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Auditor's Report

of Crowe Expertiza LLC, an
Independent Audit Company,
on Consolidated Financial Statements
of PJSC "Seligdar"
for 2020

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Member of Crowe Global

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To: Board of Directors and shareholders of PJSC "Seligdar"

Audit / Tax / Advisory

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Contents

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The statement below, which is to be considered in conjunction with the description of independent auditors' responsibilities provided in the presented auditors' report issued by independent auditors, is made for distinguishing the respective responsibilities of the management and those of the independent auditors in relation to the consolidated financial statements of PJSC "Seligdar" and its subsidiaries (hereinafter referred to as the "Group").

The Group's management is responsible for the preparation of the consolidated financial statements that present fairly and objectively in all material aspects the financial position of the Group as of December 31, 2020, as well as the results of its operations, cash flows and changes in equity of the Group for the year ended December 31, 2020, in accordance with the International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared by the Group's management in line with IFRS for the year ended on December 31, 2020. The date of transition from national accounting standards to international financial reporting standards is January 1, 2008.

While preparing the consolidated financial statements, the management is responsible for:

- selecting the relevant accounting principles and their consistent application;
- applying appropriate estimates and measurements;
- compliance with the relevant IFRS and disclosure of all significant deviations in notes to consolidated financial statements;
- preparing consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue its business in the foreseeable future.
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The management is also responsible within its authority for:

- developing, implementing and maintaining an effective system of internal controls of the Group;
- maintaining proper accounting records that allow, with reasonable accuracy, at any time, preparing statements of the financial position of the Group, and ensuring that consolidated financial statements comply with requirements of IFRS;
- ensuring compliance of accounting reporting with Russian laws and accounting standards;
- taking measures to safeguard the assets of the Group;
- preventing and detecting fraud and other irregularities.

The consolidated financial statements for the year ended December 31, 2020, were approved on April 28, 2021, on behalf of the management of PJSC "Seligdar":

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S. M. Tatarinov
General Director
April 28, 2021

To: Board of Directors and shareholders of PJSC "Seligdar"

AUDITOR'S REPORT

Opinion

We have audited the accompanying annual consolidated financial statements of Public Joint Stock Company "Seligdar" (OGRN (Primary State Registration Number) 1071402000438, Russian Federation, 678900, Republic of Sakha (Yakutia), Aldan District, Aldan, 26 Piket, 12) and its subsidiaries (hereinafter referred to as the "Group") comprised of the consolidated statement of financial position as of December 31, 2020, consolidated statements of profit or loss and other comprehensive income, of changes in equity, and of cash flows for 2020, as well as notes to the annual consolidated financial statements, consisting of a summary of significant accounting policies and other explanatory notes thereto.

In our opinion, the attached annual consolidated financial statements give a fair view in all material aspects of the financial position of the Group as of December 31, 2020, and its consolidated financial performance and consolidated cash flows for 2020 in accordance with the International Financial Reporting Standards (IFRS).

Basis for the audit opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibility in accordance with these standards is described in the section "Auditor's responsibility for the audit of annual consolidated financial statements" hereof. We are independent of the Group in accordance with the Rules for the Independence of Auditors and Audit Organizations and the Auditors' Code of Professional Ethics, corresponding to the Code of Ethics for Professional Accountants developed by the International Ethics Standards Board for Accountants, and we have fulfilled other obligations in accordance with these professional ethics requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit issues

Key audit issues are issues that, according to our professional judgment, were the most significant for our audit of the annual consolidated financial statements for the current period. These issues were considered in the context of our audit of the annual consolidated financial statements in general and in forming our opinion on this reporting, and we do not express a separate opinion on these matters.

We have fulfilled the responsibilities described in the section "Auditor's responsibility for the audit of annual consolidated financial statements" of our opinion, including with respect to these matters. Our audit included the implementation of procedures developed in response to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed during the consideration of the issues listed below, form the basis for expressing our audit opinion on the accompanying annual consolidated financial statements.

Impairment of non-current assets

We believe that this issue was one of the most significant for our audit due to the materiality of the balances of non-current assets for the annual consolidated financial statements, the high level of subjectivity of the assumptions used in the analysis for impairment, and the materiality of judgments and estimates by the management. In addition, a combination of factors such as volatility in gold prices and the devaluation of the ruble in recent years, changes in the level of inflation and the cost of borrowed funds, point to the instability of the economic environment, which, in turn, can lead to a depreciation of the Company's assets.

Substantial assumptions included determining discount rates, forecasting gold prices, and forecasting production volumes. Significant judgments and estimates included determining future capital costs, as well as estimating gold reserves available for further exploration and development.

We engaged our business evaluation specialists in conducting an analysis of the impairment test and calculating the recoverable amount of assets made by the Company's management. We compared the price assumptions for gold used in calculating the recoverable amount, with a range of relevant market forecasts. We compared discount rates and the forecast of long-term growth rates with general market indicators and other available data.

We audited the arithmetic accuracy of models of impairment, sensitivity analysis and sequence of use of models (formulas and calculations) with past periods.

Information on non-current assets is disclosed in Note 10 to the annual consolidated financial statements.

Estimation of gold reserves

We believe that this issue was one of the most significant for our audit due to the fact that valuation of gold reserves can have a significant impact on the results of testing for impairment.

We carried out procedures for assessing the competence, capabilities and objectivity of an external expert engaged by the Company to assess reserves. We evaluated the assumptions used by the external expert and compared them with macroeconomic indicators, gold production forecasts, operating costs, capital investments and other performance indicators approved by the Company's management. We compared the updated estimates of reserves and resources with the estimates used in the analysis of allowance for impairment, depreciation, depletion and amortization, and asset retirement obligations.

Other information

The management is responsible for other information. Other information includes the issuer's quarterly reports for Quarters 1, 2, 3 and 4 of 2020 (but does not include the annual consolidated financial statements and our related auditor's opinion) which we have received prior to the date of this audit report as well as the issuer's quarterly report for Q 1 2021 which will be submitted to us after this date.

Our opinion on the annual consolidated financial statements does not apply to other information, and we do not provide a conclusion that provides in any form confidence in this information.

In connection with our audit of the annual consolidated financial statements, our responsibility is to acquaint ourselves with other information and to consider whether there are material inconsistencies between other information and the annual consolidated financial statements or our knowledge obtained during the audit and whether other information contains any other signs of material misstatements. If, on the basis of our work, we come to the conclusion that such other information contains any material misstatement, we are obliged to report this fact. We have not identified any facts that need to be reflected in our opinion.

Responsibility of the auditee's management for the annual consolidated financial statements

The management is responsible for ensuring that the consolidated annual financial statements are duly prepared, true and correct, in compliance with IFRS, and that the internal control system is in place, as the management deems necessary to prepare the annual consolidated financial statements without any material misrepresentations due to fraud or error.

In preparing the annual consolidated financial statements, the management is responsible for evaluating the Company's ability to continue its operations as a going concern, for the disclosure of the relevant information related to the continuity of operations, and for the preparation of statements based on the going concern assumption, except for the cases when the management intends to liquidate the Company, terminate its activity, or when it does not have any other realistic option except for liquidation or ceasing of its activities.

The management is responsible for overseeing the preparation of the Group's annual consolidated financial statements.

Auditor's responsibility for the audit of the annual consolidated financial statements

Our purpose is to obtain reasonable assurance that the annual consolidated financial statements are free of material misstatements due to fraud or errors, and to make an auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect material misstatements when they exist. Misstatements can be the result of fraud or errors and they are considered material if it can be reasonably assumed that separately or collectively they can influence economic decisions of users, taken on the basis of the annual consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

a) identify and assess the risks of material misstatement of the annual consolidated financial statements due to fraud or error; we develop and implement audit procedures in response to these risks; we obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of not detecting any material misstatement due to fraud is higher than the risk of not detecting any material misstatement due to error, since fraud may include conspiracy, forgery, intentional omission, misrepresentation of information or circumvention of the internal control system;

b) obtain an understanding of the internal control system that is relevant to the audit in order to develop the audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the auditee's internal control system;

c) assess the appropriateness of the applied accounting policy, the reasonableness of accounting estimates and the corresponding disclosure of information prepared by the management;

d) conclude that the application of the going concern assumption by the management of the auditee is legitimate, and on the basis of the obtained audit evidence we make a conclusion on whether there is significant uncertainty in connection with events or conditions that may raise significant doubts about the auditee's ability to continue its activity as a going concern. If we conclude that there is significant uncertainty, in our auditor's report we must draw attention to the relevant disclosure of information in the annual consolidated financial statements or, if such disclosure is inappropriate, modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may lead to the auditee losing the ability to continue as a going concern;

e) assess the overall presentation of the annual consolidated financial statements, their structure and content, including disclosure of information, as well as whether the annual consolidated financial statements represent the operations and events on which they are based in a manner that ensures their reliable representation;

f) obtain sufficient appropriate audit evidence relating to the financial information of organizations or activities within the Group in order to express an opinion on the annual consolidated financial statements. We are in charge of managing, controlling, and conducting audits of the Group. We remain fully responsible for our auditor's report.

We exchange information with the auditee's management, bring to their attention, inter alia, information on the planned scope and timing of the audit as well as on considerably important observations based on the results of the audit, including significant defects of the internal control system which we can reveal in the audit process.

We also submit to the management of the audited entity a statement that we have complied with all relevant ethical requirements for independence, and have informed them of all relationships and other issues that can reasonably be considered to be influencing the auditor's independence and, where necessary, on the relevant precautions.

Among the issues that we have brought to the attention of the management of the audited entity, we have identified the issues that are most significant for the audit of the annual consolidated financial statements for the current period and, therefore, are key audit issues. We describe these issues in our auditor's report, except for the cases where public disclosure of information about these issues is prohibited by law or regulation, or when, in extremely rare cases, we come to the conclusion that information about an issue should not be reported in our conclusion as it can reasonably be assumed that the negative consequences of the disclosure of such information will exceed the socially significant benefit from its disclosure.

Head of the audit task
on the basis of which
auditor's report is made

Deputy General Director **V. V. Potekhin**

Auditor's Qualification Certificate
No. 05-000126 issued under Resolution No. 20 dated June 22, 2012
of Self-Regulatory Organization of Auditors Non-Profit Partnership "Russian Collegium of Auditors"
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Primary Registration Number in the Register of
Auditors and Audit Firms: 22006024920,
a member of Self-regulatory organization of auditors
Association «Sodruzhestvo».
Resolution No. 430 dated January 31, 2020 on the admission to the membership of
the self-regulatory organization of auditors.

