developed, as well as care-and-maintenance scenarios in case of severe virus outbreaks on any mine site and/or in surrounding communities.

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.

In 2020, Nordgold had zero employee fatalities, however we are sad to confirm there was one fatal incident involving a contractor at the Suzdal mine in June 2020. We also very much regret to report an employee fatality at our underground Irokinda mine in January 2021. As is our practice, both incidents will be fully investigated and improvements made wherever identified.

Gross Mine Expansion Project

Nordgold expects to increase mining and processing capacity of its largest mine Gross to approximately 18 million tonnes of ore per year from the third quarter of 2021, up from 14.5 million tonnes of ore processed in 2019, following the completion of a two year expansion project that began in 2020.

In Q1 2021, Nordgold has completed a Preliminary Economic Assessment in respect of a plan to further increase the Gross mine's mining and processing capacity up to approximately 26 million tonnes of ore per year from 2023, which, if attractive, will be followed by undertaking a Feasibility Study, expected to be completed in the second half of 2021.

Gross is Nordgold's largest mine. In 2020, Gross increased production by 7.3% year-on-year to 278 koz, contributing 27% to Nordgold's total production of 1,045.6 koz.

Highlights during the year

March

- Nordgold joined the United Nations Global Compact Initiative on Corporate Sustainability, thus reaffirming its commitment to abiding by the Global Compact's ten principles in the key areas of human rights, labour, environment and anti-corruption, as well as the 17 United Nations Sustainable Development Goals.

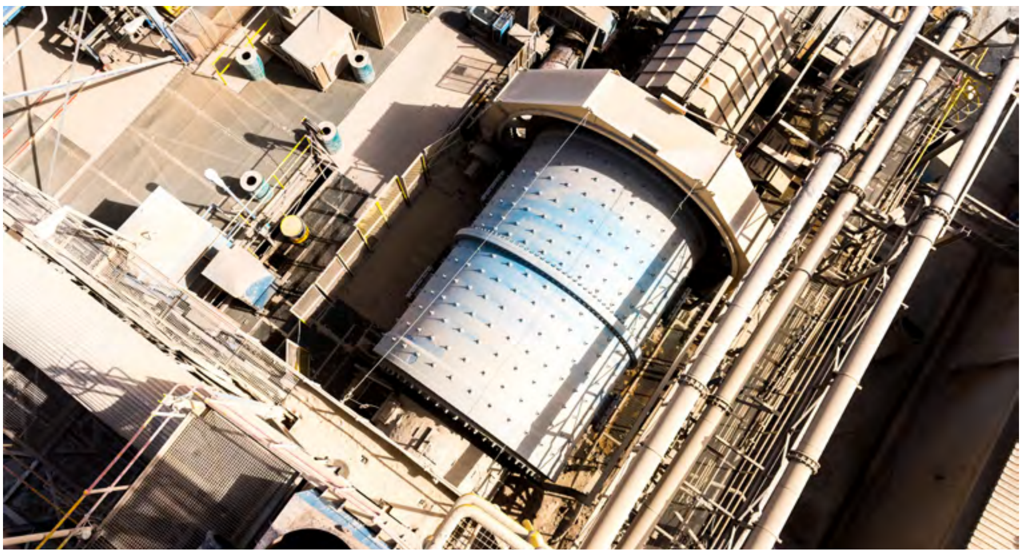
April

- Nordgold commenced work on a Preliminary Economic Assessment of the Tokkinsky Project for a potential open pit gold mine in the Yakutia region, in Russia's Far East.

- Nordgold signed a US$ 23 million Engineering, Procurement and Construction agreement with China's SUMEC to design and construct a 33 megawatt power plant at the Lefa mine in Guinea aiming to enhance safety and stability of the electricity supply.

June

- Nordgold automated the Crushing and Sorting Facility at its Suzdal Mine in Kazakhstan as part of the safety and production management improvement programme.



2020

September

- Nordgold partnered with Deswik to provide an integrated platform for mine planning and operating IT systems. The move will see the Company integrating its operating environment from the numerous software applications currently in use.

November

- Nordgold's Bissa mine in Burkina Faso financially and operationally supported the development of a community forest in the province of Oubritenga with the aim of improving household living standards in five villages and additionally saving rare plant species and promoting the natural regeneration of local species.
- Nordgold's Lefa mine in Guinea completed the construction of a new high school in Lero village, having invested more than US$ 200,000 into the project. The school will allow the children from the community, as well as the children of Nordgold's employees, to continue their studies locally, up to sitting the baccalaureate exams.

December

WWF

12th position

- Nordgold rose to 12th ranking in the World Wildlife Fund's (WWF) environmental transparency rating in 2020 (up from 14th in 2019). The annual rating reflects the openness of the environmental information provided by Russia's mining and metals companies.
- NG committed to publish its inaugural Task Force on Climate-related Financial Disclosure (TCFD) for 2020 using the new carbon intensity assessment. This assessment, expected to complete in early 2021, will also form a part Nordgold's 2020 Sustainable Development Report.
- Nordgold accepted Shandong Gold's cash offer and sold all Cardinal Resources Limited shares then owned by Nordgold to Shandong Gold, making a significant profit before tax of US$ 59 million from the investment. The sale has completed in 2020.

2020

VISION, VALUES AND GUIDING PRINCIPLES

Vision

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 safe and efficient operation, generating value for our stakeholders and focussing on sustainable growth.

A company with:

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

Underpinned by:

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

Values

As a young and fast-growing company, we understand that our success is dependent on more than consistent and efficient gold production from our portfolio of assets — our values and actions run far deeper than this and include:

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 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 investors

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

Guiding principles

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 all our stakeholders and strive to create a positive, productive and open working environment founded on respect, cooperation, reciprocity and responsibility.

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

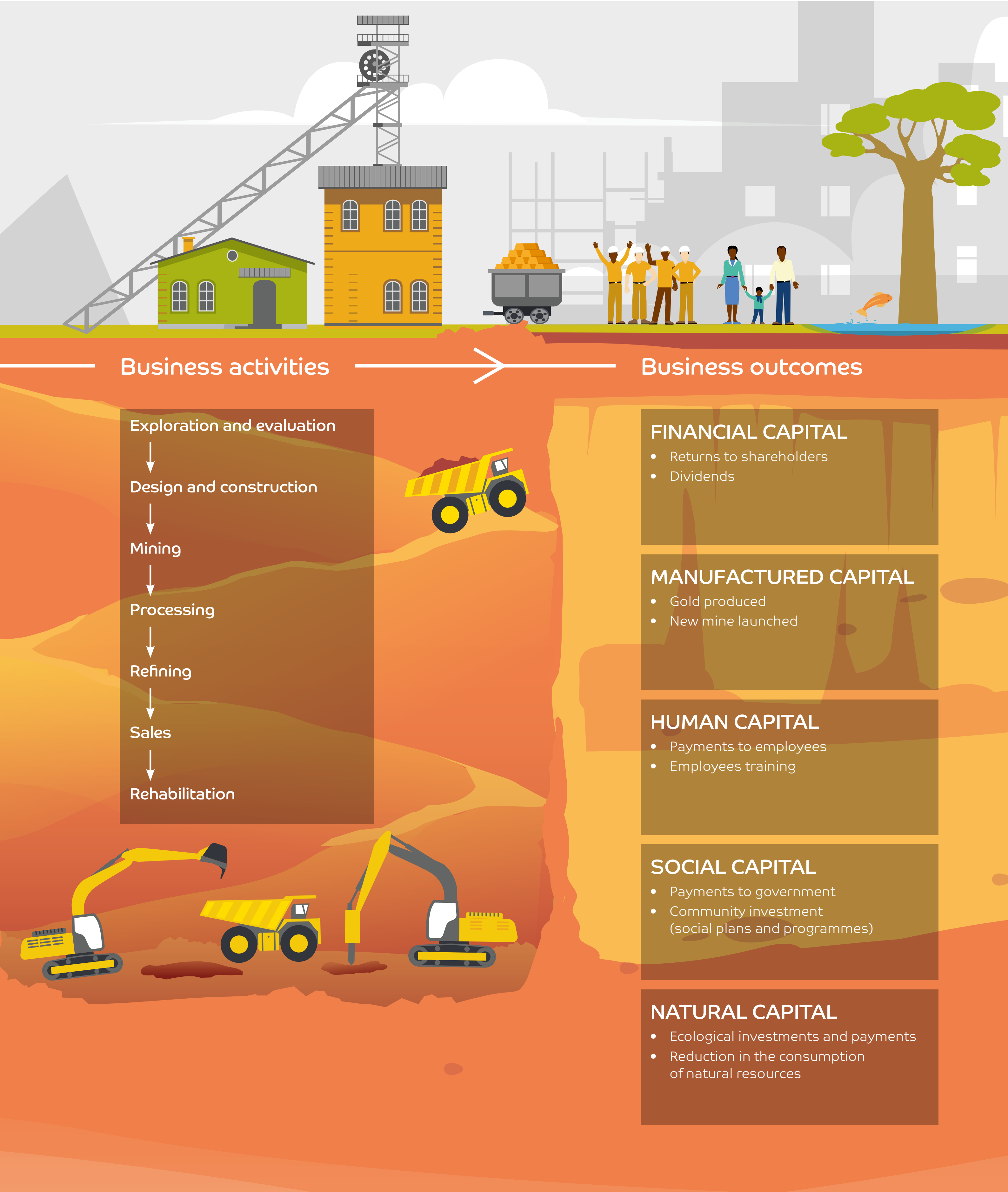
FINANCIAL CAPITAL
- Share capital
- Liabilities (long-term and short-term)

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

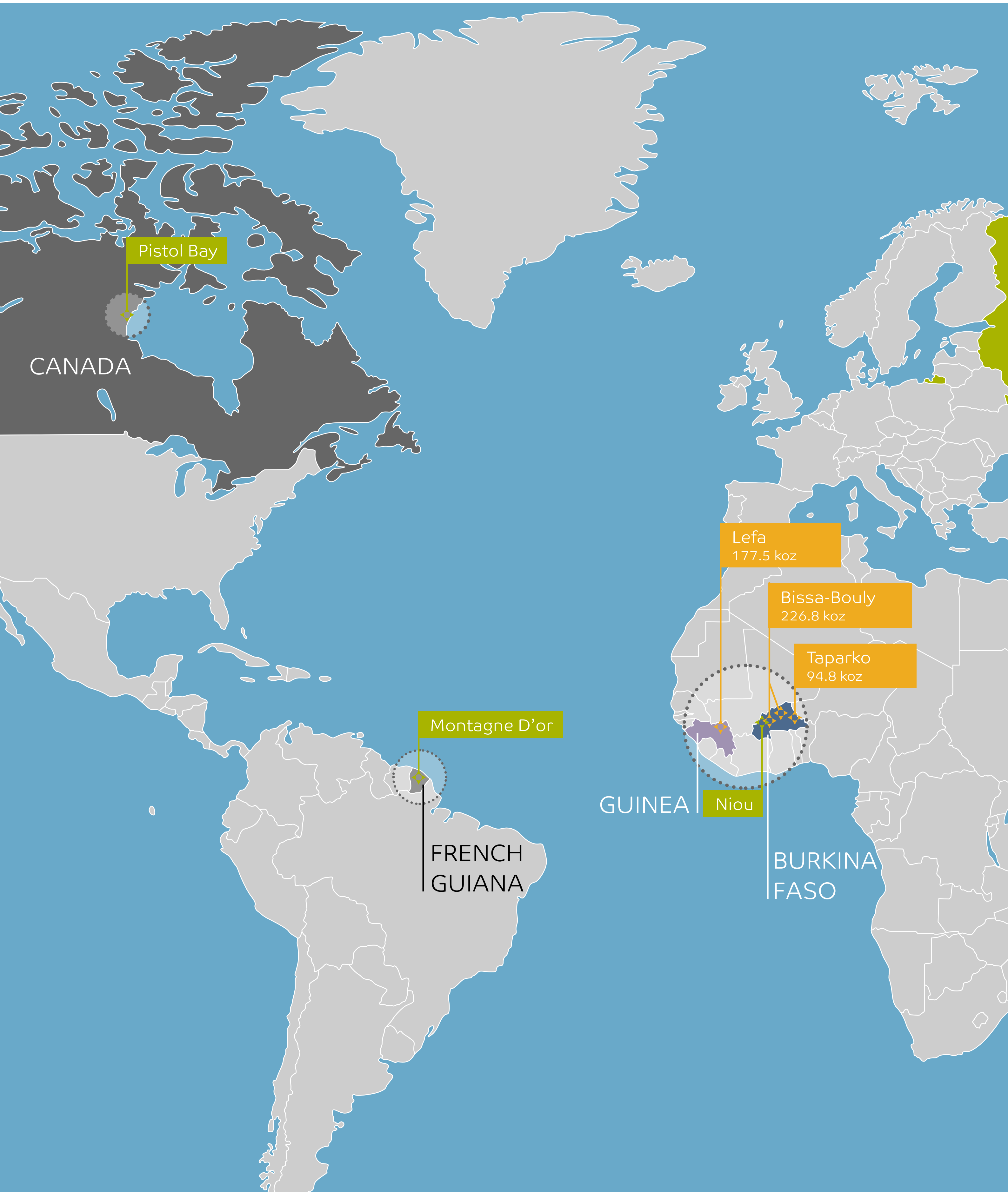
HUMAN CAPITAL
- over 8,000 of employees

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

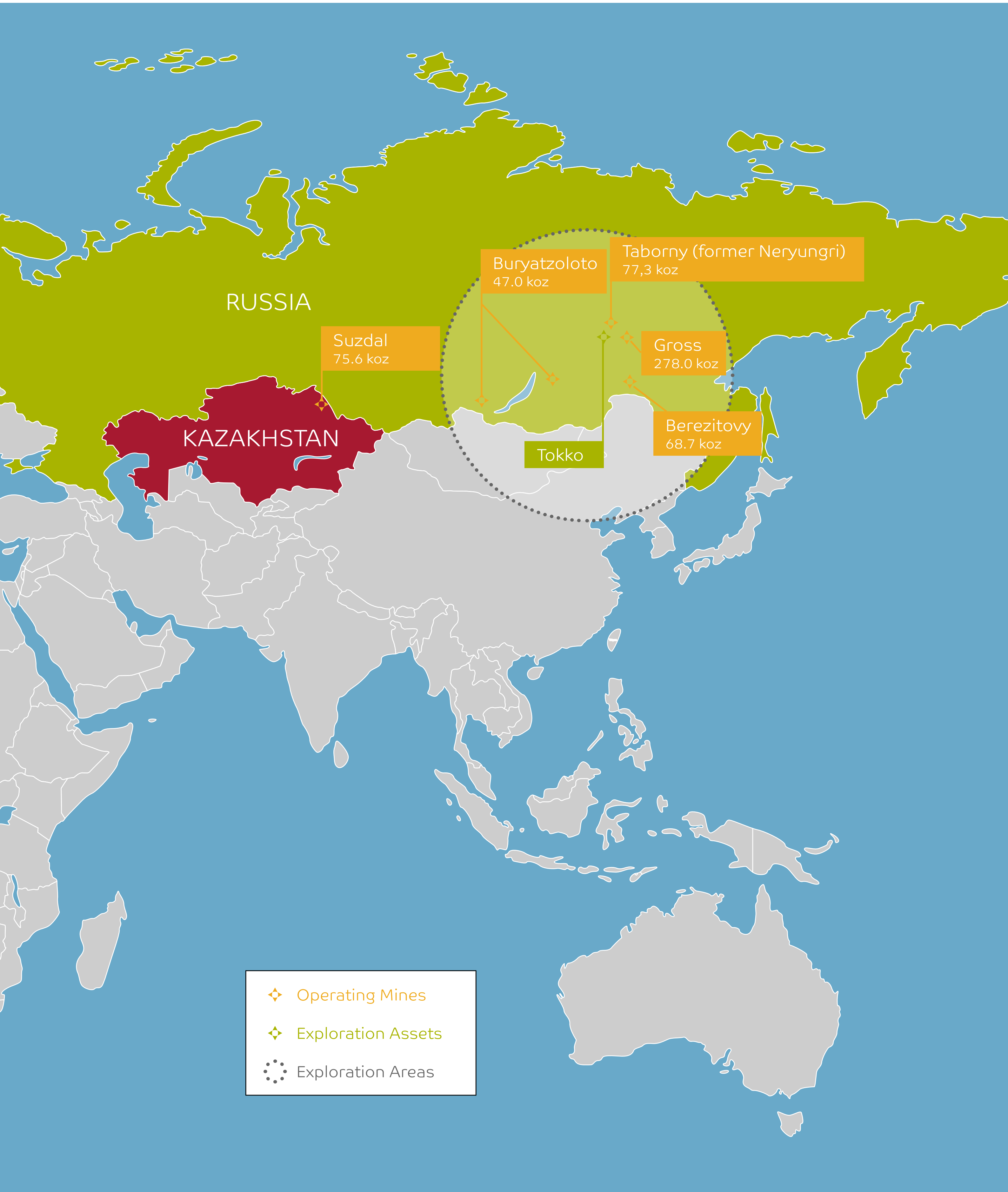
NATURAL CAPITAL
- Ore Reserves
- Water
- Electricity
- Land


Business activities
Business outcomes
Exploration and evaluation
Design and construction
Mining
Processing
Refining
Sales
Rehabilitation
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



2020 Gold production



Ore mined

44,996 kt

2020	44,996
2019	42,098

↑ 6.9%

Ore processed

46,215 kt

2020	46,215
2019	43,704

↑ 5.7%

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.

OUR STRATEGY, IN A VOLATILE PRICE-OPERATING ENVIRONMENT, IS ACCORDINGLY FOCUSED ON FIVE KEY PRIORITIES:

1) 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 initiatives such as undertaking safety behaviour audits, improving operating procedures by focussing on enhanced health and safety standards, safety and environmental training, and non-negotiable contractor safety policies and capabilities.

The Lost Time Injury Frequency Rate (LTIFR) improved from 0.33 in 2019 to 0.14 in 2020 with zero employee fatalities in 2020. Nordgold regrets to confirm one fatal incident involving a contractor at the Suzdal mine in June 2020. With deep sadness, we report an employee fatality at our underground Irokinda mine in January 2021.

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.

2) Positive free cash flow (FCF) generation at all mines

In 2020, all mines had positive free cash flow, with the Group generating US$ 551.9 million positive free cash flow.

In 2019, the Group delivered positive free cash flow of US$ 171.5 million, all mines except Taparko and Buryatzoloto had positive free cash flows.

