Independent Audit's Report

To: the Shareholders and Board of Directors of Nord Gold N.V.

Report on the audit of the financial statements 2014

Our Opinion

We have audited the financial statements 2014 of Nord Gold N.V. ("the Company"), based in Amsterdam. The financial statements include the consolidated financial statements and the company only financial statements.

In our opinion:

- The consolidated financial statements give a true and fair view of the financial position of Nord Gold N.V. as at 31 December 2014 and of its results and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-WRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The company only financial statements give a true and fair view of the financial position of Nord Gold N.V. as at 31 December 2014 and of its results for 2014 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2014;
2. the following statements for 2014: consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended;
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company only financial statements comprise:

1. the company balance sheet as at 31 December 2014;
2. the company income statement for 2014;
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our Responsibilities for the Audit of the Financial Statements" section of our report.

We are independent of Nord Gold N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment, we determined materiality for the financial statements as a whole at USD 14.9 million. The materiality is based on 6% of profit before income tax, adjusted for impairment charge and foreign exchange gains and losses. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Audit committee that misstatements in excess of USD 0.8 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Nord Gold N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Nord Gold N.V. Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Our Group audit scope focused on covering all significant reporting components in the Russian Federation, Burkina Faso and Guinea. We determined the type of work that needed to be performed at these reporting components and have used the local Deloitte auditors to carry out the audit procedures.

By performing the procedures by local Deloitte auditors, together with additional procedures at Group level, we have been able to obtain sufficient and appropriate audit evidence about the Group's financial information to provide an opinion about the consolidated financial statements.

Our 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. We have communicated the key audit matters to the Board of Directors and Audit committee. The key audit matters are not a comprehensive reflection of all matters discussed.

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.

Key audit matter	How our audit addressed the matter
Potential impairment of property, plant and equipment Given the risk that the carrying value of the mining assets and capital construction in progress may not be recoverable, management has performed a review for indicators of impairment across the portfolio of assets held.	We challenged management's significant assumptions regarding the impairment test amongst others by: Evaluating the group's policies and procedures to identify triggering events for potential impairment of assets related to underperforming mines.

Key audit matter	How our audit addressed the matter
Management has completed a value in use calculation based on a life of mine model, and using specialist input on key operational assumptions, which determined a discounted cash flow value for all business units higher than the carrying value, and accordingly no impairment was recorded. The operational plans for the mining asset have been refined following the change in reserves identified. Key financial assumptions included a long-term forecast gold price of $ 1,259 USD per oz and a discount rate of ranging from 8.4% to 11.2%. The calculated net present value is highly sensitive to these assumptions.	Using our internal mining specialists to perform an assessment of the mine plans for selected busines units, including the operating and capital expendit and the recovery from the declared ore reserves. Assessing the accuracy of key assumptions used in the models. Assessing the long-term gold price fore methodology and benchmarking the long-ter price forecasts to other external forecasts. Considering the discount rates used with the involvement of our valuation specialists. Running a range of sensitivitiy analyses to confirm that no impairment was required if a range of less optimistic assumptions were adopted. Discussing the key assumptions with the Committee and Senior Management and obtainin representations that these are considere management's best estimates at the time o publishing the financial statements. Assessed that the main assumptions and rela uncertainties are appropriately reflected in t sensitivity disclosure in note 17 to the consolidated financial statements.
Potential impairment of exploration and evaluation ("E&E") assets The Group capitalizes E&E expenditure in line with IFRS 6: Exploration for and Evaluation of Minerat Resources. The assessment of each asset's future prospectively requires significant judgement. There is a risk that amounts are capitalized which no longer meet the recognition criteria of IFRS 6. Management has performed a full review of the E&E portfolio of assets. As a consequence, an impairment loss of USD 22 million was recognized during the year.	We: Held discussions with key operational and finance staff to understand the exploration and evaluation activities. Evaluated management's assessment of the existence of impairment indicators in the portfolio of E&E assets. Audited the exploration license terms and conditions. Audited management's approved exploration budgets for 2015 in order to confirm that exploration projects were ongoing and committed.
Potential obsolescence of stores and spares inventory Inventories are required to be carried at the lower of its cost and net realizable value. The Group has high stores and spares inventory balance, in particular at the Lefa mine in Guinea, which reflects the need for key spares to be available on site given the logistical complexity and delays in obtaining spares in the event of mechanical failure. The significance and ageing of the inventory balance could result in a heightened risk of obsolescence. During 2014, management undertook a comprehensive review of stores and spares with updates made to the provision required. At the Lefa mine an independent third party was involved in a full stock-count.	We: Held meetings with business unit and head office management to understand the procedures undertaken as part of the stores and spares inventory review. Attended inventory counts at all key business units, except for the Lefa mine. Assessed the results of full stock-count at Lefa by professional independent third party. Performed audit procedures on the company's analysis of slow moving stock and calculation of provision.
Recoverability of VAT related to operations in Guinea The Group has a significant receivable from the Guinea authorities in respect of input VAT originated in 2011-2014. There is a risk that the amount recorded in the	We: Evaluated the official correspondence with G authorities, including a written confirmation of t

Key audit matter	How our audit addressed the matter
financial statements is not fully recoverable, and that management's expectations of timing of recoverability are not realistic. The amount of VAT as at 31 December 2014, and its classification into short-term and long-term portions are based on management's judgement and reflects the best estimate of the timing of the recoverability of this asset.	amount owed to the Group. Assessed the history of repayments. Held discussions with the Audit Committee and Senior Management to confirm the plans and obtaining representations that the amount recorded in the consolidated financial assets is consi management's best estimate based on t information available at the time of publishing t financial statements. Assessed that the main related uncertainties ar appropriately reflected in the disclosure of criti accounting judgements, estimates and ass in note 2 to the consolidated financial statements.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-WRS and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Board of Directors is responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless it is either intended to liquidate the Company or to cease operations, or there is no realistic alternative but to do so. The Board of Directors should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Board of Directors is also responsible for overseeing the Company' s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or

conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor' s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor' s report. However, future events or conditions may cause the Company ceasing to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or, in extremely rare circumstances, when non-mentioning is in the public interest.

Report on other legal and regulatory requirements

Report on the management report and the Other Information

Report on the management report and the Other Information Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code concerning our obligation to report about the management report and other information:

- We have no deficiencies to report as a result of our examination whether the management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management report, to the extent we can assess, is consistent with the financial statements.

Engagement

We were appointed as auditor of Nord Gold N.V. by the shareholders meeting as of the audit for the year 2013 and have operated as statutory auditor ever since that date.

Rotterdam, 21 April 2015,
Deloitte Accountants B.V.

Signed on the original: K.G. Auw Yang

Deloitte Accountants B.V., Wilhelminakade 1 3072 AP Rotterdam,
P.O. Box 2031 3000 CA Rotterdam Netherlands
Tel: +31 (0)88 288 2888
Fax: +31 (0)88 288 9929
www.deloitte.nl

Nord Gold N.V.

Consolidated Financial Statements
for the Year Ended 31 December 2014

NORD GOLD N.V.

CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	Year ended 31 December 2014	2013 (as restated)
Sales	5	1 216 074	1 271 253
Cost of sales		(845 692)	(1 052 143)
Gross profit		**370 382**	**219 110**
General and administrative expenses	6	(59 886)	(66 941)
Impairment of non-current assets	17	(24 136)	(363 521)
Other operating expenses, net		(2 470)	(6 885)
Profit/(loss) from operations		**283 890**	**(218 237)**
Finance income	8	8 139	18 275
Finance costs	8	(109 118)	(69 414)
Profit/(loss) before income tax		**182 911**	**(269 376)**
Income tax (expense)/benefit	9	(59 944)	70 349
Profit/(loss) for the year		**122 967**	**(199 027)**
Attributable to:			
Shareholders of the Company		98 307	(218 087)
Non-controlling interests		24 660	19 060
Weighted average number of shares outstanding during the year (millions of shares) – basic and diluted	23	378.217	378.109
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share (US dollars)		0.26	(0.58)

NORD GOLD N.V.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Year ended 31 December	
	2014	**2013 (as restated)**
Profit/(loss) for the year	**122 967**	**(199 027)**
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange differences	(347 360)	(73 453)
Change in fair value of cash flow hedge	2 372	(4 541)
Revaluation of available-for-sale financial assets	15 452	(62 879)
Deferred tax on revaluation of available-for-sale financial assets	(1 990)	8 144
Other comprehensive loss for the year, net of tax	**(331 526)**	**(132 729)**
Total comprehensive loss for the year	**(208 559)**	**(331 756)**
Attributable to:		
Shareholders of the Company	(207 369)	(348 208)
Non-controlling interests	(1 190)	16 452