Information about the auditor
Name: Crowe Expertiza Limited Liability Company.
Certificate of State Registration No. 183.142 issued by the Moscow Registration Chamber on September 23, 1993.
Primary State Registration Number (OGRN) 1027739273946
Primary Registration Number in the Register of
Auditors and Audit Firms: 12006033851,
a member of Self-regulatory organization of auditors Association «Sodruzhestvo».
Registered address: 7/3 Tikhvinsky per., office 20, Moscow 127055, Russian Federation.
Member of Crowe Global

April 28, 2021

(in thousands of Russian rubles, unless otherwise stated)

	Note	As of December 31, 2020	As of December 31, 2019
ASSETS			
Non-current assets:			
Property, plant and equipment	10	41,794,663	28,863,987
Capitalized expenses for stripping		992,343	927,305
Intangible assets		103,752	91,812
Goodwill	13	2,094,524	2,394,764
Financial assets at fair value through other comprehensive income	16	595,688	600,881
Loans granted	20	-	1,089,007
Investments in associates	30	-	-
Deferred tax assets	17	628,112	264,984
Other non-current assets	12	632,609	625,390
Total		**46,841,691**	**34,858,130**
Current assets:			
Inventories	18	17,424,615	16,694,039
Receivables and advances paid	19	2,749,833	2,507,597
Loans granted	20	3,252,121	1,656,467
VAT recoverable		865,234	801,985
Other financial assets		229,238	-
Income tax receivable		7,256	12,113
Cash and cash equivalents	22	3,576,378	721,026
Other current assets	21	457,719	437,848
Total		**28,562,394**	**22,831,075**
TOTAL ASSETS		**75,404,084**	**57,689,206**

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S. M. Tatarinov
General Director
April 28, 2021

(in thousands of Russian rubles, unless otherwise stated)

	Note	As of December 31, 2020	As of December 31, 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	23	992,354	992,354
Treasury shares		-	(88,438)
Additional capital from the issue and purchase / sale of shares		7,814,078	7,394,236
Incremental capital from revaluation		8,793,335	4,569,210
Other provisions		(75)	(912)
Retained earnings (accumulated loss)		3,055,718	6,759,544
Equity attributable to shareholders of the parent company		**20,655,409**	**19,625,993**
Non-controlling interest		2,411,413	1,649,886
Total equity and non- controlling interest		**23,066,822**	**21,275,480**
Long-term liabilities:			
Loans and borrowings	24	38,868,343	24,924,809
Lease liabilities	25	314,184	656,437
Provision for environmental remediation		158,407	156,930
Accounts payable		171,506	-
Deferred tax liabilities	17	4,327,322	4,222,593
Total		**43,839,763**	**29,960,769**
Short-term liabilities			
Loans and borrowings	24	1,815,810	15,153
Payables and advances received	26	5,965,844	5,820,290
Lease liabilities	25	531,427	540,642
Income tax liabilities		165,430	57,880
Provision for VAT recoverable		18,990	18,992
Total		**8,497,500**	**6,452,956**
TOTAL EQUITY AND LIABILITIES		**75,404,084**	**57,689,206**

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S. M. Tatarinov
General Director
April 28, 2021

(in thousands of Russian rubles, unless otherwise stated)

	Note	For year ended December 31, 2020	For year ended December 31, 2019
Revenues from sales	4	33,313,789	22,071,600
Cost of sales, excluding amortization of licenses	5	(17,984,036)	(12,206,090)
Amortization of licenses		(740,752)	(678,380)
Gross profit/(loss)		**14,589,001**	**9,187,130**
Selling and administrative expenses	6	(2,574,007)	(1,885,769)
Impairment/write-off of inventories	18	-	(1,292,455)
Impairment of goodwill	13	(300,240)	(302,760)
Other operating income/(expenses), net	7	(376,917)	(592,474)
Operating profit/(loss)		**11,337,837**	**5,113,672**
Finance income/(expenses), net	8	(1,802,796)	(1,619,118)
Foreign exchange gain/(loss), net		(11,703,437)	(1,046,822)
Profit/(loss) before tax		**(2,168,396)**	**2,447,732**
Income tax	9	2,172,780	(321,785)
Profit/(loss) for 12 months		**4,384**	**2,125,947**
Profit/(loss) for 12 months attributable to:			
Shareholders of the parent company		240,949	2,442,289
Non-controlling interest		(236,564)	(316,342)
Weighted average number of shares outstanding, thousand pcs.		842,355	668,589
Earnings per share, rubles		**0.29**	**3.65**

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S. M. Tatarinov
General Director
April 28, 2021

(in thousands of Russian rubles, unless otherwise stated)

	Note	For year ended December 31, 2020	For year ended December 31, 2019
Profit/(loss) for 12 months		**4,384**	**2,125,947**
Income and expenses reclassified as retained earnings			
Changes in financial assets, including deferred tax		837	20,627
Changes in fixed assets, including deferred tax		4,229,576	-
Comprehensive income for 12 months			
Comprehensive income for 12 months attributable to:		**4,234,797**	**2,146,574**
Shareholders of the parent company		4,465,910	2,462,916
Non-controlling interest		(231,113)	(316,342)

The EBITDA calculation for the Group as a whole and by segment is presented in notes 4 and 11 to these financial statements.

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S. M. Tatarinov
General Director
April 28, 2021

(in thousands of Russian rubles, unless otherwise stated)

	Note	For year ended December 31, 2020	For year ended December 31, 2019
Cash flows from operating activities			
Profit/(loss) before tax		**(2,168,396)**	**2,447,732**
Adjustments for:			
Depreciation and amortization of property, plant and equipment and intangible assets	10	2,491,791	2,094,282
Loss on disposal of property, plant and equipment		167,921	97,687
Increase/(Decrease) in VAT provision and VAT write-off		28,472	(109,835)
(Income)/Loss from disposal of financial investments	7	(190,275)	156,826
Net foreign exchange (gain)/loss		11,703,437	1,046,822
Financial income (interest)	8	(266,725)	(382,030)
Financial expenses (interest)	8	2,298,759	1,733,831
Change in provision for decrease in value of inventories		105,471	147,848
Write-off of inventories		-	1,292,455
(Income)/Loss from disposal of financial investments		8,100	14,397
Change in provision for environmental remediation		1,477	26,155
(Income)/Loss from sale of other financial instruments	8	(229,238)	267,317
Recognition of impairment of goodwill from acquisition of interest in subsidiary		300,240	302,730
Cash flow from operating activities before changes in working capital		14,251,032	**9,136,217**
Changes in trade and other receivables		416,353	(39,110)
Changes in prepayment		(268,124)	(564,013)
Changes in inventories		(810,731)	(6,618,433)
Changes in trade and other payables		(684,770)	527,143
Changes in taxes payable, other than income tax		356,566	(437,127)
Changes in advances received		(117,942)	(1,611,474)
Cash flow from operating activities		13,142,384	**393,203**
Interest received		102,559	424,626
Interest paid		(2,424,846)	(1,682,904)
Income tax paid		(98,465)	(24,791)
Net cash flow from operating activities		**10,721,632**	**(889,865)**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(4,347,369)	(3,071,642)
Change in capitalized expenses for stripping		(65,038)	(18,182)
Proceeds from sale of property, plant and equipment and intangible assets		52,367	-
Income from sale of other investments		-	(185,094)
Income/(expenses) on financial assets		196,515	(287,588)
Acquisition of non-controlling interest		(318,022)	(352,801)
Net cash outflow from acquisition of subsidiary, less cash acquired		(2,446,993)	(669,262)
Net cash flows from disposal of company		113,715	35,572
Repayment / (provision) of loans		-	(42,982)
Net cash flow from investing activities		**(6,814,825)**	**(4,591,979)**
Cash flows from financing activities			
Proceeds from loans and borrowings		3,472,662	26,041,478
Repayment of loans and borrowings		(683,870)	(21,851,155)
Dividends paid		(3,682,427)	(1,332,037)
Sale of treasury shares		419,842	1,678,430
Payments under finance lease		(577,664)	(710,087)
Net cash flow from financing activities		**(1,051,457)**	**3,826,629**
Net increase/(decrease) in cash and cash equivalents		**2,855,350**	**(1,655,215)**
Cash and cash equivalents at beginning of period	22	**721,026**	**2,376,241**
Cash and cash equivalents at end of period	22	**3,576,378**	**721,026**

S. M. Tatarinov
General Director
April 28, 2021

PJSC “Seligdar” and Subsidiaries
IFRS Consolidated Statement of Changes in Equity for year ended December 31, 2020
(in thousands of Russian rubles, unless otherwise stated)

	Share capital	**Treasury shares**	Incremental capital from revaluation	Additional capital from the issue and purchase / sale of shares	Retained earnings (accumulated loss)	**Other provisions**	**Equity attributable to shareholders of the parent company**	Non-controlling **interest**	**Total equity**
Balance as of December 31, 2018	**992,354**	**(1,247,022)**	**4,569,210**	**6,874,390**	**6,278,434**	**(21,539)**	**17,445,828**	**2,072,866**	**19,518, 694**
Profit/(loss) for 2019	-	-	-	-	2,442,289	-	2,442,289	(316,342)	2,125,947
Other comprehensive income									
Changes in financial assets, including deferred tax	-	-	-	-	-	20,627	20,627	-	20,627
Other changes in equity									
Dividends accrued	-	-	-	-	(1,332,037)	-	(1,332,037)	-	(1,332,037)
Shares sold by Group	-	1,158,584	-	519,846		-	1,678,430	-	1,678,430
Purchase of companies by Group from related parties	-	-	-	-	(383,379)	-	(383,379)	-	(383,379)
Purchase of minority interest in PJSC “Rusolovo”	-	-	-	-	(352,800)	-	(352,800)	-	(352,800)
Reclassification of minority interest in PJSC “Rusolovo”	-	-	-	-	107,037	-	107,037	(107,037)	-
Balance as of December 31, 2019	**992,354**	**(88,438)**	**4,569,211**	**7,394,236**	**6,759,544**	**(912)**	**19,625,993**	**1,649,886**	**21,275,480**

PJSC “Seligdar” and Subsidiaries
IFRS Consolidated Statement of Changes in Equity for year ended December 31, 2020
(in thousands of Russian rubles, unless otherwise stated)

	Share capital	**Treasury shares**	Incremental capital from revaluation	Additional capital from the issue and purchase / sale of shares	Retained earnings (accumulated loss)	**Other provisions**	**Equity attributable to shareholders of the parent company**	Non-controlling interest	**Total equity**
Balance as of December 31, 2019	**992,354**	**(88,438)**	**4,569,211**	**7,394,236**	**6,759,544**	**(912)**	**19,925,993**	**1,649,886**	**21,275,480**
Profit/(loss) for 2020	-	-	-	-	240,947	-	240,947	(236,564)	4,382
Other comprehensive income									
Changes in financial assets, including tax	-	-	-	-	-	837	837	-	837
Revaluation of fixed assets, including tax	-	-	4,224,125	-	-	-	4,224,125	5,452	4,229,576
Other changes in equity									
Dividends accrued	-	-	-	-	(3,682,177)	-	(3,682,177)	(250)	(3,682,427)
Shares sold by Group	-	88,438	-	419,842	-	-	508,280	-	508,280
Purchase of minority interest in PJSC “Rusolovo”	-	-	-	-	(318,022)	-	(318,022)	-	(318,022)
Reclassification of minority interest in PJSC “Rusolovo”	-	-	-	-	92,008	-	92,008	(92,008)	-
Acquisition of subsidiary	-	-	-	-	-	-	-	1,048,714	1,048,714
Reclassification of minority interests in connection with the reorganization of “Teploservice” LLC	-	-	-	-	(36,582)	-	(36,582)	36,582	-
Balance as of 31 December, 2020	**992,354**	**-**	**8,793,335**	**7,814,078**	**3,055,718**	**(75)**	**20,655,409**	**2,411,413**	**23,066,822**

S. M. Tatarinov
General Director
April 28, 2021

1. GENERAL INFORMATION ABOUT THE GROUP AND ITS ACTIVITIES

Public Joint Stock Company "Seligdar" (renamed from PC "Seligdar") was incorporated on April 9, 2007 in accordance with the resolution of the sole founder, Gold-Mining Cooperative "Seligdar", based on the assets of Gold-Mining Cooperative "Seligdar".