Further details are disclosed in section "Operational Performance and Financial review", Cash flows on page 46.

3) Target net debt/LTM adjusted EBITDA level of below 2.0x

In 2020 Nordgold increased its cash balance from US$ 189.9 million as at 31 December 2019 to US$ 739.2 million as at 31 December 2020 while the borrowings balance did not change significantly — US$ 991.0 million as at 31 December 2020 comparing to US$ 981.8 million as at 31 December 2019.

Decrease of net debt along with growth in EBITDA to US$ 1,016.9 million led to decrease in net debt/adjusted EBITDA coefficient from 1.2 to 0.2.

The borrowings' average interest rate decreased from 4.6% in 2019 to 3.9% in 2020.

4) Deliver consistent returns to our shareholders

No interim dividends were declared and paid in 2020.

5) Continued growth and portfolio quality improvement through investment in near-mine exploration and in pipeline development projects

US$ 46.1 million was spent on exploration and evaluation activities in 2020 (US$ 50.7 million in 2019).

The Group portfolio of exploration and development projects includes Tokko, Pistol Bay, Uryakh, Niou and Montagne d'Or.

The Tokko gold project includes two gold deposits, Tokkinskoe (formerly Anomaly-13) and Roman, located 13 km to the west of Nordgold's existing Gross and Taborny mines in the southwest of the Republic of Sakha (Yakutia), Russia.

In February 2021, Nordgold announced positive results of the NI 43-101 compliant Preliminary Economic Assessment for the Tokko project. The assessment demonstrates the potential to develop the project by two, low cost open-pit operations with two all season heap leach facilities with a low initial capital cost, delivering a Base Case after-tax net present value of approximately US$ 653 million at 5% using a gold price of US$ 1,400 per ounce and


DT041

after tax net internal rate of return of approximately 29.5% (utilising Nordgold assumptions for metal prices, production costs etc.).

Pistol Bay is a high-grade gold exploration project located in Nunavut Territory, northern Canada, on the west coast of Hudson Bay. Nordgold more than doubled the Vickers gold deposit (part of Pistol Bay) Inferred open pit Resources to 1.58 Moz of gold at a grade of 2.2 g/t in February 2020. Nordgold plans to invest US$ 3.2 million in its 2021 drilling programme on the Pistol Bay project. Work will comprise 8,000 m of drilling and focus on testing conceptual underground potential, as well as testing for the extension of open pit mineralisation to the west of current intrusive structure.

Niou, a promising early stage exploration project, is located 50 kilometers southwest of the Bissa mine in Burkina Faso. The 2021 exploration programme at Niou will comprise of 5,000 meters of RC drilling, and 4,000 meters of RAB drilling to confirm historical high grade intersections drilled by the previous owner, and to confirm structural continuity and the extent of the ore body as conceived to date.

The Montagne d’Or gold deposit with open pit reserves of 54.1 Mt @ 1.6 g/t gold is located 180 km west of Cayenne, the capital of French Guiana. The Montagne d’Or joint-venture focus for 2021 is to advance the permitting process.

Lefa underground

A positive Preliminary Economic Assessment (PEA) for an underground mine below Lefa’s Lero-Karta pit was completed by SRK in 2020. Total Mineral Resources[1] of 16.033 million tonne at 2.50 gramme per tonne containing 1.3 Moz of gold were estimated for the Lero-Karta underground project.

As part of a mining study, an initial mine design and schedule have been developed based on an audited Mineral Resources estimate with data received up to 28 September 2020. The design supports the potential to develop am mine, commencing production in 2022 with a nameplate capacity of approximately 120 koz per year, achieved in 2024 and with a life-of-mine of 9 years.

In 2021, Resource conversion infill drilling has continued to increase confidence in geological continuity and associated grade estimates; drilling to confirm depth extensions of the ore body is also planned.

Nordgold intends to complete a Pre-Feasibility Study for the Lero-Karta underground project in Q1 2022.

---

1 Mineral Resource (JORC Code) estimated as at 31 December 2020 utilising a cut-off grade of 1.40g/t Au based on a long term Au price of USD1,750/oz.

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 68.

The Board of Directors has established 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.

The details of the principal risks and Group approach to risk management are disclosed in Section "Risk management, principal risks and uncertainties" on page 52.

Risk management

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 of Directors 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; and
- 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 2020:

1) COVID-19 pandemic

Since the outbreak and rapid spread of COVID-19 around the world, the Company's management responded with the development and implementation of a Business Continuity Action Plan, to ensure all business units are optimally prepared to keep operations going. This Plan focused on protection of the health of employees and contractors, managing ongoing operations and capital project activities by securing personnel access and supply chain at business units. The mitigations measures include quarantine and testing of all new arrivals on sites including contractors, ban of conferences, training, team-building and live events, establishing the remote working environment for all office and non-essential site employees, disinfection and provision of personal protective equipment.

Emergency reaction centers were established at Head Office, and at all business units with the objective to ensure optimal preparedness and responses.

This Business Continuity Action Plan has been discussed by the senior management team with the Board of Directors. The Board of Directors also discussed the impact of COVID-19 on the performance of the Group and each mine. The Group production has not been materially affected despite the restrictions and precautions aimed to ensure the safety of employees and contractors.

The Safety & Sustainable Development Committee of the Board of Directors closely monitors COVID-19 statistics and mitigation measures implemented on a quarterly basis.

A new risk related to COVID-19 was considered by the Board of Directors and added to the list of principal risks.

The list of Principal risks and uncertainties are disclosed in section "Risk management, principal risks and uncertainties" on page 52.

2) Dividends

The Board of Directors seeks to provide shareholders with a fair return on investments through a dividend payment.

The Board of Directors approves dividends based on the Company's dividend policy, sufficiency of the distributable reserves, availability of capital to meet further investment needs and the Group's capital structure which reflects the combination of debt and equity.

Dividends are only paid when the holding company, Nord Gold UK Societas, has sufficient distributable reserves.

Distributable reserves or a company's profits available for distribution are its accumulated, realised profits, so far as not previously utilised by distribution or capitalisation, less its accumulated, realised losses, so far as not previously written off in a reduction or reorganisation of capital duly made.

The Company's dividend policy and dividends declared are disclosed in Section "Dividends" on page 63.

Besides availability of distributable reserves the Board of Directors reviews the statutory test to ensure that amount of Nord Gold UK Societas net assets is not less than the aggregate of its called-up share capital and undistributable reserves, and if, and to the extent that, the dividends distribution does not reduce the amount of those assets to less than that aggregate.

Nord Gold UK Societas Statement of financial position as at 31 December 2020 is presented on page 150.

To protect the interests of creditors the Board of Directors considers that dividends distribution would not cause the Group to be unable to pay its liability and debts as they fall due.

In order to maintain sufficient distributable reserves, in April 2020, the issued share capital of the Company was reduced from €336,263,929 to €3,362,639.29, and the amount by which the share capital was so reduced was credited to a distributable reserve.

3) Strategic business plan

Each year the Board of Directors reviews the Group strategic business plan for the following five years in depth. The plan is designed in compliance with the Group's strategy and forms the basis for further detailed action plans, investment decisions regarding the assets portfolio and other strategic decisions. Different options for strategic development and portfolio reorganization, depending on gold price, operational and financial indicators and forecasts, were considered, reviewed and noted by the Board of Directors.

The strategic business plan considered returns to the shareholders and debt investors through production growth and the maintenance of a pipeline of development projects, as well as considering employee's well-being and the impact of the Group operations on communities and the environment.

Having taken into account the above, the Board of Directors approved the Strategic Business plan for 2021–2030.

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 project pipeline. Successful development projects which are brought into production create new workplaces and have a positive fiscal impact in the communities and countries of operation.

In 2020 Nordgold competed with Shandong Gold for the acquisition of Cardinal Resources Limited, the West African gold-focused exploration and development company which is focused on the Namdini Gold Project.

In March 2020, the Board of Directors approved the acquisition of 19.9 percent of the shares of Cardinal Resources Limited. During July — September 2020, additional shares were acquired resulting in Nordgold's interest increasing to 27.8 percent.

In July 2020 Nordgold announced an unconditional on-market cash offer to acquire all of the ordinary shares in Cardinal for A$0.66 cash per share. Nordgold increased the offer price from A$0.66 to A$1.00 per share in November 2020 and from A$1.00 to A$1.05 per share in December 2020.

In December 2020 Shandong Gold, a holder of the competing offer, increased its offer price to A$1.075 per share. The price offered by Shandong Gold was beyond that at which Nordgold felt able to justify, taking into account the risks associated with mine development, entry into a new jurisdiction, and Nordgold’s required rate of return on new projects. Nordgold accepted Shandong Gold’s offer and sold all shares held in Cardinal Resources Limited to Shandong Gold at the price offered.

In 2019, Nordgold entered into an Option Agreement with Alicanto Minerals Ltd for the exclusive right to acquire a 100% interest in the Arakaka Gold Project. Under the terms of the Agreement, Nordgold had an option to acquire a 100% interest in the Arakaka Project by sole funding US$ 3 million in exploration expenditures within a one year option period, and paying an additional US$ 5 million to Alicanto to exercise the option. In 2020 Nordgold decided not to exercise its option to acquire Arakaka based on the results of shallow diamond drilling.

5) Environmental impact

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 52.

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

The Board of Directors recognised that climate change is a significant challenge which may have impact on 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.

Directors have committed to publish its inaugural Task Force on Climate-related Financial Disclosure (TCFD) report for 2020 using the new carbon intensity assessment. This assessment, expected to complete in early 2021, will also form a part Nordgold’s 2020 Sustainable Development Report.

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

The construction a new powerhouse at Lefa mine is underway. The new heavy fuel oil (HFO) power plant will replace the existing facility, reducing both fuel consumption for electricity production by 15% and engine oil consumed by 30%. This will result in a 17,000-ton reduction of greenhouse gas emissions per year.

Nordgold is in process of implementation of a consistent 3-year powerhouse improvement programme at Gross mine, improving efficiencies and resulting in an 8% decrease in coal consumption and approximately 57,700-ton reduction of greenhouse gas emissions in 2021–2022.

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 continuous stakeholder engagement is fundamental to the strategy and long-term success of the business. The Group is committed to working with all 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

Nordgold employs over 8,000 people in Russia, Burkina-Faso, Guinea and Kazakhstan. We are proud to have multinational team and we are creating an atmosphere of mutual respect and dialog. The health and safety of our people is our absolute priority.

Areas of interest/ concerns	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)

We rely on the support of our investors and we want to earn investor confidence through delivering superior financial return on invested capital.

Areas of interest/ concerns	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. 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. The Audit Committee is also 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.

Nordgold's dividend policy disclosed in Section "Dividends" on page 63.

Business partners: suppliers and customers

We build long-term relationships with our suppliers and customers founded on the mutual respect, collaboration and responsibility.

Areas of interest/ concerns	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 all stakeholders 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 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

Being a responsible member of the communities in which we operate is central to the way we do our business.

Areas of interest/ concerns	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 its 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.

Nordgold supported local communities in the fight against COVID-19: Nordgold has donated vital medical and protective equipment to the Ministry of Health of Burkina Faso and launched a large-scale communications campaign for the local communities of both its Bissa-Bouly and Taparko mines. The Company's contribution has exceeded US$ 100,000.

In Guinea Nordgold has delivered almost US$ 20,000 of essential hygiene supplies including non-contact thermometers and hand-wash basins, to local communities around the Lefa mine. Nordgold has also provided US$ 6,000 of sugar supplies to the local community for the holy month of Ramadan. All materials were sourced through Nordgold's procurement processes as part of its on-going commitment to support communities in which the Company operates.

OPERATIONAL PERFORMANCE AND FINANCIAL REVIEW — KPIs[1]

Operational performance

Operational Key Performance Indicators[2]		2020	2019	Change, %
Refined gold produced	koz	1,045.6	1,041.1[3]	0.4%
Refined gold sold	koz	1,046.3	1,034.5[4]	1.1%
Ore mined	kt	44,996	42,098	6.9%
Ore processed	kt	46,215	43,704	5.7%
Grade in ore processed	g/t	0.84	0.92	(8.7%)
Recovery	%	81.4%	79.3%	2.1pp
LTIFR, lost time injury frequency rate[5]		0.14	0.33	(58%)

In 2020 Nordgold produced 1,045.6 koz, slightly higher than that achieved in 2019, despite the challenges presented by the unprecedented global pandemic. These production results were mainly driven by operating performances at the Gross, Taparko, Taborny and Berezitovy, which more than offset lower production at other mines.

Gold produced by mines[6]	2020 koz	2019 koz	Change	Change, %
Gross	278.0	259.2	18.8	7.3%
Bissa-Bouly	226.8	253.8	(27.0)	(10.6%)
Bissa	148.2	152.0	(3.8)	(2.5%)
Bouly	78.6	101.8	(23.2)	(22.8%)
Lefa	177.5	189.8	(12.3)	(6.5%)
Taparko	94.8	68.2	26.6	39.0%
Suzdal	75.6	75.8	(0.2)	(0.3%)
Taborny	77.3	76.4	0.9	1.2%
Berezitovy	68.7	60.1	8.6	14.3%
Buryatzoloto	47.0	57.7	(10.7)	(18.5%)
Total	**1,045.6**	**1,041.1**	**4.5**	**0.4%**

1 All financial and operational information is disclosed for the 12 months ended 31 December 2020 and 2019
2 Refined gold produced and refined gold sold include 6.4 thousand gold equivalent ounces of silver production in 2020 and 4.75 thousand gold equivalent ounces of silver production in 2019 (based on ~1:87 Ag/Au for 2020 and 2019)
3 Including 9.8 koz Q1–Q3 2019 capitalised gold production of Zun-Holba
4 Excluding 9.8 koz Q1–Q3 2019 capitalised gold production of Zun-Holba
5 Adjusted LTIFR number to be comparable with gold mining industry practice
6 May include effect of rounding

The flagship Gross mine increased production by 7.3% to 278.0 koz in 2020, driven mainly by higher mined and processed ore volumes, as well as recovery rates. Gross increased its processing capacity in 2020 by 13% to approximately 16 million tonnes of ore per year from 14.5 million tonnes of ore processed in 2019.

Bissa-Bouly, the second largest segment, produced 226.8 koz in 2020 which is 10.6% lower than in 2019. This decrease was mainly driven by impact of COVID-19 and processing of ultra-fine dry ore from Bouly 5 which requires longer agglomeration and leaching period and has lower throughput.

Lefa production decreased from 189.8 koz in 2019 to 177.5 koz in 2020, or 6.5%, due to lower level of ore processed and the lower head grade of ore processed, partially compensated by the higher gold recovery. The lower level of ore processed resulted from the ore hardness from Firifirini pit and planned ball mill foundations repairs in the summer of 2020.

Taparko demonstrated an excellent performance producing 94.8 koz in 2020, 39% higher than in 2019. The increase was driven by the higher head grade of ore processed and higher gold recovery due to access to higher grade ore and optimal blending in processing operations in 2020.

Suzdal demonstrated stable gold production of 75.6 koz (75.8 koz in 2019), there were not any significant changes in ore mined, ore processed or average head grade.

Taborny gold production in 2020 amounted to 77.3 koz, a 1.2% increase over 2019, largely as a result of higher level of ore processed which was partially offset by lower head grade in the ore processed.

Berezitovy production increased by 14.3% from 60.1 koz in 2019 to 68.7 koz in 2020 due to higher grade from the open pit and higher recovery.

Buryatzoloto production decreased by 18.5% from 57.7 koz in 2019 to 47.0 koz in 2020 due to lower volumes mined and processed owing to COVID19 outbreaks on site resulting in the shortage of mining labour and the resultant inability to run the full mining fleet, partially compensated by the higher grade by ore mined out of Serebryakovskaya and Vysokaya.

Lost time injury frequency rate (LTIFR)

The Lost Time Injury Frequency Rate improved to a record low of 0.14 in 2020 from 0.33 in 2019.

We regret to confirm one contractor fatality at the Suzdal mine in June 2020. Since the period end, we are also deeply sad to report an incident at our underground Irokinda mine in January 2021 which resulted in one employee fatality.

Safety is a key value and we are absolutely committed to achieving zero harm for our employees and contractors. To achieve this objective we are developing safety initiatives which include:

- Leadership and commitment: appointment of safety ambassadors, development safety leadership standards, including the setting of leadership performance indicators.

- Incident investigation: root cause analyses, lessons learnt and implementation of preventive actions across all business units, accident investigation training courses.

- Key injury risk control: implementation risk mitigation programs — fall prevention programme, moving and rotating parts of equipment programme, identification and mitigation of unsafe conditions and unsafe acts; seasonal risk campaign implementation.

- Health and safety communication and engagement: development of health and safety minimum training levels, appointment of safety committees, development of health and safety communication plans, implementation of a system of positive motivation for identifying dangerous situations, stopping hazardous work, preventing accidents.

In 2020 Nordgold continued the practice of holding a company-wide annual global Safety Day. This allowed management to further increased its focus on safety issues and complete 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.

Financial review

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

All Non-IFRS measures are disclosed in the Section "Non-IFRS measures" on page 49.

Financial Key Performance Indicators		2020	2019	Change, %
Sales	US$ million	1,861.4	1,448.3	29%
Adjusted EBITDA[1]	US$ million	1,016.9	667.3	52%
Adjusted EBITDA margin[1]	%	55%	46%	9pp
Net profit for the period	US$ million	578.2	153.8	276%
Total cash cost[1]	US$ /oz	751	722	4%
All-in-sustaining cost (AISC)[1]	US$ /oz	1,024	1,023	0%
Adjusted cash flow from operating activities[1]	US$ million	930.9	589.4	58%
Free cash flow[1]	US$ million	551.9	171.5	222%
Capital expenditures	US$ million	382.3	429.0	(11%)
Net Debt[1]	US$ million	(251.8)	(791.9)	(68%)
Net Debt/adjusted EBITDA[1]	ratio	0.2	1.2	(83%)
Return to shareholders (dividends paid)	US$ million	(54.2)	(5.3)	923%

The IFRS measures are also disclosed in the Consolidated Financial Statements of Nord Gold UK Societas, 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	2020	2019	Change	Change, %
Sales	1 861.4	1 448.3	413.1	29%
Cost of sales	(1,093.7)	(1,022.8)	(70.9)	7%
Gross profit	767.7	425.5	342.2	80%
Adjusted EBITDA[1]	1,016.9	667.3	349.6	52%
Adjusted EBITDA margin, %	55%	46%	9%	—
Income tax	(79.8)	(25.0)	(54.8)	219%
Net profit for the period	**578.2**	**153.8**	**424.4**	**276%**

[1] Adjusted EBITDA, adjusted EBITDA margin, Adjusted cash flow from operating activities, Total cash cost, All-in sustaining cost, Free cash flow, Net debt and Net debt/adjusted EBITDA are Non-IFRS measures

Gold prices

In 2020 the average realised gold price increased to US$ 1,779 per ounce (2019: US$ 1,399 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 2020 our realised gold price remained close to the market price. Average afternoon gold LBMA price fixing in 2020 was US$ 1,770 per ounce (2019: US$ 1,393 per ounce).

