CHINA NONFERROUS GOLD

LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2022

Company Registration Number WK-277188

Contents

Directors	Mr Lixian Yu	(Chairman and Non-Executive Director)
	Mr Xiaohua Wang	(Executive Director, Finance Director)
	Mr Xiuzhi Shi	(Non-Executive Director)
	Mr Yong Li	(Non-Executive Director)
	Mr Feng Zhishuo	(Executive Director, Managing Director)
Company Secretary	Mr Feng Zhishuo	
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Chief Executive Officer's Statement

As CEO of the board, it gives me pleasure to present the CEO's statement of the annual report for the year ended 31 December 2022. The Pakrut gold mine has maintained normal operational capacity from financial year 2019 to date.

The Company made achievements in 2022 and in recent years has become an important gold-production enterprise in Tajikistan. The Pakrut gold mine achieved its own, internal production targets for 2022, which brings steady cash flows to support the sustainable development of the Company's ongoing operations.

Operation

During the year ended 31 December 2022, a total of 688,232 tons of ore was extracted from the Pakrut gold mine (2021: 625,078 tons), and a total of 662,421 tons of ore were processed at a grade of 2.19 g/t (2021: 650,995 tons of ore processed at a grade of 2.29 g/t), 19,327 tons of gold concentrate were produced at a grade of 68.50 g/t (2021: 19,918 tons of gold concentrate produced at a grade of 69.22 g/t), 1,200 kg gold bullion were poured with a comprehensive recovery rate of 91.63% (2021: 1,249 kg gold bullion with a recovery rate of 91.61%). In addition, a total of 86 drill holes were completed, approximately 6,259m, with the associated assays expected back from the laboratory in due course. A further announcement will be made at that time.

COVID-19

As the impact of COVID-19 on the global economy has now significantly reduced, Pakrut has also lifted its quarantine policy. Local employees can commute to work as normal every day. The Company still pays great attention to employees' physical health, and has provided a new equipped clinic. Currently, there are no COVID-19 cases in Tajikistan. The number of workers at the mine site remains sufficient to meet the required production targets, so the production target of 2022 was not affected by Covid. Furthermore, the suspended flights (introduced due to Covid restrictions) which could have restricted access to the site for key employees during the year, have now resumed. From November 2022, flights between China and Tajikistan were officially resumed, and the quarantine policy was also lifted, making it much easier for Chinese employees to travel back and forth.

Financial results

The development and construction work at the Pakrut Gold Project was finalised at the end of the 2018 financial year. The Group has therefore generated revenue from full operational production from the beginning of the 2019 financial year. Administration expenditure for the year under review was US$25,109,000 (2021: US$19,879,000).The main reason for the increase this year is due mainly to the increase in employee compensation in 2022. It is worth noting this year that due to indicators of impairment at the Pakrut mine, an impairment charge of US$266m has been recorded in the current year in respect of the Property, plant and equipment (including Producing mines).

The overall loss incurred by the Group was US$287,043,289 (2021: US$6,247,062). Pakrut generated revenue from gold sales in the year of US$68,524,835 (2021: US$71,991,962). The main reason for the decrease in revenue was a decrease of 49 kilograms in gold sales compared to last year which resulted from slightly decreased output levels; revenue was also impacted by the decline in average gold price from $1,800/oz during 2021 to $1,788/oz.

Financing Arrangements

In January 2022, the Group executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of up to USD $34.55 million (the "CNMC Loan"). This CNMC Loan has been used to repay the existing China CITIC Bank Corporation Limited ("CITIC") bank facilities of USD $34.55m (being USD$20m advanced in January 2021 ("First Loan") and USD$14.55m advanced in March 2021 ("Second Loan").

In January 2022, the Group executed a foreign currency working capital loan agreement with CITIC for a loan facility of up to US$20 million (the "new CITIC Loan"), with an annual interest at 3.00% over 6 month LIBOR, which was used to repay US$20m of the CNMC Loan. In December 2022, the Group repaid a further US$1m of the CNMC Trade loan.

The existing loan facilities from CITIC and Bank of Shanghai ("BOS") totaled US$85 million at the year end and the CNMC and CNMIM loan facilities totaled US$294m at the year end so that, including accrued interest, the total amount of borrowings payable by the Company was US$379m at the year end (approximately US$318m without interest). The existing loans in place with the Company's major shareholder (and its associates) were due for repayment during the 2022 financial year, although repayment has not yet been requested. Draft loan renewals for all existing loans are currently in circulation. If progressed these loans would be deemed to be related party transactions pursuant to Rule 13 of the AIM Rules for Companies, because of the size of the loans and the relationship between the providers of the loan and the Company's major shareholder, therefore execution of these arrangements is subject to the relevant regulatory approvals and processes. At this stage the renewal of these loans cannot be guaranteed. Please refer to the 'going concern' disclosure below for further information of loan and financing matters.

The Group has continued production throughout 2022 despite Covid-19 in terms of ongoing travel restrictions between China and Tajikistan, enabling it to generate sufficient working capital for its daily operations. However, in order to ensure the repayment of the existing loans as detailed above, a broader refinancing will be required. The Company gradually repaid interest-bearing liabilities to reduce the asset liability ratio. The US$85 million of loans from external lenders (banks) in place at year end were refinanced through additional shareholder loans in 2023 – see Events after the Reporting period section below for further information, as well as going concern disclosure (see below). The Group will continue to engage with other commercial banks as well as with its major shareholder in order to ensure appropriate capital arrangements are in place to enable the financing costs and principal repayments of the loans to be satisfied.

Events after the Reporting Period

In January 2023, the Group executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade")for a loan of up to USD $19.50 million (the"CNMC Loan") including an annual interest rate at 0.5% plus 3 month LIBOR. No extra fees were payable to CNMC Trade for this arrangement, which is repayable within 3 months from the date of drawdown. CNMC Trade has subsequently indicated it will to extend this loan for one year from the initial repayment date, although as set out above, this would be a related party transaction pursuant to Rule 13 of the AIM Rules for Companies, and is subject to relevant regulatory approvals and processes, so cannot be guaranteed. This CNMC Loan was used to repay the existing China CITIC Bank Corporation Limited ("CITIC") bank facilities of USD $20m.

In June 2023, the Company executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of up to USD $65 million (the"CNMC Loan") including an annual interest rate at 0.5% plus 3 month LIBOR, which is repayable within 3 months from the date of drawdown. This CNMC Loan was used to repay the existing Bank of Shanghai (Hong Kong) Limited ("BOS") loan facility of USD $65m, which was due for repayment on 9 June 2023.

In the first quarter of 2023, the Group repaid US$1.9m of the CNMC Trade Company Limited ("CNMC Trade") loan, which was drawn on September 20, 2017.

As set out above, CNMC Trade Company Limited (CNMC Trade), CNMC International Capitals Company Ⅱ Limited (CNNICC Ⅱ) and CNMIM have indicated they will extend certain existing loans and the extension contracts are in circulation, subject to regulatory approval and processes pursuant to Rule 13 of the AIM Rules for Companies, so this cannot be guaranteed. At the date of this report, the Company had a total of US$316.07 million of debt facilities exclusive of interest (including banking facilities without interest).

The Company continues to explore a wider refinancing of its loans. Refer also to Note 28.

In February 2023, the area surrounding the mine site experienced snowfalls resulting in several avalanches and landslides. On 16 March 2023 the power supply was re-established and production has resumed at the Pakrut mine site. On 11 April 2023, the road to the mine site was repaired and re-opened, and the smelting plant resumed production. Accordingly, normal operations have resumed at site. The Directors believe that, notwithstanding this interruption, they will be able to recover gold production to similar levels to last year.Refer also to Note 28.

Outlook

The Company is maintaining its current production capacity. Whilst maintaining production, the Company is also focusing on perfecting and improving the smelting process by reducing production costs, increasing recovery rates and improving competitiveness.

The Company has long been dedicated to becoming a significant gold producer in Central Asia. The Company has also established a strong relationship with the government of Tajikistan and other Central Asian countries, and it will consider other appropriate acquisitions at the right time.

While we have taken big strides in the production and operation of the Pakrut gold mine and has achieved much, there are still challenges to overcome and targets to meet. It was disappointing to receive the updated SRK Report (see announcement dated 24 April 2023) which updated the JORC Compliant Resource and reduced the resource at the Company's Pakrut project and the estimated life of mine. In addition, and as set out in the going concern statement below, the majority of the Company's outstanding loans (approximately £387m) fall to be paid before the end of the current financial period and at this stage the Company does not have the financial resources to repay them. The Directors believe that its major shareholder and associated parties will continue to support them through the extension of existing loan agreements (subject to regulatory approval and processes) but there can be no guarantee that this will occur. The Directors continue to explore all financing opportunities and will update the market in due course as these progress.

In closing, I would like to take this opportunity to thank all our employees, management and advisers for their continued hard work in 2022. I would also like to extend my thanks to all our stakeholders for their continued backing over the years. I very much look forward to updating our shareholders further on the mine developments, production levels, new strategy and direction.

Feng Zhishuo

Chief Executive Officer

30 June 2023

The Directors present their annual report and the audited Financial Statements of China Nonferrous Gold Limited for the year ended 31 December 2022.

Principal Activity

The principal activity of the Group is that of mineral exploitation, mine development and mining.

BUSINESS REVIEW

Introduction

China Nonferrous Gold Limited (“CNG”) is a mineral exploration, development and mining Company. The Group’s project is located in central Asia, having been discovered during the Soviet era. The principal focus of the Group is the development and exploitation of the Pakrut Gold Project in Tajikistan.

CNG, following the scheme of arrangement between Kryso Resources Limited (formerly Kryso Resources Plc) and its shareholders, was admitted to trading on AIM on 31 July 2013 in order to continue funding the development of the Pakrut Gold Deposit and the exploration of the Pakrut License Area, and to better position the Group to obtain and acquire other gold and base metal deposits in Tajikistan.

The Group’s Executive Directors have a proven track record of operating in Tajikistan and they believe CNG to be the first foreign Company to obtain a 100% interest in a mining and exploration project in the country.

A review of the activities of the Group during 2022 is provided in the CEO’s Statement.

Strategy

CNG’s strategy is to maximize shareholder value through the development of the Group’s exploration properties, proving up additional resources. CNG’s medium term objective is to become a mid-tier gold producer and maintain strategic strength, and strive to achieve the production goal of Pakrut. The directors of CNG have a track record of operating successfully in Tajikistan and believe CNG to have been the first foreign Company to obtain 100% ownership of a mining and exploration project in Tajikistan.

OPERATING REVIEW

During 2022 the Group has:

- Reached production capacity of 1,886 tons per day from January 2022;
- Processed a total of 662,421 tons of ore at a grade of raw ore of 2.19g/t;
- The recovery rate of processing was 91.14% and the recovery rate of smelting was 91.63%;
- 19,327 tons of gold concentrate were produced at the grade of 68.50g/t, 1,200 kg gold bullion were poured with comprehensive recovery rate of 91.63%; and
- Generated revenue from production of US$68,524,835.

Pakrut Gold Deposit and License Area

In April 2004, LLC Pakrut, a wholly owned subsidiary of the Group, was granted a license and geological lease to explore and exploit the Pakrut License Area which comprises the Pakrut gold deposit and the surrounding 6,300 hectare exploration area located in the metalliferous southern Tien-Shan Fold Belt. This belt is reputed to have the second largest known gold resource after the Witwatersrand in South Africa. The exploration license was valid for 10 years and expired on 1 April 2014. An application has been submitted in accordance with the required procedures to renew the exploration license. The renewal application is being considered by the Government of Tajikistan. Exploration and evaluation activities can be carried out at the Pakrut Gold Deposit in the area covered by the mining license.

In November 2011, the Government of the Republic of Tajikistan issued the Pakrut Project mining license to LLC Pakrut. According to the terms of the license, the amount of ore that can be mined is variable depending upon the mine plan. The current mining license is valid until 2 November 2030.

FINANCIAL REVIEW

The results for the year ended 31 December 2022 were as follows:

	2022	***2021***
	US$000	***US$000***
Revenue	68,525	71,992
Cost of sales	(40,085)	(37,256)
Impairment of Property, Plant and Equipment	(265,953)	-
Administrative expenses	(25,109)	(19,879)
Foreign exchange gain/(loss)	1,075	(1,853)
Other operating expenses	(213)	(2,416)
Total costs	(330,285)	61,404
% Administrative expenses to total costs	39.03%*	32.37%
Operating (loss)/profit	(261,760)	10,587
Add: interest receivable	2	6
Less: interest payable	(15,242)	(10,826)
Loss on ordinary activities before taxation	(277,000)	(233)
Earnings per share (cents)	(750.65)	(1.63)

**Calculated excluding impairment charge as non recurring*

The main financial Key Performance Indicator (‘KPI’) for the Group is administration costs as a percentage of total costs (excluding impairment charge) which continues to be at an acceptable proportion. In 2022, KPI index is at 39.03% (2021: 32.37%). The increase in administration costs is due to the scrapping of a batch of ineffective fixed assets by Pakrut last year and the increase in employee compensation in 2022. The impairment of producing mine is non-recurring and is excluded from total cost used to calculate the KPI.

Revenue is also considered to be a KPI and will be increasingly important to monitor now that the Group has entered full production. Revenue for the year was US$68.53 million (2021: US$71.99 million). Considering the decline in average gold price from $1,800/oz during 2021 to $1,788/oz during 2022, as well as slightly decreased output levels, this decrease is in line with expectations.

Corporate Responsibility

The Group seeks to build a sustainable and profitable business to maximize the return to its shareholders and in doing so will not knowingly overlook its Corporate Responsibilities.

Certain Directors also serve as Directors of other companies involved in natural resource exploration, development and mining and consequently there exists the possibility for such Directors to be in a position of conflict. Any decision made by such Directors involving the Group will be made in accordance with their duties and obligations to deal fairly and in good faith with the Group and such other companies. In addition, such Directors will declare, and refrain from voting on, any matter in which such Directors may have a conflict of interest.

People

The Group recognises that the success of its ventures is based on the well-being and health of its employees. All employees have to pass through an induction process where they are briefed on the Group's health and safety policies. The safety of the Group's employees is of the utmost importance and is therefore taken seriously in all areas in which the Group's employees operate.

The Group is also committed to the development of its employees and encourages them to attend courses and programs to further develop their own skills. The Group also aims to provide a favorable working environment which will continue to draw, retain and motivate its employees so that they can reach their true potential and share in the Group's success.

Employees are kept well informed of the performance and objectives of the Group through established methods of personal briefings and regular meetings. Employees are given the opportunity to develop and progress according to their ability. The Group has an employee share option scheme to encourage employees' participation in the Group's performance.

The Group has continued its policy of giving disabled full and fair consideration for all job vacancies for which they offer themselves as suitable applicants, having regard to their particular aptitudes and abilities. With regard to existing disabled employees and those who may become disabled during the year, the Group examines ways and means of providing continuing employment under normal terms and conditions and provides training, career development and promotion, where appropriate.

Social

The Group continues to have a strong relationship with the local communities in the areas in which it operates, respecting their laws and customs. The Group employs local people in all levels within the organization; this ensures a transparent and fair transfer of benefits and support to their communities where appropriate. The Group engages the local communities in all aspects of the projects it is actively involved in, from exploration through to feasibility and production, ensuring that concerns are addressed, and that support is maintained throughout the entire process.