NORD GOLD N.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Note	31 December 2014	31 December 2013 (as restated)
ASSETS			
Current assets			
Cash and cash equivalents	11	127 692	244 042
Short-term deposits	11	190 175	-
Accounts receivable	12	34 103	51 787
Inventories	13	326 858	435 777
VAT receivable		46 507	82 656
Income tax receivable		4 345	10 854
Total current assets		**729 680**	**825 116**
Non-current assets			
Property, plant and equipment	15	672 607	816 356
Intangible assets	16	707 570	906 000
Long-term financial investments	14	47 020	16 534
Investments in joint venture and associate		2 663	3 105
Restricted cash		8 170	6 496
Deferred tax assets	9	21 739	26 466
Other non-current assets	18	56 302	31 502
Total non-current assets		**1 516 071**	**1 806 459**
TOTAL ASSETS		**2 245 751**	**2 631 575**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term borrowings	19	4 851	326 678
Accounts payable	20	172 287	203 143
Income tax payable		17 869	44 196
Provisions	21	7 556	19 655
Total current liabilities		**202 563**	**593 672**
Non-current liabilities			
Long-term borrowings	19	939 531	641 279
Provisions	21	52 714	67 608
Deferred tax liabilities	9	39 094	59 683
Other non-current liabilities		10 657	18 736
Total non-current liabilities		**1 041 996**	**787 306**
Total liabilities		**1 244 559**	**1 380 978**
Equity			
Share capital	22	1 315 951	1 307 121
Additional paid-in capital	22	894 352	894 352
Foreign exchange differences		(435 662)	(114 152)
Accumulated losses		(846 670)	(912 439)
Revaluation reserve	22	13 075	(2 759)
Total equity attributable to shareholders of the Company		**941 046**	**1 172 123**
Non-controlling interests		60 146	78 474
Total equity		**1 001 192**	**1 250 597**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2 245 751**	**2 631 575**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of US dollars, except as otherwise stated)

	Year ended 31 December	
	2014	**2013 (as restated)**
Operating activities		
Profit/(loss) for the year	**122 967**	**(199 027)**
Adjustments		
Finance income	(8 139)	(18 275)
Finance costs	109 118	69 414
Income tax expense/(benefit)	59 944	(70 349)
Depreciation and amortisation	201 780	226 902
Impairment of non-current assets	24 136	363 521
Impairment of work-in-progress	-	22 813
Net loss from joint ventures	2 909	1 152
Loss on disposal of property, plant and equipment	794	2 166
Provision for obsolescence and write off of inventories	18 071	905
Provision for doubtful receivables and other provisions	(3 056)	(7 999)
	528 524	**391 223**
Changes in operating assets and liabilities:		
Accounts receivable	1 884	15 126
Inventories	(36 936)	(3 579)
VAT recoverable	(9 230)	804
Accounts payable	(16 436)	7 826
Other changes in operating assets and liabilities, net	1 408	(14 343)
Cash flows from operations	**469 214**	**397 057**
Interest paid	(53 953)	(52 165)
Income tax paid	(87 231)	(34 182)
Cash generated from operating activities	**328 030**	**310 710**
Investing activities		
Acquisition of property, plant and equipment	(115 175)	(162 334)
Acquisition of exploration and evaluation assets	(32 529)	(85 181)
Placement of short-term deposits	(189 000)	-
Investment into long-term financial asset	(19 519)	(5 733)
Proceeds from disposal of financial investments	-	19 133
Other movements	(433)	3 468
Cash used in investing activities	**(356 656)**	**(230 647)**
Financing activities		
Proceeds from borrowings	500 234	579 695
Repayment of borrowings	(520 935)	(347 893)
Acquisition of non-controlling interest in subsidiary	-	(24 040)
Dividends paid	(40 795)	(70 830)
Transaction costs paid	(7 500)	(8 324)
Other movements	(1 816)	(958)
Cash generated from financing activities	**(70 812)**	**127 650**
Net increase in cash and cash equivalents	**(99 438)**	**207 713**
Cash and cash equivalents at beginning of the year	244 042	44 991
Effect of exchange rate fluctuations on cash and cash equivalents	(16 912)	(8 662)
Cash and cash equivalents at end of the year	**127 692**	**244 042**

NORD GOLD N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(Amounts expressed in thousands of US dollars, except as stated otherwise)

	Attributable to shareholders of the Company							
	Share capital	**Additional paid-in capital**	**Foreign exchange differences**	**Accumulated losses**	**Revaluation reserve**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2013	**1 306 900**	**894 292**	**(43 307)**	**(606 710)**	**55 544**	**1 606 719**	**84 583**	**1 691 302**
Effect of change in accounting policy (Note 3)	**-**	**-**	**-**	(14 148)	**-**	(14 148)	(337)	(14 485)
Balance at 1 January 2013, restated	**1 306 900**	**894 292**	**(43 307)**	**(620 858)**	**55 544**	**1 592 571**	**84 246**	**1 676 817**
(Loss)/ profit for the year	-	-	-	(218 087)	-	(218 087)	19 060	(199 027)
Other comprehensive loss for the year	-	-	(70 845)	-	(59 276)	(130 121)	(2 608)	(132 729)
Total comprehensive (loss) / income for the year						(348 208)	16 452	(331 756)
Issuance of ordinary shares	221	60	-	-	-	281	-	281
Dividends	-	-	-	(68 950)	-	(68 950)	(1 889)	(70 839)
Acquisitions of non-controlling interests	-	-	-	(4 544)	973	(3 571)	(20 335)	(23 906)
Balance at 31 December 2013, restated	**1 307 121**	**894 352**	**(114 152)**	**(912 439)**	**(2 759)**	**1 172 123**	**78 474**	**1 250 597**
Profit for the year	-	-	-	98 307	-	98 307	24 660	122 967
Other comprehensive (loss)/income for the year	-	-	(321 510)	-	15 834	(305 676)	(25 850)	(331 526)
Total comprehensive loss for the year						(207 369)	(1 190)	(208 559)
Issuance of ordinary shares	8 830	-	-	(4 678)	-	4 152	-	4 152
Acquisitions of non-controlling interests	-	-	-	11 549	-	11 549	(15 701)	(4 152)
Dividends	-	-	-	(39 409)	-	(39 409)	(1 437)	(40 846)
Balance at 31 December 2014	**1 315 951**	**894 352**	**(435 662)**	**(846 670)**	**13 075**	**941 046**	**60 146**	**1 001 192**

1. OPERATIONS

Nord Gold N.V. (the "Company") is a Dutch public limited liability company as defined in the Netherlands Civil Code. The Company's registered office is Luna ArenA, Herikerbergweg 238, 1101 CM Amsterdam Zuidoost, the Netherlands.

As at 31 December 2014, the immediate parent company of the Company was Ocean Management S.A.R.L. ("the Parent Company"), registered in the Luxembourg. As at 31 December 2013, the immediate parent company of the Company was Canway Holding B.V., registered in the Netherlands. The controlling shareholder of the Company as at 31 December 2014 and 2013 was Mr. Alexey A. Mordashov.

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

A list of the Group's significant subsidiaries and voting power held by the Group is presented in Note 24.

2. BASIS FOR PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union ("IFRSs EU") and also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code. As the financial data of Nord Gold N.V. (the parent company) are included in the consolidated financial statements, the income statement in the Company only financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands Civil Code).

Management is responsible for the preparation of these consolidated financial statements in accordance with IFRSs EU. The responsibility of management includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2013, except that the Group has adopted new and revised standards mandatory for financial annual periods beginning on 1 January 2014 in the European Union as described below.

The amended standard IAS 27 *Separate Financial Statements* carries forward the existing accounting and disclosure requirements of IAS 27 for separate financial statements with some clarifications. The requirements of IAS 28 and IAS 31 for separate financial statements have been incorporated into IAS 27.

The amended standard IAS 28 *Investments in Associates and Joint Ventures* combines the requirements in IAS 28 and IAS 31 that were carried forward but not incorporated into IFRS 11 and IFRS 12.

Amendments to IAS 32 *Financial Instruments: Presentation* – Offsetting Financial Assets and Financial Liabilities do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

IFRS 10 *Consolidated Financial Statements* supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 introduces a single control model which includes entities that are currently within the scope of SIC-12. Consolidation procedures are carried forward from IAS 27. When the adoption of IFRS 10 does not result a change in the previous consolidation or non-consolidation of an investee, no adjustments to accounting are required on initial application. When the adoption results a change in the consolidation or non-consolidation of an investee, the new standard may be adopted with either full retrospective application from date that control was obtained or lost or, if not practicable, with limited retrospective application from the beginning of the earliest period for which the application is practicable, which may be the current period.

IFRS 11 *Joint Arrangements* supersedes IAS 31 *Interests in Joint Ventures* and introduces a classification of all joint arrangements either as joint operations, which are consolidated on a proportionate basis, or as joint ventures, for which the equity method is applied.

IFRS 12 *Disclosures of interests in other entities* requires extended disclosures for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

The adoption of these new and revised standards and interpretations did not have a significant effect on the Group's consolidated financial statements.

Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for derivative financial instruments and financial investments classified as available-for-sale, which are stated at fair value, and certain types of inventories stated at net realisable value.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires Group management to make estimates and assumptions that affect the amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant areas where management applied judgment or developed estimates are discussed below.

Useful economic lives of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets represent 61% (2013: 77%) of the Group's total assets; estimates and assumptions made may have a material impact on their carrying value and related depreciation and amortization charge.

Management determines the useful lives and residual values for assets when they are acquired, based on experience with similar assets and taking into account other relevant factors such as any expected changes in technology. Re-assessment of the remaining useful lives of items of property, plant and equipment and intangible assets is perfroned at least at each financial year-end and, if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Mineral reserves

The Group assesses its mineral reserves on the basis of approved feasibility and technical reports. Mineral reserves are used in the determination of the fair value of exploration and evaluation assets and mineral rights acquired in business combinations, and in the calculation of future cash flows for assets impairment testing.