PJSC "Seligdar" was registered at: Republic of Sakha (Yakutia), Aldan, Aldan District, 26 Picket, 12.

The core activities of the Company and its subsidiaries (hereinafter referred to as the Group) are mining of ores and sands of precious metals, of tin ore, production and sale of gold and tin concentrate, geological exploration, and management of holding companies.

The Group operates in the Russian Federation. The Group's production facilities are located in the Republic of Sakha (Yakutia), the Republic of Buryatia, the Altai krai, the Orenburg oblast and the Khabarovsk krai.

Seligdar PJSC is a public company, ordinary and preferred shares of Seligdar PJSC are included in the Second level of the List of securities admitted to trading in Moscow Exchange PJSC (II level of listing).

The information about the main shareholders of PJSC "Seligdar" is provided in Note "Share capital" to these statements.

In the current period, the Group's Management has taken all appropriate measures to prevent the spread of COVID-19 and ensure the smooth operation of the Group. Pandemic preparedness plan was introduced in all divisions of the Group in all regions.

Now we can say that the measures to prevent the penetration of COVID-19, which were carried out at the sites of the Seligdar holding, have yielded results. All organizations of the group are working in a continuous production cycle and in a planned manner. The production process at the Group's sites did not stop, the gold production plan was exceeded.

An important area is the safety of employees and the population in the regions where the Group's organizations are located, in connection with which expenses were incurred for the organization of temporary isolation places, compensation for wages, personal and mass protective equipment, and sponsorship of healthcare facilities in the region.

2. GROUNDS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1. Financial Statement Compliance with International Financial Reporting Standards (IFRS)

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).

2.2. Basis of preparation of consolidated financial statements

These consolidated financial statements have been prepared on the basis of the Russian accounting data and subsequently adjusted and reclassified of articles for the purpose of fair presentation of information in line with the international financial reporting standards.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial assets at fair value, if applicable.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all the presented reporting periods, except where new standards, their amendments and interpretations, as effective from the beginning of the reporting period.

The companies of the Group maintain accounting records and prepare financial statements in accordance with the Federal Law "On Accounting" dated 12/06/2011 No. 402 FZ and the Regulations on Accounting and Reporting in the Russian Federation (PBU). The functional currency of these entities is the Russian ruble.

As of December 31, 2020 the RUB/USD exchange rate is as follows

(in thousands of Russian rubles, unless otherwise stated)

	12 months of 2019 and December 31, 2019 respectively	12 months of 2020 and December 31, 2020 respectively
Average	64.74	72.12
Exchange rate at end of period	61.91	73.88

2.3. Principles of consolidation

Subsidiaries and organizations controlled by the Group

Companies relate to the Group's subsidiaries when the Group has the power to determine their financial and operating policies in order to gain own benefits from their activities. The consolidated financial statements comprise subsidiaries in which the Group owns more than 50% of their voting shares and can exercise its control. Subsidiaries in which the Group owns less than 50% of their voting shares but can exercise its control through other means are also included into the consolidated financial statements. Such control is generally maintained through majority held in the Board of Directors or in similar governing bodies.

The consolidated financial statements of the Group reflect the results of activities of acquired subsidiaries from the moment when the actual control over those arises till the date when such control ceases. While preparing consolidated financial statements, all balances for settlements and operations within the Group as well as unrealized gains and losses arising from operations within the Group are excluded. The accounting policies of subsidiaries and affiliates comply with the accounting policies adopted by the parent Company.

A purchase (acquisition) method is used to account for the Group's acquisition of subsidiaries, including companies under common control. Acquisition costs are measured at fair value of the assets transferred, shares issued and other liabilities incurred at the acquisition date plus costs directly attributable to the acquisition. The acquisition date is the date when a business combination is accomplished. If a business acquisition is conducted in stages, acquisition costs are measured on the date of each transaction.

All identifiable assets and liabilities and contingent liabilities of all subsidiaries are measured at fair value on the acquisition date. The fair value is determined by an independent appraiser.

A minority interest in net assets of consolidated subsidiaries is presented separately from the Group's equity. A minority share comprises this share on the acquisition date and a minority interest in changes in equity for the periods which follow the date. Losses affecting a minority interest and exceeding their share in the equity of a particular subsidiary are posted in the Group's results in the amount exceeding the existing liabilities of minority shareholders and possibility to additionally invest to cover such losses.

Associates

The Group's investments in its associates are accounted according to the equity method.

Associates are entities on which the Group has significant influence.

Subject to the equity method, investments in associates are accounted in the statement of financial position at historical cost plus changes appeared after the purchase of a share of net assets of an associated company of the Group. Goodwill related to an associate is included into the carrying amount of the investment and is not amortized, nor becomes subject to a separate review for impairment.

The statement of comprehensive income reflects the Group's share in the financial results of associates' operations. If changes directly recognized in the capital of an associate take place, the Group recognizes its share of such change and discloses this fact, where applicable, in the statement of changes in equity. Unrealized profit and loss arising from the Group's transactions with an associate are excluded to the extent of the Group's interest in the associate company. The Group's share in profit of the associate company is carried directly in the statement of comprehensive income. It is profit attributable to shareholders of the associate and is therefore determined as profit after taxes and minority share in subsidiaries of the associate company are accounted.

Financial statements of an associate company are prepared for the same reporting period as the Group's financial statements. If necessary, they are adjusted in order to bring accounting policies in compliance with the Group's accounting policies.

(in thousands of Russian rubles, unless otherwise stated)

After the equity method is applied, the Group determines the necessity to recognize additional loss from impairment in respect to its investment in the associate company. At every reporting date, the Group establishes the existence of objective evidence of impairment of investments in the associate. If such evidence exists, the Group calculates the impairment amount as a difference between the recoverable value of the associate company and its book value and recognizes this amount in the statement of comprehensive income in item "Share in profit of the associate company."

If significant influence over the associate company is lost, the Group evaluates and recognizes the remaining investments at fair value. The difference between the book value of the associate company at the time of significant influence's loss and the fair value of the remaining investments and inputs from disposal is recognized through profit or loss.

Goodwill

The excess of the fair value of the investment in the subsidiary over the fair value of the net assets acquired at the acquisition date is recognized in the Group's consolidated statement of financial position as goodwill.

A negative amount (negative goodwill) is recognized through profit or loss after the management determines for another time whether all acquired assets and all undertaken commitments and contingencies are identified and makes analysis of the accuracy of their measurements.

Goodwill is checked for impairment at least annually, and in case of impairment the amount of impairment is recorded in the statement of comprehensive income in the period when supporting evidence is identified and is not reversed afterwards.

Upon withdrawal of a subsidiary, goodwill is recognised after profit or loss of withdrawal have been determined.

When acquiring an interest in a subsidiary, any excess of a fair value of the assets, liabilities and contingent liabilities acquired by the Group over the cost of a purchase on the date of acquisition is recognized in the statement of comprehensive income in the period when it occurs.

Goodwill is attributed to cash flow generating asset or group of assets whose efficiency shall increase due to a synergy effect from business combination. Such asset or group of assets presents itself the lowest level at which the Group monitors the recoverable value of goodwill, and shall not exceed the respective figures of the operational segment.

2.4. Adoption of new and revised International Financial Reporting Standards

In 2020, the Group adopted all IFRS standards, as well as amendments and interpretations thereto, which came into effect on January 1, 2020, and which were relevant to its activities.

IFRS amendments and new interpretations becoming mandatory in the current year

In the current year, the Group applied a number of IFRS amendments and new interpretations published by the International Accounting Standards Board (IASB) becoming mandatory for the reporting periods beginning on or after January 1, 2020.

Standards	**Applicable to annual reporting periods beginning on or after**
New version of the Conceptual Framework for Financial Statements	January 1, 2020
Definition of a business — Amendments to IFRS 3	January 1, 2020
Definition of materiality - Amendments to IAS 1 and IAS 8	January 1, 2020
Base Interest Rate Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	January 1, 2020
COVID-19 Lease Assignments - Amendments to IFRS 16	June 1, 2020

The application of these standards did not have an impact on the Group's financial statements.

New and revised IFRS/IAS issued but not yet effective

The Group did not apply the following new and revised IFRS that were issued but not yet effective:

(in thousands of Russian rubles, unless otherwise stated)

Standards	**Applicable to annual reporting periods beginning on or after**
Annual Improvements to IFRS 2018-2020	January 01, 2022
Conceptual References – Amendments to IFRS 3	January 01, 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts: Contract Performance Costs - Amendments to IAS 37	January 01, 2022
Classification of Liabilities as Current or Non-current – IAS 1 (as amended) *Presentation of Financial Statements*	January 01, 2023

- In January 2020, the IFRS Board issued amendments to clauses 69-76 of IAS 1 *Presentation of Financial Statements* – Classification of Liabilities as Current or Non-current. The amendments clarify the following:

  - what is meant by the right to postpone the settlement of obligations;
  - the right to defer settlement of obligations must exist at the end of the reporting period;
  - the classification of the liability is not affected by the likelihood that the entity will exercise its right to defer settlement of the liability.
  - the terms of the liability will not affect its classification only if the derivative embedded in the convertible liability is itself an equity instrument.

  The amendments are effective for annual accounting periods beginning on or after 1 January 2023 and are applied retrospectively. The Group is currently assessing the possible impact of these amendments on the current classification of liabilities and the need to renegotiate the terms of the existing loan agreements.

  The Group does not currently expect these new standards and amendments to have a material impact on the financial position or results of operations of the Group.

- In May 2020, the IASB issued amendments to IFRS 3 Business Combinations – Conceptual References. The purpose of these amendments is to replace references to the Framework for the Preparation and Presentation of Financial Statements issued in 1989 with references to the Conceptual Framework for the Presentation of Financial Statements issued in March 2018, without significantly changing the requirements of the standard.

  The Board also added an exemption to the recognition principle in IFRS 3 to avoid potential 'Day 2' gains or losses for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC Interpretations 21 "Mandatory payments", if they arise within separate transactions.

  At the same time, the Board decided to clarify the existing requirements of IFRS 3 for contingent assets, which will not be affected by the replacement of references to the Framework for the Preparation and Presentation of Financial Statements.

  The amendments are effective for annual accounting periods beginning on or after 1 January 2022 and are applied prospectively.