Environment

The Group has a strict environmental code with which all its employees are well-versed during the induction process; this not only satisfies the local environmental code, but also the international code. The Group has contracted the services of a local environmental consultant who monitors its operations to ensure that any lapses are immediately brought to the attention of management.

Risk Factors

There are several principal risk factors outlined below that may affect the Group’s businesses and which may not all be within the Group’s control.

PRINCIPAL RISKS AND UNCERTAINTIES

Environmental Risk

The Group’s core operations are located in Pakrut, a mountainous area of Tajikistan. The area is remote and can be subject to adverse weather conditions which, as evidenced in the first half of 2017, can impact the ability of the Group to perform its core operations and may lead to substantial damage of the Group’s properties. The Group seeks to manage this risk by taking out appropriate insurance and carefully monitoring weather reports during the seasons when adverse conditions are most likely and ensuring that appropriate action is taken to minimise risk to life and property damage.

Production Risk

The Pakrut Gold Project is now operating at full production capacity. The Company's existing production equipment is considered to be sufficient to meet the requirements of the budgeted gold production targets. The right choice of production equipment has a major impact on productivity and costings.

The production process of the gold should be based on the specific performance requirements of the product. This requires an increase in production skills and requires training of Company technicians. Technology is changing rapidly and existing production technology may have fallen behind, therefore technicians must continue to develop their knowledge and skillset to keep up with this pace.

Production risks are related to the possibility that gold production or output levels are lower than expected. The main sources of production risk are bad weather conditions and limited production capacity, such as hail, snow disasters, and limited Chinese technical staff. Despite the control measures taken, the production risk may also be due to the harsh winter weather and the breakdown of production equipment and machinery. At present, Pakrut is adopting risk prevention measures and control strategies for the above risks, including purchase of equipment spare parts and materials in advance to ensure the sufficiency of raw materials and the normal operation of the machinery at the mine site; vigorously training Tajik technical personnel, exerting local talent policies, and rationally using manpower resources; reasonably estimating the impact of severe weather to ensure the achievement of the annual output target.

COVID-19 risk

As the COVID-19 pandemic has largely drawn to a close, the impact of the epidemic on the operations of enterprises has significantly weakened, and the Tajik market has gradually begun to open to the outside world. Direct flights between China and Tajikistan have also begun to operate, two shifts per week, and there is no need for isolation, greatly shortening the journey time. Currently, market vitality has accelerated and corporate confidence has significantly increased, but at the same time, it is necessary to pay attention to the risks caused by the epidemic, and staff should wear masks in daily life to prevent viruses.

Exploration and Development Risk

The exploration for, and the development of, mineral deposits involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties which are explored ultimately develop into producing mines. Major resources are required to establish ore reserves, to develop metallurgical processes and to construct mining and processing facilities at the Pakrut site.

There is no certainty that the exploration and development expenditures made by the Group as described in these financial statements will result in a commercially feasible mining operation. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Group will compete with other companies, many of which have greater financial resources, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts.

The commercial viability of a deposit is dependent on a number of factors. These include deposit attributes such as size, grade and proximity to infrastructure; current and future market prices which can be cyclical; government regulations including those relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The effect of these factors, either alone or in combination, cannot be entirely predicted, and their impact may result in the Group not receiving an adequate return on invested capital.

There is no assurance the Group will be able to adhere to the current development and production schedule or that the required capital and operating expenditure will be accurate. The Group’s development plans may be adversely affected by delays and the failure to obtain the necessary approvals, licenses or permits to commence production or technical or construction difficulties which are beyond the Group’s control. Operational risks and hazards include: unexpected maintenance, technical problems or delays in obtaining machinery and equipment, interruptions from adverse weather conditions, industrial accidents, power or fuel supply interruptions and unexpected variations in geological conditions.

Mineral geological exploration and mining is a time-consuming, profitable, and highly challenging task. Therefore, it is expected that it will take a number of years from commencement to reach full operational capacity and to realise production efficiencies. In the early stages of geological exploration, there are uncertainties inherent in the process, as a result of incomplete equipment and facilities (under construction), less advanced technical capabilities, and limited experience in the early stages of development and extraction. This lack of experience can lead to imperfect work plans.

SRK has produced a JORC compliant, independent technical report (see announcement dated 23 April 2023 for further details). The estimated Mineral Resource reported (Measured and Indicated) (as at 31 December 2022) are as follows: based on the cut-off grade of 1.0g/t, the ore tonnage is 6.7 million tonnes, the average grade is 2.1g/t, and the contained gold is about 14 tonnes. The estimated ore reserves reported (Proved and Probable) are as follows: based on the cut-off grade of 1.5g/t, the ore tonnage is 4.2 million tonnes, the average grade is 1.9g/t, and the contained gold is about 8.1 tonnes. Based on a production scale of 700,000 tonnes/year （this production capacity is estimated based on the actual resources and mining capacity of Pakrut, and SRK has also recognized this level of production capacity based on on-site inspections), the remaining production service life of the Pakrut Gold Project is 6.3 years (calculated from 1 January 2023).

The risks inherent in developing the Group’s projects are mitigated to some extent by the strategic alliance with China Nonferrous Metals Int’l Mining Co. Ltd, which is a member of a group with a number of active mining operations.

Regulatory and Legal Risk

Substantially all of the Group’s business and operations are governed by the laws, rules and regulations in Tajikistan which can contain inherent ambiguities, uncertainty, inconsistency and contradictions with regards to their application, interpretation, implementation and enforcement. In particular, the laws, rules and regulations which the Group is subject to, including, but not limited to, those relating to foreign investments, subsoil use, land use, licensing, customs, foreign currency, environmental protection and taxation are still evolving and remain uncertain in many respects.

In addition, the judicial system in Tajikistan may not be independent and immune from the economic, political and nationalistic influences in Tajikistan and the decisions of the courts are often not transparent and available to the public. In many circumstances there are no prior court decisions for reference and the interpretations of the laws, rules and regulations by the courts in Tajikistan remain ambiguous and it is difficult to predict or to seek effective legal redress. The regulatory authorities in Tajikistan are entrusted with a high degree of discretion and authority in the application, interpretation, implementation and enforcement of the laws, rules and regulations potentially resulting in ambiguous and inconsistent actions.

There is no assurance that the Group will be able to comply with all new laws, rules and regulations applicable to its mining operations or any changes in laws, rules and regulations. Furthermore, the legal protections available to the Group may be limited and could have a material impact on the results of the Group and the imposition of penalties and/or regulatory action. In addition, the process of obtaining, retaining or renewing licenses and permits could be time-consuming and costly and could give rise to unexpected delays and expenses. The Group seeks and obtains sufficient and appropriate legal advice where considered necessary.

The Group's existing licenses and permits could be revoked, terminated or not extended in accordance with expectations by the Tajikistan Government, the local government or the Tajikistan courts under certain circumstances, including failure to comply with the conditions imposed by the licenses and permits, which may include the provision of regular reports to the relevant regulatory authority, obtaining sufficient insurance coverage, adherence to the permitted extraction of mineral resources or complying with the obligations relating to sustainable management, subsoil, environmental protection and health and safety regulations. Failure to obtain, retain or renew the relevant licenses and permits required at all or on a timely basis could have a material adverse effect on the Group's financial condition. The Group works closely with the Government and local government departments on the mine project in order to ensure all parties are kept up to date on progress and closely monitors compliance with the conditions imposed under its existing licenses and permits.

Economic Risk

The profitability of the Group's future operations may be significantly affected by changes in the market prices for the materials it may produce and is affected by numerous macroeconomic factors beyond the Group's control. The level of interest rates, the rate of inflation, world supply, and the stability of exchange rates can all cause fluctuations in the price. Such external factors are in turn influenced by changes in international investment patterns and monetary systems and also political developments. Metal prices have fluctuated in recent years, particularly gold, and future significant price declines could cause future commercial production to be uneconomic and have a material adverse effect on the Group's financial condition. Economic risk is continually evaluated by the Group, including expectations of future events, and action undertaken as necessary.

Certain payments, in order to earn or maintain property interests, are to be made in local currency in the jurisdiction where the applicable property is located. As a result, fluctuations in the Chinese Renminbi and the Tajik Somoni could have a material adverse effect on the Group's financial results which are denominated and reported in US dollars. Where possible the Group maintains bank and cash balances in the same denomination as its expected liabilities. The Group does not currently hedge its exposure to foreign currencies.

The Group currently has a comprehensive program of insurance but does not carry insurance to protect against certain risks and nor can it guarantee that its level of insurance is sufficient to cover all outcomes and eventualities. As a result, the Group may become subject to liability to include environmental pollution, political risk and other hazards against which the Group cannot insure or which it may elect not to insure. The payment of such liabilities may have a material adverse effect on the Group's financial condition.

Pakrut is located in Tajikistan, an overseas country, and the tax pressure is not insignificant. Due to the regional poverty and developing status of the host country, the Directors understand that government funds are tight, and tax has become the main source of national revenue. In 2020, Pakrut further strengthened its internal control and basic management, and has formulated tax management measures that meet the Company's management needs, that enables the team to promptly assess tax-related risks and related countermeasures in the Company's business and management processes, and is responsible for establishing and maintaining good relationships with the relevant tax authorities in order to make representations in regard to potential changes to tax law, tax planning, and tax incentives in order to safeguard the Company's overall interests.

At present, it can be seen that there are many loans and a high asset liability ratio of CNG. At present, CNG aims to reduce its asset liability ratio by gradually repaying interest bearing liabilities when it has the financial ability to do so. Pakrut will continue to take measures such as improving quality and efficiency, reducing costs where possible, and paying attention to changes in the gold price, striving to ensure that the delivery price of gold is higher than the market average, actively monitoring exchange rate changes, managing its foreign exchange risk, and other measures to improve cash flows, whilst actively exploring new paths to repay the ultimate parent company's (and related entities') loans, and continuously and effectively reducing the asset liability ratio. See the going concern section for further explanation.

Financial Risk

The Group's operations expose it to a number of financial risks. These are discussed under 'Financial Risk Management' within Note 1 of the Financial Statements.

Political and Country Risk

Substantially all of the Group's business and operations are conducted in Tajikistan. The political, economic, legal and social situation in Tajikistan introduces a certain degree of risk with respect to the Group's activities. The Government of Tajikistan exercises control over such matters as exploration and mining licenses, permitting, exporting and taxation, which may adversely impact the Group's ability to carry out exploration, development and mining activities.

Government activity, which could include non-renewal of licenses, may result in any income receivable by the Group being adversely affected. In particular, changes in the application or interpretation of mining and exploration laws and/or taxation provisions in Tajikistan could adversely affect the value of the Group's interests.

No assurance can be given that the Group will be able to maintain or obtain effective security or insurance for any of its assets or personnel at its operations in Tajikistan; this may affect the Group's operations or plans in the future. A moderate degree of security is also currently required to mitigate the risk of loss by theft, either by the Group's employees or by third parties, and controls are implemented where possible to minimize this risk. No assurance can be given that such factors will not have a material adverse effect on the Group's ability to undertake exploration, development and mining activities in respect to present and future properties in Tajikistan.

Tax risk

In 2022, compared with 2021, the corporate income tax increased significantly by $4,030,795. The main reason is that the calculation criteria of income tax changed, and therefore the company has provided for additional income tax according to the tax accounting standards of Tajikistan.

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

Funding

The Group may need to secure further funding for loan repayment purposes. There is the risk that this may not be forthcoming which would impact the Group operations. The Group has numerous funding options available and remains in close contact with its controlling shareholder who have, up to now, provided economic support as required.

Since 2016, CNMC has been continuously providing financial support letters either through the provision of additional loans or not pursuing non-repayment of existing loans. Currently, due to the regulatory environment, it is difficult for CNMC to continue to issue financial support letters to the Company. The Directors do not have any reason to believe that CNMC will take any action or legal enforcement against CNG in the event of default on existing borrowings, and we draw attention to the historic (including as recently as June 2023) willingness of CNMC to provide ongoing financial support to the Company. See going concern section below for further discussion with regard to current and ongoing funding needs.

Performance of Key Personnel and Employees

The Group seeks to mitigate this risk by actively engaging with its employees and seeking to offer a secure work environment with appropriate pay levels to maintain both motivation and loyalty to the Group.

Results and Dividends

The results for the year and the Group's financial position at the end of the year are shown in the following Financial Statements. The Directors do not recommend the payment of a dividend (2021: US$Nil).

Future Developments

Future prospects are set out in the CEO's Statement on page 9 under 'Outlook'.

Directors and their Interests

The Directors who served the Group during the year do not hold any beneficial interests in the shares of the Group (2021: None).

No Director who served during the period held any share options in the Company.

Remuneration of the Directors is disclosed in Note 5.

Substantial shareholdings

As at the date of these financial statements, the Directors were aware of the following shareholdings in excess of 3% of the Company's issued share capital.

	Number of ordinary shares	***Percentage of issued share capital***
China Nonferrous Metals Int'l Mining Co Ltd	146,666,667	38.36
Zhao Bin	50,090,304	13.10
Golden Max Group	33,823,113	8.85
Huang Lihou	33,068,430	8.65
BOCOM International	16,500,000	4.31
Rainbow Bridge Investment Fund	12,335,489	3.23

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the CEO's Statement on pages 6 to 9. Note 1 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Group financial statements are prepared on a going concern basis and the Group's current and forecast cash position and working capital shows that for the period up to 31 December 2025 the Group will have sufficient funds on hand to realise its assets and meet its obligations as they fall due, excluding loan financing costs and repayment of loans, for a minimum of 12 months following the date of approval of these financial statements.

In making their assessment, the Directors also have considered the level of production and operations at the mine site, in conjunction with the updated resource and reserve estimates as per the revised Independent Technical Report produced by SRK Consulting (see Note 2), and how the Group will be able to use the cash inflows from these operations to support its working capital position and repay loans when they fall due. As all shareholder loan extensions are provided on a one-year basis, the cCmpany applies to its ultimate controlling party, CNMC, each year in advance of the loan repayment date falling due, following the application process that has been in place for a number of years. As at the current date, following post year end refinancing of the two external bank loans with Bank of Shanghai and China CITIC Bank (See Note 28), the Company has the following loans payable:

Lender	**Amount (principal)** at the date of this report	**Amount (interest accrued)** at the date of this report	**Total**	**Repayment date**
CNMC Trade Company Ltd	123,600,000.00	39,707,401.87	282,357,401.87	20/12/2022
CNMC Trade Company Ltd	20,000,000.00			26/11/2022
CNMC Trade Company Ltd	14,550,000.00			31/12/2022
CNMC Trade Company Ltd	19,500,000.00			19/04/2023
CNMC Trade Company Ltd	65,000,000.00			06/09/2023
CNMICC	60,744,168.83	21,260,359.47	82,004,528.30	08/12/2022
CNMIM	12,683,598.78	10,075,085.73	22,758,684.51	31/05/2022
Total shareholder loans repayable in year to 30 June 2024	**316,077,767.61**	**71,042,847.07**	**387,120,614.67**	

The Company is currently in the process of finalizing extension agreements for all of the above loans – the agreements are as yet unsigned by both parties and also remain subject to regulatory approvals and processes as detailed in the CEO's statement. Other than the $19.5 million of CNMC loans, that will expire on 19 April 2024, and $12,683,599 of CNMIM loan, that will expire on 31 May 2024, other loans are all to be due within 12 months from 31 December 2022 as per the draft loan renewal agreements. In previous financial years, the Company's ultimate controlling party, CNMC, has provided a letter of financial support to the Company confirming its intentions to continue to support the Company as and when required. In the current year, this letter of support could not be obtained. In relation to the provision of financial support, it is difficult for the ultimate controlling party, and related entities, to continue issuing a support letter in advance of the loan repayment date.

