GV GOLD

ANNUAL REPORT

2016

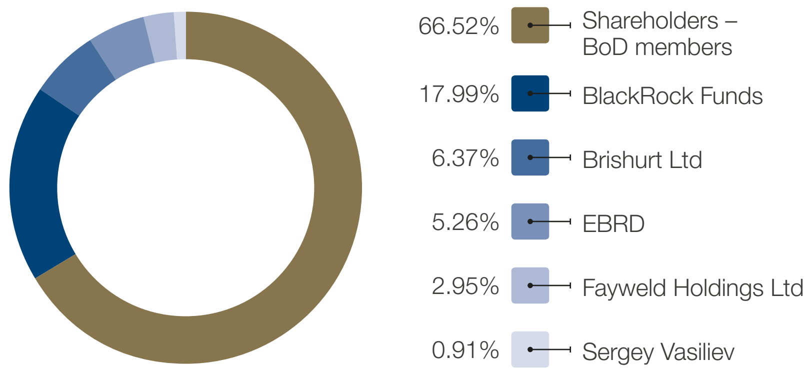
COMPANY PROFILE

GV GOLD (VYSOCHAISHY, PJSC) IS A HIGHLY EFFICIENT AND RAPIDLY DEVELOPING COMPANY.

The Company today

- 9th largest Russian gold mining company with a production of more than 5 t (156 koz) p.a.
- 5 mines with a total processing capacity of c. 8 Mt of ore p.a.
- Diversified portfolio of 20 mining and exploration licenses
- Geological resources of 218 t of gold
- Track record of new deposits discovery and exploration
- Commitment to Russian and international environment, health and safety (EHS) standards
- Major institutional investors-shareholders: the EBRD – 5.26% and Blackrock – 17.99%
- Distribution of more than 25% of net profit in the form of dividends

Capital structure



Please refer to p. 66 for the equity capital structure details

Main Company activity

Prospecting, exploration

Designing and construction

Mining and production

Mission

GV Gold is positioned to be a leading gold mining company in Russia, each ounce of gold is produced with the maximum return for its shareholders, maximum safety for its workers and maximum care for the environment.

The Company carries out its activity in remote regions of Russia combining production increase and improvement with social and economic development in the regions where it operates.

Values

- Sustainable development
- Developing business and value growth for benefit of the shareholders and all stakeholders
- Social and economic welfare of the people and the regions where the Company operates

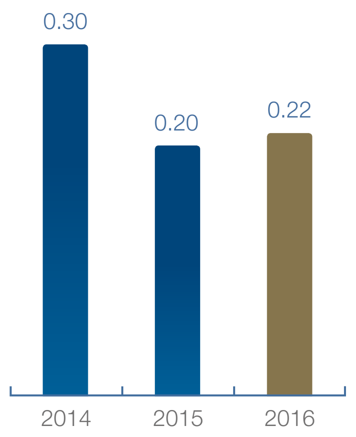
Focus on health and safety

The company strives to provide its personnel with excellent occupational health and safety conditions.

In 2016, the lost time injury frequency rate (LTIFR) decreased by 27% as compared to 2014.

Despite all safety measures taken, one fatality took place in 2016. The Company management expresses its condolences to the family and relatives of the deceased colleague – the dump truck driver A.V. Gildebrand. The accident was thoroughly investigated and the prevention measures were developed and introduced.

LTIFR



Please refer to p. 38 for the occupational health and safety details

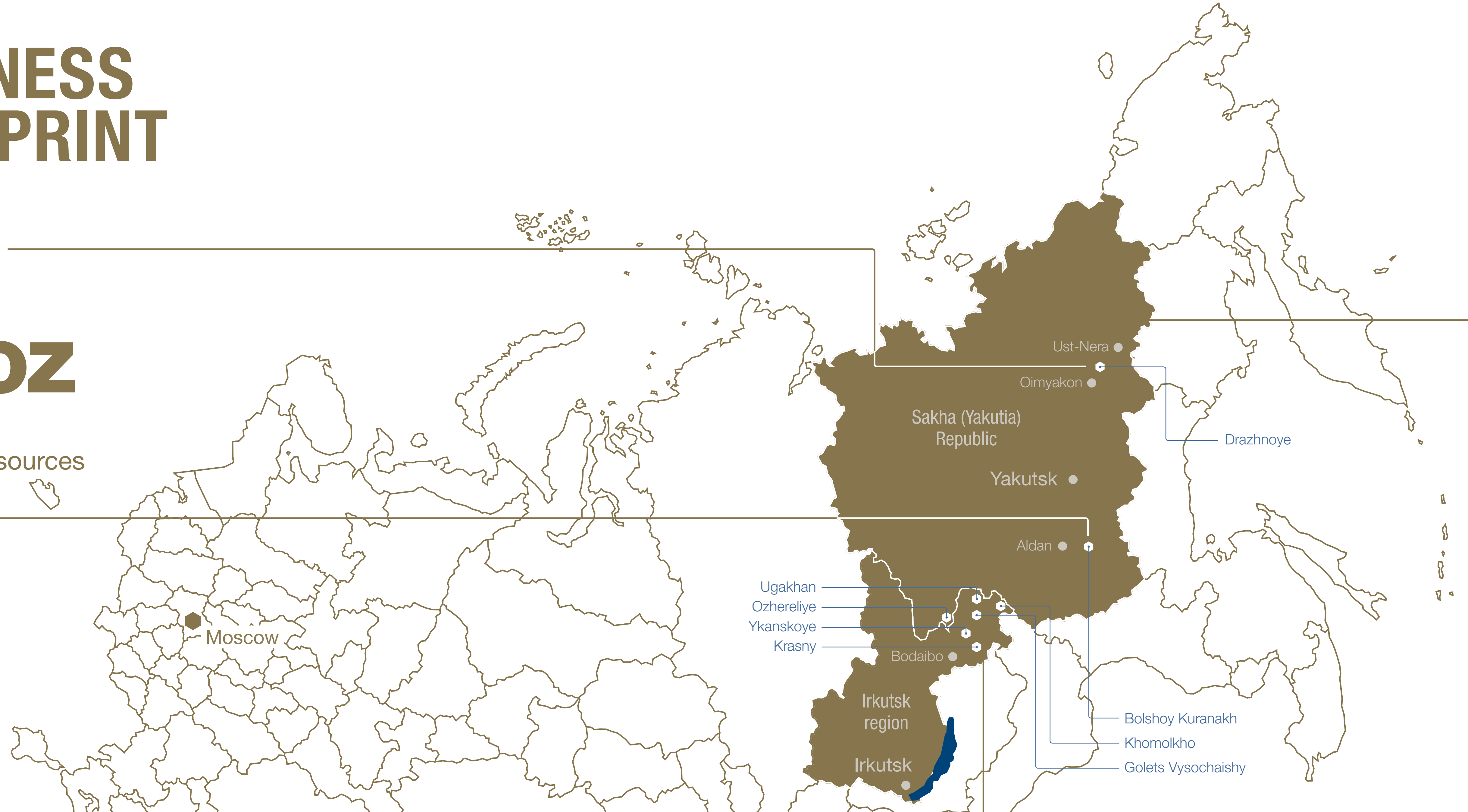
BUSINESS FOOTPRINT

Taryn Project

1 Moz

35 t of gold

Geological resources



Aldan Project

2 Moz | **10 koz**

61 t of gold | 0.3 t

Geological resources | Gold production

Irkutsk Project

4 Moz | **154 koz**

122 t of gold | 4.8 t

Geological resources | Gold production

MAIN PROJECTS

	Irkutsk Project	Aldan Project	Taryn Project
Stage	Exploration, designing, construction, production	Development, construction, production	Prospecting, exploration, development, construction
Mining method	Open pit mining	Dredging	Open pit mining
Geological resources	3.93 Moz (122.18 t)	1.97 Moz (61.13 t)	1.12 Moz (34.95 t)
Production capacities	3 mines, 7 Mt ore p.a.	3 dredges	1 mine, 700 kt ore p.a.
2016 gold production	153.93 koz (4,787.73 kg)	9.92 koz (308.63 kg)	
Objectives	Ugakhan Mine **commissioning in 2017**	Dredge № 401 (400 L) **commissioning in 2017**	Taryn Mine **Stage 1 commissioning in 2017:** ◆ production 96 koz (3 t) of gold p.a. **Stage 2 commissioning in 2019–2020:** ◆ design capacity 1,400 kt p.a. ◆ production 120 koz (3.3 t) of gold p.a.

Please refer to p. 24 for the Irkutsk project details

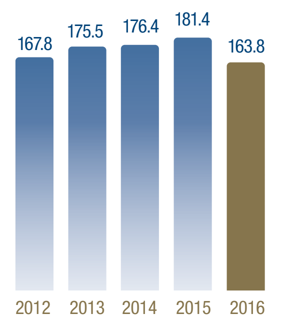
Please refer to p. 31 for the Aldan project details

Please refer to p. 24 for the Taryn project details

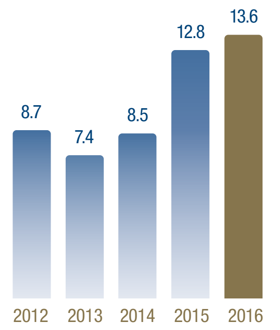
KEY HIGHLIGHTS

Operating and Financial Results

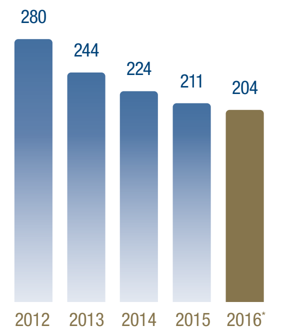
Gold Production, koz



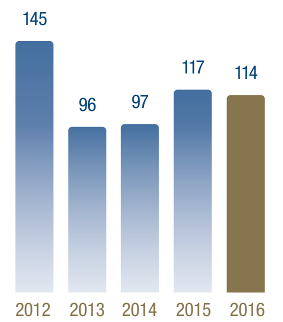
Revenue, RUB bln



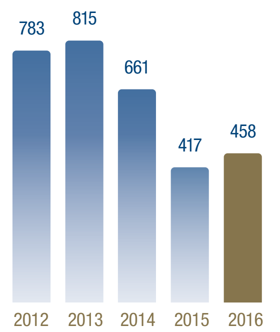
Revenue, M USD



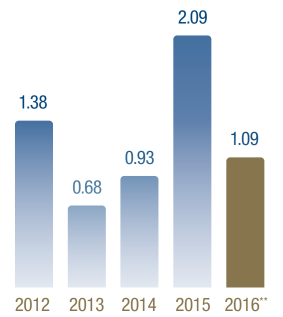
EBITDA, M USD



Total Cash Costs, USD/oz

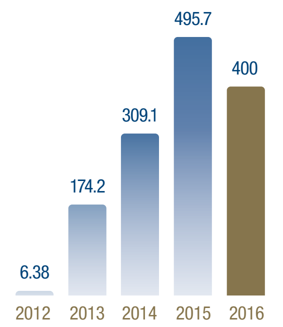


Actually Paid Dividends, RUB bln

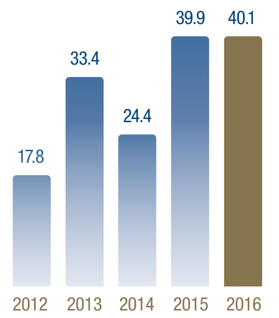


Sustainable Development

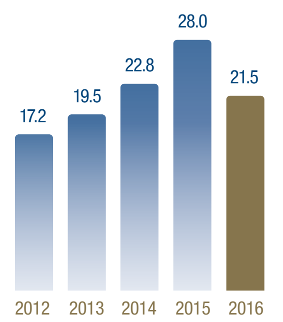
Environmental Costs, M RUB



OHS costs, M RUB



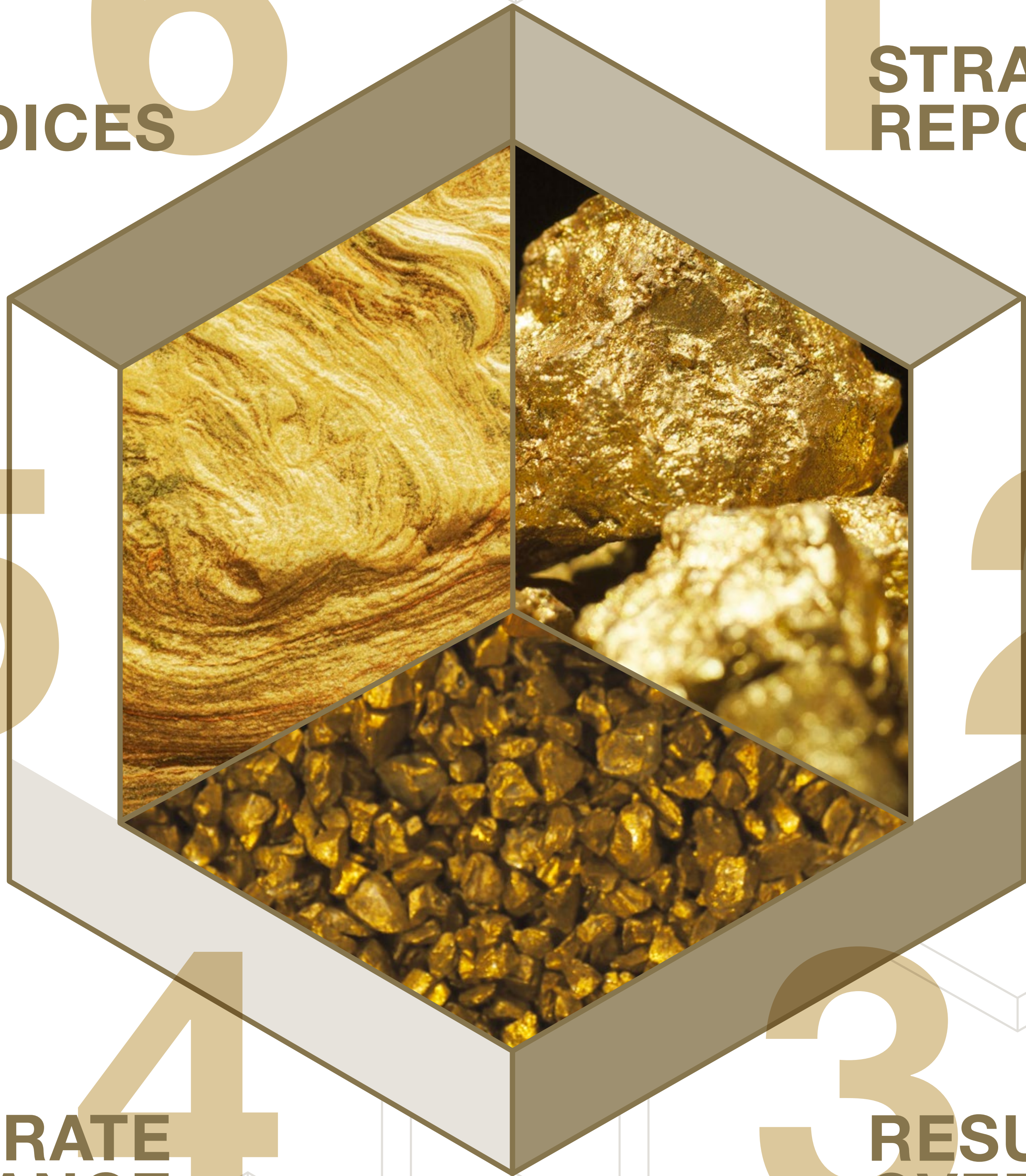
Social projects financing, M RUB



* Including the revenue from sales of silver

** H1 2016.

GV GOLD



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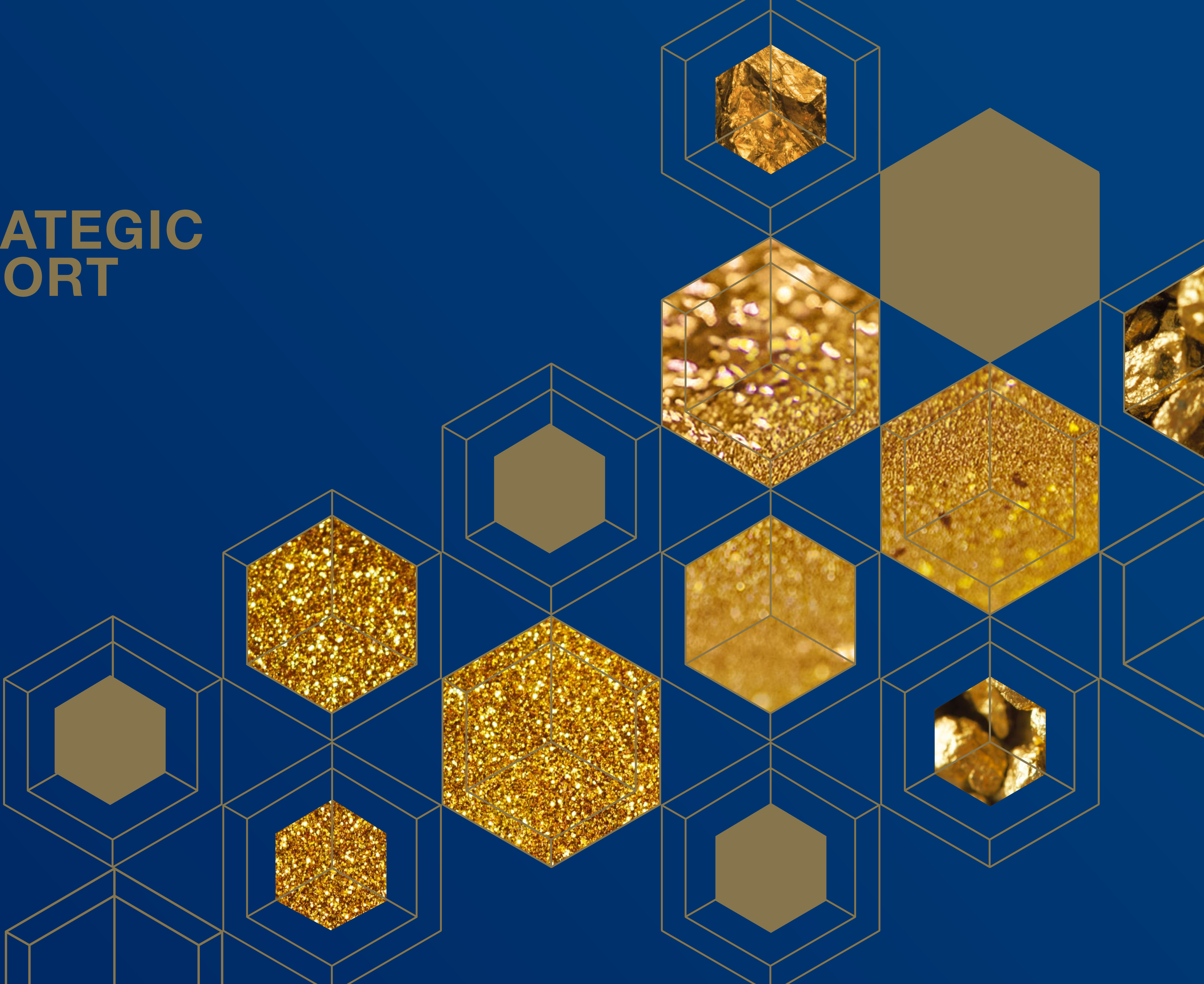
STRATEGIC REPORT



Message from the Chairman of the Board of Directors

Dear shareholders, members of the Board, colleagues and partners!

Since the moment of GV Gold's establishment in 1998, the Company has been dynamically developing and over the last five years it has been ranking in the TOP-10 Russian gold mining companies. From a one-asset company we have grown into a Group of companies with three producing assets and dozens of exploration licenses in the Irkutsk Region and the Republic of Sakha (Yakutia). Our Company's headcount currently totals c. 2,000 persons.

In 2016 we celebrated the 15th anniversary of the first gold production at the Golets Vysochaishy deposit. In that particularly significant year, the Company prepared for the commissioning two new mines – Ugakhan and Taryn – in Bodaibo and Oimyakon, and the second large capacity dredge in Aldan. The next item on the agenda is the commercial development of the Krasny deposit in Bodaibo.

Traditionally GV Gold takes an active part in the financing of social programs in the regions where it operates. Last year a milestone event took place: our subsidiary – Taryn Gold Mining Company and the Ministry of the Russian Federation for Development of the Far East signed an agreement for the provision of state subsidies for implementation of infrastructural projects. Now, with the support from the Government, the development of our deposits will be more efficient, which in its turn will result in significant tax payments to the budgets of all levels.

Progress and achievements, first of all, result from the efforts of the tight-knit team of GV Gold and the established corporate culture. I'd like to express my sincere gratitude to all employees for their dedicated work, especially to those that in severe climatic conditions.

Availability of the professional team and rich, well-balanced resource base, as well as a stable financial position gives us a reason to believe in the continued success of GV Gold in the long term perspective. The Company demonstrates its readiness and ability to cope with all challenges and solve complex tasks on the way to the achievement of its strategic objectives.

Chairman of the Board of Directors
GV Gold

Sergey V. Dokuchaev

Message from the CEO

Dear collegues and partners!

GV Gold Group has a unique track record and competence in the development of gold mining projects. Today the Company is rightly considered one of the most promising gold producers in Russia.

In 2016, GV Gold continued implementation of the projects on construction of new mines and expansion of the mineral resource base in the regions where it operates. After we commission the Taryn Mine in the Oimyakon Area (Republic of Sakha (Yakutia)) and the Ugakhan Mine in the Irkutsk Region in 2017, and then commission the Krasny Mine, we plan to increase gold production from the current 5.1 t (164 koz) to c. 10 t (320–380 koz) of gold by 2020.

In the reporting period, GV Gold demonstrated strong financial results and a possibility to pay dividends to its shareholders. Revenue of the Company increased to RUB 13.7 bln (+7% as compared to 2015). The EBITDA increased to RUB 7.6 bln, the EBITDA margin remained at the former level –56%.

We are sure that successful implementation of GV Gold's strategy on development of the current production assets, commissioning of the new enterprises and expansion of the resource base will allow the Company to achieve solid operating and financial performance in the long term perspective.

Successful achievement of the ambitious objectives set by the Company is a result of team work. I'd like to express my gratitude to each employee of the GV Gold Group for the input in achievement of the corporate objectives and the responsible approach and love for his/her work.

CEO
GV Gold

German R. Pikhoya

1 STRATEGIC REPORT

GV Gold's strategic objective is to enter the list of top Russian gold mining companies and maintain high efficiency of the operating activity over the next 5 years.

164 koz
(5,1 t) of Au
Gold production in 2016

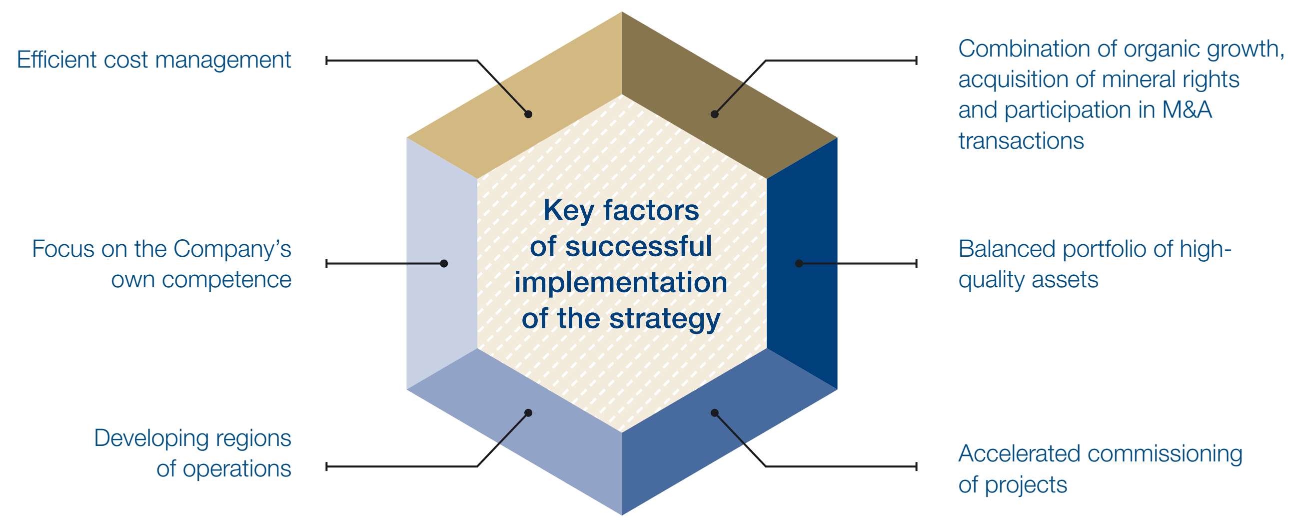
320 koz
(10 t) of Au
Gold production in 2020

Vision

Establishment of the gold mining holding to enter the TOP-5 list and the shareholder value growth

Shareholder value growth strategy

- Organic growth maximization
- Underestimated assets acquisition
- Access to capital markets and revaluation of the Company at the expense of the growth potential



Combination of organic growth, acquisition of mineral rights and participation in M&A transactions

One of the key elements of the Company strategy is the balance between the organic growth and the acquisition of new assets at the market. At the same time, when the opportunities for acquisition of the new assets corresponding to the Company profile arise, GV Gold integrates them into its portfolio, having provided an increase in the value of the portfolio.

Organic growth	Mineral right acquisition	Consolidation – M&A
GV Gold increases the value of its portfolio at the expense of organic growth, demonstrating a confident long-term development	The Company attains a qualitatively new level through acquisition of new assets with the earlier explored reserves	The Company rapidly transits to a qualitatively new level through M&A activity

Please refer to p. 26 for the Ugakhan deposit details

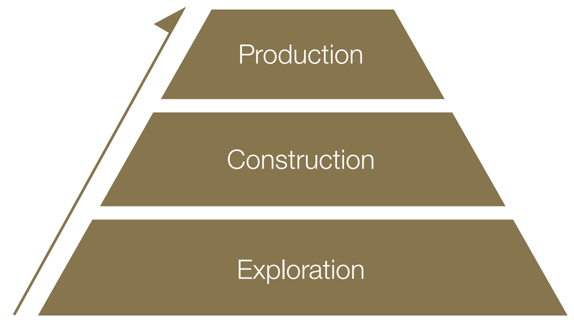
Please refer to p. 31 for the Drazhnoye deposit details

Please refer to p. 24 for the Krasny deposit details

Balanced portfolio of high-quality assets

GV Gold's portfolio of licenses contains both explored deposits and assets at the prospecting and estimation stages.

Project Development Stages



At the transition from one development stage to another, the assets start competing with each other. The decision in respect to the priority of development of this or that deposit is made on the basis of a feasibility analysis.

At the transition to a new stage, each deposit is reviewed in the context of the general Company development strategy, providing a systematic replacement of retired assets. All this gives the Company an opportunity to perform continuous promotion of projects without losses at the different stages of their implementation, from exploration to commercial development decision, from construction to "the first gold" production and the subsequent production ramp-up.

GV Gold's portfolio consists of high-quality assets:

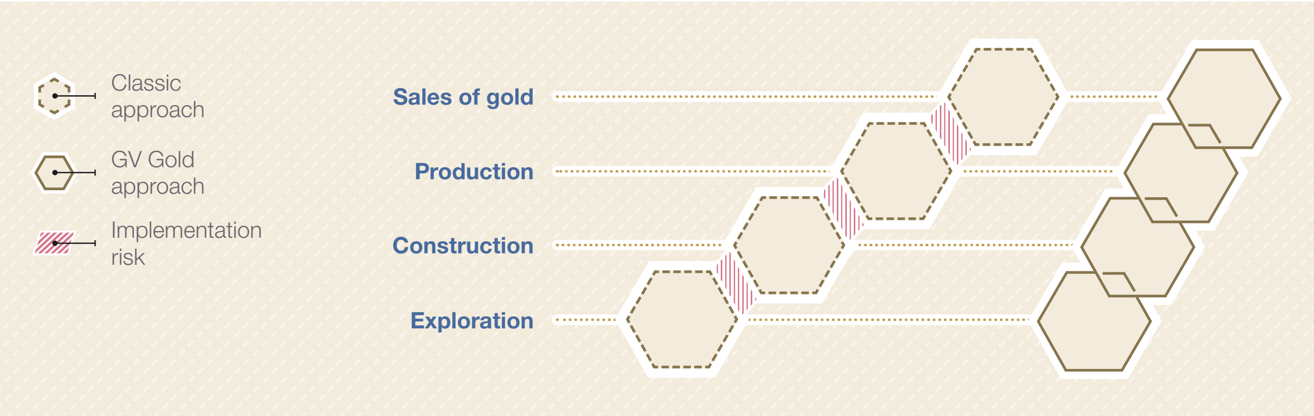
- Providing the possibility to manage the mineral resource base in response to changing economic environment
- Most assets have high resource base expansion potential
- All producing and development assets of the Company are located in regions with developed transport infrastructure and access to power grids and year-round logistics.

Accelerated commissioning of the projects

GV Gold successfully applies the concept providing for accelerated preparation of the assets to commercial development and their accelerated commissioning as the result of efficient combination of the main project implementation stages: exploration, designing, construction.

The Company mitigates the risk of delays at the interface of the project development stages, in particular through establishment of the project office, which carries out management of the project at all stages – from exploration to the launch of production. Detailed planning and supervision are essential for efficient functioning of such a team.

The design team allows the Company to:
- Apply the accumulated expertise in each new project
- Introduce uniform corporate standards of management
- Minimize costs through the absence of interruptions in activity – new project of the team starts right after the completion of the previous one



Developing regions of operations

GV Gold develops projects in the regions where it operates, providing replacement of the retired assets through expansion of the resource base within the areas adjacent to the deposits.

Owing to such strategy, organic growth of the Company is possible. One of the vivid examples of such growth is the discovery of the major Ugakhan deposit in close proximity to the Golets Vysochaishy deposit.

In the course of its activity, the Company puts an emphasis not only on the production aspect, but also invests in the socially-significant projects, thereby providing social and economic development of the regions where it is active. The assistance is rendered within the framework of social and economic partnership agreements, signed between GV Gold or its subsidiaries and the Government of the Irkutsk Region and administrations of the Municipal Entity "Aldan Area" of the Republic of Sakha (Yakutia) and the Municipal Entity "Oimyakon Area" of the Republic of Sakha (Yakutia).

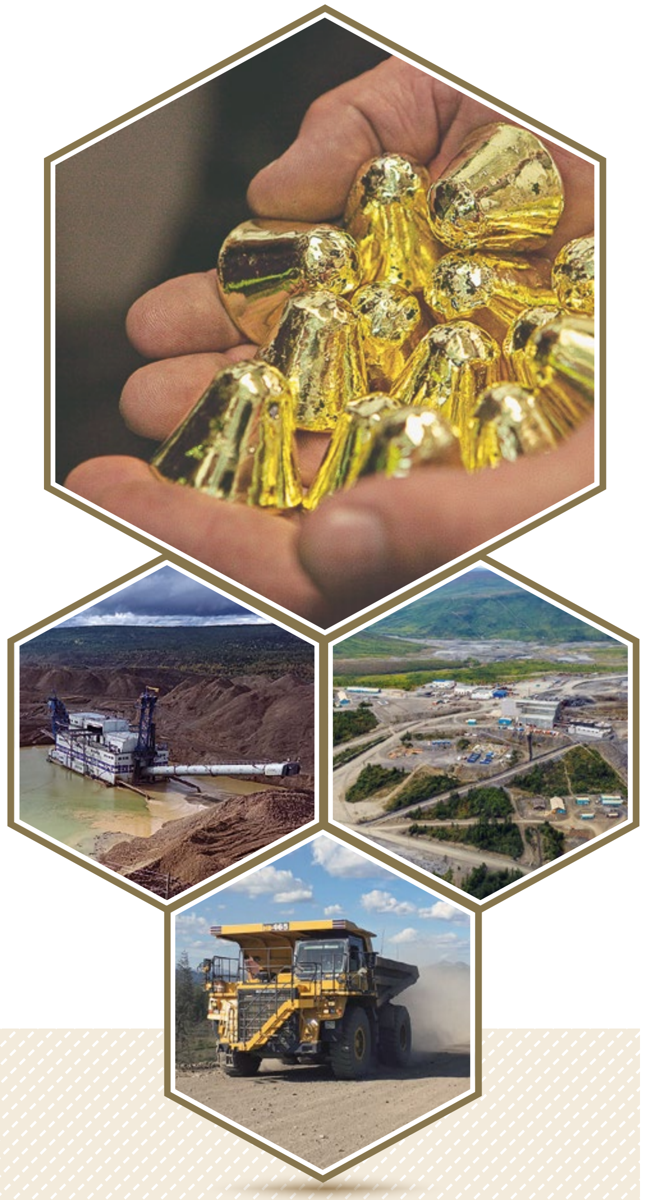
Focus on the Company's own competence

Upon implementation of the projects, GV Gold puts an emphasis on establishment of the project team, which integrates qualified specialists with a long record of service in the Company.

It allows the Company to:
- Establish and expand the uniform knowledge base
- Maintain uniform approaches to management of the projects, operating and financial activity at all assets and the corporate center

The relevant professional expertise and deep involvement of the management in the operating activity provides greater agility and efficiency of the decisions made.

Please refer to p. 48 for the corporate governance details



Cost management

In conditions of volatility of the gold price , cost management becomes a determinant for the Company's business efficiency in general.

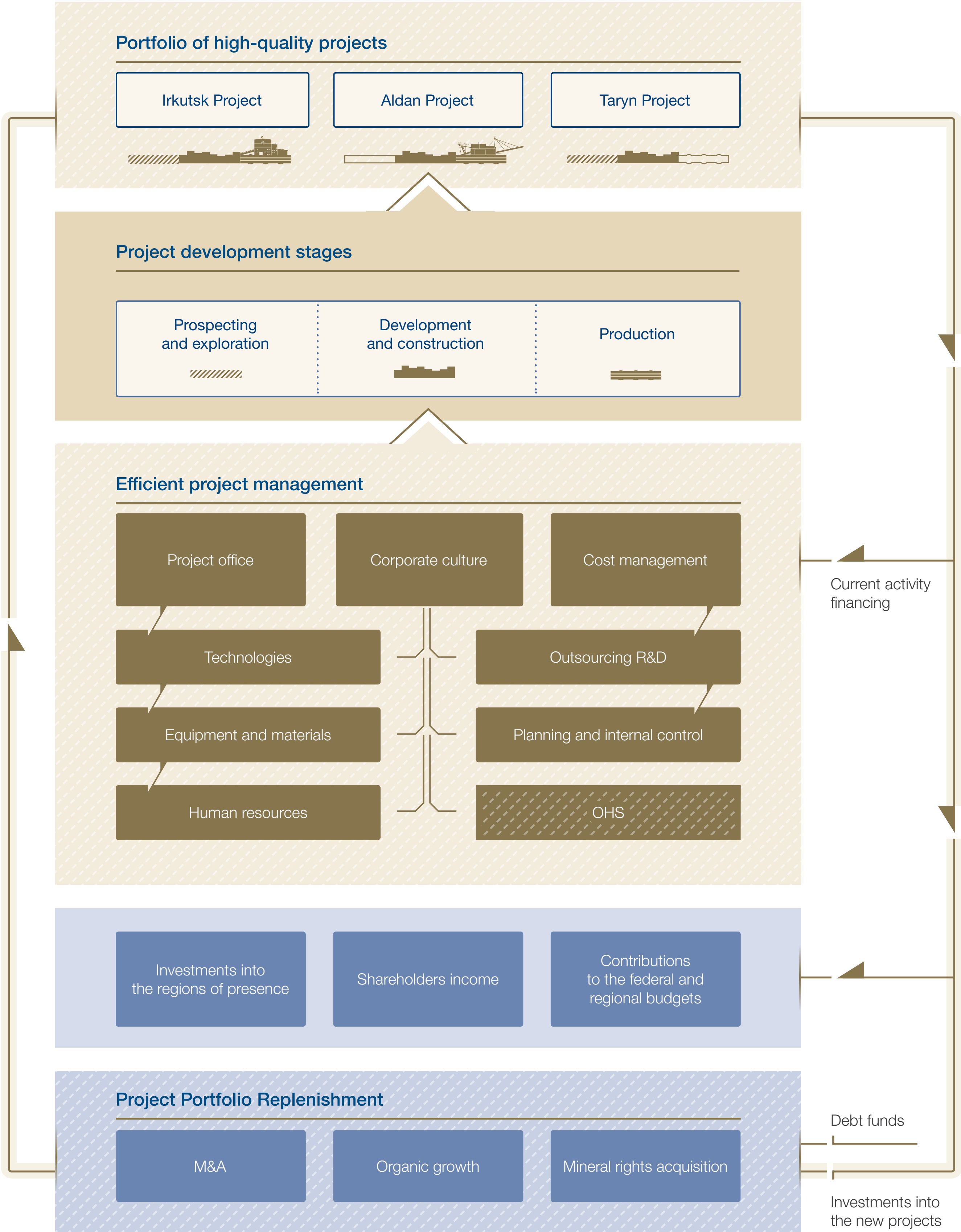
Flexible cost management

- "Planned/Actual" highlights review on a regular basis (annually, quarterly, monthly, for 10 days)
- Adjustment based on the results of each review every 10 days. Such frequency provides high accuracy of the financial planning and allows to obtain relevant values of costs in the real time.
- The internal control department represents a part of the internal audit system.