- In May 2020, the IASB issued Property, Plant and Equipment: *Proceeds Before Intended Use*, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of items produced in the process of delivering the item to the location and brining it to the condition that is required for its operation in accordance with the intentions of management. Instead, the entity recognizes the proceeds from the sale of those items and the cost of manufacturing those items in profit or loss.

  The amendments are effective for annual accounting periods beginning on or after 1 January 2022 and are to be applied retrospectively to those items of property, plant and equipment that became available for use on or after the commencement date of the earliest of the presented in financial statements of the period in which the entity first applies those amendments.

  These amendments are not expected to have any significant impact on the Group.

- In May 2020, the IASB issued amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts: Costs to Perform a Contract*, which clarify what costs an entity should consider when assessing whether the contract is burdensome or unprofitable.

  The amendments provide for a “cost directly attributable to the contract” approach. Costs directly attributable to a contract for the provision of goods or services include both the incremental costs of performing that contract and allocated costs directly attributable to the performance of the contract. General and administrative costs are not directly related to the contract and are therefore excluded unless they are explicitly recoverable by the contractual counterparty.

  These amendments are effective for annual accounting periods beginning on or after January 1, 2022. The Group will apply the amendments to contracts for which it has not yet met all of its obligations at the beginning of the annual reporting period in which it first applies the amendments.

2.5. Functional and presentation currency of consolidated financial statements

The functional currency of the Company and all of its subsidiaries is the Russian Ruble.

The attached consolidated financial statements are presented in Russian rubles.

Transactions denominated in foreign currencies are originally recorded in the functional currency according to the exchange rate on the transaction date.

Monetary asset and liabilities items expressed in foreign currencies are restated into the functional currency according to the exchange rate on the reporting date. Differences arising in the course of translation are carried in the statement of comprehensive income.

Non-monetary items recorded at fair value are restated according to the exchange rates effective for the transaction date.

2.6. Going concern

These consolidated financial statements were prepared on a going concern basis, which stipulates that assets are disposed of and liabilities are repaid in the ordinary course of business.

The Group has sufficient resources to continue its operations and the Group has no intention or need to liquidate or materially reduce its operations.

In assessing the Group's ability to continue as a going concern, factors and risks were taken into account that could have a negative impact on the continuation of the Group's operations, including the current financial position, expected results from business activities, production plans, projected prices for gold and tin concentrate, availability of credit resources, etc.

The attached consolidated financial statements do not contain any adjustments which are required if the Group could not be able to continue its activity in accordance with the going concern principle.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Property, plant and equipment

Exploration and evaluation of mineral resources

Expenses for prospecting and assessment of mineral resources capitalized due to exploration and mining operations at gold and tin deposits include:

- topographical, geological, geo-chemical, and geo-physical studies;
- prospecting drilling;
- prospecting through trenching;
- prospecting testing; and
- estimation of feasibility and commercial value of extracted gold and tin.

Exploration costs are capitalized when the Group obtains legal rights to carry out such works at the deposit.

Expenses for prospecting and assessment of mineral resources are capitalized in assets when it is expected that these expenses will be recovered in the course of future commercial exploitation of the respective deposit, or as a result of its sale, or when prospecting and assessment activities on the reported date did not reach the stage which allows making a reasonable estimate of commercial viability of reserves.

When the technical possibility and commercial expediency for gold and tin extraction is proven, capitalized expenses for prospecting and assessment of mineral resources are transferred into assets for prospecting and assessment of mineral resources.

Assets for prospecting and assessment of mineral resources are accounted at historical cost less accumulated depreciation. Depreciation is accrued using the straight-line method subject to the field development period measured on the basis of assessment of proven and estimated mineral deposits during the period from 4 to 20 years. Depreciation is charged from the moment a new field reaches the level of commercial volumes of production. Depreciation of assets for prospecting and assessment of mineral resources is to be included into the cost of production in the period it relates to.

Subsoil use licenses

Licenses are initially recognized at the cost of all direct acquisition costs, which includes all costs required to bring the asset to a usable condition. Licenses acquired in a business merger are initially recognized at fair value at the date of the business merger.

Subsequent accounting of the license is carried out at the revalued cost. Revaluation is made when a market value of licenses substantially deviates from the previously revaluated book value, or if significant additional exploration (write-offs, reclassifications) of deposits under existing licenses was carried out. Depreciation of the value of acquired subsoil use licenses is charged proportionally to the volume of production at each field based on proven reserves.

The amount of proven and estimated mineral deposits represents itself volumes of mineral resources that can be profitably and legally extracted at identified fields in the future. The main part of mineral deposits of the Group is measured in accordance with the requirements of the Russian Classification of Mineral Deposits in regard to deposits of core (ore) gold and tin.

Property, plant and equipment

Property, plant and equipment are initially recognized at cost of acquisition, which includes all costs required to bring the asset to a suitable condition for use, as well as the present value of future costs of retirement of property, plant and equipment - residual value. Property, plant and equipment acquired in a business merger are initially recognized at fair value at the date of the business merger.

Subsequent accounting of property, plant and equipment is done by a historical cost less accumulated amortization and accumulated losses from impairment, if any.

The Group capitalizes subsequent costs to property, plant and equipment or presents them as a separate asset only if they increase the future economic benefits to the Group from the use of the asset and the costs can be measured reliably. Costs related to repairs and technical maintenance are charged to expenses of the current period as incurred. Costs of replacing major parts or components of property, plant and equipment are capitalized and the replaced parts are concurrently retired.

Depreciation is charged on a straight-line basis over the entire expected economic life of the asset, up to its residual value.

The residual value, depreciation method and estimated economic life are reviewed at each reporting date.

The following are the estimated economic life of fixed assets based on the groups that the company identifies:

Buildings and structures	3–81 years
Machinery and equipment	1–50 years
Transportation	2–15 years
Other	1–10 years

Items of property, plant and equipment classified as land are not depreciated.
Gains and losses occurring due to the disposal of property, plant, and equipment are determined by comparing the proceeds with their book value. They are recognized in profit or loss in the statement of comprehensive income.

Capital construction-in-progress

Capital construction in progress comprises costs directly related to the construction of buildings, processing units and creation of the necessary infrastructure.

Depreciation of an asset begins when construction is completed or when their location and condition meet the requirements necessary for their use in accordance with management's expectations.

Capitalized expenses for stripping

The Group capitalizes incurred expenses for stripping and attributes them to the cost of sales of gold using an average stripping ratio calculated based on the deposit development period. This ratio is calculated as a ratio of a number of cubic meters of waste rock to one ton of ore, measured for the total period of the deposit development and comprises mineral reserves and prognostic resources. An average stripping ratio for the total period of the deposit development is reviewed annually or, more often, if there is data about changes in mineral reserve and performance parameters of the deposit that affect the mineral reserves. Changes of an average stripping ratio measured on the basis of the deposit development period are recorded in statements of the reported period in which they occur.

Incurred expenses for stripping are capitalized when a stripping ratio in the current period exceeds an average stripping ratio calculated on the basis of the deposit development period. These deferred expenses for stripping are written off to cost of sales of gold in the period when a current stripping ratio is less than an average stripping ratio calculated on the basis of the deposit development period.

Capitalized expenses for stripping are included into the relevant unit generating cash flows. The Group reviews cost of capitalized expenses for stripping for impairment when there are indications of impairment of the relevant units, which generate cash flows. Capitalized expenses for stripping are written off to cost of sales of gold.

3.2. Impairment of non-financial assets

Impairment of capitalized expenses for prospecting and assessment of mineral resources

Capitalized expenses for prospecting and assessment of mineral resources are measured by the Group for their impairment when there are indications that they are impaired through comparing a book value of assets with their recoverable value. The following indicators, inter alia, point out to the necessity to perform an assessment of the recoverable value of assets:

- expiration of a license within the reported period or in the nearest future without sufficient assurance in regard to its further extension;
- expenses for further exploration and mining operations are neither planned nor budgeted;
- there are no economic grounds and technical possibilities for further conducting of exploration and mining operations resulting in taking a decision to terminate these operations;
- there is high probability that even if exploration and mining operations are completed successfully, a book value of these assets is unlikely to be paid off in the course of exploitation or sale.

For the purposes of reviewing capitalized expenses for prospecting and assessment of mineral resources for impairment, such capitalized expenses relate to units generating cash flows, namely, to licensed lots.

Impairment losses are promptly recognized as expenses in accordance with the accounting policies in respect to impairment of tangible assets presented below.

Impairment of tangible assets, excluding capitalized expenses for prospecting and assessment of mineral resources

Tangible assets are checked by the Group for their impairment when there are indications that they are impaired through comparing a book value of assets with their recoverable value. If it is impossible to estimate a recoverable value of a separate asset, the Group makes assessment of the recoverable value of the unit generating cash flows to which that asset relates to.

The recoverable value is determined at the higher of the fair value less costs to sell or the value of an asset in use. If a specified recoverable value of any asset (or any unit that generates cash flows) is lower than its book value, the book value of the asset (or the unit that generates cash flows) is reduced to its recoverable value. Impairment losses are immediately recognized as expenses in the current period, except when the respective asset is carried at overstated value, and impairment loss is accounted for as a decrease in the provision for revaluation.

If impairment loss is subsequently reversed, a book value of the asset (the unit that generates cash flows) is increased to the amount determined as a result of a new assessment of its recoverable value, though in a way that a new book value does not exceed a book value which would have been determined if the impairment loss for this asset (the unit that generates cash flows) had not been recorded in the previous periods.

Reversal of the impairment loss is recorded in the statement of comprehensive income, except when the respective asset is stated at the value determined as a result of revaluation, and in this case the reversal of the impairment loss is recorded as an increase in the provision for revaluation.

3.3. Intangible assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

The initial cost is determined as the sum of all direct costs associated with its acquisition and creation.

Intangible assets with a definite life are depreciated using a straight-line method, depreciation is included in the cost of goods, administrative and selling expenses, depending on the activity in which the intangible asset is used.

Depreciation is charged systematically based on the expected useful life of the asset and ceases to be charged at the earliest date: the date the asset is classified as held for sale or the date it is derecognised.

Intangible assets with an indefinite life are tested for impairment in accordance with IAS 36 "Impairment of Assets", the main provisions of which are set out in Clause 4.3. of this accounting policy.

3.4. Financial instruments

Financial assets

Since January 01, 2018, the Company classifies its financial assets in the following categories: subsequently measured at fair value through profit or loss, subsequently measured at fair value through other comprehensive income and subsequently measured at amortized cost using the effective interest method.

The classification of debt instruments depends on the business model of the financial asset management organization and whether the contractual terms for the financial asset result in cash flows on the dates specified, which are solely payments of the principal and interest on the outstanding portion of the principal.

In other comprehensive income, the Company presents changes in the fair value of all its equity investments previously classified as available-for-sale. These investments are held as long-term strategic investments that are not expected to be sold in the short and medium term.

Financial assets at fair value with its changes reported in the profit and loss statement

These are assets held for resale. Financial assets fall into this category if they are acquired for the purpose of sale within a short time period only. Derivative financial instruments are also classified in this category as held for sale until they are determined as being hedged. Assets in this category are classified as current assets.