Sales

Consolidated sales (US$ million)

US$ million	2020	2019	Change	Change, %
Gold	1,849.8	1,441.2	408.6	28.4%
Silver	11.6	7.1	4.5	63.4%
Total	**1,861.4**	**1 448.3**	**413.1**	**28.5%**

Sales by customers are disclosed in Note 6 "Sales" of the Consolidated Financial Statements on page 113.

2020 sales increased by US$ 413.1 million (or 28.5%) from US$ 1,448 million in 2019 to US$ 1,861 million in 2020 as a result of increase of an average gold price by 27% from US$ 1,399 per ounce in 2019 to US$ 1,779 per ounce in 2020.

Sales by mines (US$ million)

	2020	% of total sales[1]	2019	% of total sales[2]	Change, pp
Gross	498.7	26.8	367.6	25.4	1.4
Bissa-Bouly	401.8	21.6	352.7	24.4	(2.8)
Lefa	312.5	16.8	263.5	18.2	(1.4)
Taparko	167.1	9.0	96.7	6.7	2.3
Taborny	139.3	7.5	108.5	7.5	0.0
Suzdal	134.6	7.2	107.1	7.4	(0.2)
Berezitovy	122.7	6.6	85.1	5.9	0.7
Buryatzoloto	84.7	4.6	67.1	4.6	0.0
Total	**1,861.4**	**100**	**1,448.3**	**100**	**—**

[1] May include effect of rounding.
[2] May include effect of rounding.

Cost of sales

Cost of sales breakdown by nature (US$ million)

US$ million	2020	2019	Change	Change. %
Material	176.7	164.0	12.7	7.7%
Fuel and energy	156.7	164.7	(8.0)	(4.9%)
Personnel costs	159.0	135.5	23.5	17.3%
External services	110.8	105.7	5.1	4.8%
Taxes other than income tax	93.0	78.0	15.0	19.2%
Repair and Maintenance cost	80.0	72.9	7.1	9.7%
Other expenses	4.1	4.4	(0.3)	(6.8%)
Change in obsolete provision and work-in-progress impairment	(3.5)	6.7	(10.2)	152.2%
Production cost	**776.8**	**731.9**	**44.9**	**6.1%**
Depreciation and amortisation	316.9	290.9	26.0	8.9%
Cost of sales	**1,093.7**	**1,022.8**	**70.9**	**6.9%**

Materials

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

In 2020, material cost increased by US$ 12.7 million or 7.7% compared to the previous year. This increase was mainly associated with Bissa-Bouly higher stripping costs expensed and higher consumption of materials.

Fuel and energy costs

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

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

Fuel and energy costs decreased by US$ 8.0 million or 4.9% from US$ 164.7 million in 2019 to US$ 156.7 million in 2020. The decrease was driven mainly by Lefa as a result of reduction of light fuel oil price by 19% and heavy fuel oil price by 10%. This was partially offset by increase of fuel expenses on Taparko due to higher volumes of ore mined and higher transportation costs.

Personnel costs

Personal costs increased by US$ 23.5 million or 17.3% from US$ 135.5 million in 2019 to US$ 159.0 million in 2020. This growth mainly related to Bissa-Bouly and Gross. In 2020 Bissa-Bouly has higher stripping costs expensed, average headcount increased by 10%. Gross average headcount increase by 12% in 2020 comparing with 2019.

An average increase in wages in 2020 was 3.85% 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 8,190 in 2020 compared to 8,285 in 2019.

External services

Production external services, mainly include drilling and other mining services, increased by US$ 5.1 million or 4.8%. In 2020 mining services increased mainly on Bissa-Bouly due to higher stripping costs expensed and transportation services on Samtenga.

Taxes other than income tax

Taxes other than income tax increased by US$ 15.0 million or 19.2% from US$ 78.0 million in 2019 to US$ 93.0 million in 2020 mainly due to mining tax increase associated with higher sales at all mines.

Repair and maintenance

Repair and maintenance costs increased by US$ 7.1 million or 9.7% compared to prior period mainly due to repair of Bissa power plant and Lefa maintenance expenses of mining equipment.

Depreciation and amortisation

Depreciation and amortisation increased from US$ 290.9 million in 2019 to US$ 316.9 million in 2020, primarily due to higher depreciation of stripping assets and higher amortization of mineral rights on Lefa and higher depreciation of plant and equipment on Taparko which was partially offset by Bissa-Bouly higher depreciation of capital stripping assets.

Exchange rates

The average RUB/US dollar and XOF/US dollar exchange rates changed from 64.70 RUB/US$ in 2019 to 72.12 RUB/US$ in 2020 and from 586XOF/US$ in 2019 to 575XOF/US$ in 2020.

Total cash cost and all-in sustaining cost

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

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

The definitions of TCC and AISC are included in the Section “Non-IFRS measures” on page 49.

TCC by mines (US$ per refined gold ounce)

US$ per ounce	2020	2019	Variance, %
Gross	316	314	1%
Taborny	623	559	11%
Suzdal	693	633	9%
Berezitovy	721	718	0%
Buryatzoloto[1]	843	805	5%
Lefa	955	944	1%
Taparko	1,034	1,390	(26%)
Bissa-Bouly	1,075	840	28%
Bissa	1,132	883	28%
Bouly	965	776	24%
Total	**751**	**722**	**4%**

AISC (US$ per refined gold ounce)

US$ per ounce	2020	2019	Variance, %
Gross	469	407	15%
Taborny	967	893	8%
Suzdal	900	864	4%
Berezitovy	1,087	1,148	(5%)
Buryatzoloto	1,184	1,170	1%
Lefa	1,332	1,354	(2%)
Taparko	1,115	1,844	(40%)
Bissa-Bouly	1,272	1,069	19%
Bissa	1,383	1,209	14%
Bouly	1,062	860	23%
Total	**1,024**	**1,023**	**0%**

[1] Buryatzoloto TCC and AISC in 2020 are presented without Zun-Holba cash cost as operations at this mine were partially suspended as far as Zun-Holba reaches its end of life

Gross

Gross, a low-cost mine, demonstrated stable TCC 316$/oz (2019: 314$/oz). AISC increased from 407$/oz in 2019 to 469$/oz in 2020, mainly due to increase of capital stripping and maintenance capital expenses.

Taborny

TCC increased by 11% from 559$/oz in 2019 to 623$/oz in 2020 mainly due to decrease in head grade of ore processed and recovery. AISC increased by 8% from 893$/oz in 2019 to 967$/oz in 2020 due increase of TCC and increase of maintenance capital expenses.

Suzdal

TCC increased by 9% to 693$/oz in 2020 mainly due to higher reagents consumption and higher mining tax. AISC increased from 864$/oz in 2019 to 900$/oz in 2020 due TCC increase which was partially offset by lower sustaining capital expenditures.

Berezitovy

In 2020 Berezitovy TCC was 721$/oz slightly above 718$/oz in 2019, while AISC decreased by 5% from 1,148 in 2019 to 1,087 in 2020 due to lower sustaining capital expenditures per ounce produced.

Buryatzoloto

TCC increased by 5%, to 843$/oz in 2020, compared to 805$/oz in 2019, mainly due to lower recovery. AISC increased by 1%, from 1,170$/oz in 2019 to 1,184$/oz in 2020.

Lefa

TCC increased by 1% to 955$/oz comparing to 944$/oz in 2019, while AISC decreased by 2% from 1,354$/oz in 2019 to 1,332$/oz in 2020.

Taparko

TCC decreased by 26% to 1,034$/oz mainly due to higher head grade and lower stripping ratio. AISC decreased by 40% from 1,844$/oz in 2019 to 1,115$/oz in 2020 mainly due to decrease of TCC and decrease of capital stripping expenditures.

Bissa-Bouly

TCC increased by 28% from 840$/oz in 2019 to 1,075$/oz in 2020. This growth was mainly driven by Bissa with higher mining cost associated with increasing volumes of blasting drilling and higher hauling costs with longer distance of ore delivered from Samtenga. Bouly has higher processing cost due to higher consumption of material for processing ultrafine ore. AISC increased by 19%, from 1,069$/oz in 2019 to 1,272$/oz in 2020, primarily due to higher total cash cost which was partially offset by lower capital stripping expenditures.

Adjusted EBITDA, adjusted EBITDA margin

In 2020 adjusted EBITDA increased by US$ 349.6 million, to US$ 1016.9 million. This was mainly driven by a higher gold price (US$ 406.8 million) which was partially offset by a higher total cash cost.

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

Adjusted EBITDA by mines is presented in Note 5, “Segment reporting”, of the Consolidated Financial Statements on page 109.

A definition of adjusted EBITDA is given in the Section “Non-IFRS measures” on page 49.

Net Profit and Income tax expenses

Nordgold reported net profit of US$ 578.2 million in 2020, compared to US$ 153.8 million in 2019.

Profit before income tax increased by US$ 479.1 million, mainly driven by revenue increasing by US$ 413.1 million, a decrease in impairment losses by US$ 86.8 million, increase of forex gain by US$ 43.5 million, recognition of gain on disposal of Cardinal shares amounting in total to US$ 21.3 million and decrease in finance costs by US$ 12.5 million. These factors were partially offset by higher cost of sales of US$ 70.9 million and a decrease in finance income of US$ 27.3 million.

The Group paid US$ 40.1 million of income tax in 2020 (US$ 30.6 million in 2019).

In 2020 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 2020 was 12.1% (14.0% in 2019).

Impairment losses are presented in Note 9 “Impairment of non-current assets” of the Consolidated Financial Statements on page 115.

Investments in Cardinal are disclosed in Note 24 “Investment in Cardinal” of the Consolidated Financial Statements on page 133.

Impairment income and finance costs are presented in Note 10 “Finance income and finance costs” of the Consolidated Financial Statements on page 118.

Cash flows

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

US$ million	2020	2019	Change	Change, %
Cash flow from operating activities before changes in working capital	**1,015.3**	**663.9**	**351.4**	**53%**
Change in working capital	(4.0)	1.9	(5.9)	(311%)
Factoring — purchases presented in financing activities	123.2	115.9	7.3	6%
Net Interest paid	(40.3)	(45.9)	5.6	(12%)
Income tax paid	(40.1)	(30.6)	(9.5)	31%
Cash flow from operating activities	**1,054.1**	**705.2**	**348.9**	**49%**
Factoring — purchases presented in financing activities	(123.2)	(115.9)	**(7.3)**	**6%**
Adjusted cash flow from operating activities	**930.9**	**589.3**	**341.6**	**58%**
Payments for property, plant and equipment	(332.9)	(367.1)	34.2	(9%)
Payments for exploration and evaluation activity	(46.1)	(50.7)	4.6	(9%)
Free cash flow	**551.9**	**171.5**	**380.4**	**(222%)**

Cash flows from operating activities before changes in working capital increased by US$ 351.4 million, or 53%, from US$ 663.9 million in 2019 to US$ 1015.3 million in 2020, due to higher adjusted EBITDA. Adjusted cash flow from operating activities was US$ 930.9 million which is US$ 341.5 million higher than in 2019.

In 2020, the Group had positive free cash flow of US$ 551.9 million (US$ 171.5 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 2020 all mines had positive free cash flow. In 2019 all mines except Taparko and Buryatzoloto had positive free cash flow.

US$ million	2020	2019	Change	Change, %
Dividends paid	(54.2)	(5.3)	(48.9)	923%
Returns to shareholders	**(54.2)**	**(5.3)**	**(48.9)**	**923%**

In 2020 dividends paid were US$ 54.2 million comparing to US$ 5.3 million in 2019, there were no buyback of ordinary shares in 2020 and 2019.

US$ million	31.12.2020	31.12.2019	Change	Change, %
Cash and cash equivalents	739.2	189.9	549.3	289%
Net Debt	(251.8)	(791.9)	540.1	(68%)
Net Debt/EBTIDA	0.2	1.2	(1.0)	(83%)

Net debt decreased from US$ 791.9 million as at 31 December 2019 to US$ 251.8 million as at 31 December 2020 due to the increase in the cash balance of US$ 549.3 million. Net debt/adjusted EBITDA ratio decreased from 1.2 to 0.2.

Adjusted cash flow from operating activities , 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 49.

Capital expenditures

	2020	2019	Change	Change, %
Sustaining capital expenditures:	**243.1**	**288.3**	**(45.2)**	**(16%)**
Maintenance expenditure	135.0	130.4	4.6	4%
Capitalised stripping	91.4	137.5	(46.1)	(34%)
Sustaining exploration	16.7	20.4	(3.7)	(18%)
Development capital expenditures:	**139.2**	**140.7**	**(1.5)**	**(1%)**
Development projects	114.9	114.9	0.0	0%
Development exploration	24.3	25.8	(1.5)	(6%)
Total	**382.3**	**429.0**	**(46.7)**	**(11%)**

In 2020 capital expenditures decreased by 11% from US$ 429.0 million in 2019 to US$ 382.3 million in 2020. This was mainly driven by a decrease in capital stripping expenditures at Taparko, Bissa-Bouly and Lefa which was partially offset by higher Gross capital stripping expenditures.

2020 development project expenditure was mainly focused on investments in Gross and Bissa-Bouly. At Gross, development expenditure of US$ 49.2 million was related to the mine expansion project to approximately 18 million tonnes of ore per year and the mining fleet expansion associated with higher volumes of ore mined.

Bissa-Bouly development investments of US$ 46.8 million related to Zandkom mine development, expansion of mining fleet, construction of tailing storage facility and Bouly stage 2 development.

Capital expenditures by mines

US$ million	2020	2019	Change	Change, %
Bissa-Bouly	95.2	86.9	8.4	10%
Gross	91.5	68.6	22.8	33%
Lefa	77.2	89.9	(12.8)	(14%)
Taborny	33.8	49.1	(15.3)	(31%)
Berezitovy	26.3	39.1	(12.8)	(33%)
Suzdal	20.2	17.6	2.6	15%
Buryatzoloto	13.6	22.8	(9.2)	(40%)
Taparko	8.5	39.6	(31.1)	(79%)
Other	16.0	15.4	0.7	4%
Total	**382.3**	**429.0**	**(46.7)**	**(11%)**

Capital expenditures at Bissa-Bouly of US$ 95.2 million were mainly related to investments in new satellite pit Zandkom, expansion of mining fleet and maintenance capex. In 2020 Bissa-Bouly reduced capital striping expenditures by US$ 20.6 million.

Gross capital expenditure of US$ 91.5 million was mostly dedicated to the mine expansion project; purchase of mining fleet and investments in capital stripping and maintenance. 2020 growth was driven by the higher level of capital stripping and higher maintenance expenditures.

Lefa capital expenditure decreased from US$ 89.9 million in 2019 to US$ 77.2 million in 2020 mainly due to lower regular maintenance expenditures and lower capital stripping at Lero-Karta pit.

At Taborny, capital expenditure of US$ 33.8 million was mostly a result of sustaining capital expenditures. In 2019 Taborny invested US$ 23.2 million in development projects, including the purchase of mining equipment for production expansion and development exploration.

2020 Berezitovy investments mainly related to capitalised stripping of US$ 17.7 million. 2019 expenditures included capitalised stripping of US$ 20.8 million, underground mining development of US$ 8.9 million and growth exploration of US$ 4.2 million.

Suzdal capital expenditures were mostly related to regular capital maintenance and investments remained roughly flat.

In 2020 Taparko incurred costs of US$ 7.1 million on capital maintenance. Taparko decreased its capital stripping expenditures from US$ 22.0 million in 2019 to zero in 2020, development exploration was decreased by US$ 7.8 million.

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 expenditures, and for working capital requirements.

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

A reconciliation between profit before income tax and adjusted EBTIDA is presented in Note 5 “Segment Reporting” of the Consolidated Financial Statements on page 109.

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 expenditures 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	2020	2019	Change, %
Cost of sales	**1,093.7**	**1,022.8**	**7%**
(Less)/plus items in income statements:			
Depreciation and amortisation	(316.9)	(290.9)	9%
Change in work-in-progress impairment and obsolete provision	3.5	(6.7)	(152%)
Change in finished goods	(0.5)	(0.5)	0%
Revenue of by-products	(11.6)	(7.1)	63%
Zun-Holba cash cost[1]	(14.9)	0.0	100%
Cost of production	**753.3**	**717.6**	**5%**
Mining administrative expenses	27.9	29.4	(5%)
Depreciation and amortisation related to SG&A	(6.7)	(5.8)	16%
Total cash cost	**774.5**	**741.2**	**4%**
Gold produced, koz[2]	1,032.0	1,027.2	0%
Total cash cost, US$ /oz	**751**	**722**	**4%**
Corporate overheads	39.0	30.9	26%
Sustaining CAPEX	243.1	277.6	(12%)
Other cash expenses	0.0	1.6	(100%)
Total All-in sustaining cost (AISC)	1,056.6	1,051.3	1%
Total All-in sustaining cost (AISC), US$ /oz	**1,024**	**1,023**	**0%**

[1] Group total cash cost was decreased by Zun-Holba cash cost as operations at this mine were partially suspended as far as Zun-Holba reaches its end of life

[2] Gold produced without gold equivalent of silver and excluding 7.2 koz of Zun-Holba gold produced in 2020

Adjusted cash flow from operating activities

Adjusted cash flow from operating activities is defined as cash generated from operating activities less purchases presented in financing activities related to reverse factoring arrangements[1].

Free cash flow

Free cash flow comprises adjusted 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 flows" on page 46.

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 27 "Financial Risk Management" of the Consolidated Financial Statements on page 138.

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 expenditures, 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 quantity of ore mined and stockpiled for milling.

Ore milled — measures in tonnes the quantity 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 the total metal originally present in the ore.

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

[1] 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", through a simultaneous reclassification from operating cash flow movements within line "Purchases presented in financing activities".

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 2020. 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.