Working assets management

- Procurement plan optimization, inventory management.
- Efficient procurement procedure: procurement plan, centralization of major acquisitions, control of the price variations, procurement committee

BUSINESS MODEL



INVESTMENT ATTRACTIVENESS

GV Gold growth strategy of is based on organic expansion of the enterprise, acquisition of licenses at the auctions and profitable acquisitions of other companies.

The Company is interested in establishment of strategic alliances with international gold mining companies and reviews a possibility of entering the public capital markets via reverse takeover and consolidation in the territory of Russia.

Key elements of the GV Gold investment strategy

Organic growth

- Fulfillment of the current license agreements
- Expansion of the production
- Optimization of costs

M&A

- Entry into the gold mining projects via financing of the exploration operations

Strategic partnership

- Reduction of exploration risks via strategic partnership with a major international gold mining company

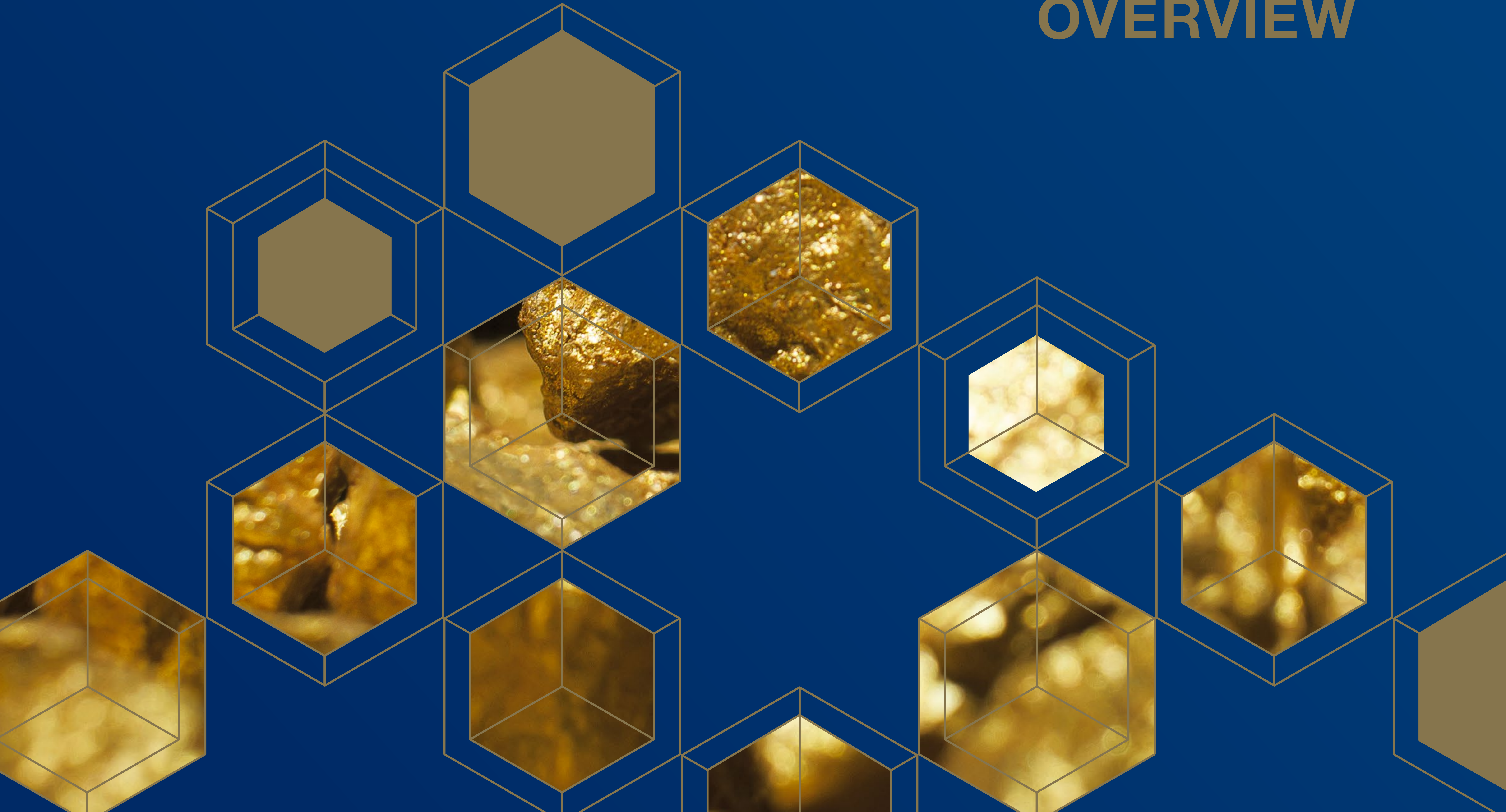
Merger for consolidation

- Acquisition of new assets aimed at expansion of the reserves and gold production

Access to the public capital market

- Reverse take-over
- IPO

MARKET OVERVIEW



2 MARKET OVERVIEW

GLOBAL GOLD MARKET

Gold Price

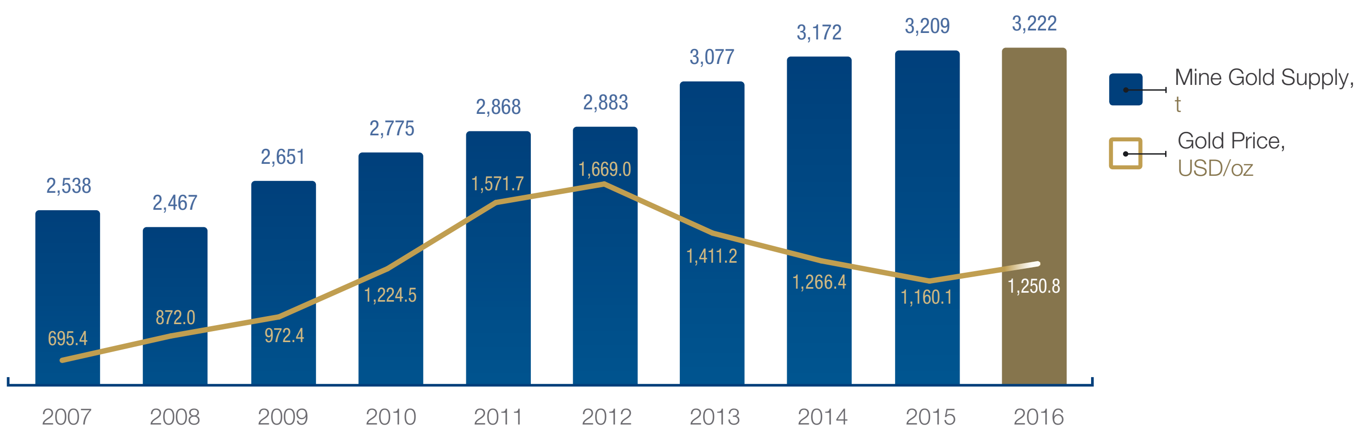
In 2016 the average annual global gold price increased to USD 1,250.8 /oz (+7.8% as compared to 2015) having shown a moderate growth for the first time since 2013.

The RUB gold price grew by 18% to RUB 2,682 /g. According to Metals Focus, in 2017 the average gold price will rise on 3% to USD 1,285 /oz.

Production

In 2016, the global gold production totaled 3,222 t[1], having demonstrated growth for the 8th consecutive year. The main input into the growth of gold production from the subsurface was introduced by the USA and Australia (growth by 17.8 and 11.3 t correspondingly). In the rating of the top gold producing countries, Russia is in 3rd place after China and Australia.

Supply and Gold Price, 2007-2016



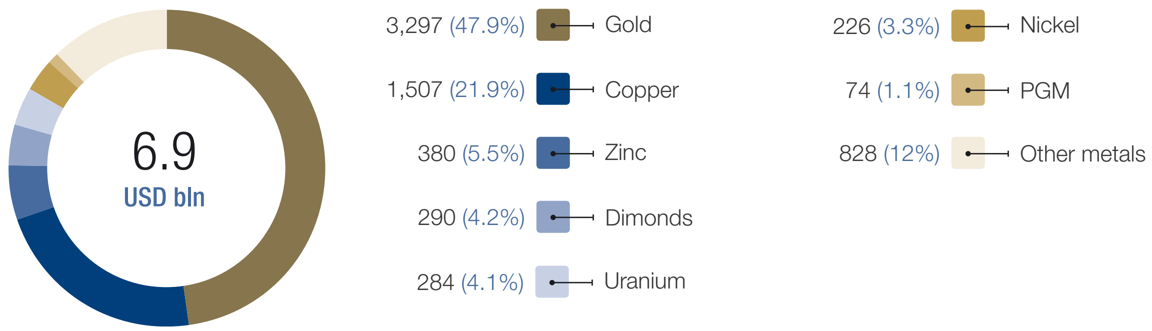
Exploration

As a consequence of the price and production growth, gold gained a lead among the metals on which the exploration budgets of the mining companies were focused. According to SNL Metals[2] the percentage of gold in the global exploration costs has risen to the highest level since 2011, having accounted for 48% of all metals (USD 3.3 bln).

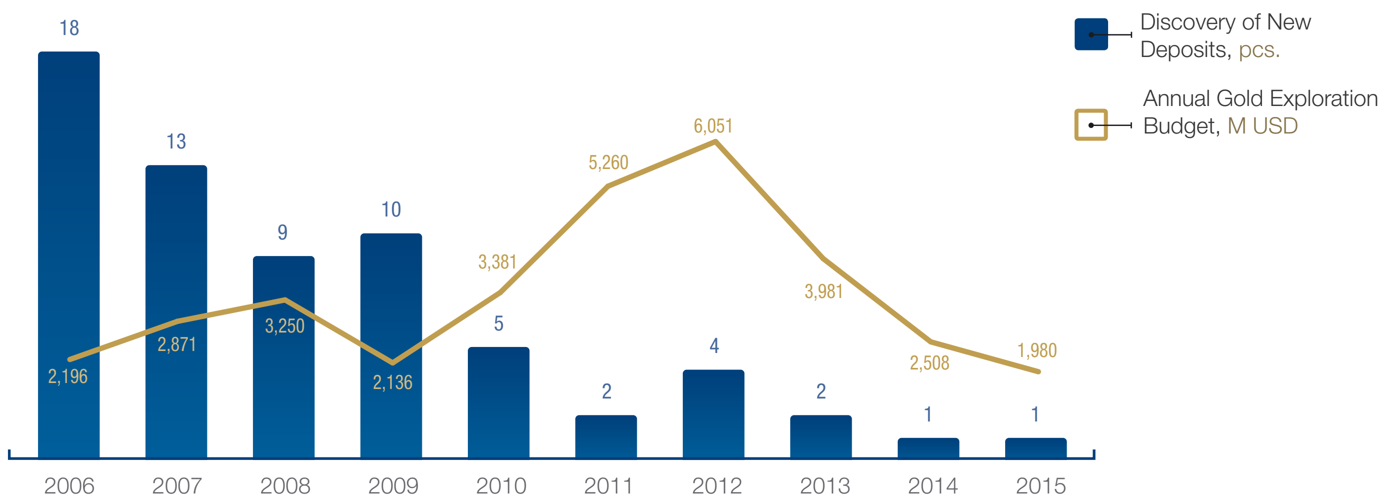
In 2016, Australia, with the total budget of USD 510M (15% of the global budget), gained the lead in exploration investments. The share of Russia totaled 5%. At the same time, over the last decade a consistent trend of reduction of the number of discovered major deposits manifested itself[3]. In earlier years the number of such discoveries primarily correlated with the scope of investments in exploration. However, after 2009 this correlation lost its power. For instance, in 2006, 18 major deposits were discovered in the world, and over the period of 2010–2015 – only 15 deposits were discovered at a record-breaking exploration budgets of the companies.

[1] GFMS Gold Survey 2017.
[2] SNL Corporate Exploration Strategies 2016. S&P Global Market Intelligence.
[3] According to the SNL methodology: deposits with the Inferred and/or Measured and Indicated resources of not less than 2 Moz and Proven и Probable reserves of not less than 1 Moz.

Global Exploration Budgets for All Types of Metals, 2016, M USD



Number of New Discoveries of the Major Gold Deposits



Over the decade from 2006 till 2015, the twenty leading global gold mining companies managed to expand their resource base through exploration and M&A transactions[4] by 670.9 Moz of gold (c. 20.9 kt), having produced 403 Moz (c.12.5 kt) from the subsurface over the reviewed period. The average reserves increment cost of these companies amounted to USD 116/oz. The lowest resource base replenishment costs at the level of USD 10.5 /oz were demonstrated by the Russian company Polyus, the highest costs at the level of USD 317.5 /oz – by Kinross Gold.

Capital Investments

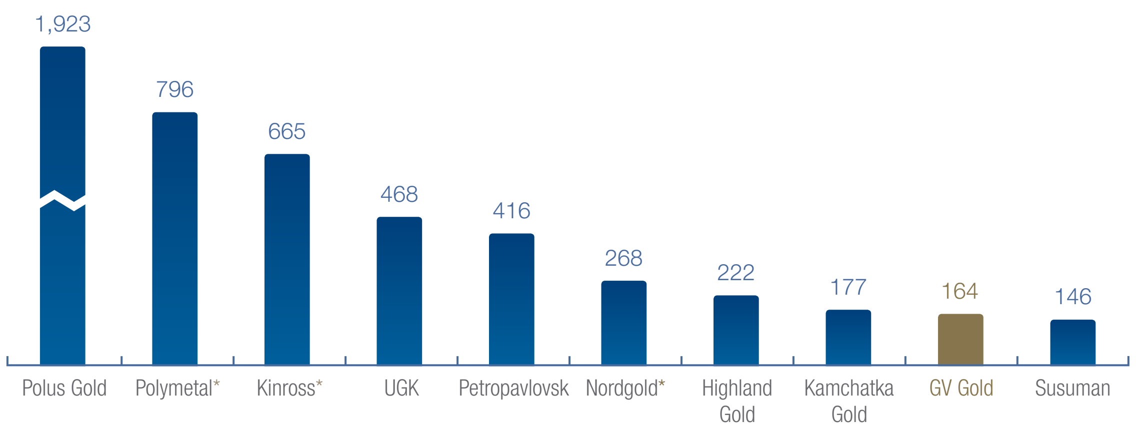
Reduction of the capital investments at the depletion of high grade gold deposits has been a problem of the industry over the last few years. According to Metals Focus, the 12 largest gold mining companies, the share of which in the global production makes 30%, reduced their capital investments from USD 22.8 bln in 2012 to USD 7 bln in 2016. Low capital investment into new deposits development may eventually lead to an increase of costs and an essential decrease of the margin. However, in the mid-term perspective, Russian companies will be able to make a significant input in the growth of gold production in Russia at the expense of commencement of exploitation of some major deposits, like Natalka, Sukhoi Log, Pavlik etc.

[4] SNL Strategies for Gold Reserves Replacement.

GOLD MINING INDUSTRY OF RUSSIA

According to the Union of Gold Producers of Russia, in 2016 the total gold production in Russia increased to 297.4 t (+1.2%) including 262.4 t produced from the subsurface. The growth of gold production in Russia was provided by a few leading regions: the Krasnoyarsk Region – up to 52 t (+5%), the Magadan Region – up to 27 t (+17%), the Kamchatka Region – up to 6.3 t (+75%), the Transbaikalia Region – up to 12 t (+8%) etc.

2016 Gold Production by Top Russian Gold Mining Companies, koz



* Excluding foreign assets

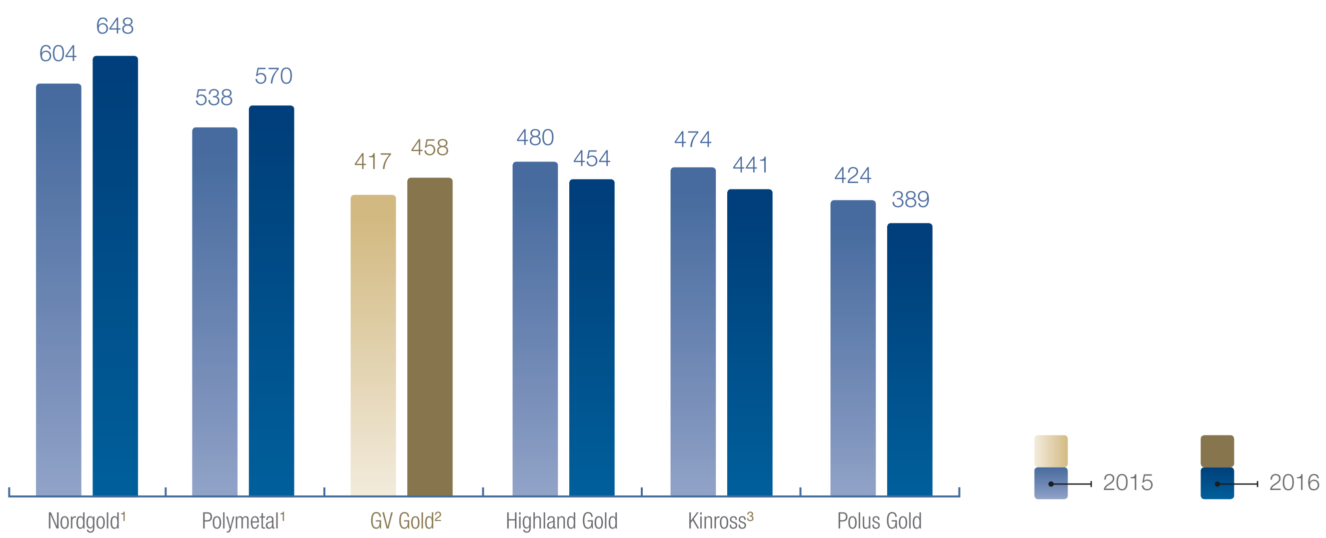
In 2016, the main events in the gold mining industry were associated with the sale of major deposits.

- In the beginning of 2016, Polymetal and Polyus, PJSC announced an establishment of the joint venture for development of the fourth largest gold deposit in Russia – Nezhdaninskoye deposit in the Republic of Sakha (Yakutia).
- Obtainment of the mining license for the Viksha strategic deposit (Republic of Karelia) hosting the reserves of palladium, platinum and gold was one of the milestone events for Polymetal, alongside the acquisition of new projects and expansion of the geographical footprint.
- In the middle of 2016 it was announced, that Polyus, PJSC would resume operations at the Natalka deposit in the Magadan Region. The Company plans to commission the deposit by the end of 2017 and subsequently attain the design capacity of 10 Mt of ore p.a.
- In the end of 2016, the Federal Subsurface Resources Management Agency Rosnedra put the Russia's largest deposit Sukhoi Log (with the reserves of c. 1,953 t of gold) on auction. Following the results of the bidding taking place in January 2017, the joint venture of Polyus, PJSC and Rostec State Corporation – SL Gold, which offered RUB 9.4 bln for the deposit, was recognized the winner of the auction.
- The industry carried on development of the exploration aspect owing to the order of the Ministry of Natural Resources of Russia on a "first come – first serve" principle of granting of the subsurface use rights. All within a two-years period, 2,200 applications were reviewed and the subsurface use rights were granted to 788 companies. Gold was the main mineral for which the applications were filed (in total 1,516 applications).

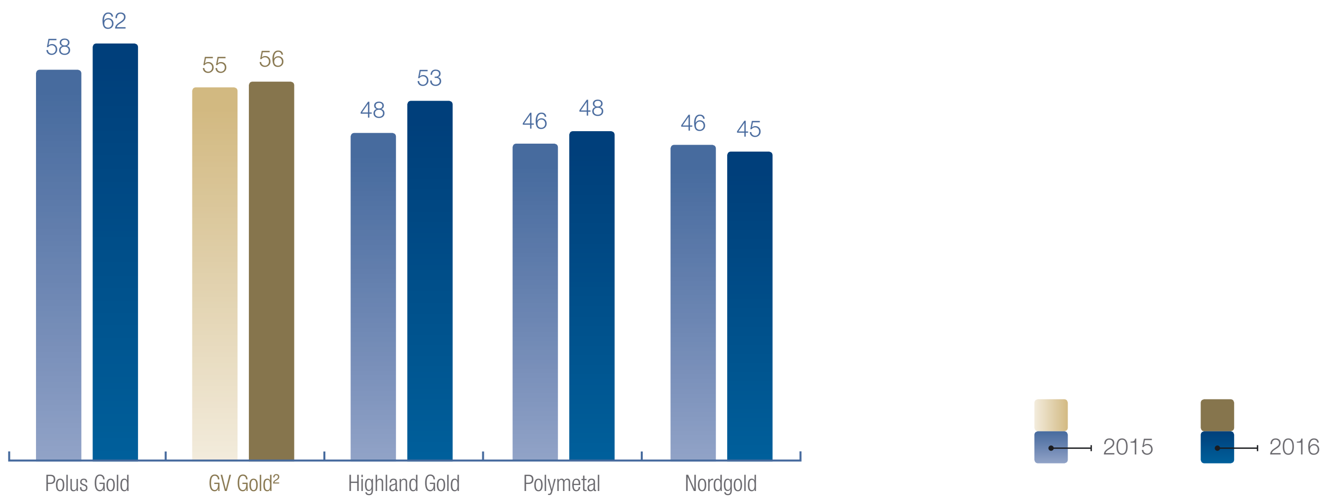
Pier Comparison

Owing to the cost optimization and cost control efforts of the Company and favourable macroeconomic environment, GV Gold still holds the leading positions in financial performance among Russia's leading gold mining companies and is ranking in the list of TOP-10 Russian gold mining companies.

Total Cash Cost, USD / oz



EBITDA Margin, %



[1] Including foreign assets
[2] Figure of 2015 with due account of the IFRS statements adjustments
[3] Production cost of sales. Only the assets located on the territory of Russia: Kupol and Dvoinoye

RESULTS OVERVIEW

3 RESULTS OVERVIEW

OPERATING RESULTS

Assets and Projects



	Irkutsk Project	Aldan Project	Taryn Project
Exploration 218 t of gold Geological resources approved by the State Reserves Committee GKZ	Large scale exploration in the territory of the Bodaibo Area of the Irkutsk Region	In-mine exploration: Bolshoy Kuranakh placer deposit (buried placer)	Regional reconnaissance within the Oimyakon Area
Development Ramp-up of the production to 320 koz (10 t) of gold by 2020	Commissioning of the Ugakhan Mine in 2017, Ugakhan deposit Krasny deposit – development project of the Irkutsk project (JV with Kopy Goldfields)	Commissioning of the Dredge №401 (400 L) in 2017	Commissioning of Stage 1 of the Taryn Mine in 2017, Drazhnoye deposit
Production 164 koz (5.1 t) of gold in 2016	Vysochaishy Mine, development of the Golets Vysochaishy deposit Ykanskoye Mine, development of the Ykanskoye deposit, Ozherelie deposit	Fleet of dredges: ◆ Dredge № 135 (400 L) ◆ Dredge № 6 (250 L)	

Please refer to p. 142 for the licenses information

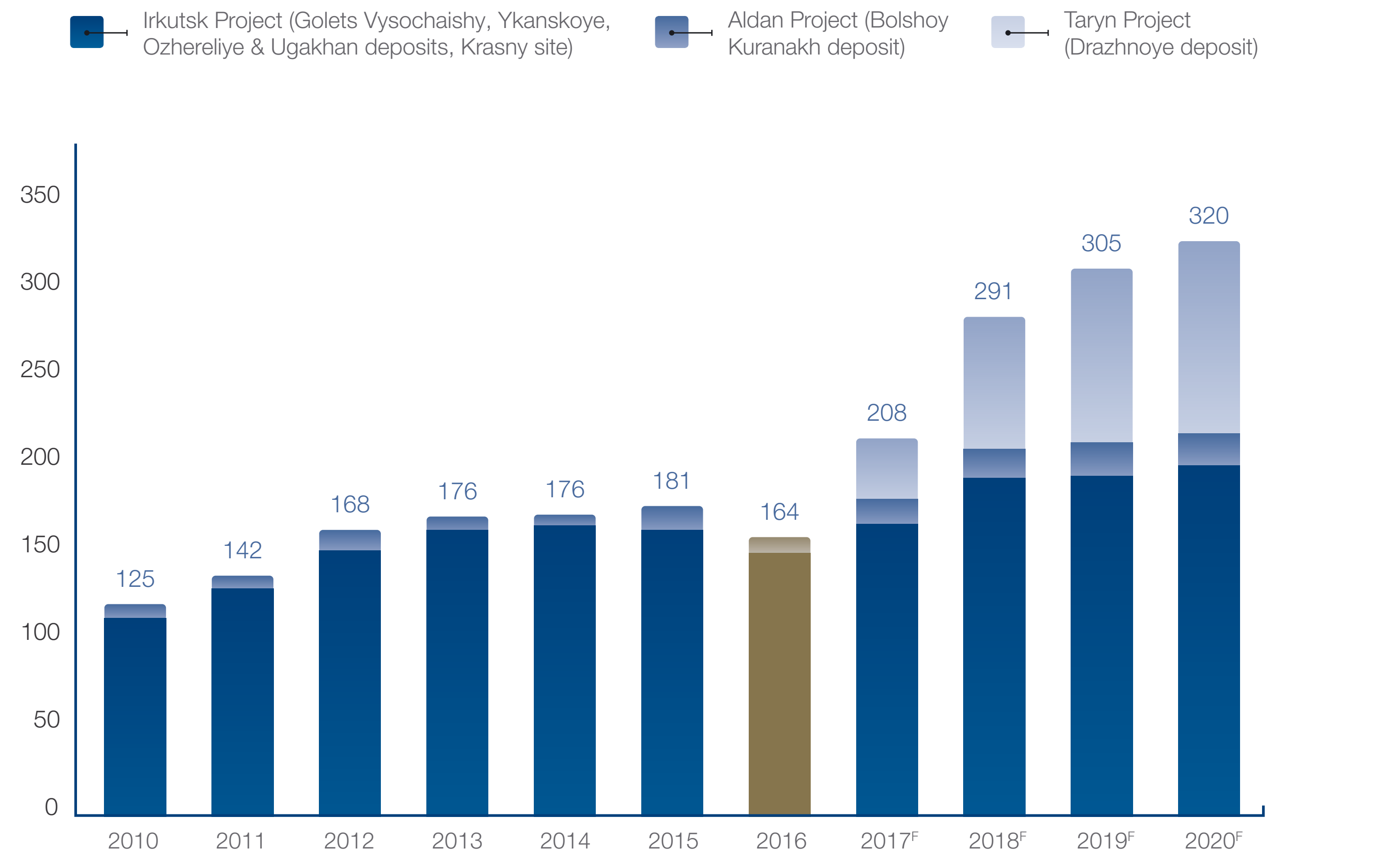
GV GOLD OPERATING RESULTS

	Units	2014	2015	2016
Gold produced	kg	5,487.40	5,640.88	**5,096.09**
	koz	176.42	181.36	**163.84**

The production plan of GV Gold for 2017 is about 195–210 koz (6.3–6.5 t) of gold.

The Company expects to achieve the scheduled production ramp-up based on commissioning of the Ugakhan Mine in the Irkutsk Region and Stage 1 of the Taryn Mine in the Republic of Sakha (Yakutia).

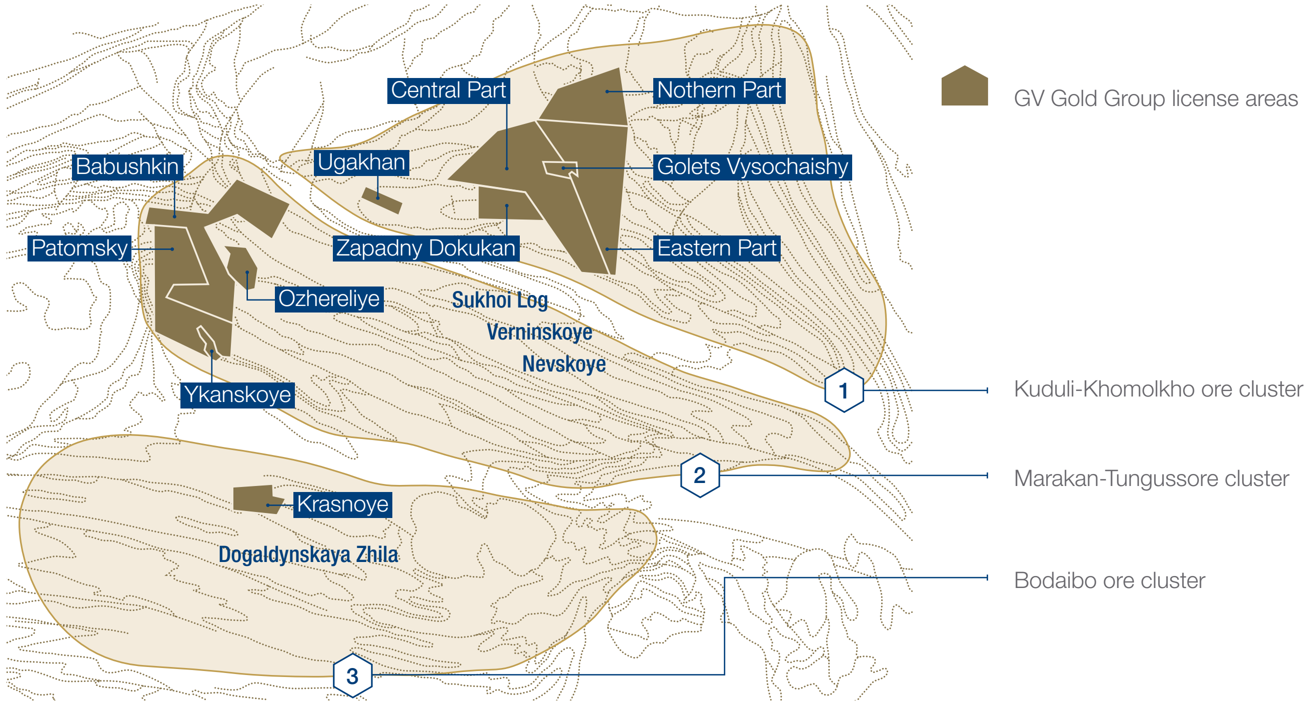
GV Gold's Gold Production in 2010-2020F, koz



Irkutsk Project

The GV Gold Irkutsk project deposits are located in the Bodaibo Area – the Irkutsk Region's gold mining industry center. The Company holds 14 licenses for subsurface plots located within the major hardrock-alluvial clusters of this region: Kuduli-Khomolkho, Marakan-Tunguss and Bodaibo.

The Irkutsk project will preserve its significance for the Company for at least ten more years.



The exploration results, which have been carried out at the Ugakhan deposit over the last three years, prove that the new deposit reserves (49 t) are sufficient to replenish most of the depleted Golets Vysochaishy deposit reserves. The Company also expects gold production growth at the expense of the Krasny deposit commercial development in 2018.

3.9 Moz
(122 t) of gold
the project geological resources

154 koz
(4,788 kg) of gold
production of the project assets in 2016

Mineral Resource Base

Assets	Original GKZ Resources, C1 + C2 (Balance + Off-balance)		
	Year	t	Moz
KUDULI-KHOMOLKHO ORE CLUSTER	**–**	**101.48**	**3.26**
Golets Vysochaishy	2010	52.46	1.69
Ugakhan	2014	49.02	1.58
Northern Part of the Khomolkho Ore Field	–	–	–
Central Part of the Khomolkho Ore Field	–	–	–
Eastern Part of the Khomolkho Ore Field	–	–	–
Western Dokukan	–	–	–
MARAKAN-TUNGUSS ORE CLUSTER		**10.93**	**0.35**
Ozhereliye	2013	4.13	0.13
Ykanskoye	2011	6.80	0.22
Patomsky	–	–	–
Babushkin	–	–	–
BODAIBO ORE CLUSTER	**–**	**9.77**	**0.31**
Krasny	2016	9.77	0.31
Total	**–**	**122.18**	**3.93**

Exploration

In 2016, exploration operations were continued at the Krasny deposit of the Bodaibo ore cluster. The operations resulted in an increase of the C1+C2 category gold resources of 26.6 t at the average grade of 1.6 g/t, as well as in the discovery of the new mineral occurrence Vostochnoye with the P1 category resources of 3.5 t at the average grade of gold of 1.72 g/t.

On the southeastern flank of the Ykanskoye deposit within the Medvezhy site, the geologists discovered a continuation of the Ykanskoye deposit type ore bodies. The C1+C2 category geological resources made 2.2 t, the P1 category resources totaled 640 kg at the average grade of gold of 1.6 g/t.

In 2017, it is planned to explore the northwestern flank of the Golets Vysochaishy deposit, the P1+P2 prognostic resources of which made 5 t of gold. Expected increment of the C2 category reserves is 1.5 t.

Krasny Deposit

The Krasny deposit is a joint venture of GV Gold, holding a stake of 51%, and the Swedish company Kopy Goldfields AB, holding a stake of 49%. The Krasny deposit is located in the Irkutsk Region, 85 km from Bodaibo, in an area with a well-developed infrastructure.

Following the accomplished exploration program, the C1+C2 category gold resources were increased to 44.2 t (the operating calculation) and the pilot production metallurgical testworks were carried out.

The project is at the stage of development of the feasibility study of investments, based on the results of which it is planned to make a decision on the mine construction feasibility.

8 km to the west of the Golets Vysochaishy deposit, in the Central part of Khomolkho ore cluster at the Kamenny site, it is planned to drive 5,000 m^3 of bulldozer trenches to determine the parameters of the earlier identified ore zone, and drill 1,000 line m of drillholes to trace it to the depth and calculate the prognostic resources. Expected increment of the P1 category resources is 4.5 t of hardrock gold.

Within the Ozhereliye deposit license area, it is planned to carry out a large-scale geophysical mapping for tracing of the quartz bodies and zones of pyrrhotite sulfide mineralization on the southeastern flank, and based on the results to estimate the P1 category prognostic resources using RC drillholes. Expected increment is 1.0 t of gold.

In 2017, it is also planned to carry out the prospecting and estimation operations within the new license sites of the Bodaibo Area with the total area of c. 523 km^2, and carry out the prospecting drilling in the scope of 3,000 line m.

Development

UGAKHAN MINE COMMISSIONING IS SCHEDULED FOR 2017

Ugakhan Deposit

Ugakhan is a development project of the Company in the Irkutsk Region. The deposit is located on the territory of the Bodaibo Area of the Irkutsk Region, 25 km west of the Golets Vysochaishy deposit.

In 2016, the construction and installation of the key mine infrastructure facilities were completed, delivery of the core mining and processing equipment was accomplished. Installation of the grinding equipment is at the final stages, construction of the mine camp, garage and storage facilities is nearing completion.

After the mill attains its full capacity in 2018, the gold production will increase to 3 t (96 koz) of gold p.a. The design capacity is 2.6 Mt of ore p.a.

Mill-5

Mining → Hauling → Grinding → Gravity processing → Cianidation → Dore alloy

Production

OPERATING RESULTS OF THE IRKUTSK PROJECT

	Units	2014	2015	2016
OVERBURDEN STRIPPED	‘000 m^3	5,097.00	4,878.13	**4,841.33**
BALANCE ORE MINED (> 1.9 g/t)	‘000 m^3	421.40	367.44	**395.91**
	‘000 t	1,136.90	991.73	**1,049.98**
OFF-BALANCE ORE MINED (1.0–1.9 g/t)	‘000 m^3	828.20	748.99	**791.33**
	‘000 t	2,232.60	2,022.02	**2,155.31**
OFF-BALANCE ORE MINED (<1.0 g/t)	‘000 m^3	270.30	443.65	**529.96**
	‘000 t	729.40	1,197.58	**1,430.89**

	Units	2014	2015	2016
ORE PROCESSED	‘000 t	4,277.10	4,449.02	**4,437.96**
Mill №1	‘000 t	79.90	0.00	**0.00**
Mill №2	‘000 t	1,129.20	1,217.93	**1,214.62**
Mill №3	‘000 t	2,942.60	3,108.13	**3,106.64**
Mill №4	‘000 t	125.40	122.97	**116.70**
SANDS PROCESSED				
Sluice GGM-3 (eluvial-deluvial placer)	‘000 m^3	74.40	85.99	**84.10**
AVERAGE GRADE OF GOLD IN THE ORE	g/t	1.57	1.45	**1.33**
Mill №1	g/t	2.94	0.00	**0.00**
Mill №2	g/t	2.65	2.36	**2.24**
Mill №3	g/t	1.09	1.07	**0.94**
Mill №4	g/t	1.97	2.05	**2.01**
AVERAGE GRADE OF GOLD IN THE SANDS				
Sluice GGM-3 (eluvial-deluvial placer)	g/m^3	0.99	1.04	**0.80**
GOLD RECOVERY	%	78.20	80.00	**80.57**
Mill №1	%	79.20	0.00	**0.00**
Mill №2	%	80.20	87.40	**88.29**
Mill №3	%	76.20	73.50	**73.43**
Mill №4	%	79.70	79.80	**80.09**
Sluice GGM-3 (eluvial-deluvial placer)	%	91,07	91,18	**91,20**
GOLD PRODUCED	kg	5,287.50	5,210.28	**4,787.73**
	koz	170.00	167.51	**153.93**
Mill №1	kg	186.10	0.00	**0.00**
Mill №2	kg	2,401.50	2,511.09	**2,403.37**
Mill №3	kg	2,452.90	2,433.60	**2,152.62**
Mill №4	kg	179.80	184.25	**170.52**
Sluice GGM-3 (eluvial-deluvial placer)	kg	67,20	81,34	**61,23**

Golets Vysochaishy Deposit

The Golets Vysochaishy gold deposit is located 175 km from Bodaibo. The Vysochaishy Mine includes three processing mills, fire assay laboratory, open pit mining site, placer gold mining site, mine camp. The deposit development is carried out with two open pits – the Western and the Eastern. In connection with the growth of the gold price in Q1 2016, the Company made a decision on scheduled processing of the lower grade ore at the Irkutsk project – 1.33 g/t (–8%). Despite a 10% decrease in the scopes of production, the profit margin of the production did not decrease and remained at the level of 2015.