Financial assets at fair value through other comprehensive income

These are assets acquired for the purpose of both collecting contractual cash flows and selling them.

A fair value of non-quoted debt securities classified as available-for-sale financial assets is determined on the basis of methods of discounted cash flows using an existing market interest rate for similar financial instruments.

Gains and losses arising from changes in the fair value of securities classified as available for sale are recognized in equity less income tax. When securities classified as available for sale are disposed of or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as profit (loss) from disposal of available-for-sale financial assets. Interest income on debt securities available for sale is calculated using the efficient interest method and is recognized in the statement of comprehensive income.

Financial assets at amortized cost

These are assets held to collect contractual cash flows of principal and interest payments on the principal amount outstanding.

Loans, trade and other receivables which have fixed or specified payments and are not floated in stock markets are classified as loans and receivables. Commodity loans and receivables are recognized in the sum of the issued invoice less the provision for impairment. Long-term receivables are recognized at fair value and subsequently at amortized cost using the effective interest method less the provision for impairment. Interest income is recognized using the effective interest method, excluding short-term receivables when recognition of interest is not material.

Impairment of financial assets

At each reporting date, financial assets are estimated for existence of impairment indications. Financial assets are impaired where there is objective evidence that as a result of one or more events arising upon initial recognition of the financial asset the estimated future cash flows will be changed.

Objective evidence of impairment can include:

— significant financial difficulties of the issuer or counterparty; or

— non-fulfillment of obligations or non-payment of interest or the principal; or

— it becomes probable that a borrower will be considered a bankrupt or financially insolvent.

In respect to financial assets stated at amortized cost, a sum of impairment is a difference between the current value of the asset and the actual value of estimated future cash flows discounted at the initial effective interest rate of the financial asset.

For the exception of debt instruments available for sale, if, over the respective period, a sum of loss from impairment decreases and the decrease can be directly referred to the event that occurs after this impairment is recognized, the earlier recognized loss from impairment is reversed in the statement of comprehensive income until the current value of investment at the date of impairment recognition exceeds the amortized cost which would have been posted without recognized impairment.

In respect to available-for-sale securities, impairment loss earlier recognized in the statement of comprehensive income is not reversed through it. Any increase of the fair value after impairment loss recognition is immediately stated in equity.

Derecognition of financial assets

The Company derecognizes a financial asset when it is paid down, or the rights to receive cash flows from the asset expire, or the Company transfers the financial asset to another party and, accordingly, all risks and rewards associated with owning the asset, or control over the asset are lost.

Financial liabilities and equity

Classification of instruments: debt or equity

Debt and equity instruments are classified as financial liabilities or as equity in accordance with contractual terms.

Equity instruments

Equity instrument is any contract which confirms the remaining interest in the asset of the entity after the deduction of all liabilities. Equity instruments issued by the Company are stated in received additions less direct costs of issue.

Financial liabilities

Financial liabilities are classified as financial liabilities “at fair value with its changes reported in the statement of comprehensive income,” or as “other financial liabilities.”

Financial liabilities at fair value with its changes reported in the statement of comprehensive income

Financial liabilities are classified as liabilities at fair value, the changes of which are carried in the statement of comprehensive income when financial liabilities are designated for sale or defined as liabilities at fair value with the changes posted in the statement of comprehensive income.

Financial liabilities at FVSCI are carried at fair value; gains or losses from a change in the fair value are recognized in the statement of comprehensive income. Net gain or loss recognized in the statement of comprehensive income comprises any interest paid under the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially recognized at fair value less transaction costs. The fair value is calculated through discounting future cash flows at the current market rate applied to financial instruments with similar conditions. Afterwards, other financial liabilities are estimated at amortized value using the effective interest method and recognition of expenses on interest on the actual basis. Realized and unrealized gains and losses arising from changes in the fair value are carried in the statement of comprehensive income as financial income and expenses in the period when they occur.

Borrowings are classified as long-term if they are expected to be repaid in more than 12 months after the reporting date.

If the Company's management intends to repay a loan within 12 months after the reporting date, the nominal cost of the loan subject to the relevant adjustments is considered to be equal to its fair value.

Trade payables do not hold interest and are accounted by sums of presented invoices. If the Company's management intends to settle accounts payable within 12 months after the reporting date, their nominal cost is considered to be equal to their fair value.

Derecognition of financial liabilities

The Company ceases to recognize financial liabilities when, and only when, the Company's liabilities are discharged, canceled or terminated at maturity.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability, and distributing the interest income or expense for the relevant period. An effective interest rate is a rate that accurately discounts the estimated future cash income (including all fees paid or received, which form an integral part of the effective interest rate, operating costs and other fees and discounts) during the expected life of the financial asset or liability or, if possible, a shorter period.

3.5. Inventories

Finished products: gold and tin and copper concentrates

Inventories of finished goods: gold and tin and copper concentrates are stated at the lower of production cost, or net realizable value. The production cost per unit of finished goods is calculated by dividing the total production cost per output by the total produced gold and tin concentrate to be sold.

Production costs include expenses for personnel, materials and spare parts, mineral resources extraction tax, utilities, cost of third-party services to extract ore, refining costs, depreciation of fixed assets, as well as capitalized expenses for stripping, changes in the provision for environmental remediation, changes in inventories of gold and metal-containing concentrates at the stage of their processing.

Gold and tin at processing stage at production cost

Gold and tin at the processing stage are estimated at the production cost of a product unit subject to the degree of readiness at this processing stage.

Ore dumps: gold and tin

Ore dumps are reported at the lower of the production cost per unit of ore mined or net realizable value based on metal grades calculated based on the planned processing method. Besides, the Group makes stock-taking of ore volumes in ore damps.

Other inventories and materials

Other inventories and materials mean disposable materials for use in the production process and they are recorded at weighted average cost less provision for decrease in value.

3.6. Trade and other payables

Indebtedness to suppliers and contractors is calculated upon the performance by the counterparty of its contractual obligations and is recognized at amortized cost using the effective interest method.

3.7. Share capital

The share capital consists of ordinary and preferred shares, which are classified as authorized capital.

Additional expenses connected with issue of new shares are accounted in the capital as a decrease in getting economic benefits from the issue of new shares. Excess of a fair value of gained economic benefits when issuing new shares over a par value of issued shares is carried as additional capital in the statement of changes in equity.

Investments in the authorized capital in the form of non-monetary assets are carried at fair value on the date the investment takes place. Treasury shares are carried at actual cost.

Treasury shares

Cost of purchasing the Company's shares by the Group's entities, including any purchase-related expenses, is deducted from the total amount of the capital until further sale. In case of further sale of shares, the amount received, less the profit tax, is included in equity. Treasury shares of the Company are recognized at average weighted cost of acquisition.

3.8. Dividends

Dividends are recognized as liabilities and deducted from equity at the reporting date only if they are declared before or on the reporting date. Information about dividends is disclosed in the notes to the consolidated financial statements if they are declared after the reporting date but before the consolidated financial statements are approved.

3.9. Income tax

Income tax liabilities and assets for the reporting period comprise current and deferred tax. Current tax is a tax to be paid and calculated based on taxable profit for the period and tax rates effective on the date of completing the statements and comprises profit tax adjustments for the previous periods.

Deferred tax is measured, using the balance sheet liability method in regard to temporary differences arising between accounting data and data used for the purposes of calculating taxable income.

Deferred tax liabilities, as a rule, are recorded in respect to all temporary differences that increase taxable income, and deferred tax assets are carried subject to the probable existence in the future of taxable income from which temporary differences taken for taxation purposes can be deducted.

Deferred tax liabilities are not recognized with respect to temporary differences arising at initial recognition of goodwill.

Deferred tax assets and liabilities are credited when they relate to income tax levied by the same tax body, and the Group intends to credit its tax asset and liabilities.

Deferred taxes are calculated at the rates which are expected to be applied in the period of sale of an asset or debt repayment. They are recognized in the statement of comprehensive income, excluding cases when they are connected with items directly referred to equity, in which case deferred taxes are stated in equity.

The Group's tax liability is measured by the management at each reporting date. Profit tax liabilities are recognized in amounts to be most probably confirmed if they become subject to dispute by tax bodies based on interpretations of the relevant tax legislation. Their measurements are based on interpretations of the tax legislation effective at the reporting date, any known court ruling or other decision on similar matters. Fines, penalties and taxes due, except for profit tax, are recognized as of the reporting date in accordance with the most probable estimate by the management made in regard to forthcoming expenses on these taxes.

3.10. Payments to employees

Retirement payments

The Group has no additional retirement plans other than participation in the state retirement system of the Russian Federation, which provides for the calculation of current contributions from an employer as a percentage of current total payments to employees. Such expenses are recognized in the period the respective payments to employees relate to. Besides, the Group does not have benefits provided to employees after their retirement or other significant benefits requiring accrual.

Payments on termination of labor activity

In accordance with the applicable laws, the Group is obliged to ensure payments to its employees resigning due to certain circumstances. The management considers that, in respect to the Group, the probability of occurrence of such circumstances is not high. Therefore, these circumstances have no significant impact on the consolidated financial statements and operation of the Group.

3.11. Estimated and contingent liabilities (contingency reserve provisions) and contingent assets

The Group recognizes provisions (reserves) and presents them in the consolidated statement of financial position when:

- There is such a legal or factual obligation arising from past events;
- The amount of the liability can be measured reliably;
- An outflow of resources containing economic benefits is likely.

The Group uses estimated liabilities (reserves) only for the purposes initially determined and makes annual inventories to adjust the amounts for changes in the estimate.

The Group recognizes a provision for environmental restoration in the financial statements, which includes future expenses for land reclamation.

The costs for reclamation of land destroyed in the course of production activities after the field reached the level of commercial volumes of production are measured as a net current value of expected expenses while repaying the liability. A change in the provision is carried in the statement of comprehensive income as production cost. An increase in the provision for environmental remediation due to discount depreciation is posted in the statement of comprehensive income as financial expenses.

Contingent liabilities and assets are future liabilities and assets, the occurrence / non-occurrence of which depends on future events beyond the control of the Group. Contingent liabilities may also represent current liabilities that the Group is unable to estimate and for which it is not probable that economic benefits will outflow.

Contingent assets and liabilities are not recognized in the consolidated statement of financial position. Information on contingent assets is disclosed in the notes to the financial statements, information on contingent liabilities is disclosed in the notes to the financial statements in the event that an outflow of resources is probable.

3.12. Revenue recognition

The Group recognizes revenue at a point in time or over a period of time when it transfers to a customer control of the goods, works and services specified in the contract as a performance obligation.

Revenue from sales of gold

The Group recognizes revenue upon physical delivery of gold from the refinery to its customers, which are Russian banks. The gold price is determined based on current market prices. Payment for the delivered metal is made within a few days after shipment.

Revenues from sales of tin concentrate

The Group recognizes revenue when the tin concentrate is physically handed over to the carrier at the dispatch station specified in the contract. Tin concentrate is priced based on the official London Metal Exchange quotations for tin metal at the date of shipment, taking into account the metal content of the concentrate and excluding processing costs and penalties, if applicable. Payment for the supplied metal is determined by a specific contract and contains an advance payment, which is 80-90% of the value of the shipped goods and the final settlement after the receipt and processing of the metal by the buyer.