So far, the Company has not received any information in written form or otherwise to indicate changes to the intentions of the Company's ultimate major shareholder, CNMC Group, which is currently the Company's key creditor. The Company's management has continued to maintain open communication with its ultimate major shareholder.

CNMC has historically renewed the shareholder loans on an annual basis with no issues, and the Directors are not aware of any reason why these renewals would not continue to be forthcoming upon application by the Company. Most recently, in June 2023, CNMC issued a new shareholder loan of $65m to enable the company to repay its outstanding loan to Bank of Shanghai.

In terms of security against the loans, the following is in place per the loan agreements:

- CNG has pledged 100% of its equity interest in Kryso Resources (BVI) Limited, which owns 100% of the Pakrut Gold Project, as security for repayment of the $120m CNMC Trade loan disclosed in the above table; and
- CNG has pledged 100% of its equity interest in Pakrut LLC to major shareholder, CNMIM, in respect of the $12.7m CNMIM loan disclosed in the above table.

Other than the above, the remaining loans are unsecured and there is not any legal action or contractual recourse that can be taken against the Company in the event of default or late repayment of these loans. Management do not have reason to believe that any action will be taken in respect of the securities noted above based on communications with these parties and historic evidence of financial support as noted above. Other than the two external bank loans which were refinanced through shareholder loans post year end, the remaining shareholder loans are past due at the year end. The lenders, CNMIM and CNMC, have indicated they will extend the loans by 1 year from the repayment dates shown in the table above in all cases other than the $65m short term loan due to CNMC, as this is not yet due for repayment and therefore the application will be made at that time. The extension agreements are due to be signed soon although they remain subject to regulatory processes and procedures pursuant to Rule 13 of the AIM Rules for Companies as detailed in the CEO’s statement. The expectation is that the CNMIM Loan will be extended to 31 May 2024. Meanwhile the Company will continue to hold open communication with these parties, as well as external lenders, in seeking further refinancing options ahead of these renewal dates falling due. There is no expectation that this will not be possible. However, as at the date of this report there are no binding agreements in place and there is no guarantee that the facilities will be renewed, and therefore a material uncertainty exists with regard to going concern.

The Directors have also considered the group's daily working capital requirements in order to continue its operations and remain in business. This assessment includes a detailed cash flow forecast for the financial years 2023-2025, based on the following key assumptions:

- Gold price of US$/oz 1,750 in 2023, falling to US$/oz 1,430 after 2025
- Life of mine is 6.3 years, with production expected to cease in 2029
- Gold recovery rate of 81.9% from processing and metallurgy
- The latest resource evaluation data of SRK based on on-site surveys and current metallurgical recovery rates (as per updated Technical Report)

From this assessment, it can be concluded that the current level of working capital, as well as the cash inflows over the next 12 months to 30 June 2024 from the activities at the mine site, will be sufficient to meet these working capital requirements and any committed and contractual expenditure over this period, excluding loan financing costs and repayment of loans as discussed above. The daily operating conditions and the basic conditions of cash flows of the Pakrut Gold mine have not undergone any fundamental change at the end of 2022 compared with previous years. After making due enquiries the Directors have a reasonable expectation that the Company and Group have access to adequate resources to continue in operational existence for the foreseeable future which is considered to be at least 12 months from the date of the signing of these financial statements. Based on the facts above, a material uncertainty exists in relation to obtaining formal loan refinancing both now and in the future, and the auditor has made reference to this in their audit opinion. The Group continues to adopt the going concern basis in preparing the annual report and financial statements.

Events after the Reporting Period

Details of events after the reporting period are set out in the Chief Executive Officer's Statement and in Note 28 to the Financial Statements.

Relevant Audit Information

The Directors who held office at the date of approval of this Report of the Directors confirm that, so far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought reasonably to have taken as a Director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

PKF Littlejohn LLP has signified its willingness to continue in office as auditor.

Signed by order of the Director

Mr Feng Zhishuo 冯志硕

30 June 2023

Board of Directors

The current Board comprises:

Mr Lixian Yu (aged 57), Chairman and Non-Executive Director

Mr. Yu, aged 57, a senior engineer, is the director of some associate parties of China Nonferrous Metals Int'l Mining Co., Ltd. ("CNMIM"), the Company's largest shareholder, having joined CNMIM in July 2017. He graduated with a Bachelor's degree majoring in mining engineering from Central South University (formerly known as College of Changsha Nonferrous Metals) in the PRC in June 1990 and has a postgraduate degree in law from CPC Hubei Provincial Party School in the PRC. Mr Yu has extensive management and industry experience. From May 2002 to August 2006, Mr Yu held various positions in Daye Nonferrous Metals Co., a large-scale copper industry enterprise, and from August 2006 to July 2017 he served as deputy president of Daye Nonferrous Metals Group Holdings Co., Ltd.

Mr Hui Zhang (aged 53), Managing Director

Mr. Zhang, aged 53, is the chairman of China Nonferrous Metals Int'l Mining Co., Ltd. ("CNMIM"), the Company's largest shareholder, having joined CNMIM in July 2020. He graduated with a Bachelor's degree from Kunming University of Science and Technology in the PRC, majoring in a specialty of civil engineering from September 1988 to July 1992.

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

He resigned as managing director on May 30, 2023.

Mr Xiaohua Wang (aged 52), Financial Director

Mr. Wang, aged 52, is the Chief Finance Officer of LLC Pakrut, the Company's wholly-owned subsidiary in Tajikistan, having joined LLC Pakrut in April 2018. He studied in Huang Shi Finance School with a major in financial accounting from September 1988 to June 1991. Mr. Wang graduated with a post-graduate's degree majoring in economic management from Party School of CPC Hubei Provincial Committee in the PRC in July 2009.

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

Mr Xiuzhi Shi (aged 57), Non-Executive Director

Mr. Shi, aged 57, holds a PhD in Mining Engineering from the Central South University, where he has been an Associate Professor and Professor of the School of Resources and Safety Engineering since September 1999. Mr. Shi has significant industry and academic experience in mining engineering and safety engineering. From May 1990 to August 1999, Mr. Shi worked as the technical market researcher at the Hebei Coal Science Research Institute while holding the post of mining engineer at the Gypsum Mine project for the Yunlong Group. Mr. Shi is a member of the mining committee of the Nonferrous Metals Society of China, a standardisation expert for the China Safety Industry Association and a safety culture expert for the State Administration of Work Safety. Mr. Shi has also hosted or participated in more than 80 scientific research projects in mining and safety engineering and has published over 160 academic papers in well-known domestic and overseas academic journals.

Mr Yong Li (aged 48), Non-Executive Director

Mr. Li, aged 48, is an attorney and managing Partner of Sequoia Smith LLP. He is also the Executive Director at the Case Law Research Centre and is a supervisor of graduate students at the Law School of the Central University of Finance and Economics. Mr. Li holds a PhD degree in Law from the Tsinghua University and is a visiting scholar of Stanford Law School. Mr. Li has significant expertise in academic research in Company Law, International Law and International Investment Law. He also has experience in investment, banking and mergers and acquisitions. Mr. Li has also worked in dispute resolutions in numerous industries including mining, manufacturing, infrastructure, construction, chemical engineering and in private equity and venture capital investment. He is a director at the Beijing Finance Law Institute and the China Securities Law Institute, and is a member of the China Law Society and the China National Lawyers' Association.

Mr. Feng Zhishuo (aged 42), Managing Director

Mr. Feng, aged 42, is a geologist and graduated from Peking University as a master of geology. He is well experienced in the fields of mining and management. From April 2013 to August 2018, he worked as the manager of Technical Department and acting general manager of China Nonferrous Kabwe Mining Co., Ltd. (Zambia); from August 2018 to December 2019, geology director of Southeast Orebody of NFC Africa Mining PLC(Zambia); from December 2019 to October 2022, acting Secretary of the board of China Nonferrous Gold Limited; from October 2022 to present, Secretary of the board of China Nonferrous Gold Limited; from August 2021 to present, the Vice Director of Resource Development Department of China Nonferrous Metals Int’l Mining Co., Ltd. He was appointed as managing director on May 30, 2023.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations. The Directors are required to prepare financial statements for each financial year. The Directors have elected to prepare the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that year. In preparing these Financial Statements, the Directors are required to:

- Select suitable Accounting Policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the Financial Statements: and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. The Company is compliant with AIM Rule 26 regarding the Company's website.

Signed by order of the Directors

Feng Zhishuo

30 June 2023

Corporate Governance Report

This report forms part of the Report of the Directors.

The Board of Directors of China Nonferrous Gold Ltd has a responsibility to ensure that CNG has a sound corporate governance policy and an effective Board.

The Board has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code in line with the London Stock Exchange's. The QCA code identifies ten principles to be followed in order for companies to deliver growth in long-term shareholder value, encompassing effective management with regular and timely communication to shareholders. This report follows the structure of those principles and explains how we have applied the guidance as well as disclosing any areas of non-compliance.

We will provide annual updates on our compliance with the code. The Board considers that the Group complies with the QCA code so far as is practicable having regard to the size, nature and current stage of development of the Company.

Principle 1: *Establish a strategy and business model which promotes long-term value for shareholders*

The principal strategy of the Group in the short term is to continue to develop the Group's exploration assets and the Pakrut Gold Project.

CNG is a gold exploration specialist, with operations in Pakrut. Our goal is to deliver long term value for our shareholders. We aim to do this by advancing the operations of Pakrut in an efficient manner and seek to identifying good quality assets for future exploration.

Consequently we:

- focus on the efficiency of the Pakrut asset, as set out in the CEO's statement;
- use our expertise to identify those areas with potentially economically feasible deposits;
- assess the business environment of the target country and its attractiveness for prospecting and eventual mining operation; and
- understand existing interests in a license area in order to ensure we can earn-in to existing interests on terms favourable to our shareholders.

Principle 2: *Seek to understand and meet shareholder needs and expectations*

Directors are committed to developing a good understanding of the needs and expectations of all elements of the company's shareholder base. The board are also committed to managing shareholders' expectations and seeking to understand the motivations behind shareholder voting decisions. The board is also committed to regular shareholder dialogue.

The principal opportunity for the board to meet shareholders is at the Company's AGM, which shareholders are encouraged to attend.

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

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

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

Given the industry in which CNG operates, good relationships are essential with both its suppliers and local communities. CNG strives to have a strong relationship with those local communities and is committed to respecting their laws and customs. To further this, CNG as far as possible seeks to employ local workers so as to ensure that the benefits of the Group's operations are kept within those local communities. The Group also has an ongoing dialogue with relevant local communities to discuss any concerns which may arise. For example, the Company supports its Tajik employees to go to local schools to learn mining and metallurgy related knowledge and increase work skills. In Tajik, on important local festivals, the Company distributes support packages to improve employees' well-being.

Linked to this, the Group retains the services of a local environmental consultant to ensure any actual or potential issues impacting on the environment in which the Group operates are brought to the attention of management as soon as possible so they can be addressed.

Feedback is an essential part of all control mechanisms. Systems need to be in place to solicit, consider and act on feedback from all stakeholder groups. Linked to this, the Group retains the services of a local environmental consultant to ensure any actual or potential issues impacting on the environment in which the Group operates are brought to the attention of management as soon as possible so they can be addressed.

Principle 4: *Embed effective risk management, considering both opportunities and threats, throughout the organization*

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

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

The board consists of three non-executive directors and two executive directors. It is considered that Mr Shi and Mr Li are independent non-executive directors.

Board minutes and related papers are circulated to directors in good time ahead of the relevant board meeting.

The board has established audit, remuneration and nomination committees which meet regularly in accordance with their terms of reference (http://www.cnfgold.com/corporate-information/corporate-governance).

The three committees are all composed of the non-executive directors Shi Xiuzhi, Li Yong and Yu Lixian.

Principle 6: *Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities*

The board has five directors.; and the team consider they have a good balance of skills with Mr Wang Xiaohua having relevant financial market skills and Mr Shi Xiuzhi and Mr Li Yong having relevant experience in mining. In addition, Mr Zhang Hui and Mr Yu Lixian have extensive management and industry experience. The Directors periodically receive training on their obligations as an AIM quoted company.

The Board recognizes that it has limited diversity and this will form a part of any future recruitment consideration.

Each Director undertakes a mixture of formal and informal continual professional development as necessary to ensure that their skills remain current and relevant to the Group. Recent training has included Institutional learning of CNMC and benchmarking with local Tajik Enterprises.

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

At this stage the board does not have a strategy of board evaluation, although this is something the Company will look to adopt in the future.

The Company is currently looking for an additional non-executive director, ideally based in the UK, with extensive industry and other relevant experience in order to enhance CNG's corporate governance structure. The Nomination Committee is required to give recommendations to the directors where there are vacancies or where it is felt that additional directors should be appointed. For new appointments the search for candidates is conducted, and appointments are made, on merit, against objective criteria and with due regard for the benefits of diversity on the Board. Whilst the Company's largest shareholder, China Nonferrous Metals Int'l Mining Co Ltd, has the right to appoint a director to the Board, the Nomination Committee will still assess any proposed appointees to ensure that the board maintains an appropriate balance of skills and experience.

Principle 8: *Promote a culture that is based on ethical values and behaviours*

The board seeks to ensure that all of its employees are aware of CNG's ethical values and this is covered in the mandatory induction process for new employees. The Company also adopts an active Corporate Social Responsibility strategy with regards to the community where its Pakrut project is based, as detailed above.

Principle 9: *Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board*

The Board sets direction for the Company through a formal schedule of matters reserved for its decision. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting and Board and Committee papers are distributed by the Company Secretary several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and are then followed up by the Company's management.

Roles of the Board and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of exploration projects; approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks. There is a clear division of responsibility at the head of the Company. The Chief Executive Officer ('CEO') is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction.

The CEO is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company. The CEO, together with the Chief Financial Officer ('CFO') and other senior employees, is responsible for establishing and enforcing systems and controls, and liaison with external advisors. The CEO has responsibility for communicating with shareholders, assisted by the CFO and other senior employees.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings when deemed appropriate by the CEO, to present business updates.

The table below sets out the attendance statistics for all current Board members through 2022:

	Meetings attended	Meetings held during the year (or since appointment)
Mr Lixian Yu	6	10
Mr Zhang Hui*	6	10
Mr Xiaohua Wang	6	10
Mr Xiuzhi Shi	10	10

Mr Yong Li	10	10

*Zhang Hui resigned as managing director on 30 May 2023.

Board committees

The Board is supported by the Audit, Remuneration and Nomination committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties. The Company is looking for an additional non-executive director in part to enhance its corporate governance structure.