Assets impairment

IFRS requires management to perform impairment tests annually for indefinite lived assets and, for finite lived assets, if events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The Group considers both external and internal sources of information in assessing whether there are any indications that its tangible and intangible assets are impaired. External sources of information considered by the Group include changes in the market economic and legal environment in which the Group operates, that are not within its control. Internal sources of information considered by the Group include the manner in which mining properties, plant and equipment are being used or expected to be used and actual and forecasted expectations of economic performance of such assets.

Impairment testing requires management to judge whether the carrying value of assets can be supported by the net present value of future cash flows that they generate. Calculating the net present value of the future cash flows requires assumptions to be made in respect of highly uncertain matters, including management's expectations of:

- future gold prices;
- timing and amount of future cost of production;
- appropriate discount rates to reflect risks involved;
- recoverable reserves and resources;
- timing and amount of future capital expenditure.

In making the assessment for impairment, assets that do not generate independent cash inflows are allocated to an appropriate cash-generating unit. Management applies judgement in allocating assets that do not generate independent cash inflows to cash-generating units, and also in estimating the timing and value of underlying cash flows within the value-in-use calculation. Changes to the cash-generating unit allocations or to the timing of cash flows could impact the carrying value of the respective assets.

Management's judgment is involved in the determination of whether the expenditures which are capitalised as exploration and evaluation assets may be recouped by future exploitation or sale or should be impaired. Management assesses the possibility of finding recoverable ore reserves related to a particular area of interest, however, these estimates are subject to significant uncertainties. Many of the factors, assumptions and variables involved in estimating resources are beyond the Group's control and may prove to be incorrect over time. Subsequent changes in gold resources estimates could impact the carrying value of exploration and evaluation assets.

As at 31 December 2014, management performed a review of tangible and intangible assets for impairment. As a result, an impairment loss in respect of exploration and evaluation assets of US$ 21.8 million was recognized (see Note 16).

Renewal of licenses

The Group's geological research licenses with a carrying value of US$ 16 million, primarily in Burkina Faso fienlds, were partially expired or near expiry term as at 31 December 2014. Management was in the process of applying for renewal of these licenses and, based on the historical experience of renewal of the licenses in Burkina Faso, assessed the probability of the renewal as high.

The consolidated financial statements of the Group have been prepared based on management's expectation that all geological licenses will be renewed. If management is unsuccessful in renewal the licenses, it may lead to an additional imparment charge.

Environmental provision

The Group reviews its environmental provision at each reporting date. The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on the requirements of the current legislation of the country where the respective operating assets are located. Considerable judgment is required in forecasting future site restoration costs. Future events that may affect the amount required to settle an obligation are reflected in the amount of provision when there is sufficient objective evidence that they will occur.

Valuation of inventories

Gold-in-process and ore stockpiles are carried at the lower of cost or net realisable value. Estimates of net realisable value of gold inventories are based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring subsequent to the reporting date to the extent that such events confirm conditions existing at the end of the period. The Group also creates an allowance for obsolete and slow-moving materials and spare parts.

Recoverability of input value-added-tax

The Group is due a refund of value-added tax ("VAT") aged of 1-5 years from Guinea authorities. In management's judgement, the amount of tax will be recovered over the next five years. A portion of tax which is expected to be received after 31 December 2015 was classified as non-current asset in the consolidated financial statements.

There is an uncertainty in respect of the recoverability of value-aded tax in Guinea and timing of payments, which is beyond the Group's control. If management's judgement proved to be incorrect, it may negatively affect future financial results of the Group.

Litigations

The Group exercises judgment in measuring and recognising provisions and disclosing contingent liabilities related to pending litigations or other outstanding claims. Judgment is necessary in assessing the likelihood that a pending claim will succeed, or liability will arise, and in quantifying the possible range of the final settlement. Because of the inherent uncertainties in this evaluation process, actual losses may be different from the originally estimated provision. These estimates are subject to change as new information becomes available, primarily with the support of internal specialists or with the support of outside consultants. Revisions to estimates may significantly affect future operating results.

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

Deferred income taxes

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. The estimation of that probability includes operational forecasts and tax planning strategies. If actual results differ from estimates, deferred tax assets may not be recovered in full.

The operations of the Group performed in Kazakhstan are subject to corporate income tax, consisting of a fixed component and a variable component – excess profit tax. Deferred tax assets and liabilities are measured at each reporting date using average income tax rates expected for the future periods when the asset (liability) is realised (settled), based on planned performance and forecasted gold prices.

New accounting pronouncements

A number of new IFRS standards and amendments to standards were not yet effective in the European Union for the year ended 31 December 2014, and have not been applied in these consolidated financial statements.

Standards and amendments	**Effective for annual periods beginning on or after**
Amendments to IAS 19 - *Defined Benefit Plans: Employee contributions*	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	1 July 2014
Annual Improvements to IFRSs 2012-2014 Cycle	1 January 2016
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to IAS 16 and IAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to IAS 27 - *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to IAS 16 and IAS 41 - *Agriculture: Bearer Plants*	1 January 2016
Amendments to IFRS 11 - *Accounting for Acquisition of Interests in Joint Operations*	1 January 2016
Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
IFRS 15 *Revenue from Contracts with Customers*	1 January 2017
IFRS 9 *Financial Instruments*	1 January 2018

Management is currently considering the potential impact of the adoption of these standards and amendments. It is not practicable to provide a reasonable estimate of their effect until a detailed review has been completed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied to all periods presented in these consolidated financial statements, except for change in accounting policy for stripping costs as disclosed below.

Basis of consolidation

Subsidiaries

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

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

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

Acquisition of additional interest in subsidiaries

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

Interests in joint ventures

A joint venture is a contractual agreement whereby the Group and other parties undertake an economic activity when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in its financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on the accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using the equity method of accounting whereby an interest in jointly controlled entities is initially recorded at cost and adjusted thereafter for post-acquisition changes in the Group's share of net assets of the joint venture. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the joint venture.

Unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interest in the joint venture; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill in respect of subsidiaries is disclosed as an intangible asset.

Where goodwill forms part of a cash generating unit and part of the operations within that unit is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Foreign currencies

The consolidated financial statements are presented in the US dollars, which is determined by management to be the most convenient currency for the users of the financial statements. Each entity of the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the initial transaction dates. Non-monetary items measured in terms of historical cost in foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of all entities are expressed in US dollars using exchange rates prevailing at the reporting period date. Income and expense items and cash flows are translated at the average exchange rates for the period and exchange differences arising are recognised directly in equity

Property, plant and equipment

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

Mine development costs (pit opening, construction of capital mine workings and stripping activity asset) are accounted for within buildings and constructions.

Depreciation is provided so as to write off property, plant and equipment over its expected useful life. Depreciation is calculated using the straight-line method. The estimated useful lives of assets are reviewed regularly and revised when necessary.

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

Buildings and constructions	5-50 years
Plant and equipment	5-20 years
Other assets	1-20 years

Intangible assets (excluding goodwill)

Recognition and amortisation

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

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

Mineral rights

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

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

Based on current mineral licences (contracts) terms and available estimations of mineral reserves and resources useful lives of the Group's mineral rights vary from 2 to 12 years.

Exploration and evaluation assets

Recognition and measurement

Exploration and evaluation assets are generated during exploration and evaluation works aimed to search for new mineral deposits at new or existing licence areas.

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

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

The cost of exploration and evaluation assets include:

- obtaining the rights to explore and evaluate mineral reserves and resources including costs directly related to this acquisition;
- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and/or
- compiling prefeasibility and feasibility studies.

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

Impairment of exploration and evaluation assets

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

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

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

Impairment of assets

The carrying amount of goodwill is tested for impairment annually. In respect of other tangible and intangible assets at each reporting date the Group assesses whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Calculation of recoverable amount

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

Reversal of impairment

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

Inventories

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

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

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

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

Work-in-progress consists of ore stockpiles and gold-in-process (including dore alloy). Ore stockpiles represent mined ore before processing and are measured by the number of tonnes mined. Gold in ore involved in processing (crushing, milling, leaching and other operations for recovery of gold in the form of Dore alloy) is accounted for as gold-in-process. Gold-in-process is measured on the basis of tonnes and grade of ore removed from stockpiles into the processing and estimated metallurgical recovery percentage based on the expected processing method.

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

Production costs incurred during mining development works are charged to the cost of ore as follows:

- for underground mining – in proportion to the quantity of the extracted ore;
- for open-pit mining – on the basis of an average stripping ratio.

The average stripping ratio is calculated as a number of cubic metres of waste material removed per ton of ore mined. It is revised annually on the basis of the technical and production parameters of the open pit. Changes in the average stripping ratio are accounted for prospectively as change in accounting estimates.

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

Financial instruments

Non-derivative financial instruments

Financial assets

Financial assets include cash and cash equivalents, investments, and loans and receivables.

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

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

Effective interest method

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

Loans and receivables

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

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

AFS financial assets

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

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

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

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

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

Derecognition of financial assets

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

Financial liabilities

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

Derecognition of financial liabilities

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

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

When a hedging instrument matures or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged transaction is ultimately recognised in the statement of profit or loss. When a hedged transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the statement of profit or loss.