146 koz

(4,556 kg)
gold production in 2016

The mine employs motor-service to transport overburden to the external dumps. Balance ores with the gold grades >1.9 g/t is delivered to Mill 2, balance ores with the gold grades ranging from 1.0 to 1.9 g/t – to Mill 3, and off-balance ores – to the off-balance ore stockpile.

The total processing capacity of the Vysochaishy Mine's mills is c. 4.5 Mt p.a. Mill 2 applies the gravity and flotation processing flowsheet with the flotation concentrate cyanidation.

Mill-2: Mining → Hauling → Grinding → Gravity processing → Flotation → Cyanidation → Dore alloy

Mill 3 applies the gravity processing with processing of the gravity middlings in the Mill 2 cyanidation department.

Mill-3: Mining → Hauling → Grinding → Gravity processing → Cyanidation in Mill-2 → Dore alloy in Mill-2

The Golets Vysochaishy deposit eluvial-deluvial placer is developed with the open pit mining method using the truck and shovel complex with transportation of sands to the sluice complex.

Ykanskoye Deposit

Mill-4: Mining → Hauling → Crushing → Grinding → Gravity processing → Cyanidation in Mill-2 → Dore alloy in Mill-2

The Ykanskoye gold deposit is located 130 km from Bodaibo. The deposit development is carried out with the open pit method.

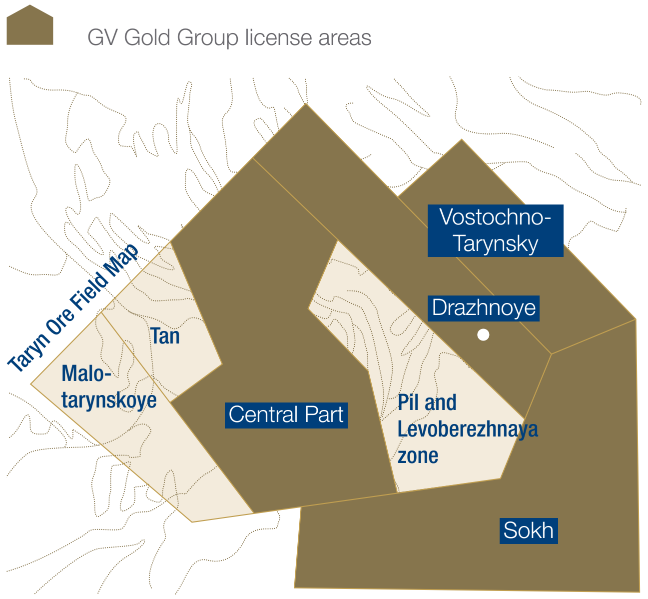
The mine uses motor-service to transport overburden to the external dumps, balance ores with the gold grades >1.0 g/t – to Mill 4, off-balance ores – to the off-balance ore stockpile.

5.5 koz

(170.5 kg)
gold production in 2016

Taryn Project

Taryn project includes exploration and development of the Company's licenses in the Republic of Sakha (Yakutia).



The main development target of the Taryn project is the Drazhnoye deposit located within the Oimyakon area, 60 km southeast of Oimyakon and 70 km south of Ust-Nera. This is a remote part of the Republic of Sakha (Yakutia) with an underdeveloped infrastructure and severe climatic conditions.

1.12 Moz

(35 t) of gold
geological resources of the project

Mineral Resource Base

Assets	Original GKZ Resources, C1 + C2 (Balance + Off-balance)		
	Year	t	Moz
Drazhnoye	2015	34.95	1.12
Central part	–	–	–
Sokh	–	–	–
Vostochno-Tarynsky	–	–	–
Total	**–**	**34.95**	**1.12**

Exploration

The Company carries out active exploration aimed at expansion of the mineral resource base, having covered more and more license sites within the Taryn ore field.

Following the performed exploration operations, the C1+C2 category operating hardrock gold resources of the Drazhnoye deposit totaled 44 t, the P1 category prognostic resources – 31 t. Specialized structural studies on determination of patterns of the deposit's internal structure are carried out at the deposit for minimization of mine planning risk and improvement of the exploration efficiency. By the end of 2017, it is planned to develop and approve in the State Reserve Committee GKZ the cutoff grade estimation standards and the resources based on the exploration operations of 2013–2017.

In 2016 the Company acquired new licenses for implementation of the prospecting and estimation operations for hardrock gold within the Vostochno-Tarynsky (37,1 km²) and Sokh (91,02 km²) sites. In the Central part of the Taryn ore field the exploration operations were not carried and the site was recognized prospectless.

Development

Drazhnoye Deposit

The Taryn Mine is the largest hardrock gold mining asset in the Oimyakon area and a launch pad for development of other neighboring deposits.

The Stage 1 design capacity will amount to 700 kt of ore per year with annual production of up to 2,7 t (87 koz) of gold.

A decision in respect to Stage 2 construction will be made after additional exploration and approval of the reserves in the State Reserves Committee GKZ.

At the initial stage it is planned to apply the gravity-flotation processing flowsheet with production of the gravity gold and refractory concentrates.

COMMISSIONING OF STAGE 1 OF THE PRODUCTION IS SCHEDULED FOR 2017

700 kt
of ore p. a.
stage 1 design capacity

Mill-6

Mining → Hauling → Grinding → Gravity processing → Flotation → Flotation concentrate → Dore alloy

In 2016, construction of buildings and facilities of the Taryn Mine's first startup complex (mill's main building, office and amenity facility, garage etc.) was completed, the processing equipment was installed, all buildings of the mine camp were constructed. In 2016, the mining operations were commenced at the Drazhnoye deposit and the scope of stripping amounted to 1,530.7 thousand m³.

As the result of performed operations and metallurgical testworks, the Taryn Mine is ready for commissioning.

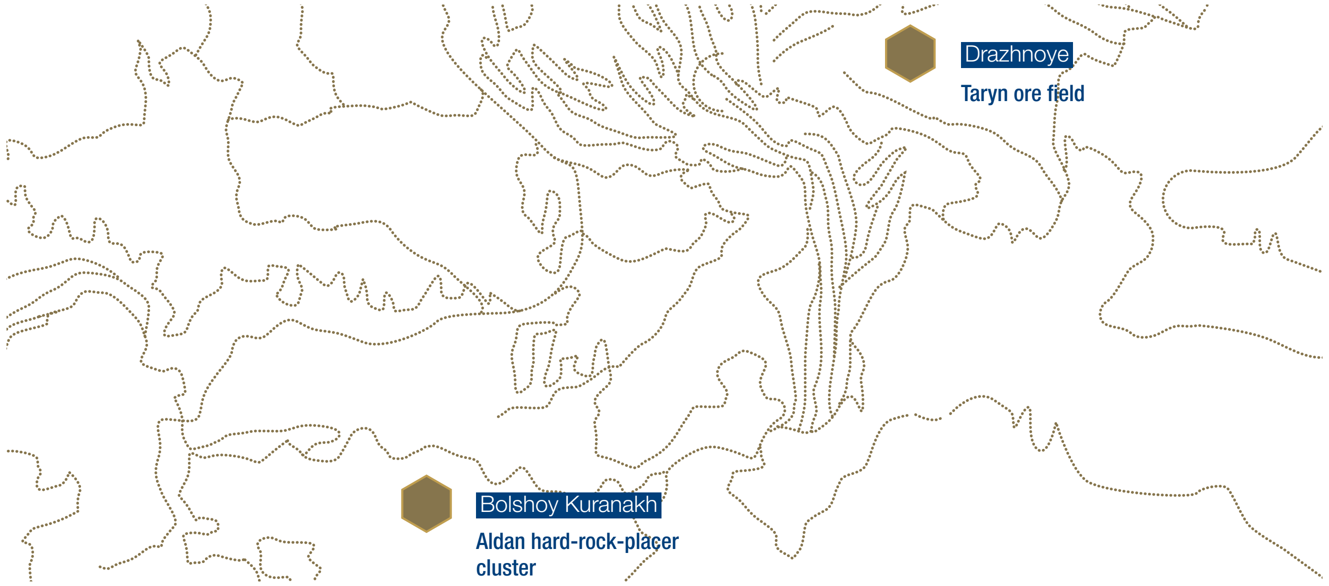
Infrastructure Development – Government Support

In 2016, the TGMC, JSC and the Ministry of the Russian Federation for Development of the Far East signed an agreement for provision of state subsidies for implementation of the infrastructural projects in the Oimyakon Area in the amount of RUB 978M. The subsidies are allocated for reconstruction of the motor road "Kolyma motor road – Drazhnoye deposit" (RUB 638M) and construction of the high voltage power line VL 35 kV (10 km) and the stepdown substation 35/6 kV (RUB 339.8M).

To date, within the framework of provided state support, the Company has constructed a high voltage power line VL-35 kV required for power supply of Stage 1 of the Taryn Mine from the existing high voltage power line to the mine site, and the stepdown substation 35/6 kV. After commissioning of Stage 2 of the Taryn Mine, the high voltage power line VL 110 kV will be constructed for the power supply of the mine and the settlements in the south of the Oimyakon Area.

In order to establish an all year round motor transport communication, it is planned to reconstruct the existing municipal road from the "Kolyma" federal highway through the "Nelkan" site to the "Drazhny" site, including construction of separate road sections and bridges.

Aldan Project



Bolshoy Kuranakh (buried placer) is the largest placer gold deposit in Russia, the development of which is carried out within the framework of the Aldan project of GV Gold.

The asset is located in the Aldan Area, 20 km from Aldan. The area has a well-developed infrastructure including an airport, railroad, motor roads and power grids.

1.97 Moz
(61 t) of gold as at January 01, 2016, the GKZ-compliant geological resources of the project

10 koz
(309 kg)
gold production in 2016

Mineral Resource Base

Assets	Original GKZ Resources, C1 + C2 (Balance + Off-balance)		
	Year	t	Moz
Bolshoy Kuranakh (buried placer)	2016	61.13	1.97
Total	**–**	**61.13**	**1.97**

Development and Production

	Units	2014	2015	2016
Gold produced	kg	199.90	430.60	**308.63**
	koz	6.40	13.84	**9.92**
Silver produced	kg	0.00	22.05	**15.14**
	koz	0.00	0.70	**0.48**

In the reporting period, at the buried placer of the Bolshoy Kuranakh River, the Company completed stripping operations in the scope of 3,750 thousand m^3, the mining operations in the scope of 1,925 thousand m^3 and the in-mine exploration operations in the scope of 944 line m of drillholes.

In 2016, precommissioning of the second deep digging dredge №401 was completed and the dredge will be commissioned in 2017.

In the reporting period, the cutoff grade estimation report for the Bolshoy Kuranakh deposit was approved, the clay content determination methodology and gold balance calculation methodology were developed and submitted to the State Reserves Committee GKZ for approval, development of integrated LOM engineering study continued. The long-term project was successfully agreed in March 2017*.

Integrated Program of Efficiency Improvement

1. **Expansion of the efficient mineral resource base:**
   - Focus on the in-mine exploration – timely and credible obtainment of geological information on the quality of subsurface plots to be developed.
   - Growth of gold production via the open-cast mining of the plots where the sands thickness exceeds technical capabilities of the dredges to excavate full thickness of the sands in one run – to be introduced from 2018
   - Increase in the annual capacity of 400 L dredges up to 1M m^3
   - Updating of a 3D model of the deposit
   - Acquisition of the new subsurface use licenses from the undistributed reserves fund - right tributary of the Seligdar River, Ozerny site
   - Revision of the current status of the mineral resource base, mining operations, processing technology, flowsheets and the sequence of development of the Bolshoy Kuranakh deposit with elaboration of the proposals for further development
2. **Improvement of the mining and processing production efficiency through the organizational and technical actions:**
   - Growth of gold production due to re-development of dumps of the past dredging operations, review of the influence of hydrotransport on their disintegration and recovery parameters through arrangement of the pilot facility at the polygon of dredge № 135 and due to the dredging on plots previously planned for open-cast mining
   - Assignment of the mobile sampling team, preparation of the methodological documentation for determination of the recovery level, representativeness and reliability of samples
   - Higher level of the management systems automation: introduction of the telemetry and the production processes control system, improvement of the dispatching service
   - Arrangement of a system of scheduled preventive maintenance and capital repairs
3. **Permanent supervision over the consumption of inventories, fuel and energy resources:**
   - Analysis of the current normative base and consumption of the resources per unit of production capacity of the core and auxiliary production departments
   - Introduction of the system which monitors fuel consumption and operation of the machinery using the FAS GPS/GLONASS system for organization of the operational accounting, determination of the actual consumption of diesel by each consumption unit and identification of theft

* Events taking place after the reporting date

FINANCIAL RESULTS

Key Highlights	Units	2015	2016	Variation	%
Revenue from gold sales	M RUB	12,784	**13,647**	863	7%
Unit price	RUB/g	2,270	**2,689**	418	18%
	US$ /oz	1,158	**1,248**	90	8%
Gold sold	kg	5,631	**5,076**	–555	–10%
	koz	181	**163**	–18	–10%
Total cash costs	RUB/g	813	**987**	174	21%
Gross profit	M RUB	7,564	**7,922**	358	5%
EBITDA	M RUB	7,106	**7,621**	515	7%
EBITDA margin	%	55%	**56%**	–	–
AISC*	RUB/g	1,134	**1,293**	158	14%
Net debt /EBITDA	X	0.45	**0.79**	–	–

Please refer to p. 80 for the IFRS financial statements

Revenue

In 2016, the average USD gold sale price grew from USD 1,158 /oz to USD 1,248 /oz (+8%), the RUB price increased from RUB 2,270 /g to RUB 2,689 /g (+18%).

In the reporting period, the revenue of GV Gold increased to RUB 13.6 bln (+7% as compared to 2015).

	Units	2015	2016	Variation	%
IRKUTSK PROJECT					
Revenue from gold sales	M RUB	11,807	**12,835**	1,028	9%
Unit price	RUB/g	2,271	**2,693**	422	19%
Gold sold	kg	5,200	**4,767**	–433	–8%
	koz	167	**153**	–14	–8%
YAKUTIA PROJECT					
Revenue from sales of gold	M RUB	977	**811**	–165	–17%
Unit price	RUB/g	2,266	**2,626**	359	16%
Gold sold	kg	431	**309**	–122	–28%
	koz	14	**10**	–4	–28%

* AISC – All-in sustaining costs: total unit costs including the capital costs for sustaining of the production at the current level

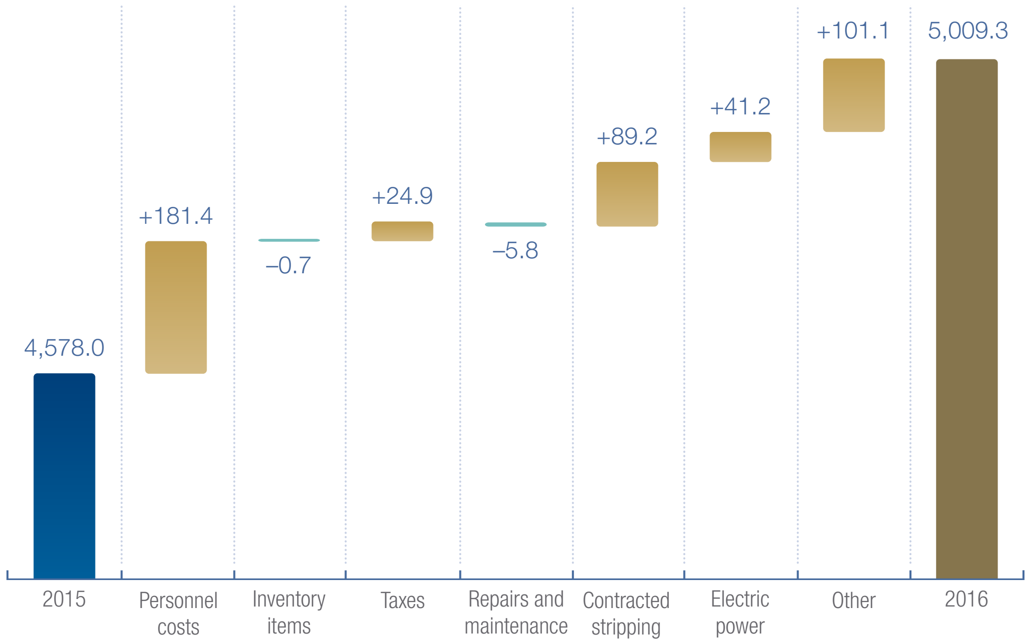
Costs

The cost of goods sold increased by 10% from the level of RUB 5.2 bln in 2015 to RUB 5.7 bln in 2016. The growth of costs mainly resulted from the appreciation of services and equipment acquired for the core activity of the Company and growth of the scopes of mining operations.

	Units	2015	2016	Variation	%
Cost of goods sold	M RUB	5,241	**5,747**	506	10%
Unit cost	RUB/g	931	**1,132**	201	22%

Total Cash Costs

Total Cash Costs[1], M RUB

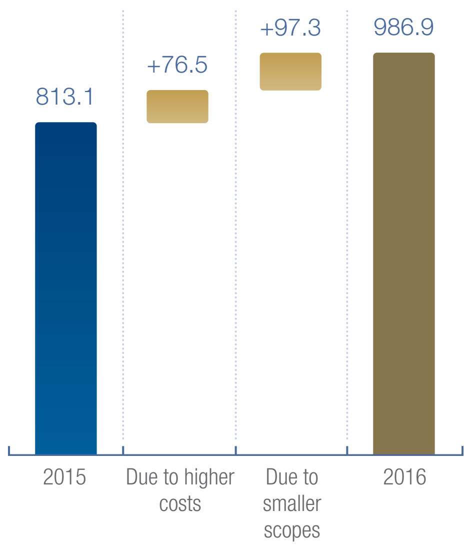


[1] Excluding administrative costs

The total cash costs increased to RUB 987 /g (+21% as compared to 2015).

Item, M RUB	2015	2016	Variation
Cost of goods sold	5,241	**5,747**	506
With the deduction of:			
♦ depreciation	–663	**–705**	–42
♦ other non-monetary items	–	**–33**	–33
Total cash costs, M RUB	4,578	**5,009**	431
Gold sales, kg	5,631	**5,076**	–555
Total cash costs[1], RUB/g	813	**987**	174

Total Cash Costs, RUB/g



EBITDA and Net Profit

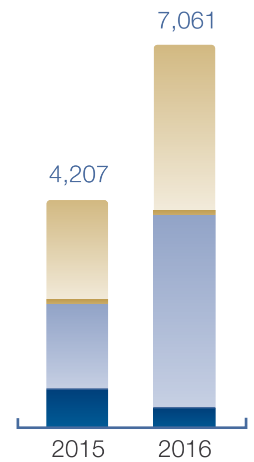
In 2016, the net profit increased by 1.6 times in comparison with the previous year and totaled RUB 6.4 bln. The EBITDA grew by 7% from RUB 7.1 bln in 2015 to RUB 7.6 bln. The EBITDA margin increased from 55% in 2015 to 56% in 2016.

M RUB	2015	2016	Variation
NET PROFIT	4,089	**6,415**	2,325
+ Financial income/ (costs)	1,160	**–1,239**	–2,399
+ Profit tax costs	687	**1,586**	899
+ Amortization	1,069	**725**	–343
+ Depreciation	0	**0**	0
+ Other adjustments	102	**133**	31
EBITDA	7,106	**7,621**	515

Investment Activity

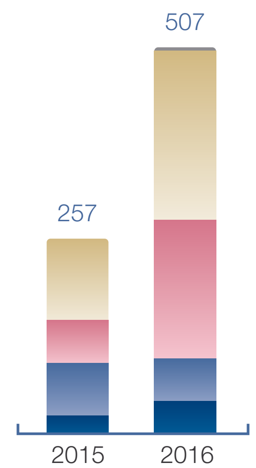
In 2016, the capital investments of GV Gold excluding the exploration costs totaled RUB 7.1 bln, which is 1.7 times higher than the respective figure of the previous period (RUB 4.2 bln).

M RUS	2015	2016
Capital investments excluding exploration	4,207	**7,061**
including:		
Taryn	1,836	**3,045**
Bolshoi Kuranakh	84	**93**
Ugakhan	1,565	**3,558**
Marakan	4	**2**
Vysochaishy	718	**363**



The exploration costs totaled RUB 507M, which is 2 times higher than the respective figure of 2015. The main scope of exploration operations was carried out at the Taryn ore field projects and the Krasny deposit.

M RUS	2015	2016
Exploration	257	**507**
including:		
Other	0	**3**
Taryn	107	**223**
Krasny	57	**182**
Marakan	68	**55**
Vysochaishy	25	**44**



SUSTAINABLE DEVELOPMENT

Our Approach

The Company activity effects on natural landscapes and habitats of animals. In the course of expansion of the productive capacities and construction of the new mining enterprises, the Company renders an impact on the social and economic development of the regions where it operates.

Recognizing its responsibility for the favorable environment, preservation of life, health and welfare of people, the Company makes the EHS commitments.

The EHS management is performed at all management levels: corporate and project levels, as well as at the productive facilities of the Company, and serves as the basis for strategic planning and management of the Company's current activity.

Main trends of the Company's sustainable development policy are as follows:

- occupational health and safety
- human resources development
- environment protection
- energy consumption and energy efficiency
- social development in the regions of the Company's presence

Human Resources Development

In order to provide a sustainable progress of the acting projects and the development program, the Company pays great attention to searching and selection of gold mining industry specialists. Local specialists make up a core of the HR pool. However, for introduction of the new technologies, the Company invites highly-qualified specialists from other regions.

Open positions are published on the official web-site of the Company at www.gvgold.ru and on external resources.

GV Gold vacancies

Training and Development

Training and improvement of the personnel's qualification represents the most important constituent part of the Company's HR policy. GV Gold enterprises introduced a system of tutoring of new employees and a program of training and skill improvement. The Company employees take part in practical seminars, conferences and mining industry trade shows. Training of the personnel is carried out on the basis of the Company's own training facility.

Motivation and Corporate Culture

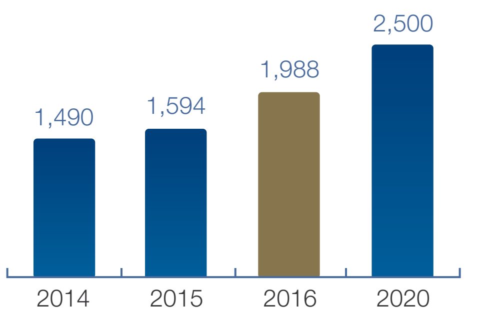
The Company provides competitive remuneration and social benefits to the employees, including compensation of fare to the place of the worker's vacation, non-recurrent financial assistance, annual performance bonuses.

Development of a culture of dialog with the Company personnel through the intracorporate communication instruments represents an important constituent part of personnel motivation. In order to cover all enterprises of the Company, in the beginning of 2016, the project on publishing of the quarterly corporate newspaper "Golden News" was launched and the feedback process through the newspaper's e-mail box GVesti@gvgold.ru was established.

In accordance with the EBRD requirements, a grievance mechanism enabling any worker to express his/her substantiated complaints related to their labour activity is active in the Company.

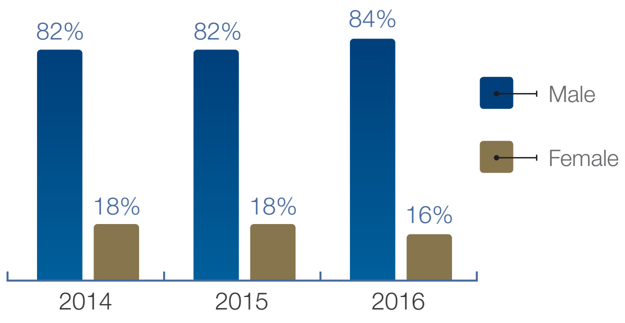
Profile

Dynamics of the Total Number of Personnel, people



The increase is associated with the launch of new enterprises

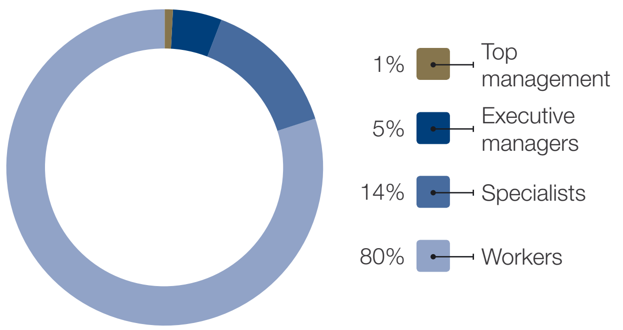
Personnel Gender Structure, %



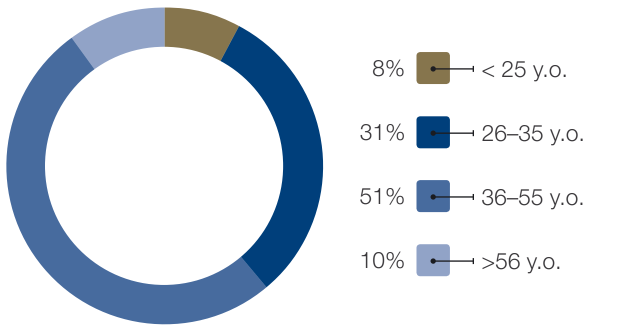
Geographic Structure

70%	**Bodaibo** Head office and production enterprises of the Irkutsk project
15%	**Oimyakon Area of the Republic of Sakha (Yakutia),Taryn project** (to be commissioned in 2017)
10%	**Aldan Area of the Republic of Sakha (Yakutia), Aldan project**
4%	**Moscow representative office**
1%	**Administrative offices in Irkutsk and Yakutsk**

Personnel Structure, %



Personnel Age Structure, %



Occupational Health and Safety

GV Gold strives to maintain safe labour conditions at its enterprises. For this purpose the Compant takes complex measures in the following areas:

- assessment of the OHS risks and development of the risk mitigation measures
- training
- improvement of the personnel's competence and OHS trainings
- provision of overalls and personal protective equipment for workers
- implementation of internal OHS inspections.

In 2016, there were 5 work-related accidents: 1 fatality, 1 severe injury, 3 light injuries. The Company has the Regulation for Reporting and Investigation of Accidents, according to which each accident is subjected to a thorough investigation and identification of immediate and system-wide causes. Based on the findings of the accident investigations of 2016, the following accident prevention measures were developed:

- strengthening of the transport safety control
- communication of the cause and circumstances of the accidents to the company employees.

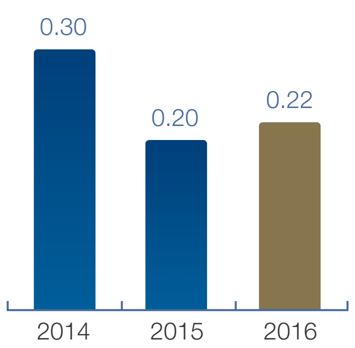
The Company personnel health care system is established at all production facilities. For the health promotion purposes, the Company established on-site medical stations, staffed with highly qualified medical personnel and equipped with all equipment required for rendering of medical aid to the workers, including the regular vaccination from cold-related and virus infections. Over the last 5 years, no occupational diseases were registered at the GV Gold production facilities.

In 2016, there were 25 incidents without any injured persons (–24% as compared to 2015). The main cause of incidents and accidents are personal carelessness, violation of the OHS requirements.

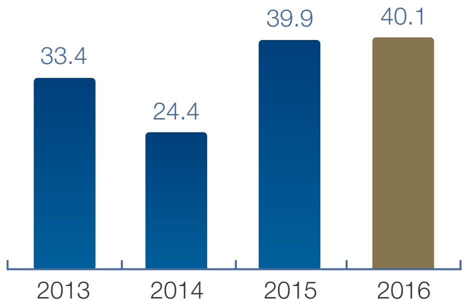
In 2016, the GV Gold training costs totaled RUB 1,584,000. The Company employees underwent the following training:

- 121 employees underwent safety certification
- 72 specialists underwent the OHS training
- 16 employees attended the training in "Arrangement of environmental safety at handling of hazardous wastes"
- 1 specialist underwent the training in "Arrangement of environmental safety by the mangers and specialists of the management systems"

LTIFR, per 200 000 man-working hours



OHS Costs, M RUB

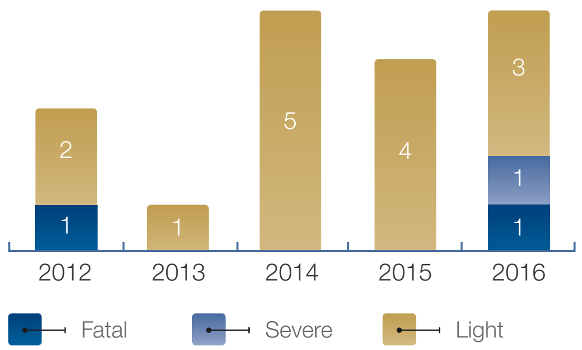


RUB 40M

the total OHS costs of all enterprises of the Company in 2016

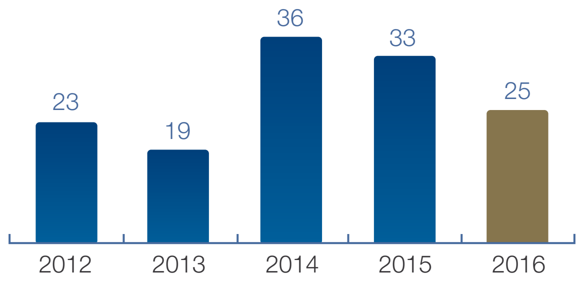
In accordance with the Russian legislation requirements, the OHS trainings and knowledge assessments were carried out. Within the framework of the EHS management system introduction, the training in "Leadership" was provided to GV Gold managers, and GV Gold employees were acquainted with requirements of the developed EHS management system documents.

Number of People Injured in the Work-related Accidents, people



Work-related accidents include injuries and damage to health resulting from the impact of external factors and taking place during the working hours

Number of Incidents



Incident – unsafe event related to work or taking place in the course of work but not resulting in an accident

Since 2015, the Company has been implementing the project on development and introduction of the EHS management system for the work safety culture improvement. The project has the following main objectives:

- introduction of the EHS risk management procedure
- engagement of workers in creation of safe workplaces through their personal participation in determination of hazards and risks
- encouragement of personal responsibility of workers for safety at the workplaces
- reduction of an impact rendered by the negative "human factor", reduction of a number of accidents and occupational safety rules violations
- reduction of financial losses associated with excess payments, penalties
- reduction of the staff turnover; higher attractiveness of the Company as an employer;
- improvement of the business reputation and image of the Company, better access to investment resources.

As a part of the preparation for the EHS management system introduction, the existing EHS system of the Company was examined, the OHS-related opinions and moods of workers were reviewed and the normative EHS management system documents were developed, the Company managers and specialists were acquainted with the requirements of developed documents in Bodaibo and Moscow.

In order to improve the OHS culture and motivation of employees, the key requirements in this area were released in the form of safety posters named "GV Gold values" and placed at the production facilities. In order to engage the employees in the process of safety culture improvement, OHS risks awareness improvement and leadership development, the "Golden safety rules" handout was developed.

In 2017 the Company plans to carry on implementing the program on preparation for introduction of the EHS management system for improvement of safety culture at the production facilities, improvement of OHS risks awareness and engagement of workers in creation of safe workplaces.

Environment Protection

Environment protection is a priority of the GV Gold's activity and all production activity is carried out in the most rational and safe use of unrenewable natural resources and a minimum adverse environmental impact is achieved. The environment protection issues are reviewed at the pre-designing and designing stages.

The environment protection management system, which has been established for a number of years, operates in all subdivisions of the Company today, and environment specialists work at all production facilities.

The Company implements a complex of actions for reduction of negative impact on the environment, for this purpose applying various technological and technical solutions and investing considerable financial resources in the environment protection activities. Systematic inspections of the state supervisory authorities identified no material violations of the environmental safety requirements.

The Company observes the international environmental requirements and requirements of the Russian legislation in the area of environment protection and rational use of natural resources. In the Company's environmental policy the following trends are regarded as top-priority:

- reduction of water resources consumption through establishment of recycling water supply systems at all enterprises of the Company;
- minimization of ambient air pollution;
- reduction of tonnage of generated wastes through the wastes utilization and resources conservation measures;
- land reclamation.

RUB 400M

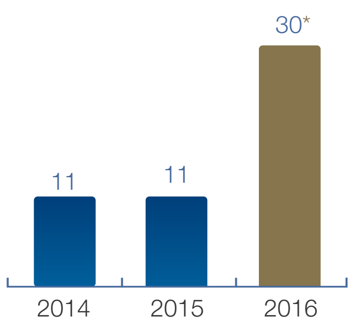
the total environmental costs of all GV Gold enterprises in 2016

Improvement of the existing environment protection management system and its certification in compliance with the requirements of the standards represents an important element of the environment protection efforts. In 2016, the internal EHS management system audit was carried out. The actions for improvement of the existing EHS management system were developed and the schedule of corrective actions was approved.

Water Resources

For the purpose of mitigation of the negative impact on the environment, in 2016, the Company continued modernization and reconstruction of the production facilities. Large scope organizational and technical activities aimed at the rational water resources utilization and the recycling water supply expansion was completed.

Water Resources Protection Costs, M RUB



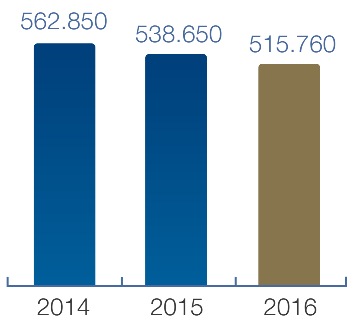
* including acquisition of the new bio-treatment station – RUB 15M.

AS IN 2015, NO MAJOR ACCIDENTS OR INCIDENTS WITH ENVIRONMENTAL CONSEQUENCES WERE REGISTERED AT THE ENTERPRISES IN 2016

Irkutsk Project

Closed water cycle of the mill allows to use the production and domestic wastewaters of the enterprise without dumping them to the water bodies. In 2016, the volume of intaken fresh water totaled 515,760 m^3 (–4% as compared to 2015) due to smaller tonnage of processed ore.

Total Volume of Consumed Water, '000 m^3



Aldan Project

SAKHA Gold Mining, CJSC carries out its activity within the framework of the environment protection legislation. Every year it concludes the contracts for implementation of the industrial environmental monitoring with the certified organizations.

Every year the Company carries out monitoring of the water body, the results of which are sent to the Lensk Water Bodies Administration on a quarterly basis.

In 2016, the content of pollutants in the samples did not exceed the permitted limits. The actual volumes of water consumption and water disposal did not exceed the limits set with the permit documentation. The air emissions from the stationary sources are within the set limits.

Visit of the EBRD Specialist to the Aldan Project

In October 2016, within the framework of the EBRD Environmental and Social Policy compliance audit of the GV Gold Group, the EBRD specialist visited the Aldan Project.

The audit reviewed the issues of environment protection, health and safety and stakeholders engagement and was carried out in the form of an interview with the SAKHA Gold Mining, CJSC specialists and a visit to the production facilities.

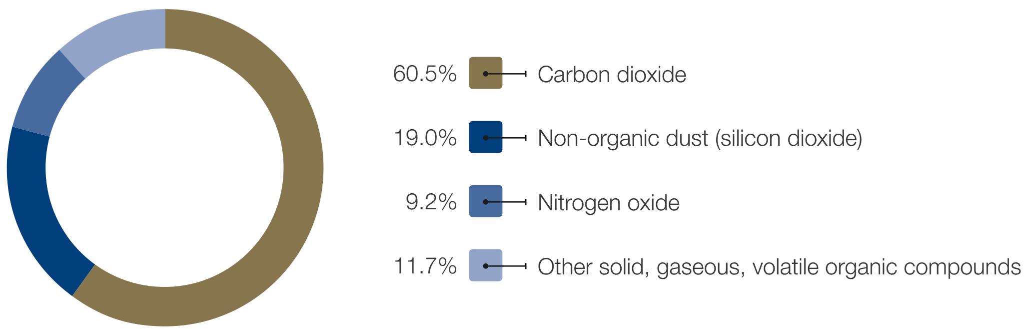
In the course of the visit, the team visited the new dredge and the complex of treatment facilities processing the water dumped into the Kuranakh River. Special attention was paid to the established EHS risk management procedures. In the course of the tour around the wastewater treatment facilities, the team inspected the water sampling points, including the baseline sample and the Kuranakh River water sample after the treatment facility. According to the monitoring of the reference points located downstream the treatment facilities, the samples of water contain no pollutants which proves the efficiency of performed treatment.