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

Principal 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 manage security risks and 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: inaccurate 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 employee 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 environmental regulations The NG activities are subject to environmental hazards as a result of 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	↔
COVID-19 COVID-19 virus spread may cause business interruptions due to failure of Supply Chain and infection of Nordgold employees	Business continuity action plan developed and implemented. The main actions include: — COVID-19 testing of staff and contractors, action plans for reacting to positive COVID-19 tests, extended staff rotations, quarantine on arrival, travel limitations, remote work (where applicable), medical checks, disinfection, provision of Personal Protective Equipment and evacuation procedures — Identification, verification and replenishment of critical stock (equipment, spare parts, etc); identified list of alternative suppliers, update of acceptable minimum and maximum stock levels — Revised measures to transport gold to accommodate travel restrictions — Scenario planning for temporary interruptions in production in the case of outbreaks of the virus on sites	M	H	H	↔

The impact of a potential movement in the value of foreign currencies and interest rates is articulated in Note 27 "Financial Risk Management" of the Consolidated Financial Statements on page 138.

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 the UK and therefore has no material Brexit-related risks.

There is no impact of COVID-19 risk on the other disclosed principal risks. Besides an impact on health and a related decrease in productivity, the single largest impact that we are facing as a business are delays in activities that require international human resources which cannot be provided due to restrictions on international travel. Our response plan is described in the principal risks table.

Emerging risks

In addition to the above principal risks we also assess emerging risks. Emerging risks are those that we consider to be known to some degree but are not likely to materialize or have an impact for several years or longer. These can be very difficult to quantify as they can have far reaching impacts on industry and society overall. For the identification process the Board uses information about global and industry specific trends and information from our business.

One emerging risk is climate change. This may significantly impact mining in regions where we are present or on future projects. The mining industry may face new emission requirements. Nordgold's specific climate objectives are incorporated into relevant operational improvement and development programmes. Through these programmes we look for opportunities to reduce CO_2 emissions, water consumption and waste creation. Essential on site power generation, which provides both the energy to run our operations and to ensure our employees benefit from safe, comfortable accommodation and amenities, is a significant source of CO_2 emissions and we are therefore implementing a programme to reduce the associated impact.

Also due to climate change we may be impacted by changes in temperature and precipitation through:

- Impact on our infrastructure and equipment (lower reliability)
- Lower availability and higher cost of water and energy supply

In future it may be harder for mining companies to get licences to operate in regions where societies have less tolerance for mining companies and the impacts on the environment and communities.

Further emerging risks include the development of new disruptive technologies or methods of gold extraction/production at lower costs than current used by the Company and the emergence of alternative currencies that may replace gold as a financial asset. As disruptive technologies and alternative currencies risks are assessed as remote we have not yet taken specific remediation actions and continue to monitor and review them.

FUTURE DEVELOPMENTS

2021 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 deposit exploration with the aim of replacing mined out ore reserves annually, whilst progressing the growth pipeline.

- In 2021, 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
18 March 2021

Sales

US$ 1,861.4 million

2020	1,861.4	↑ 29%
2019	1,448.3	

Net Profit

US$ 578.2 million

2020	578.2	↑ 276%
2019	153.8	

Director's report

CORPORATE GOVERNANCE

For the year ended 31 December 2020, under the Companies (Miscellaneous Reporting) Regulations 2019, Nordgold has applied the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council (FRC) in December 2019.

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 2020. 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 12.

The Group' strategy is shown in Section "Strategy" of the Strategic Report on page 24.

Section "Section 172(1) Statement" (page 28) 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 a matter which is 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 a 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.

The skill set of the Board of Directors members is intended to deliver 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 and industry 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 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.

The list of directors with their experience and background is disclosed in Section "List of Directors" on page 65.

Board Succession

The Board of Directors focuses on effective succession planning to build an effective, balanced, knowledgeable and diverse Board to ensure the future prosperity of the Company.

The Board of Directors considered the following changes to the composition of the Board.

In 2021 Michael Nossal will join the Board as Independent Non-Executive Chairman.

Mr Nossal will replace Mr David Morgan, who was appointed Chairman in 2014. Mr Morgan joined the Board as an Independent Non-Executive Director in 2010 and is consequently no longer considered independent. He has however agreed to stay on the role of Deputy Chairman.

Yulia Chekunaeva will be appointed as new Independent Non-Executive Director of the Board.

Brian Beamish, an Independent Non-Executive Director of the Company, will be appointed as Senior Independent Director.

Roman Vasilkov will step down as a Non-Executive Director nominated by Nordgold's major shareholder Alexey Mordashov. The Board sincerely thanks Mr Vasilkov for his valuable contribution to Nordgold and wishes him every success in his future endeavours.

With these changes, the Board of Directors will have five Independent Non-Executive Directors, including the Chair, and nine Board members in total, therefore being fully compliant with the UK Corporate Governance Code's Board composition requirements.

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 and challenging the executive directors. The executive directors regularly report to the Board of Directors on the operational and financial performance of the Group, the safety statistics, key business risks, exploration development, community and government relations and other relevant matters.

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 an-

The composition and operation of board and committees are disclosed in Section "Composition and operation of board committees" on page 68.

nual 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 Board of Directors has established 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 in Section "Risk management, principal risks and uncertainties" on page 52.

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 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 68.

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 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 28) and "Stakeholder engagement" (page 32) 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 2020 was US$ 578.2 million, as against US$ 153.8 million in 2019.

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 final dividend in respect of the three months ended 31 December 2020 is disclosed in Note 29 "Events after the reporting period" of the Consolidated Financial Statements on page 147.

ACQUISITION OF ORDINARY SHARES

Acquisition of ordinary shares are disclosed in Note 22 "Capital and Reserves" of the Consolidated Financial Statements on page 131.

GOING CONCERN

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 2020, the Group held US$ 739.2 million of cash and cash equivalents and had net debt of US$ 251.8 million.

The Directors have considered the Group's cash flow forecasts for the period to the end of March 2022. 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 127.

The net debt calculation is presented in Note 27 "Financial Risk Management" of the Consolidated Financial Statements on page 138.

EVENTS AFTER BALANCE SHEET DATE

Events after the balance sheet date are disclosed in Note 29 "Events after the reporting period" of the Consolidated Financial Statements on page 147.

FINANCIAL RISK MANAGEMENT

The risk management objectives and policies of the Group are disclosed a/bove in the Section "Risk Management, principal risks and uncertainties" page 52.

The exposure of the Company and its subsidiary undertakings to price, credit, liquidity, and cash flow risks is disclosed in Note 27 "Financial Risk Management" of the Consolidated Financial Statements on page 138.

FUTURE DEVELOPMENTS

Future developments are disclosed in Section "Future developments" of the Strategic Report on page 57.

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.

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 30 years' experience in the sector.

John is currently an executive director of Cupric Canyon Capital, and also serves as non-executive director for Manuli Rubber Industries.

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, PJSC Magnit, PJSC PIK Group, Fix Price Group Limited 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.

Brian was a non-executive director of Lonmin plc from November 2013 to June 2019 and chairman from May 2014 to June 2019 and is currently a non-executive director of Sappi.

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 and 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.

In order to comply with the UK Corporate Governance Code, the Board of Directors considered the changes to the composition of the Board, which will take place in 2021. The expected changes are presented in section Board Succession on page 61.

COMPOSITION AND OPERATION OF BOARD AND COMMITTEES

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

Board Committees

The Board has established 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.

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 2020, 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 2020 included:

- Reviewing legal claims and their accounting treatment;
- 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 2020 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 2020 included:

- 2020 bonus payments and 2021 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.

No Nomination Committee meetings were held in 2020.

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 (and generally four times), 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 2020 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 2020 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.

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.

GREENHOUSE GAS EMISSIONS, ENERGY CONSUMPTION AND ENERGY EFFICIENCY

https://nordgold.com/investors-and-media/results-and-reports/annual-technical/

The Company and its subsidiaries in the UK consumed less than 40,000 kWh of energy during 2020 financial year. The Company is therefore eligible for the exemption from providing the greenhouse gas emissions, energy consumption and energy efficiency disclosures as required by Streamlined Energy and Carbon Reporting regulations. These disclosures are not presented in the Director’s Report for that reason. However, Nordgold voluntary publishes Corporate Social Responsibility and Sustainable Development Report, the information regarding greenhouse gas emissions, electricity consumption as well as measures for reducing emissions and increasing energy efficiency.

AUTHORITIES

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

EXTERNAL AUDITOR

Each of the persons who 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
18 March 2021

Adjusted EBITDA

US$ 1,016.9 million

2020	1,016.9
2019	667.3

↑ 52%

Free cash flow

US$ 551.9 million

2020	551.9
2019	171.5

↑ 222%

Financial statements

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Nord Gold UK Societas

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare consolidated financial statements for each financial year. Under that law the Directors are required to prepare the consolidated financial statements in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. 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 consolidated 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 18 March 2021 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 UK Societas

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Nord Gold UK Societas (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income/(loss);
- the consolidated and parent company statements of financial position;
- the consolidated statement of cash flows;
- the consolidated and parent company statements of changes in equity;
- the related notes 1 to 29 to the group financial statements and 1 to 16 to the company financial statements.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors’ assessment of the group’s and parent company’s ability to continue to adopt the going concern basis of accounting included:

- Assessing the group’s cash flow forecasts based on actual cash flow performance in 2020;
- Benchmarking the gold price assumption against external data and historical levels;
- Reviewing the group’s financing facilities and confirming their committed nature, repayment terms and covenants;
- Checking the liquidity and covenant headroom within the model based on the cash flow forecasts and reviewing the model’s mechanical accuracy;
- Assessing the sensitivities run by the directors, including the linkage of these sensitivities to the group’s principal risks disclosed on page 54 to 55 of the Annual Report. These sensitivities include a reduction in gold price and production volumes, as well as an increase in total cash cost; and
- Assessing the mitigating actions that could be taken by the directors to maximise liquidity headroom including not paying dividends and a reduction in uncommitted capital expenditure.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information within the annual report. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group’s and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, including the group's chief legal officer, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Companies Act 2006, environmental regulations, tax legislation and licence agreements in place;
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included health and safety regulations and anti-bribery and corruption laws.

We discussed among the audit engagement team, including significant component audit teams and relevant internal specialists such as tax, valuations and industry specialists, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chris Thomas FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
18 March 2021

Consolidated statement of profit or loss

For the year ended 31 December 2020

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

	Note	Year ended 31 December 2020	2019[1]
Sales	6	1,861,410	1,448,281
Cost of sales		(1,093,662)	(1,022,795)
Gross profit		**767,748**	**425,486**
General and administrative expenses	7	(66,933)	(60,333)
Net impairment charge of non-current assets	9	(42,937)	(129,739)
Gain on disposal of associate	24	21,320	—
Other operating expenses, net		2,159	(6,497)
Profit from operations		**681,357**	**228,917**
Share of result of associate	24	(2,209)	—
Finance income	10	881	28,152
Finance costs	10	(46,803)	(59,376)
Foreign exchange gain/(loss), net		24,706	(18,833)
Profit before income tax		**657,932**	**178,860**
Income tax expense	11	(79,763)	(25,022)
Profit for the year		**578,169**	**153,838**
Attributable to:			
Shareholders of the Company		568,669	161,030
Non-controlling interests		9,500	(7,192)
Weighted average number of shares outstanding during the year (thousands of shares) – basic and diluted	23	336,264	336,274
Earnings per share			
Basic and diluted earnings per share (US dollars)	23	1.69	0.48

[1] The statement of profit and loss for the year ended 31 December 2019 was restated to reflect deferred tax asset write-off following the results of tax inspection. This resulted in adjustments which affected income tax expense and profit for the period, including profit attributable to shareholders and non-controlling interest (Note 2)

Consolidated statement of comprehensive income/(loss)

For the year ended 31 December 2020

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

	Year ended 31 December	
	2020	2019[1]
Profit for the year	**578,169**	**153,838**
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange (loss)/gain on translation of foreign operations	(120,263)	85,126
Recycling of foreign exchange gain/(loss) on translation of foreign operations related to subsidiary disposal to profit or loss	1,117	(2,149)
Items that will not be reclassified to profit or loss		
Revaluation of equity investments designated as FVOCI, net of tax	32,652	(758)
Other comprehensive (loss)/income for the year, net of tax	**(86,494)**	**82,219**
Total comprehensive income for the year	**491,675**	**236,057**
Attributable to:		
Shareholders of the Company	476,109	243,548
Non-controlling interests	15,566	(7,491)

[1] The statement of comprehensive income/(loss) for the year ended 31 December 2019 was restated to reflect deferred tax asset write-off following the results of tax inspection. This resulted in adjustments which affected profit for the period and total comprehensive income for the period, including comprehensive income attributable to shareholders and non-controlling interest (Note 2)

Consolidated statement of financial position

As at 31 December 2020

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

	Note	31 December 2020	31 December 2019[1]
ASSETS			
Current assets			
Cash and cash equivalents	14	739,203	189,891
Accounts receivable	15	34,484	37,632
Inventories	16	225,731	219,756
VAT receivable		67,025	62,118
Income tax receivable		16,861	18,808
Total current assets		**1,083,304**	**528,205**
Non-current assets			
Property, plant and equipment	17	1,262,998	1,328,745
Intangible assets	18	646,479	675,464
Long-term financial investments		3,222	2,961
Restricted cash	14	20,936	18,993
Deferred tax assets	11	19,884	36,551
Inventories	16	110,471	87,419
VAT receivable		46,846	54,906
Other non-current assets		57	7,028
Total non-current assets		**2,110,893**	**2,212,067**
Assets held for sale	12	—	12,607
TOTAL ASSETS		**3,194,197**	**2,752,879**
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Current liabilities			
Short-term borrowings	19	141,120	50,063
Accounts payable	20	274,056	297,342
Income tax payable		17,910	12,072
Provisions	21	5,676	4,462
Total current liabilities		**438,762**	**363,939**

[1] The statement of financial position as at 31 December 2019 was restated to reflect deferred tax asset write-off following the results of tax inspection. This resulted in adjustments which affected deferred tax liabilities, total liabilities, retained earnings, total equity attributable to shareholders of the Company, non-controlling interest, total equity and total liabilities and shareholder’s equity (Note 2)

Non-current liabilities			
Long-term borrowings	19	849,874	931,710
Provisions	21	59,033	57,181
Deferred tax liabilities	11	100,680	83,482
Other non-current liabilities		14,287	12,825
Total non-current liabilities		**1,023,874**	**1,085,198**
Liabilities directly associated with assets held for sale	12	—	9,573
TOTAL LIABILITIES		**1,462,636**	**1,458,710**
Equity			
Share capital	22	4,646	464,577
Other reserves	22	—	10,540
Additional paid-in capital	22	760,957	760,957
Foreign exchange translation reserve		(674,050)	(548,838)
Retained earnings		1,507,289	499,657
Revaluation reserve		(4,162)	(4,482)
Total equity attributable to shareholders of the Company		**1,594,680**	**1,182,411**
Non-controlling interests		136,881	111,758
TOTAL EQUITY		**1,731,561**	**1,294,169**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,194,197**	**2,752,879**

The financial statements of Nord Gold UK Societas registered number SE000102, were approved and authorised for issue by the Directors on 18 March 2021 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 2020

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

		Year ended 31 December	
	Note	2020	2019
Operating activities			
Profit for the year		**578,169**	**153,838**
Adjustments			
Finance income	10	(881)	(28,152)
Finance costs	10	46,803	59,376
Foreign exchange (gain)/loss		(24,706)	18,833
Income tax expense	11	79,763	25,022
Depreciation and amortisation		323,717	296,743
Net impairment of non-current assets	9	42,937	129,739
Gain on disposal of associate	24	(21,320)	—
Share of result of associate	24	2,209	—
(Reversal of impairment)/Impairment of work-in-progress recognised in cost of sales		(7,194)	8,261
Net loss on disposal of property, plant and equipment		7,054	1,471
De-recognition of financial liabilities		(15,824)	—
Other adjustments		4,554	(1,196)
		1,015,281	**663,935**
Changes in operating assets and liabilities:			
Accounts receivable		17,832	26,532
Inventories		(18,243)	(16,350)
VAT recoverable		(1,869)	(8,187)
Accounts payable		(3,028)	(1,543)
Other changes in operating assets and liabilities, net		1,327	1,488
Purchases presented in financing activities[1]		123,180	115,856

[1] The Group continues to employ supplier financing arrangements. Certain arrangements result in the payable in respect of the purchase of inventories being classified as a borrowing. In the prior year the Group presented two items in the cash flow statement related to liabilities transferred to financial institutions: an operating cash outflow and a financing cash inflow within the line "Proceeds from borrowings". The cash outflow on settlement of the liability was presented within the line "Repayment of borrowings". The IFRS Interpretation Committee in December 2020 stated that such non-cash movements occurring for an entity in a financing transaction should not be presented in the cash flow statement. Consequently, the Group continues to present cash payments to financial institutions within financing cash outflows but no longer reports any operating cash outflow or financing cash inflow on transfer of the liability to the financial institution. The details of non-cash movements under the reverse factoring arrangements are disclosed in Note 19. The comparative information has been restated to be on a consistent basis with this revised presentation.