Revenue from other sales

Includes revenue from the sale of incidentally mined metals, proceeds from the provision of production and other types of services. Revenue is recognized in the financial statements in the period when these services were rendered. All revenue is shown net of VAT.

3.13. Lease

The accounting policy applies to leases that were entered into or modified before or after January 1, 2019.

The Group recognizes its right-of-use asset and lease liability at the commencement date of the lease. A right-of-use asset is initially measured at cost, which is the amount of the lease liability at the commencement date, adjusted for any lease payments made on or before the commencement date, plus the initial direct costs and estimated costs of dismantling, liquidating or restoring the underlying asset at its location, less any lease payments received.

At the time of signing, the Group reviews the agreement for lease signs. The agreement contains lease signs if it contains the right to control the use of the identified asset for a certain period of time in exchange for compensation. The Group assesses the existence of the right to use the identified asset as follows:

- the agreement assumes the use of the identified asset, but if the supplier has a substantial right to replace it, the asset is not identified;
- the Group is entitled to receive almost all economic benefits from the use of the asset over the entire period of use;
- the Group may manage the use of the asset. The Group may control the use of the asset when it assumes the existence of the right to make decisions regarding changes in how and for what purpose the asset is used.

A right-of-use asset is depreciated on a straight-line basis from the start date of the lease to the earlier of the expiry date of the useful life of the right-of-use asset or the expiry date of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as the fixed assets. Moreover, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain revaluations of the lease liability. Lease liabilities are initially measured at the present value of lease payments that were not paid at the commencement date of the lease, discounted using the interest rate implied in the lease agreement or, if this rate cannot be easily determined, the Group's borrowing rate.

The Group applies an exception and accounts for additional payments not related to the lease but stipulated in the lease agreement together with lease payments. The period used to measure the liability and the right-of-use asset is defined as the number of days during which the Group has sufficient confidence in the lease of the asset. The Group considers various aspects to determine the lease term, such as business plans, past practices, and other factors that may affect the management's judgment regarding the lease term.

Lease liabilities are measured at depreciated cost using the effective interest method. The liability shall be reassessed in case of changes in future lease payments as a result of index or rate changes, changes in the Group's estimate of the expected amount payable under the residual value guarantee, or changes in the Group's judgments in relation to whether the purchase, extension or termination of the contract takes place. When the lease liability is reassessed, the corresponding adjustment is attributed to the carrying amount of the right-of-use asset or is recognized in profit or loss if the carrying amount of the right-of-use asset is reduced to zero.

The Group does not recognize the right-of-use asset and lease liability for short-term leases that do not exceed 12 months or for low-value leased assets.

When initially applying IFRS 16, the Group applies the following exceptions:

- the discount rate is determined for groups of underlying assets with similar characteristics;
- at the transition date, initial direct costs are not included in the right-of-use asset;
- the experience of past events is used in determining the term of the lease agreement, when there is a choice to continue or terminate the lease agreement;
- the approach to classifying an agreement to which IFRIC 4 was previously applied is not revised and continues to be accounted for as a services agreement.

3.14.Significant assumptions and estimates when applying accounting policies

When preparing IFRS consolidated financial statements, the management uses various assumptions and estimates that can affect the reported amounts of assets and liabilities of the Group, disclosure of contingent assets and liabilities as well as sums of earnings and expenses in the reporting period. Making estimates is of subjective nature and depends on previous experience, current and expected economic conditions and other available information. Actual results can vary from the indicated estimates, and the management can reconsider its estimates in the future both in a positive or negative direction, taking into account facts connected with each estimate.

The assumptions that may have the most significant impact on the financial statements and the estimates that may result in significant changes in the carrying amounts of assets and liabilities during the next financial year are set out below.

Useful lives of assets for prospecting and assessment of mineral resources

Assets for prospecting and assessment of mineral resources are depreciated using a straight-line method during the respective field development periods on the basis of proven and probable mineral deposits. When determining a field development period, assumptions effective at the time of the assessment can alter if additional information appears.

Factors, which can affect determining a field development period include:

- changes in proven and probable mineral deposits;
- significant change in the content of metals in ore over the time;
- difference between actual and estimated prices of metals used when assessing mineral deposits;
- occurrence of unforeseen operational problems at the field; and
- changes in capital expenditures, operating expenses, costs of extraction, metal processing and environmental recovery, discount rates and foreign exchange rates which can negatively affect the economic efficiency of mineral deposits.

Changes in any of the listed factors can result in a change of depreciation periods of assets for prospecting and assessment of mineral resources and their current value.

Capitalized expenses for stripping

The Group capitalizes incurred expenses for stripping and writes them off to cost of sales of gold or tin using an average stripping ratio calculated based on the field development period.

Factors which can affect capitalization of expenses for stripping and their writing off to cost are the following:

- changes in proven and probable mineral deposits;
- changes in mining work plans due to new circumstances related to cost-performance ratios of the field; and
- changes in the planned relation of a number of cubic meters of waste rocks to one ton of ore calculated for the whole field development period.

Provision for doubtful accounts receivable

The Group’s management determines an amount of provision for bad receivables based on the available data about the solvency of specific customers. Significant financial difficulties experienced by a customer, probability of the customer's bankruptcy or financial restructuring, non-payments or avoidance of payments are considered to be the indicators of potential impairment of receivables. Actual results could differ from those estimates if there is deterioration in the creditworthiness of any of the significant customers or actual losses from defaults by debtors exceed the Group's estimates.

In cases when additional payments are no longer expected to be received from the debtor, the corresponding amount of the receivables is written off against the created provision.

Future cash flows in respect of trade and other receivables considered for impairment by the management are determined on the basis of information on payments made under the relevant contracts, as well as the management's experience in assessing the proportion of receivables that become overdue and the proportion of the debt that can be recovered. Information based on past experience is adjusted to current information to take into account the impact of the conditions that were not present in the past periods and not to take into account any conditions that existed in the past but are currently not present.

Environmental remediation obligations

The Group’s mining and prospecting operations are regulated by various laws and regulations in the field of environmental protection. The Group makes an assessment of liabilities in regard to environmental protection based on the understanding of the Group’s management of the provisions of the applicable laws of various jurisdictions, terms of license agreements and internal engineering estimates. The provision for land reclamation is recognized based on a net discounted value upon occurrence of the relevant liability. Actual prepaid expenses can significantly vary from the sum of the provision. Besides, the amount of this provision can be affected by changes in the laws and regulations for environmental protection in the future, estimates of time for field development and discounting rates.

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

The Group estimates the remaining useful life of other property, plant and equipment at least once a year at the end of the financial year. If the expectations differ from the previous estimates, the changes are recorded as changes in accounting estimates in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The Group's management establishes the useful lives of property, plant and equipment and intangible assets based on their physical properties and the period within which they will bring benefit to the Group.

Liabilities carried at amortized cost.

A fair value is generally determined based on market quotations. Estimation of a fair value of instruments with a fixed interest rate and a designated maturity term that do not have market quotations is based on discounting the expected cash flows using the interest rates for new instruments with a similar credit risk and a similar maturity period. A fair value of liabilities to be repaid on call or repaid with due notification ("liabilities with an indefinite maturity period") is calculated as a sum to be paid out on call and discounted, starting from the first date of potential presentation of the claim to repay the liability.

Tax legislation.

The tax, currency and customs legislation of the Russian Federation is subject to varying interpretations and frequent changes.

Related party transactions.

In the ordinary course of business, the Group makes related party transactions. These transactions were carried out mainly at market rates. In the absence of an active market, professional judgment is applied in order to determine whether transactions are carried out at market or beyond-market rates. The basis for such judgment is pricing of similar transactions with unrelated parties and the analysis of the effective interest rate.

(in thousands of Russian rubles, unless otherwise stated)

Provision for impairment of securities not traded in the organized securities market.

At each reporting date, the Group determines the impairment of securities that are not traded in the organized securities market.

3.15. Segment information

The Group operates in two operating segments: mining, processing and sales of refined gold, and mining, processing and sales of tin and copper concentrates. All production facilities of the Group are located in the Russian Federation. Therefore, the Group's activities are subject to similar risks and have similar advantages and are presented in consolidated financial statements divided in two reporting segments.

4. REVENUES FROM SALES

	For year ended December 31, 2020	For year ended December 31, 2019
Revenue from sales of gold	27,021,576	18,289,477
Revenues from sales of tin and copper concentrate	2,763,079	2,039,538
Revenues from other sales	3,529,134	1,742,585
Total	**33,313,789**	**22,071,600**

The Group sells gold in the Russian Federation to the largest Russian banks at market prices based on the LBMA Gold price (a fixed price for gold denominated in US dollars per ounce, set in the London cash precious metal (spot) market in the course of standard pricing procedures of the London Bullion Market Association (LBMA)). For 12 months of 2020 and 2019, the main buyer of the Group was VTB Bank (PJSC).

Despite the fact that the Group sells more than 90% of the gold produced to several main customers, it is not economically dependent on them due to the high level of liquidity in the gold market. A significant proportion of gold sales are made on the basis of advance and urgent payments, which minimizes the credit risk in relation to trade receivables.

Revenues from tin concentrate sales were received from five main customers. The sales were carried out mainly in the territory of the Russian Federation to three (12 months of 2019: two) key buyers - third parties. 39% (12M 2019: 31%) are exported to China and Malaysia.

Other sales mainly include ore mining services and other services rendered to JSC "Lunnoe," LLC "Nirungan" and revenues from silver sales.

	For year ended December 31, 2020	For year ended December 31, 2019
Gross profit/(loss)	**14,589,001**	**9,187,130**
Selling and administrative expenses	(2,574,007)	(1,885,769)
Depreciation **and amortization** of property, plant and equipment and intangible assets	2,491,791	2,094,282
EBITDA	**14,506,785**	**9,395,643**

5. COST OF SALES

	For year ended December 31, 2020	For year ended December 31, 2019
Operating expenses	**(16,639,244)**	**(15,988,818)**
Labor expenses	(4,183,816)	(3,635,168)
Materials and spare parts	(3,131,517)	(4,080,490)
Fuel and electricity	(1,884,361)	(1,984,971)
Mineral extraction tax	(1,049,465)	(717,653)
Provision for commodities and materials	(105,471)	(147,848)
Third party services	(6,284,614)	(5,422,688)
Depreciation and amortization, excluding amortization of licenses	**(1,708,398)**	**(1,378,326)**
(Decrease)/Increase in metal inventories at the stage of processing and finished products	**363,606**	**5,161,054**
Total	**(17,984,036)**	**(12,206,090)**

(in thousands of Russian rubles, unless otherwise stated)

In the current period, the Management has reclassified expense items for better presentation. This reclassification does not affect the total cost of the item "Cost of sales".