Following the visit, EBRD specialist noted an input of the Company management and EHS specialists in promotion of the corporate social responsibility.

Ambient Air

The structure of emissions didn't change substantially. Most of the emissions are accounted for carbon dioxide and non-organic dust: 70–20% of silicon dioxide.

Structure of Emissions, %



Wastes

Irkutsk Project

Disposal of wastes is carried out in accordance with the established scheme in compliance with the requirement of the Russian legislation. Wastes of the hazard class 4–5 are disposed within the solid domestic wastes landfill of the Vysochaishy site, the zone of which is permanently monitored. Wastes of the hazard class 1–3 are handed over to the specialized organizations for utilization.

In 2016, the enterprise generated 1,463.867 t of production and consumption wastes (+3% as compared to 2015 due to construction of the Ugakhan Mine).

PRODUCTION AND CONSUMPTION WASTES, t

Hazard class 1	0.134
Hazard class 2	2.621
Hazard class 3	138.960
Hazard class 4	524.519
Hazard class 5	797.638

Aldan Project

The production and consumption wastes are disposed under the contracts for disposal, utilization and neutralization. In 2016 the tonnage of wastes totaled 40.799 t, the reporting period disposal limit was not exceeded.

RUB 1.811M
land resources protection in 2016

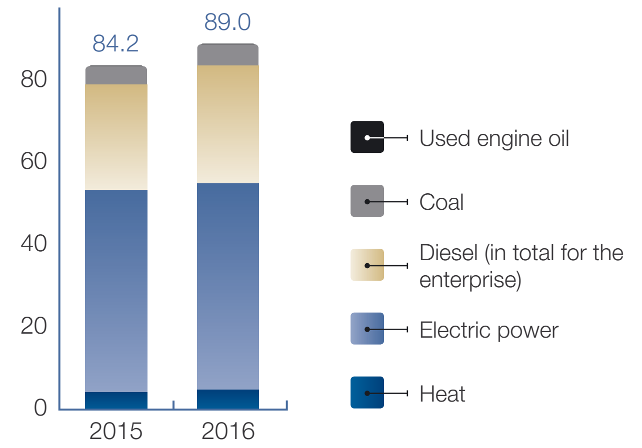
RUB 0.488M
ambient air protection in 2016

Energy Consumption and Energy Efficiency

The GV Gold energy resources consumption data are not fully representative and given for information purposes only due to the fact that the Company rents premises from third parties and the existing rent agreements don't provide for allocation of the rent separately from the reimbursement of the lessors' costs for payment of the consumed energy resources.

Please refer to p. 145 for energy consumption details

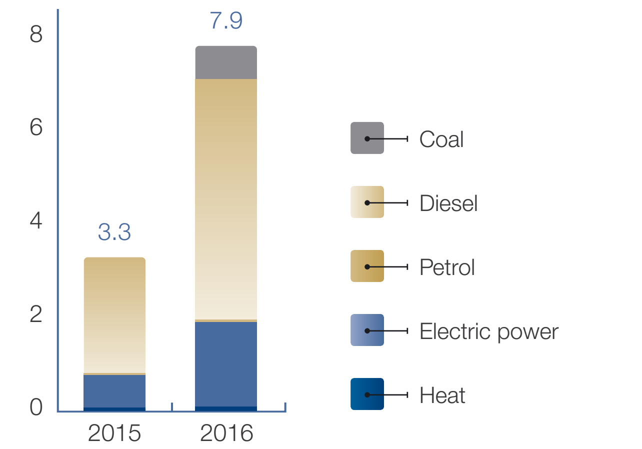
Energy Consumption of Irkutsk Project, t of reference fuel



1,283.5 M RUB
consumption in 2016

1,178.4 M RUB
consumption in 2015

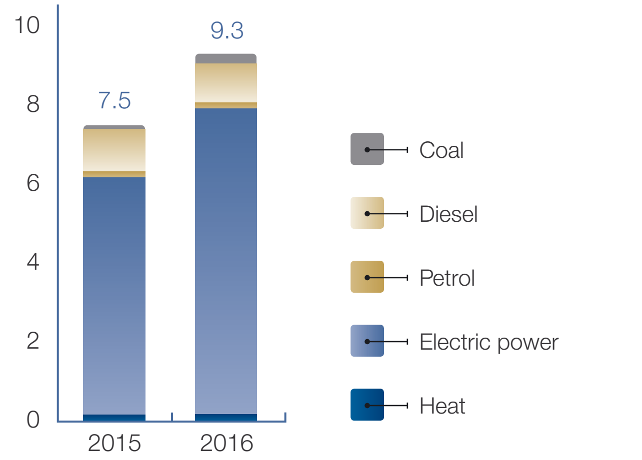
Energy Consumption of Taryn Project, t of reference fuel



266.1 M RUB
consumption in 2016

109.1 M RUB
consumption in 2015

Energy Consumption of Aldan Project, t of reference fuel



220.4 M RUB
consumption in 2016

167.1 M RUB
consumption in 2015

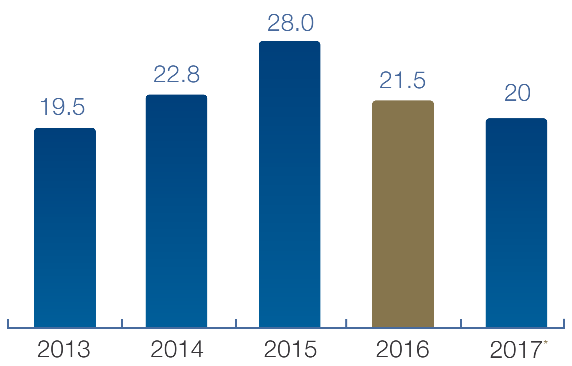
Social Development in the Regions of Presence

Carrying out its productive activity, GV Gold strives to promote the social and economic development of the regions where it operates. It involves not only taxes and social security contributions, but also direct investments into the social and economic development made within the framework of social and economic partnership agreements. Such agreements are signed with the Government of the Irkutsk Region and administrations of the Municipal Entity “Aldan Area” of the Republic of Sakha (Yakutia) and the Municipal Entity “Oimyakon Area” of the Republic of Sakha (Yakutia).

Main trends of the social and economic partnership are development and support of the municipal educational and pre-school institutions, financing of the healthcare and sport facilities, sponsor support of the children’s sport and creative events, support of the poor and socially-vulnerable groups of population.

The social and economic partnership programs are developed in close cooperation with the stakeholders. Over the years of participation in the region’s social life, the amount of money annually spent on the social and economic development of the region totaled RUB 21.5M. The Company plans to maintain the scope of financing of the social projects in 2017.

Social Projects Financing, M RUB



* The agreement was signed on May 20, 2017.

Significance of the GV Gold Projects Implementation in the Regions of its Presence*

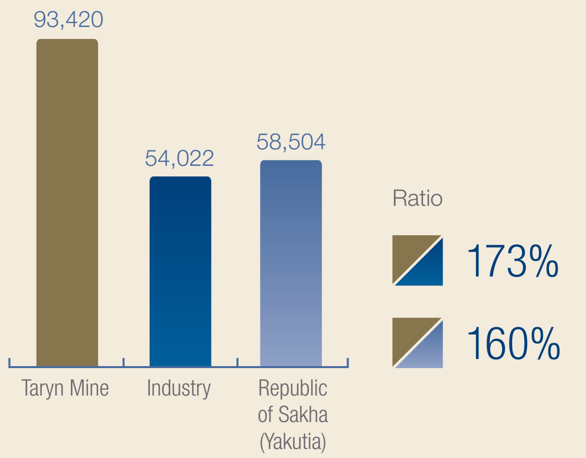
Taryn Mine in the Oimyakon Area of the Republic of Sakha (Yakutia)

- Creation of more than 400 jobs
- Over the period of the Drazhnoye deposit development project implementation (2017–2029) the average annual amount of tax contributions to the budgets of all levels will amount c. RUB 675.4M p.a., at the same time c. 60% will be channeled to the regional budget
- Within the framework of the social and economic partnership agreement signed with the Administratoin of the Municipal Entity “Oimyakon Area” more than RUB 67M will be allocated
- Improvement of the quality of life: at the expense of the average salary level higher than the average industry level and the average regional level, the social strain in the society is released and the social stability is achieved in the region

Ugakhan Mine in the Bodaibo Area of the Irkutsk Region

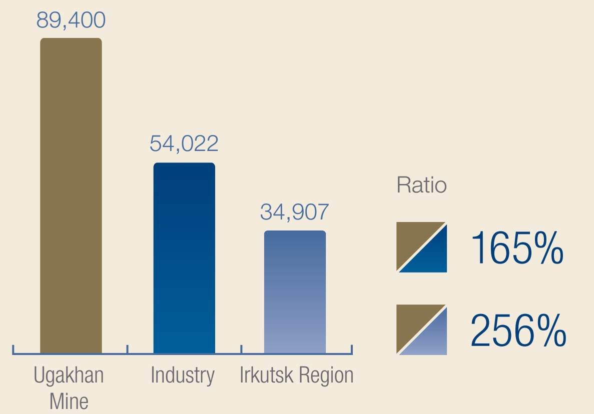
- Creation of more than 500 jobs
- Over the period of the Ugakhan deposit development project implementation (2017–2029) the average annual amount of tax contributions to the budgets of all levels will amount c. RUB 515.8 M p.a., at the same time c. 65% will be channeled to the regional budget
- At the expense of the average salary level higher than the average industry level and the average regional level, the social strain in the society is released and the social stability is achieved
- Improvement of the quality of life: at the expense of the average salary level higher than the average industry level and the average regional level, the social stability in the region is achieved

Comparison of the Average Salary in 2016, RUB



Target average monthly accrued salary of the TGMC, JSC personnel after attainment of the Taryn Mine full capacity**	RUB 93,420
Average monthly accrued salary, industry sector of “Mining of minerals other than fuel and energy ones”, Russian Federation economy, 2016	RUB 54,022
Average monthly accrued salary, Republic of Sakha (Yakutia), 2016	RUB 58,504

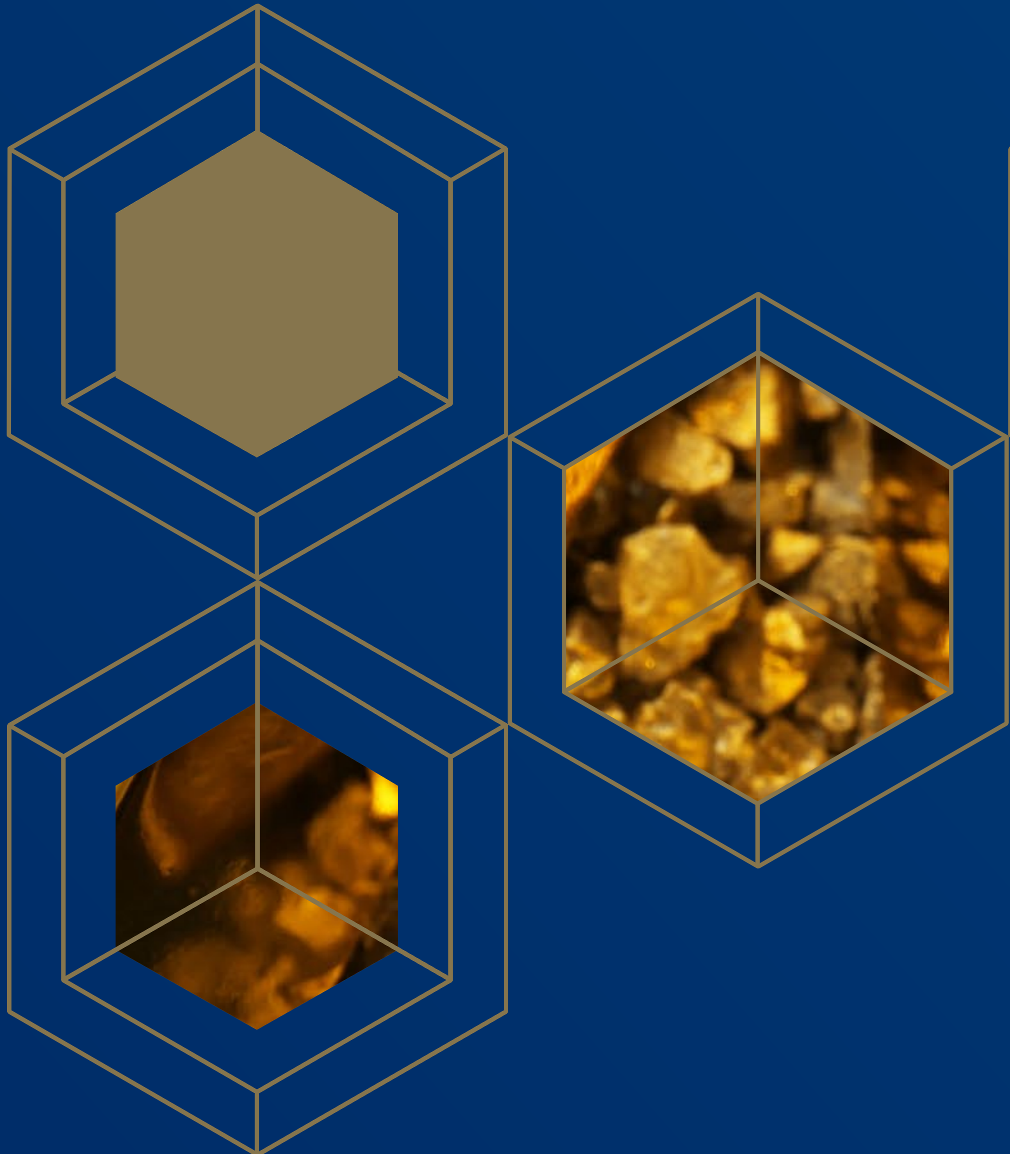
Comparison of the Average Salary in 2016, RUB



Average monthly accrued salary of the Ugakhan site personnel after attainment of the Ugakhan Mine full capacity**	RUB 89,400
Average monthly accrued salary, industry sector of “Mining of minerals other than fuel and energy ones”, Russian Federation economy, 2016	RUB 54,022
Average monthly accrued salary, Irkutsk Region, 2016	RUB 34,907

* The calculations are made with the assumption of the regional investment project status obtainment and for the entire deposit life (Drazhnoye deposit life of 2017–2029, Ugakhan deposit life of 2017–2027).

** After the Taryn Mine attains its full capacity.



CORPORATE GOVERNANCE

4 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE SYSTEM

Maintenance of high corporate governance standards is one of the key objectives of the GV Gold Group. In its activity the Company strives to follow the principles established with the Corporate Governance Code published in 2014 and recommended for introduction by the Bank of Russia.

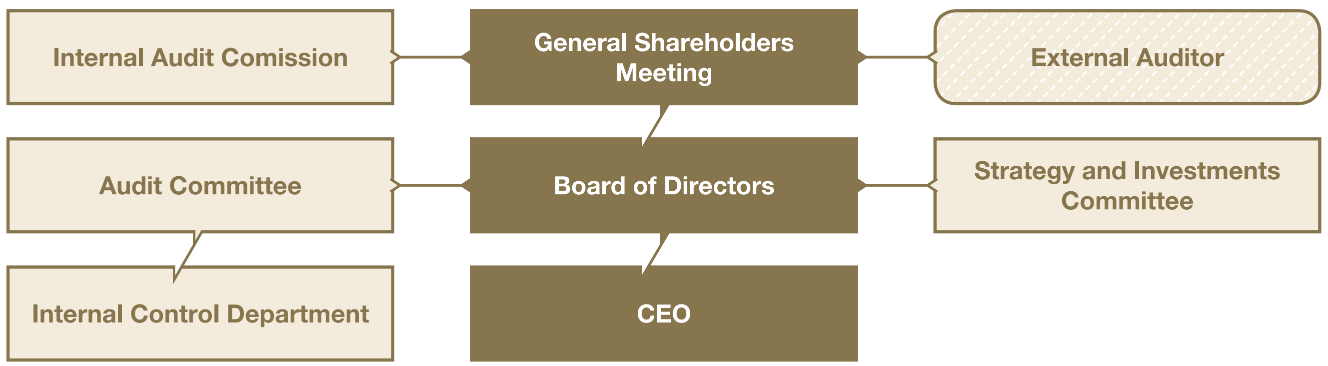
The Company has not officially approved the internal Corporate Governance Code or other similar document, however GV Gold provides its shareholders all opportunities for participation in the Company management and familiarization with the company business information in accordance with the Federal Law "On the Joint Stock Companies", Federal Law "On the Securities Market" and regulatory enactments of the Bank of Russia.

The Company builds its relationships with the shareholders and investors on the basis of the key principle of a reasonable balance of interests of the company as an economic entity and its interests as the joint stock company willing to protect legitimate interests of its shareholders.

The Company is guided with the following principles of the Corporate Governance Code approved by the Bank of Russia:

- equal and fair treatment for all its shareholders in the exercise by them of their rights to participate in the Company management
- equal and fair opportunities to participate in the profits of the Company by receiving dividends
- reliable and efficient methods of recording shareholders rights in shares as well as the opportunity to dispose of such shares freely and without hindrance
- the shareholders have a right for regular and timely obtainment of full and reliable information in regard to the GV Gold business in accordance with provisions of the Federal Law "On the Joint Stock Companies"
- GV Gold is in control of the usage of confidential and insider information.

Structure of the Management and Supervision Bodies



General Shareholders Meeting

In accordance with the Federal Law "On the Joint Stock Companies" and the Charter of GV Gold, the General Shareholders Meeting is the supreme governing body of the Company.

Annual General Shareholders Meeting is held every year not earlier than on March 01 and not later than on June 30. All general meetings other than the Annual General Shareholders Meeting shall be deemed extraordinary general meetings. Extraordinary General Shareholders Meeting is held upon the decision of the Board of Directors of the Company at its own initiative, request of the Internal Audit Commission of the Company, the Auditor of the Company and the shareholder(s) of the Company holding, in aggregate, not less than 10 (Ten) percent of the total number of voting shares of the Company at the date of request.

The Meeting procedure is established with the legislation of the Russian Federation, the Charter and the Regulation on the General Shareholders Meeting of the Company. The following is deemed to be within the scope of responsibility of the General Shareholders Meeting:

- charter capital variation;
- re-organisation or liquidation of the Company;
- determination the quantitative composition of the Board of Directors, the Internal Audit Commission of the Company, election of their members and premature termination of their powers;
- approval of the Company's auditor;
- approval of annual report, annual accounts (financial statements) and distribution of profit, including payment (declaration) of dividends and losses according to the results of the financial year;
- approval of interested party transactions in the cases provided for by the Federal Law "On the Joint Stock Companies";
- resolution of other matters provided for by the Federal Law "On the Joint Stock Companies" and the Charter.

Internal documents governing the Company activity

Internal documents governing the Company activity are published on the GV Gold website http://gvgold.ru/ru/accounts/article/273/

Board of Directors

The Board of Directors carries out general management of the Company except for the issues referred to the competence of the General Shareholders Meeting.

The members of the Company's Board of Directors are elected at the annual or extraordinary General Meeting by cumulative voting for a term up to next Annual General Meeting. The Company's Board of Directors is composed of 8 (Eight) members. The number of members of the Board of Directors may be changed upon the decision of the General Shareholders Meeting however may not be less than 5 (Five) members.

Meetings of the Board of Directors are held in compliance with the present Charter as often as may be necessary but at least once in a quarter. Quorum for a meeting of the Company's Board of Directors shall be not less than a half of the elected members of the Company's Board of Directors.

The following is deemed to be within the scope of responsibility of the Board of Directors:

- determination of the concept and strategy of the Company's development, methods of implementation, approval of the Company's plans and budgets and amendments thereto;
- recommendations on the amount of dividends on the shares and procedure of payment thereof, as well as the date on which the list of persons entitled to the dividends is determined;
- formation of the sole executive body of the Company – General Director, early termination of his/her powers, determination of the amount of remuneration and compensation paid to him/her, approval and alteration of the contract with him/her;
- other issues provided for by the Federal Law "On the Joint Stock Companies" and the Charter.

Meetings of the Board of Directors are mainly convened in absentia to solve the issues, which require its approval in accordance with the legislation and the internal regulations of the Company.

Annual meetings in praesentia are held:

- in May – for the end-of-the-year review, review of the annual statements, the annual report, making of a decision on convocation of the Annual General Shareholders Meeting, preparation of a proposal for the resolution of the Annual General Shareholders Meeting, discussion of a size of the dividends;
- in December – for approval of the Company budget for the next year;
- in other cases upon the request of the Board of Directors or other persons.

Structure of the Board of Directors

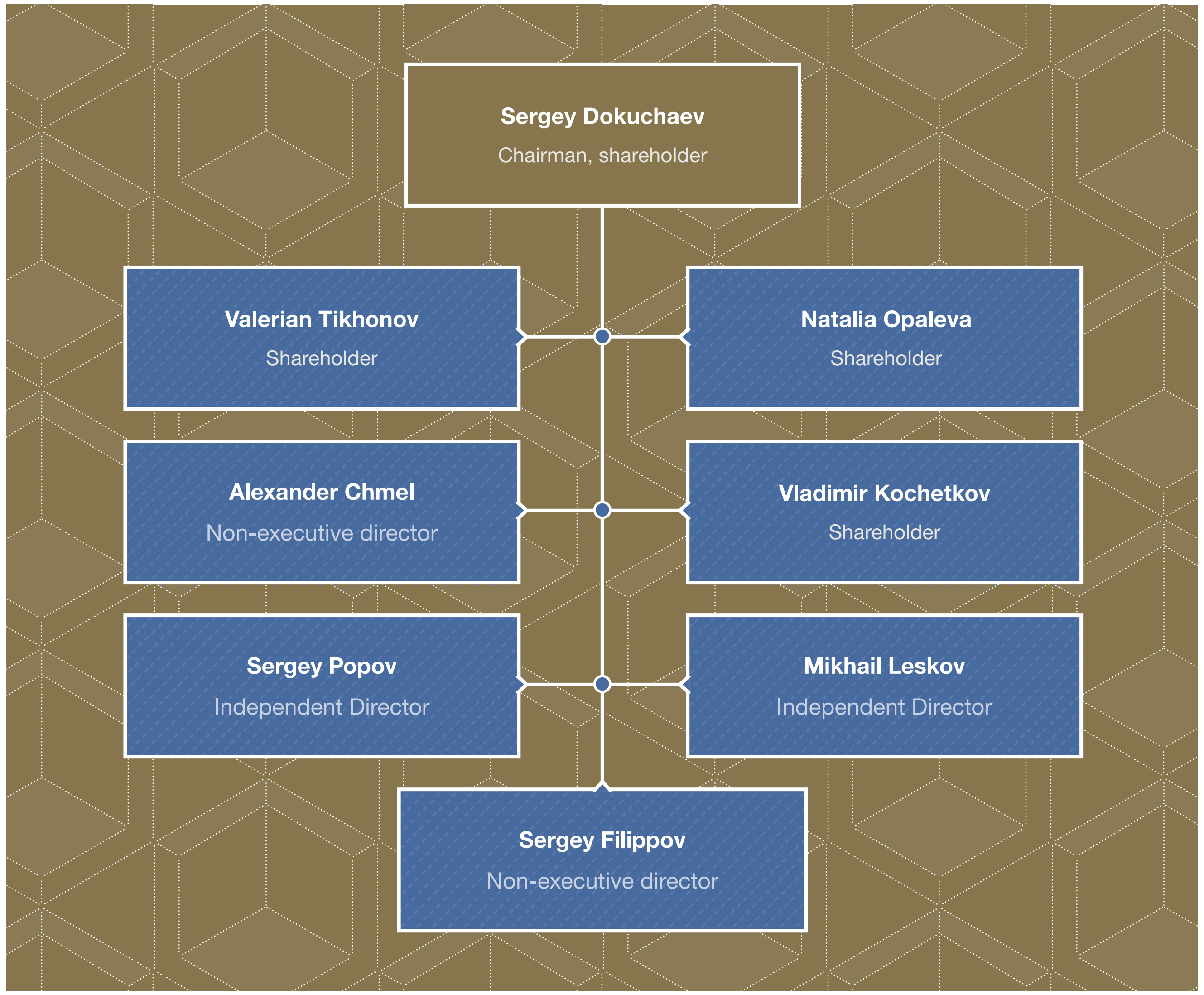
In 2016 there were no variations in the structure of the Board of Directors.

On June 30, 2016 the Annual General Shareholders Meeting (Protocol №OS/V-48 dated June 30, 2016) elected the Board of Directors. 8 persons became the members of the Board of Directors including the Chairman and two Independent Directors.

In 2016, the members of the Board of Directors effected no transactions related with acquisition or carving-out of the GV Gold shares.

Number of Meetings of the Board of Directors in 2016

25%
of the members of the Board of Directors are independent



Sergey V. Dokuchaev

Chairman of the Board of Directors

Year of birth: 1957

Education: Kuibyshev Novosibirsk Civil-Engineering Institute, specialty: Industrial and Civil Construction; Plekhanov Russian Academy of Economy, specialty: Finance and Credit

Positions Occupied over the Last 5 Years

2011–2012	Aldgold Mining Company, CJSC, Chairman of the Board of Directors
2011–2012	Kama Mining Company, OJSC, Member of the Board of Directors
2011–2013	PLP Development Group, CJSC, Member of the Board of Directors
2011–2012	Sanofi-Aventis Investments B.V., Director
2011 – p.t.	JSCB Lanta-Bank (JSC), Chairman of the Management Board (primary place of employment)
2011 – p.t.	Russian Gems, OJSC, Chairman of the Board of Directors
2011 – p.t.	GV Gold, Chairman of the Board of Directors
2016–2016	Bodaibo Mining Company, LLC, Member of the Board of Directors

Equity stake 20.36%

Ordinary shares 20.36%

Natalia V. Opaleva

Member of the Board of Directors

Year of birth: 1969

Education: Lomonosov Moscow State University, specialty: Economist, Professor of the Political Economics

Ph.D. in Economics

Positions Occupied over the Last 5 Years

2011 – p.t.	JSCB Lanta-Bank (JSC), Deputy Chairman of the Management Board (primary place of employment)
2011 – p.t.	Russian Gems, OJSC, Member of the Board of Directors
2011 – p.t.	GV Gold, Member of the Board of Directors, Directors Audit Committee (as a part of the Board of Directors membership)
2011 – p.t.	LT-Resource, CJSC, Financial Director
2012 – p.t.	GV Gold, Chairman of the Board of Directors Strategy and Investments Committee (as a part of the Board of Directors membership)
2013 – p.t.	Private Foundation "AZ Fine Arts Museum", CEO
2016–2016	Bodaibo Mining Company, LLC, Member of the Board of Directors

Equity stake 20.36%

Ordinary shares 20.36%

Valerian A. Tikhonov
Member of the Board of Directors

Year of birth: 1951

Education: Novosibirsk State University, specialty: History

Positions Occupied over the Last 5 Years

2011–p.t. LT-Resource, CJSC, CEO (primary place of employment)

2011–p.t. Russian Gems, OJSC, Member of the Board of Directors

2011–p.t. GV Gold, Member of the Board of Directors

2016–2016 Bodaibo Mining Company, LLC, Member of the Board of Directors

Equity stake 20.36%

Ordinary shares 20.36%

Sergey A. Filippov
Member of the Board of Directors

Year of birth: 1952

Education: Moscow Technological Institute of Food Industry, specialty: Microbiological and Vitamin Production

Positions Occupied over the Last 5 Years

2011–p.t. JSCB Lanta-Bank (JSC), Deputy Chairman of the Management Board, Vice-president (primary place of employment)

2011–p.t. Russian Gems, OJSC, Member of the Board of Directors

2012–2014 GV Gold, Member of the Board of Directors

2015–p.t. GV Gold, Member of the Board of Directors Strategy and Investments Committee (as a part of the Board of Directors membership)

2015–p.t. GV Gold, Member of the Board of Directors

Equity stake 0%

Ordinary shares 0%

Vladimir S. Kochetkov
Member of the Board of Directors

Year of birth: 1941

Education: Irkutsk Polytechnic Institute, specialty: Mine Electric Engineering, Development of Mineral Deposits

Positions Occupied over the Last 5 Years

2011–2012 Aldgold Mining Company, CJSC, Member of the Board of Directors

2011–p.t. GV Gold, Member of the Board of Directors

Equity stake 5.46%

Ordinary shares 5.46%

Sergey G. Popov
Member of the Board of Directors (Independent Director)

Year of birth: 1958

Education: Lomonosov Moscow State University, Economist, Professor of the Political Economics

Positions Occupied over the Last 5 Years

2011–2011 Troika Dialog Investment Company, CJSC, Managing Director

2012–p.t. GV Gold, Member of the Board of Directors; Member of the Board of Directors Strategy and Investments Committee (as a part of the Board of Directors membership); Chairman of the Board of Directors Audit Committee (as a part of the Board of Directors membership)

2012–p.t. Slavkaliy, LLC, Deputy Chairman for Finance, Member of the Board of Directors (primary place of employment)

Equity stake 0%

Ordinary shares 0%

Mikhail I. Leskov
Member of the Board of Directors
(Independent Director)

Year of birth: 1959

Education: Moscow Steel and Alloys Institute, specialty: Processing of Minerals, specialization: Processing Facilities Design

Positions Occupied over the Last 5 Years

2011–2012	ARMZ Uranium Holding (Atomredmetzoloto, OJSC), CEO Counselor
2011–2012	VNIPIpromtechnologii, OJSC (internal engineering company of Atomredmetzoloto, OJSC), Chairman of the Board of Directors
2012–2012	SPb-Giproshakht, LLC (internal engineering company of Severstal, OJSC), Project Manager
2012–2013	Amur Mining Partnership (Russian Platinum Group), Project Manager
2012–2013	GPB Resource, LLC (internal consulting department of Gazprombank), Project Manager
2012–2013	Interminerals Management, LLC (Renova Group), Project Manager
2013–2013	BIN Engineering, LLC (BIN Group), Technical Director of the Shturmovskoye Project
2014–2016	Lermontovsky GOK, LLC, Project Manager
2014–p.t.	GV Gold, Member of the Board of Directors; Member of the Board of Directors Audit Committee (as a part of the Board of Directors membership)
2016–н.в.	American Appraisal Ltd., Director of the Mining Industry Sector

Equity stake 0% Ordinary shares 0%

Alexander V. Chmel
Member of the Board of Directors

Year of birth: 1956

Education: Leningrad Institute of Soviet Trade, specialization: Trade Economy; Leningrad Polytechnic Institute, specialization: Theory and Methods of the Optimum Engineering Solutions

Positions Occupied over the Last 5 Years

2011–2012	PricewaterhouseCoopers Audit, CJSC, Audit Engagement Partner, Head of the team rendering services to the enterprises of the electric power industry in Russia, Central and Eastern Europe
2011–2012	Audit Chamber of Russia (Self-regulating Organization Non-commercial Partnership Audit Chamber of Russia), Member of the Board, Chairman of the International Relations Committee
2012–p.t.	Non-commercial Partnership Independent Corporate Directors Association (Independent Directors Association), Member of the Supervisory Board
2013–2014	TGK-9, OJSC, Member of the Board of Directors, Chairman of the Audit Committee
2013–p.t.	ENEL Russia, PJSC, Member of the Board of Directors, Member of the Board of Directors Audit and Corporate Governance Committee (Chairman of the Committee since July 2015)
2014–p.t.	SKOLKOVO Moscow School of Management, Director of corporate programs, Professor (primary place of employment)
2015–p.t.	GV Gold, Member of the Board of Directors; Member of the Board of Directors Audit Committee (as a part of the Board of Directors membership)
2015–p.t.	Chelyabinsk Pipe Rolling Plant, OJSC, Chairman of the Audit Committee, Member of the Corporate Governance Committee

Equity stake 0% Ordinary shares 0%

Board Committees

Audit Committee

The Committee represents an auxiliary body of the Board of Directors, established for preliminary reviewing of the issues associated with supervision over the Company's financial and economic activity, referred by the Charter to the competence of the Board of Directors.

The Committee was established to improve the efficiency of the Board's supervision over the Company's financial and economic activity through preliminary reviewing and development of recommendations to the Board of Directors.

The Committee consists of not less than 3 members, being independent directors only, and in case it is impossible for objective reasons – being independent directors and directors who are not executive officers of the Company.

Audit Committee Structure:

- Sergei G. Popov,
  Chairman of the Committee, Independent Director
- Mikhail I. Leskov,
  Independent Director
- Alexander V. Chmel,
  Independent Director
- Natalia V. Opaleva,
  Non-executive Director

In 2016, the Audit Committee held 3 meetings to discuss the following issues:
- preliminary review of the RAS and IFRS financial statements including the audit report and the internal audit commission report;
- credit exposure and fulfillment of the financial and other covenants for the creditors;
- risk management;
- review of the internal control department reports.

Strategy and Investments Committee

The Committee represents an auxiliary body of the Board of Directors, established for preliminary reviewing of the issues associated with determination of priority trends of the Company's activity, the concept and strategy of its development, methods of implementation thereof, referred by the Charter to the competence of the Board of Directors.

The Committee acts for the benefit of the Company, its shareholders and investors, in particular, improving the Company's mid-term and long-term performance, expansion of its assets, improvement of its revenue position and investment attractiveness.

Strategy and Investment Committee Structure:

- Natalia V. Opaleva,
  Chairman of the Committee, Non-executive Director
- Sergei G. Popov,
  Independent Director
- Sergei A. Filippov
  Non-executive Director

In 2016 the Strategy and Investment Committee held 1 meeting to discuss the Company development strategy and plans for consolidation and expansion of GV Gold productive capacities.

CEO

Management of the Company's current activity is carried out by the CEO (sole executive body of the Company).

The CEO makes arrangements for fulfillment of the decisions of the General Meeting and the Board of Directors of the Company. All issues of operating control of the current activity of the Company shall fall within the competence of the CEO of the Company except for the issues referred to the competence of the General Meeting and the Board of Directors of the Company in compliance with the provisions of the Federal Law "On the Joint Stock Companies" and the Charter.

In 2016 the GV Gold equity stake held by Mr. Vasilyev did not change.

Event taking place after the reporting date: On April 10, Mr. German R. Pikhoya assumed an office of the CEO of GV Gold.

Sergey A. Vasilyev

Year of birth: 1957

Education: Ordzhonikidze Moscow Geological Exploration Institute

Specialty: Geology, Surveying, Prospecting and Exploration of Mineral Deposits

Positions Occupied:

1980–1987 Production Geological Enterprise YakutskGeology, Senior Technician Geologist, Geologist, Senior Geologist of the Yanskaya (Zapolyarnaya) Exploration Expedition

1987–1990 Production Association YakutZoloto, Ministry of Non-Ferrous Metals, USSR, Chief Geologist of the Mining and Processing Complex KularZoloto

1990–1991 Geological Department of GlavAlmazZoloto of the Council of Ministers, USSR, Specialist of 1st Category

1991–1994 Investment Programs Department of JSC Regional Committee AlmazZoloto, Administrative Assistant, Deputy Director

1994–1995 Azkol, CJSC, CEO Deputy

1995–1996 ImperialZoloto, CJSC; VestZoloto, LLC, Director

1996–1997 Ministry of Industry of the Russian Federation, Deputy Head of the Department of Precious Metals and Gem Stones

1997–2004 JSCB Lanta-Bank (CJSC), Divisional Manager, Head of the Department of Technical and Economic Development, Head of the Expert Group of the Stock Market Transactions Department

2001–2005 Pervenets, OJSC, Director

2005–2008 Inakit, CJSC, Chairman of the Board of Directors

2000–2015 GV Gold, Member of the Board of Directors

2000–2017 GV Gold, CEO

Equity stake 0.91%

Ordinary shares 0.91%

German R. Pikhoya

Year of birth: 1970

Education: Urals State University, Faculty of History, Contemporary History Department, High Honors; Bowdoin College (Brunswick, Maine, USA), exchange program, History major; Russian Academy of State Service, Economy and Finance

Specialty: History, Economy

Positions Occupied:

1994–1995 MOSEXPO, CJSC, Project Manager

1995–1997 PALAMOS, CJSC, CEO

1994–1998 Central Company of the "Evrozoloto" Financial Industrial Group, OJSC, CEO

1998–2000 Placer Dome International Ltd. (Canada), Deputy Head of Representative Office, Business Development Manager

2002–2004 Gold Mining Company "Polyus", CJSC, CEO Deputy

2004–2007 Gold Mining Company "Polyus", CJSC, Vice President for Corporate Development

2007–2011 Polyus Gold, OJSC, Gold Mining Company "Polyus", CJSC, CEO Deputy, Strategy and Corporate Development

2011–2013 Polyus Gold International Limited, Chief Executive Officer (CEO)

2013–2017 Kamchatka Gold and Manganese (RSA), "RENOVA" Group of Companies, Independent Supervisory Board Member

2014–2016 Management Company "ROSNANO", LLC, Deputy Head of Investment Division

2016–2017 Management Company "ROSNANO", LLC, Deputy Chairman of the Executive Board, Head of Investment Division

2017–p.t. GV Gold, CEO

Equity stake 0%

Ordinary shares 0%

Corporate Secretary (Secretary)

Corporate Secretary is elected by the Board of Directors for a term of 1 (One) year. The powers of the Secretary may be prematurely terminated upon decision of the Board of Directors.