Cash flows from operations		**1,134,480**	**781,731**
Interest paid		(41,181)	(48,854)
Interest received		877	954
Net interest from cross currency swap	19	—	2,010
Income tax paid		(40,108)	(30,649)
Cash generated from operating activities		**1,054,068**	**705,192**
Investing activities			
Acquisition of property, plant and equipment		(332,882)	(367,130)
Acquisition of exploration and evaluation assets		(46,055)	(50,716)
Acquisition of associate	24	(62,218)	—
Proceeds from disposal of associate	24	120,016	—
Other movements		(1,595)	(4,699)
Cash used in investing activities		**(322,734)**	**(422,545)**
Financing activities			
Proceeds from borrowings[1]	19	—	460,000
Transaction cost paid		—	(4,234)
Repayment of borrowings	19	(128,792)	(630,091)
Dividends paid	13	(54,182)	(5,322)
Ordinary shares and GDRs buyback	22	—	(70)
Other movements		(1,418)	(1,107)
Cash used in financing activities		**(184,392)**	**(180,824)**
Net increase in cash and cash equivalents		**546,942**	**101,823**
Cash and cash equivalents at beginning of the year	**14**	**189,891**	**90,346**
Effect of exchange rate fluctuations on cash and cash equivalents		704	(612)
Reclassification of cash and cash equivalents from assets previously classified as held for sale	12	1,666	(1,666)
Cash and cash equivalents at end of the year	**14**	**739,203**	**189,891**

Consolidated statement of changes in equity

For the year ended 31 December 2020

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

	Share capital	Other reserves	Treasury shares	Additional paid-in capital
Balance at 31 December 2018	**464,605**	**9,790**	**—**	**761,003**
Profit for the year	—	—	—	—
Other comprehensive loss for the year, 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[1]	**464,577**	**10,540**	**—**	**760,957**
Profit for the year	—	—	—	—
Other comprehensive income/(loss) for the period, net of tax	—	—	—	—
Total comprehensive income/(loss) for the year				
Gain on partial disposal of subsidiary (Note 25)	—	(10,540)		—
Reclassification within reserves in equity on disposal of associate (Note 24)	—	—		—
Capital reduction (Note 22)	(459,931)	—	—	—
Dividends declared and paid (Note 13)	—	—		—
Balance at 31 December 2020	**4,646**	**—**	**—**	**760,957**

[1] The statement of changes in equity for the year ended 31 December 2019 was restated to reflect deferred tax asset write-off following the results of tax inspection. This resulted in adjustments which affected retained earnings, total equity attributable to shareholders of the Company, non-controlling interest, total equity and total liabilities and shareholder's equity (Note 2)

Attributable to the shareholders of the Company					
Foreign exchange translation reserve	**Retained earnings**	**Revaluation reserve**	**Total**	**Non-controlling interests**	**Total**
(632,114)	**342,927**	**(3,724)**	**942,487**	**120,267**	**1,062,754**
—	161,030	—	161,030	(7,192)	153,838
83,276	—	(758)	82,518	(299)	82,219
			243,548	(7,491)	236,057
—	—	—	—	—	—
—	4	—	—	—	—
—	—	—	680	—	680
—	(4,304)	—	(4,304)	(1,018)	(5,322)
(548,838)	**499,657**	**(4,482)**	**1,182,411**	**111,758**	**1,294,169**
—	568,669	—	568,669	9,500	578,169
(125,212)	—	32,652	(92,560)	6,066	(86,494)
			476,109	15,566	491,675
—	—	—	(10,540)	10,540	—
—	32,332	(32,332)	—	—	—
—	459,931	—	—	—	—
—	(53,300)	—	(53,300)	(983)	(54,283)
(674,050)	**1,507,289**	**(4,162)**	**1,594,680**	**136,881**	**1,731,561**

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 UK Societas (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.

The company was previously known as Nord Gold SE, prior to conversion by operation of law to a UK Societas on 31 December 2020, following the end of the Brexit transition period.

As at 31 December 2020 and 2019, 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 25.

2. Basis for preparation of the consolidated financial statements

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

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 fair value through other comprehensive income ("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, including the possible impact of Covid-19, its borrowings and other available credit facilities, its forecast compliance with covenants on those borrowings and its capital expenditure and financial commitments and plans. As at 31 December 2020, the Group held US$ 739.2 million of cash and cash equivalents and had net debt of US$ 251.8 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 2020.

Adoption of new and revised accounting standards

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

In 2020, the Group has adopted new and amended International Financial Reporting Standards ("IFRSs") and interpretations listed below. Adoption of these standards did not have any significant effect on the financial performance or position of the Group as at 31 December 2020.

- Amendments to IFRS 3: Definition of a business
- Amendments to IAS 1 and IAS 8 (Oct 2018): Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 16: COVID-19-Related Rent Concessions
- Amendments to References to the Conceptual Framework in IFRS Standards

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:

International Accounting Standards (IFRS / IAS)	IASB effective date — periods commencing on or after
New standards	
IFRS 17 Insurance Contracts	1 January 2023
Amended standards	
Amendments to IAS 16: Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Annual Improvements to IFRS Standards 2018–2020 (May 2020)	1 January 2022
Amendments to IFRS 3 (May 2020): Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37 (May 2020): Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2023

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.

Correction of prior period errors related to deferred tax assets write-off

The statement of profit and loss for the year ended 31 December 2019 was restated to reflect a US$ 13 million deferred tax asset write-off following the results of tax inspection completed in 2019. This resulted in adjustments which affected income tax expense and profit for the period, including profit attributable to shareholders and non-controlling interest

These errors have been corrected by restating the comparative balances of liabilities and equity as set out below.

Consolidated Statement of Financial Position (extract)

	31 December 2019	Restatement adjustment	31 December 2019 (restated)
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-current liabilities			
Deferred tax liabilities	70,437	13,045	83,482
Total non-current liabilities	**1,072,153**	**13,045**	**1,085,198**
TOTAL LIABILITIES	**1,445,665**	**13,045**	**1,458,710**
Equity			
Retained earnings	511,724	(12,067)	499,657
Total equity attributable to shareholders of the Company	**1,194,478**	**(12,067)**	**1,182,411**
Non-controlling interests	112,736	(978)	111,758
TOTAL EQUITY	**1,307,214**	**(13,045)**	**1,294,169**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,752,879**		**2,752,879**

Consolidated Statement of Profit or Loss (extract)

	Year ended 31 December 2019	Restatement adjustment	Year ended 31 December 2019 (adjusted)
Income tax expense	(11,977)	(13,045)	(25,022)
Profit for the year	**166,883**	**(13,045)**	**153,838**
Attributable to:			
Shareholders of the Company	173,097	(12,067)	161,030
Non-controlling interests	(6,214)	(978)	(7,192)
Weighted average number of shares outstanding during the year (thousands of shares) — basic and diluted	336,274	—	336,274
Earnings per share			
Basic and diluted earnings per share (US dollars)	0.51	(0.03)	0.48

Consolidated Statement of Comprehensive Income (extract)

	Year ended 31 December 2019	Restatement adjustment	Year ended 31 December 2019 (adjusted)
Profit for the year	**166,883**	**(13,045)**	**153,838**
Total comprehensive income for the year	**249,102**	**(13,045)**	**236,057**
Attributable to:			
Shareholders of the Company	255,615	(12,067)	243,548
Non-controlling interest	(6,513)	(978)	(7,491)

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.

Investments in associates

Investments in associates are consolidated using equity method accounting when the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss.

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. Production phase begins when the gold production volumes and other production parameters of a newly constructed mine are within the project expectations.

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
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 15 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.

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 end of 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", through a simultaneous reclassification from operating cash flow movements within line "Purchases presented in financing activities".

Income tax

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

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

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

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

Deferred tax is not recognised in respect of the following:

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

There are no recognised uncertain tax positions on the basis that having applied IFRIC 23 it was determined that no “probable” tax exposures have been identified for provisioning.

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 sale revenue from gold sales is usually recognised at the time of shipment from the mine sites.

The Group capitalises all proceeds from selling refined gold bullion produced during the pre-production phase of operations.

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.

Long-term incentive program

The form of the long-term incentive is a deferred 3-year bonus program, with a new cycle starting every year. Long-term incentive grants are based on the simulated share price and actual short-term incentive amounts approved for the Executives for the completed performance year. The granted awards vest in accordance with the vesting schedule and are paid out in cash based on the simulated share price calculated for the last operational year before the payout and dividends paid during the respective cycle provided all performance hurdles are satisfied.

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

Critical accounting judgements

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements.

There are the following areas involving significant judgments:

Assessment of indicators of impairment or impairment reversal

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, Berezitovy and Suzdal, with a combined carrying value of US$ 637.1 million within property, plant and equipment and intangible assets as at 31 December 2020.

Determination of significant influence in Cardinal Resources Limited

In 2020 the Company acquired shares in Cardinal Resources Limited ("Cardinal"). Acquisition details are presented in Note 24 "Investment in Cardinal".

Management considered IAS 28 "Investment in Associate" criteria to define whether the Company had a significant influence in Cardinal and whether the investment should be treated as an investment in associate or as an equity investment asset.

The initial recognition of the acquisition of 19.9 percent of the total share capital was recognized at its fair value as far as the directors did not consider that significant influence existed at this stage. The Company elected to present subsequent changes in the fair value within other comprehensive income.

Directors judgments was based on the facts that the Company had no representation on the board of directors of Cardinal, didn't participate in policy-making processes, had no material transactions with Cardinal and had no any interchange of managerial personnel.

As a result of further acquisitions the Company share in Cardinal increased from 19.9 percent to 28.1 percent. As the Company's share increased to over 20 percent management considered that the Company had gained significant influence. IAS 28 "Investment in Associate" states that if an entity holds 20 percent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. There was no evidence that the Company didn't get the significant influence after receiving more than 20 percent of the votes. As a result the investment in Cardinal was reclassified to Investment in associate at an initial value of US$ 102.1 million at 2 September 2020.

Functional currency

IAS 21 "The Effects of Changes in Foreign Exchange Rates" defines functional currency as the currency of the primary economic environment in which the entity operates. The Group therefore performs an analysis of the currencies in which each subsidiary primarily generates and expends cash and the currency of any financing facilities. This involves an assessment of the currency in which sales are generated and operational and capital expenditures are incurred, and currency in which external and internal borrowing costs are denominated. Management makes judgements in defining the functional currency of the Group's subsidiaries based on economic substance of the transactions relevant to these entities. For each of the Group's consolidated entities, management performed analysis of relevant factors that are indicators of functional currency and, based on the analysis performed, determined functional currency, accordingly. The Group concluded that the functional currency for each of the operating subsidiaries, except for Lefa, is the currency of their jurisdiction.

The functional currency of Lefa was concluded to be the United States Dollar reflecting a higher proportion of expenditure being denominated in US dollars and the use of US dollar financing arrangements.

Key sources of estimation uncertainty

The preparation of financial statements requires the Directors to make the assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 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 amounts

Calculation of the recoverable amounts of the Group's CGUs, for those assets with indicators of impairment and/or impairment reversals at the reporting date, 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 and reversal analysis.

As at 31 December 2020, management performed impairment valuation tests for those CGUs where impairment and/or impairment reversal indicators were identified. The calculated recoverable amounts of the assets with indicators of impairments/reversals are as follows:

	Year ended 31 December	
	2020	2019
Recoverable amounts based on value in use		
Berezitovy	72,620	113,691
Taparko	no indicators	31,905
Bissa-Bouly	764,927	no indicators
Lefa	507,963	no indicators
Buryatzoloto	no indicators	44,201

The valuations of recoverable amount are sensitive to changes in key assumptions. The key assumptions and estimates used by management in the value-in-use calculations are presented in Note 9 «Impairment of non-current assets», along with accompanying sensitivity analysis as to the impact of reasonably possible changes of these assumptions on the total impairment loss.

As a result of the impairment review, an impairment loss was recognized against the PPE of Berezitovy US$ 29.7 million. Further information can be found at Note 9.

Other sources of estimation uncertainty

Other sources of estimation uncertainty reflect those sources of estimation uncertainty of which management believe users should be aware, but which are not judged to have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year. They include: mineral reserves assessment and life of mine plans ("LOMs"), environmental provision, recoverability of indirect taxes, valuation of gold stockpiles and gold-in-process.

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**. 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**. Suzdal underground gold mine located in Kazakhstan with flotation, bio-oxidation and carbon-in-leach ("CIL") technology for gold.
- **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 and during 2020 was classified back to regular assets (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.
- **Greenfield and Development assets**. Include a number of gold deposits at the exploration and evaluation stages located in Burkina Faso, the Russian Federation, Canada and the Montagne d'Or gold development project in French Guiana.

Operations of the holding company (Nord Gold UK Societas) 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 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
- de-recognition of financial liabilities
- social and charity expenses

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	
	2020	2019
Sales		
Gross	498,671	367,619
Taborny	139,298	108,546
Suzdal	134,629	107,060
Buryatzoloto	84,824	67,075
Berezitovy	122,676	85,069
Taparko	167,061	96,683
Lefa	312,483	263,532
Bissa and Bouly	401,768	352,697
Total	**1,861,410**	**1,448,281**

	Year ended 31 December 2020	2019
Adjusted EBITDA by segment		
Gross	405,886	282,768
Taborny	90,839	65,391
Suzdal	82,269	59,044
Buryatzoloto	35,261	27,934
Berezitovy	72,195	40,813
Taparko	68,540	2,514
Lefa	142,710	84,349
Bissa and Bouly	157,910	138,420
Greenfields	(75)	(119)
Total adjusted EBITDA for reportable segments	**1,055,535**	**701,114**
Adjusted EBITDA for all other segments	(38,677)	(33,847)
Total	**1,016,858**	**667,267**

	Year ended 31 December 2020	2019
Segment capital expenditures		
Gross	91,460	68,627
Taborny	33,761	49,058
Suzdal and Balazhal	20,225	17,644
Buryatzoloto	13,589	22,768
Berezitovy	26,301	39,129
Taparko	8,461	39,589
Lefa	77,168	89,927
Bissa and Bouly	95,239	86,852
Greenfields	14,491	10,005
Total capital expenditures for reportable segments	**380,695**	**423,599**
All other segments	1,556	5,388
Total segment capital expenditures	**382,251**	**428,987**
Depreciation capitalised	38,116	35,269
Other transfers	7,446	(5,647)
Additions to PP&E and Intangible assets	**427,813**	**458,609**

The reconciliation of profit before income tax to Adjusted EBITDA:

	Year ended 31 December	
	2020	2019
Adjusted EBITDA	**1,016,858**	**667,267**
Finance income	881	28,152
Finance costs	(46,803)	(59,376)
Foreign exchange gain/(loss)	24,706	(18,833)
Depreciation and amortisation	(323,717)	(296,743)
Impairment charge of non-current assets	(42,937)	(129,739)
Gain on sale of associate	21,320	—
Share of results of associate	(2,209)	—
Impairment reversal/(charge) of work-in-progress recognised in cost of sales	7,194	(8,261)
Net loss on disposal of property, plant and equipment	(7,054)	(1,471)
Other income/(expenses)	9,693	(2,136)
Profit before income tax	**657,932**	**178,860**

Other expenses include social and charity expenses and provisions charged for previously recognised contingent liabilities and de-recognition of financial liabilities.

Geographical information

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

	31 December	
	2020	2019
Russian Federation	776,286	838,043
Burkina Faso	589,286	604,660
Guinea	481,730	509,233
French Guiana	132,374	114,058
Kazakhstan	56,693	52,900
Canada	29,800	28,684
Other	679	5,984
Total	**2,066,848**	**2,153,562**

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

	Year ended 31 December	
	2020	2019
Russian Federation	845,469	628,309
Burkina Faso	568,829	449,380
Guinea	312,483	263,532
Kazakhstan	134,629	107,060
Total	**1,861,410**	**1,448,281**

6. Sales

	Year ended 31 December	
	2020	2019
By product		
Gold	1,849,822	1,441,149
Silver	11,588	7,132
Total	**1,861,410**	**1,448,281**

		Year ended 31 December	
		2020	2019
By customer	**By segment**		
Switzerland: MKS Finance S.A.	Bissa and Bouly, Lefa, Taparko	881,312	712,912
Russian Federation: VTB	Gross, Taborny, Berezitovy, Buryatzoloto	626,709	449,843
Russian Federation: Otkrytie	Gross, Taborny, Berezitovy, Buryatzoloto	218,760	178,466
Kazakhstan: Tau-Ken Altyn	Suzdal and Balazhal	134,629	107,060
Total		**1,861,410**	**1,448,281**

In 2020 and 2019 sales to MSK Finance S.A., VTB and Otkrytie were over 10% of total revenue.

All revenues are derived from the contracts with customers.

7. General and administrative expenses

	Year ended 31 December	
	2020	2019
Wages and salaries	41,897	34,209
Professional and other services	16,059	17,853
Depreciation and amortisation	6,672	5,830
Other	2,305	2,441
Total	**66,933**	**60,333**

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

	Year ended 31 December	
	2020	2019
Fees payable to the Company's auditors for the audit of the Company's individual and consolidated		
Financial statements	755	605
Total audit fees	**755**	**605**
Other assurance services	567	481
Total non-audit fees	**567**	**481**

8. Staff cost

	Year ended 31 December	
	2020	2019
Wages and salaries	189,248	177,213
Long-term incentive program	9,973	5,025
Social security costs	34,281	34,901
	233,502	**217,139**
Less capitalised amounts:		
Wages and salaries	(23,510)	(38,080)
Social security costs	(4,811)	(10,692)
Total	**205,181**	**168,367**

Key management personnel comprise executive and non-executive directors ("Directors"), as well as departmental directors.

Total remuneration of key management personnel in 2020 amounted to US$ 19.2 million (2019: US$ 13.2 million). It included annual salaries of US$ 6.0 million (2019: US$ 5.8 million), annual bonuses of US$ 4.1 million (2019: US$ 3.8 million), and incentive programme accruals of US$ 9.1 million (2019: US$ 3.6 million).

Remuneration of the highest paid Director in 2020 amounted to US$ 3.9 million (2019: US$ 4.0 million) including annual salary of US$ 1.0 million (2019: US$ 1.0 million), annual bonus of US$ 1.35 million (2019: US$ 1.2 million), incentive programme of US$ 1.4 million (2019: US$ 1.7 million), and benefit allowance of US$ 0.1 million (2019: US$ 0.1 million).

The average number of employees by business units:

	Year ended 31 December	
	2020	2019
Operating mines:		
Buryatzoloto	1,077	1,380
Bissa	1,371	1,248
Lefa	1,306	1,305
Gross	1,128	1,010
Suzdal	1,008	976
Berezitovy	867	890
Taborny (former Neryungri)	764	704
Taparko	549	667
Other entities:		
Nordgold Management	117	103
Others	3	2
Total	**8,190**	**8,285**

9. Impairment of non-current assets

As at 31 December 2020 and 2019, 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 2020 and 2019 as follows:

	Year ended 31 December	
	2020	2019
Property, plant and equipment (Note 17)		
Berezitovy cash generating unit	28,432	23,707
Taparko cash generating unit	—	23,652
Buryatzoloto cash generating unit	—	6,339
Berezitovy individual assets	—	34,522
	28,432	**88,220**
Intangible assets (Note 18)		
Berezitovy cash generating unit	1,258	4,134
Taparko cash generating unit	—	6,370
Buryatzoloto cash generating unit	—	3,024
Taparko individual assets	6,714	—
Buryatzoloto individual assets	—	7,522
Bissa individual assets	—	5,699
Other intangible assets	403	563
	8,375	**27,312**
Other assets		
Long-term financial investments	3,009	—
Assets held for sale impairment	7,927	22,140
Reversal of impairment	(4,806)	(7,933)
	6,130	**14,207**
Impairment of non-current assets	**42,937**	**129,739**

Cash-generating units impairment

Due to the presence of impairment indicators in 2020, management conducted impairment valuation reviews at Berezitovy and Bissa-Bouly CGUs (2019: Buryatzoloto: US$ 9.4 million, Berezitovy: US$ 27.8 million and Taparko: US$ 30.0 million). As at 31 December 2020, due to the presence of impairment reversal indicators, management also prepared a value-in-use model for the Lefa CGU (historical impairment charges potentially available for reversal were approximately US$ 52.0 million as at 31 December 2020). For these CGUs the recoverable amounts were calculated based on the value in use, using discounted cash flow projections.