Income tax

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

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

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

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

Deferred tax is not recognised in respect of the following:

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

Provisions

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

Environmental provision

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

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

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

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

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

Share capital

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

Revenue

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

Other expenses

Lease payments

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

Social expenditure

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

Finance income and costs

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

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

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

Earnings per share

The Group's basic earnings per share is calculated by dividing the profit or loss attributable to shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Segment reporting

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

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

Change in accounting policy and reclassifications

Accounting for stripping costs

Effective from 1 January 2014, the Group has voluntary changed its accounting policy with respect to the accounting for production stripping costs. When allocating the current production stripping costs to the cost of ore mined, it now applies the actual stripping ratio instead of the average stripping ratio Under the new method, all current production stripping costs incurred in the period are charged directly to the cost of ore; accordingly, no deferred stripping cost is recognised within work-in-progress. Management believes that the new policy provides more accurate and relevant information for the users of financial statements. Comparative information for the year ended 31 December 2013 has been retrospectively restated to ensure comparability between periods.

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

Presentation of mining tax

In prior periods mining tax was presented within Taxes other than income tax. In 2014, management concluded that presentation of mining tax within cost of sales is more reliable and relevant. This reclassificantion did not affect the amount of profit or loss from operations, but increased the amount of gross profit. Comparative information for the year ended 31 December 2013 has been presented consistently with the above change.

The impact of changes in accounting policy from stripping costs and classification of mining tax on the consolidated financial statements for the year ended 31 December 2013 is shown in the table below:

	As previously reported	Adjustments	Reclassi-fication	As restated
Statement of profit or loss for the year ended 31 December 2013				
Cost of sales	(939 953)	(36 953)	(75 237)	(1 052 143)
Gross profit	**331 300**	**(36 953)**	**(75 237)**	**219 110**
Taxes other than income tax	(75 237)	-	75 237	-
(Loss)/profit from operations	**(181 284)**	**(36 953)**	-	**(218 237)**
Income tax benefit	62 461	7 888	-	70 349
Loss for the year	**(169 962)**	**(29 065)**	-	**(199 027)**
Attributable to:				
Shareholders of the Company	(189 285)	(28 802)	-	(218 087)
Non-controlling interest	19 323	(263)	-	19 060
Basic and diluted loss per share (US dollars)	(0.50)	(0.08)	-	(0.58)
Statement of profit or loss and other comprehensive income for the year ended 31 December 2013				
Loss for the year	(169 962)	(29 065)	-	(199 027)
Total comprehensive loss for the year	(302 691)	(29 065)	-	(331 756)
Attributable to:				
Shareholders of the Company	(319 406)	(28 802)	-	(348 208)
Non-controlling interest	16 715	(263)	-	16 452
Statement of financial position as at 31 December 2013				
Inventories	489 369	(53 592)	-	435 777
Other non-current assets	32 968	(1 466)	-	31 502
Deferred tax liabilities	71 191	(11 508)	-	59 683
Accumulated losses	(869 489)	(42 950)	-	(912 439)
Non-controlling interests	79 074	(600)	-	78 474
Statement of cash flows for the year ended 31 December 2013				
Loss for the year	(169 962)	(29 065)	-	(199 027)
Income tax benefit	(62 461)	(7 888)	-	(70 349)
Change in inventory	(33 126)	29 547	-	(3 579)
Depreciation and amortisation	219 497	7 405	-	226 902

4. SEGMENT REPORTING

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

- *Neryungri and Aprelkovo.* The segment includes gold mining activities in the Republic of Yakutia and the Chitinskaya region of the Russian Federation, including open-pit operating mines with the heap-leaching technology for gold processing Tabornoye and Pogromnoye and Gross gold exploration project.
- *Suzdal and Balazhal.* Includes the Suzdal underground gold mine located in Kazakhstan with the flotation, bio-oxidation and carbon-in-leach ("CIL") technology for gold processing and the Balazhal gold deposit in Kazakhstan.
- *Buryatzoloto.* Includes two underground gold mines located in the Republic of Buryatia of the Russian Federation: Zun-Holba with the gravity, flotation and carbon-in-pulp ("CIP") technology for gold processing and Irokinda with gravity and flotation technology for gold processing.
- *Berezitovy.* An open-pit gold mine located in the Amur region of the Russian Federation with the CIP technology for gold processing.
- *Taparko.* An open-pit gold mine located in Burkina Faso, West Africa with the CIL technology for gold processing.
- *Lefa.* Includes the Lefa open-pit gold mine located in Guinea, West Africa with the CIP technology for gold processing.
- *Bissa.* An open-pit gold mine located in Burkina Faso, West Africa with the CIL technology for gold processing.
- *Burkina Faso Greenfields.* Includes a number of gold deposits at exploration and evaluation stage located in Burkina Faso, West Africa.
- *Russian Greenfields.* Includes a number of gold deposits at exploration and evaluation stage located in the Russian Federation.

Operations of the holding company and subsidiaries involved in non-core activities are disclosed as "Other companies", none of which meet the criteria for separate reporting.

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

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

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

Segment financial performance

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

	Year ended 31 December	
	2014	**2013**
Sales		
Neryungri and Aprelkovo	123 632	133 094
Suzdal and Balazhal	96 067	110 088
Buryatzoloto	140 008	135 998
Berezitovy	149 641	164 742
Taparko	141 505	151 855
Lefa	247 044	225 684
Bissa	318 177	349 792
Burkina Faso Greenfields	-	-
Russian Greenfields	-	-
Total	**1 216 074**	**1 271 253**

	Year ended 31 December	
	2014	**2013**
Normalised EBITDA by segment		
Neryungri and Aprelkovo	38 111	22 048
Suzdal and Balazhal	35 802	46 636
Buryatzoloto	48 704	26 251
Berezitovy	76 708	64 630
Taparko	59 060	55 096
Lefa	62 640	(13 061)
Bissa	195 913	227 025
Burkina Faso Greenfields	(165)	-
Russian Greenfields	(152)	(238)
Total normailsed EBITDA for reportable segments	**516 621**	**428 387**
Normalised EBITDA for other companies	(29 577)	(34 436)
Total	**487 044**	**393 951**

	Year ended 31 December	
	2014	**2013**
Segment capital expenditures		
Neryungri and Aprelkovo	5 826	53 883
Suzdal and Balazhal	7 533	14 180
Buryatzoloto	20 345	34 487
Berezitovy	13 225	7 980
Taparko	20 669	37 438
Lefa	46 114	26 422
Bissa	19 542	31 465
Burkina Faso Greenfields	6 248	13 772
Russian Greenfields	898	18 133
Total capital expenditures for reportable segments	**140 400**	**237 760**
Other companies and adjustments	17 438	6 241
Total	**157 838**	**244 001**

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

The reconciliation of profit/(loss) before income tax to normalised EBITDA:

	Year ended 31 December	
	2014	**2013**
Profit/(loss) before income tax	**182 911**	**(269 376)**
Finance income	(8 139)	(18 275)
Finance costs	109 118	69 414
Depreciation and amortisation	201 780	226 902
Impairment of tangible and intangible assets	24 136	363 521
Net loss on disposal of property, plant and equipment	794	2 166
Work-in-progress impairment/ (utilisation of impairment) recognised in cost of sales	(19 742)	22 813
Other income, net	(3 814)	(3 214)
Normalised EBITDA	**487 044**	**393 951**

Geographical information

The following is a summary of property, plant and equipment and intangible assets:

	31 December	
	2014	**2013**
Russian Federation	369 667	612 360
Burkina Faso	469 109	557 184
Guinea	466 547	453 412
Kazakhstan	74 793	99 352
Other	61	48
Total	**1 380 177**	**1 722 356**

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

	Year ended 31 December	
	2014	**2013**
Burkina Faso	459 682	501 647
Russia	413 274	433 834
Guinea	247 044	225 684
Kazakhstan	96 074	110 088
Total	**1 216 074**	**1 271 253**

5. SALES

	Year ended 31 December	
	2014	**2013**
By product		
Gold	1 208 133	1 264 217
Silver	7 941	7 036
Total	**1 216 074**	**1 271 253**

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

	Year ended 31 December	
	2014	**2013**
By customer		
Switzerland: Metalor Technologies S.A.	459 682	611 736
Switzerland: MKS Finance S.A.	247 044	225 684
Russia: NOMOS bank	180 934	179 521
Russia: VTB	236 052	164 742
Russia: Sberbank	82 706	89 570
Kazakhstan: Tau-Ken Altyn	9 656	-
Total	**1 216 074**	**1 271 253**

6. GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
	2014	**2013**
Wages and salaries	31 278	34 399
Professional and other services	17 613	21 639
Social security costs	3 888	4 291
Materials and consumables	1 094	1 413
Other	6 013	5 199
Total	**59 886**	**66 941**

7. STAFF COSTS

	Year ended 31 December	
	2014	**2013**
Wages and salaries	192 520	212 445
Social security costs	36 875	36 356
	229 395	**248 801**
Less capitalised amounts:		
Wages and salaries	(11 309)	(10 261)
Social security costs	(2 203)	(1 544)
Total	**215 883**	**236 996**

For the year ended 31 December 2014 key management's remuneration amounted to US$ 6.7million (2013: US$ 9.4 million) representing short-term employee benefits.

8. FINANCE INCOME AND COSTS

	Year ended 31 December	
	2014	**2013**
Interest income	8 139	2 567
Foreign exchange gain, net	-	15 708
Finance income	**8 139**	**18 275**
Interest expense	(53 050)	(56 332)
Foreign exchange loss, net	(33 763)	-
Other	(22 305)	(13 082)
Finance costs	**(109 118)**	**(69 414)**

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

In 2014, other finance costs included US$ 7.1 million of loss related to the discontinuance of hedge accounting (Note 13), US$ 6.5 million of long-term input VAT discounting and US$ 5.1 million of royalties related to Bissa operations.