The following issues are referred to the competence of the Corporate Secretary:

- verification of compliance of the bodies and the officers of the Company with the requirements of the procedures ensuring rights and interests of the Company's shareholders;
- monitoring of preparation and holding the General Shareholder Meeting in compliance with the requirements of the current legislation of the Russian Federation, this Charter, and internal documents of the Company;
- supervision over the disclosure (submission) of information upon requests of the shareholders, and to the Bank of Russia and other government authorities;
- other issues provided for with the Charter.

Anna A. Denisova

Year of birth: 1979

Education: Lomonosov Moscow State University, specialty: Law

Employment:

2009 – p. t. GV Gold, Corporate Secretary of the Company (Secretary), Head of the Corporate Management and Corporate Information Department

Supervisory Bodies

Internal Audit Commission

The Internal Audit Commission is supervising the Company's financial and economic activity, its compliance with the requirements of the current legislation of the Russian Federation and resolutions of the management bodies.

The following issues are referred to the competence of the Internal Audit Commission:

- audit of the Company's financial records, accounting reports, opinions of the property inventory committee, and comparison of such records with the underlying accounting data; verification of validity of the agreements entered into on behalf of the Company, transactions, settlement with counterparties
- verification of conformity of the accounting records, tax accounting, management and statistic accounting maintenance with the existing statutory regulations, conformity with the statutory acts, regulations and other applicable requirements for financial and business activities
- analysis of the financial condition of the Company, its solvency, liquidity of its assets, debt to equity ratio and net assets to charter capital ratio; identifying ways to improve the economic condition of the Company, and elaboration of recommendations for the management bodies of the Company
- notification of the Board of Directors of the Company on the revealed facts of violation of the procedure established by the legal acts of the Russian Federation for accounting record maintenance, presenting the financial statements and carrying out financial and business activities
- other issues provided for with the Regulation on the Internal Audit Commission of the Company.

Internal Audit Commission structure*:

- Ludmila G. Korzh, Chairman of the Internal Audit Commission
- Yelena G. Kashina
- Lubov N. Yarovikova
- Nina S. Polyakova
- Alexander G. Pavlov

* Event taking place after the reporting date: Following the resolution of the Extraordinary General Shareholders Meeting held on April 20, 2017, the Internal Audit Commission structure was changed to the following:

- Irina E. Batomunkuyeva
- Irina A. Leshina
- Valentina V. Ivanova
- Yuri V. Mosichev
- Alexander G. Pavlov

Internal Control Department

The Internal Control Department is supervising the Company's financial and economic activity, including fulfillment of its financial and economic plan by the structural subdivisions and management bodies of the Company.

The department reports to the Audit Committee of the Board on the results of the internal control implementation. In the functional respect the department is accountable to Audit Committee of the Board, in the administrative respect – to the CEO.

Head of the Internal Control Department – Svetlana V. Berezovskaya.

External Auditor

In 2016, VostSibAudit, LLC acted as the Auditor of the Company carrying out the audit and confirming its financials in accordance with the Russian Accounting Standards (RAS).

In 2016, BDO Unicon, JSC acted as the Auditor of the Company carrying out the audit and confirming its financials in accordance with International Financial Reporting Standards (IFRS). BDO Unicon, JSC has been a reliable partner of the Company since 2007. The auditor is selected on the basis of the annual tender.

Remuneration of the Management Bodies Members

Size of the remuneration payable to the members of the Board of Directors following the results of the year is determined with the resolution of the GV Gold General Shareholders Meeting. The Extraordinary General Shareholders Meeting (Protocol OS/V-31 dated April, 05 2011) made the following decisions:

- To set the remuneration for execution of the functions of the Board of Directors' member, payable to each member of the Board of Directors starting from April 01, 2011, equal to USD 7,500 (seven thousand five hundred) (or its equivalent in other currency) per month.
- The maximum amount of the expenses reimbursable by the Company to each member of the Company's Board of Directors remains unchanged, i.e. USD 50,000 (fifty thousand) (or its equivalent in other currency) per calendar year of execution of the Board of Directors member's duties.

The procedure for reimbursement of relevant costs and payment of the remuneration to the Director for the execution of his duties as a member of the Board of Directors is set out below:

1. On the quarterly basis the Company pays the fees to the Director in the amount equivalent to USD 7,500 (Seven thousand and five hundred) per month, for a period covering three expired calendar months of the Board member duties execution within 10 business days after the end of each calendar quarter within his term as the member of the Board of Directors of the Company.
2. The Company reimburses the Director for the documentary confirmed expenses related to the execution of his duties as a member of the Board of Directors of the Company and member of any committees of the Board of Directors of the Company as the case may be (for example: travel, accommodation, meals, translation services). The maximum amount of expenses which shall be reimbursed by the Company shall be limited to the sum equivalent to USD 50,000 (Fifty thousand) per each year of the Board member duties execution.
3. Reimbursement of expenses by the Company according to paragraph 2 above is conducted only upon presentation by the Director of relevant documents confirming such expenses incurred, on a quarterly basis within ten business days after the end of the relevant quarter.

Reimbursement of expenses of the members of the Board of Directors for execution of the relevant functions is carried out on the basis of the Protocol OS/V-31 of the Extraordinary General Shareholders Meeting dated April 05, 2011. The Company reimburses the costs associated with acquisition of air tickets, travel expenses, accommodation within the framework of participation in the international conferences and exhibitions. In the reporting period, RUB 445,907.85 were reimbursed to the members of the Board of Directors.

In 2016, the remuneration and reimbursement of costs paid to the members of the Board of Directors in the context of execution of the functions of a collective executive body by them totaled RUB 52.9M.

The payment was effected based on the resolution set forth in the Protocol OS/V-31 of the Extraordinary General Shareholders Meeting dated April, 05 2011.

RUB 52.9M

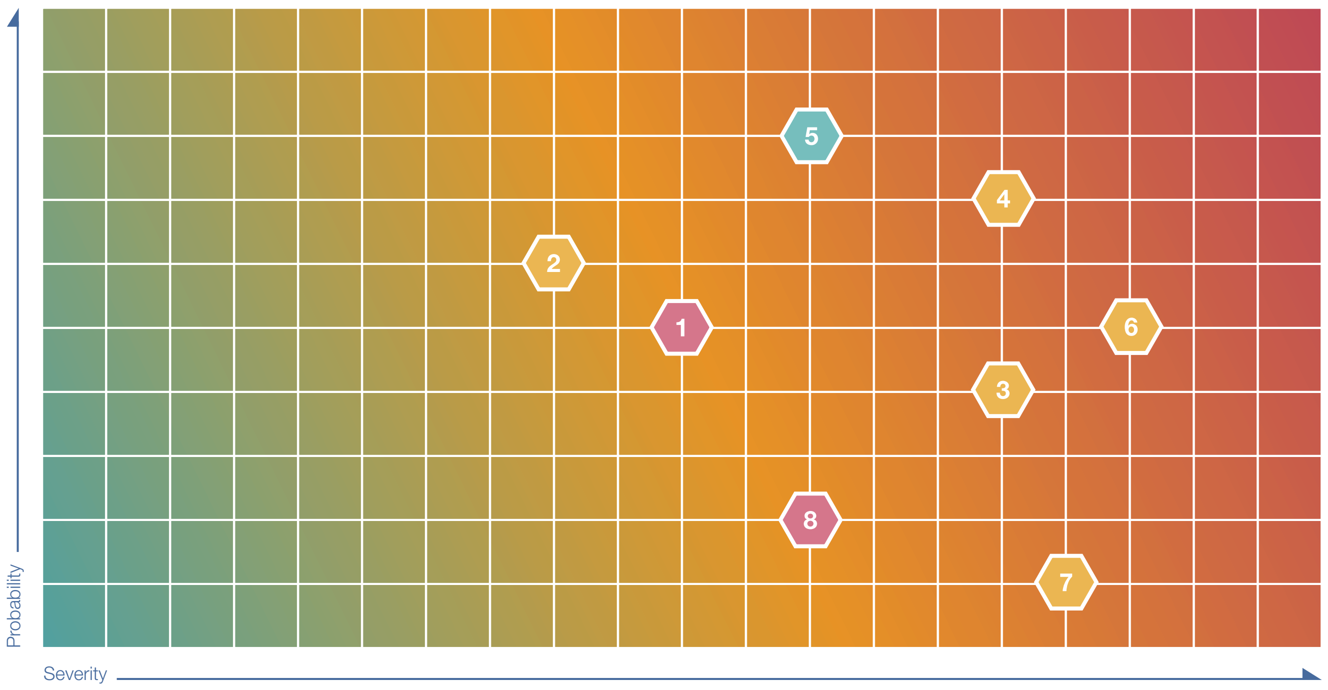
total amount of reimburesement paid to the members of the Board of Directors in 2016

RISK MANAGEMENT

Specific character of the GV Gold business presumes a number of risks which in certain circumstances may render a significant impact on results of its financial and economic activity.

In the field of risk management, the Company strives to improve the efficiency of management decisions via timely identification and analysis of risks and provision of maximum efficiency of the risk management activities. For this purpose the Company has established the Internal Control Department immediately accountable to the Audit Committee.

Map of Key Risks



Possibility to Influence the Risk Low Medium High

№	Key Risk
1	Untimely recovery of the machinery from repairing, breakdowns of the equipment
2	Non-fulfillment of the scopes of mining operations by the contractors
3	Gold price sagging risk
4	Foreign exchange risk
5	Inflation risk
6	Risk of denial or late issue of the exploration license
7	Risk of nationalization and expropriation
8	Emergency situations at the operations

BASIC RISKS

№	Risk	Consequences	Mitigation Measures
	OPERATIONAL RISKS		
1	**Untimely recovery of the machinery from repairing, breakdowns of the equipment**	Non-fulfillment of the target production	Reduction of the repair time at the expense of introduction of the Company's own repair base Engagement of new contractors
2	**Non-fulfillment of the scopes of mining operations by the contractors**	Lagging of the ore blocks preparation	Dispatching system introduction
3	**Interruptions in the power supply from the external power grid**	Complete shutdown of the equipment for the time of switchover to the power supply from the diesel generators Downtime of a part of the equipment due to the absence of a possibility to generate the required power with the diesel generators Increase in the cost of the commodity due to the necessity to generate the power with the diesel generators	Timely and quality maintenance of the step-down substation and the power line Compliance with the requirements of the rules of the technical operation of electric equipment
4	**Risk of introduction of the sanctions on acquisition of the foreign equipment**	Restrictions on acquisition of the foreign mining machinery and equipment may impact the production schedule due to late delivery or acquisition of the equipment from other producers Absence of spare parts for the existing machinery may lead to the necessity to incur new capital expenses Necessity to alter the project solutions Decrease in the labour productivity due to transition to less productive equipment	Preparation of the program of measures aimed at replacement of the foreign equipment with the equivalents made in Russia, China etc. Searching for new suppliers of the equipment with similar technical specifications For the risk mitigation purposes, the Company estimate a possibility of engagement of the suppliers not subject to the restrictions of business in Russia

Possibility to Influence the Risk
Severity
Probability

Low Medium High

№	Risk	Consequences	Mitigation Measures
FINANCIAL RISKS			
5	**Gold price sagging risk**	Decline in profits	Maintenance and increase of the produced gold tonnages at the expense of the average grade increase Optimization of expenses and reduction of cash costs Adjustment of the investment costs Hedging
6	**Foreign exchange risk**	Decline in the USD exchange rate leads to reduction of the RUB gold price at which the Company sells produced gold Growth of the USD exchange rate increases the loss of the Company via alteration of the value of foreign exchange liabilities Growth of the USD exchange rate increases the investment costs for acquisition of foreign equipment resulting in a decrease of the economic efficiency of projects	Optimization of expenses and reduction of cash costs Assessment of a possibility of the expensive core equipment import substitution Ongoing forecasting of the foreign exchange rates for timely taking of required steps Hedging
7	**Inflation risk**	Growth of the RUB inflation rate increases the cost of power, fuels and lubricants, spare parts and other goods and services participating in the COGS calculation. Growth of costs also decreases the Company's economic margin. Growth of the RUB inflation rate increases the cost of equipment, building, installation and other operations required for construction of new mines and exploration	Maintenance of the high Company's liquidity through placement of the maximum quantity of free cash to deposits Permanent monitoring of costs, inflation dynamics and profit margin of the Company
8	**Liquidity risk**	Deterioration of the debt financing terms due to the growth of interest rates and reduction of credit terms at the bank lending market	Interaction with the maximum number of partner banks in respect of the lending issue in order to review the competitive proposals Focus on the bridge financing (up to 5 years) and the project financing (7–8 years) Interaction with the banks aimed at the possible improvement of the current debt financing terms offered to the Company

№	Risk	Consequences	Mitigation Measures
LEGAL RISKS			
9	**Alteration of the requirements in respects to licensing of the primary activity (operational licenses) and the subsurface use licensing**	Suspension of the Company's activity in the spheres subjected to licensing Limitation, suspension or premature termination of the subsurface use rights	Monitoring of the acting licenses and the licensing requirements Maintenance of the licenses register Monitoring of the timely execution of the license agreements' terms
10	**Risk of denial or late issue of the exploration license**	Adjustment of the exploration program or complete cancellation of the program Risk of alteration of the strategic production plans in the regions of presence Risk of overpayment for the resource base expansion in case of the necessity to acquire the licenses from the third party companies	Advance investigation of possible restrictions of operations within the identified areas Preparation of a comprehensive set of documentation for submission of applications in accordance with the requirements of the Rosnedra Subsurface Use Agency
11	**Risk of recognition of a deposit as the strategic one**	Possible ban of the Federal Antimonopoly Service and the Government Committee in respect to an acquisition (direct or indirect) of more than 25% of shares of the mining company by the foreign investor, more than 5% of shares by the international organization	Preliminary registration of less than 50 t of reserves on the state balance with the subsequent re-estimation in the course of exploitation Availability of a list of international institutions not falling under this procedure (incl. the EBRD)
12	**Defaulting of the obligations by the counterparties**	Non-fulfillment of the transaction due to the difficult financial position Seizure of money transferred to the contractor by the tax authority and/or third persons Voidance of the transaction and impossibility to fulfill the contract obligations which may lead to the failure of the project execution timeframes Inability to return the money paid under such transaction and the incurred expenses (real damage)	Examination of the contractors' solvency by the Security Service at the conclusion of the contracts Request for the constitutive documents and the legal analysis of them Structuring of the contracts the way providing for the minimum advance payment at the conclusion of the contract Introduction of penalty sanctions for defaulting of the contract terms

Possibility to Influence the Risk
Severity
Probability

Low Medium High

№	Risk	Consequences	Mitigation Measures
13	**Risk of nationalization and expropriation**	Revocation of a license for the mining asset will lead to a complete termination of the production activity and loss of revenue from this asset Partial or complete nationalization of the Company will lead to a loss of the Company value for the current shareholders	Ongoing monitoring of the subsurface use legislation for timely reaction on any alterations Engagement of the Company's GR service for resolution of any issues.
14	**Provision of false information by the M&A transaction participants**	Infliction of the damage equal to the amount of investments into the project	Use of the deferred payments mechanism Use of the undertakings and warranties Subordination of the transaction to the foreign law regulation taking into account the Company interests

№	Risk	Consequences	Mitigation Measures
ENVIRONMENTAL RISKS			
15	**Negative impact on the environment (emissions/ wastes etc.)**	In case the set limits are exceeded, penal sanctions of the environment protection authorities may reach significant amounts In case the amendments of the acting legislation are adopted, fines for the negative impact may increase 10-fold and more	Compliance with the terms of the license agreements, international environmental norms and requirements of the Russian legislation Exercising of the regular environmental monitoring and internal industrial environmental monitoring Introduction of the ISO 14 001 and OHSAS 18 001 management systems at all operations Obtainment of all required environmental permissions for all stages of the projects life Construction of the wastes disposal facilities (solid domestic waste landfill, tailings dump) in accordance with the acting legislative requirements Storing and transportation of the hazardous materials, including cyanides and explosives, in accordance with the regulatory requirements Recycling of wastes. Utilization of mining wastes for the disturbed land reclamation Construction of the waste water treatment facility Implementation of the power- and resource-saving activities at the facilities of the enterprise
16	**Emergency situations at the operations**	In accordance with the law the damage inflicted with the emergency situation is calculated by the actual data	Insurance of hazardous industrial facilities in accordance with the industrial legislation requirements Carrying out of the drills to ensure the readiness to emergency situations

Possibility to Influence the Risk
Severity
Probability

Low Medium High

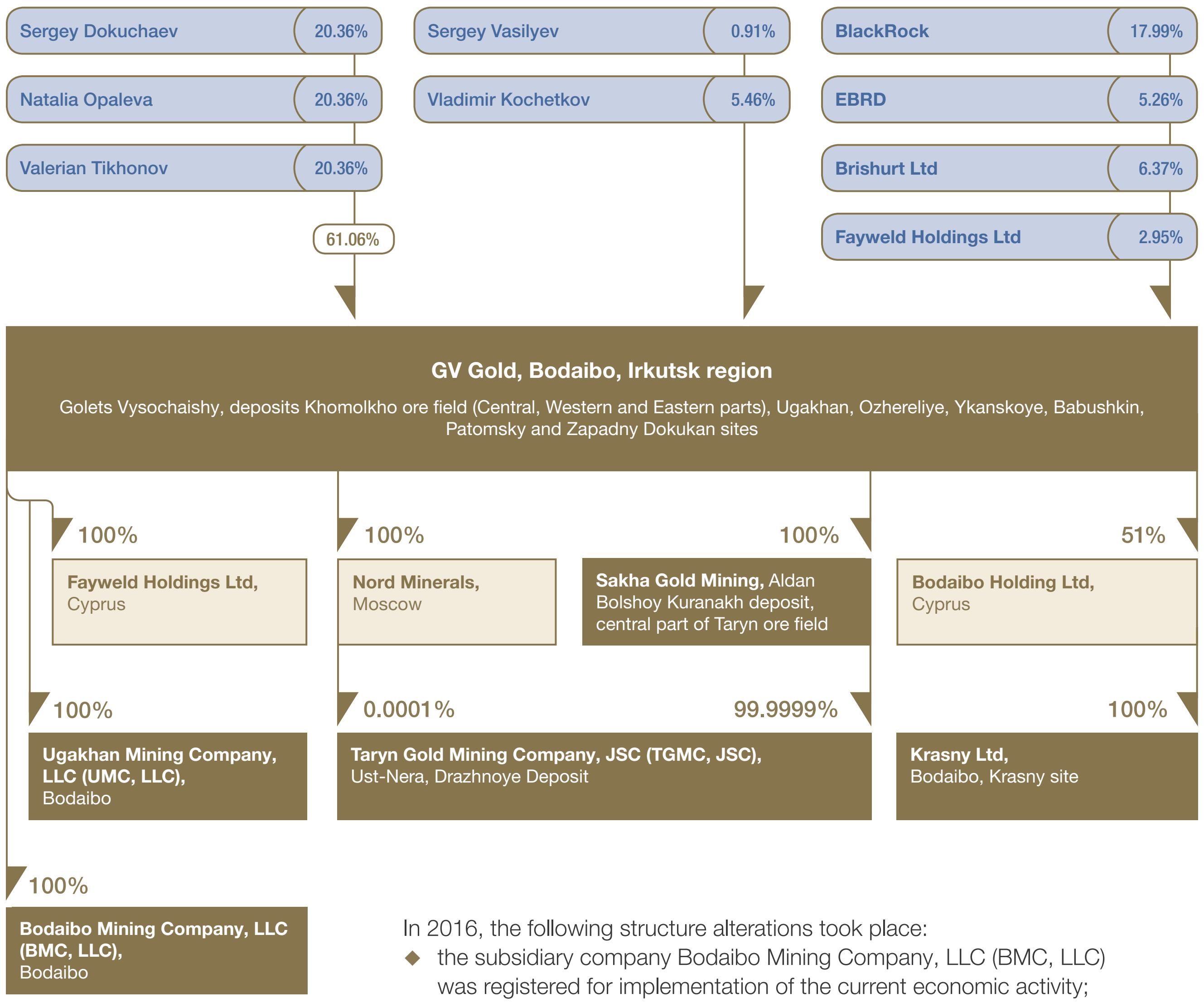
SHAREHOLDERS AND INVESTORS INFORMATION

The Company was established by the General Shareholders Meeting (Protocol № 1 dated February 03, 1998) of CB Lanta-Bank (CJSC) and Lenzoloto, OJSC for the purpose of development of the Golets Vysochaishy gold deposit in the Bodaibo Area of the Irkutsk Region.

Charter capital of GV Gold:
- RUB 109,967.78 comprised of the nominal value of the Company shares
- 54,983,890 of ordinary registered shares with the nominal value of RUB 0.002.

Shareholding Structure in Dynamics

As at December 31, 2016, the GV Gold shareholders are represented with individuals and legal entities.



In 2016, the following structure alterations took place:
- the subsidiary company Bodaibo Mining Company, LLC (BMC, LLC) was registered for implementation of the current economic activity;
- the subsidiary company Ugakhan Mining Company, LLC (UMC, LLC) was established for implementation of the Ugakhan Mine operational management;
- GV Gold (Vysochaishy, OJSC) was renamed into GV Gold (Vysochaishy, PJSC) (Protocol №OS/V 48);
- Taryn Gold Mining Company, CJSC (TGMC, CJSC) was renamed into Taryn Gold Mining Company, JSC (TGMC, JSC) (Protocol №11, 25/05/2016).

Dividend Policy

Dividend policy is intended to establish a transparent and efficient mechanism for determination of the size of dividends and payment thereof, as well as determination of the Board's strategy for drawing up of the recommendations in regard to the size of dividends, the terms and procedures of payment thereof.

Making its decisions in regard to payment of the dividends, the Company follows the principles of balance between the growth of capitalization and the increase of dividends, proceeding from the size of the net profit for the respective period and the Group's production and investment activity development needs.

In accordance with the dividend policy approved by the Board of Directors, the Company strives to distribute not less than 25% of the RAS net profit for the relevant year in the form of dividends.

Resolutions on payment (announcement) of the dividends, including the size of dividends and the form of payment thereof, are adopted by the General Shareholders Meeting by the majority vote of the shareholders holding voting shares of the Company and taking part in the General Shareholders Meeting. Size of the dividends cannot exceed the one recommended by the Board of Directors.

Payment of dividends in the monetary form is made in by bank transfer form by the Company or upon its instruction by the Registrar of the Company maintaining the Shareholders Register of the Company or by the credit organization.

Payment of dividends in monetary form to the individuals which rights to shares are recorded in the Shareholders Register of the Company is made by money order or, upon respective instruction of the said persons by bank transfer to the account of such persons, and to other persons which rights to shares are recorded in the Shareholders Register of the Company is made by bank transfers to their bank accounts. Obligation of the Company on payment of the dividends to these persons is deemed discharged from the date of acceptance of the transferred funds by organization of the federal postal service or from the date of receipt of funds by the credit organization where a person entitled for the dividends has bank account.

Persons entitled for the dividends which rights to the shares are recorded at the nominal holder of the shares receive the dividends in monetary form and in the manner provided for by the current legislation of the Russian Federation in respect of securities. The nominal holder received dividends however failed to fulfill its obligation on transfer thereof as provided for by the legislation of the Russian Federation on securities, due to reason beyond its control, returns the funds to the Company within 10 (Ten) days after one month period from the date of completion of dividend payment.

A person failed to receive payable dividends has a right to put forward payment claim in respect of such dividends (unclaimed dividends) within three years from the date of decisions of payment thereof. Upon expiry of such period the announced but not claimed dividends are entered into books as retained profits of the Company and obligations of the Company on its dividend payments shall be discharged.

Report on Payment of the Declared (Accrued) Dividends upon the GV Gold Shares

Dividends for 2015

On June 30, 2016, the Annual General Shareholders Meeting of GV Gold (Vysochaishy, PJSC) (Protocol №OS/V-48 dated June 30, 2016) adopted the resolution on payment of the dividends for 2015 upon the ordinary registered uncertificated shares of the Company in the amount of RUB 37.9559 per one ordinary share of the Company, net of the taxes payable in accordance with the legislation of the Russian Federation (taking into account the earlier paid interim dividends for H1 2015 in the amount of RUB 19.8086 per one ordinary share).

As at the annual report approval date, the total amount of dividends actually paid for 2015 made RUB 2,086,963,000, including:
- RUB 997,809,000 – for 2015, excluding the interim dividends for H1 2015 paid in 2015.
- RUB 1,089,154,000 – interim dividends for H1 2015.

Dividends for H1 2016

On September 28, 2016, the Extraordinary General Shareholders Meeting of GV Gold (Vysochaishy, PJSC) (Protocol №OS/V-49 dated September 28, 2016) adopted the resolution on payment of the dividends for H1 2016 upon the ordinary registered uncertificated shares of the Company in the amount of RUB 19.7842 per one ordinary share of the Company, net of the taxes payable in accordance with the legislation of the Russian Federation.

As at the annual report approval date, the total amount of dividends actually paid for H1 2016 made RUB 1,087,812,000.

The dividends are payable before November 15, 2016.

ACTUALLY PAID DIVIDENDS*, M RUB

	2009	2010	2011	2012	2013	2014	2015	2016
H2	67.977	78.63	337.436	878.423	486.112	492.018	997.809	–
H1	67.977	96.679	269.826	503.158	198.382	437.87	1,089.154	1,087.812
Total	**135.955**	**175.309**	**607.262**	**1,381.58**	**684.494**	**929.888**	**2,086.963**	–

DIVIDENDS PER SHARE, RUB

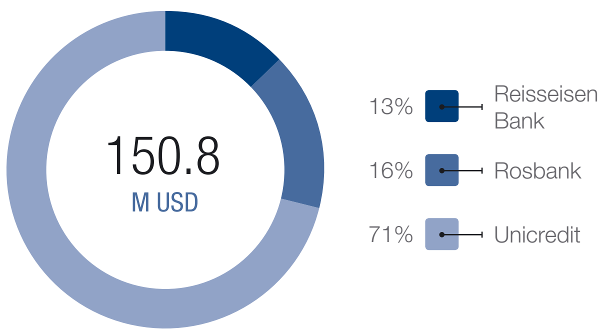
	2009	2010	2011	2012	2013	2014	2015	2016
H2	1.305	4.875	6.137	15.976	8.841	8.948	18.147	–
H1	1.305	1.856	5.18	9.151	3.608	7.964	19.809	19.784
Total	**2.61**	**6.731**	**11.044**	**25.127**	**12.449**	**16.912**	**37.956**	–

Registrar

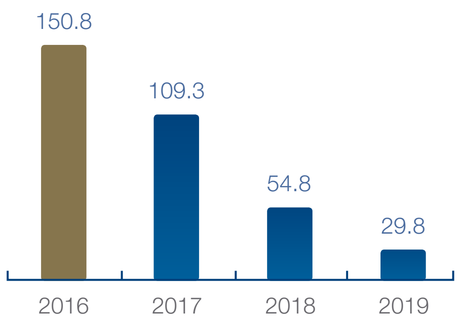
Register of the Company's registered securities is kept by Independent Registrar Company, JSC (before October 6, 2015 – Computershare Registrar, JSC). Independent Registrar Company, JSC has been working on the stock market since 1996 and is one of the largest registrars on the Russian market providing the shareholders register administration services.

Credit Portfolio

Debt Structure as of 31.12.2016, USD



Repayment Schedule, M USD



* The discrepancy between the accrued and actually paid dividends is absent.

	2014	2015	2016
BANK LOANS, M RUB			
Long term	3,660	6,235	7,105
Current part of long term loans and interest due	11	708	2,046
TOTAL	**3,671**	**6,943**	**9,150**
FINANCIAL LEASE LIABILITIES, M RUB			
Long term	208	171	89
Short term	58	70	57
TOTAL	**266**	**241**	**146**
Total debt	3,937	7,184	9,296
Net debt	1,391	3,255	6,006
Net debt/EBITDA	0.38	0.45	0.79

Disclosure

In connection with the prospectus registration, GV Gold (Vysochaishy, PJSC) discloses the relevant information in accordance with the requirements of Article 30 of the Federal Law №39-FZ "On the Securities Market" dated 22.04.1996 and the Regulations for disclosure of the information by the issuers of the equity securities approved by the Resolution № 454-P of the Central Bank of the Russian Federation dated 30.12.2014.

Information policy of the Company is aimed at the most complete satisfaction of needs of the shareholders and other stakeholders in authentic information on the Company and its activity and provision of free and easy access to such information.

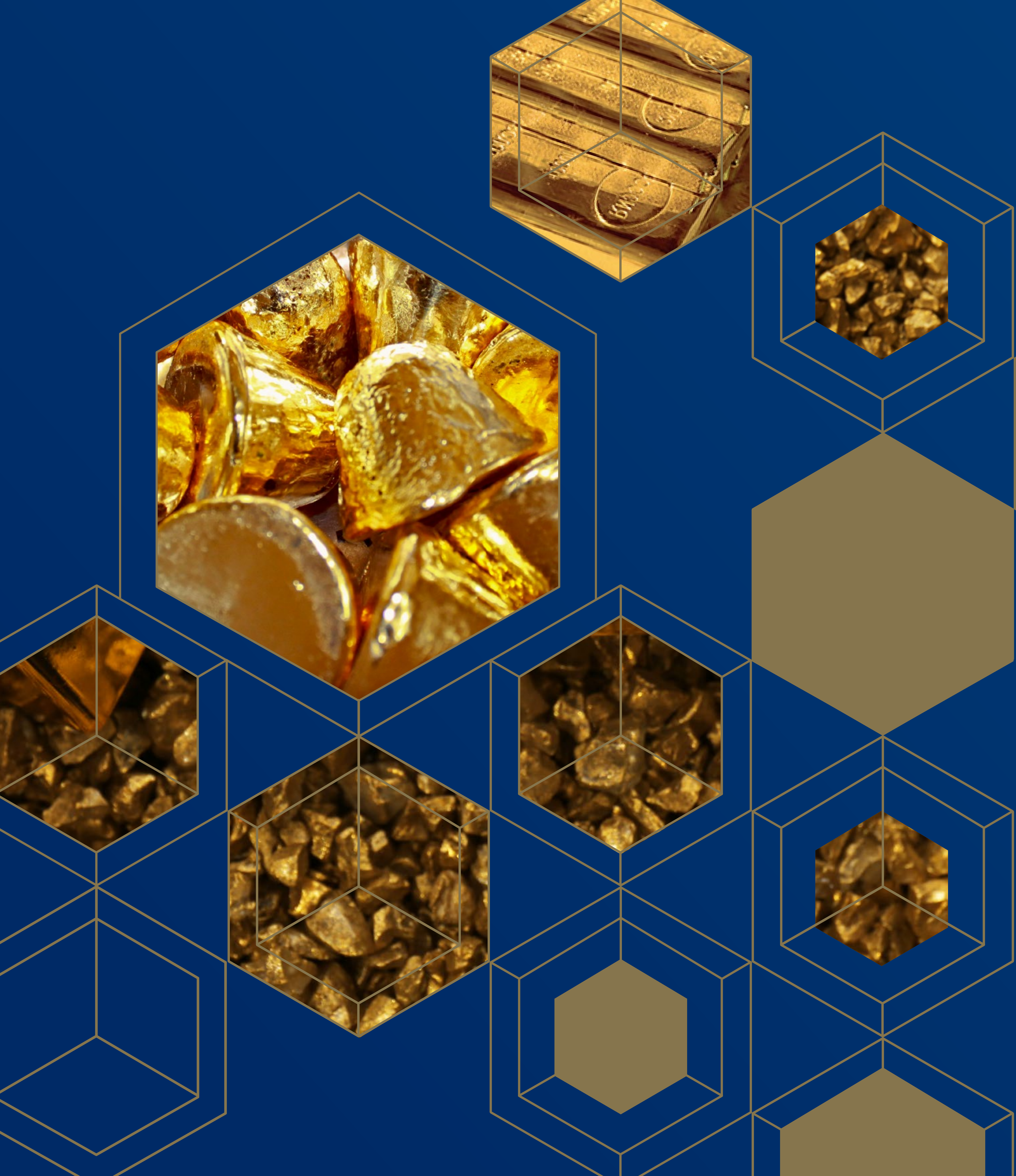
For the general information distribution purposes the Company uses its official website www.gvgold.ru

Basic information disclosure principles:

- regularity and timeliness of its provision
- equality of the rights of all the shareholders and other stakeholders in receiving the information on the Company and its activity taking into account limitations envisaged by the legislation of the Russian Federation
- authenticity and completeness of its contents, observance of a reasonable balance between the openness of the Company and its commercial interests
- observance of confidentiality requirements in respect to the insider information of the Company.

GV Gold uses the following web page for disclosure of its information: http://www.e-disclosure.ru/portal/company.aspx?id=8394

Corporate information disclosure center, GV Gold web page



FINANCIAL STATEMENTS

5 FINANCIAL STATEMENTS

RAS STATEMENTS

Audit Report and RAS Statements

Audit report on the annual accounting (financial) statements of GV Gold (Vysochaishy, PJSC), summarizing the results for 2016, prepared for the GV Gold (Vysochaishy, PJSC) shareholders in accordance with the Russian Accounting Standard (RAS).

Information on the Audited Entity

Name: **GV Gold (Vysochaishy) Public Joint Stock Company**

GV Gold (Vysochaishy, PJSC) was registered by the Municipal Unit of Bodaibo and the district of the Irkutsk Region. The State Registration Certificate № 451-p was issued on May 29, 2001.

The Certificate 38 №000275650 on the Entry into the Unified State Register of Legal Entities enlisting legal entities registered prior to July 1, 2002, was issued on November 19, 2002 by the Interregional Inspectorate № 3 of the Ministry of Taxation of the Russian Federation in the Irkutsk Region; the entry was assigned the primary state registration number 1023800732878.

Location:
666902, Irkutsk Region, Bodaibo, Berezovaya Str., 17.

Information on the Auditor

Name: **VostSibAudit, LLC.**

VostSibAudit, LLC is registered by the Interregional Inspectorate №17 of the Federal Tax Service in the Irkutsk Region on June 08, 2011 under the primary state registration number 1113850020790. The Certificate 38 № 003253475 on the entry into the Unified State Register of Legal Entities pertaining to establishment of the legal entity was issued.

Location:
664047, Irkutsk, Sovetskaya Str., 3, office 301.
Tel.: (395)72-45-25, 25-22-15
Tel./Fax: (395)25-22-15, 28-02-27
E-mail: info@vsaudit.ru
Director: Nadezhda P. Knyazkova

VostSibAudit, LLC is a member of the self-regulated auditors union – Sodruzhestvo Association, the entry registration number is 11606072984 dated 14.12.2016.

Nadezhda P. Knyazkova, the Director, acting on the basis of the Charter, is authorized to sign the Audit Report.

Structure of the Audited Annual Accounting (Financial) Statements

We have performed auditing of the attached annual accounting (financial) statements of GV Gold (Vysochaishy, PJSC) consisting of the Balance Sheet as at 31.12.2016, Statement of Financial Results, appendices to the Balance Sheet and the Statement of Financial Results, including the Statement of Changes in Equity and the Cash Flow Statement for 2016, Explanatory Notes to the Balance Sheet and the Statement of Financial Results.

Responsibility of the Audited Entity for the Annual Accounting (Financial) Statements

In accordance with the Russian rules of the accounting (financial) statements preparation, responsibility for the authenticity of the specified annual accounting (financial) statements and the internal control system, required for preparation of the annual accounting (financial) statements free from any material corruptions resulting from an unfair practice or error, rests on the management of the Company.

Responsibility of the Auditor

Our responsibility is to express an opinion on authenticity of the annual accounting (financial) statements on the basis of the performed Audit. We carried out the Audit in accordance with the federal auditing standards. The above mentioned standards require observance of the applicable ethic norms, proper planning and implementation of the Audit allowing to obtain a reasonable assurance that the annual accounting (financial) statements do not contain any material corruptions.

The Audit included implementation of the procedures aimed at reception of the audit evidence supporting numeric values in the annual accounting (financial) statements and the disclosure of information in them. Selection of the auditing procedures represents a matter of our judgment based on estimation of the risk of material corruptions resulting from an unfair practice or error. In the course of the given risk estimation we reviewed the internal control system, providing soundness and authenticity of the annual accounting (financial) statements, in order to select the appropriate auditing procedures, but not in order to express any opinion regarding the internal control system efficiency.

The Audit also included estimation of propriety of the applied accounting policy and soundness of the estimated figures produced by the audited entity management as well as the estimation of the annual accounting (financial) statements presentation in general.

We believe that the audit evidence produced in the course of the Audit provide a sufficient basis for expressing the opinion regarding the annual accounting (financial) statements authenticity.

Opinion

In our opinion, the annual accounting (financial) statements provide an authentic reflection of the GV Gold (Vysochaishy, PJSC) financial position as at December 31, 2016 in all material respects, financial results of its activity and cash flows for 2016, in accordance with the Russian rules of the accounting (financial) statements preparation.