	Year ended 31 December	
	2020	2019
Recoverable amounts based on value in use		
Berezitovy	72,620	113,691
Taparko	no indicators	31,905
Bissa-Bouly	764,927	no indicators
Lefa	507,963	no indicators
Buryatzoloto	no indicators	44,201

As a result of the impairment review an impairment loss for Berezitovy was recognised in 2020. The loss was driven by reduction in forecast future gold production due to decrease of ore reserves. Berezitovy impairment loss reduced carrying value of property, plant and equipment and intangible assets by US$ 28.4 million and US$ 1.3 million respectively.

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 2021 gold price of US$ 1,857/oz, a 2022 and 2023 gold prices are US$ 1,778/oz and 1,696/oz respectively and long-term gold price of US$ 1,537/oz, based on third party analysts' consensus data;
- Approved mine plans which include relevant production and cost assumptions; and
- A pre-tax real discount rate for Bissa-Bouly of 11.4% (2019: no impairment test), Lefa of 14.2% (2019: no reversal/ impairment test), Berezitovy of 19.5% (2019: 10.1%) and Buryatzoloto 11.3% (2019: 12.3%), based on the Group's weighted average cost of capital and specific asset risk factors. The pre-tax discount rates were calculated by determining the rates that arrive at the same valuation, based on discounting the pre-tax cash flows only.

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.

Sensitivity analysis on Berezitovy CGU

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$ 1,300 per ounce	—
10% decrease in future production volume	13,937
10% increase in future cost of production	7,877
1pp increase in discount rate applied	687

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

Sensitivity analysis on Bissa-Bouly CGU

Sensitivity analysis on Bissa-Bouly CGU did not result in an additional impairment loss.

Sensitivity analysis on Lefa CGU

The value-in-use model is sensitive to changes in these input assumptions, with the indicated headroom eliminating under a long-term gold price of US$ 1,460/oz, such that the carrying value is considered to be within the reasonable valuation range.

The following changes in assumption were considered as reasonably possible and if changed by the indicated amount with all other valuation assumptions remaining the same, would materially change the carrying value.

Scenarios	Combined impairment loss
Long-term gold price of US$ 1 300 per ounce	82,225
10% decrease in future production volume	97,219

Accordingly, the valuation supported the carrying value of the Lefa CGU and no impairment reversal has been recognised as at 31 December 2020.

Individual assets impairment

In 2020 the US$ 6.7 million pre-tax impairment charge for Taparko mineral rights related to certain projects which are no longer considered commercially viable for further development due to insufficient resources.

In 2019 the US$ 7.5 million pre-tax impairment charge for Buryatzoloto exploration and evaluation assets related to project Zhanok in Russian Federation which are no longer considered commercially viable. The US$ 5.7 million 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.

In 2019 the US$ 34.5 million impairment loss at Berezitovy related to the capital stripping asset, this individual asset was impaired due to a change of mining plan.

Long-term financial investments

Impairment of long-term financial investments related mainly to Arakaka Gold Project. In June 2019, the Company entered into an Option Agreement with Alicanto Minerals Ltd for the exclusive right to acquire a 100% interest in the Arakaka Gold Project. Under the terms of the Agreement, Nordgold had 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. Based on unsatisfactory results of the drilling campaign the Company has decided not to exercise its option to acquire Arakaka. As a result related investment value in amount of US$ 2.9 million was fully impaired as at 31 December 2020.

Assets held for sale impairment

Assets held for sale impairment recognized in 2020 and 2019 related to Zun-Holba assets. In 2019 proceeds from disposal were expected to be US$ 3.0 million whilst the carrying amount of the related net assets as at 31 December 2019 was US$ 25.1 million. An impairment loss of US$ 22.1 million was recognised accordingly in respect of assets held for sale.

In 2020 impairment was recognised upon reclassification from assets held for sale category to continuing operations assets. There was no material value is associated with this CGU on a value-in-use basis.

Reversal of impairment of other assets

Impairment reversal in 2020 of other non-current assets of US$ 4.8 million (2019: US$ 7.9 million) related to the indirect taxes in West Africa, Lefa segment, and arose due to a change of estimate in respect of their recoverability.

10. Finance income and finance costs

	Year ended 31 December	
	2020	2019
Finance income		
Interest income	881	822
Net income from derivative	—	27,330
Total	**881**	**28,152**
Finance costs		
Interest expense	(39,045)	(51,971)
Royalties related to West African operations	(2,412)	(2,752)
Environmental provision discount unwinding	(2,213)	(1,898)
Other	(3,133)	(2,755)
Total	**(46,803)**	**(59,376)**

Derivative net income of US$ 27.3 million for the year ended 31 December 2019 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 swap was closed out in 2019 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	
	2020	2019 (restated)
Current tax charge	(45,459)	(29,190)
Prior period adjustment	—	4,104
Deferred tax expense	(34,304)	64
Income tax expense	**(79,763)**	**(25,022)**

In 2020 and 2019, the Group's profits were taxable at 19% in the United Kingdom, 20% in the Russian Federation and Kazakhstan, 17.5% and 27.5% in Burkina Faso, and 30% in Guinea.

At the Budget 2021 on 3 March 2021, the UK Government announced that the corporation tax rate in the UK will increase to 25% for companies with profits above £250,000 with effect from 1 April 2023, as well as announcing a number of other changes to allowances and treatment of losses. These changes are not yet substantively enacted, and the Group has not yet undertaken a full analysis of the impact of the changes.

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			
		2020		2019 (restated)
Profit before income tax	**657,932**		**178,860**	
Theoretical tax at rates applicable to the profits in the respective countries	(134,135)	20%	(30,751)	17%
Effect of the regional investment project	63,863	(10%)	46,033	(26%)
Prior period adjustments	—		4,104	(2%)
Utilisation of previously unrecognised deferred tax assets	4,885	(1%)	—	—
Effect of intragroup dividends	(3,909)	1%	(2,317)	1%
Current year losses not recognised	(5,009)	1%	(3,574)	2%
Expenses that are non-deductible	(868)	0%	(2,297)	1%
Deferred tax write-off	(4,590)	1%	(36,220)	20%
Income tax expense	**(79,763)**	**12%**	**(25,022)**	**14%**

Theoretical tax at rates applicable to the profits in the respective countries is 20% in 2020 (17% in 2019).

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% in 2020, Jan 2021 — Jun 2022 — 10%, and 20% in subsequent years.

Current year losses not recognised during 2020 and 2019 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 2020, the Group has written off deferred tax assets in total amount US$ 4.6 million mainly related to Zun-Holba and HRG Exploration Burkina SARL which were deemed non-recoverable.

In 2019, the Group has written off deferred tax assets related to Taparko, High River Gold Mines Ltd. and Nordgold Management which were deemed non-recoverable.

In 2020, the Group restated deferred income tax for 2019 to reflect US$ 13 million deferred tax asset write-off following the results of tax inspection completed in 2019. The restatement adjustment is recorded as 2019 prior year deferred tax write-off.

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

2020	Opening balance	Recognised in profit or loss	Recognized in other comprehensive income	Translation difference	Reclassified from held for sale	Closing balance
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	**(15,781)**	(15,887)	—	3,657	(2,877)	**(30,888)**
Intangible assets	**(87,772)**	(1,529)	—	730	(722)	**(89,293)**
Inventories	**(4,418)**	(3,059)	—	879	—	**(6,598)**
Financial investments	**214**	—	(7)	6	—	**213**
Provisions	**7,735**	1,687	—	(828)	—	**8,594**
Other	**8,688**	(2,272)	(158)	(1,130)	79	**5,207**
Tax losses carried forward	**44,403**	(13,244)	—	810	—	**31,969**
Total	**(46,931)**	**(34,304)**	**(165)**	**4,124**	**(3,520)**	**(80,796)**

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**	(7,164)	—	48	—	**44,403**
Total	**(50,844)**	**64**	**4,104**	**(3,775)**	**3,520**	**(46,931)**

Management concluded that recoverability of the recognised deferred tax asset of US$ 32.0 million on tax losses carried forward at 31 December 2020 (31 December 2019: US$ 44.4 million) is probable based upon expectations of future taxable income.

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$ 983 million at 31 December 2020 (31 December 2019: US$ 632 million) and have not been recognised in the consolidated financial statements.

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
	2020	2019 (restated)
Deferred tax liability	(100,680)	(83,482)
Deferred tax asset	19,884	36,551
Net deferred tax liability	**(80,796)**	**(46,931)**

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
	2020	2019
Within one year	28	9
Between one and five years	872	13,577
Between five and ten years	14,375	5,485
Between ten and twenty years	2,496	7,154
No expiry date	22,371	47,461
Total	**40,142**	**73,686**

12. Disposal group classified as held for sale

During 2019 the 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 the separation, the Zun-Holba operations were ready for sale in their present condition and management assessed that it was highly probable that Zun-Holba would be disposed of during the next year leading to the classification of the assets and liabilities of Zun-Holba as held for sale starting from 1 October 2019. Negotiations with several interested parties were continuing to take place as at 31 December 2019. The assets and liabilities of the Zun-Holba operations, which were expected to be disposed of within 12 months, were presented separately as assets and liabilities held for sale as at 31 December 2019.

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

In 2020 the status of the negotiations with a potential buyer were such that the probability of Zun-Holba disposal within next 12 months was reassessed as low. As a result Zun-Holba assets and liabilities were no longer classified as held for sale starting from 30 June 2020.

As a result of impairment review performed on reclassification of respective assets from held for sale category as at 30 June 2020 Zun-Holba CGU was fully impaired, The carrying value of this CGU as at 31 December 2020 was nil (Note 9).

13. Dividends

	Cents per share	US$ thousand	Accrued and paid in
Final dividend 2018	1	4,304	2019
Total dividends to equity holders for the year ended 31 December 2019			**4,304**
Final dividend 2019	16	53,300	2020
Total dividends to equity holders for the year ended 31 December 2020			**53,300**

The final 2019 dividend of US$ 53.3 million (2018: US$ 4.3 million) was paid in 2020 (2018 in 2019).

14. Cash and cash equivalents

		31 December
	2020	2019
Cash at banks	721,608	140,999
Short-term bank deposits (maturing within 3 months)	17,466	48,715
Petty cash	129	177
Total	**739,203**	**189,891**
Restricted cash in non-current assets	20,936	18,993

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	
	2020	2019
Advances paid and prepayments	15,614	20,881
Trade accounts receivable	1,550	2,062
Other receivables	18,521	15,879
Provision for credit losses		
Advances paid and prepayments	(272)	(151)
Trade accounts receivable	(225)	(248)
Other receivables	(704)	(791)
Total accounts receivable	**34,484**	**37,632**

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	
	2020	2019
Current inventories		
Materials and consumables	115,316	124,006
Work-in-progress	106,970	91,503
Finished goods	3,445	4,247
Total current inventories	**225,731**	**219,756**
Non-current inventories		
Long-term ore stockpiles	67,562	44,277
Long-term materials and consumables	42,909	43,142
Total non-current inventories	**110,471**	**87,419**

In 2020 inventories recognised as an expense within cost of sales amounted to US$ 382.5 million (2019: US$ 345.0 million).

As at 31 December 2020, the obsolescence and net realisable value provision amounted to US$ 45.0 million (31 December 2019: US$ 47.3 million). In 2020 an accrual of obsolescence provision in amount of US$ 3.7 million and a reversal of net realisable value provision in amount of US$ 7.2 million were included in cost of sales (2019: reversal of obsolescence provision in amount of US$ 1.6 million and accrual of net realisable value provision in amount of US$ 8.3 million). The main reason for the reversal was higher gold price leading to decrease of 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 2019	**504,763**	**912,513**	**266,320**	**37,055**	**570,983**	**2,291,634**
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)	(151,891)	(268)	(1,430)	(159,032)
Translation differences	9,411	35,106	4,176	1,030	23,942	73,665
Balance at 31 December 2019	**560,463**	**1,252,535**	**318,080**	**55,703**	**373,813**	**2,560,594**
Balance at 1 January 2020	**560,463**	**1,252,535**	**318,080**	**55,703**	**373,813**	**2,560,594**
Reclassifications to inventories	—	—	—	—	(7,275)	(7,275)
Reclassified from held for sale	32,609	10,094	—	110	4,508	47,321
Additions	—	—	—	—	377,794	377,794
Change in environmental provision	(4,343)	—	—	—	—	(4,343)
Transfers	27,976	109,303	236,044	36,361	(409,684)	—
Disposals	(812)	(131,649)	(68,239)	(4,482)	(2,127)	(207,309)
Translation differences	(1,663)	(40,772)	12,225	(3,378)	(21,533)	(55,121)
Balance at 31 December 2020	**614,230**	**1,199,511**	**498,110**	**84,314**	**315,496**	**2,711,661**

Depreciation and impairment						
Balance at 1 January 2019	**(298,815)**	**(527,048)**	**(154,863)**	**(22,896)**	**(10,750)**	**(1,014,372)**
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	(28,343)	(1,514)	(52,811)	(188)	(5,364)	(88,220)
Disposals	43	5,122	151,891	102	—	157,158
Translation differences	(5,565)	(11,501)	658	(116)	(271)	(16,795)
Balance at 31 December 2019	**(365,052)**	**(644,641)**	**(178,737)**	**(27,034)**	**(16,385)**	**(1,231,849)**
Reclassifications between groups	23,707	—	(23,707)	—	—	—
Reclassified from held for sale	(32,609)	(10,094)		(110)	(4,508)	(47,321)
Depreciation for the year	(50,087)	(143,919)	(125,131)	(8,494)	—	(327,631)
Impairment (Note 9)	(3,828)	(2,449)	(17,594)	(174)	(4,387)	(28,432)
Disposals	575	126,620	68,239	4,532	—	199,966
Translation differences	1,408	(3,054)	(11,989)	(302)	541	(13,396)
Balance at 31 December 2020	**(425,886)**	**(677,537)**	**(288,919)**	**(31,582)**	**(24,739)**	**(1,448,663)**
Net book value						
Balance at 31 December 2019	**195,411**	**607,894**	**139,343**	**28,669**	**357,428**	**1,328,745**
Balance at 31 December 2020	**188,344**	**521,974**	**209,191**	**52,732**	**290,757**	**1,262,998**

The most significant right of use assets balance as at 31 December 2020 of US$ 5.6 million (31 December 2018: US$ 7.1 million) 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 2019	**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**
Additions	—	47,028	2,991	50,019
Transfers	32,865	(32,865)	—	—
Reclassified from held for sale	32,429	—	—	32,429
Disposals	—	—	(693)	(693)
Translation differences	(21,026)	(9,298)	(1,367)	(31,691)
Balance at 31 December 2020	**1,457,266**	**162,403**	**24,996**	**1,644,665**
Amortisation and impairment				
Balance at 1 January 2019	**(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)**
Amortisation for the year	(51,557)	—	(971)	(52,528)
Reclassified from held for sale	(32,429)	—	—	(32,429)
Impairment (Note 9)	(7,792)	(535)	(48)	(8,375)
Disposals	—	—	693	693
Translation differences	10,486	2,328	776	13,590
Balance at 31 December 2020	**(905,530)**	**(74,881)**	**(17,775)**	**(998,186)**
Net book value				
Balance at 31 December 2019	**588,760**	**80,864**	**5,840**	**675,464**
Balance at 31 December 2020	**551,736**	**87,522**	**7,221**	**646,479**

19. Borrowings

	31 December 2020	31 December 2019
Short-term borrowings		
Bank loans	80,000	—
Factoring arrangements	49,865	38,038
Accrued interest	5,180	6,153
Lease liability	6,075	5,872
Total short-term borrowings	**141,120**	**50,063**
Long-term borrowings		
Bank loans	445,000	525,000
Bonds issued	400,000	400,000
Lease liability	11,469	16,259
Unamortised balance of transaction costs	(6,595)	(9,549)
Total long-term borrowings	**849,874**	**931,710**

Bank loans

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 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 2020, the outstanding amount of the facility was US$ 200 million.

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. In June 2020 the facility was prolonged for two more years till June 2022. As at 31 December 2020 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 2020 there was no outstanding amount related to this facility.

The borrowings' average interest rate as at 31 December 2020 was 3.9% (31 December 2019: 4.6%).

The fair value of the Group's debt instruments approximated their carrying values at 31 December 2020 and 31 December 2019, except for the fair value of bonds which had a market value of US$ 425.5 million (31 December 2019: US$ 413.0).

Unused credit facilities at 31 December 2020 and at 31 December 2019 amounted to US$ 215 million, US$ 90 million relates to uncommitted credit facilities and US$ 125 million to committed ones.

Bonds issued

In October 2019, the Group raised US$ 400 million in a Eurobond issuance. The notes are issued by Celtic Resources Holdings DAC, a wholly-owned subsidiary of Nord Gold UK Societas (former 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.

Factoring arrangements

As at 31 December 2020, the Group owed the amount of US$ 49.9 million (31 December 2019: US$ 38.0 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. In the prior year the Group presented two items in the cash flow statement related to liabilities transferred to financial institutions: an operating cash outflow and a financing cash inflow within the line "Proceeds from borrowings". The cash outflow on settlement of the liability was presented within the line "Repayment of borrowings". The IFRS Interpretation Committee in December 2020 stated that such non-cash movements occurring for an entity in a financing transaction should not be presented in the cash flow statement. Consequently, the Group continues to present cash payments to financial institutions within financing cash outflows but no longer reports any operating cash outflow or financing cash inflow on transfer of the liability to the financial institution. Payments to financial institutions for 2020 amounted to US$ 123.2 million (2019: US$ 115.9 million). The invoices transferred to financial institutions for 2020 amounted to US$ 127.9 million (2019: US$: 115.9 million).

Lease liability

Cash outflow for leases during 2020 amounted to US$ 5.1 million (2019: US$ 5.8 million).

20. Accounts payable

	31 December	
	2020	2019
Trade accounts payable	174,012	182,908
Other taxes payable	64,164	59,965
Amounts payable to employees	30,862	29,412
Accrued expenses	2,198	2,073
Advances received	176	521
Other payables	2,644	22,463
Total	**274,056**	**297,342**

At 31 December 2019 other payables balance included US$ 15.8 million of payables from Societe Miniere de Dinguiraye (“SMD”) to PMC, a counterparty performing construction works at the Lefa mine.