The Audit Committee provides a formal review of the effectiveness of the internal control systems, the Group's financial reports and results announcements and the external audit process. The audit committee met four times during the year. All three members were present at all meetings, being Shi Xiuzhi, Li Yong and Zhang Hui. The four audit committees were held on January 12, April 24, September 14, and December 15 2022.

The Remuneration Committee provides a formal and transparent review of the remuneration of the Executive Directors and senior employees and makes recommendations to the Board on individual remuneration packages. The remuneration committee met three times during the year. All members were present at all meetings, being Shi Xiuzhi, Li Yong and Zhang Hui. The three remuneration committees were held on March 2, July 4, and November 20 2022.

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

The Company is committed to open dialogue with both institutional and retail shareholders. The CEO liaises with CNG's principal shareholders and relays their views to the wider board.

The Company considers that its annual AGM is an important part of this dialogue and encourages shareholders to attend; and as set out above has also appointed an Investor Relations manager to further ensure communications are prioritized. At this stage the Board does not publish an Audit Committee report but it will consider if it is appropriate to do so at the next annual report.

Opinion

We have audited the group financial statements of China Nonferrous Gold Limited (the ‘group’) for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the group financial statements:

- give a true and fair view of the state of the group’s affairs as at 31 December 2022 and of its loss for the year then ended; and
- have been properly prepared in accordance with IFRSs as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the Going concern section within the Report of the Directors below, as well as the going concern accounting policy and Note 28 to the financial statements, which indicates that the Group’s ability to continue as a going concern is dependent on continued financial support regarding non-repayment of its current US$387 million (including accrued interest) of shareholder and related party loans. There are currently no formal agreements in place in respect of any refinancing, nor has a financial support letter been provided to the Group in the current year, and there is no guarantee that the continued financial support will be forthcoming.

As stated in the disclosures referred to above, these events or conditions, along with the other matters as set forth in those disclosures, indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors’ assessment of the Group’s ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management’s processes for evaluating the appropriateness of the use of the going concern basis of accounting;
- Obtaining management’s cash flows forecasts for a period of at least 12 months from the date of expected approval of the financial statements and comparing these forecasts to the life of mine plan to ensure consistency;
- Holding discussions with management surrounding their expectations with regards to refinancing and their recent and ongoing communications with the lenders, and assessing the likelihood of ongoing financial support of the relevant parties in light of historic evidence;
- Testing the mathematical accuracy of the cashflow forecast model;
- Challenging and sensitising the key assumptions used in management’s base case model, in particular the forecast production volumes and costs through comparison to historical actuals and the life of mine plan within the updated Independent Technical Report, and assessing the commodity price assumptions through comparison third party forecasts and publicly available information; and

- Considering whether the disclosures relating to going concern are appropriate.

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

Our application of materiality

The scope of our audit was influenced by our application of materiality. We determined materiality for the financial statements as a whole to be US$920,000 (2021: US$3,900,000) for the group financial statement using an average of 5% of adjusted loss before tax (adjusted for impairment charge) and 1.5% of gross assets (2021: 1% of gross assets) as a basis.

We consider gross assets to be the most relevant determinant of the group's financial position and performance used by shareholders, with the key financial statement balances being producing mines, other property, plant and equipment, inventory and cash. The going concern of the group is dependent on its ability to fund operations going forward, as well as on the valuation of its assets, which represent the underlying value of the group. As the mine has been in full operational production for several years as at 31 December 2022, it is considered appropriate in the current year to use a benchmark that includes a measure of profitability together with gross assets. Given the significant impairment charge during 2022 following the revised Independent Technical Report, an adjustment to the loss before tax to exclude this charge from the calculation is considered appropriate in order to avoid any distortion to sampling and coverage, as this charge will be separately audited.

Whilst materiality for the financial statement as a whole was set a US$920,000, each significant component of the group was audited to an overall materiality ranging between US$644,000 and US$820,000 with performance materiality set at 70% (2021: 70%). We applied the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatement.

Our approach to the audit

In designing our audit we determined materiality, as above, and assessed the risk of material misstatement in the financial statements. In particular, we looked at areas requiring the directors to make subjective judgements, for example in respect of significant accounting estimates including impairment of property, plant and equipment (including producing mines), and considered future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represents a risk of material misstatement due to fraud.

A full scope audit was performed on the complete financial information of the group's operating components located in Tajikistan, with the group's key accounting function for all being based in Tajikistan.

The group's Tajik operations are audited by a component auditor. The audit team discussed significant events occurring during the year and post year-end period with the component auditor and performed an onsite review of the component auditor's working papers, including review of planning and completion stage group reporting. The group audit team also performed a site visit to the Pakrut gold mine and the smelting plant in Tajikistan. The group audit team are responsible for the scope and direction of the audit process. Work on other components was performed by PKF Littlejohn LLP.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our scope addressed this matter
Valuation of Property, Plant and Equipment including Producing Mines (Notes 2 and 13)	
The group holds Property, plant and equipment ('PPE') of $65m on its Consolidated statement of financial position. This is stated after an impairment charge of $266m based upon the updated Independent Technical Report produced by third party expert, SRK Consulting, which stated a significantly lower level of reserves compared to the original Technical Report issued in 2014. There is a requirement to undertake an impairment review where indicators of impairment exist. An impairment assessment has been carried out using value in use calculations across the remaining estimated mine life. Such calculations require management to exercise a significant level of judgement and estimation. **There is a risk that the carrying value of mine assets is overstated and not fully recoverable, taking into consideration all relevant factors including current and future mined ore grades, production quantities, revenues, direct costs and discount rates, which all feed into the value in use calculations.**	Our work in this area included: • A review of management's impairment assessment, including consideration of any net present value ('NPV') calculation used. Providing challenge to the key inputs and assumptions and corroborating where possible; • Undertaking sensitivity analysis on the NPV calculations to assess the impact on the headroom for reasonably possible changes to key assumptions; • Ensuring valid mining licenses are held as at the year-end; • Considering any potential impairment indicators through discussion with management and the onsite visit to the mine site during the audit fieldwork, as well as review of announcements to the market and board minutes for evidence of impairment; • Reviewing accounting entries posted in respect of impairment of PPE to ensure appropriateness in accordance with IAS 36; • Performing a review of the updated Independent Technical Report prepared by management's expert on the Pakrut Gold Project. Obtaining an understanding of, corroborating, and providing challenge to, the key assumptions used within this report in arriving at a net present value for the Pakrut Gold Project – including forecast gold price, annual production volumes,

	grades, discount rate and cost inputs; • Holding direct discussions with management's expert in regard to the basis of preparation of the updated Technical Report, the rationale for key assumptions used, and interpretation of results; • Assessing the independence and competence of management's expert; and • Review of disclosures relating to PPE, including disclosures relating to key sources of judgement and estimation used in management's assessment of carrying value and impairment.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the group financial statements does not cover the other information and, 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 statement of directors' responsibilities, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 20 March 2023. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Thompson (Engagement Partner)
For and on behalf of PKF Littlejohn LLP
Registered Auditor
30 June 2023

15 Westferry Circus
Canary Wharf
London E14 4HD

Consolidation Statement of Comprehensive Income

		2022	2021
		US$000	**US$000**
Revenue	3	68,525	71,992
Cost of sales		(40,085)	(37,256)
Gross Profit		28,440	34,736
Impairment of Property, plant and equipment	13	(265,953)	-
Administrative expenses	6	(25,109)	(19,879)
Gain/(Loss) on foreign exchange		1,075	(1,855)
Other operating expenses	7	(213)	(2,416)
Operating (Loss)/Profit		(261,760)	10,585
Finance income	9	2	6
Finance costs	9	(15,242)	(10,826)
Loss before Income Tax		(277,000)	(235)
Income tax	8	(10,043)	(6,012)
Loss for the year attributable to owners of the parent		(287,043)	(6,247)
Total comprehensive income attributable to owners of the parent for the year		(287,043)	(6,247)
Basic and Diluted Earnings per share attributable to owners of the parent (expressed in cents per share)	10	(750.65)	(1.63)

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

The accounting policies and notes on pages 48 to 111 form part of these Financial Statements.

	Note	As at 31 December 2022 US$000	As at 31 December 2021 US$000
Non-Current Assets			
Property, plant and equipment	13	65,074	364,337
Total Non-Current Assets		65,074	364,337
Current Assets			
Inventories	16	16,709	17,334
Trade and other receivables	17	2,514	4,202
Cash and cash equivalents		4,544	7,472
Total Current Assets		23,767	29,008
Non-Current Liabilities			
Other payables	19	(1,235)	-
Borrowings	18	-	(65,000)
Provisions for other liabilities and charges	20	(2,658)	(1,084)
Total Non-Current Liabilities		(3,893)	(66,084)
Current Liabilities			
Borrowings	18	(379,368)	(303,953)
Trade and other payables	19	(19,011)	(49,696)
Total Current Liabilities		(398,379)	(353,649)
Net Current Liabilities		(374,612)	(324,841)
Net Liabilities		(313,431)	(26,388)

Equity attributable to the owners of the parent			
Share capital	22	38	38
Share premium		65,901	65,901
Other reserve		10,175	10,175
Retained earnings		(389,545)	(102,502)
Total Equity		(313,431)	(26,388)

These Financial Statements were approved and authorised for issue by the Directors on 30 June 2023 and are signed on their behalf by:

Mr Zhishuo Feng

Managing Director

The accounting policies and notes on pages 48 to 111 form part of these Financial Statements.

Attributable to owners of the parent

	Share capital	***Share premium***	***Other reserve***	***Retained earnings***	***Total***
	US$000	***US$000***	***US$000***	***US$000***	***US$000***
Balance at 1 January 2021	38	65,901	10,175	(96,255)	(20,141)
Loss for the year	-	-	-	(6,247)	(6,247)
Total comprehensive income for the year	-	-	-	(6,247)	(6,247)
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-
Balance at 31 December 2021	38	65,901	10,175	(102,502)	(26,388)
Balance at 1 January 2022	38	65,901	10,175	(102,502)	(26,388)
Loss for the year	-	-	-	(287,043)	(287,043)
Total comprehensive income for the year	-	-	-	(287,043)	(287,043)
Total transactions with owners of the parent, recognised directly in equity	-	-	-	-	-
Balance at 31 December 2022	38	65,901	10,175	(389,545)	(313,431)

Description and purpose of reserves:

a) Share capital: share capital consists of amounts subscribed for share capital at nominal value.

b) Share premium: share premium consists of amounts subscribed for share capital in excess of nominal value.

c) Other reserve: other reserve comprises the capital re-organisation reserve under the scheme of arrangement.

d) Retained earnings: cumulative net gains and losses recognised in the consolidated statement of comprehensive

income. Also included in this figure is the share options and warrants reserve established in 2013 as part of the capital restructuring program. This reserve holds a $Nil balance and has been recycled in full through retained earnings as all options and warrants have expired (see Note 23).

The accounting policies and notes on pages 48 to 111 form part of these Financial Statements.

	31 December 2022 US$000	*31 December 2021 US$000*
Cash flows from Operating Activities (Note 24)	8,865	13,904
Net cash generated from Operating Activities	8,865	13,904
Cash flows from Investing Activities		
Purchase of property, plant and equipment	(7,625)	(994)
Interest received	2	6
Net cash used in Investing Activities	(7,623)	(988)
Cash flows from Financing Activities		
Proceeds from borrowings (net of capitalised issue costs)	54,550	99,550
Repayment of borrowings	(55,550)	(128,806)
Interest paid	(3,170)	(3,384)
Net cash generated from Financing Activities	(4,170)	(32,640)
Net decrease in Cash and cash equivalents	(2,928)	(19,724)
Cash and cash equivalents at beginning of the year	7,472	27,196
Cash and cash equivalents at end of the year	4,544	7,472

The accounting policies and notes on pages 48 to 111 form part of these Financial Statements.

Accounting Policies

Basis of Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) as adopted by the European Union. The consolidated financial statements have been prepared on a historical cost basis.

The preparation of Financial Statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements are disclosed in Note 2.

The functional and presentational currency of the Group is US dollars and accordingly the amounts in the Financial Statements are denominated in that currency.

General Information

China Nonferrous Gold Limited was incorporated in the Cayman Islands on 24 April 2013 in order to effect group re-organisation by means of a scheme of arrangement ("the Scheme"). Under the Scheme dated 30 July 2013, the shareholders of the existing ordinary shares in Kryso Resources Limited (formerly Kryso Resources Plc) had their shares cancelled in consideration for which they received ordinary shares in China Nonferrous Gold Limited on a one-for-one basis. The ordinary shares of Kryso Resources Limited were de-listed and the issued shares of China Nonferrous Gold Limited admitted to trading on AIM.

Changes in Accounting Policies and Disclosures

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

Basis of preparation

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

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

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

(a) New and amended standards, and interpretations issued and effective for the financial year beginning 1 January 2022

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

Standard	Effective date
Amendments to IFRS 3: Business Combinations – Reference to the Conceptual Framework;	1 January 2022
Amendment to IAS 16: Property, Plant and Equipment	1 January 2022
Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022

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

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective.

Standard	Effective date
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
– Definition of Accounting Estimates;	
Deferred Tax relating to Assets and Liabilities arising from a Single Transaction	1 January 2023

(Amendments to IAS 12);	
Amendment to IFRS 16 Leases: Lease Liability in a sale & leaseback.	1 January 2023

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

Basis of Consolidation

The consolidated Financial Statements comprise the financial statements of the Group as at 31 December 2022. Subsidiaries are all entities over which the Group has control which is where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. These subsidiaries are adjusted, where appropriate, to conform to Group accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows are eliminated on consolidation. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Subsidiaries are consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date when such control ceases.

Share Capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Financial Instruments – Initial Recognition and Subsequent Measurement

Classification

The Group classifies its financial assets into only one category, being those to be measured at amortised cost.

The classification is dependent on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Recognition

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the Group commits to purchase or sell the asset). Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Impairment

The Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Intangible Assets – Exploration and Evaluation Expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Research expenditure is written off in the year in which it is incurred. The Group recognises expenditure as exploration and evaluation assets when it determines that the legal rights to said assets have been obtained. When a decision is taken that a mining property becomes viable for commercial production, all further pre-production expenditure is capitalized. Expenditure included in the initial measurement of exploration and evaluation assets and which is classified as intangible assets, relates to the acquisition of rights to undertake topographical, geological, geochemical and geophysical studies, exploratory drilling, trenching, sampling and other activities to evaluate the technical feasibility and commercial viability of extracting a mineral source.

Mines under construction

Expenditure is transferred from “Exploration and evaluation” assets to mining rights within “Mines under construction” once the work completed to date supports the future development of the property and such development receives the requisite approvals. All subsequent expenditure on technically and commercially feasible sites is capitalised within mining rights.

All expenditure on the construction, installation or completion of infrastructure facilities is capitalised as construction in progress within “Mines under construction”. Mines under construction are stated at cost. The initial cost comprises transferred exploration and evaluation assets, construction costs, infrastructure facilities, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation and, for qualifying assets, borrowing costs. Costs are capitalised and categorised between mining rights and construction in progress respectively according to whether they are intangible or tangible in nature.