Director of the VostSibAudit, LLC

Nadezhda P. Knyazkova

(Auditor's Qualification Certificate №006745 granting the right to carry out the general auditing activity)

March 31, 2017

RAS Financial Statements
Balance Sheet as at December 31, 2016
GV Gold (Vysochaishy, PJSC)

Item	Code	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
ASSETS				
I. NON-CURRENT ASSETS				
Intangible assets	1110	783 128	346 725	393 873
including:				
Intangible assets owned by the company	11101	783 039	346 725	356 766
Acquisition of intangible assets	11102	89	–	37 107
Results of research and development studies	1120	0	–	–
Intangible prospecting assets	1130	1 371 154	1 307 777	982 155
Tangible prospecting assets	1140	0	–	–
Fixed assets	1150	7 495 775	4 721 191	3 201 052
including:				
Equipment to be installed	11501	634 983	419 073	80 370
Fixed assets construction	11502	3 244 914	1 536 490	907 752
Fixed assets owned by the company, incl.:	11503	3 615 878	2 765 628	2 212 930
Machinery and equipment	11504	1 050 230	1 129 345	923 362
Buildings	11505	386 162	472 846	475 435
Structures	11506	464 104	529 817	230 121
Vechiles	11507	1 682 221	601 137	296 839
Other fixed assets	11508	33 162	32 483	287 173
Income-bearing investments in tangible assets	1160		–	–
Financial investments	1170	4 046 773	3 282 753	2 715 378
including:				
Shares	11701	1 131 585	1 019 893	907 603
Loans	11702	2 915 188	2 262 860	1 407 775
Deposit accounts	11703		–	400 000
Deferred tax assets	1180	47 271	180 101	165 087
Other non-current assets	1190	4 385 008	2 741 900	2 520 125
including:				
Loans	11901	3 882 691	1 648 220	1 648 220
Advances made	11902	376 074	939 899	794 816
Accounts receivable	11903		119 859	68 719
Deferred expenses	11904	126 242	33 922	8 370
Total for section I	**1100**	**18 129 108**	**12 580 448**	**9 977 670**

RAS Financial Statements
Balance Sheet as at December 31, 2016
GV Gold (Vysochaishy, PJSC)

Item	Code	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
II. CURRENT ASSETS				
Reserves	1210	1 874 873	1 547 612	1 458 606
including:				
Materials	12101	1 310 890	922 091	855 351
Core production	12102	463 635	544 792	541 060
Semifinished products of produced in house	12103	100 349	80 729	62 195
Value added tax for valuables acquired	1220	16 600	3 596	44 547
Accounts receivable	1230	1 625 131	1 830 242	1 569 397
including:				
Settlements with suppliers and contractors	12301	135 139	231 792	188 059
Settlements with purchasers and clients	12302	28 485	17 618	23 680
Settlements in respect of taxes and levies	12303	1 142 149	783 967	643 161
Settlements in respect of social insurance and social security	12304	777	620	908
Settlements with accountable persons	12305	1 746	975	323
Settlements with staff in respect of other operations	12306	130	507	623
Settlements with debtors and creditors	12307	316 704	794 763	712 643
Financial investments (excluding cash equivalents)	1240	0	3 458 350	317 863
including:				
Loans	12401		901 022	67 863
Deposit accounts	12402		2 557 328	250 000
Cash and cash equivalents	1250	1 062 498	389 802	1 994 744
including:				
Company cash account	12501	78	100	218
Settlement accounts	12502	104 946	104 986	76 641
Deposit accounts	12503	957 144	284 000	1 917 528
Other special accounts	12504	330	716	357
Other current assets	1260	152 865	1 911	164
Total for section II	**1200**	**4 731 967**	**7 231 513**	**5 385 321**
BALANCE	**1600**	**22 861 075**	**19 811 961**	**15 362 991**

RAS Financial Statements
Balance Sheet as at December 31, 2016
GV Gold (Vysochaishy, PJSC)

Item	Code	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
LIABILITIES				
III. CAPITAL AND RESERVES				
Charter capital (share capital, statutory fund, partners' contributions)	1310	110	110	110
Treasury shares	1320	0	–	–
Revaluation of non-current assets	1340	0	–	–
Added capital (without revaluation)	1350	1 912 488	1 912 488	1 912 488
Reserve capital	1360	110	110	110
Retained profit (pending loss)	1370	17 089 766	12 920 228	9 510 327
including:				
Interim dividends	13701	(1 087 812)	(1 089 154)	(437 870)
Total for section III	**1300**	**19 002 474**	**14 832 936**	**11 423 035**
IV. LONG-TERM LIABILITIES				
Debt funds	1410	1 516 423	3 036 779	2 812 920
including:				
Long-term credits (in foreign currency)	14101	1 516 423	3 036 779	2 812 920
Deferred tax liabilities	1420	490 283	575 088	447 919
Estimated liabilities	1430	0	–	–
Other liabilities	1450	0	–	–
Total for section IV	**1400**	**2 006 706**	**3 611 867**	**3 260 839**
V. SHORT-TERM LIABILITIES				
Debt funds	1510	1 018 474	616 227	6 983
including:				
Short-term credits (in foreign currency)	15101	1 010 948	607 356	–
Interest on credits (in foreign currency)	15102	7 526	8 871	6 983

RAS Financial Statements
Balance Sheet as at December 31, 2016
GV Gold (Vysochaishy, PJSC)

Item	Code	As at December 31, 2016	As at December 31, 2015	As at December 31, 2014
Accounts payable	1520	740 144	682 060	635 615
including:				
Settlements with suppliers and contractors	15201	265 567	147 419	59 250
Settlements in respect of taxes and levies	15202	144 805	76 834	60 623
Settlements in respect of social insurance and social security	15203	74 230	71 004	38 856
Settlements with staff in respect of labour compensation	15204	211 078	212 473	174 798
Settlements with accountable persons	15205	74	143	179
Settlements with debtors and creditors	15206	44 390	174 187	301 909
Deferred revenues	1530	0	–	–
Estimated liabilities	1540	93 277	68 871	36 519
Other liabilities	1550	0	–	–
Total for section V	**1500**	**1 851 895**	**1 367 158**	**679 117**
BALANCE	**1700**	**22 861 075**	**19 811 961**	**15 362 991**

Manager

Alexander A. Lazuta

March 24, 2017

Statement of Financial Results for the Period Starting on January 1 and Ending on December 31, 2016
GV Gold (Vysochaishy, PJSC)

Item	Code	Jan–Dec 2016	Jan–Dec 2015
Revenue	2110	12 903 213	11 828 510
including: Sales of gold	21101	12 835 264	11 807 305
Sales of silver	21102	22 401	21 205
Processing of samples	21103	45 548	–
Cost of goods sold	2120	(4 792 978)	(4 350 079)
including: Gold	21201	(4 773 417)	(4 350 079)
Processing of samples	21202	(19 561)	
Gross profit (loss)	2100	8 110 236	7 478 431
Selling expenses	2210	–	–
Administrative expenses	2220	(851 099)	(805 016)
Sales profit (loss)	2200	7 259 137	6 673 415
Profit from participation in other companies	2310	233	150
Interest receivable	2320	325 525	249 873
Interest payable	2330	(126 470)	(109 939)
Other income	2340	2 180 268	4 018 868
including: Exchange rate differences	23401	1 798 991	3 764 392
Other operating income	23402	381 277	254 476
Other expenses	2350	(1 782 122)	(4 500 286)
including: Exchange rate differences	23501	(1 526 027)	(4 174 782)
Other operating expenses	23502	(256 095)	(325 504)
Profit (loss) before tax	2300	7 856 571	6 332 081
Current profit tax	2410	(1 440 075)	(1 194 644)
Incl. constant tax liabilities (assets)	2421	11 473	12 441
Change in deferred tax liabilities	2430	(103 651)	(99 227)
Change in deferred tax assets	2450	(39 061)	15 014
Other	2460	104 220	(51)
Net profit (loss)	2400	6 378 004	5 053 173
			ФОРМА 0710002 С.2
Results of non-current assets revaluation not included into the net profit (loss) of the period	2510	–	–
Result of other operations not included into the net profit (loss) of the period	2520	–	–
Cumulative financial result of the period	2500	6 378 004	5 053 173
For reference: Basic profit (loss) per share	2900	–	–
Diluted profit (loss) per share	2910	–	–

Manager

Alexander A. Lazuta

March 24, 2017

IFRS STATEMENTS

Audit Report and IFRS Statements

BDO

Independent Auditor's Report

To the Shareholders and the Board of Directors of GV Gold (Vysochaishy, PJSC)

We have audited the consolidated financial statements of GV Gold (Vysochaishy, PJSC) (Primary State Registration Number 1023800732878, 666902, Russian Federation, Irkutsk Region, Bodaibo, Berezovaya Str. 17) and its subsidiaries (hereinafter – the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, as well as the notes to the consolidated financial statements for 2016 including a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS)

Basis for the Opinion

We have conducted our audit in accordance with the International Auditing Standards (IAS). Our responsibilities under these standards are further described in the "The Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Group in compliance with the ethical requirements applicable to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with the same ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The management is responsible for the other information. The other information comprises the information included in the Annual Report of GV Gold (Vysochaishy, PJSC), but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report of GV Gold (Vysochaishy, PJSC) will presumably be provided to us after the date of this audit report in June 2017 before the date of its official release.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to review the other information after it is provided and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, upon reviewing of the Annual Report of GV Gold (Vysochaishy, PJSC), we conclude that it contains a material misstatement, we are required to report that fact to the members of the Board of Directors.

Responsibilities of the Management for the Consolidated Financial Statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Members of the Board of Directors are responsible for overseeing the Group's consolidated financial reporting process.

The Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives during the audit are to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error, and to issue, on the basis of the above, an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and they 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 consolidated financial statements.

As part of an audit in accordance with the International Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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;

b) Obtain 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 Group's internal control;

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

d) Conclude 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the 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 Group to cease to continue as a going concern;

e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Head of the audit task on the basis of which the Independent Auditor's Report was issued

V. Yu. Poguliaev

April 20, 2017

«БДО Юникон» МОСКВА

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2016

(in thousands of Russian Roubles, unless otherwise stated)

	Note	For the year ended 31 December	
		2016	2015
Revenue	4	13 669 086	12 805 169
Cost of sales	5	(5 746 717)	(5 241 084)
Gross profit		7 922 369	7 564 085
Administrative expenses	6	(1 208 337)	(1 083 385)
Other operating expenses, net	7	48 121	(162 773)
Operating profit		6 762 153	6 317 927
Finance income	8	1 786 423	163 420
Finance costs	8	(547 873)	(1 232 148)
Profit before tax		8 000 703	5 249 199
Income tax expense	9	(1 585 898)	(1 159 860)
Net profit for the year		6 414 805	4 089 339
Other comprehensive income			
Translation reserve		(41 703)	95 444
Total other comprehensive income		6 373 102	4 184 783
Net profit for the year attributable to:			
Shareholders of the parent company		6 376 768	4 090 326
Non-controlling interest		38 037	(987)
Total comprehensive income attributable to:			
Shareholders of the parent company		6 344 251	4 139 002
Non-controlling interest		28 851	45 781
Basic earnings per share (RUB)	10	119,50	76,65

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position as at 31 December 2016

(in thousands of Russian Roubles, unless otherwise stated)

	Note	As at 31 December	
		2016	2015
ASSETS			
Non-current assets			
Goodwill	11	111 003	111 003
Property, plant and equipment	12	7 862 802	5 320 581
Construction-in-progress	13	3 476 808	2 749 493
Mine under development	14	7 668 590	4 875 310
Intangible assets	15	116 090	63 977
Exploration and evaluation assets	16	845 777	1 118 625
Loans issued	18	82 636	19 332
Investments in joint ventures	30	131 047	115 999
Total non-current assets		20 294 753	14 374 320
Current assets			
Inventories	2, 19	2 651 882	1 747 460
Trade and other receivables	20	295 664	336 642
Taxes receivable	22	1 396 752	1 101 649
Prepaid income tax		313 955	234 557
Loans issued and other financial assets	18	29 799	554 939
Cash and cash equivalents	21	3 290 486	3 929 746
Total current assets		7 978 538	7 904 993
TOTAL ASSETS		28 273 291	22 279 313
EQUITY AND LIABILITIES			
Equity	23		
Share capital		110	110
Treasury shares		(3)	(3)
Retained earnings		14 131 270	9 668 917
Translation reserve		32 833	65 350
Equity attributable to shareholders of the Company		14 164 210	9 734 374
Non-controlling interests		400 852	372 001
Total capital		14 565 062	10 106 375

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position as at 31 December 2016

(in thousands of Russian Roubles, unless otherwise stated)

	Note	As at 31 December	
		2016	2015
Non-current liabilities			
Loans and borrowings	24	**7 104 737**	6 235 365
Liabilities under put options	23	**1 216 641**	2 714 705
Obligations under finance lease	25	**88 772**	171 498
Decommissioning provision	26	**289 057**	302 848
Deferred tax liabilities	17	**633 514**	504 590
Total non-current liabilities		**9 332 722**	**9 929 006**
Current liabilities			
Loans and borrowings	24	**2 045 510**	708 365
Liabilities under put options	23	**1 042 682**	624 794
Obligations under finance lease	25	**57 417**	69 641
Trade and other payables	27	**1 005 259**	519 934
Taxes payable	28	**224 639**	181 967
Obligations occurred during business combination		**–**	139 230
Total current liabilities		**4 375 507**	**2 243 931**
TOTAL EQUITY AND LIABILITIES		**28 273 291**	**22 279 313**

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016

(in thousands of Russian Roubles, unless otherwise stated)

	Share capital	Treasury shares	Share premium	Retained earnings	Translation reserve	Equity attributable to owners of the Company	Non-controlling interest	Total Equity
Balance as at 31 December 2014	**110**	**(3)**	**1 032 078**	**10 091 697**	**16 674**	**11 140 556**	**326 220**	**11 466 776**
Profit/(loss) for the year	–	–	–	4 090 326	–	4 090 326	(987)	4 089 339
Other comprehensive income for the year	–	–	–	–	48 676	48 676	46 768	95 444
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**4 090 326**	**48 676**	**4 139 002**	**45 781**	**4 184 783**
Dividends				(1 532 771)		(1 532 771)		(1 532 771)
Liabilities under put option (Note 23)	–	–	(1 032 078)	(2 980 335)	–	(4 012 413)	–	(4 012 413)
Balance as at 31 December 2015	**110**	**(3)**	**–**	**9 668 917**	**65 350**	**9 734 374**	**372 001**	**10 106 375**
Profit/(loss) for the year				6 376 768		6 376 768	38 037	6 414 805
Other comprehensive income for the year	–	–	–	–	(32 517)	(32 517)	(9 186)	(41 703)
Total comprehensive income/ (expense) for the year	**–**	**–**	**–**	**6 376 768**	**(32 517)**	**6 344 251**	**28 851**	**6 373 102**
Dividends	–	–	–	(1 914 415)	–	(1 914 415)	–	(1 914 415)
Balance as at 31 December 2016	**110**	**(3)**	**–**	**14 131 270**	**32 833**	**14 164 210**	**400 852**	**14 565 062**

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows for the Year Ended 31 December 2016

(in thousands of Russian Roubles, unless otherwise stated)

	For the year ended 31 December	
	2016	**2015**
OPERATING ACTIVITIES		
Profit before tax	**8 000 703**	**5 249 199**
Adjustments to:		
Depreciation and amortisation	**725 174**	686 649
Loss/(gain) on foreign exchange operations	**(1 667 586)**	1 007 590
Loss/(gain) on disposal of property, plant and equipment	**7 297**	922
Loss/(gain) on disposal of inventories	**96 387**	(18 932)
Change in allowance for doubtful debts	**(14 588)**	9 516
Increase/(decrease) in allowance for impairment of loans issued	**–**	98 581
Increase/(decrease) in allowance for inventories	**–**	1 535
Interest income	**(118 837)**	(154 250)
Interest expense	**490 761**	200 724
Unwinding of discount on provisions	**31 678**	23 834
Other non-cash transactions	**25 434**	(9 170)
Operating profit before changes in working capital	**7 576 423**	**7 096 198**
(Increase)/decrease in inventories	**(1 373 426)**	(377 009)
(Increase)/decrease in trade and other receivables	**(305 523)**	(236 099)
Increase/(decrease) in trade and other payables	**691 296**	46 058
Change in obligations occurred during business combination	**(139 230)**	–
Increase/(decrease) in provisions	**51 837**	23 824
Increase/(decrease) in taxes payable	**42 672**	71 818
Net cash flows provided by operating activities	**6 544 049**	**6 624 790**
Income tax paid	**(1 536 372)**	(1 079 491)
Net cash flows provided by operating activities	**5 007 677**	**5 545 299**
INVESTING ACTIVITIES		
Interest received	**158 546**	156 660
Acquisition of property, plant and equipment	**(4 402 098)**	(1 858 174)
Proceeds from sale of property, plant and equipment	**26 690**	254
Acquisition of intangible assets	**(56 282)**	(14 434)
Exploration and evaluation expenditures and costs related to mine development projects	**(1 856 842)**	(2 252 781)

The accompanying notes are an integral part of these consolidated financial statements

	For the year ended 31 December	
	2016	**2015**
Loans granted	**(63 303)**	(499 332)
Proceeds from repayment of short-term loans	**525 140**	413 757
Investments in a joint venture	**(40 506)**	(100 354)
Net cash flows used in investing activities	**(5 708 655)**	**(4 154 404)**
FINANCING ACTIVITIES		
Proceeds from loans and borrowings	**4 065 862**	1 941 200
Repayment of loans and borrowings	**(584 531)**	–
Repayment of liabilities under put option	**(824 065)**	(841 387)
Interest paid	**(279 948)**	(132 113)
Dividends paid	**(1 914 415)**	(1 532 771)
Net cash flows generated used in financing activities	**462 903**	**(565 071)**
Net foreign exchange difference	**(401 185)**	557 823
Net increase/(decrease) in cash and cash equivalents	**(639 260)**	**1 383 647**
Cash and cash equivalents at the beginning of the year	**3 929 746**	2 546 099
Cash and cash equivalents at the end of the year	**3 290 486**	**3 929 746**

The accompanying notes are an integral part of these consolidated financial statements

1. Background

GV Gold (the "Company") and its subsidiaries (together referred to as the "Group") comprise Russian non-public joint stock companies as defined in the Civil Code of the Russian Federation, and Bodaibo Holding Ltd. and FAYWELD HOLDINGS LTD, companies created and existing under the laws of the Republic of Cyprus.

The Company was established as a closed joint stock company on 5 March 1998.

In May 2001 the Company was reorganized into an open joint stock company.

In July 2016 the Company was reorganized into a public joint stock company.

The abridged corporate name is PJSC GV Gold.

The Company's legal and actual address is at: 17, Berezovaya street, Bodaibo, Irkutsk region, 666902, Russia.

The Company has a representative office in Moscow located at the following address: 1/3, 2nd Kadashevskiy Lane, 115035, Moscow, Russia

The ultimate beneficiaries of the Group are:

	As at 31 December	
	2016	**2015**
	%	%
Sergei V. Dokuchaev	20,97	20,97
Natalia V. Opaleva	20,97	20,97
Valerian A. Tikhonov	20,97	20,97
BlackRock Global Funds	9,97	9,97
BlackRock Gold and General Funds	8,58	8,58
Vladimir S. Kochetkov	5,62	5,62
European Bank for Reconstruction and Development	5,42	5,42
Sergei A. Vasilyev	0,94	0,94
Other	6,56	6,56
Total	**100***	**100***

Subsidiaries

	Country of incorporation	Ownership interest/voting shares as at 31 December	
		2016	**2015**
SAKHA Gold Mining, CJSC	Russian Federation	100%	100%
TGMC, JSC	Russian Federation	100%	100%
Nord Minerals,C JSC	Russian Federation	100%	100%
VostSibZoloto, LLC	Russian Federation	100%	100%
FAYWELD HOLDINGS LTD	Republic of Cyprus	100%	100%
AGMC, LLC	Russian Federation	100%	-
UMC, LLC	Russian Federation	100%	-
BMC, LLC	Russian Federation	75%	-
Bodaibo Holding Ltd.	Republic of Cyprus	51%	51%
Krasny, LLC	Russian Federation	51%	51%

The subsidiaries AGMC, LLC, UMC, LLC and BMC, LLC were established in 2016. At the year end 2016 the Company sold 25% of BMC, LLC. The net assets of the appropriate companies at the reporting date are insignificant.

GV Gold
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2016
(in thousands of Russian Roubles, unless otherwise stated)

The principal activities of the Company and its subsidiaries are exploration and extraction of gold. Mining and processing facilities are located in Irkutsk region and in the Republic of Sakha (Yakutia).

*excluding shares (quasi-treasury shares) owned by FAYWELD HOLDINGS LTD.

2. Basis of Preparation

1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter IFRSs).

2) Going concern

In assessing its going concern status, the management has taken account of the Group's financial position, expected future trading performance, its borrowings and available credit facilities and its capital expenditure commitments, considerations of gold price, together with other risks facing the Group. After making appropriate enquiries, the management considers that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of signing these consolidated financial statements and that it is appropriate to adopt the going concern basis in preparing these consolidated financial statements.

3) Basis of measurement

The consolidated financial statements are prepared on a historical cost basis, except that mining assets were revalued to determine deemed cost in the context of transition to IFRS; and the carrying amounts of assets, liabilities and equity items that existed as at 31 December 2002 include adjustments for the effects of hyperinflation, which were calculated using conversion factors derived from the Russian Federation Consumer Price Index published by the Russian Statistics Agency, RosStat.

4) Critical accounting judgments, estimates and assumptions

Preparation of the consolidated financial statements in accordance with IFRS requires the Group's management to make estimates, assumptions and judgements that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates includes subjective factors and depends on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The key assumptions and estimates are reviewed on a regular basis. Changes in key assumptions and estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions and estimates are presented below..

Useful lives of property, plant and equipment

The Group assesses the remaining useful lives of items of property, plant and equipment at least at each financial year-end. The assessment is based on the current condition of the assets and the estimated period during which they will continue to bring economic benefits to the Group. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate. These estimates may have a material impact on the amount of the carrying amounts of property, plant and equipment and on depreciation expense for the period.

GV Gold
Notes to the Consolidated Financial Statements for the Year Ended 31 December 2016
(in thousands of Russian Roubles, unless otherwise stated)

Impairment of assets excluding goodwill

The Group reviews the carrying amount of its tangible and intangible assets excluding goodwill to determine whether there is any indication that those assets are impaired. In making the assessments for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash generating units, and also in estimating the timing and value of the underlying cash flows within the value-in-use calculation. Subsequent changes to the cash generating unit allocation or to the timing of cash flows could impact the carrying amount of the respective assets.

Impairment of property, plant and equipment

The Group reviews the carrying amount of its property, plant and equipment to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate cash-generating unit. Management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate cash-generating unit, and also in estimating the timing and value of underlying cash flows within the value in use calculation. In determining value in use, the future cash flows estimated at each cash-generating unit are based on a cash flow projection utilising the latest budgeted information available to the management.

Allowance for doubtful debts

The Group makes allowance for doubtful receivables to account for estimated losses resulting from the inability of customers to make required payments. When evaluating the adequacy of an allowance for doubtful debts, management bases its estimates on the current overall economic conditions, the ageing of accounts receivable balances, historical write-off experience, customer creditworthiness and changes in payment terms. Changes in the economy, industry or specific customer conditions may require adjustments to the allowance for doubtful accounts recorded in the consolidated financial statements.

Inventory measurement

Inventories are materials or supplies measured at the lower of cost and net realizable value.

The cost of inventories shall comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.
Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Materials and other supplies held for use in the production of inventories are not written down below cost if finished products in which they will be incorporated are expected to be sold at or above cost.

The Group assesses net realisable value each subsequent period. When circumstances that previously caused inventories to be written down below cost no longer exist, or when there is a clear evidence that net realizable value increased because of changed economic situation, written down amount is reversed so that new carrying amount is equal to the lower of the cost or revised net realisable value

Site restoration and environmental obligations

The Group's gold mining activities are subject to various environmental laws and regulations. The Group estimates environmental obligations based on the management's understanding of the current legal requirements in the various jurisdictions, terms of the license agreements and internally generated engineering estimates. Provision is made, based on net present values, for decommissioning and land restoration costs as soon as the obligation arises. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

(in thousands of Russian Roubles, unless otherwise stated)

Restatement of Inventory.

In the reporting period management of the Group obtained new information on cost of the inventory. As a result adjustments have been made in statement of financial position as at 31 December 2015 and the statement of comprehensive income in line cost of sales for the year then ended.

	For the year ended 31 December 2015		
	As previously reported	Changes	As restated
Inventory	1 849 180	(101 721)	1 747 460
Retained earnings	(9 770 638)	101 721	(9 668 917)

Legal proceedings

In the ordinary course of business the Group acts as a defendant in a number of legal proceedings in various jurisdictions. At each reporting date, the Group reviews the status of significant legal proceedings to assess potential losses. The Group creates provisions for pending litigation when it determines that an unfavourable outcome is probable and the amount of loss can be reasonably estimated. Due to inherent uncertainty of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

Provisions are based on the best information available at the time. As additional information becomes available, the potential liability related to pending claims and litigation is reassessed and, if required, estimates are revised. Such revisions in estimates could have a material impact on the Group's performance in future.

Taxation

The Group pays corporate income tax in the territory of the Russian Federation and abroad. Significant judgement is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated additional tax assessments as a result of tax audits based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax provisions in the period in which such determinations are made. The carrying amount of deferred tax assets is 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 asset to be recovered. The estimation of that probability includes judgements based on the expected performance of the Group. Various factors are considered to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, expiration of tax losses carried forward, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be affected.

5) New standards, interpretations and amendments effective from 1 January 2016

Amendment to IFRS 11 Joint Arrangements

Accounting for Acquisitions of Interests in Joint Operations

(Effective for annual periods beginning on or after 1 January 2016)

The amendments require an entity to apply all of the principles of IFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by IFRS 3.

The amendment also includes two new Illustrative Examples:

– Example 7: Accounting for acquisitions of interests in joint operations in which the activity constitutes a business

– Example 8: Contributing the right to use know-how to a joint operation in which the activity constitutes a business.

A consequential amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards has also been made, to clarify that the exemption from applying IFRS 3 to past business combinations upon

adoption of IFRS also applies to past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business, as defined in IFRS 3.

The Group anticipates that application of the amendment will have no effect on Group's financial statements.

Amendments to IAS 16 Property Plant and Equipment and IAS 38 Intangible Assets

Clarification of Acceptable Methods of Depreciation and Amortisation

(Effective for annual periods beginning on or after 1 January 2016)

Paragraph 62A to IAS 16 has been added to prohibit the use of revenue-based methods of depreciation for items of property, plant and equipment, because the revenue generated by an activity that includes the use of an item of property, plant and equipment generally reflects factors other than the consumption of the economic benefits of the item.

Paragraphs 98A - 98C have also been added to IAS 38 to clarify that there is a presumption that revenue-based amortisation is not appropriate, and that this can only be rebutted in limited circumstances where either:

– The intangible asset is expressed as a measure of revenue, or

– Revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The Group anticipates that application of the amendment will have no effect on Group's financial statements, as the Group have not used revenue-based depreciation method for its non-current assets.

Amendments to IAS 16 Property Plant and Equipment and IAS 41 Agriculture

Bearer Plants

(Effective for annual periods beginning on or after 1 January 2016)

These amendments define a bearer plant as a living plant that: a) is used in the production process of agricultural produce; b) is expected to bear produce for more than one period; and c) has a remote likelihood of being sold (except incidental scrap sales). Such bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. The amendments include them in the scope of IAS 16 rather than IAS 41.

The produce on bearer plants will remain in the scope of IAS 41 and measured at fair value less costs to sell.

The Group anticipates that application of the amendment will have no effect on Group's financial statements, as the Group does not have any bearer plants.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

(Effective for annual periods beginning on or after 1 January 2016)

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture.

A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.
The Group anticipates that application of the amendment will have no effect on Group's financial statements.

Amendments to IAS 27 Separate Financial Statements

Equity Method in

The amendments include the introduction of an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of

Separate Financial Statements

(Effective for annual periods beginning on or after 1 January 2016)

investment.
The Group anticipates that application of the amendment will have no effect on Group's financial statements.

IFRS 14 Regulatory Deferral Accounts

(Effective for periods beginning on or after 1 January 2016)

The scope of IFRS 14 is narrow, with this extending to cover only those entities that:

– Are first-time adopters of IFRS

– Conduct rate regulated activities

– Recognise associated assets and/or liabilities in accordance with their current national GAAP.

Entities within the scope of IFRS 14 would be afforded an option to apply their previous local GAAP accounting policies for the recognition, measurement and impairment of assets and liabilities arising from rate regulation, which would be termed regulatory deferral account balances.

To be comparable with other entities that report in accordance with IFRS but do not apply IFRS 14, any regulatory deferral account balances, and their associated effect on profit or loss, should be recognised and presented separately from other items in the primary financial statements.
The Group is an existing preparer of IFRS financial statements, so this amendment will have no effect on Group's financial statements.

Annual Improvements to IFRSs (2012-2014 Cycle)

(Effective for periods beginning on or after 1 Jan 2016)

Includes amendments to:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa is considered to be a continuation of the original plan of disposal. Upon reclassification, the classification, presentation and measurement requirements of IFRS 5 are applied. If an asset ceases to be classified as held for distribution to owners, the requirements of IFRS 5 for assets that cease to be classified as held for sale apply.

IFRS 7 Financial Instruments: Disclosures

- Servicing contracts: clarifies the circumstances in which an entity has continuing involvement from the servicing of a transferred asset. IFRS 7 requires disclosure of all types of continuing involvement in the transferred asset, if conditions allow transferor to derecognise the asset. The amendment is prospective with an option to apply retrospectively. A consequential amendment has been made to IFRS 1, to give the same relief to first-time adopters.
- Interim financial statements: clarified that the application of the amendment to IFRS 7, Offsetting Financial Assets and Financial Liabilities, issued in December 2011 is not explicitly required for all interim periods, unless required by IAS 34.

IAS 19 Employee Benefits – clarifies guidance and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee. Entities are required to apply the amendment from the earliest comparative period presented in the financial statements, with initial adjustments being recognised in retained earnings at the beginning of that period.

IAS 34 Interim Financial Reporting – clarifies what is meant by, and that a cross-reference is required, if the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or the risk report of an entity. If the disclosures are contained in a separate document from the interim report, that document needs to be available to users of the financial statements on the same terms and at the same time as the interim report itself.
These amendments are not expected to impact the Group's financial position or performance.

Amendments to IAS 1 Presentation of Financial Statements

Disclosure Initiative

(Effective for periods beginning on or after 1 January 2016)

The amendments to IAS 1 Presentation of Financial Statements clarify the existing IAS 1 disclosure requirements.

The amendments being made to IAS 1 include:

– How to apply the concept of materiality in practice.
– Line items in primary financial statements may be disaggregated, and new requirements regarding the use of subtotals.
– The order of notes to the financial statements is entity's choice, considering understandability and comparability of financial statements.
– The examples in IAS 1.120 in respect of accounting policies for income taxes and foreign exchange gains and losses have been removed.
– For equity accounted investments, an entity's share of other comprehensive income will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

The Group anticipates that application of the amendments will not have any material effect on Group's financial statements.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures

Investment Entities: Applying the Consolidation Exemption

(Effective for annual periods beginning on or after 1 January 2016)

The amendments clarify a number of aspects of IFRS 10, IFRS 12 and IAS 28 in relation to the investment entities exception:

- Exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- Investment entity parent consolidates a subsidiary only when the subsidiary is not itself an investment entity and the subsidiary's main purpose is to provide services that relate to the investment entity's investment activities.
- non-investment entity, that has an interest in an associate or joint venture that is an investment entity, may, when applying the equity method, retain the fair value measurement applied by the investment entity associate or joint venture to account for its own interests in its subsidiaries.

The Group anticipates that application of the amendments will have no effect on Group's financial statements, as the Group is not and investment company and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

GV Gold
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(in thousands of Russian Roubles, unless otherwise stated)

6) New standards, interpretations and amendments issued, but not yet effective.

IFRS 15 Revenue from Contracts with Customers

(Effective for periods beginning on or after 1 January 2018)

IFRS 15 is a converged standard for revenue recognition. It supersedes IAS 18 Revenue, IAS 11 Construction Contracts and related Interpretations.

The objective of IFRS 15 is to clarify the principles of revenue recognition. This includes removing inconsistencies and perceived weaknesses and improving the comparability of revenue recognition practices across companies, industries and capital markets. In doing so IFRS 15 establishes a single revenue recognition framework. The core principle of the framework is, that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To accomplish this, IFRS 15 requires the application of the following five steps:

1. Identify the contract
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to each performance obligation
5. Recognise revenue when each performance obligation is satisfied.

Furthermore the guidance significantly enhances the required qualitative and quantitative disclosures related to revenue. The main objective of the requirements is the disclosure of sufficient information in terms of the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. In order to meet this objective, IFRS 15 requires specific disclosures for contracts with customers and significant judgements.

The Group currently evaluates the effect of IFRS 15 and plans to adopt new standard at the date it will become effective.

IFRS 9 Financial Instruments

(Effective for annual periods beginning on or after 1 January 2018)

The final version of IFRS 9 Financial Instruments replaces most of the guidance in IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard incorporates the final requirements on all three phases of the financial instruments projects – classification and measurement, impairment, and hedge accounting.

IFRS 9 establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. In a major change, which will affect all entities, a new 'expected loss' impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39. Under IFRS 9, the impairment model is a more 'forward looking' model in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognised.

Most of the requirements for financial liabilities were carried forward unchanged, except for recognition of changes in the fair value of financial liabilities designated at fair value through profit or loss, which relate to changes in an entity's own credit risk - such changes should be recognised directly in other comprehensive income (OCI).

The new hedge accounting requirements are more principles-based, less complex, and provide a better link to risk management and treasury operations than the requirements in IAS 39.

The Group anticipates that application of the new standard will have an effect on classification and measurement of financial assets of the Group, but will have no effect on classification and measurement of financial liabilities of the Group.

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2016
(in thousands of Russian Roubles, unless otherwise stated)

IFRS 16 Leases

(Effective for annual periods beginning on or after 1 January 2019)

IFRS 16 was issued in January 2016. It contains a single lessee accounting model, which eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease, other than short term leases and leases of low value items for which a lessee has the option not to apply the measurement and presentation requirements of IFRS 16, will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease.

The accounting requirements from the perspective of the lessor remains largely in line with previous IAS 17 requirements.

The application of the standard may affect the accounting for the group's operating leases. However, the Group currently is unable to determine to what extent these liabilities will result in recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Amendments to IAS 7

Disclosure Initiative

(Effective for annual periods beginning on or after 1 January 2017)

The amendments require entities to provide a reconciliation of the opening and closing carrying amounts of each item for which cash flows have been, or would be, classified as financing activities in the statement of cash flows (e.g. borrowing, lease liabilities).

The Group anticipates that application of the amendment will slightly effect the disclosures in financial statements for certain items.

Amendments to IAS 12

Recognition of Deferred Tax Assets for Unrealised Losses

(Effective for annual periods beginning on or after 1 January 2017)

IAS 12 Income Taxes was amended to clarify that:

- deductible temporary differences arise from unrealised losses on debt instruments measured at fair value, regardless of whether the instrument is recovered through sale or by holding it to maturity;

- The estimate of future taxable profits can include recovery of certain assets at amounts more than their carrying amount if there is enough evidence that it is probable that the entity will recover the asset for more than its carrying amount;

- where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type; and

- tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

The Group anticipates that application of the amendments will not have any material effect on Group's financial statements.

Amendments to IFRS 2

Classification and

The amendments clarify that the accounting for the effects of vesting and non-vesting conditions on cash-settled share-based payments should follow the same approach as for equity-settled share-based payments.

Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018)	*The Group anticipates that application of the amendments will not have any material effect on Group's financial statements.*
Amendments to IFRS 10 and IAS 28 **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (Effective date undetermined)	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business Combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. *The Group anticipates that application of the amendments will not have any material effect on Group's financial statements.*

3. Significant Accounting Policies

1) Consolidation

(i) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee),
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect its returns.

The Company assesses whether it has control over an investee if facts and circumstances indicate that there were changes in one or more of the three elements of control listed above.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting

policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(ii) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets if such non-controlling interest entitles the holder to a proportionate share of net assets in the event of liquidation. Otherwise, non-controlling interest is measured at fair value. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

(iii) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3 (1, ii) above) less accumulated impairment losses (if any).

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in 3 (1, iv) below.

(iv) Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's post-acquisition share of other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount.

Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint

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venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with its associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

2) Non-current assets held for sale and disposals groups and discontinued operations

Non-current assets and disposal groups are classified as held for sale when:

they are available for immediate sale;

management is committed to a plan to sell;

it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;

an active programme to locate a buyer has been initiated;

the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and

a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and

fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

3) Functional and presentation currency

The individual financial statements of each Group entity are presented in its functional currency. The Euro ("EUR") was determined as the functional currency for Bodaibo Holding Ltd. For the other Group's companies the Russian Rouble ("RUB") was determined as the functional currency.