PMC was a contractor of SMD in 2007–2009 engaged in a variety of works that included construction, drilling works, etc. The major part of works was rendered with gross breach of the contractual terms resulting in unilateral termination of the contract on SMD’s initiative. PMC filed lawsuits in different jurisdictions on wrongful termination, claiming losses. All suits were rejected. In 2020, following the expiry of limitation period, a US$ 15.8 million liability has extinguished and was written off through other income in the consolidated statement of profit and loss.

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 2019	**11,236**	**46,333**	**1,655**	**59,224**
Reclassified as held for sale	—	(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**
Reclassified from held for sale	—	3,445	—	3,445
Charge in the year	3,182	1,530	—	4,712
Change in estimate	—	(5,873)	—	(5,873)
Unwinding of discount	—	2,213	—	2,213
Provisions utilised	(1,657)	—	—	(1,657)
Translation differences	(319)	537	8	226
Balance at 31 December 2020	**4,082**	**59,033**	**1,594**	**64,709**

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	
	2020	2019
Russian Federation	1.14–2.61%	1.92–2.71%
Kazakhstan	2.2%	2.81%
Burkina Faso	3.81–4.36%	4.19–4.52%
Guinea	4.34%	4.5%

Management performed an analysis of the reasonably possible change of discount rates used and its effect on the environmental provision as at 31 December 2020.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	4,072
1% increase in discount rate applied	(5,040)

22. Capital and reserves

Share capital

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.

In 2020 the Company has decided to reduce its share capital by reducing the nominal value of each of the Company's ordinary shares from 1 EUR to 0.01 EUR to create sufficient distributable reserves at a company only level to facilitate the payment of dividends in accordance with UK company law.

On 2 April 2020 the Capital Reduction was formally approved by the High Court of Justice. The effective date of the Capital Reduction shown on Companies House is 27 April 2020. This delay in the Capital Reduction registration was because Companies House has suspended its same day service, and was experiencing considerable delays in processing filings, due to the COVID-19 outbreak.

Following the Capital Reduction the Company's issued share capital as at 31 December 2020 consisted of 336,263,929 ordinary shares (authorised and fully paid) with par value of 0.01 EUR per share amounting to US$ 4.6 million.

No special rights, preferences and restrictions existed in respect of Company's ordinary shares as at December 2020, 2019 and 2018.

The Company's authorized shares number was unlimited as at December 2020, 2019 and 2018.

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 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 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
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.

Other reserves

Other reserves in amount of US$ 10.5 million as at 31 December 2019 and its decrease to nil as at 31 December 2020 related to the provision for transfer of share in Societe Miniere de Denguiraye to the Republic of Guinea and its utilization during 2020 (Note 25).

23. Earnings per share

Basic and diluted earnings per share for the year ended 31 December 2020 were based on the profit attributable to shareholders of the Company of US$ 568.7 million (2019: US$ 161.0 million) and a weighted average number of outstanding ordinary shares of 336,264 thousand (31 December 2019: 336,274 thousand), calculated as per below (in thousands of shares):

	Issued shares	Weighted average number of shares
1 January 2019	**336,284**	**336,284**
Shares cancelled in July 2019	(20)	(10)
31 December 2019	**336,264**	**336,274**
1 January 2020	**336,264**	**336,264**
31 December 2020	**336,264**	**336,264**

24. Investment in Cardinal

In March 2020 the Company has acquired 98,443,593 shares in Cardinal Resources Limited (“Cardinal”), giving it voting power of approximately 19.9 percent of the total share capital outstanding for the total consideration of US$ 27.2 million. The directors did not consider that significant influence existed at initial recognition, and accordingly the investment in Cardinal was recognized at its fair value, with the Company electing to present subsequent changes in the fair value within other comprehensive income. Subsequent to 30 June 2020, the Group interest was diluted down to 18.7 percent. During July – September 2020, an additional 50,901,121 shares were acquired for the total consideration of US$ 33.8 million resulting in Group interest increasing to 27.8 percent. Legal expenses capitalized during 2020 amounted to US$ 1.2 million. As a result the investment in Cardinal was reclassified to Investment in associate at an initial value of US$ 102.1 million at 2 September 2020, when the Company obtained significant influence. The total revaluation amount recognised in other comprehensive income before reclassification to the Investment in associate was US$ 39.9 million.

In December 2020 the Company had sold its share in Cardinal for a total cash consideration in amount of US$ 122.9 million: US$ 120.0 million was paid in December 2020 and US$ 2.9 million was to be paid in January 2021 and recognized as accounts receivable as at 31 December 2020.

As at disposal date there was “equity method accounting” adjustment in amount of US$ 2.2 million of associate’s loss according to publicly available Cardinal financial statements.

Net gain on disposal of Cardinal sale recognized in Consolidated statement of profit or loss amounted to US$ 21.3 million, and related gain in revaluation reserve in amount of US$ 32.3 million (net of tax, the amount of income tax relating to gain on revaluation was US$ 7.6 million) was transferred to retained earnings.

25. Subsidiaries

The following is a list of the Group’ subsidiaries and the effective ownership holdings of ordinary shares therein:

Subsidiaries	31 December 2020	31 December 2019	Location	Activity
Gross segment				
LLC Neryungri-Metallik	100.0%	100.0%	Republic of Sakha (Yakutia), Neryungri town. Hani pgt. 70 years of October, d. 3, kv. 55, 678976, Russian Federation	Gold mining
Taborny (former Neryungri) segment				
LLC Rudnik Taborny	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 DAC (1)	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 (2, 4)	93.2%	93.2%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Holding
LLC Irokinda (2, 4)	93.2%	93.2%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Gold mining
LLC Zun-Holba (2, 4)	93.2%	93.2%	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 (2)	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 (2)	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)	85.0%	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 (2)	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1-1103, Cayman Islands	Holding company
Bissa Gold SA (2)	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 (2)	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 (2)	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 (2)	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	Manage-ment 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. (2)	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. (2)	100.0%	100.0%	200–204 Lambert Street, Whitehorse, Yukon Territory Y1A 1Z4, Canada	Other
Amur Gold Limited (2)	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
Celtic Asian Gold LLP (5)	n/a	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
Oldlove Ltd	100.0%	100.0%	1, Costakis Pantelides Avenue, Nicosia, CY1010, CYPRUS	Other

- (1) Celtic Resources Holdings DAC, registered number 224680, being the subsidiary of Nord Gold UK Societas and consolidated in these consolidated financial statements, is claiming the exemption under s357 Companies Act 2014 relating to the filing of its individual financial statements by virtue of this section.
- (2) Subsidiary of High River Gold Mines Ltd.
- (3) During 2020 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 2020 Celtic Asian Gold LLP was sold to the third party, the result of the sale was immaterial.

During 2018, an amendment to the Lefa mining convention was passed by the Republic of Guinea which required all mining companies, operating in Guinea, transfer 15% of their shares to the Republic of Guinea in order to continue operating within the country. Accordingly, Societe Miniere de Dinguiraye (“SMD”), the owner of the Lefa mine, agreed to transfer 15% of shares to the Republic of Guinea. The transfer of 15% shares of SMD to the Republic of Guinea, does not result into recognition of an incremental asset for SMD.

The Group received a revised Mining Permit and Mining Convention for a period of 15 years, effective from 21 March 2019. The Mining Convention determines the taxation and customs regimes under which SMD operates, as well as other provisions regulating the Company’s activities in Guinea.

The transfer of shares was accounted for in accordance with IFRS 2 “Share based payments” with shares were transferred to the Republic of Guinea in two tranches and the related impact recognised in the consolidated statement of profit or loss. The value of the shares was determined based on the fair value of SMD’s net assets as of the date of the transfer of first tranche. The first tranche of 7.5% was transferred in October 2018 after the Convention was ratified. The Company accordingly recognised additional non-controlling interest related to the first tranche amounting to US$ 10.5 million and a provision of US$ 10.5 million for the second tranche was recognised in the consolidated statement of changes in equity. The corresponding total impact of US$ 21.1 million was recognised in the consolidated statement of profit or loss within ‘Loss on partial disposal of subsidiary’. Expenses relating to this extension, amounting to US$ 14.7 million, were also recognised in the consolidated statement of profit or loss, for the year ended 31 December 2018, within ‘Loss on partial disposal of subsidiary’s.

On 1 October 2020, the Company transferred the second tranche of 7.5% of its share in SMD to the Republic of Guinea and accordingly reclassified the provision, created earlier for the second tranche, to non-controlling interest within the consolidated statement of changes in equity. As a result, as at 31 December 2020, Republic of Guinea held 15% of the share capital of SMD.

26. Related party transactions and balances

Transactions with entities under common control mainly included purchases of goods and services amounted to US$ 6.0 million in 2020 (2019: US$ 14.5 million). Entities under common control are Severstal Group subsidiaries controlled by the same ultimate shareholder. All the transactions were commenced on the market conditions according to tenders results.

As at 31 December 2020, balances with entities under common control included accounts payable of US$ 1.2 million (31 December 2019: US$ 2.3 million), which are to be settled in cash.

27. Financial risk management

Capital management

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

As at 31 December 2020 external credit ratings of the Group were as follows:

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

As at 31 December 2019, 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, the related derivative instruments and lease liabilities less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity.

Return on assets ratio:

	31 December 2020	31 December 2019
Profit from operations	681,357	228,917
Total assets	3,194,197	2,752,879
Return on assets ratio	**21%**	**8%**

Net debt reconciliation:

	31 December 2020	31 December 2019
Non-current interest bearing loans and borrowings	849,874	931,710
Current interest bearing loans and borrowings	141,120	50,063
Less: cash and cash equivalents	(739,203)	(189,891)
Net debt	**251,791**	**791,882**

Leverage ratio:

	31 December 2020	31 December 2019
Net debt	251,791	791,882
Shareholders' equity	1,594,680	1,182,411
Leverage ratio	**16%**	**66%**

The leverage ratio decrease mostly relates to an increase in the balance of cash and cash equivalents as at 31 December 2020. This resulted primarily from net profit due to significant appreciation of gold prices.

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 2019	Cash flows	Foreign exchange movement	Transaction costs amortization	Dividends declared	Transfers	Non-cash movements for supplier financing borrowing arrangements	Other changes	31 December 2020
Non-current borrowings	925,000	—	—	—	—	(80,000)	—	—	845,000
Current borrowings	—	—	—	—	—	80,000	—	—	80,000
Factoring arrangements	38,038	(123,180)	4,331	—	—	—	130,676	—	49,865
Transaction cost	(9,549)	(366)	—	2,736	—	—	—	583	(6,596)
Lease liability	22,131	(5,612)	1,025						17,544
Dividends payable	—	(54,182)	(101)	—	54,283	—	—	—	—
Other movements	—	(1,052)	—	—	—	—	—	1,052	—
Total financing activities	**975,620**	**(184,392)**	**5,255**	**2,736**	**54,283**	**—**	**130,676**	**1,635**	**985,813**

			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**

Major categories of financial instruments

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

	31 December 2020	31 December 2019
Financial assets		
Cash and cash equivalents	739,203	189,891
Trade and other receivables	16,739	13,891
Restricted cash	20,936	18,993
Long-term financial investments	3,222	2,961
Total financial assets	**780,100**	**225,736**
Financial liabilities		
Notes and bonds issued	403,720	403,760
Bank loans	526,463	527,397
Lease liabilities	17,544	22,131
Factoring arrangements	49,865	38,038
Trade and other payables	204,727	234,844
Total financial liabilities	**1,202,319**	**1,226,170**

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 2020, the Group had a concentration of cash and cash equivalents and bank deposits with Sberbank in the amount of US$ 527.2 million (31 December 2019: US$ 141.2 million).

As at 31 December 2020, the Group had a concentration of restricted cash with Banque Centrale des États de l'Afrique de l'Ouest in amount of US$ 15.8 million (31 December 2019: US$ 14.3 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 2020:

	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	49,865	50,738	50,738	—	—	—
Notes and bonds issued	403,720	466,466	20,449	16,729	429,288	—
Bank loans	526,463	559,226	97,066	214,000	248,160	—
Lease liabilities	17,544	20,433	7,120	5,984	7,329	—
Trade and other payables	204,727	204,727	204,727	—	—	—
Total	**1,202,319**	**1,301,590**	**380,100**	**236,713**	**684,777**	**—**

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	403,760	483,281	20,535	16,729	446,017	—
Bank loans	527,397	598,389	27,032	102,273	469,084	—
Lease liabilities	22,131	25,807	6,634	6,333	12,840	—
Trade and other payables	234,844	234,844	234,844	—	—	—
Total	**1,226,170**	**1,381,043**	**327,767**	**125,335**	**927,940**	**—**

Market risk

The Group activities expose it primarily to the financial risks of changes in market prices, such as 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 20 percent change in gold price can be reasonably expected considering gold price movements during 2020. A 20 percent decrease of gold price would have decreased profit after tax for the year ended 31 December 2020 by US$ 291.6 million (2019: US$ 251.6 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, Central African Franc, Euro and Australian Dollar.

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, British Pound.

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

31 December 2020	USD	RUB	GNF	CFA (XOF)	EUR	AUD	Other
Cash and cash equivalents	473,899	38	66	—	12,840	120,776	50
Trade and other receivables*	7,300	—	911	620	(3)	2,909	294
Financial investments*	(2,941)	46,596	—	292	49,699	—	(10)
Borrowings and bank financing*	(65,958)	(7,876)	—		(48,957)	—	(1,475)
Trade and other payables*	(39,531)	(7,907)	(25,905)	(1,865)	(16,371)	(608)	(1,746)
Net exposure	**372,769**	**30,851**	**(24,928)**	**(953)**	**(2,792)**	**123,077**	**(2,887)**

31 December 2019	USD	RUB	GNF	CFA (XOF)	EUR	AUD	Other
Cash and cash equivalents	8	14	631	—	128,907	—	(14)
Trade and other receivables *	6,768	—	2,378	568	2	314	133
Financial investments *	(4,885)	30,087	—	30,568	479	—	1,964
Borrowings and bank financing*	(48,515)	(919)	—	—	(43,808)	—	(5,724)
Trade and other payables *	(40,383)	(6,860)	(21,372)	(1,337)	(9,211)	(107)	(1,213)
Net exposure	**(87,007)**	**22,322**	**(18,363)**	**29,799**	**76,369**	**207**	**(4,854)**

* Including Group's intercompany balances and interest

Sensitivity analysis

Management believes that a 20 percent change in foreign currencies can reasonably be expected considering the currency rates movements during 2020. 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 weakening of the following currencies as at 31 December 2020 and 2019 would have increased/ (decreased) profit and equity by the amounts shown below:

	31 December 2020	31 December 2019
USD	(59,788)	13,806
RUB	(4,769)	(3,343)
GNF	3,490	2,571
CFA (XOF)	79	(6,040)
EUR	(851)	(12,931)
AUD	(19,939)	(34)
Other	456	771
Total	**(81,322)**	**(5,200)**

A 20 percent strengthening of the same currencies as at 31 December 2020 and 2019 would have an opposite increase/ (decrease) impact on profit and equity. Also there would be an equity effect from weakening/strengthening of Euro in relation to the net investment in foreign operations in amount of US$ 4.5 million as at 31 December 2020 (US$ 3.0 million as at 31 December 2019).

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 2020	31 December 2019
Financial liabilities at interest with fixed spread over LIBOR	525,000	525,000
Net position	**525,000**	**525,000**

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 2020. A change of 100 basis points in variable interest rates would increase/(decrease) profit for the year ended 31 December 2020 by US$ 4.2 million (2019: US$ 6.7 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 2020		
Debt/equity investments assets designated as FVOCI	3,211	—
Balance at 31 December 2019		
Debt/equity investments assets designated as FVOCI	5,397	—

At 31 December 2020 and 2019, the Group did not have any Level 3 financial instruments.

28. Commitments and contingencies

Capital commitments

As at 31 December 2020, the Group had contractual capital commitments of US$ 29.2 million (31 December 2019: US$ 37.9 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.

Starting from early 2020 a new coronavirus disease (COVID-19) has begun spreading rapidly all over the world resulting in the announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing.

Currently there is no significant effect of COVID-19 on the Group's operations but the effect largely depends on the duration and the incidence of the pandemic effects on the world economy, which cannot be reasonably predicted. The Company continues to monitor the situation. No impairments were recorded as of 31 December 2020, as no triggering events or changes in circumstances had occurred.

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 2020, management estimated the total amount of potential non-tax legal proceedings at US$ 3.8 million (31 December 2019: US$ 0.4 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 2020, 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 US$ 5.3 million (31 December 2019: nil).

Guinea

Total amount of tax risks of Société Minière de Dinguiraye located in Guinea, which may lead to negative consequences, was estimated at US$ 42.6 million (31 December 2019: US$ 34.0 million).

Other jurisdictions

Guinor, a subsidiary of the Group, which is a Canadian tax resident, is exposed zero tax risks (31 December 2019: US$ 3.7 million).

29. Events after the reporting period

In January 2021, the Group repaid full outstanding amount of US$ 200.0 million related to the syndicated loan 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.

On 12 March 2021, the Board of Directors approved the following changes in the composition of the Board:

- Michael Nossal was appointed as Independent Non-Executive Chairman. Mr Nossal replaces Mr David Morgan, who was appointed Chairman in 2014.
- Mr Morgan was appointed as Deputy Chairman.
- Yulia Chekunaeva was appointed as new Independent Non-Executive Director of the Board.
- Brian Beamish, an Independent Non-Executive Director of the Company, was appointed as Senior Independent Director.
- Roman Vasilkov stepped down as a Non-Executive Director nominated by Nordgold’s major shareholder Alexey Mordashov.

All changes will take effect on 19 March 2021.

On 18 March 2021, the Board of Directors approved a final dividend of 0.2 US cents per share in respect of 2020, representing a total pay-out of US$ 0.8 million.