6. SELLING AND ADMINISTRATIVE EXPENSES

	For year ended December 31, 2020	For year ended December 31, 2019
Labor expenses	(1,463,805)	(1,132,298)
Materials	(53,681)	(39,075)
Services	(765,947)	(437,834)
Taxes	(89,806)	(85,636)
Depreciation of property, plant and equipment	(42,641)	(37,576)
Other	(158,127)	(153,350)
Total	**(2,574,007)**	**(1,885,769)**

7. OTHER OPERATING INCOME/(EXPENSES), NET

	For year ended December 31, 2020	For year ended December 31, 2019
Income from sale of materials and property, plant and equipment	(214,938)	(177,670)
Income from disposal of financial assets	190,275	(156,826)
Penalties, fees, loss recovery	(105,660)	(271,007)
Creating a provision for environmental remediation	(1,477)	(26,155)
Creating a provision for doubtful debts and impairment of advances paid	(8,100)	(14,397)
Changes in provision for VAT recoverable	(28,472)	109,835
Other income/(expenses)	(208,546)	(56,254)
Total	**(376,917)**	**(592,474)**

8. FINANCE INCOME/(EXPENSES), NET

	For year ended December 31, 2020	For year ended December 31, 2019
Interest receivable	266,725	382,030
Interest for loans and borrowingspayable	(2,151,493)	(1,575,778)
Profit / (loss) from transactions with other financial instruments	229,238	(267,317)
Interest expense on lease liabilities	(147,266)	(158,052)
Total	**(1,802,796)**	**(1,619,118)**

9. INCOME TAX

	For year ended December 31, 2020	For year ended December 31, 2019
Current income tax	(205,145)	(55,505)
Deferred income tax	2,377,925	(266,280)
Total	**2,172,780**	**(321,785)**

(in thousands of Russian rubles, unless otherwise stated)

The Group's income tax before taxes differs from the theoretical tax amount, which is calculated using an effective tax rate for the tax applied to income in the following way:

	For year ended December 31, 2020	**For year ended December 31, 2019**
Profit/(loss) before tax	(2,168,396)	2,447,732
Tax rate	20%	20%
Theoretical income tax	433,679	(489,546)
Deferred tax provision	244,999	(336,167)
Net expenses for goodwill not subject to taxation	(60,048)	(60,552)
Income tax exemption obtained for Ltd "Ryabinovoye"	1,621,186	633,671
Income/(expenses) not accepted for taxation, net	(67,036)	(69,191)
Total income tax	**2,172,780**	**(321,786)**

(in thousands of Russian rubles, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

	Mining Assets and Mining development costs	Tin mining licenses	Gold mining licenses	Buildings, structures and utilities	Machinery and equipment	Transport	Other	Construction-in progress	Total
Historical cost									
As of January 1, 2020	**1,729,892**	**4,137,676**	**9,388,700**	**6,549,380**	**6,194,386**	**1,693,026**	**526,108**	**5,526,977**	**35,746,145**
Additions	184,778	686,253	-	832,990	1,441,237	494,133	291,311	1,197,060	5,127,762
Remeasurement	-	22,878	5,264,092	-	-	-	-	-	5,286,970
Purchase of companies	-	-	5,136,360	52,433	-	92	-	-	5,188,885
Disposal	-	-	-	(107,024)	(85,268)	(34,277)	(419)	(31,377)	(258,365)
As of December 31, 2020	**1,914,670**	**4,846,807**	**19,789,152**	**7,327,779**	**7,550,355**	**2,152,974**	**817,001**	**6,692,660**	**51,091,397**
Accumulated depreciation, amortization, impairment									
As of January 1, 2020	**(332,695)**	**(122,713)**	**(959,072)**	**(1,192,539)**	**(2,550,283)**	**(1,014,227)**	**(191,054)**	**(519,576)**	**(6,882,159)**
Additions	(168,262)	(130,845)	(609,907)	(508,870)	(724,402)	(309,214)	(35,291)	-	(2,486,791)
Disposal	-	-	-	37,943	24,314	9,833	126	-	72,216
As of December 31, 2020	**(500,957)**	**(253,558)**	**(1,568,979)**	**(1,663,465)**	**(3,250,371)**	**(1,313,609)**	**(226,219)**	**(519,576)**	**(9,296,734)**
Net book value									
As of January 01, 2020	**1,397,197**	**4,014,963**	**8,429,628**	**5,356,841**	**3,644,104**	**678,799**	**335,053**	**5,007,401**	**28,863,986**
As of December 31, 2020	**1,413,713**	**4,593,249**	**18,220,173**	**5,664,314**	**4,299,984**	**839,365**	**590,782**	**6,173,084**	**41,794,663**

(in thousands of Russian rubles, unless otherwise stated)

	Mining Assets and Mining development costs	Tin mining licenses	Gold mining licenses	Buildings, structures and utilities	Machinery and equipment	Transport	Other	Construction-in progress	Total
Historical cost									
As of January 01, 2019	**1,272,709**	**4,137,676**	**9,392,400**	**4,146,678**	**5,640,676**	**1,980,290**	**387,133**	**4,898,989**	**31,856,552**
Proceeds from IAS 16	-	-	-	294,126	-	-	-	-	294,126
Total as of January 01, 2019	**1,272,709**	**4,137,676**	**9,392,400**	**4,440,804**	**5,640,676**	**1,980,290**	**387,133**	**4,898,989**	**32,150,678**
Reclassification	-	-	-	344,415	(8,891)	(347,703)	80,779	(206,472)	(137,872)
Additions	457,183	-	-	1,213,505	810,628	92,560	56,266	1,065,464	3,695,605
Proceeds from acquisition of company	-	-	-	690,743	-	-	11,483	2,359	704,585
Disposal	-	-	(3,700)	(140,086)	(248,027)	(32,121)	(9,553)	(233,363)	(666,851)
As of December 31, 2019	**1,729,892**	**4,137,676**	**9,388,700**	**6,549,380**	**6,194,386**	**1,693,026**	**526,108**	**5,526,977**	**35,746,145**
Accumulated depreciation, amortization, impairment									
As of January 01, 2019	**(203,262)**	**(11,880)**	**(395,225)**	**(724,478)**	**(2,021,452)**	**(1,085,128)**	**(186,577)**	**(519,576)**	**(5,147,579)**
Reclassification	-	-	-	(89,777)	(54,594)	252,957	29,286	-	137,872
Additions	(129,433)	(110,833)	(567,547)	(422,682)	(612,487)	(210,667)	(38,193)	-	(2,091,841)
Disposal	-	-	3,700	44,398	138,250	28,611	4,430	-	219,389
As of December 31, 2019	**(332,695)**	**(122,713)**	**(959,072)**	**(1,192,539)**	**(2,550,283)**	**(1,014,227)**	**(191,054)**	**(519,576)**	**(6,882,159)**
Net book value									
As of January 01, 2019	**1,069,447**	**4,125,796**	**8,997,175**	**3,422,200**	**3,619,224**	**895,162**	**200,556**	**4,379,413**	**26,708,973**
As of December 31, 2019	**1,397,197**	**4,014,963**	**8,429,628**	**5,356,841**	**3,644,104**	**678,799**	**335,053**	**5,007,401**	**28,863,987**

(in thousands of Russian rubles, unless otherwise stated)

During the reporting period, the Group took property, plant and equipment on lease.

	Land, buildings and structures	Machinery and equipment	Vehicles	Total
Historical cost:				
Balance as of December 31, 2019	**586,099**	**879,318**	**1,001,207**	**2,466,625**
Proceeds	131,757	-	-	131,757
Disposal	(10,511)	-	-	(10,511)
As of December 31, 2020	**707,346**	**879,318**	**1,001,207**	**2,587,871**
Accumulated depreciation:				
Balance as of December 31, 2019	**(58,610)**	**(392,130)**	**(566,383)**	**(1,017,123)**
Depreciation charges	(60,593)	(191,856)	(204,798)	(457,246)
Disposal	1,303	-	-	1,303
As of December 31, 2020	**(117,900)**	**(583,986)**	**(771,181)**	**(1,473,067)**
Net book value as of December 31, 2019	**527,489**	**487,188**	**434,825**	**1,449,502**
Net book value as of December 31, 2020	**589,446**	**295,332**	**230,026**	**1,114,804**

	Land, buildings and structures	Machinery and equipment	Vehicles	Total
Historical cost:				
Balance as of December 31, 2018	**-**	**835,818**	**996,181**	**1,831,999**
Proceeds from IAS 16	294,126	-	-	294,126
As of January 01, 2019	**294,126**	**835,818**	**996,181**	**2,126,125**
Additions	291,973	43,500	5,026	340,500
As of December 31, 2019	**586,099**	**879,318**	**1,001,207**	**2,466,625**
Accumulated depreciation:				
Balance as of December 31, 2018	**-**	**(165,084)**	**(350,976)**	**(516,060)**
Depreciation charges	(58,610)	(227,046)	(215,407)	(501,063)
As of December 31, 2019	**(58,610)**	**(392,130)**	**(566,383)**	**(1,017,123)**
Net book value as of December 31, 2018	**-**	**670,734**	**645,205**	**1,315,939**
Net book value as of December 31, 2019	**527,489**	**487,188**	**434,825**	**1,449,502**

11. SEGMENT REPORTING

Starting from June 2017, the Group has two operating segments: 1) segment engaged in carrying out prospecting drilling followed by extraction, processing, and selling of precious metals (gold, silver, and platinoids), as well as provision of related services (hereinafter, the "gold division"), 2) segment engaged in carrying out prospecting drilling followed by extraction, processing of ore, and selling of concentrates containing metals: tin and copper, as well as provision of related services (hereinafter, the "tin division").

During the reporting period ended December 31, 2020, the Group's Management received the financial information on a regular basis separately for each of the two operating segments (strategic business units) of the Group.

(in thousands of Russian rubles, unless otherwise stated)

Details of the performance of each operating segment are presented below.