In 2013, other finance costs included US$ 6.7 million of royalties related to Bissa operations.

9. INCOME TAX

	Year ended 31 December	
	2014	**2013**
Current tax charge	(66 183)	(53 197)
Adjustment in respect of prior years	654	(3 912)
Deferred tax benefit	5 585	127 458
Income tax (expense)/benefit	**(59 944)**	**70 349**

The Group's production operations are taxable at 20% in the Russian Federation and Kazakhstan, 17.5% in Burkina Faso and 30% in Guinea.

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

	Year ended 31 December			
	2014		**2013**	
Profit/(loss) before income tax (expense)/benefit	**182 911**		**(269 376)**	
Theoretical tax at rates applicable to the profits in the respective countries	(39 808)	22%	72 437	27%
Prior period adjustments	654	0%	(3 912)	-1%
Permanent differences	(3 592)	2%	(6 502)	-2%
Effect of intragroup dividend received	7 162	-4%	22 814	8%
Changes in unrecognised deferred tax assets	(24 360)	13%	(18 241)	-7%
Changes in tax rate	-	-	3 753	1%
Income tax (expense)/benefit	**(59 944)**	**33%**	**70 349**	**26%**

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

Certain deferred tax assets and liabilities were offset in accordance with the Group's accounting policies.

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

2014	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Reclas-sifications	Foreign exchange difference	Closing balance
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	22 065	(13 207)	-	(1 110)	2 838	**10 586**
Intangible assets	(117 604)	6 923	-	1 597	16 664	**(92 420)**
Inventories	(9 432)	(4 845)	-	18	7 877	**(6 382)**
Financial investments	7 845	137	(1 990)	585	(686)	**5 891**
Accounts payable	5 584	1 308	-	-	(353)	**6 539**
Provisions	12 051	(1 914)	-	9	(5 790)	**4 356**
Other	1 728	2 295	-	(1 099)	(701)	**2 223**
Tax losses carried forward	44 546	14 888	-	-	(7 582)	**51 852**
Total	**(33 217)**	**5 585**	**(1 990)**	**-**	**12 267**	**(17 355)**

2013	Opening balance	Recognised in profit or loss	Recognised in other compre-hensive income	Reclas-sifications	Foreign exchange difference	Closing balance
Deferred tax assets/(liabilities) related to:						
Property, plant and equipment	23 292	(1 672)	-	-	445	**22 065**
Intangible assets	(200 796)	83 188	-	-	4	**(117 604)**
Inventories	(17 193)	6 067	-	-	1 694	**(9 432)**
Financial investments	234	-	8 144	-	(533)	**7 845**
Accounts payable	5 584	-	-	-	-	**5 584**
Provisions	12 325	526	-	-	(800)	**12 051**
Other	(1 713)	73	-	2 820	548	**1 728**
Tax losses carried forward	5 691	39 276	-	-	(421)	**44 546**
Total	**(172 576)**	**127 458**	**8 144**	**2 820**	**937**	**(33 217)**

Taxable differences related to investments in subsidiaries where the Group is able to control the timing of the reversal and it is probable that the temporary difference will not reverse in the foreseeable future, amounted to US$ 1 193 million at 31 December 2014 (31 December 2013: US$ 1 388 million) and have not been recognised in the financial statements.

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

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

	31 December	
	2014	**2013**
Within one year	-	-
Between one and five years	52.6	6.3
Between five and ten years	129.1	136.7
Between ten and twenty years	18.6	13.5
No expiry date	94.1	41.3
Total	**294.4**	**197.8**

10. RELATED PARTY TRANSACTIONS AND BALANCES

Purchases from entities under common control were the following:

	Year ended 31 December	
	2014	**2013**
Capital expenditures	15 339	3 952
Operating expenses	3 867	10 631

As at 31 December 2014, amounts payable by entities under common control were US$ 4.1 million (31 December 2013: US$ 5.3 million); all these balances were to be settled in cash.

11. CASH AND CASH EQUIVALENTS

	31 December	
	2014	**2013**
Cash at bank	40 099	186 756
Short-term bank deposits	87 503	57 116
Petty cash	90	170
Total	**127 692**	**244 042**
Short-term deposits	190 175	-
Restricted cash in Non-current assets	8 170	6 496

Restricted cash comprise cash reserved in banks in accordance with the local legislation requirements in respect of Taparko, Bissa, Lefa and Alel site restoration.

The Group's exposure to risks associated with cash and cash equivalents is disclosed in Note 25.

12. ACCOUNTS RECEIVABLE

	31 December	
	2014	**2013**
Advances paid and prepayments	26 116	47 115
Trade accounts receivable	953	643
Other receivables	8 936	10 386
Allowance for doubtful debts		
Advances paid and prepayments	(597)	(4 457)
Trade accounts receivable	(520)	(619)
Other receivables	(785)	(1 281)
Total accounts receivable	**34 103**	**51 787**

The Group's exposure to risks arising from accounts receivable and policies on creating allowance for doubtful debts are discussed in Note 25.

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

13. INVENTORIES

	31 December	
	2014	**2013**
Materials and consumables	181 273	289 318
Work-in-progress	127 706	145 824
Finished goods	17 879	635
Total	**326 858**	**435 777**

Inventories included in cost of sales during 2014 amounted to US$ 311.5 million (2013: US$ 402.2 million).

As at 31 December 2014, obsolescence and net realisable value provision amounted to US$ 24.2 million (31 December 2013: US$ 58.8 million).

14. LONG-TERM FINANCIAL INVESTMENTS

As at 31 December 2014, the Group’s long-term financial investments included the following:

- available-for sale investments presented by 2.0% equity interest in Detour Gold Corporation of US$ 25.3 million (31 December 2013: 2.6% of US$ 11.9 million) held by High River Gold Mines Ltd, subsidiary of the Group;
- US$ 16.2 million of advances paid to Columbus Gold Corporation for a bankable feasibility study, in accordance with the requirements of an option agreement to acquire a 50.01% stake in Montagne d’Or, a gold mining project in French Guiana. The Group may earn the option by completing a bankable feasibility study and by investing not less than US$ 30 million during three years in staged work expenditures;
- other individually immaterial investments of US$ 5.5 million (31 December 2013: US$ 4.6 million) represented by a number of holdings in gold exploration and mining companies.

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

15. PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and constructions	Plant and equipment	Other assets	Construction in progress	Total
Cost					
Balance at 1 January 2013	**310 277**	**557 416**	**15 546**	**336 672**	**1 219 911**
Reclassifications (to)/from intangible assets and inventories	-	(3 003)	(10 933)	552	(13 384)
Additions	2 529	6 692	81	149 332	158 634
Change in environmental provision	(5 940)	-	-	(1 584)	(7 524)
Transfers	280 702	58 265	9 200	(348 167)	-
Disposals	(2 270)	(11 520)	(428)	(321)	(14 539)
Foreign exchange differences	(6 321)	(7 089)	(120)	(1 402)	(14 932)
Balance at 31 December 2013	**578 977**	**600 761**	**13 346**	**135 082**	**1 328 166**
Reclassifications from intangible assets and inventories	-	-	1 743	33 805	35 548
Additions	-	9	12	137 441	137 462
Change in environmental provision	7 060	-	-	-	7 060
Transfers	48 077	93 342	5 819	(147 238)	-
Disposals	(477)	(12 024)	(68)	-	(12 569)
Foreign exchange differences	(118 436)	(112 810)	(5 725)	(32 382)	(269 353)
Balance at 31 December 2014	**515 201**	**569 278**	**15 127**	**126 708**	**1 226 314**
Depreciation and impairment					
Balance at 1 January 2013	**(139 798)**	**(198 624)**	**(10 412)**	**(9 750)**	**(358 584)**
Reclassifications to/(from) intangible assets and inventories	60	(879)	1 606	819	1 606
Depreciation for the year	(70 418)	(85 797)	(3 601)	-	(159 816)
Disposals	918	10 879	418	-	12 215
Impairment	(7 654)	(10 467)	(169)	(633)	(18 923)
Foreign exchange differences	4 066	7 525	70	31	11 692
Balance at 31 December 2013	**(212 826)**	**(277 363)**	**(12 088)**	**(9 533)**	**(511 810)**
Reclassifications from intangible assets	-	-	(1 556)	-	(1 556)
Depreciation for the year	(82 314)	(95 224)	(3 435)	-	(180 973)
Transfers	8 976	(9 551)	575	-	-
Disposals	477	10 129	-	-	10 606
Impairment	-	-	-	(2 296)	(2 296)
Foreign exchange differences	63 278	66 960	1 761	323	132 322
Balance at 31 December 2014	**(222 409)**	**(305 049)**	**(14 743)**	**(11 506)**	**(553 707)**
Net book value					
Balance at 1 January 2013	**170 479**	**358 792**	**5 134**	**326 922**	**861 327**
Balance at 31 December 2013	**366 151**	**323 398**	**1 258**	**125 549**	**816 356**
Balance at 31 December 2014	**292 792**	**264 229**	**384**	**115 202**	**672 607**