Once the mine is fully operational and normal production levels commence, all assets included in “Mines under construction” are transferred into “Property, Plant and Equipment” or “Producing mines”. It is at this point that depreciation/amortisation commences over its useful economic life. In 2019, the mine entered full production and therefore depletion/depreciation/amortisation commenced and ‘Mines under construction’ balances were transferred into Property, Plant and Equipment.

Impairment of non-financial assets

In accordance with its accounting policies and processes, each asset or cash generating unit (CGU) is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

If an indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s or CGU’s recoverable amount. The recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal (FVLCD) and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. The Group bases its impairment calculation on detailed budgets and forecasts based on the life-of-mine plans.

The assessment is carried out by allocating assets including exploration and evaluation and producing mines to CGUs which are based on specific projects and geographical areas. Where exploration for and evaluation of mineral resources in CGUs does not lead to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities, the associated expenditure will be written off to profit or loss. Exploration and evaluation assets are also impaired when the Group’s right to explore in an area has expired.

The determination of FVLCD for each CGU are considered to be Level 3 fair value measurements, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

Property, plant and equipment

(i) Initial recognition

Upon completion of the mine construction phase, the assets held within 'Mines under construction' are transferred into 'Property, plant and equipment' as 'Producing Mines'. Items of property, plant and equipment and producing mines are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Producing mines also consist of the value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

(ii) Depreciation/amortisation

Accumulated mine development costs or 'Producing mines' are depreciated/amortised on a unit of production (UOP) basis over the economically recoverable reserves of the mine concerned. The unit of account for run-of-mine (ROM) costs is tonnes of ore, whereas the unit of account for post-ROM costs is recoverable ounces of gold. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves.

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis, whereby the denominator is the proven and probable reserves.

Depreciation on other plant and equipment is provided to write off the cost of an asset, less its estimated residual value, evenly over the expected useful economic life of that asset as follows:

Plant and Machinery	–	8-10 years
Motor Vehicles	–	5-10 years
Office Furniture and Equipment	–	3-5 years

Depreciation on assets used in exploration and evaluation activities and mines under construction is capitalised within non-current assets.

Assets under construction relate to ongoing construction work at the mine site which does not form part of the mine asset, for example office and accommodation buildings. Such assets are not depreciated until they are ready for use, at which time they are transferred into plant and equipment and depreciation commences.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income when the asset is derecognised.

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use (a qualifying asset) are capitalised as part of the cost of the respective asset until the asset is substantially ready for its intended use after which they are expensed. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred under the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating borrowing costs over the relevant period.

Inventories

Inventories, comprising materials, spares, mining and processing equipment, explosives, diesel fuel and supplies, are valued at cost, after making due allowance for obsolete and slow moving items. Cost is determined using the weighted average cost method.

Inventories comprising gold are valued at the lower of weighted average cost and net realisable value. Cost includes direct materials, direct labour costs and production overheads, including depreciation and depletion of relevant property, plant and equipment.

Foreign Currencies

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), being US Dollar. The Group Financial Statements are presented in US Dollars, which is the Group's functional and presentation currency.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items at the Statement of Financial Position date, are included in the Statement of Comprehensive Income for the period.

Current Income Tax and Deferred Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Group operates.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax bases used in the computation of taxable profit or loss. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The Group has losses to be carried forward on which no deferred tax asset is recognised due to the uncertainty as to the timing of profit.

Share Based Payments

The Group operates a share option scheme to encourage participation by Directors and employees in the Group's performance and also issues warrants to third party service providers and investors. The fair value of the services received in exchange for the grant of options and warrants is recognised as an expense over the vesting period. Where the fair value of the services received cannot be determined, the total amount to be expensed is determined by reference to the fair value of any option and warrant granted, excluding non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Statement of Financial Position date, the Group revises its estimate of options that are expected to vest.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options and warrants are exercised.

Rehabilitation and Environmental Provision

The Group recognises a rehabilitation and environmental provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The nature of these restoration activities includes dismantling and removing structures; rehabilitating the mine and tailings dam; dismantling operating facilities; and restoring, reclaiming and revegetating affected areas.

On initial recognition, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining asset to the extent that it was incurred as a result of the development or construction of the mine. Any changes to or additional rehabilitation costs are recognised as additions or charges to the corresponding asset and rehabilitation liability when they occur.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The annual unwinding of the discount is recognized in the statement of comprehensive income as part of finance costs.

The Group does not recognise a deferred tax asset in respect of the temporary difference on the rehabilitation liability nor the corresponding deferred tax liability in respect of the temporary difference on the rehabilitation asset.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the CEO's Statement on pages 5 to 8. Note 1 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and its exposures to credit risk and liquidity risk.

The Group financial statements are prepared on a going concern basis and the Group's current and forecast cash position and working capital shows that for the period up to 31 December 2025 the Group will have sufficient funds on hand to realise its assets and meet its obligations as they fall due, excluding loan financing costs and repayment of loans, for a minimum of 12 months following the date of approval of these financial statements.

In making their assessment, the Directors also have considered the level of production and operations at the mine site, in conjunction with the updated resource and reserve estimates as per the revised Independent Technical Report produced by SRK Consulting (see Note 2), and how the Group will be able to use the cash inflows from these operations to support its working capital position and repay loans when they fall due. As all shareholder loan extensions are provided on a one-year basis, the company applies to its ultimate controlling party, CNMC, each year in advance of the loan repayment date falling due, following the application process that has been in place for a number of years. As at the current date, following post year end refinancing of the two external bank loans with Bank of Shanghai and China CITIC Bank (See Note 28), the company has the following loans payable.

Lender	**Amount (principal)** at the date of this report	**Amount (interest accrued)** at the date of this report	**Total**	**Repayment date**
CNMC Trade Company Ltd	123,600,000.00			20/12/2022
CNMC Trade Company Ltd	20,000,000.00			26/11/2022
CNMC Trade Company Ltd	14,550,000.00	39,707,401.87	282,357,401.87	31/12/2022
CNMC Trade Company Ltd	19,500,000.00			19/04/2023
CNMC Trade Company Ltd	65,000,000.00			06/09/2023
CNMICC	60,744,168.83	21,260,359.47	82,004,528.30	08/12/2022
CNMIM	12,683,598.78	10,075,085.73	22,758,684.51	31/05/2022
Total shareholder loans repayable in year to 30 June 2024	**316,077,767.61**	**71,042,847.07**	**387,120,614.67**	

The Company is currently in the process of finalizing extension agreements for all of the above loans – the agreements are as yet unsigned by both parties and remain subject to regulatory approval processes pursuant to Rule 13 of the AIM Rules for Companies, as detailed in the CEO's report. Other than the $19.5 million of CNMC loans, that will expire on 19 April 2024, and $12,683,599 of CNMIM loan, that will expire on 31 May 2024, other loans are all to be due within 12 months from 31 December 2022 as per the draft loan renewal agreements. In previous financial years, the Company's ultimate controlling party, CNMC, has provided a letter of financial support to the company confirming its intentions to continue to support the company as and when required. In the current year, this letter of support could not be obtained. In relation to the provision of financial support, it is difficult for the ultimate controlling party, and related entities, to continue issuing a support letter in advance of the loan repayment date.

So far, the Company has not received any information in written form or otherwise to indicate changes to the intentions of the Company's ultimate major shareholder, CNMC Group, which is currently the Company's key creditor. The Company's management has continued to maintain open communication with its ultimate major shareholder.

CNMC has historically renewed the shareholder loans on an annual basis with no issues, and the Directors are not aware of any reason why these renewals would not continue to be forthcoming upon application by the company. Most recently, in June 2023, CNMC issued a new shareholder loan of $65m to enable the Company to repay its outstanding loan to Bank of Shanghai.

In terms of security against the loans, the following is in place per the loan agreements:

- CNG has pledged 100% of its equity interest in Kryso Resources (BVI) Limited, which owns 100% of the Pakrut Gold Project, as security for repayment of the $120m CNMC Trade loan disclosed in the above table; and
- CNG has pledged 100% of its equity interest in Pakrut LLC to major shareholder, CNMIM, in respect of the $12.7m CNMIM loan disclosed in the above table.

Other than the above, the remaining loans are unsecured and there is not any legal action or contractual recourse that can be taken against the company in the event of default or late repayment of these loans. Management do not have reason to believe that any action will be taken in respect of the securities noted above based on communications with these parties and historic evidence of financial support as noted above. Other than the two external bank loans which were refinanced through shareholder loans post year end, the remaining shareholder loans are past due at the year end. The lenders, CNMIM and CNMC, have agreed to extend the loans by 1 year from the repayment dates shown in the table above in all cases other than the $65m short term loan due to CNMC, as this is not yet due for repayment and therefore the application will be made at that time. The extension agreements are due to be signed soon, subject to regulatory approvals and processes. The expectation is that the CNMIM Loan will be extended to 31 May 2024. Meanwhile the Company will continue to hold open communication with these parties, as well as external lenders, in seeking further refinancing options ahead of these renewal dates falling due. There is no expectation that this will not be possible. However, as at the date of this report there are no binding agreements in place and there is no guarantee that the facilities will be renewed, and therefore a material uncertainty exists with regard to going concern.

The Directors have also considered the Group's daily working capital requirements in order to continue its operations and remain in business. This assessment includes a detailed cash flow forecast for the financial years 2023-2025, based on the following key assumptions:

- Gold price of US$/oz 1,750 in 2023, falling to US$/oz 1,430 after 2025
- Life of mine is 6.3 years, with production expected to cease in 2029
- Gold recovery rate of 81.9% from processing and metallurgy
- The latest resource evaluation data of SRK based on on-site surveys and current metallurgical recovery rates (as per updated Technical Report)

From this assessment, it can be concluded that the current level of working capital, as well as the cash inflows over the next 12 months to 30 June 2024 from the activities at the mine site, will be sufficient to meet these working capital requirements and any committed and contractual expenditure over this period, excluding loan financing costs and repayment of loans as discussed above. The daily operating conditions and the basic conditions of cash flows of the Pakrut Gold mine have not undergone any fundamental change at the end of 2022 compared with previous years. After making due enquiries the Directors have a reasonable expectation that the Company and Group have access to adequate resources to continue in operational existence for the foreseeable future which is considered to be at least 12 months from the date of the signing of these financial statements. Based on the facts above, a material uncertainty exists in relation to obtaining formal loan refinancing both now and in the future, and the auditor has made reference to this in their audit opinion. The Group continues to adopt the going concern basis in preparing the annual report and financial statements.

As there are currently no binding agreements in place regarding the provision of ongoing future financial support, there is no guarantee that such support will be maintained until the Company makes an application to extend at the renewal date and it is approved. This indicates the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Segmental Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive board of Directors.

Revenue

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It establishes a five-step model to accounts for revenue arising from contracts with customers. These steps are as follows: identification of the customer contract; identification of the contract performance obligations; determination of the transaction price; allocation of the transaction price to the performance obligations; and revenue recognition as performance obligations are satisfied.

Under IFRS 15, revenue is recognised when performance obligations are met. This is considered to be the point of delivery of goods to the customer. Revenue is measured at the fair value of consideration received or receivable from sales of gold to an end user (based on the opening market price in London – http://www.lbma.org.uk/precious-metal-prices), net of buyer's discount, treatment charges, freight costs and value added tax.

Other expense

Other expenses relate to public welfare donations.

1. Financial Risk Management

The Group's operations expose it to a number of financial risks; principally the availability of adequate funding, movements in interest rates and fluctuations in foreign currency exchange rates. Continuous monitoring of these risks ensures that the Group is protected against any adverse effects of such risks so far as it is possible and foreseeable.

Market Risk

a) Cash Flow and Interest Rate Risk

The continued operation of the Group is dependent on the ability to raise sufficient working capital until the mine produces sufficient quantities of gold to be self-sufficient. The Group currently finances itself through the issue of equity share capital and the secured loan facilities from CNMIM and CNMC. Management monitors its cash and future funding requirements through the use of cash flow forecasts. All cash not immediately required for working capital purposes is held on short term deposit. The Group's exposure to interest rate fluctuations on cash balances is restricted to the rate earned on these short-term deposits. The potential impact of such fluctuations is not considered material to the financial statements.

The Group' s interest rate risk arises from long-term borrowings. The Group has both variable and fixed rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash invested at variable rates. The annual fixed interest rate for the CNMIM loan is 9% for all USD and RMB denominated tranches. All payments of principal and interest in respect of the RMB denominated tranche are repayable at a fixed RMB: USD exchange rate. The interest rate on the BOS loan of US$65 million is 1.50% per annum over the quarterly LIBOR rate and the loan is repayable in US$. The interest rate on the CITIC loan of US$20 million is 3.00% per annum over the 6 month LIBOR rate and the loan is repayable in US$. The interest rate on the CNMC loan of US$206.24million is 3.25% per annum over the quarterly LIBOR rate, and of US$14.55million is 3%.

1. Financial Risk Management (continued)

At 31 December 2022, the potential impact of fluctuations in interest rates is considered material to the financial statements.

b) Foreign Currency Risk

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has cash assets denominated in UK Sterling, United States Dollars, Tajik Somoni and PRC Renminbi and incurs liabilities for its working capital expenditure in all of these denominations. Payments are made in all of these denominations at the pre-agreed price and converted (if necessary) as soon as payment needs to occur. Currency conversions and provisions for expenditure are only made as soon as debts are due and payable. The Group is therefore exposed to currency risk in so far as its liabilities are incurred in UK Sterling, PRC Renminbi and Tajik Somoni, and fluctuations occur due to changes in the exchange rates against the functional and presentational currency of US Dollar. The table below details the split of the cash held as at 31 December 2022 between the various currencies.

Somoni	**GBP Sterling**	**US Dollar**	**Renminbi**	**Total US$000**
1,763	5	2,363	413	4,544

Due to the different nature of assets and liabilities, changes in asset value caused by exchange rate changes have different ways of affecting a Company's free cash flow. Therefore, it must be considered separately when evaluating the value of an enterprise. The first is the monetary items in the corporate balance sheet. Typical monetary items include monetary funds, loans, accounts receivable and accounts payable. When the exchange rate changes, the above-mentioned assets or liabilities of the enterprise accounted in foreign currencies will increase or depreciate accordingly. For example, in the context of the depreciation of the Renminbi, the foreign currency deposits (Somoni/USD) held by enterprises will appreciate, which in itself has a substantial impact on the present value of cash. The foreign currency-settled bonds or other debts issued by companies can be repaid at a lower RMB cost, which can save companies more funds that can be used for free distribution, thereby promoting the enhancement of corporate value.

1. Financial Risk Management (continued)

During 2022, the Group's principal revenue, costs, assets and liabilities, including intercompany loans were denominated in USD. The Group manages foreign currency risk by matching receipts and payments and monitoring movements in exchange rates. The Group does not currently hedge its exposure to foreign currencies and recognises the profits and losses resulting from currency fluctuations as and when they arise. At the year end the Group did not have material exposure to foreign exchange risk relating to its non-US$ denominated bank deposits and as such this not disclosed. The year-end exchange rates used in the preparation of the financial statements for 2022 and 2021 were as follows:

	Somoni to USD	GBP to USD	Renminbi to USD
31 December 2022	10.2024	1.2053	6.9646
31 December 2021	11.3000	1.3499	6.3757

Liquidity Risk and Credit Risk

The continued operation of the Group is dependent on the ability to raise sufficient working capital. As noted above, the Group currently finances itself through the issue of equity and borrowings from CNMIM, CNMC, CITIC and Bank of Shanghai. Management monitors its cash and future funding requirements through the use of cash flow forecasts. The Group enters into capital commitments to fund operations, and any surplus cash not immediately required for working capital purposes is held on short term deposit.