COMPANY ONLY FINANCIAL STATEMENTS

For the year ended 31 December 2020

Registered number: SE000102
Nord Gold UK Societas

Statement of Director's responsibilities

The Directors are responsible for preparing the financial statements for the twelve months ended 31 December 2020 in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year, under that law the Directors have elected to prepare the financial statements for the twelve months ended 31 December 2020 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 applicable UK Accounting Standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 31.12.20 $'000	Year ended 31.12.19 $'000
Other operating income		436	—
Administrative expenses		(2,500)	(2,261)
Reversal of impairment in loans to related parties		1,251	19,600
Operating (loss)/profit		**(813)**	**17,339**
Investment income		12,261	14,905
Other non-operating expenses		(73)	(188)
Dividend income		—	34,894
Net foreign exchange gains		3,962	(916)
Finance costs		(6,919)	(4,431)
Gain on disposal of associate		21,320	—
Share of result of associate		(2,209)	—
Impairment of financial investments		(3,116)	—
Profit before taxation		**24,413**	**61,603**
Income tax		1,383	(3,108)
Profit after taxation for the financial year attributable to the owners of the Company		**25,796**	**58,495**

Statement of comprehensive income

	Year ended 31.12.20 $'000	Year ended 31.12.19 $'000
Profit for the year	**25,796**	**58,495**
Items that will not be reclassified to profit or loss:		
Revaluation of equity investments assets designated as FVOCI, net of tax	32,769	(538)
Foreign exchange differences	2,229	—
Other comprehensive income/(loss) for the year, net of tax	**34,998**	**(538)**
Total comprehensive income for the period attributable to the owners of the Company	**60,794**	**57,957**

Statement of financial position

	Note	31.12.2020 $'000	31.12.2019 $'000
Non-current assets			
Investments in subsidiaries	7	1,328,457	1,350,749
Other investments	8	2,506	4,763
Other assets		512	—
Total non-current assets		**1,331,475**	**1,355,512**
Current assets			
Loans to related parties	8	134,959	154,745
Trade and other receivables	9	12,213	9,337
Cash and cash equivalent	10	120,673	8,535
Total current assets		**267,845**	**172,617**
Total assets		**1,599,320**	**1,528,129**
Current liabilities			
Trade and other payables		719	131
Income tax payable	11	12,712	6,511
Advances received	12	924,000	924,000
Loans and borrowings	13	55,460	23,085
Total current liabilities		**992,891**	**953,727**
Net current assets /(liabilities)		**(725,046)**	**(781,110)**
Total assets less current liabilities		**606,429**	**574,402**
Non-current liabilities			
Loans and borrowings	13	49,801	25,268
Total non-current liabilities		**49,801**	**25,268**
Total liabilities		**1,042,692**	**978,995**
Net assets		**556,628**	**549,134**
Equity			
Share capital	14	4,646	464,577
Revaluation reserves		(3,676)	(4,113)
Foreign exchange translation reserve		2,229	—
Retained earnings and profit for the year		553,429	88,670
Equity attributable to owners of the Company		**556,628**	**549,134**

Approved by the board of directors and authorised for issue on 18 March 2021 and signed on its behalf by

Zelenski N.G.
Chief Executive Officer

Guzeev D.V.
Chief Financial Officer

Statement of changes in equity

	Share capital $'000	Treasury shares $'000	Share buyback reserve $'000	Revaluation reserve $'000	Foreign exchange translation reserve $'000	Retained earnings $'000	Total $'000
Balance at 1 January 2019	**464,605**	**—**	**(750)**	**(3,575)**	**—**	**34,521**	**494,801**
Profit for the year	—	—	—	—	—	58,495	58,495
Other comprehensive income 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)	—
Dividends paid	—	—	—	—	—	(4,304)	(4,304)
Balance at 31 December 2019	**464,577**	**—**	**—**	**(4,113)**	**—**	**88,670**	**549,134**
Profit for the year	—	—	—	—	—	25,796	25,796
Other comprehensive income for the year	—	—	—	32,769	2,229	—	34,998
Total comprehensive income for the year							**60,794**
Share captial reduction	(459,931)	—	—	—	—	459,931	—
Cardinal revaluation	—	—	—	(32,332)	—	32,332	—
Dividends	—	—	—	—	—	(53,300)	(53,300)
Balance at 31 December 2020	**4,646**	**—**	**—**	**(3,676)**	**2,229**	**553,429**	**556,628**

Notes to the financial statements

1. General information

Nord Gold UK Societas (the Company) is a Company incorporated and domiciled in the United Kingdom under the Companies Act 2006.

The company was previously known as Nord Gold SE, prior to conversion by operation of law to a UK Societas on 31 December 2020, following the end of the Brexit transition period.

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, standards not yet effective, impairment of assets. Where relevant, equivalent disclosures will be given in the group accounts of Nord Gold UK Societas.

In the current year, the Company has applied a number of amendments to IFRSs that are mandatorily effective for an accounting period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported.

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 (Oct 2018)
- Amendments to IAS 1 and IAS 8 (Oct 2018)
- Amendments to IFRS 9, IAS 39 and IFRS 7 (September 2019)

The Company 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 or key sources of estimation uncertainty.

4. Significant accounting policies

Going concern

The Directors have, at the time of approving the Company financial statements, a reasonable expectation (including the possible impact of COVID-19) 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 Company 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.

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

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$ 1,328.5 million (US$ 1,350.7 million as at 31 December 2019) with no impairment charge recognised in 2020 (no impairment charge recognised in 2019) and no impairment reversal in 2020 (no impairment reversal in 2019).

Foreign currencies

The Company 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 27 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 measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. 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 $6.0 million. As at 31 December 2020 the provision for expected credit losses on amount owed by subsidiaries was US$ 1.8 million (US$ 3.1 million as at 31 December 2019).

5. Investment in Cardinal

In March 2020 the Company has acquired 98,443,593 shares in Cardinal Resources Limited ("Cardinal"), giving it voting power of approximately 19.9 percent of the total share capital outstanding for the total consideration of US$ 27.2 million. The directors did not consider that significant influence existed at initial recognition, and accordingly the investment in Cardinal was recognized at its fair value, with the Company electing to present subsequent changes in the fair value within other comprehensive income. Subsequent to 30 June 2020, the Company's interest was diluted down to 18.7 percent. During July — September 2020, an additional 50,901,121 shares were acquired for the total consideration of US$ 33.8 million resulting in Company's interest increasing to 27.8 percent. Legal expenses capitalized during 2020 amounted to US$ 1.2 million. As a result the investment in Cardinal was reclassified to Investment in associate at an initial value of US$ 102.1 million at 2 September 2020, when the Company obtained significant influence. The total revaluation amount recognised in other comprehensive income before reclassification to the Investment in associate was US$ 39.9 million.

In December 2020 the Company had sold its share in Cardinal for a total cash consideration in amount of US$ 122.9 million: US$ 120.0 million was paid in December 2020 and US$ 2.9 million was to be paid in January 2021 and recognized as accounts receivable as at 31 December 2020.

As at disposal date there was "equity method accounting" adjustment in amount of US$ 2.2 million of associate's loss according to publicly available Cardinal financial statements.

Net gain on disposal of Cardinal sale recognized in statement of profit or loss amounted to US$ 21.3 million, and related gain in revaluation reserve in amount of US$ 32.3 million (net of tax, the amount of income tax relating to gain on revaluation was US$ 7.6 million) was transferred to retained earnings.

6. Impairment of financial investments

Impairment of long-term financial investments related mainly to Arakaka Gold Project.

In June 2019, the Company entered into an Option Agreement with Alicanto Minerals Ltd for the exclusive right to acquire a 100% interest in the Arakaka Gold Project. Under the terms of the Agreement, Nordgold had 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.

Based on unsatisfactory results of the drilling campaign the Company has decided not to exercise its option to acquire Arakaka. As a result related investment value in amount of US$ 2.9 million was fully impaired as at 31 December 2020.

7. Investments in subsidiaries

Cost	$'000
At 1 January 2020	1,580,069
Additions	20,057
Return of investments	(42,349)
At 31 December 2020	1,557,777
Provisions for impairment	
At 1 January 2020	(229,320)
At 31 December 2020	(229,320)
Carrying amount	
At 31 December 2019	1,350,749
At 31 December 2020	1,328,457

The Company had advanced US$ 27.8 million of funding via a promissory note to its subsidiary Compagnie Miniere Montagne d'Or SAS as at 31 December 2020 (31 December 2019: US$ 18.7 million). The classification has been reassessed in the current year and, reflecting the linkage of this arrangement to the funding requirements under the shareholder agreement, the asset has been presented as an equity rather than a debt investment. The comparative information has been restated to provide a consistent presentation, with the balance previously having been presented within Trade and other receivables. Net assets remain unchanged.

Additions in the year mainly include increase of investments in Compagnie Miniere Montagne d'Or SAS, HRG Mines Ltd and Centroferve Ltd.

Return of investments mainly relates to return from HRG Mines Ltd in amount US$ 42.3 million.

The impairment of investments in subsidiaries as at 31 December 2019 and as at 31 December 2020 includes full impairment of investment in Crew Gold Corporation in total amount US$ 229.3 million.

List of Company subsidiaries

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

Subsidiaries	31 December 2020	31 December 2019	Location	Activity
Direct subsidiaries				
Compagnie Miniere Montagne d'Or SAS	55.1%	55.1%	Immeuble Chopin — 1, rue de l'Indigoterie 97354 Rémire-Montjoly, Cayenne	Gold exploration
Centroferve Limited	100.0%	100.0%	Karaiskaki,6, City House, P.C. 3032, Limassol, Cyprus	Holding company
Nord Gold Guiana SAS	100.0%	100.0%	1, Avenue Gustave Charlery, route de Montabo Imm Faic, 97300 Cayenne	Gold exploration
Nordgold (UK) Ltd	100.0%	100.0%	4th Floor, 27 Dover Street, Mayfair, London, W1S4LZ, United Kingdom	Other
High River Gold Mines Ltd	100.0%	100.0%	Suite 2100, Scotia Plaza, 40 King Street West Toronto, Ontario, M5H 3C2, Canada	Holding company
Northquest Limited	100.0%	100.0%	Suite 101 — 50 Richmond Street East, Toronto, Ontario M5C 1N7, Canada	Gold exploration
Nordgold Management LLC	100.0%	100.0%	Leningrad highway, 39, building 2,125212 Moscow, Russian Federation	Management services
LLC Neryungri-Metallik	100.0%	100.0%	Republic of Sakha (Yakutia), Neryungri town. Hani pgt. 70 years of October, d. 3, kv. 55, 678976, Russian Federation	Gold mining
Nord Gold (Yukon) Inc.	100.0%	100.0%	200-204 Lambert Street, Whitehorse, YT,Y1A 1Z4, Canada	Holding company
LLC Rudnik Taborny	100.0%	100.0%	Republic of Sakha (Yakutia), Olekminsky district, Olekminsk town, Brovina street, 4a, 678100, Russian Federation	Gold mining
Indirect subsidiaries				
Celtic Resources Holdings DAC	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

OJSC Buryatzoloto	93.2%	93.2%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Holding
LLC Irokinda	93.2%	93.2%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Gold mining
LLC Zun-Holba	93.2%	93.2%	Shalyapina street, 5V, Republic of Buryatia, Ulan-Ude,670045, Russian Federation	Gold mining
LLC Berezitovy Rudnik	100.0%	100.0%	Centralnaya Str. 14, Amur Region, Tynda District, with. Pervomaiskoye, 676260, Russian Federation	Gold mining
Societe Des Mines de Taparko	90.0%	90.0%	01 B.P. 2509, Ouagadougou 01, Immeuble UPAK, Boulevard France – Afrique, Secteur 15, Ouaga 2000, Burkina Faso	Gold mining
Nordgold YEOU SA	90.0%	90.0%	Secteur 19, Quartier Kossodo, Rue 1749 Boulevard Tansoba Silzaedre, Section zz, lot 14, parcelle №8, arrodissement №4 de Ouagadougou, Burkina Faso	Gold mining
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 (1)	85.0%	92.5%	4ème étage — Immeuble Moussoudougou — Résidence 2000,Corniche Coléah Sud – Commune de Matam BP 2162, Conakry, République de Guinée	Gold mining
High River Gold Mines (West Africa) Ltd	100.0%	100.0%	Fourth Floor, One Capital Place, P.O. Box 847, Grand Cayman, KY1-1103, Cayman Islands	Holding company
Bissa Gold SA	90.0%	90.0%	11 B.P. 1229 CMS 11 OUAGA 11, 783 rue de la Chambre de Commerce 15,618 commune de Ouagadougou, Burkina Faso	Gold mining
High River Gold Exploration Burkina SARL	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Jilbey Burkina SARL	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Kaya Exploration SARL	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration

Prognoz Exploration Burkina SARL	100.0%	100.0%	Secteur n°19 (Kossodo), Rue 1749 Boulevard Tânsoba Silzaèdre, section ZZ, Lot 14, parcelle 08, Burkina Faso	Gold exploration
Nord Prognoz Ltd	100.0%	100.0%	Ritter House Wickhams Cay II Road Town, Tortola, British Virgin Islands	Holding company
High River Gold Management Africa S.A.	100.0%	100.0%	11 BP 635 Ouagadougou, CMS 11, Immeuble UPAK Boulevard France — Afrique, secteur 15, Ouaga 2000, Burkina Faso	Other
High River Acquisition Corp.	100.0%	100.0%	200-204 Lambert Street, Whitehorse, Yukon Territory Y1A 1Z4, Canada	Other
Amur Gold Limited	100.0%	100.0%	Karaiskaki, 6 CITY HOUSE 3032, Limassol, Cyprus	Holding company
Ken Kazgan LLP	100.0%	100.0%	122 Frunze street, Semey city, 071400, East-Kazakhstan region, the Republic of Kazakhstan	Other
Celtic Asian Gold LLP (2)	—	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
Oldlove Ltd	100.0%	100.0%	1, Costakis Pantelides Avenue, Nicosia, CY1010, CYPRUS	Other

(1) During 2020 7.5% of share in Societe Miniere de Dinguiraye was transferred to the government of Guinea according to the new mining convention terms

(2) Celtic Asian Gold LLP was liquidated in 2020

Impairment of investments in subsidiaries

The recoverable amount for investments in subsidiaries is estimated on a value in use basis using discounted cash flow models.

As at 31 December 2020 and as at 31 December 2019 there were no impairments or impairment reversals of investments in subsidiaries.

8. Other investments and loans to related parties

	Current assets		Non-current assets	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Equity investments assets designated at FVOCI				
Investments in shares	—	—	2,506	4,763
	—	—	2,506	4,763
Loans receivable carried at amortised cost				
Loans to related parties	134,959	154,745	—	—
Total investments	134,959	154,745	2,506	4,763

The investment in shares of US$ 2.5 million represents by investment in Columbus Gold Corp. The investment in shares as at 31 December 2019 of US$ 4.8 million mainly represents by investment in Columbus Gold Corp in amount US$ 2.2 million and investment in Alicanto Minerals in amount US$ 2.5 million.

Related party loans includes mainly loans receivable from Delta Gold Mining with interest rate 3 month LIBOR3M + 7% (3 month LIBOR3M + 7% in 2019) and loans receivable from Neryungri-Metallic with interest rates 4% (4%-9.11% in 2019).

9. Trade and other receivable

Trade and other receivables of US$ 12.2 million include related party balance of Bissa receivable in total amount US$ 9.3 million (31 December 2019: US$ 9.3 million).

10. Cash and cash equivalent

Cash and cash equivalent consists of cheque held in amount US$ 120,776 thousands which was received as cash proceeds from sales of Cardinal' shares and cash overdraft in amount US$ 103 thousands.

11. Income tax payable

Income tax payable balance has increased by US$ 6.2 million due to income tax accrued in 2020. Company's chargeable gains are allocated to group companies via 171A elections with no payment for utilisation of group losses.

12. Advances received

Advances received represent a US$ 924 million cash amounts received as at 31 December 2020 (2019: US$ 924 million) from Celtic Resources Holdings DAC (a wholly owned subsidiary) in relation to the purchase price of shares of subsidiaries owned by Nord Gold UK Societas, which will be purchased by Celtic Resources Holdings DAC from Nord Gold UK Societas.

13. Loans and Borrowings

	31.12.2020 $'000	31.12.2019 $'000
Amounts owed to group undertakings	55,460	23,085
Amount due for settlement within 12 months	**55,460**	**23,085**
Amounts owed to group undertakings	49,801	25,268
Amount due for settlement after 12 months	**49,801**	**25,268**
Amounts owed to group undertakings	**105,261**	**48,353**

Amounts owed to group undertakings mainly represent the loans received from the subsidiaries:

Subsidiary/interest rate	31.12.2020	31.12.2019
Celtic Resources Holdings DAC, 3.5%	28,953	—
Opeloak Ltd, 6.9%	24,239	22,827
Rudnik Taborny, 4.5%	1,899	—
Other subsidiaries	369	258
Total	**55,460**	**23,085**

Subsidiary/ interest rate	31.12.2020	31.12.2019
Celtic Resources (Central Asia), 3.5%	49,801	—
Celtic Resources Holdings DAC, 3.5%	—	25,268
Total	**49,801**	**25,268**

14. Share capital

	31.12.2020 $'000
Issued and fully paid:	
336,263,929 ordinary shares of EUR 0.01 each	4,646

In 2020 the Company has decided to reduce its share capital by reducing the nominal value of each of the Company's ordinary shares from 1 EUR to 0.01 EUR to create sufficient distributable reserves at a company only level to facilitate the payment of dividends in accordance with UK company law.

On 2 April 2020 the Capital Reduction was formally approved by the High Court of Justice. The effective date of the Capital Reduction shown on Companies House is 27 April 2020. This delay in the Capital Reduction registration was because Companies House has suspended its same day service, and was experiencing considerable delays in processing filings, due to the COVID-19 outbreak.

Following the Capital Reduction the Company's issued share capital as at 30 September 2020 consisted of 336,263,929 ordinary shares (31 December 2019: 336,263,929 ordinary shares) with par value of 0.01 EUR per share amounting to US$ 4.6 million (31 December 2019: US$ 464.6 million).

15. Controlling party

As at 31 December 2020 and 2019, 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.

16. Events after the reporting period

On 12 March 2021, the Board of Directors approved the following changes in the composition of the Board:

- Michael Nossal was appointed as Independent Non-Executive Chairman. Mr Nossal replaces Mr David Morgan, who was appointed Chairman in 2014.
- Mr Morgan was appointed as Deputy Chairman.
- Yulia Chekunaeva was appointed as new Independent Non-Executive Director of the Board.
- Brian Beamish, an Independent Non-Executive Director of the Company, was appointed as Senior Independent Director.
- Roman Vasilkov stepped down as a Non-Executive Director nominated by Nordgold's major shareholder Alexey Mordashov.

All changes will take effect on 19 March 2021.

On 18 March 2021, the Board of Directors approved a final dividend of 0.2 US cents per share in respect of 2020, representing a total pay-out of US$ 0.8 million.

For further information on Nordgold
please visit our website:

www.nordgold.com

Designed by Konstantin Lapushkin