The consolidated financial statements are presented in RUB and all values are rounded to the nearest thousand, except when otherwise indicated.

4) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains or losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in profit or loss.

(ii) Subsequent expenditure

The cost of replacing a component 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 component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized. Other subsequent expenditures are capitalized only when they increase the future economic benefits embodied in an item of property, plant and equipment. All other expenditures, including repairs and maintenance, are recognized in the statement of comprehensive income as an expense as incurred.

(iii) Mine under development

Mine under development include costs directly related to mine development projects after recognition of the economic feasibility of mining such as: acquisition and development of mining properties, pre-production expenditure, construction of processing plant and mine infrastructure, mineral rights, exploration and evaluation licences, trenching and sampling costs, and the present value of future decommissioning costs.

Capitalised costs included in mine under development are reclassified to mining assets when a mine, related to an area of interest, reaches commercial level of production.

Exploration and evaluation licenses included in mine under development are reclassified as intangible assets when a mine, related to an area of interest, reaches commercial level of production.

(iv) Exploration and evaluation assets

Exploration and evaluation expenditures are capitalized as exploration and evaluation assets when it is expected that expenditures related to an area of interest will be recouped by future exploitation, sale, or when at the reporting date the exploration and evaluation activities have not reached a stage that permits a reasonable assessment of the existence of commercially recoverable ore reserves.

The following expenditures are included in the initial measurement of exploration and evaluation assets:

- topographical, geological, geochemical and geophysical studies;
- acquisition of rights to explore;
- exploratory drilling;
- trenching;
- sampling;
- activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources;

- interest on borrowings capitalised in the period of exploration and evaluation of mineral resources;
- licenses for geological survey and exploration;
- other costs directly associated with exploration and evaluation of mineral resources.

Capitalised exploration and evaluation costs are reclassified to mine under development after a proof of economic feasibility of mining related to an area of interest.

Capitalised exploration and evaluation costs, which are expected not to be recovered, are recognised in the statement of comprehensive income as other operating expenses.

(v) Non-current stripping activity asset

Stripping activities during the production phase are considered to create two benefits: either the extraction of ore that can be used for production of precious metals (inventory) in the current period and/or improved access to the ore to be mined in the future.

The costs of stripping activity which provides a benefit in the form of improved access to ore are recognised as a non-current 'stripping activity asset' where the following criteria are met:

it is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;

the entity can identify the component of the ore body for which access has been improved; and

the costs relating to the stripping activity associated with that component can be measured reliably.

If not all of the criteria are met, the production stripping costs are included in the cost of inventory.

Asset related to stripping activity is initially measured at cost, representing the accumulation of costs directly incurred to perform stripping activity which improves an access to identified component of ore, and indirectly attributable overhead costs allocated to this activity. The costs related to associated operations are not included in actual cost of an asset related to stripping activity .

The production stripping costs are allocated between the inventory produced and the stripping activity asset by using the allocation basis that is based on volume of waste extracted compared with expected volumes of ore to be extracted from the identified component of the ore body in accordance with mining plans.

Asset arising as a result of stripping activity is accounted for as a mining asset to which it relates. After initial recognition this asset is carried at initial cost less depreciation and any impairment losses. Asset related to stripping activity is depreciated using the unit-of-production method.

(vi) Mining assets

Mining assets are recorded at cost less accumulated amortisation.

The following items are transferred to mining assets:

- capitalised costs included into mine under development;
- the present value of future decommissioning costs;
- other pre-production expenditures subject to capitalisation as required by IFRS.

A mining asset is classified as such when the new site reaches commercial level of gold ore extraction.

(vii) Depreciation

Depreciation is charged to profit or loss in the statement of comprehensive income on a straight-line basis over the estimated useful lives of the individual assets, except for mining assets. Land is not depreciated.

The estimated useful lives of different categories of assets are as follows:

buildings and structures	7 – 30 years
plant and equipment	5 – 15 years
motor vehicles	5 – 15 years
transfer devices	5 – 20 years
other	1 – 12 years

Depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Mining assets are depreciated using the unit of production (per ton) method pro rata the production volume. Depreciation commences on the date when a new mine reaches commercial level of gold ore extraction.

(viii) Capital work in progress

Facility under construction of existing fields is accounted for as a capital work in progress. Costs related to capital work in progress include cost of acquisition and expenses directly attributable to bringing the asset to a working condition for its intended use.

Capital work in progress is not depreciated.

When facility under construction is completed and brought to a working condition for its intended use in accordance with expectations ofmanagement, the facilities are classified as fixed assets.

5) Leases

(i) Determination of a lease

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

(ii) Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(iii) Group as a lessee

Assets held under finance leases are initially recognised at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

(iv) Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic

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benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

6) Intangible assets

(i) Recognition and measurement

Intangible assets, which are acquired by the Group and which have finite useful lives, are stated at cost less accumulated amortisation and impairment losses.

The Group's intangible assets include licenses for separate types of activity, other licenses and a trademark, license for exploration and production after a site reaches commercial level of gold production.

(ii) Amortisation

- Intangible assets are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset. Below are the estimated useful lives of different categories of intangible assets:

• licenses for separate types of activity	5 - 12 years
• exploration and production licenses	15 - 20 years
• other licenses	5 - 10 years
• trademark	8 - 9 years

7) Financial assets

(i) Recognition and measurement

In accordance with IAS 39, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial assets.

Purchases or sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recorded at trade date, which is the date that the Group commits to deliver a financial asset.

The Group's financial assets include cash and deposits, trade and other receivables, loans and unquoted financial instruments.

(ii) Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognised in finance income or finance costs in the statement of comprehensive income.

The Group has not designated any financial assets upon initial recognition as at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR.

The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised as finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method (EIR), less impairment.

Available-for-sale financial investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the statement of comprehensive income in finance costs and removed from the available-for-sale reserve.

(iii) Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

***(iv)* Impairment of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

8) Inventories

Inventories are stated at the lower of cost and 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 calculated on the weighted average basis and includes expenditures incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of self-manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

(i) Refined gold

Gold is stated at the lower of net production cost determined on the weighted average basis and net realisable value.

Production costs include mining and concentrating costs, smelting, treatment and refining costs, other cash costs and amortisation and depreciation of operating assets. The value of by-product is deducted in arriving at net production cost of gold.

(ii) Work in progress

The cost of work in progress includes an appropriate share of production overhead based on normal operating capacity.

(iii) Raw materials and consumables

Raw materials and consumables consist of consumable stores and are stated at weighted average cost less a provision for obsolete items.

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9) Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected within one year (or within an ordinary production cycle if it is longer than one year), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment.

10) Cash and cash equivalents

In the consolidated statement of financial position, cash and cash equivalents comprise cash on hand, cash at bank, call deposits, and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. In the consolidated statement of financial position, bank overdrafts are recorded within in current liabilities.

11) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

12) Financial liabilities

(i) Recognition and measurement

As per IAS 39, financial liabilities are classified as financial liabilities measured at fair value through profit or loss. Loans and borrowings, accounts receivable. The Group classifies its financial liabilities after their initial recognition.

Financial liabilities are initially recognized at fair value which increase if loans and borrowings directly relate to transaction costs.

Financial liabilities of the Group include trade and other receivables, loans and borrowings.

(ii) Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows.

Financial liabilities at fair value through profit or loss

The category of financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39.

Gains or losses on liabilities held for trading are recognised in the statement of comprehensive income.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the statement of comprehensive income.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income..

13) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

14) Fair value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

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IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

The fair value hierarchy has the following levels:

quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

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 2); and

inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

15) Trade paybles

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

16) Share capital

(i) Ordinary shares

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

(ii) Treasure shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in share premium.

(iii) Dividents

Dividends are recognised as a liability in the period in which they are declared.

17) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

18) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

19) Finance income and finance costs

Finance income and finance costs comprise interest expense on borrowings, the accretion of interest on provisions, interest income from financial assets, dividend income and foreign exchange gains and losses, which are recognised separately.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of finance costs, except for borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of such assets.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income is recognised when the shareholder's right to receive payment has been established (provided that it is highly probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

20) Borrowing costs recognition policy

Fees and commissions on loans and borrowings are recognised as transaction costs only when it is probable that the amount of loans and borrowings will be received in full or in part. In this case the consideration is postponed until the loans and borrowings are received. If there is no certainty that the loans and borrowings will be received in full or in part the consideration paid shall be recognised as prepayment for financial services and written off over the borrowing term to which it relates.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset. Such borrowing costs are capitalised as part of the cost of the asset when it is probable that they will result in future economic benefits to the company and the costs can be measured reliably.

Other borrowing costs are recognised as an expense in the period in which they are incurred.

21) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Income tax is recognised as an expense or income in profit or loss for the period, except when it relates to items that are recognised outside profit or loss, whether in other comprehensive income or directly in equity.

In case of business consolidation, when calculating goodwill or determining the excess of the acquirer's share in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of the acquired business, the tax effect is taken into consideration.

Current tax

The tax currently payable is based on taxable profit for the year.

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Taxable profit differs from profit as reported in the consolidated statement of comprehensive income (statement of income) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted at the reporting date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets associated with investments in subsidiaries, associates and interests in joint ventures are recognised only to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences can be utilised in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects to settle liabilities or realise assets.

22) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period (excluding own shares held). Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding (excluding own shares held) for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

23) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

24) Employee benefits

Remuneration to employees in respect of services rendered during a reporting period is recognised as an expense in that period.

25) State pension fund

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

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26) Environmental obligations

Environmental obligations include mine decommissioning and land restoration costs.

Future mine decommissioning and land restoration costs, discounted to net present value, are capitalised and corresponding decommissioning obligations recognised in the consolidated financial statements as soon as the constructive obligation to incur such costs arises and the future decommissioning cost can be reliably estimated. Capitalised amounts are depreciated together with respective items of property, plant and equipment. The unwinding of the discount on decommissioning obligation is included in interest expense.

Decommissioning obligations are periodically reviewed considering current laws and regulations, and adjustments made as necessary.

Ongoing land rehabilitation costs are expensed when incurred.

27) Foreign currency transactions

Transactions in currencies other than the functional currency (i.e. in foreign currency) are recorded at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the exchange rate prevailing at the date of the transaction and at the end of each month. Non-monetary items carried at cost are translated at the exchange rate in effect at the transaction date. Non-monetary items carried at fair value are translated at the exchange rate prevailing on the date on which the most recent fair value was determined.

Exchange rates used in the preparation of the consolidated financial statements were as follows:

	2016	2015
Russian Rouble /US Dollar		
31 Decemeber	60,6569	72,8827
Russian Rouble /Euro		
31 December	63,8111	79,6972

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4. Revenue

	For the year ended 31 December 2016	2015
Revenue from sales of gold	13 646 686	12 783 854
Revenue from sales of silver	22 400	21 315
Total	**13 669 086**	**12 805 169**

In 2016, revenue from sales of gold increased by RUB 863 thousand or 7% compared to 2015 due to the growth of gold prices in RUB. In the reporting period, the gold prices in RUB increased by 18%, the volumes of gold sold decreased by 10%.

5. Cost of Sales

	For the year ended 31 December 2016	2015
Wages, salaries and insurance contributions	(1 293 083)	(1 150 747)
Raw materials and consumables	(935 777)	(954 587)
Taxes	(819 999)	(795 018)
Depreciation and amortisation	(704 650)	(663 059)
Electricity costs	(588 352)	(547 127)
Repair and maintenance expenses	(556 197)	(561 962)
Contractual stripping work	(499 183)	(409 961)
Other services of outside parties	(125 792)	(39 929)
Security costs	(121 063)	(52 708)
Rent expenses	(32 772)	(24 674)
Provision for completion of sand processed	(32 766)	-
Refining costs	(26 126)	(41 008)
Other costs	(10 957)	(304)
Total	**(5 746 717)**	**(5 241 084)**

The main component of Taxes line for Cost of Sales are expenses on tax on extraction of mineral resources.

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6. Administrative Expenses

	For the year ended 31 December 2016	2015
Wages, salaries and insurance contributions	(788 673)	(730 074)
Rent expenses	(83 569)	(79 190)
Costs of providing economic and information security	(52 606)	(34 510)
Consulting and other professional services	(50 856)	(29 170)
Expenses for shareholders' meeting and board of directors	(48 875)	(47 227)
Taxes	(44 615)	(9 446)
Raw materials and consumables	(25 031)	(24 400)
Travel expenses	(24 421)	(28 274)
Entertainment expenses	(23 469)	(23 166)
Depreciation and amortisation	(20 524)	(23 590)
Communication expenses	(19 302)	(20 007)
Repair and maintenance expenses	(9 919)	(7 253)
Electricity costs	(8 086)	(11 934)
Security costs	(3 106)	(4 461)
Audit fees	(1 213)	(4 822)
Other administrative expenses	(4 072)	(5 861)
Total	**(1 208 337)**	**(1 083 385)**

The main component of Taxes line for Administrative Expenses are expenses on property tax.
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7. Other Operating Expenses, Net

	For the year ended 31 December 2016	2015
Subsidies	277 692	-
Change in allowance for doubtful debts	14 588	(9 516)
Gain / (loss) from disposal of inventories	2 060	3 668
Gain / (loss) from stocktaking	(96 387)	15 264
Social development	(74 246)	(39 451)
Penalties	(44 276)	(1 758)
Gain/(loss) on disposal of property, plant and equipment	(7 297)	(922)
Change in allowance for impairment of loans issued	-	(98 581)
Change in allowance for other reserves	-	(10 000)
Change in allowance for inventories	-	(1 535)
Other operating expenses, net	(24 014)	(19 942)
Total	**48 121**	**(162 773)**

The main component of Subsidies line is State support on electricity supply of area "Drazhnoe" in Oimyakon region of the Republic of Sakha (Yakutia).

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8. Finance Income and Costs

	For the year ended 31 December 2016	2015
Finance income		
Foreign exchange income	1 667 586	-
Interest income	118 837	154 250
Share of net result of a joint venture (Note 30)	-	9 170
Total	**1 786 423**	**163 420**
Finance costs		
Foreign exchange loss	-	(1 007 590)
Interest expenses	(490 761)	(200 724)
Unwinding of discount on provision	(31 678)	(23 834)
Share of net result of a joint venture (Note 30)	(25 434)	-
Total	**(547 873)**	**(1 232 148)**

9. Income Tax Expense

	For the year ended 31 December 2016	2015
Current income tax expense	(1 450 527)	(1 224 277)
Adjustments for income tax of prior periods	(6 449)	27 845
Deferred income tax expense	(128 922)	36 572
Total	**(1 585 898)**	**(1 159 860)**

Russian companies' applicable tax rate is 20%, FAYWELD HOLDINGS and Bodaibo Holding Ltd. – 12,5%.

Reconciliation between the theoretical and the actual taxation charge is provided below.

	For the year ended 31 December 2016	2015
Profit before tax	**8 000 703**	**5 249 199**
Income tax at the rate of 20%	(1 600 141)	(1 049 840)
Use of unrecognized tax losses and tax benefits prior periods	-	-
Effect of different income tax rates	2 253	5 333
Effect of permanent tax differences	11 990	(115 353)
Total	**(1 585 898)**	**(1 159 860)**
Effective income tax rate	**20%**	**22%**

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10. Earnings per Share

The calculation of earnings per share was based on the net profit for the year divided by the weighted average number of ordinary shares outstanding during the year.

Below is the information on profit and number of shares used in calculations of basic and diluted earnings per share.

	As at 31 December 2016	2015
Weighted average number of shares	53 364 213*	53 364 213*
Net profit for the year attributable to shareholders of the parent company	6 376 768	4 090 326
Basic earnings per share, RUB	**119.50**	**76.65**

* *excluding shares (quasi-treasury shares) owned by FAYWELD HOLDINGS LTD.*

11. Goodwill

	As at 31 December 2016	2015
Balance at the beginning of the year	111 003	111 003
Balance at the end of the year	**111 003**	**111 003**

Goodwill arising during the period relates to the acquisition of 51% in Bodaibo Holding Ltd., which owns 100% share in Krasny, LLC at August 12, 2014.

Goodwill was not impaired during 2016 .

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12. Property, Plant and Equipment

	Buildings and structures	Plant and equipment	Mining assets	Motor vehicles and other	Total
Initial cost					
At 31 December 2014	1 828 452	4 158 185	2 337 329	726 374	9 050 340
Additions	278 011	830 569	-	468 830	**1 577 410**
Change in decommissioning provisions	6 109	-	43 156	-	**49 265**
Disposals	-	(388)	-	(8 160)	**(8 548)**
At 31 December 2015	**2 112 572**	**4 988 366**	**2 380 485**	**1 187 044**	**10 668 467**
Additions	722 986	1 519 108		1 536 111	**3 778 204**
Change in decommissioning provisions	-	-	(45 469)	-	**(45 469)**
Disposals	(17 268)	(14 394)	-	(17 842)	**(49 505)**
At 31 December 2016	**2 818 290**	**6 493 080**	**2 335 016**	**2 705 312**	**14 351 698**
Accumulated depreciation and impairment					
At 31 December 2014	**(817 683)**	**(1 968 738)**	**(1 234 540)**	**(358 297)**	**(4 379 258)**
Depreciation charge	(208 522)	(460 928)	(129 664)	(171 846)	**(970 960)**
Depreciation on disposals	-	323	-	2 009	**2 332**
At 31 December 2015	**(1 026 205)**	**(2 429 343)**	**(1 364 204)**	**(528 134)**	**(5 347 886)**
Depreciation charge	(197 931)	(584 715)	(130 276)	(250 902)	**(1 163 825)**
Depreciation on disposals	698	8 375	-	13 742	**22 815**
At 31 December 2016	**(1 223 438)**	**(3 005 683)**	**(1 494 480)**	**(765 294)**	**(6 488 896)**
Net book value					
At 31 December 2015	**1 086 367**	**2 559 023**	**1 016 281**	**658 910**	**5 320 581**
At 31 December 2016	**1 594 851**	**3 487 397**	**840 536**	**1 940 018**	**7 862 802**

Assets pledged

As at 31 December 2016 and 2015, the Group's fixed assets were not pledged or used as collateral for fulfilment of any obligation.

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Finance lease

As of December 31, 2016, the carrying value of fixed assets owned by the Group under a finance lease is RUB 82 221 thousand (31 December 2015 – RUB 120 815 thousand) (Note 25). Leased fixed assets are machinery and equipment.

Impairment of property, plant and equipment

As at 31 December 2016, no impairment of property plant and equipment has been identified.

13. Construction in Progress

	As at 31 December	
	2016	2015
Balance at the beginning of the year	**2 749 493**	**2 347 911**
Additions (including advances given)	4 505 520	1 978 992
Transfers from exploration and evaluation assets	(3 778 204)	(1 577 410)
Balance at the end of the year	**3 476 808**	**2 749 493**

The main objects of Construction in Progress are gold processing plants and the accompanying infrastructure of mining processing plants.

As a result of the impairment test as of December 31, 2015 Impairment of assets under construction are not identified.

14. Mine under development

	As at 31 December	
	2016	2015
Balance at the beginning of the year	**4 875 310**	**2 505 072**
Additions (including advances given)	2 250 731	2 370 238
Transfers from exploration and evaluation assets (Note 16)	542 549	-
Balance at the end of the year	**7 668 590**	**4 875 310**

At December 31, 2016 in the mine under development including costs incurred in the areas "Verhne-Ugahansky", "Vysochishee", "Ozherelie" and "Drazhnoe", which reached commercial level of production. Commercial production of gold in these fields will be made upon completion of construction and completion of infrastructure to improve access to the ore body.

Mine under development were not impaired during 2016.

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15. Intangible assets

Intangible assets reflected in the Group's consolidated statement of financial position represent licenses for exploration and production of alluvial and hard rock gold, on which the industrial production have been exercised.

Initial cost	
Balance as at 31 December 2014	**73 104**
Additions	*14 434*
Balance as at 31 December 2015	**87 538**
Additions	*54 041*
Balance as at 31 December 2016	**141 579**
Accumulated amortisation	
Balance as at 31 December 2014	**(18 905)**
Amortization charge for the period	*(4 656)*
Balance as at 31 December 2015	**(23 561)**
Amortization charge for the period	*(1 928)*
Balance as at 31 December 2016	**(25 489)**
Net book value	
at 31 December 2015	**63 977**
at 31 December 2016	**116 090**

As at 31 December 2016 and 31 December 2016, the Group's intangible assets were not pledged or used as collateral for fulfilment of any obligation.

16. Exploration and Evaluation assets

	As at 31 December	
	2016	2015
Balance at the beginning of the year	**1 118 625**	**703 881**
Expenditure on exploration and evaluation for the reporting period	287 863	414 744
Disposals, total	(560 711)	-
в том числе:		
Write-off	(18 162)	-
Transfer to mine under development	(542 549)	-
Balance at the end of the year	**845 777**	**1 118 625**

In 2016 the capitalised exploration and evaluation costs in amount of RUB 542 549 thousand were transferred to mine under development in connection with the proof of commercial feasibility of production.

In 2016 exploration and evaluation costs in amount of RUB 18 162 thousand relating to areas "Verhne-Ugahansky", "Ozherelie", "Vysochishee" were written off due to lack of positive results.

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17. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Consolidated statement of financial position			Consolidated statement of comprehensive income	
	As at 31 December			For the year ended 31 December	
	2016	**2015**	**2014**	**2016**	**2015**
Property, plant and equipment	(225 515)	(294 305)	(316 110)	68 790	21 805
Mine under development	(270 382)	(156 005)	(168 028)	(114 377)	12 023
Intangible assets	(18 021)	(18 492)	(14 517)	471	(3 975)
Exploration and evaluation	(325 121)	(177 351)	(201 564)	(147 771)	24 213
Financial assets	40 539	49 798	49 297	(9 259)	501
Inventories	17 868	(115 737)	(119 884)	133 606	4 147
Trade and other receivables	-	11 384	8 428	(11 384)	2 956
Other current assets	-	255	1 385	(255)	(1 130)
Trade and other payables	16	(1 291)	(1 092)	1 307	(199)
Loans and borrowings	(46 282)	(40 740)	(2 848)	(5 542)	(37 892)
Finance lease obligations	(6 946)	(14 885)	3 788	7 940	(18 673)
Provisions	89 610	67 546	45 950	22 065	21 596
Tax loss	110 718	185 233	174 033	(74 513)	11 200
Deferred tax expenses				**(128 922)**	**36 572**
Deferred tax liabilities	**(633 514)**	**(504 590)**	**(541 162)**		
In consolidated statement of financial position:					
Deferred tax assets	-	-	13 922		
Deferred tax liabilities	(633 514)	(504 590)	(555 084)		
Deferred tax, Net	**(633 514)**	**(504 590)**	**(541 162)**		

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Reconciliation of deferred tax liabilities, net:

	As at 31 December	
	2016	**2015**
Balance as at the beginning of the year	**504 590**	**541 162**
Income tax expense for the reporting period recognised in profit or loss	128 922	(36 572)
Balance as at the end of the year	**633 514**	**504 590**

18. Loans Issued and Other Financial Assets

	As at 31 December	
	2016	**2015**
Long-term loans issued		
Loans issued	346 380	283 077
Allowance for impairment of financial investments	(263 745)	(263 745)
Total	**82 636**	**19 332**
Short-term loans issued and other financial assets		
Deposits (RUB)	-	400 000
Loans issued	29 799	154 939
Total	**29 799**	**554 939**

In 2016 and 2015 all loans were issued in RUB bearing interest rates 0% - 8,25%, maturities of short-term loans issued - May 2016, long-term loans issued - year 2022.

Due to low probability of return of loans granted to Gold Minerals, LLC as long-term investments, the Group's management decided to create a provision for impairment of these financial assets in the amount of RUB 263 745 thousand. The level of the reserve did not change in year 2016.

19. Inventories

	As at 31 December	
	2016	**2015**
Raw materials and consumables	1 427 746	1 108 354
Work in progress	1 237 047	651 700
Finished goods	239	556
Adjustment of inventories to net realizable value	(13 150)	(13 150)
Total	**2 651 882**	**1 747 460**

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See below the movements in provision for impairment of inventory.

	As at 31 December 2016	2015
Balance as at the beginning of the year	**13 150**	**11 615**
Charge for the period	-	1 535
Balance as at the end of the year	**13 150**	**13 150**

20. Trade and Other Receivables

	As at 31 December 2016	2015
Long-term trade and other receivables		
Interest receivable	23 722	48 787
Allowance for doubtful debts	(23 722)	(48 787)
Total	**-**	**-**
Short-term trade and other receivables		
Advances issued	223 969	274 784
Interest receivable	16	39 725
Trade receivables	26 483	23 355
Other receivables	45 196	13 366
Allowance for doubtful debts	-	(14 588)
Total	**295 664**	**336 642**

In 2016 contract of novation was concluded on long term loans granted to Gold Minerals, LLC with the term extended till year 2022. As the result interest on loans were capitalized within the loan including previously established provisions.

The reserve for short-term trade and other receivables was reversed as the result of collection of appropriate receivables amounts.

	As at 31 December 2016	2015
Balance as at the beginning of the year	**63 375**	**42 140**
Charge for the year	(39 653)	21 235
Balance as at the end of the year	**23 722**	**63 375**

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21. Cash and Cash Equivalents

	Bank	As at 31 December 2016	2015
Deposits (USD)		**2 041 046**	**3 035 542**
Including:	Rosbank, PJSC	1 486 094	-
	AKB Lanta Bank, JSC	554 952	-
	Sberbank, OJSC (Baikal branch)	-	1 093 241
	RosEvroBank, JSC	-	1 064 087
	Raiffeisenbank, JSC	-	878 214
Current accounts (RUB)		**651 552**	**281 840**
Including:	AKB Lanta Bank, JSC	598 205	246 768
	Other	53 347	35 072
Deposits (RUB)		**570 853**	**606 500**
Including:	AKB Lanta Bank, JSC	568 481	268 500
	Unicredit Bank, JSC	2 372	258 000
	Sberbank, OJSC	-	80 000
Current accounts (Foreign currency)		**26 801**	**5 753**
Including:	AKB Lanta Bank, JSC	21 262	1 822
	Other	5 539	3 931
Cash on hand		**234**	**111**
Total		**3 290 486**	**3 929 746**

Due to the availability of cash the Group placed these funds in foreign currency and rouble deposits. As at 31 December 2016 Foreign currency deposit rates were 0,2% - 1,05%, and Rouble deposit rates – 8,2% - 8,3% (as at 31 December 2015: Foreign currency deposit rates were – 0,4% - 1,18%, and Rouble deposit rates – 8,28% - 10,3%).

As at 31 December 2016 and 31 December 2015, the Group had no cash and cash equivalents unavailable for use.

22. Taxes Receivable

	As at 31 December 2016	2015
VAT receivable	1 389 574	1 099 504
Other taxes receivable	7 178	2 145
Total	**1 396 752**	**1 101 649**

23. Equity

1) Share capital

The Company's share capital complies with the requirements of Federal Law No. 208-FZ "On Joint Stock Companies" on minimum level of share capital that must make up not less than a thousand times the minimum wage amount established by the federal law as at the date of registration of the company.

(in thousands of Russian Roubles, unless otherwise stated)

	As at 31 December	
	2016	**2015**
Par value per share (RUB)	0,002	0,002
Authorised and issued ordinary shares	54 983 890	54 983 890
Share capital	**110**	**110**

In 2016 and 2015 there were no changes in the Company's share capital.

2) Treasure shares

In September 2012 a subsidiary FAYWELD HOLDINGS LTD acquired 1,619,677 ordinary shares of GV Gold with total nominal value of RUB 3 thousand.

3) Share premium

In 2011, as a result of additional issue, Raiffeisenbank, JSC acquired 5,26% shares of GV Gold, OJSC in the amount of RUB 2 893 890 with the par value of RUB 0.002 per share. In August 2011, EBRD purchased shares of GV Gold, OJSC from Raiffeisenbank, JSC.

In December 2015, SAKHA Gold Mining, CJSC and EBRD concluded a Call and Put option agreements. The subject of these agreement are 2 893 890 ordinary shares of GV Gold, PJSC owned to EBRD at the date of the agreement. On 1 December 2016, the Group has paid part of liabilities under put option in the amount of RUB 1 555 683 thousand (USD 22 923 thousand). As of 31 December 2016 long-term part of liabilities under put option amounted to RUB 1 216 641 thousand, and short-tern part amounted to RUB 1 042 682 thousand.

At the time of recognition of the liabilities under put option share premium was formed in the amount of RUB 1,032,078 thousand. Liabilities under put option are recognized as a deduction from share premium and retained earnings.

4) Dividends

In January 2007 the Company's Board of Directors approved a regulation on dividend policy under which dividends on issued shares may be paid on the results of the first quarter, half year, nine months and (or) on the results of the financial year in the amount minimum 25% of the Company's net profit determined on the basis of the Russian statutory financial statements.

In 2016 the Company declared dividends for 2015 with the par value of RUB 18,1473 per share, and for the first half of 2016 with the par value of RUB 19,7842 per share.

In 2015 the Company declared dividends for 2014 with the par value of RUB 16,8046 per share, and for the first half of 2015 with the par value of RUB 19,8086 per share.

5) Non-controlling interest

As at 31.12.2016 two companies of the Group BMC, LLC and Bodaibo Holding Ltd. (including Krasny, LLC) have non-controlling interests. As BMC, LLC was established at the year end of 2016 and at 31.12.2016 its net assets are insignificant, the effect on non-controlling interest is also insignificant.
Investments in Bodaibo Holding Ltd. (including Krasny, LLC) are accounted using consolidation method.

Below are presented the net assets and net result of Bodaibo Holding Ltd. (including Krasny, LLC).

	As at 31 December	
	2016	**2015**
Goodwill	111 003	111 003
Exploration and evaluation assets	540 441	370 329
Cash and cash equivalents	102 014	159 491
Other, net	64 555	118 363
Net assets	**818 014**	**759 185**
Net profit	**(77 576)**	**2 014**

24. Loans and Borrowings

	As at 31 December	
	2016	**2015**
Long-term loans and borrowings		
Bank loans	7 104 737	6 235 365
Total	**7 104 737**	**6 235 365**
Short-term loans and borrowings		
Current portion of long-term bank loans	1 992 561	675 684
Interest payable on long-term loans and borrowings	52 949	32 681
Total	**2 045 510**	**708 365**

6 October 2016 the Group and UniCreditBank, JSC entered into a loan agreement in the amount USD 40 000 thousand, with a maturity of 5 years.

25 December 2015 the Group and Rosbank, PJSC entered into a loan agreement in the amount USD 25 000 thousand, with a maturity of 3 years.

15 October 2015 the Group and Raiffeisenbank, JSC entered into a loan agreement in the amount USD 20 000 thousand, with a maturity of 3 years.

5 June 2014 the Group and UniCreditBank, JSC entered into a loan agreement in the amount USD 50 000 thousand, with a maturity of 5 years.

1 August 2014 the Group and UniCreditBank, JSC entered into a loan agreement in the amount USD 25 000 thousand, with a maturity of 5 years.

The interest rates under the loan agreements were from LIBOR plus 3% to LIBOR plus 4%.

25. Finance Lease Obligations

The Group leases property, plant and equipment under a number of finance lease contracts. The average lease term is 5 years. For the year ended 31 December 2016, the weighted average effective interest rate was 6.71-10.49%.

As of December 31, 2016, the carrying value of fixed assets owned under finance leases is RUB 82 221 thousand (31 December 2015 – RUB 120 815 thousand). All fixed assets leased under finance leases represent mining equipment.

Payments under the finance lease are fixed and are denominated in USD.

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	Minimum lease payments as at 31 December		Present value of minimum lease payments as at 31 December	
	2016	**2015**	**2016**	**2015**
Within 1 year	92 865	79 811	57 417	69 641
Between 2 and 5 years	118 678	181 957	88 772	171 498
Less: future finance charges	(65 355)	(20 629)	-	-
Present value of lease obligations	**146 189**	**241 139**	**146 189**	**241 139**
Total non-current portion			**88 772**	**171 498**
Total current portion			**57 417**	**69 641**

26. Decommissioning Provision

	Decommissioning liability
Balance at 31 December 2015	**302 848**
Change in provisions for the year	(45 469)
Unwinding of discount on provision	31 678
Balance at 31 December 2016	**289 057**

In 2015, SRK Consulting Limited revised the amount of decommissioning obligations of "Golets Vysochaishy" and "Ykanskoye". The Group's management considers that decommissioning obligations at 31.12.2016 changed insignificantly.

Main assumptions made on evaluation of land restoration provision are presented as follows

	2016	2015
Discount rate	8%	10%
Expected dates of closure and liquidation of deposits	2020-2026 гг.	2020-2026 гг.

27. Trade and Other Payables

	As at 31 December	
	2016	**2015**
Trade payables	574 900	187 867
Payables to employees	221 733	218 064
Provision for unused vacations	147 793	95 957
Other payables	60 833	18 046
Total	**1 005 259**	**519 934**

28. Taxes Payables

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Notes to the Consolidated Financial Statements for the Year Ended 31 December 2016
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	For the year ended 31 December	
	2016	**2015**
Extraction tax	104 167	35 207
Insurance contributions	74 527	76 899
Personal income tax	33 878	34 261
Property tax	6 575	-
Other taxes	5 492	11 809
Income tax	-	23 791
Total	**224 639**	**181 967**

29. Related Party Transactions

1) Control relationships

The Group is ultimately controlled by several individuals, with each individual holding less than 50% of the shares. In addition, the Group has a controlling relationship with all of its subsidiaries.

2) Transactions with management

Key management received the following remuneration during the year, which is included in personnel costs.

	For the year ended 31 December	
	2016	**2015**
Wages, salaries and bonuses	170 381	161 777
Insurance contributions	24 417	31 030
Total	**194 798**	**192 807**

3) Transactions with other related parties

Other related parties are AKB Lanta Bank, JSC, Legion K, LLC, LT-Resource, CJSC, Russian Samocvety, OJSC which are under control of the Company's shareholders.

The Group's transactions with these companies are disclosed below.

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(i) Revenue

	For the year ended 31 December	
	2016	**2015**
Revenue from sales of gold	13 646 686	12 783 854
Revenue from sales of silver	22 400	21 315
Total	**13 669 086**	**12 805 169**

(ii) Income and expenses

	For the year ended 31 December	
	2016	**2015**
Interest income	8 251	63 431
Costs of providing economic and information security	(173 669)	(41 790)
Rent expenses	(61 576)	(37 424)
Expenses on purchase-sale of currency	(3 989)	(7 371)
Other	-	-
Total	**(230 983)**	**(23 154)**

Rent expenses include rent for the property and equipment from LT-Resource, CJSC.

(iii) Related party balances

As at 31 December

(in thousands of Russian Roubles, unless otherwise stated)

	2016	2015
Deposits	1 123 433	400 000
Cash and cash equivalents	619 467	517 090
Loans issued	29 757	154 939
Trade and other receivables	2 114	43 058
Trade and other payables	(3 896)	(4 590)
Total	**1 770 875**	**1 110 497**

30. Investments in joint venture

Details of the Group's material joint venture at the end of the reporting period are as follows:

Name of joint venture	Principal activity	Proportion of ownership interest and voting rights held by the Group 31/12/2016	31/12/2015
Sakha Minerals B. V.	Exploration and production of mineral resources	50%	50%

The above joint venture is accounted for using the equity method in these consolidated financial statements.

	As at 31 December 2016
Current assets	53 527
Non-current assets	191 284
Current liabilities	(2 721)
Non-current liabilities	(242 091)

	For the year ended 31 2016
Revenue	-
Administrative expenses	(26 561)
Other operating expenses, net	(28 809)
Foreign exchange gains	(4 764)
Movements in deferred tax	9 216
Total comprehensive income for the period	**(50 918)**

31. Operating Segments (unaudited)

For management purposes, the Group is divided into operating segments (projects) formed on the basis of geographical location and the types of activities. Each project provides information on financial and production performance to the Group's management.

The Group has the following projects:

Irkutsk project (GV Gold, PJSC, Krasny LLC, AGMC LLC, UMC LLC, BMC LLC, Bodaibo Holding Ltd.) – all the Irkutsk project deposits are located in the Bodaibo area of Irkutsk region. The principal activities are production and sale of ore gold, carrying out geological exploration work on the Central, Northern and Eastern Parts of the Khomolkho Ore Field, «Babushkin» and «Krasny» sites, design work on the site on deposits «Ozherelie» and «Verhne-Ugakhansky»

Yakutia project (TGMC JSC, SG Mining CJSC) – comprises the development of two major deposits located in the Sakha (Yakutia) Republic: the Bolshoy Kuranakh and Drazhnoye hardrock gold deposits. The principal

activities are production and sale of alluvial gold, carrying out geological exploration work on the Drazhnoye deposit.

The Group companies which are not engaged in gold mining are united in the segment Others (Nord Minerals, CJSC, FAYWELD HOLDINGS LTD).