1. Financial Risk Management (continued)

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

	Less than 1 Year	*Between 1 and 2 Years*	*Between 2 and 5 Years*	*Over 5 Years*	*Total*	*Carrying amount*
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
Year ended 31 December 2022						
Interest-bearing borrowings	379,368	-	-	-	379,368	379,368
Trade and other payables	19,011	-	1,235	-	20,246	20,246
Provisions for other liabilities	-	-	-	5,180	5,180	5,180
	398,379	-	1,235	5,180	404,794	404,794

1. Financial Risk Management (continued)

Year ended						
31 December 2021						
Interest-bearing borrowings	303,953	65,000	-	-	368,953	368,953
Trade and other payables	49,696	-	-	-	49,696	49,696
Provisions for other liabilities	-	-	-	4,988	4,988	4,988
	353,649	65,000	-	4,988	423,637	423,637

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

Credit rating	***2022***	***2021***
	US$000	***US$000***
A	1,964	3,229
No independent credit rating available	2,580	4,243
	4,544	7,472

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

1. Financial Risk Management (continued)

Capital Risk Management

The Group consider equity to be their capital. The Group's objective when managing their capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to enable the Group to continue its exploration, evaluation and mine construction. The Group holds debt in the form of both shareholder and external loans and defines capital based on the total equity of the Company. Except for the secured loan facilities from CNMIM, CNMC, the Group's current policy for raising capital is through equity issues and debt financing. The Group is not currently required to monitor its gearing ratio and is not exposed to any externally imposed capital requirements.

2. Critical Accounting Estimates, Assumptions and Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are set out below. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets and liabilities affected in future periods.

The Group has identified the following areas where significant estimates, assumptions and judgments are required. The most significant judgment for the Group is the assumption that exploration and development at its sites will ultimately lead to a commercial mining operation. Failure to do so could lead to further impairment of the mine.

Estimated impairment of Property, Plant and Equipment including Producing Mines (Note 13)

The Group tests annually whether exploration, evaluation and licensing assets and producing mines have suffered any impairment. The recoverable amounts of the cash generating units ("CGUs") have been determined based on value in use calculations which require the use of estimates and assumptions such as long-term commodity prices, gold recovery rates, discount rates, operating costs and therefore expected margins, future capital requirements and mineral resource estimates (see below). These estimates and assumptions are subject to risk and uncertainty and therefore there is a possibility that changes in circumstances will impact the recoverable amount. Management has assessed its CGUs as being individual exploration and mine sites, which is the lowest level for which cash inflows are independent of those of other assets or CGUs.

Whilst gold production at Pakrut initially commenced in the second half of 2015, the ramp-up of mining and processing was achieved from late 2018 onwards, with production capacity of 2,000 tonnes per day reached in early 2020. The group has reported an operating profit from mining activities since 2020.

The value in use calculations up to the year ended 31 December 2021 were based on the following key assumptions:

- SRK's previous technical report in 2014, together with the feasibility study undertaken by Beijing General Research Institute of Mining and Metallurgy ("BGRIMM") in 2015;
- Total expected JORC compliant resources of 4,383,000 ounces, of which 904,000 ounces was covered by the mining license issued in November 2011. The higher JORC resource figure at Pakrut, including the Eastern Pakrut ore zone, but excluding the Rufigar and Sulfidnoye ore zones, includes the results of all exploration and evaluation activities to 2013 and therefore to a date subsequent to the mining license application and award. The exploration license expired on 1 April 2014;
- The intention was to seek approval from the Tajik authorities of the enlarged JORC resource, and ultimately seek an extension to the mining license which expires on 2 November 2030.

Based on the above assumptions, the value in use exceeded the carrying value of the Producing Mine Asset, and no impairment was recognised in the financial statements as at 31 December 2021.

Key assumptions in the Updated Technical Report prepared by SRK Consulting as at 31 December 2022

SRK was engaged to complete an updated Mineral Resources and Ore Reserves estimate, as well as a technical review of production operations of the Pakrut Project as at 31 December 2022, taking into consideration the "reasonable prospect of eventual economic extraction".

A comparison of the SRK results as at 2022 compared to 2013 at the resources and reserves level highlights the key differences in the results between the two dates. Only the Pakrut and Eastern Pakrut ore zones are included in the tables below. The revised ore reserve estimates reported by SRK as at 31 December 2022 reflect actual production data collated since 2018 and the change in strategy to continue with the existing capacity of 2,000 tpd rather than ramp up capacity to 4,000 tpd.

Resources – Pakrut @ 1g/t cut-off:

2013	**Category**	**Mt**	**Au (g/t)**	**Au (koz)**	**Au (kg)**
	Measured	18.06	3.23	1,874	58,280
	Indicated	7.91	2.39	608	18,915
	M&I	**25.97**	**5.62**	**2,482**	**77,195**
	Inferred	24.96	1.98	1,586	49,322

2022	**Category**	**Mt**	**Au (g/t)**	**Au (koz)**	**Au (kg)**
	Measured	2.08	2.02	135	4,193
	Indicated	4.64	2.07	308	9,590
	M&I	**6.71**	**4.09**	**443**	**13,873**
	Inferred	7.82	2.21	556	17,289

Reserves – Pakrut @ 1.5&1.6g/t cut-off (Zone 1):

2013	**Category**	**Mt**	**Au (g/t)**	**Au (koz)**	**Au (kg)**
	Proved	11.81	3.60	1,370	42,623
	Probable	2.16	2.80	196	6,106
	Total	**13.97**	**6.40**	**1,567**	**48,729**

2022	**Category**	**Mt**	**Au (g/t)**	**Au (koz)**	**Au (kg)**
	Proved	1.33	2.01	86	2,676
	Probable	2.91	1.87	175	5,443
	Total	**4.24**	**3.88**	**261**	**8,119**

The above tables show significant differences in resources and reserves between the two reports, the key reasons being:

- the new Mineral Resource Estimate, is exclusive of all mined-out materials since the Company commenced operations in 2015, whereas at the time of the previous resource estimated the materials were in-situ without depletion (mining at site had not commenced). 172,200 oz of gold have been extracted to date.

- a total of five gold mineralization zones ("GMZs") are delineated at Pakrut. Namely GMZ 1, 3, 5, 6 and 7. The Measured and Indicated Mineral Resources are situated in GMZ 1 and GMZ 3. Previous resource estimates have included GMZ 3 (Eastern Pakrut), but operating practices indicate that the gold grade in this GMZ 3 is less than 1.5g/t and therefore not currently economic. Accordingly, this Mineral Resource Estimate only incorporates GMZ 1 (Pakrut) and LLC Pakrut intends to exploit just GMZ 1 in the future.
- the Cut-off grade of gold has increased from 0.5 g/t used in previous Mineral Resource Estimates to 1.0 g/t for this Mineral Resource Statement, reducing the amount of material that is included in the Mineral Resource Estimate because operational performance shows that mining dilution is higher than previously estimated.
- A considerable amount of data from new boreholes and channels has been added to the database originally used in previous Mineral Resource Estimates, following actual operational and further exploration activities, which has increased the awareness and knowledge of the geometry of the Pakrut Deposit.
- The Pakrut gold mineralisation is associated with structural alteration and is of vein type deposit, which can make the geological interpretation of the ore body more complicated when compared to other deposit types. This can be particularly challenging for the resource estimation at the exploration stage (the previous Mineral Resource Estimates were prepared at an exploration stage). However, the use of underground drilling and channeling activities during the construction and production stage has enabled a more comprehensive understanding and interpretation of local geology of the deposit.

The revised value in use (discounted cash flow) as at 31 December 2022 of $62.4millon was calculated by SRK using the data per the above tables and the following assumptions, and the Board, in considering the impairment to the mine asset, have also carefully considered and are in agreement with these assumptions:

- 10% discount rate (the discount rate is selected by SRK according to industry experience and benchmarking)

- Gold price of US$/oz 1,750 in 2023, falling to US$/oz 1,430 after 2025 (SRK uses the CMF--China Macroeconomy forum prediction method to search for the highest, lowest, and middle prices in the economic database from 2023 to 2036)

- Life of mine is 6.3 years, with production expected to cease in 2029 (SRK has obtained the latest resource evaluation data based on on-site surveys and current metallurgical recovery rates; 2023-2027:700,000t/year 2028:526,572.60t/y 2029:210,588.97t/y)
- Gold recovery rate of 81.9% from processing and metallurgy

Sensitivity analysis was conducted based on the base scenario against the changes of capital expenditure (“CAPEX”), operating expenditure (“OPEX”), and production income. The analysis shows that changes in metal prices have the most significant effect on the NPV. A 0.5% change in the gold price used in the base case model would result in a change in the NPV of approximately $900k. A 1% change in the discount rate used would result in an increase / decrease of $1.6m / $1.5m respectively.

Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted. Estimated remaining life of mine for the project based on current Ore Reserve estimates is now 6.3 years, producing on average 43,000 ounces from 700,000 tonnes of ores per annum until 2029.

All the ore mined is assumed to be fed to the processing plant. The Operating expenses forecasts which were estimated based on last three years (2020 - 2022) actual Operating expenses. Depreciation and amortization have been excluded in the operating cost estimates. Royalty tax is approximately 6% of sale revenues. The corporate income tax is the maximum of 18% of taxable revenues and 1% of sales revenues. Other taxes are minor.

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

As there is no significant expansion for the Pakrut project planned, the additional capital expenditure relates only to mine closure costs estimated by SRK to be approximately USD 5,180,000 (2.5% of total Operating expenses) – these amounts are excluded from the NPV calculated by SRK and have therefore been added to the carrying value of mine assets at present value of $2.7m. These costs are not expected to be incurred before financial year 2029, which is the revised end of mine life per the revised technical report. There is a need to consider also any potential residual value of assets including plants and smelters which may be realized at the time of mine closure through sale of these assets – in order to be prudent, however, management have not reduced the estimated closure costs by any potential value in these assets as this is uncertain at the current time. The net present value ("NPV") calculated by SRK based upon the above is US$62.4m, which gives rise to an impairment charge in the 2022 financial statements of approximately US$266m.

Based on the latest SRK evaluation report and net present value calculation, management have considered it appropriate to record this impairment charge in the 2022 financial statements in order to fairly present the carrying value of the mine asset. This NPV does not however include the present value of the revised rehabilitation provision estimates, totalling $2.7m at the year end, as detailed below.

Rehabilitation provision (Note 20)

An enterprise shall, in accordance with the provisions of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, calculate and determine the amount of costs expected to be incurred at the end of the mine life in respect of reclamation and rehabilitation of the mine site and surrounding areas, in accordance with the provisions of the license agreement and relevant mining legislation in Tajikistan. It is the Company's understanding that the reclamation and greening work of tailings ponds and waste disposal sites in mining enterprises is to be funded by the company during the closure of the mine, and to be inspected and accepted by government departments.

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

In the 2022 Technical Report, SRK Consulting estimated a total undiscounted rehabilitation provision of $5.18 million (2.5% of the operating cost of $207.21 million from 2023 to 2029), discounted at year end using a 10% discount rate to $2.7 million, as an additional cost to be incurred relating to the closure of the mine site, including the tailings dam and smelting facilities. This is a revised estimate compared with the Company's previous estimates (2021:undiscounted rehabilitation provision of $4.99 million) and this results from the much more advanced current stage of operations when compared with the previous technical report from 2013. Additional knowledge is now available to the company, as well as additional construction and development work having been carried out since that time meaning that additional costs will need to be incurred at the time of mine closure, hence the increase in provision which can be seen in Note 20.

Management believes that this is a reasonable basis for estimating future liabilities and will conduct regular reviews to consider any significant changes in assumptions. The actual costs will ultimately depend on the future market price of the necessary rehabilitation and closure works, changes in future regulatory requirements, and other uncertainties at the time of ceasing commercial operation.

Approval of Pakrut reserves by Tajik Department of Geology

In November 2011, the Government of the Republic of Tajikistan issued the Pakrut Gold Project mining license to LLC Pakrut. According to the terms of the license, the amount of ore that can be mined is variable depending upon the mine plan. The mining license issued in November 2011 currently entitles the Group to mine JORC compliant resources (measured, indicated and inferred) of 904,000 ounces out of total JORC compliant resources of 4,383,000 ounces at Pakrut, excluding the Eastern Pakrut, Rufigar and Sulfidnoye ore zones. The JORC compliant resources include the results from the Group's exploration and evaluation work subsequent to the mining license issue date.

At present, LLC Pakrut does not intend to seek the approval from the Tajik government for the updated resources and reserves.

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

Mineral resource and reserve estimates

Reserves are estimates of the amount of resources that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. This analysis requires complex geological judgments to interpret the data. The estimation of the recoverable amount is based upon factors such as estimates of commodity prices, future capital expenditure and production costs along with geological assumptions made in estimating the size and grade of the resources. Details of the mineral resources and reserve estimates can be found on www.cnfgold.com.

The Group estimates and reports mineral resource estimates in line with the principles contained in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2012), which is prepared by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, known as the "JORC Code". The determination of a JORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred).

As additional geological information is produced during the operation of a mine and through additional exploration activity, mineral resource estimates may change. Such changes may impact on the Group's reported financial position which includes the carrying value of property, plant and equipment and inventories.

SRK was engaged to complete an updated Mineral Resource and Ore Reserve estimate as of 31 December 2022.

A comparison of the SRK results as at 2022 compared to 2013 at the resources and reserves level highlights the key differences in the results between the two dates. The revised ore reserve estimates reported by SRK as at 31 December 2022 reflect actual production data collated since 2018 and the change in strategy to continue with the existing capacity of 2,000 tpd rather than ramp up capacity to 4,000 tpd. The significant differences between the 2013 and 2022 reports are disclosed in the Impairment section above.

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

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions;
- Unforeseen operational issues.

Depreciation/Amortisation (Note 13)

As the mine entered full production during the period, 2019 was the first period for which depreciation / amortisation was charged in respect of the producing mine assets. As mentioned in the judgement above judgement is required in the calculation of this amount with the key estimates considered to be surrounding the amount of economically recoverable resources and the lifespan of the asset. The economically recoverable reserves are considered to be those detailed out on the website (see above for link) and the lifespan of the mine is considered to be 6.3 years.

3. Segment Information

The following segments are based on the management reports received by the Executive Directors, who are the chief operating decision makers. The Group operates principally in three geographical areas, UK, PRC and Tajikistan, with operations managed on a project by project basis within Tajikistan. For segment reporting purposes, the operations of the Cayman Islands registered parent Company are included in the UK and PRC segment as these segments are jointly managed.