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

16. INTANGIBLE ASSETS

	Goodwill	Mineral rights	Exploration and evaluation assets	Other intangible assets	Total
Cost					
Balance at 1 January 2013	**34 603**	**1 023 770**	**555 545**	**3 457**	**1 617 375**
Reclassifications from property, plant and equipment	-	-	-	2 040	2 040
Additions	-	-	81 362	4 005	85 367
Transfers	-	17 260	(17 260)	-	-
Foreign exchange differences	(696)	(5 239)	(25 760)	(109)	(31 804)
Balance at 31 December 2013	**33 907**	**1 035 791**	**593 887**	**9 393**	**1 672 978**
Reclassifications to property, plant and equipment	-		(1 853)	(1 556)	(3 409)
Additions	-	-	29 982	15 137	45 119
Transfers	-	88 873	(88 873)	-	-
Disposals	-	-	(12 831)	(287)	(13 118)
Foreign exchange differences	(697)	(79 765)	(164 778)	(5 814)	(251 054)
Balance at 31 December 2014	**33 210**	**1 044 899**	**355 534**	**16 873**	**1 450 516**
Amortisation and impairment					
Balance at 1 January 2013	**(34 603)**	**(350 150)**	**(15 356)**	**(2 198)**	**(402 307)**
Reclassifications to property, plant and equipment	-	-	-	(1 606)	(1 606)
Amortisation for the year	-	(59 062)	-	(546)	(59 608)
Impairment	-	(265 053)	(44 035)	(104)	(309 192)
Foreign exchange differences	696	4 112	876	51	5 735
Balance at 31 December 2013	**(33 907)**	**(670 153)**	**(58 515)**	**(4 403)**	**(766 978)**
Reclassifications to property, plant and equipment	-	-	-	1 556	1 556
Amortisation for the year	-	(46 842)	-	(1 381)	(48 223)
Impairment	-	-	(21 840)	-	(21 840)
Disposals	-	-	12 831	250	13 081
Foreign exchange differences	697	59 653	18 783	325	79 458
Balance at 31 December 2014	**(33 210)**	**(657 342)**	**(48 741)**	**(3 653)**	**(742 946)**
Net book value					
Balance at 1 January 2013	**-**	**673 620**	**540 189**	**1 259**	**1 215 068**
Balance at 31 December 2013	**-**	**365 638**	**535 372**	**4 990**	**906 000**
Balance at 31 December 2014	**-**	**387 557**	**306 793**	**13 220**	**707 570**

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

The movements in mineral rights by segments were as follows:

	Mineral rights							
	Neryungri and Aprelkovo	Buryatzoloto	Berezitovy	Suzdal and Balazhal	Taparko	Bissa	Lefa	Total
Cost								
Balance at 1 January 2013	62 064	30 696	7 048	146 051	85 655	31 110	661 146	1 023 770
Transfers	-	-	-	-	-	-	17 260	17 260
Foreign exchange differences	(4 471)	(2 210)	(507)	(2 727)	3 542	1 134	-	(5 239)
Balance at 31 December 2013	**57 593**	**28 486**	**6 541**	**143 324**	**89 197**	**32 244**	**678 406**	**1 035 791**
Additions	-	-	-	-	-	-	-	-
Transfers	-	25 808	5 604	2 990	11 726	21 167	21 578	88 873
Foreign exchange differences	(24 087)	(13 900)	(4 787)	(22 597)	(10 332)	(4 062)	-	(79 765)
Balance at 31 December 2014	**33 506**	**40 394**	**7 358**	**123 717**	**90 591**	**49 349**	**699 984**	**1 044 899**
Amortisation								
Balance at 1 January 2013	(28 001)	(10 645)	(3 321)	(81 062)	(37 543)	-	(189 578)	(350 150)
Amortisation for the year	(3 621)	(6 623)	(714)	(5 021)	(9 346)	(3 894)	(29 843)	(59 062)
Impairment	(18 906)	-	-	(47 009)	-	-	(199 138)	(265 053)
Foreign exchange differences	2 493	1 052	262	2 347	(1 903)	(139)	-	4 112
Balance at 31 December 2013	(48 035)	(16 216)	(3 773)	(130 745)	(48 792)	(4 033)	(418 559)	(670 153)
Amortisation for the year	(1 666)	(7 330)	(919)	(1 733)	(9 429)	(3 938)	(21 827)	(46 842)
Foreign exchange differences	20 642	9 182	1 872	20 639	6 499	819	-	59 653
Balance at 31 December 2014	**(29 059)**	**(14 364)**	**(2 820)**	**(111 839)**	**(51 722)**	**(7 152)**	**(440 386)**	**(657 342)**
Net book value								
At 1 January 2013	**34 063**	**20 051**	**3 727**	**64 989**	**48 112**	**31 110**	**471 568**	**673 620**
At 31 December 2013	**9 558**	**12 270**	**2 768**	**12 579**	**40 405**	**28 211**	**259 847**	**365 638**
At 31 December 2014	**4 447**	**26 030**	**4 538**	**11 878**	**38 869**	**42 197**	**259 598**	**387 557**

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

The movements in exploration and evaluation assets by segments were as follows:

	Exploration and evaluation assets									
	Neryungri and Aprelkovo	**Buryatzoloto**	**Berezitovy**	**Suzdal and Balazhal**	**Taparko**	**Bissa**	**Lefa**	**Russian green-fields**	**Burkina- Faso greenfields**	**Total**
Net book value at 1 January 2013	279 668	26 007	8 910	31 989	12 641	11 841	44 471	52 501	72 161	540 189
Additions	18 772	14 579	2 513	1 680	3 435	2 279	9 443	14 638	14 023	81 362
Transfers to mineral rights	-	-	-	-	-	-	(17 260)	-	-	(17 260)
Impairment	(10 310)	-	-	(30 746)	-	-	(327)	-	(2 652)	(44 035)
Foreign exchange differences	(21 014)	(2 198)	(659)	(464)	660	560	-	(4 019)	2 250	(24 884)
Net book value at 31 December 2013	**267 116**	**38 388**	**10 764**	**2 459**	**16 736**	**14 680**	**36 327**	**63 120**	**85 782**	**535 372**
Additions	2 008	7 004	553	993	1 622	3 811	3 955	863	9 173	29 982
Transfers to mineral rights	-	(25 797)	(5 604)	(3 056)	(11 726)	(13 083)	(21 577)	-	(8 030)	(88 873)
Reclassifications to/(from) property, plant and equipment	-	-	-	-	(2 749)	896	-	-	-	(1 853)
Impairment	(27)	(588)	(4 550)	-	-	-	-	(7 318)	(9 357)	(21 840)
Foreign exchange differences	(91 410)	(16 039)	(850)	(396)	(1 996)	(1 717)	-	(23 834)	(9 753)	(145 995)
Net book value at 31 December 2014	**177 687**	**2 968**	**313**	-	**1 887**	**4 587**	**18 705**	**32 831**	**67 815**	**306 793**

Exploration and evaluation assets of Neryungri and Aprelkovo segment of US$ 151.9 million related to Gross project.

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

17. IMPAIRMENT

As at 31 December 2014, management conducted impairment review of intangible assets and property, plant and equipment of all material business units except for Bissa (31 December 2103: all business units). Key assumptions used by the Group management in determining the value in were as follows:

- A long-term gold price of US$ 1 259/oz (2013: US$ 1 345/oz), based on the analysts consensus data;
- Approved mine plans;
- After-tax discount rate ranging from 8.4% to 11.2% (2013: 8.5% to 14.7%), based on the Group's weighted average cost of capital and risk factors.

Net realisable value of inventories was based on the forecast gold price over the expected sale period.

The review resulted in the following impairment charges recognised in profit or loss:

	Year ended 31 December	
	2014	**2013**
Intangible assets		
African greenfields	9 357	2 653
North Gold Mining Company	7 318	-
Berezitovy	4 550	-
Buryatzoloto	588	-
Aprelkovo	27	29 321
Lefa	-	199 464
Suzdal	-	50 444
Zherek & Balazhal	-	27 310
	21 840	**309 192**
Property, plant and equipment		
Buryatzoloto	2 296	-
Aprelkovo	-	17 593
Suzdal & Balazhal	-	1 386
Berezitovy	-	(56)
	2 296	**18 923**
Long-term work-in-progress		
Aprelkovo	-	23 742
Taparko	-	11 240
Suzdal & Balazhal	-	424
	-	**35 406**
Total impairment of non-current assets recognised in other operating expenses	**24 136**	**363 521**
Work-in-progress		
Lefa	-	19 460
Suzdal & Balazhal	-	2 443
Buryatzoloto	-	484
Berezitovy	-	252
Taparko	-	174
Work-in-progress impairment recognised in cost of sales	**-**	**22 813**

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

Sensitivity analysis

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

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

Scenarios	Impact
Long-term gold price of US$ 1 200 per ounce	No impairment
Long-term gold price of US$ 1 150 per ounce	No impairment
Long-term gold price of US$ 1 100 per ounce	56 127
10% increase in future cost of production	No impairment
1% increase in discount rate applied.	No impairment

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

18. OTHER NON-CURRENT ASSETS

	31 December	
	2014	2013
Long-term ore stockpiles	25 094	27 047
Long-term VAT receivable	31 077	3 135
Other long-term receivables	131	1 320
Total	**56 302**	**31 502**

As at 31 December 2014, the non-current work-in-progress is shown net of US$ 24.6 write-down to net realisable value (31 December 2013: US$ 39.5 million).

As at 31 December 2014, the long-term VAT receivable mostly relates to operations in Guinea and represented a portion of tax that according to management's estimate will be reimbursed by local tax authorities after 12 months from the reporting date.