For the year ended 31 December 2016

	Revenue from sales of gold, kRUB	Gold sold, kg	EBITDA, kRUB	Total cash costs, RUB/g	Capital expenditures, kRUB
Irkutsk project	12 835 264	4 767	7 598 254	1 108	4 207 817
Yakutia project	811 422	309	234 495	2 737	3 360 684

The related party AKB Lanta Bank, JSC, is the purchaser of precious metals

Capital expenditures include expenses for acquisition of property, plant and equipment, intangible assets, exploration and evaluation expenditures and expenses on mine under development.

The measure which management of the Group uses to evaluate the performance of the Group is segment EBITDA and Total cash costs.

Segment assets and liabilities are not reviewed by the Group management therefore they are not disclosed in these consolidated financial statements.

EBITDA reconciles to the IFRS reported figures on a consolidated basis as follows:

Net profit for the year	6 414 805
Income tax	1 585 898
Depreciation and amortization	725 174
Interest received	(118 837)
Interest expenses	547 873
Forex exchange	(1 667 586)
Other adjustments	133 477
Total	**7 620 804**

The measurement of TCC per gram of gold reconciles to the IFRS reported figures on a consolidated basis as follows:

Cost of gold sold	5 746 717
Administrative expenses	1 208 337
Depreciation and amortization	(725 174)
Other adjustments	(133 477)
Total cash costs	**6 096 403**
Gold sold, kg	5 076
Total	**1 201**

For the year ended 31 December 2015

	Revenue from sales of gold, kRUB	Gold sold, kg	EBITDA, kRUB	Total cash costs, RUB/g	Capital expenditures, kRUB
Irkutsk project	11 807 305	5 200	6 924 578	931	2 547 967
Yakutia project	976 549	431	191 370	1 722	2 216 008

The related party AKB Lanta Bank, JSC, is the purchaser of precious metals

Capital expenditures include expenses for acquisition of property, plant and equipment, intangible assets, exploration and evaluation expenditures and expenses on mine under development.

The measure which management of the Group uses to evaluate the performance of the Group is segment EBITDA and Total cash costs.

Segment assets and liabilities are not reviewed by the Group management therefore they are not disclosed in these consolidated financial statements.

EBITDA reconciles to the IFRS reported figures on a consolidated basis as follows:

Net profit for the year	4 089 339
Income tax	1 159 860
Depreciation and amortization	686 649
Interest received	(163 420)
Interest expenses	224 558
Forex exchange	1 007 590
Other adjustments	101 622
Total	**7 106 198**

The measurement of TCC per gram of gold reconciles to the IFRS reported figures on a consolidated basis as follows:

Cost of gold sold	5 241 084
Administrative expenses	1 083 385
Depreciation and amortization	(686 649)
Other adjustments	(66 912)
Total cash costs	**5 570 908**
Gold sold, kg	5 631
Total	**989**

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32. Risk Management

In the course of its activities the Group takes on exposure to market risk, credit risk and liquidity risk..

1) Capital management

The Group capital management means:

a) complying with the applicable legislation to ensure the Group’s ability to continue as a going concern and earn income for its shareholders;

b) pursuing an appropriate credit policy to maintain optimal capital structure and reduce fund raising costs.

As at 31 December 2016 and 31 December 2015, the Company complies with the share capital requirements stipulated in the Federal Law “On Joint Stock Companies”.

The Group manages its capital to ensure that the Group entities will be able to continue as going concerns with maximising profits for shareholders by optimising the debt to equity ratio.

The structure of the Group's capital consists of debt which includes long- and short-term borrowings, cash and cash equivalents; and equity of equity holders of the parent company, which includes share capital, share premium and retained earnings.

Management of the Group analyses regularly the ratio of net debt to capital employed to make sure it complies with the level of international companies having similar investment rating and with the Group’s current rating level.

In accordance with the Company's capital management policy, the net debt to capital employed ratio should not exceed 50%

The ratio of net debt to capital employed of the Group at the reporting dates was calculated as follows:

	As at 31 December	
	2016	**2015**
Borrowings	9 296 436	7 184 869
Cash and cash equivalents	(3 290 486)	(3 929 746)
Net debt	**6 005 950**	**3 255 123**
Equity	14 565 061	10 106 375
Total capital employed,%	**41%**	**32%**

During the reporting period, the Group did not make any changes in its capital management policies.

2) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices, will affect the Group’s financial results or the value of its holdings of financial instruments.

Market price movements to which the Group is exposed include changes in gold prices (commodity price risk), foreign currency exchange rates, interest rates that could adversely affect the value of the Group’s financial assets, liabilities or expected future cash flows.

(i) Gold price risk

Gold price fluctuations significantly affect the Group’s performance.

In accordance with the signed gold sale contract, the price for gold is adjusted based on the first morning fixing for gold of the London Bullion Market Association (Gold Fixing Price). From March 2015, the London Gold Fix pricing mechanism has been replaced by a new electronic LBMA price-discovery process (LBMA Gold Price). The Company does not expect selling prices to be significantly affected by the above change.

Gold and silver are traded on a centralised basis. The Group hedges gold price risk exposures using the following three instruments:

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- The estimated data are based on the conservative scenario of gold price forecast.
- Investment expenditure is adjusted depending on the expected fluctuations in gold prices;
- Steps are taken to optimise and reduce cash expenditure for gaining stable margin from commodity sales.

A 10% change in gold price will bring additional profit (loss) in the amount of RUB 1 364 669 thousand (2015 – RUB 1 278 385 thousand).

(ii) Currency risk

The Group is exposed to foreign exchange risk arising from various exposures in the normal course of business, primarily with respect to the US Dollar. Foreign exchange risk arises primarily from future commercial transactions, recognised assets and liabilities when assets and liabilities are denominated in a currency other than the functional currency.

As the Company's revenue is pegged to the US Dollar, foreign currency fluctuations have a limited impact on the Company's ability to service foreign currency loans. To minimise foreign exchange differences the Company places part of its assets in foreign currency.

Below is the information on the carrying amount of financial instruments denominated in USD.

		As at 31 December
	2016	**2015**
Current assets		
Cash and cash equivalents	2 067 847	3 041 295
Total assets	**2 067 847**	**3 041 295**
Non-current liabilities		
Loans and borrowings	(7 104 737)	(6 235 365)
Liabilities under put options	(1 216 641)	(2 714 705)
Provision for asset retirement	(289 057)	(302 848)
Finance Lease Obligations	(88 772)	(171 498)
Current liabilities		
Loans and borrowings	(2 045 510)	(708 365)
Liabilities under put options	(1 042 682)	(624 794)
Obligations attributable to the acquisition	-	(139 230)
Finance Lease Obligations	(57 417)	(69 641)
Trade and other payables	(42 599)	(25 873)
Total liabilities	**(11 887 415)**	**(10 992 319)**
Total net liabilities	**(9 819 568)**	**(7 951 024)**

Strengthening of US Dollar by 10% will result in additional loss of RUB 981 957 thousand (in 2015 –RUB 795 102 thousand).

Due to the fact that Group's revenue is calculated with the daily exchange rate of the US Dollar, the Dollar's rise against the Rouble by 10% will result in additional gain in the amount of RUB 1 364 669 thousand (2015: RUB 1 278 385 thousand).

The aggregate effect of the Dollar's rise against the Rouble by 10% will result in additional gain in the amount of RUB 382 712 thousand (2015: RUB 483 283 thousand).

The weakening of the US dollar against functional currency by 10% would have had the same aggregate effect, but with the opposite sign, provided that all other variables remain constant.

The change in the value of EUR by 10% will not have a material impact on the Group's profit.

(iii) Interest rate risk

The Company is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. Borrowings at variable rates expose the Company to cash flow interest rate risk. Fixed interest rate borrowings expose the Company to fair value interest rate risk. Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of taking new

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loans and borrowings, management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

The Group had the following loans and borrowings at floating interest rates:

		As at 31 December
	2016	**2015**
Long-term bank loans	7 104 737	6 235 365
Current portion of long-term bank loans	1 992 561	675 684
Total	**9 097 298**	**6 911 049**

The Group regularly reviews financial instruments to identify interest rate risks. The following factors are considered during the review: a possibility of refinancing, extension of validity of the existing financing contracts and alternative financing.

Cash flow sensitivity analysis for variable rate instruments

A change in variable interest rates in 2016 by 1% (other conditions being equal) would have decreased or increased net profit of the Group by RUB 90 973 thousand (2015 RUB 69 110 thousand).

3) 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 has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties to avoid concentration of risks.

Trade receivables consist of a large number of customers spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of debtors.

The credit risk on liquid funds is limited because the Group's counterparty banks have high credit ratings assigned by international credit rating agencies.

		As at 31 December
	2016	**2015**
Cash and cash equivalents	3 290 486	3 929 746
Loans issued and other financial assets	112 435	574 271
Trade and other receivables	295 664	336 642
Total	**3 698 585**	**4 840 659**

4) Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all its financial liabilities when they fall due. The Group's approach to liquidity management is to ensure it has adequate cash available to timely meet its payment obligations under normal or unfavourable conditions without incurring inadmissible losses or causing serious damage to the Group's reputation.

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The table below shows financial liabilities by their remaining contractual maturity.

As at 31 December 2016

	Carrying amount	Less than 1 year	From 1 to 2 years	From 2 to 5 years
Loans and borrowings (undiscounted)	10 032 666	2 672 087	3 610 935	3 749 643
Less Interest	(736 231)	(362 004)	(225 297)	(148 932)
Loans and borrowings (Net)	9 296 435	2 310 084	3 385 639	3 600 712
Trade and other payables	1 005 259	1 005 259	-	-
Total	10 301 694	3 315 343	3 385 639	3 600 712

As at 31 December 2015

	Carrying amount	Less than 1 year	From 1 to 2 years	From 2 to 5 years
Loans and borrowings (undiscounted)	7 640 291	1 399 884	2 074 343	4 166 064
Less Interest	(455 422)	(208 971)	(230 268)	(16 183)
Loans and borrowings (Net)	7 184 869	1 190 913	1 844 075	4 149 881
Trade and other payables	519 934	519 934	-	-
Total	7 704 803	1 710 847	1 844 075	4 149 881

The table below shows liabilities under put options.

As at 31 December 2016

	Carrying amount	Less than 1 year	From 1 to 2 years	From 2 to 3 years
Liabilities under put options	2 259 323	1 042 682	1 216 641	-

As at 31 December 2015

	Carrying amount	Less than 1 year	From 1 to 2 years	From 2 to 3 years
Liabilities under put options	3 339 499	624 794	1 252 841	1 461 864

33. Contingent Liabilities and Contractual Commitments

1) Russian business environment

Political and economic changes currently occurring in the Russian Federation affect and may continue to significantly affect the enterprises operating in Russia. Consequently, business operations in the Russian Federation traditionally involve risks typical for this country. On the other hand, the favourable market situation allows hoping for a successful development of the gold mining industry in the nearest future.

Currently, the Company has a stable position in the market and is planning a further increase in its resource base and a rise in the production and financial efficiency. The Group takes all the necessary and possible measures for stable functioning and development of its gold mining activities in the future.

2) Capital commitments

As at 31 December 2016, the Group companies concluded agreements for delivery and construction of plant and equipment totaling RUB 260 352 thousand

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3) Operating lease commitments

The Company's representative office in Moscow has entered into a lease of non-residential buildings for a period of 5 years.

Future minimum rentals payable under the operating lease are as follows.

	As at 31 December 2016	2015
Within one year	72 000	72 000
After one year but not more than five years	18 000	18 000
Total	**90 000**	**90 000**

4) Environmental protection

The Group periodically evaluates its environmental liabilities pursuant to environmental regulations. Such liabilities are recognised in the consolidated financial statements as they arise. Potential liabilities, which might arise as a result of changes in the applicable legislation cannot be reliably estimated but may be material. With the existing system of control, management believes that there are no material liabilities for environmental damage.

5) Insurance

The insurance industry in the Russian Federation is in the process of development, and many forms of insurance coverage common in developed markets are not yet generally available in Russia. The Group does not have full coverage for its production facilities, for business interruption, or for third party liabilities in respect of property or environmental damage arising from accidents on the Group's property or relating to the Group's operations. Until the Group obtains adequate insurance policies, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

6) Taxation contingencies

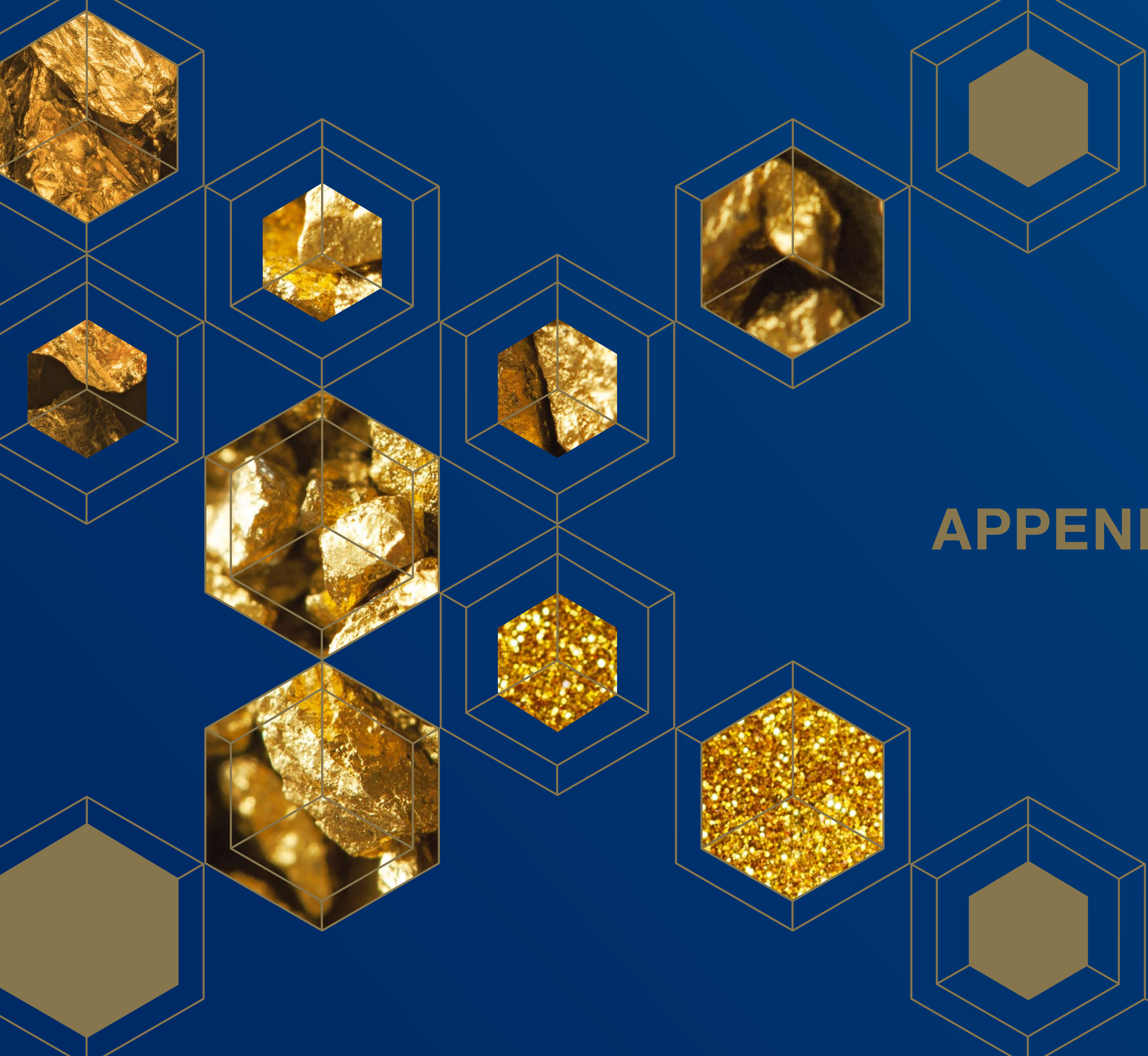
The taxation system in the Russian Federation is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Correctness of tax computations is subject to review and investigation by a number of authorities which are entitled to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

Contingencies that were determined by management at the reporting date as contingencies arising from tax legislation standards and other regulatory acts that can be subject matter of various interpretations, and that were not accrued in the consolidated financial statements of the Group, can amount up to RUB 227,034 thousand as at 31 December 2016. There is also an uncertainty about due date of these contingencies.

34. Subsequent Events

By the decision of Board of Directors German R. Pikhoya was appointed as the General Director of PJSC GV Gold beginning 10 April 2017.



APPENDICES

6 APPENDICES

PRODUCTION

Item	Units	2014	2015	2016
IRKUTSK PROJECT (GV GOLD (VYSOCHAISHY, PJSC))				
Overburden stripped	'000 m^3	5,097.00	4,878.13	**4,841.33**
Balance ore mined (> 1.9 g/t)	'000 m^3	421.40	367.44	**395.91**
	'000 t	1,136.90	991.73	**1,049.98**
Off-balance ore mined (1.0 –1.9 g/t)	'000 m^3	828.20	748.99	**791.33**
	'000 t	2,232.60	2,022.02	**2,155.31**
Off-balance ore mined (<1.0 g/t)	'000 m^3	270.30	443.65	**529.96**
	'000 t	729.40	1,197.58	**1,430.89**
Ore processed	'000 t	4,277.10	4,449.02	**4,437.96**
Mill №1	'000 t	79.90	0.00	**0.00**
Mill №2	'000 t	1,129.20	1,217.93	**1,214.62**
Mill №3	'000 t	2,942.60	3,108.13	**3,106.64**
Mill №4	'000 t	125.40	122.97	**116.70**
Sand processed				
Sluice GGM-3 (eluvial-deluvial placer)	'000 m^3	74.40	85.99	**84.10**
Average grade of gold in ore	g/t	1.57	1.45	**1.33**
Mill 1	g/t	2.94	0.00	**0.00**
Mill 2	g/t	2.65	2.36	**2.24**
Mill 3	g/t	1.09	1.07	**0.94**
Mill 4	g/t	1.97	2.05	**2.01**
Average grade of gold in sands				
Sluice GGM-3 (eluvial-deluvial placer)	g/m^3	0.99	1.04	**0.80**

Item	Units	2014	2015	2016
Gold recovery	%	78.20	80.00	**80.57**
Mill 1	%	79.20	0.00	**0.00**
Mill 2	%	80.20	87.40	**88.29**
Mill 3	%	76.20	73.50	**73.43**
Mill 4	%	79.70	79.80	**80.09**
Sluice GGM-3 (eluvial-deluvial placer)	%	91.07	91.18	**91.20**
Gold produced	kg	5,287.50	5,210.28	**4,787.73**
	koz	170.00	167.51	**153.93**
Mill 1	kg	186.10	0.00	**0.00**
Mill 2	kg	2,401.50	2,511.09	**2,403.37**
Mill 3	kg	2,452.90	2,433.60	**2,152.62**
Mill 4	kg	179.80	184.25	**170.52**
Sluice GGM-3 (eluvial-deluvial placer)	kg	67.20	81.34	**61.23**
ALDAN PROJECT (SAKHA GOLD MINING, CJSC)				
Gold produced	kg	199.90	430.60	**308.63**
	koz	6.40	13.84	**9.92**
Silver produced	kg	0.00	22.05	**15.14**
	koz	0.00	0.70	**0.48**
GV GOLD (VYSOCHAISHY, PJSC) GROUP				
Gold produced	kg	5,487.40	5,640.88	**5,096.09**
	koz	176.42	181.36	**163.84**

REGISTER OF THE LICENSES

Subsurface use licenses, held by GV Gold (Vysochaishy, PJSC), its subsidiaries and affiliated companies as at 01.01.2017.

Licenses of the Irkutsk Project, GV Gold (Vysochaishy, PJSC)

1. Geological surveying and production of gold from the Golets Vysochaishy hardrock gold deposit and its eluvial-deluvial placer

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 9.72 km²
License number: IRK 11537 BR
Issued on: 19.05.2003
Valid until: 01.06.2020

2. Geological surveying and production of gold from the mining dumps of the Golets Vysochaishy deposit

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 0.86 km²
License number: IRK 02669 BR
Issued on: 26.03.2010
Valid until: 15.12.2018

3. Geological surveying, exploration and production of hard rock gold from the Central part of the Khomolkho Ore Cluster

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 217 km²
License number: IRK 02178 BR
Issued on: 07.06.2005
Valid until: 01.04.2030

4. Geological surveying (prospecting, exploration) and production of hard rock gold from the Eastern part of Khomolkho Ore Cluster

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 168 km²
License number: IRK 02604 BR
Issued on: 29.01.2009
Valid until: 01.02.2034

5. Geological surveying, exploration and production of hard rock gold from the Northern part of Khomolkho Ore Cluster

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 87.9 km²
License number: IRK 02686 BR
Issued on: 26.04.2010
Valid until: 25.04.2035

6. Exploration and production of hard rock gold from the Ozherelie deposit (Irkutsk Region)

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 24.1 km²
License number: IRK 14897 BE
Issued on: 09.04.2010
Valid until: 01.09.2026

7. Exploration and production of hard rock gold from the Ykanskoye deposit (Irkutsk Region)

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 7.2 km²
License number: IRK 14896 BE
Issued on: 09.04.2010
Valid until: 01.09.2026

8. Geological surveying, exploration and production of hard rock gold from the Verkhne-Ugakhansky site

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)*
Land plot area: 14.4 km²
License number: IRK 02727 BR
Issued on: 07.10.2010
Valid until: 10.10.2035

9. Geological surveying, exploration and production of hard rock gold from the Babushkin site

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 164 km²
License number: IRK 03054 BR
Issued on: 28.01.2014
Valid until: 25.06.2033

10. Geological surveying (prospecting, exploration) of hard rock gold at the Patomsky site

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 125.61 km²
License number: IRK 03116 BP
Issued on: 14.10.2014
Valid until: 15.10.2019

11. Geological surveying (prospecting, exploration) of hard rock gold at the Zapadny Dokukan site

Legal entity which obtained the license:
GV Gold (Vysochaishy, PJSC)
Land plot area: 28.11 km²
License number: IRK 03117 BP
Issued on: 14.10.2014
Valid until: 15.10.2019

Licenses of the Irkutsk Project, Nord Minerals, CJSC

1. Geological surveying including prospecting and estimation of mineral deposits within the Botolo site

Legal entity which obtained the license:
Nord Minerals, CJSC
Land plot area: 99.82 km²
License number: IRK 03369 BP
Issued on: 28.11.2016
Valid until: 28.11.2023

2. Geological surveying including prospecting and estimation of mineral deposits within the Dzhekdakar site

Legal entity which obtained the license:
Nord Minerals, CJSC
Land plot area: 98.68 km²
License number: IRK 03370 BP
Issued on: 28.11.2016
Valid until: 28.11.2023

Licenses of the Irkutsk Project, Joint Venture of GV Gold (Vysochaishy, PJSC) and Kopy Goldfields AB (publ)

1. Geological surveying, exploration and production of hard rock gold from the Krasny site**

Legal entity which obtained the license:
Krasny, LLC
Land plot area: 31.05 km²
License number: IRK 02804 BR
Issued on: 18.07.2011
Valid until: 25.04.2035

* On March 30, 2017 the license was reissued in favour of the Company subsidiary Ugakhan Mining Company, LLC (UMC, LLC)

** GV Gold (Vysochaishy, PJSC) holds a stake of 51%

Licenses of the Aldan Project, SAKHA Gold Mining, CJSC

1. Production of alluvial gold from the Bolshoy Kuranakh deposit (buried placer)

Legal entity which obtained the license:
SAKHA Gold Mining, CJSC
Land plot area: 2,212 ha
License number: YaKU 04077 BE
Issued on: 26.11.2014
Valid until: 31.12.2017

2. Exploration and production of alluvial gold from the Sorevnovanie Stream deposit and its tributaries the Vecherny, Zeleny, Gornyak, Pervy Streams

Legal entity which obtained the license:
SAKHA Gold Mining, CJSC
Land plot area: 10.45 km²
License number: YaKU 03779 BE
Issued on: 02.04.2014
Valid until: 01.05.2021

Licenses of the Taryn Project, Taryn Gold Mining Company, JSC (TGMC, JSC)

1. Geological surveying, exploration and production of hard rock gold and silver from the Drazhnoye deposit within the Taryn Ore Field in the Republic of Sakha (Yakutia)

Land plot area: 47.64 km²
License number: YaKU 15584 BR
Issued on: 21.06.2013
Valid until: 05.10.2037

2. Geological surveying, exploration and production of hard rock gold from the Central Part of the Taryn Ore Field

Land plot area: 89.09 km²
License number: YaKU 04534 BR
Issued on: 22.09.2015
Valid until: 01.10.2038

3. Geological surveying including prospecting and estimation of mineral deposits within the Vostochno-Tarynsky site

Land plot area: 37.1 km²
License number: YaKU 04627 BP
Issued on: 21.04.2016
Valid until: 30.04.2021

4. Geological surveying including prospecting and estimation of mineral deposits within the Sokh site

Land plot area: 91.02 km²
License number: YaKU 05004 BP
Issued on: 01.09.2016
Valid until: 01.09.2021

MAJOR TRANSACTIONS

Information on the major transactions and the interested party transactions is disclosed by the Company in the quarterly reports for Q1-4 2016 displayed on the web page:
http://www.e-disclosure.ru/portal/company.aspx?id=8394

GV Gold transactions information

ENERGY CONSUMPTION

Irkutsk Project

Energy resource	Units	2016			2015		
		Consumption in physical terms	Consumption in '000 RUB	Consumption in t r. f.*	Consumption in physical terms	Consumption in '000 RUB	Consumption in t r. f.
Atomic energy		0.0	0.0	0.0	0.0	0.0	0.0
Heat	Gcal	30,642.0	69,167.0	4,553.4	27,428.0	54,931.0	4,075.8
Electric power:	MW	146,300.0	497,871.0	50,400.4	143,337.0	477,555.0	49,379.6
♦ from eternal power grid	MW	119,993.0	244,545.0	41,337.6	115,682.0	223,272.0	39,852.4
♦ from diesel generators	MW	26,307.0	253,326.0	9,062.8	27,655.0	254,283.0	9,527.1
Electromagnetic energy		0.0	0.0	0.0	0.0	0.0	0.0
Oil		0.0	0.0	0.0	0.0	0.0	0.0
Petrol	t	0.0	0.0	0.0	0.0	0.0	0.0
Diesel (in total for the enterprise)	t	19,943.0	662,385.0	28,917.4	17,974.0	595,548.0	26,062.3
Furnace fuel oil		0.0	0.0	0.0	0.0	0.0	0.0
Natural gas		0.0	0.0	0.0	0.0	0.0	0.0
Coal	t	6,492.0	29,267.0	4,985.9	5,811.0	26,105.0	4,462.8
Oil shales		0.0	0.0	0.0	0.0	0.0	0.0
Peat		0.0	0.0	0.0	0.0	0.0	0.0
Other: used engine oil (as a fuel)	t	138.0	24,840.0	179.4	135.0	24,300.0	175.5

* Tonnes of reference fuel.

Taryn Project

Energy resource	Units	2016			2015		
		Consumption in physical terms	Consumption in '000 RUB	Consumption in t r. f.	Consumption in physical terms	Consumption in '000 RUB	Consumption in t r. f.
Atomic energy		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Heat	Gcal	**547.7**	**3,315.8**	**81.4**	383.0	2,266.1	56.9
Electric power:	MW	**5,409.8**	**35,544.3**	**1,863.7**	2,116.0	13,734.5	729.0
♦ from eternal power grid	MW	**5,409.8**	**35,544.3**	**1,863.7**	2,116.0	13,734.5	729.0
♦ from diesel generators	MW	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Electromagnetic energy		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Oil		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Petrol	t	**23.0**	**1,113.8**	**34.3**	15.0	551.0	22.4
Diesel	t	**3,604.6**	**221,275.6**	**5,226.7**	1,737.7	92,530.1	2,519.7
Furnace fuel oil		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Natural gas		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Coal	t	**933.5**	**4,818.6**	**716.9**	0.0	0.0	0.0
Oil shales		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Peat		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Other		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0

Aldan Project

Energy resource	Units	2016			2015		
		Consumption in physical terms	Consumption in '000 RUB	Consumption in t r. f.	Consumption in physical terms	Consumption in '000 RUB	Consumption in t r. f.
Atomic energy		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Heat	Gcal	**1,184.0**	**6,372.0**	**175.9**	1,113.4	5,641.6	165.4
Electric power:	MW	**22,401.0**	**177,901.0**	**7,717.1**	17,380.0	121,947.0	5,987.4
♦ from eternal power grid	MW	**22,401.0**	**177,901.0**	**7,717.1**	17,380.0	121,947.0	5,987.4
♦ from diesel generators	MW	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Electromagnetic energy		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Oil		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Petrol	t	**97.0**	**4,914.0**	**144.5**	103.0	5,021.0	153.5
Diesel	t	**671.0**	**30,298.0**	**973.0**	730.0	34,112.0	1,058.5
Furnace fuel oil		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Natural gas		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Coal	t	**320.0**	**944.0**	**245.8**	120.0	354.0	92.2
Oil shales		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Peat		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
Other		**0.0**	**0.0**	**0.0**	0.0	0.0	0.0

GLOSSARY

Alloy — a mix of two or more chemical elements, including, at least, one metal. Gold is usually alloyed with other metals to reduce the net grade of gold in the alloy, to change its color or to elevate its strength.

By-product gold — gold produced at processing of non-ferrous metals ores; essentially, crude gold.

Cash flow — cash flow from the operating activity – an amount of money, generated (or used) by the company as the result of its operating activity on production and sale of goods and services.

Cyanides — salts of hydrocianic acid.

Dore — unrefined gold alloy with different content of silver and non-ferrous metals produced at the mine before its shipment to the refinery and upgrading to the London Good Delivery standards.

Dredge — a floating facility for mechanized development of waterlogged placer mineral deposits.

EBITDA (Earnings before interest, taxes, depreciation, and amortization) — is calculated as a sum of depreciation of tangible and intangible assets and profit before taxes and credit interest payment.

Exchange — a market where precious metal, derivatives, stocks and other assets trade. RTS, MICEX, New York Stock Exchange (NYSE), American Stock Exchange (AMEH), National Association of Securities Dealers Automated Quotations system (NASDAQ).

GFMS (Gold Fields Mineral Services Ltd.) — a consulting company specializing in the research of the global markets of gold, silver, platinum and palladium. Based in London, but has an extensive network of contacts worldwide. At the moment represents a part of the Thomson Reuters agency.

Gold — Latin Aurum. Chemical symbol – Au. Bulk density – 19,32 g/cm^3, melting temperature – 1,063 °C.

Gold bars (bullions) — metal ingots. Gold bars may have different weight, shape and category. In terms of the production method, the bars are divided into two types: poured into moulds and punched (cut from the rolled sheets).

Gold price fixing — in March, 2015, the fixing which had been used since 1919, was replaced with the electronic auction system for determination of the reference price of gold in bars at the London Exchange ICE (InterContinental Exchange Futures previously known as IPE – International Petroleum Exchange) under the name of LBMA Gold Price. Seven banks take part in the auction, which determines an indicative prices now: Bank of Nova Scotia – Mocatta, Barclays, Goldman Sachs, HSBC, SocieteGenerale, UBS and JP Morgan Chase. Two Chinese banks take part in the auctions - China Construction Bank and Industrial and Commercial Bank of China. The price is established during the 45-second auction twice a day – on 10:30 and 15:00 London time.

Good-delivery bars — according to the existing rules contain not less than 999.5 g of metal per kg, and are produced by the refineries in the form of large bars – from 11 kg to 13.3 kg.

Goodwill — a value of the company's business reputation.

Hedging — Insurance of risks associated with adverse change of the precious metal price in the future at the exchange. For arbitration, the following LIBOR and GOFO equality is applied: LIBOR = GOFO + GLR (Gold Lease Rate); obtainment of the premium in the form of Contango = LIBOR Rate – GLR = GOFO.

Kilo bar — a widespread small gold bullion weighing 1 kg. 1 kg bar of 995 fineness = 31.990 ounces, 1 kg bar of 999.9 fineness = 32.148 ounces of pure gold.

Liquidity — an ability to sell/buy asset on the market. A highly liquid market hosts a lot of buyers and sellers or creditors that allows to buy or sell an asset easily.

Mill — a piece of machinery intended for grinding, grain size reduction of loose and pastelike materials. Another application of mills is the deaglomeration – size reduction of pellets (aggregates). The particle size reduction is effected with an impact, crushing (including cutting) or using the mixed technology – grinding.

Mine — a mining enterprise for underground or open cast production of minerals (predominantly ore).

Mining and Processing Complex (GOK)/ Mine — a complex mining enterprise, mining and processing solid minerals.

Open pit — a set of mine workings formed at the open cast development of a mineral; mining enterprise for open cast development of a mineral.

Ore — a word which originates from the Old English word crude (crude) or unwrought (raw) metal. Is related to the explored geological resources of noble or other metals.

Panning — classical and simple method of placer gold mining.

Precious metals — high-value metals: gold, silver, platinum and other platinum group metals (see "noble metals").

Processing plant/Mill — a mining enterprise for primary processing of solid minerals for production of technically valuable products applicable for industrial utilization.

Recovery, recuperation — repeated production and utilization of substances consumed by the technical processes; utilization of production wastes (for example, recovery and utilization of diamonds and diamond wastes from spent diamond tools).

Refinery — a plant making bars (bullions) with the grade of main noble metal of not less than 99.5%.

Refining — cleaning of precious metals from admixtures, improvement of their purity and upgrading of them to the standard fineness. The refining methods are divided into three groups: dry methods when molten metals are treated with chemical reagents or smelted with different fluxes; wet methods based on dissolution of admixtures in different acids; electrolytic methods (i.e. electric methods).

Reinvestments — funds obtained as an income on the investments and invested into the same assets again.

Risk — an exposure to danger of adverse market changes, accident or possible loss of money.

Smelting — melting of ores or concentrates for separation of metal from admixtures.

Troy ounce — a unit of weight used for gold at the precious metal trading and equal to 31.1035 g (to be more exact 31.1034807 g). It is considered to be applied in the medieval city of Troyes (France). 1 troy ounce is equal to 1.0971428 "avoirdupois" ounces.

US Federal Reserve Rate — a price of the short-term credit (overnight) established by the Federal Reserve System of the USA. With announcement of this rate, FRS declares the obligation to support such level of liquidity in the banking system, so that the banks trade overnight at this level.

Volatility — a fluctuation of rate (price) of a certain financial instrument (metal, stock, bond) over the chosen period of time. The higher the volatility is, the greater the change in the quotation price over the period of time is. Is related to the options. Index of the basic asset price variability.

CONTACT DETAILS

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Additional information

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REPORT INFORMATION

In this Annual Report terms “GV Gold (Vysochaishy, PJSC)”, “Company”, “GV Gold”, are referred to the GV Gold (Vysochaishy) Public Joint-Stock Company as both the stand-alone legal entity and the entity comprising its subsidiary and related companies, the results of which are consolidated by GV Gold (Vysochaishy, PJSC).

The Annual Report was indicatively approved by the Board of Directors of GV Gold (Vysochaishy, PJSC) (Protocol SD/V-201 dated May 24, 2017) and approved by the Annual General Shareholders Meeting of GV Gold (Vysochaishy, PJSC) (Protocol №OS/V-51 dated June 28, 2017).

DISCLAIMER

This Annual Report has been prepared based on the information available to the GV Gold (Vysochaishy) Public Joint-Stock Company (hereinafter – GV Gold (Vysochaishy, PJSC) or the Company) and its subsidiaries as at the issue date.

This Annual Report includes certain forward-looking statements with respect to the Company’s operations, economic highlights, financial position, results of operating and production activities, its plans, projects and expected results, as well as the production scopes, costs, estimated expenses, development prospects, useful lives of assets, reserve estimates and other similar factors, start and completion dates of certain exploration and production projects, as well as the construction operations.

Words such as “intends”, “strives”, “projects”, “expects”, “estimates”, “plans”, “considers”, “assumes”, “may”, “should”, “will”, “continues” and other words with similar meanings usually indicate the forward-looking nature of the statement.

These forward-looking statements, due to their specific nature, involve inherent risks and uncertainty (both general and particular), and there is a risk that the assumptions, expectations, intentions and other projection statements may never transpire. In the light of the above risks, uncertainties and assumptions, the Company advises that the actual results may differ significantly from the indicated, directly or indirectly, in the said forward-looking statements that are effective only at the date of this Annual Report.

The Company neither confirms nor guarantees that the results indicated in these forward-looking statements will be achieved. The Company accepts no responsibility for any losses that may be incurred by any individual or legal entity by their reliance on the forward-looking statements. Each particular forward-looking statement represents one of the numerous development scenarios and should not be treated as the most probable one.

In particular, other factors that may affect the starting date of construction or production, estimated expenses and volume of production, or useful lives of assets include the possibility of deriving profit from production, the effect of exchange rate changes on commodity prices of the goods produced, activities of the government authorities in the Russian Federation, including changes in tax, environmental and other laws and regulations. This list of significant factors is not exhaustive. When considering forward-looking statements, the above factors should be carefully considered and taken into account – in particular, the economic, social and legal environment of the Company’s activities.

Except for cases directly provided for by the applicable laws, the Company does not assume any obligations to publish updates and amendments to the forward-looking statements, based on either new information or subsequent events.