	UK and PRC	***Tajikistan Pakrut***	***Total***
2022	***US$000***	***US$000***	***US$000***
Revenue	-	68,525	68,525
Cost of sales	-	(40,085)	(40,085)
Impairment of producing mine		(265,953)	(265,953)
Administrative expenses	(1,785)	(23,324)	(25,109)
Foreign exchange		1,075	1,075
Other operating expenses	-	(213)	(213)
Operating loss	(1,785)	(259,975)	(261,760)
Finance costs	(15,243)	-	(15,243)
Finance income	2	-	2
Income tax	-	(10,043)	(10,043)
Loss for the year	(17,026)	(270,018)	(287,044)
Total assets	-	88,841	88,841
Total liabilities	-	402,272	402,272
Additions to property, plant and equipment	-	7,625	7,625

3. Segment Information (continued)

The Group's mining activities are located in Tajikistan, principally within the Pakrut Gold Project. Support and administration services are provided from the UK and PRC. Inter-segment revenue is eliminated on consolidation and is conducted on mutually agreed terms between Group companies.

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

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

4. Particulars of Employees

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

	2022	***2021***
	No.	***No.***
Administrative and management	113	116
Operational staff	588	590
	701	706

The aggregate costs of the above were:

	2022	***2021***
	US$000	***US$000***
Wages and salaries	5,277	4,575
Basic pension cost	989	1,036
	6,266	5,611

5. Directors' Emoluments

The Directors' emoluments in respect of qualifying services were:

2022	***Salary and fees US$***	***Total US$***
Mr Wang Xiaohua	187,082	187,082
Mr Yong Li	22,685	22,685
Mr Lixian Yu	99,787	99,787
Mr Xiuzhi Shi	22,566	22,566
Mr Hui Zhang	224,516	224,516
	556,636	556,636

2021	***Salary and fees US$***	***Total US$***
Mr Wang Xiaohua*	50,850	50,850
Mr Yong Li	24,905	24,905
Mr Lixian Yu	109,475	109,475
Mr Delin Feng**	124,946	124,946
Mr Xiuzhi Shi	24,971	24,971
Mr Hui Zhang	246,324	246,324
	581,471	581,471

**Mr Xiaohua Wang was appointed in November 2021*

***Mr Delin Feng resigned in November 2021*

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

6. Expenses by nature

	2022	***2021***
	US$000	***US$000***
Employee benefit expenses	7,147	6,758
Operating lease expenses	3	50
Depreciation	2,732	3,023
Legal, professional and regulatory costs	398	515
Travel and entertaining	650	521
Social & other taxes	10,674	6,609
Other expenses	2,505	1,067
Commission/bank fees	1,000	1,336
Total administrative expenses	25,109	19,879

6. Expenses by nature (continued)

	2022	*2021*
	US$000	***US$000***
Fees payable to the Company's auditor for the audit of the consolidated financial statements	133	119
Fees payable to the Company's auditor for other services:		
- Tax compliance services	-	-
	133	119

7. Other operating expenses

	2022	*2021*
	US$000	***US$000***
Loss on disposal of fixed assets	-	2,307
Public welfare donation expenditure	213	2,227
Gain on dissolution of subsidiaries	-	(2,118)
	213	2,416

Total other expenses in 2022 were US$213,013 (2021: US$2,416,000), which comprises of Pakrut's local donation expenditure. According to local regulations of the Tajik government, Chinese enterprises make donations to the local area every year. The main reason for the significant decrease in donation expenditure in 2022 is that the Tajik government requested to fulfill the investment agreement last year, resulting in a significant amount of donation expenditure.

Kryso Resources Limited (UK) and International Mining Supplies & Services Limited were struck off and dissolved in October 2021. Kryso Resources Limited (BVI) Beijing Representative Office was dissolved in August 2021. All the assets and liabilities of these three companies have been transferred to Kryso Resources Limited (BVI), another subsidiary company within the Group which resulted in the loss of CNG on dissolution of subsidiaries**.**

8. Income Tax

a) Analysis of Charge in the Year

	2022	***2021***
	US$000	***US$000***
Current tax:		
Current tax	10,043	6,012
Deferred tax	-	-
Total	10,043	6,012

No provision for income taxes arose in the Cayman Islands, the UK, British Virgin Islands. A current income tax expense arose in Tajikistan during the year as LLC Pakrut sold gold in the amount of TJS 755,867,248 – equivalent to US$ 68,524,835 (2021: TJS 814,171,620 – equivalent to US$ 71,991,962). Thereby, the Company paid the amount of advance payments of income tax according to the Tax Code of the Republic of Tajikistan, being 1.00% of revenue.

The main reasons for the substantial increase in income tax compared with last year are as follows: The calculation criteria of income tax was amended during 2022 which resulted in additional income tax payable of $4.03million in respect of income tax.

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

8. Income Tax (continued)

Factors Affecting Current Tax Charge

The tax assessed on the loss for the year is higher than the weighted average standard rate of corporation tax of 18% (2021 – 20%).

	2022	2021
	US$000	US$000
Loss before income tax	(278,085)	(235)
Loss on ordinary activities by weighted average rate of tax at 18% (2021: 20%)	(50,055)	(47)
Expenses not deductible for tax purposes	544	630
Tax losses for which no deferred income tax asset was recognized/(Utilisation of tax losses)	49,511	(611)
Pakrut income tax	10,043	6,012
Current tax payable	10,043	6,012

The Group did not recognise deferred tax assets of approximately US$Nil (2021:$Nil). Unused Tajik tax losses amounting to approx Nill at 31 December 2022 can be carried forward for three years from the year incurred and used against future taxable income at 15%.

9. Finance Income and Costs

	2022	***2021***
	US$000	***US$000***
Finance Income		
Interest income on short term bank deposits	2	6
Finance Costs		
Interest expense on shareholder's loans wholly repayable within five years	12,340	7,315
Interest expense on bank borrowings wholly repayable within five years	2,902	3,510
Finance costs	15,242	10,825

10. Earnings per Share

	2022	***2021***
	US$	***US$***
Basic and diluted earnings per share (cents)	(757.60)	(1.63)

The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US$289,701,494 (2021: US$6,245,000) by the weighted average number of shares in issue and carrying the right to receive dividend. For the year ended 31 December 2022 this was 382,392,292 (2021: 382,392,292) shares.

As the Group has incurred a loss for the year, no option or warrant is potentially dilutive, and hence the basic and diluted earnings per share are the same. At the year end, there were nil (2021: nil) share options outstanding that are potentially dilutive in the future.

11. Intangible Assets

The exploration and evaluation assets represent internally generated costs in connection with the Group's exploration and evaluation activities. Expenditure is transferred from exploration and evaluation assets to mines under construction once the work completed to date supports the future development of the property and such development receives appropriate approvals.

The rights of LLC Pakrut to carry out exploration and evaluation activity at the Pakrut deposit expired on 1 April 2014. The renewal application by the Group to extend the exploration license is being considered by the Government of Tajikistan. Although the Directors are not aware of any legal or other impediments which would ultimately prevent approval of the license extension, the Directors fully impaired the carrying value of the exploration and evaluation assets during 2014 due to non-renewal of the Exploration License. Exploration and evaluation activities can continue at the Pakrut Gold Deposit in the area covered by the mining license. Currently staff members of Pakrut are coordinating with the local government for exploration licenses.

12. Mines under Construction

Mining rights comprised of exploration and evaluation assets up to the date the Pakrut Gold Project was determined to be technically feasible and commercially viable. All subsequent exploration and evaluation expenditure at this site was capitalised within mining rights. Mining rights also included the subsoil contract signature bonus and payments to obtain land use rights.

Construction in progress comprised the mine, smelting plant, tailings pond, power lines and road construction work carried out at the Pakrut Gold Project by contractors and directly by the Group. It also included the borrowing costs associated with the loan to finance the mine, construction from China Nonferrous Metals Intl Mining Co. Limited ("CNMIM") , together with associated legal, professional and consultancy costs.

Mines under construction are not depreciated until construction is completed and the assets are available for their intended use and signified by the formal commissioning of the mine for production. Construction was completed at the end of the 2018 financial year with the mine being deemed to be fully operational at the start of the 2019 financial year and all accumulated capitalised costs were transferred into Property, Plant and Equipment at 1 January 2019.

Construction in progress during the year ended 31 December 2022 comprises the commencement of construction of an additional tailings facility at the Pakrut mine site.

13. Property, Plant and Equipment

	Land	*Office furniture and equipment*	*Motor vehicles*	*Plant and machinery*	*Producing mines*	*Assets under construction*	*Total*
	US$000	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*	*US$000*
Cost							
At 1 January 2021	32	693	8,698	23,277	378,425	-	411,125
Additions	-	-	190	805	-	-	994
Disposals	-	(90)	(3,465)	(2,639)	-	-	(6,193)
Settlement of amount of historic liabilities to contractors	-	-	-	-	4,307	-	4,307
At 31 December 2021	32	602	5,423	21,443	382,732	-	410,233
Additions	-	36	92	1,475	-	6,022	7,625
Transfer from Assets under Construction					812	(812)	
Settlement of amount of historic liabilities to contractors	-	-	-	-	(29,904)	-	(29,904)
Impairment	-	-	-	-	(265,953)	-	(265,953)
At 31 December 2022	32	638	5,515	22,918	87,687	5,210	122,000

13. Property, Plant and Equipment (continued)

Accumulated Depreciation							
At 1 January 2021	-	354	6,641	14,056	16,873	-	37,924
Charge for the year	-	-	319	2,521	9,026	-	11,866
Disposals	-	(90)	(2,112)	(1,690)	-	-	(3,892)
At 31 December 2021	-	264	4,847	14,888	25,899	-	45,898
Charge for the year	-	35	157	2,341	8,496	-	11,028
At 31 December 2022	-	299	5,005	17,228	34,395	-	59,926
Net Book Value							
At 31 December 2022	32	339	510	5,690	53,292	5,210	65,074
At 31 December 2021	32	341	575	6,555	356,833	-	364,377

In 2019 as the mine entered full production, mines under construction were transferred into Property, Plant & Equipment under the sub-category of Producing mines as presented above, and depreciation/depletion charged as per the accounting policies.

The carrying value of the PPE, most notably producing mines, and the depreciation/depletion methodology used, are both considered to be key accounting judgements. Detail of these are disclosed in Note 2 along with the related key estimate

14. Subsidiary Undertakings

The Group had the following subsidiary undertakings as at 31 December 2022:

Name of Company	*Holding*	*Country of Incorporation*	*Proportion of Voting Rights held*	*Nature of Business*	*Registered addresses*
Directly held					
Kryso Resources (BVI) Limited	Ordinary shares (CNG)	British Virgin Islands	100%	Holding Company	190 Elgin Avenue, Grand Cayman, KY1-9005, Cayman Islands
Indirectly held					
LLC Pakrut (BVI holds 100% share)	Ordinary shares (BVI)	Tajikistan	100%	Mineral exploitation, development and mining	Bahor district, Vahdat, Tajikistan

15. Financial Instruments by category

	Financial assets at amortised cost
	US$000
31 December 2022	
Assets per Statement of Financial Position	
Trade and other receivables, excluding prepayments	1,291
Cash and cash equivalents	4,544
Total	5,835

	Financial liabilities at amortised cost
	US$000
31 December 2022	
Liabilities per Statement of Financial Position	
Borrowings	379,368
Provisions for other liabilities and charges	2,658
Long term liabilities	1,235
Trade and other payables, excluding non-financial liabilities	19,011
Total	402,272

15. Financial Instruments by category (continued)

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

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

16. Inventories

	2022	*2021*
	US$000	***US$000***
Construction materials and processing equipment	16,709	17,334
	16,709	17,334

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

17. Trade and Other Receivables

	Group	***Group***
	2022	***2021***
	US$000	***US$000***
Other receivables	1,291	3,565
Prepayments and deposits	1,223	638
Total	2,514	4,203

None of the receivables are past due. The fair values are equal to the carrying amounts.

18. Borrowings

	2022 US$000	2021 US$000
Bank borrowings	85,000	99,550
Other loans	294,368	269,403
Total	379,368	368,953
Non-current portion	-	65,000
Current portion	379,368	303,953

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

CNMIM loan

The USD tranche of the loan has been settled in full and US$Nil was outstanding as at 31 December 2022 (2021: US$Nil). The amount outstanding on the RMB tranche of the loan as at 31 December 2022 was US$12,683,599 (2021: US$12,683,599).

CNMC loans

The loan agreement between CNMC International Capitals Company Limited and CNG was signed on 20 September 2017. Under this agreement, CNMC International Capitals Company Limited provided a loan facility of US$6,500,000 to CNG. This loan was used to improve the daily business operations of China Nonferrous Gold Limited.

The full amount of the loan was drawn down on 20 September 2017. The loan contains annual fixed interest at 4%, however where the loan is used for a purpose other than that stated in the contract (see comments above), the proportion of the loan used will incur interest at a fixed rate of 8% per annum. Payment of interest is made quarterly.

During 2019, the loan was transferred from CNMC International Capitals Company Limited to another member of the group, CNMC Trade. On 15 July 2020, a loan extension agreement was signed, extending the repayment date until 20 December 2020. The extension agreement incurs interest at a rate of 6 months LIBOR + 3.7%.

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

A loan agreement between CNMC International Capitals Company Limited and CNG was signed on 27 April 2016. Under this agreement, CNMC International Capitals Company Limited provided a loan facility of US$120,000,000 to CNG. This loan was used to refinance the previous ICBC loan of the same amount, and the purpose of these funds was for development, operations and management of the Pakrut Gold Project, including operating and related expenses.

The full amount of the loan was drawn down on the 27 April 2016. The loan contains annual fixed interest at 4%, however where the loan is used for a purpose other than that stated in the contract (Pakrut Mine – see comments above), the proportion of the loan used will incur interest at a fixed rate of 8% per annum. Payment of interest will be made biannually in June and December.

During 2019, the loan was transferred from CNMC International Capitals Company Limited to another member of the group, CNMC Trade. On 26 March 2021, a loan extension agreement was signed extending the repayment date until 20 December 2022. The extension agreement incurs interest at a rate of 3 months LIBOR + 3.25%.

The Group has pledged its 100% equity interest in China Nonferrous Gold Limited to CNMC as security for repayment of the loan.

A loan agreement between CNMC and CNG was signed on 27 May 2016 for a total amount of US$20,000,000, which was drawn down in full on 27 June 2016. The loan period per the contract was 6 months, from 27 May 2016 to 26 November 2016.The loan contains a fixed interest rate of 4% per annum, which is calculated on a monthly basis from the 21st of the month to the 20 of the following month.

During 2018, the loan was transferred from CNMC to another member of the group, CNMC Trade. A further extension has been signed extending the repayment date until 26 November 2020. On 26 March 2021, a loan extension agreement was signed extending the repayment date until 2022. The extension agreement incurs interest at a rate of 3 months LIBOR + 3.25%.

In January 2022, the Company executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of US $34.55 million (the "CNMC Loan"). This CNMC Loan has been used to repay the existing China CITIC Bank Corporation Limited ("CITIC") bank facilities of US $34.55m.

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

In January 2023, the Company executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of US $19.50 million (the"CNMC Loan") including an annual interest rate at 0.5% plus 3 month LIBOR. This CNMC Loan has been used to repay the existing China CITIC Bank Corporation Limited ("CITIC") bank facilities of USD $20m.

In June 2023, the Company executed a loan agreement with CNMC Trade Company Limited (“CNMC Trade”) for a loan of USD$65 million (the “CNMC Loan”) including an annual interest rate at 0.5% plus 3 month LIBOR.