19. BORROWINGS

Short-term borrowings include the following:

	31 December	
	2014	2013
Accrued interest	4 851	5 602
Bank loans	-	301 015
Derivative financial instruments	-	20 749
Unamortised balance of transaction costs	-	(688)
Total	**4 851**	**326 678**

During 2014, the Group re-financed its short-term loans from Sberbank in 2012.

As at 31 December 2013, derivative financial instruments were represented by the cross-currency swaps held by the Group for hedging of currency and interest rate risks attributable to the Sberbank loan facilities. In 2014, the cross-currency swaps were disposed of along with re-financing of the original Sberbank loans.

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

Long-term borrowings include the following:

	31 December 2014	31 December 2013
Notes and bonds issued	450 000	500 000
Bank loans	500 000	132 591
Derivative financial instruments	-	13 954
Unamortised balance of transaction costs	(10 469)	(5 266)
Total	**939 531**	**641 279**

In May 2013, the Company issued US$ 500 million unsecured notes. The notes are denominated in US Dollars, mature in May 2018, and bear interest of 6.375% per annum payable semi-annually in May and November, commencing November 2013. The notes are unconditionally and irrevocably guaranteed by certain Group's subsidiaries. During 2014 the Company repurchased US$ 50 million of such notes in the open-market for the total consideration of US$ 46.4 million. Resulting gain of US$ 3.6 million was recognised as finance income.

In March 2014, the Company received a US$ 500 million non-revolving loan facility from Sberbank denominated in US dollars, maturing in March 2019. The loan repayment starts in June 2016. The loan bears interest at a variable rate of 3-month LIBOR + 2.95% per annum payable on a quarterly basis. The proceeds were partially used for re-financing of Sberbank loans received in 2012.

As at 31 December 2014, the loan facility from Sberbank was secured by the following shares in the Group's subsidiaries:

- 75% of the Group's ownership in Bissa Gold S.A., securing not more than US$ 10 million of the liability;
- 75% of the Group's ownership in Societe des Mines de Taparko, securing not more than US$ 10 million of the liability;
- 75% of the Group's ownership in LLC Berezitovy Rudnik;
- 75% of the Group's ownership in OJSC Buryatzoloto;
- 100% of the Group's ownership in High River Gold Mines (West Africa) Ltd.; and
- 100% of the Group's ownership in Jilbey Burkina SARL, securing not more than US$ 10 million of the liability.

The carrying value of pledged net assets amounted to US$ 775.2 million.

The fair value of debt instruments approximated their carrying value at 31 December 2014, except for the fair value of notes which had a market value of US$ 380.3 million (31 December 2013: US$ 474.7 million).

20. ACCOUNTS PAYABLE

	31 December 2014	31 December 2013
Trade accounts payable	91 610	114 159
Amounts payable to employees	24 498	32 826
Other taxes payable	22 164	22 126
Accrued expenses	2 641	3 801
Dividends payable	-	1 112
Advances received	273	553
Other payables	31 101	28 566
Total	**172 287**	**203 143**

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

21. PROVISIONS

	Legal and tax claims	Environmental provision	Other	Total
Balance at 1 January 2013	**19 987**	**79 282**	**1 795**	**101 064**
Additions	4 200	5 109	-	9 309
Change in assumptions	(1 808)	(13 747)	102	(15 453)
Unwinding of discount and change in discount rate	-	12	-	12
Provisions used	(4 781)	-	-	(4 781)
Foreign exchange differences	160	(3 048)	-	(2 888)
Balance at 31 December 2013	**17 758**	**67 608**	**1 897**	**87 263**
Additions	237	7 384	43	7 664
Change in assumptions	(10 385)	(2 707)	-	(13 092)
Unwinding of discount and change in discount rate	-	2 207	-	2 207
Provisions used	(357)	-	(76)	(433)
Foreign exchange differences	(1 542)	(21 778)	(19)	(23 339)
Balance at 31 December 2014	**5 711**	**52 714**	**1 845**	**60 270**

Environmental provision was classified within non-current liabilities, and provision for legal and tax claims and other provisions were classified as current.

The Group's environmental liabilities relate to the restoration of soil and other related works, which are due upon the closures of mines and production facilities. These costs are expected to be incurred between 2018–2033. The present value of expected cash outflows were estimated using existing technology and discounted using the following real discount rate:

	Year ended 31 December	
	2014	**2013**
Russia	6.06 - 7.46%	2.14 - 3.47%
Kazakhstan	(0.92) - (0.86)%	(0.61) - 0.19%
Burkina Faso	4.15 – 4.19%	(0.5) – 1%
Guinea	1.47%	0.6%

22. CAPITAL AND RESERVES

Share capital

At 31 December 2014 and 2013, the authorised share capital amounted to 4 484 927 250 Euros and consisted of 1 793 970 900 ordinary shares with a nominal value of 2.50 Euro each. The issued and fully paid share capital comprised of 380 998 290 ordinary shares amounting to US$ 1 315 951 thousand at 31 December 2014 (2013: US$ 1 307 121 thousand).

In March 2013, the Company issued 68 996 ordinary shares with par value of 2.5 Euro for the purpose of funding the acquisition of the remaining outstanding shares of High River Gold Mines Ltd.

In December 2014, the Company issued 2 876 335 ordinary shares with par value of 2.5 Euro for the purpose of funding the acquisition of 7.06% interest in Butyatzoloto's from non-controlling shareholders.

The holders of ordinary shares are entitled to receive dividends as declared at General meetings and are entitled to one vote per share at meetings of the Company.

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

Additional paid-in capital

Additional paid-in capital includes of the excess of consideration received over the par value of shares and GDRs issued by the Company, and the effects of transactions under common control in course of the Group formation.

Revaluation reserve

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

23. EARNINGS/(LOSS) PER SHARE

Basic earnings per share in 2014 were based on the profit attributable to shareholders of the Company of US$ 98.3 million (2013: loss of US$ 218.1 million) and a weighted average number of ordinary shares outstanding of 378.2 million (31 December 2013: 378.1 million), calculated as per below (in thousand of shares):

	Issued shares	Weighted average number of shares
1 January 2013	**378 053**	**378 053**
Shares issued in March 2013	69	56
31 December 2013	**378 122**	**378 109**
1 January 2014	**378 122**	**378 122**
Shares issued in December 2014	2 876	95
31 December 2014	**380 998**	**378 217**

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

24. SUBSIDIARIES

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

Subsidiaries	31 December 2014	31 December 2013	Location	Activity
Neryungri and Aprelkovo segment				
OOO Neryungri-Metallik	100.0%	100.0%	Russia	Gold mining
ZAO Mine Aprelkovo	100.0%	100.0%	Russia	Gold mining
Suzdal and Balazhal segment				
Celtic Resources Holdings Ltd	100.0%	100.0%	Ireland	Holding company
Celtic Resources (Central Asia)	100.0%	100.0%	United Kingdom	Holding company
JSC FIC Alel	100.0%	100.0%	Kazakhstan	Gold mining
Zherek LLP	100.0%	100.0%	Kazakhstan	Gold mining
Opeloak Ltd	100.0%	100.0%	United Kingdom	Gold sales
Semgeo LLP	100.0%	100.0%	Kazakhstan	Gold exploration
Buraytzoloto segment				
OJSC Buryatzoloto (*)	92.0%	84.9%	Russia	Gold mining
Berezitovy segment				
LLC Berezitovy Rudnik	99.9%	99.9%	Russia	Gold mining
Taparko segment				
Societe Des Mines de Taparko (*)	90.0%	90.0%	Burkina Faso	Gold mining
Lefa segment				
Crew Gold Corporation	100.0%	100.0%	Canada	Holding company
Societe Miniere de Dinguiraye	100.0%	100.0%	Guinea	Gold mining
Bissa and Burkina Faso Greenfields segment				
High River Gold Mines (West Africa) Ltd	100.0%	100.0%	Cayman Islands	Holding company
Bissa Gold SA (*)	90.0%	90.0%	Burkina Faso	Gold mining
High River Gold Exploration Burkina SARL (*)	100.0%	100.0%	Burkina Faso	Gold exploration
Jilbey Burkina, SARL (*)	100.0%	100.0%	Burkina Faso	Gold exploration
Russian Greenfields segment				
North Gold Mining Company	100.0%	100.0%	Russia	Gold exploration
Other companies				
Nordgold Management LLC	100.0%	100.0%	Russia	Management services
Centroferve Limited	100.0%	100.0%	Cyprus	Holding company
Castleway Limited	100.0%	100.0%	Cyprus	Holding company
High River Gold Mines Ltd	100.0%	100.0%	Canada	Holding company

(*) Subsidiary of High River Gold Mines Ltd.

Acquisition of non-controlling interests

In December 2014, the Group acquired an additional 7.06% interest in Buryatzoloto in exchange for 2 876 335 newly-issued shares of the Company.

In March 2013, the Group acquired an additional 2.09% interest in High River Gold Mines Ltd. in exchange for 68 996 of the Company's GDRs and Canadian $ 24.2 million (equivalent of US$ 23.6 million) in cash, increasing the Company's ownership interest to 100%.

25. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

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

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

Economic environment

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

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

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

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

Credit risk

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

	31 December 2014	31 December 2013
Cash and cash equivalents	127 692	244 042
Restricted cash	8 170	6 496
Trade and other receivables	7 000	8 610
Short-term deposits	190 175	-
Long-term financial investments	47 020	16 534
Total	**380 057**	**275 682**

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

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

Analysis of trade and other receivables

The aging of trade and other receivables:

	31 December 2014		31 December 2013	
	2014		2013	
	Gross	Impairment	Gross	Impairment
Not past due	6 308	-	8 052	-
Past due 0-365 days	692	-	657	(100)
More than one year	1 305	(1 305)	1 801	(1 800)
Total	**8 305**	**(1 305)**	**10 510**	**(1 900)**

Concentration of credit risk

At 31 December 2014 the Group had a concentration of cash and bank deposits with Sberbank and VTB in the amount of US$ 149.1 million and US$ 89.0 million, respectively.

At 31 December 2014, the Group had a concentration of investments available-for sale with Detour Gold Corporation represented by its shares of 2.0% in the amount of US$ 25.3 million (2013: 2.6% in the amount of US$ 11.9 million).

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

At 31 December 2014, the Group had US$ 59 million undrawn bank facilities available to manage its liquidity.

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

The following table details the contractual maturity of the Group’s non-derivative financial liabilities as at 31 December 2014, including both principal and interest cash flows:

	Carrying amount	Future contrac-tual cash flows	Less than 1 year	1-2 years	2-5 years	After 5 years
Notes and bonds issued	450 000	(549 960)	(16 280)	(42 840)	(490 840)	-
Bank and other credit organizations financing	500 000	(545 758)	(15 916)	(139 921)	(389 921)	-
Trade and other payables	160 507	(161 361)	(150 198)	(1 711)	(3 678)	(5 774)
Total	**1 110 507**	**(1 257 079)**	**(182 394)**	**(184 472)**	**(884 439)**	**(5 774)**
Net exposure	**1 110 507**	**(1 257 079)**	**(182 394)**	**(184 472)**	**(884 439)**	**(5 774)**

Market risk

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

Sensitivity analysis

A 10 percent decrease of gold price would have decreased profit for the year ended 31 December 2014 by US$ 97.7 million (year ended 31 December 2013: US$ 96.8 million).

Commodity price risk

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

Currency risk

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

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

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

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

Balance at December 31, 2014	**USD**	**RUB**	**KZT**	**CAD**	**CFA (XOF)**	**Other**
Cash and cash equivalents	69 704	26	-	-	-	103
Trade and other receivables	19 691	12 421	-	-	14 222	-
Financial investments	214 977	9 418	41 137	10 993	86 773	19 921
Bank and other credit organizations financing	-	568	-	-	-	-
Loans	(232 351)	(919)	-	(10 992)	-	(7 818)
Trade and other payables	(35 477)	(3 453)	-	(3)	-	(27 104)
Net exposure	**36 544**	**18 062**	**41 137**	**(2)**	**100 995**	**(14 898)**

Balance at December 31, 2013	**USD**	**RUB**	**KZT**	**CAD**	**CFA (XOF)**	**Other**
Cash and cash equivalents	122 558	50	-	-	123	138
Trade and other receivables	53 809	322	-	-	38 038	84
Financial investments	220 389	9 452	62 490	8 380	110 417	27 732
Bank and other credit organizations financing	-	(433 070)	-	-	-	-
Loans	(353 970)	(919)	-	(117 100)	-	(8 182)
Trade and other payables	(18 786)	(1 380)	-	(287)	-	(3 216)
Net exposure	**24 000**	**(425 545)**	**62 490**	**(109 007)**	**148 578**	**16 556**

* Including Group's intercompany balances and interest
** Including interest

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

Sensitivity analysis

A 10% strengthening of the Group entities' following currencies against each other at 31 December 2014 and 2013 would have increased/(decreased) profit and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. Foreign currency differences, arising on translation into the presentation currency are not included.

	31 December 2014	31 December 2013
USD	3 053	763
RUB	1 551	(47 494)
KZT	3 582	5 396
CAD	-	(9 994)
CFA (XOF)	8 248	13 253
Other	(1 304)	1 235
Total	**15 130**	**(36 841)**

A 10% weakening of these currencies against the entities' functional currencies would have increased/(decreased) profit and equity by the amounts shown below, on the basis that all other variables remain constant.

	31 December 2014	31 December 2013
USD	(2 498)	(624)
RUB	(1 269)	38 859
KZT	(2 930)	(4 415)
CAD	-	8 177
CFA (XOF)	(6 748)	(10 844)
Other	1 067	(1 011)
Total	**(12 378)**	**30 142**

Interest rate risk

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

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

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

	31 December 2014	31 December 2013
Liabilities at interest with fixed spread over Libor	(500 000)	-
Liabilities at interest with fixed spread over Mosprime	-	(433 638)
Liabilities at interest dependant on gold price and production volumes	-	(11 035)
Cash-flow hedges	-	(34 703)
Net position	**(500 000)**	**(479 376)**

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in variable interest rates would have increased/(decreased) profit for the year ended 31 December 2014 US$ 14 million (2013: US$ 5 million).

A 10% decrease in gold prices or production volumes would have decreased profit for the year ended 31 December 2014 US$ 1 million (2013: US$ 1 million).

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

Fair value hierarchy

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

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

	Level 1	Level 2	Total
Balance at 31 December 2014			
Available-for-sale financial assets	30 802	-	30 802
Balance at 31 December 2013			
Available-for-sale financial assets	16 534	-	16 534
Cash flow hedge instruments	-	(34 703)	(34 703)

At 31 December 2014 and 2013, the Group did not financial instruments of Level 3.

Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. This policy includes compliance with certain externally imposed minimum capital requirements. The Group's management constantly monitors profitability and leverage ratios and compliance with the minimum capital requirements. The Group uses the return on assets ratio which is defined as profit from operations divided by total assets (averaged over the measurement period) and the leverage ratio calculated as net debt, comprising of long-term and short-term indebtedness less cash, cash equivalents and short-term bank deposits, divided by shareholder's equity.

26. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2014, the Group's contractual capital commitments amounted to US$ 11.2 million (31 December 2013: US$ 18.3 million).

Operating environment

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. International credit agencies downgraded Russia's long-term foreign currency sovereign rating with a negative outlook. In December 2014, the Central Bank of the Russian Federation significantly increased its key interest rate, which resulted in growth of interest rates on domestic borrowings. The exchange rate of the Russian Rouble depreciated significantly. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, further weakening of the Ruble and other negative economic consequences.

The impact of further political and economic developments in Russia on future operations and financial position of the Group's Russian subsidiaries is difficult to determine at this stage. No impact is expected on the Group's subsidiaries located in other countries.

Legal proceedings

The Group entities are currently and may be from time to time involved in a number of legal proceedings, including inquiries from and discussions with governmental authorities, that are incidental to their operations. Some of the current proceedings related to taxation are discussed below. However the Group is not currently involved in any legal proceedings which may have a significant effect on the financial position or profitability of the Group.

Tax contingencies

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

Russian Federation

At 31 December 2014, management assessed total amount of potential claims from Russian tax authorities at US$ 16.9 million, including mineral extraction tax at US$ 12.3 million and income tax at US$ 4.6 million.

Kazakhstan

At 31 December 2014, management considers that the Group's subsidiary in Kazakhstan potentially may be subject to additional taxes of US$ 2.6 million.

Burkina Faso

The total amount of various potential tax and legal risks of Group's entities located in Burkina Faso is estimated at US$ 1.6 million.

Guinea

The total amount of potential tax risks of Société Minière de Dinguiraye ("SMD") located in Guinea is estimated at US$ 1.8 million.

In September 2011, the Republic of Guinea issued a new mining code which is intended to repeal and replace the existing mining code.

The government has begun applying the provisions of the new code and has indicated that re-negotiation of existing mining concessions and increased economic interest in existing mining companies may be appropriate. The new code entitles the Republic of Guinea to a free 15% interest in the share capital of a company to which it has granted title and the right to acquire an additional 20% in the share capital of the mining company on terms to be negotiated with each company. The new code also includes a new fiscal and customs regime applicable to mining activities and provides for the renegotiation of existing mining concessions.

Given the uncertainty as to the application and interpretation of the new mining code, its impact on to the Group's ownership of SMD to the mining concession itself and to the Group's activities in Guinea and the introduction of the new fiscal and customs regime, there can be no assurance that the actions of the Government of Guinea, or the impact of the new legislation, will not have a significant negative impact on the Group's ownership interest in SMD, or result in an increase in taxation or the costs of doing business in Guinea, any of which could have a material adverse effect on the Group's business, results of operations and financial condition.

Other jurisdictions

Guinor, a subsidiary of the Group, which is a Canadian tax resident, is exposed to tax risks up to US$ 14.1 million. Management assesses the probability of unfavourable outcome of this risk as possible.

27. EVENTS AFTER THE REPORTING PERIOD

In February 2015, the Board of Directors of Nordgold has approved an interim dividend of 1.33 US cents per share or per Global Depositary Receipt in respect of the three months ended 31 December 2014. Total amount of dividend payable is US$ 5.1 million.

In February 2015, the Board of Directors of Nordgold has approved a share and GDR buyback programme for up to 19,000,000 shares/GDRs to a maximum total amount of US$30 million at a price of up to US$4 per share/GDR. The buyback programme will end as soon as the aggregate purchase price of the shares/GDRs acquired by the Company has reached the amount of US$30 million or ultimately, by 31 December 2015. Following the withdrawal from the GDR programme of the shares underlying the GDRs, the Company intends to cancel the shares. Since the announcement of the buyback programme the Company has purchased a total of 2,957,924 GRDs for the total amount of US$7.6 million.