In December 2022 ,the Group repaid US$1m of the CNMC Trade. And In the first quarter of 2023 ,the Group repaid US$1.9m of the CNMC Trade.

A loan agreement between CNMC International Capitals Company Ⅱ Limited (CNMC International) and CNG was signed on 8 February 2018 for a total amount of US$90,000,000, which was drawn down in full on 9 February 2018. The loan was provided for the purposes of the construction, operations and management of the Pakrut Gold Project, including operating and related expenses. This use is in line with the terms of the agreement. The loan period per the contract was from 9 February 2018 to 8 December 2020.

The loan contains a fixed interest rate of 5.8% per annum, which is calculated on a half yearly basis from the 21st of December to the 20th June, and from the 21st June to 20th December. Payment of interest will be made annually in June and December of each year. Where the loan is used for a purpose other than that stated in the contract (see comments above), the proportion of the loan used will incur interest at a fixed rate of 11.6% per annum. At the repayment date, interest will be charged at 8.7% on any unpaid balance. On 8 February 2021 US$20,000,000 was repaid, and on 26 March 2021, a loan extension agreement was signed extending the repayment date of US$70,000,000 until 8 December 2022,and the extension agreement incurs interest at a rate of 3 months LIBOR + 3.25%.In June 2021, the Company repaid US$9.26m（¥60million）of its outstanding loan.

CITIC loans

In 2022, the Group executed a loan agreement with CNMC Trade Company Limited (“CNMC Trade”) for a loan of up to USD $34.55 million (the“CNMC Loan”). This CNMC Loan has been used to repay the existing China CITIC Bank Corporation Limited (“CITIC”) bank facilities of USD $34.55m (being USD20m advanced in January 2021 (“First Loan”) and USD $14.55m advanced in March 2021 (“Second Loan”).

In January 2021, the Company executed an agreement with China CITIC Bank Corporation Limited (Zhuhai Branch) (“CITIC”) for a loan facility of up to CNY300million which is equivalent to US$46.37m. The CITIC Loan facility is for a maximum of 12 months and is repayable 12 months from first drawdown. US$20m of the CITIC Loan was drawn down in January 2021 including an annual interest rate at 2.7% plus 6 month LIBOR. It had been repaid on 20 January 2022.

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

In January 2022, the Company executed a foreign currency working capital loan agreement with China CITIC Bank Corporation Limited (Zhuhai Branch) (“CITIC”) for a loan facility of up to US$20 million , with an annual interest at 3.00% over 6 month LIBOR, which was used to repay US$20m of the CNMC Loan. It has been repaid on 24 January 2023.

Bank of Shanghai loan

The Company executed an agreement with Bank of Shanghai (Hong Kong) Limited (“BOS”) for a loan facility of up to US$65 million (the “BOS Loan”). The Loan facility is for a maximum of 24 months and is repayable 24 months from the drawdown. The total amount of US$65m of the BOS Loan was drawn down on 28 June 2021 in order to repay the CCBC Macau loan. The loan is secured by Standby Letter(s) of Credit to be issued by Bank of Shanghai, Beijing Branch, and guaranteed by CNMC under the terms of the loan agreement, for an aggregate amount of not less than US$66,000,000, with validity of not less than 24 months in favor of BOS. The loan has been repaid in full on 9 June 2023.

19. Trade and other payables

	2022	2021
	US$000	US$000
Trade and other payables – non-current		
Other payables	1,235	-
Total non-current liabilities	1,235	-
Trade and other payables – current		
Trade and other payables	19,011	49,696
Total current liabilities	19,011	49,696
Total trade and other payables	20,246	49,696

The significant decrease relates to adjustments made on the settlement of final amounts payable to contractors during the year for historic construction work at the mine site.

The long term liabilities represent amounts owed to contractor company Zhejiang Wenjian. Agreement regarding the balance payable was signed pre-year end and is now repayable in full in 5 years.

20. Provisions for Other Liabilities and Charges

	Rehabilitation	***Total***
	US$000	***US$000***
At 1 January 2022	1,085	1,085
Unwinding of discount	90	90
Add: increase in provision	1,483	1,483
At 31 December 2022	2,658	2,658

All provisions are non-current.

The Group makes full provision for the future cost of rehabilitating the mine site and associated production facilities on a discounted basis at the time of constructing the mine and installing those facilities.

The rehabilitation provision represents the present value of rehabilitation costs relating to the Pakrut mine site, which are expected to be incurred up to 2029, which is the revised mine life based on the resource estimates per the SRK Consulting updated technical report. As part of the latest resource assessment report issued by SKR for the Pakrut mine in 2022, new estimated liabilities were calculated based on the revised expectation of mine closure costs at 31 December 2022.

The discount rate used in the calculation of the provision as at 31 December 2022 year end was 10% (2021 - 9%) per annum. The value of the undiscounted provision is US$5,180,167 (2021: US$2,481,000).

21. Treasury Policy and Financial Instruments

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

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

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

22. Share Capital

	2022	***2022***	***2021***	***2021***
	No. of ordinary shares	***Share Capital US$000***	***No. of ordinary shares***	***Share Capital US$000***
At 1 January (Ordinary shares of $0.0001) each	382,392,292	38	382,392,292	38
Issued during the year	-	-	-	-
At 31 December (Ordinary shares of US$0.0001 each)	382,392,292	38	382,392,292	38

All shares are authorised for issue and fully paid.

23. Share Based payments

Options can be granted to any employee of the Group in accordance with the rules of the Group in accordance with the rules of the Unapproved Share Option Scheme. The option price is not to be less than the initial Placing Price or the price on the day of issue. The options cannot be exercised for a period of at least one year from the date of grant. In the event of any employee to whom options have been granted ceasing to be an employee of the Group he or she will have a set period in which to exercise those options (depending on the reasons for leaving), falling which, the options will lapse.

There were no share options outstanding at the year end.

24. Cash flow information

	31 December 2022	***31 December 2021***
	US$000	***US$000***
Cash flows from Operating Activities		
Loss before income tax	(288,128)	(235)
Adjustments for:		
Impairment charge	265,953	-
Finance income	2	(6)
Finance costs	15,242	10,826
Depreciation	18,685	7,972
Foreign exchange loss	(1,075)	1,853
Change in working capital:		
Inventory	625	(1,423)
Trade and other receivables	(1,689)	(1,869)
Trade and other payables	3,467	3,222
Other current assets	(2,928)	(549)
Other current liabilities	(1,290)	(5,890)
Net Cash generated from Operating Activities	**8,865**	**13,904**

24. Cash flow information (continued)

Net debt reconciliation

	31 December 2022 US$000	31 December 2021 US$000
Cash and cash equivalents	4,544	7,472
Borrowings – repayable within one year	(379,368)	(303,953)
Borrowing – repayable after one year	-	(65,000)
Net debt	**(374,824)**	**(361,481)**

	31 December 2022 US$000	31 December 2021 US$000
Cash and cash equivalents	4,544	7,472
Borrowings – fixed interest rates	(22,466)	(117,664)
Borrowings – variable interest rates	(356,902)	(251,289)
Net debt	**(374,824)**	**(361,481)**

24. Cash flow information (continued)

	Cash at bank US$000	Borrowings due within 1 year US$000	Borrowings due after 1 year US$000	Total US$000
Net debt as at 1 January 2021	27,196	(368,919)	(19,822)	(361,545)
Cash flows	(19,724)	30,613	-	10,889
Interest accrued	-	-	(10,825)	(10,825)
Movement between current and non-current	-	34,353	(34,353)	-
Net debt as at 31 December 2021	**7,472**	**(303,953)**	**(65,000)**	**(361,481)**
Cash flows	(2,928)	-	-	(2,928)
Interest accrued	-	(10,415)	-	(10,415)
Movement between current and non-current	-	(65,000)	65,000	-
Net debt as at 31 December 2022	**4,544**	**(379,368)**	**-**	**(374,824)**

25. Controlling Party

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

26. Contingent Liabilities

During 2018, a contract was entered into between LLC Pakrut & LLC WenJian, a Company set up by a former employee of Pakrut (Dept. 2), to provide outsourced services including the extraction of ore, delivery of ore to smelting plant, cleaning of mine, mine development and construction works. LLC WenJian is not considered to be a related party.

Although LLC WenJian hold the relevant license for the construction works, the Company does not hold a license in accordance with the laws of Tajikistan "On subsoil" and "On licensing of certain types of activities" for implementing the other services they have been contracted to perform. This is a breach of Tajik laws and regulations which could result in penalties being imposed on both parties to the contract. The outcome of this situation is unclear and could result in fines imposed with the worst-case scenario being that Pakrut could have their own license rescinded by the Tajik government. There is no visibility surrounding the value or nature of any penalty at this time.

27. Related Party Transactions

The amount paid by the Company and Kryso Resources Limited to CNMIM for interest on the loan in 2022 amounted to US$Nil (2021:US$Nil). The amount payable by the Company to CNMIM for interest on the loan in 2022 amounted to US$1,275,337 (2021: US$1,257,032). CNMIM is a significant shareholder of China Nonferrous Gold Limited.

The amount payable by the Company to CNMC Trade for interest on the loans in 2022 amounted to US$7,944,521 (2021: US$5,062,816). The amount payable by the Company to CNMC International Capitals Company Ⅱ for interest on the loans in 2022 amounted to US$3,119,918 (2021: US$2,207,276). CNMC is the ultimate parent of China Nonferrous Gold Limited.

During the year of 2022, CNMC guaranteed the Company's loan to China CITIC Bank with a total amount of US$20 million.

During 2022, 15MCC (a related party to CNG through being a subsidiary of CNMC, the Company's ultimate controlling party) provided equipment and materials, together with installation and construction work to the Group amounting to US$Nil (2021: $Nil) and the Group advanced payments to 15MCC amounting to US$Nil in 2022 (2021:Nill). As at 31 December 2022, the total liability due to 15MCC was US$10,949,107 (2021: US$11,819,082).

In 2015 the Group entered into an additional consultancy contract with CNMC Hongtoushan Fushun Mining Co Ltd., through CNMIM as agent as follows:

Smelting and Processing Agreement

CNMC Hongtoushan Fushun Mining Co Ltd. (CNHFMG) is a copper mine and processing operation owned by CNMC. On 7th of September 2015, the Group entered into a smelting and processing agreement with CNHFMG.

Under the terms of the Agreement, CNG will pay to CNHFMG an amount of RMB 17.99 (approximately US$2.8) per gram of finished gold once the Project commences the 12-month production period. Prior to this period the Company will cover the labour and associated costs of CNFMG. Once in production, in the event the recovery of the plant is above the Beijing General Research Institute of Mining and Metallurgy forecast rate over the life of production of 82.99 percent, CNHFMG will share 40 percent of the profits from the upside directly due to the increased recovery. In the event recovery is below 75 percent, CNHFMG will bear 20 per cent of any loss incurred by the Company from the Project due to directly to recovery levels.

During 2022, CNHFMG provided equipment and materials, together with installation and construction work to the Group amounting to US$Nil (2021:US$Nil) and the Group advanced payments to CNHFMG amounting of 2022 was US$375,141.69(2021:US$Nill). As at 31 December 2022, the total liability due to CNHFMG was Nill (the arrears have been paid off in January 2022).As of January 2022, the project funds between the company and CNHFMG have been fully settled.

As of December 31, 2022, Pakrut still has gold sales business with Daye Nonferrous Metals. In December 2022, a total of 200.509 kg of gold were sold in related party transactions, with an amount of $12,424,619.54, which has been received. However, in 2023, according to the currently signed gold sales contract, as the Tajik government does not agree to export the gold for sale, the gold will not be exported for sale and will no longer be sold to Daye Nonferrous Metals.

28. Events after the Reporting Period

Loans and financing

In January 2023, the Group executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of up to USD $19.50 million (the"CNMC Loan") including an annual interest rate at 0.5% plus 3 month LIBOR and no extra fees payable to CNMC Trade for this arrangement, which is repayable within 3 months from the date of drawdown. CNMC Trade has indicated it will extend this loan for one year from the initial repayment date, and subject to regulatory approval and processes pursuant to AIM Rule 13 of the AIM Rules for Companies the extension contract should be signed soon. This CNMC Loan has been used to repay the existing China CITIC Bank Corporation Limited ("CITIC") bank facilities of USD $20m.

In June 2023, the Company executed a loan agreement with CNMC Trade Company Limited ("CNMC Trade") for a loan of up to USD $65 million (the"CNMC Loan") including an annual interest rate at 0.5% plus 3 month LIBOR, which is repayable within 3 months from the date of drawdown. This CNMC Loan has been used to repay the existing Bank of Shanghai (Hong Kong) Limited ("BOS") loan facility of USD $65m, which was due for repayment on 9 June 2023.

In the first quarter of 2023, the Group repaid US$1.9m of the CNMC Trade Company Limited ("CNMC Trade") loan, which was drawn on September 20, 2017.

Both CNMC Trade Company Limited (CNMC Trade) and CNMC International Capitals Company Ⅱ Limited (CNNICCⅡ) have indicated they will extend the expired loans for one year from the previous due date, and subject to regulatory approvals and processes, the results of which cannot be guaranteed, the extension contracts should be signed soon. CNMIM has also agreed to extend the expired loan with CNG to 31 May

2024 subject to regulatory approvals. At this stage there can be no guarantee that these loans will be extended. The Company at the date of this report has total of US$316.07 million of debt facilities (including banking facilities without interest).

Snowfall at Pakrut Gold Mine

In February 2023, the area surrounding the Pakrut gold mine site experienced high levels of snowfall resulting in several avalanches and landslides. There were no casualties at site and the Pakrut site itself remained undamaged. However, the avalanches did damage one electric power transmission tower that supplies the mine resulting in a consequential interruption of the power supply. In addition, the roads to the site were damaged. The lack of power meant that the underground mining and the processing plant were suspended with immediate effect. The smelting plant was suspended from 28 February 2023 until the power issue was resolved. Accordingly, there was no production at site for at least one month with a consequential impact on revenues and financial results. The Company deployed emergency maintenance teams to the area to urgently carry out repair work on the road and to recover the power supply facilities. On 16 March 2023， the power supply was re-established and production resumed at the Pakrut mine site. On 11 April 2023， the road to the mine site was repaired and is now open, and the smelting plant has resumed production. Accordingly, normal operations have resumed at site according schedule.

SRK report

The Company signed a service agreement with SRK (SRK Consulting China Co., Ltd.) to review the resource estimation of the Pakrut gold mine to update the latest resource data. The Technical Report (“ITR”) was completed by SRK Consulting China Limited (“SRK”) and Company released an update to it Mineral Resource and Ore Reserve estimates for Pakrut in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“JORC Code”, 2012 edition as current effective edition). The update reflects a substantial reduction in the Mineral Resource Estimate released by the Company (under its previous name of Kryso Resources plc) on 17 June 2013, and reflects the Company’s increasing knowledge and access to the underground ore body as operational work has progressed.

Specific detailed information can be found on the website:

https://www.businesswire.com/news/home/20230424005462/en/

Change of Board

On 30 May 2023, Mr. Zhang has tendered his resignation as managing director with immediate effect. At the same time, Mr. Feng Zhishuo was appointed as managing director of the Company and an Executive Director of the Company with immediate effect.