Performance of the production segments for the 12 months of 2020:

	Gold Division	**Tin Division**	**Other operations**	**Intersegment sales**	**Total**
Revenues from sales	30,609,745	2,763,079	-	(59,035)	33,313,789
Cost of sales and amortization of licenses	(16,589,376)	(2,194,447)	-	59,035	(18,724,788)
Gross profit/(loss)	**14,020,369**	**568,632**	**-**	**-**	**14,589,001**
Selling and administrative expenses	(2,069,370)	(504,637)	-	-	(2,574,007)
Impairment/write-off	-	(300,240)	-	-	(300,240)
Other operating income/(expenses), net	(421,960)	(145,233)	190,275	-	(376,917)
Operating profit/(loss)	**11,529,040**	**(381,478)**	**190,275**	**-**	**11,337,837**
Finance income/(expenses), net	(1,857,792)	(433,155)	488,151	-	(1,802,796)
Foreign exchange gain/(loss), net	(11,549,756)	(153,681)	-	-	(11,703,437)
Profit/(loss) before tax	**(1,878,508)**	**(968,314)**	**678,426**	**-**	**(2,168,396)**
Income tax	2,271,669	36,796	(135,685)	-	2,172,780
Profit/(loss) for 12 months	**393,161**	**(931,518)**	**542,741**	**-**	**4,384**
Assets	62,217,316	15,877,969	4,077,047	(6,768,248)	75,404,084
Capital expenditure	3,369,171	1,758,591	-	-	5,127,762
Depreciation and amortization	(2,101,433)	(390,358)	-	-	(2,491,791)
Liabilities	49,286,301	9,819,209	-	(6,768,248)	52,337,262
EBITDA	**14,052,433**	**454,353**	**-**	**-**	**14,506,785**

Performance of the production segments for the 12 months of 2019:

	Gold Division	**Tin Division**	**Other operations**	**Intersegment sales**	**Total**
Revenues from sales	20,043,855	2,039,538	-	(11,793)	22,071,600
Cost of sales and amortization of licenses	(11,095,951)	(1,800,312)	-	11,793	(12,884,471)
Gross profit/(loss)	**8,947,904**	**239,226**	**-**	**-**	**9,187,130**
Selling and administrative expenses	(1,459,483)	(426,286)	-	-	(1,885,769)
Impairment/write-off	(1,292,455)	(302,760)	-	-	(1,595,215)
Other operating income/(expenses), net	(105,854)	(329,798)	(156,826)	-	(592,478)
Operating profit/(loss)	**6,090,109**	**(819,615)**	**(156,826)**	**-**	**5,113,668**
Finance income/(expenses), net	(1,259,625)	(405,528)	46,039	-	(1,619,114)
Foreign exchange gain/(loss), net	(1,195,438)	148,616	-	-	(1,046,822)
Profit/(loss) before tax	**3,635,046**	**(1,076,526)**	**(110,791)**	**-**	**2,447,732**
Income tax	(434,726)	90,783	22,158		(321,785)
Profit/(loss) for 12 months	3,200,320	(985,743)	(88,633)	-	2,125,947
Assets	44,308,074	13,420,796	3,666,934	(3,706,598)	57,689,206
Capital costs	2,281,185	1,414,420	-	-	3,695,605
Depreciation and amortization	(1,779,955)	(314,327)	-	-	(2,094,282)
Liabilities	33,223,559	6,896,763	-	(3,706,598)	36,413,725
EBITDA	**9,268,376**	**127,267**	**-**	**-**	**9,395,643**

(in thousands of Russian rubles, unless otherwise stated)

Major customers and sales geography

Breakdown of the Group's revenue by types of customers and geographical areas is presented in Notes 1 and 4.

12. OTHER NON-CURRENT ASSETS

Other non-current assets are advances issued for the purchase of a share in LLC "Pravourmiyskoye" in the amount of 550,000 thousand rubles, as well as other long-term assets in the amount of 82,609 thousand rubles (2019: 75,390 thousand rubles).

13. GOODWILL

Goodwill is distributed across cash flow generating divisions ("CFGD") which represent an administrative unit of the lowest level within the Group for the purposes of monitoring of goodwill carried out by the management and do not exceed the segment. On December 31, 2020, goodwill was distributed to PJSC "Rusolovo" segment, which is a tin-mining division of the Group.

The changes in the book value of goodwill for 2020 and 2019 are as follows:

	Total
Historical cost	
As of December 31, 2018	**3,330,220**
As of December 31, 2019	**3,330,220**
As of December 31, 2020	**3,330,220**
Accumulated impairment	
As of December 31, 2018	**(632,726)**
Impairment accumulated for period	(302,760)
As of December 31, 2019	**(935,455)**
Impairment accumulated for period	(300,240)
As of December 31, 2020	**(1,235,695)**
Impaired book value as of December 31, 2018	**2,697,494**
Impaired book value as of 2019	**2,394,765**
Impaired book value as of December 31, 2020	**2,094,282**

The recoverable amount as related to the CFGD was determined by calculating the cost of use. In these calculations, the cash flow forecasts are used which are received on the basis of the financial plans prepared for a five-year period and approved by the management.

The cash flow forecasts for a period exceeding five years are made using the extrapolation method based on the estimated growth rates specified below. The growth rates do not exceed the long-term average growth rates for the industry where the CFGD operates.

When calculating the cost of use, the following assumptions were made having the greatest impact on the recoverable amount:

	December 31, 2020	**December 31, 2019**
Average growth of revenue and gross profit for five years	8.0%	8.5%
Growth rate in five years	1.40%	1.50%
Discount rate before tax	8.5%	9.0%

(in thousands of Russian rubles, unless otherwise stated)

While determining the estimated profit amount, the management used the performance indicators for the previous periods and the expected market indicators. The weighted average growth rates used in the calculations are consistent with the forecast data of the reports for the industry taken from public sources. The discount rate applies before tax and reflects any specific risks relating to the respective CFGDs.

According to the analysis, the impairment loss was recognized in the amount of 300,240 thousand rubles (2019: 302,760 thousand rubles). If the above key assumptions are changed to more pessimistic results, the possibility of which can be reasonably assumed (the average growth of revenue and gross profit for five years – 7.5%, the average growth rate in five years – 1.35%, the discount rate before tax – 8.5%, the impairment of business reputation may be additionally recognized in the amount of 25,000 thousand rubles.

14. ACQUISITION OF COMPANIES

2020

In December 2020, the Group obtained control over LLC "Nirungan." The acquired share amounted to 70%, the share was acquired from a related party. The fair value of assets and liabilities of acquisition are presented below.

	Note	LLC "Nirungan"
ASSETS		
Non-current assets:		
Property, plant and equipment	10	5,188,885
Deferred tax assets	17	2,765
Total		**5,191,650**
Current assets:		
Inventories		25,317
Receivables and advances paid	19	462,861
Cash and cash equivalents	22	7
Total		**488,184**
TOTAL ASSETS		**5,679,835**
LIABILITIES		
Long term liabilities:		
Credits and loans	24	859,135
Payables and advances paid	26	171,506
Deferred tax liabilities	17	1,061,113
Total		**2,091,754**
Current liabilities		
Payables and advances paid	26	82,679
Short-term loans	24	9,687
Total		**92,366**
TOTAL LIABILITIES		**2,184,120**
Total identifiable net assets		**3,495,715**
Net assets owned by the Group		**2,447,000**
Acquisition cost paid in cash		2,447,000
Excess of acquisition cost over buyer's share in net fair value of acquiree's identifiable assets		-
Net cash flow		(2,446,993)

(in thousands of Russian rubles, unless otherwise stated)

If the acquisition occurred on January 01, 2020, Group's sales revenue and net profit would have increased by 452,935 thousand rubles and 296,089 thousand rubles respectively. Sales revenue and net profit from the date of purchase and to December 31, 2020 were not material.

The proceeds from the sale of precious metals of Nirungan LLC in 2020 amounted to 2,170,352 thousand RUB, the gross profit was 328,979 thousand RUB.

During 2020, Seligdar PJSC acted as the sole contractor for the development of a placer gold deposit on the Yurskiy stream for Nirungan LLC. The proceeds under this agreement amounted to 1,717,417 thousand RUB, the gross profit was 473,428 thousand RUB.

2019

In Q3 2019, the Group acquired two companies, LLC "Gaznefteinzhiniring" and LLC "Capital Center" from related parties. The amount of the acquired share was 100%. The fair value of assets and liabilities and the cost of acquisition are presented below.

	Note	LLC "Capital Center"	LLC "Gaznefteinzhiniring"
ASSETS			
Non-current assets:			
Property, plant and equipment	10	18,159	686,426
Deferred tax assets	17	-	24,998
Total		**18,159**	**711,424**
Current assets:			
VAT recoverable		285	46
Receivables and advances paid	19	1,253	11,394
Other financial assets		5,850	-
Cash and cash equivalents	22	105	2,083
Total		**7,493**	**13,523**
TOTAL ASSETS		**25,652**	**724,947**
LIABILITIES			
Deferred tax liabilities	17	3,055	94,054
Total		**3,055**	**94,054**
Current liabilities			
Short-term loans	24	9,483	325,292
Other financial liabilities		-	30,645
Total		**9,483**	**355,937**
Total identifiable net assets		**13,114**	**274,956**
Acquisition cost paid in cash		21,300	650,150
Excess of acquisition cost over buyer's share in net fair value of acquiree's identifiable assets		8,186	375,194
Net cash flow		(21,195)	(648,067)

The companies do not have significant revenue or profit. If the acquisition had occurred on January 01, 2019, the Group's revenue and profit would not have changed significantly.

15. DISPOSAL OF COMPANIES

2020

In January 2020, the Group sold Azimut LLC for RUB 415,500 thousand.

	Note	LLC “Azimut”
ASSETS		
Non-current assets:		
Deferred tax assets	17	3,575
Total non-current assets		**3,575**
Current assets:		

Receivables and advances paid	19	47
Other financial assets		117,525
Cash and cash equivalents	22	574
Total		**118,145**
TOTAL ASSETS		**121,720**
LIABILITIES		
Current liabilities		
Short-term loans	24	7,424
Other financial liabilities		7
Total		**7,431**
Total identifiable net assets		**114,289**
Sales cost paid in cash		415,500
Transaction result		301,211
Net cash flow		113,715

Since Azimut LLC was not active and shares of Seligdar PJSC were mainly placed on its balance sheet, the result of the transaction in the amount of 301,211 thousand RUB was included in gains from the sale of treasury shares in the Group's equity.

2019

In Q4 2019, the Group sold JSC "Preussisch-Eylau" for 706,362 thousand rubles.

	Note	**JSC "Preussisch-Eylau"**
ASSETS		
Non-current assets:		
Deferred tax assets	17	1,756
Total		**1,756**
Current assets:		
Receivables and advances paid	19	113
Other financial assets		200,084
Cash and cash equivalents	22	359
Total		**200,556**
TOTAL ASSETS		**202,312**
LIABILITIES		
Current liabilities		
Short-term loans		15,795
Other financial liabilities		2
Total		**17,797**
Total identifiable net assets		**186,515**
Acquisition cost paid in cash		706,362
Transaction result		519,846
Net cash flow		706,003

(in thousands of Russian rubles, unless otherwise stated)

16.FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Interest rate under contract	As of December 31, 2020	As of December 31, 2019
Assets denominated in rubles			
Treasury Invest JSC (formerly Ladya-Finance JSC), related parties, promissory notes	5%	591,644	590,987
Other	-	4,044	9,894
Total long-term financial assets at fair value through other comprehensive income		**595,688**	**600,881**

	As of January 01, 2020	Decrease of provision	Increase of provision	As of December 31, 2020
Provision for losses estimated at 12-month expected credit losses	922	(829)	-	93
Provision for losses estimated at expected credit losses for entire period	-	-	-	-

	As of January 01, 2019	Decrease of provision	Increase of provision	As of December 31, 2019
Provision for losses estimated at 12-month expected credit losses	438	-	484	922
Provision for losses estimated at expected credit losses for entire period	-	-	-	-

For this category of assets, the maximum exposure to credit risk corresponds to their total loss and is equal to the fair value of promissory notes received from third parties.

17.DEFERRED TAX ASSETS AND LIABILITIES

	As of December 31, 2020	As of December 31, 2019
Deferred tax assets	628,112	264,984
Deferred tax liabilities	(4,327,322)	(4,222,593)
Deferred tax assets (liabilities)	**(3,699,211)**	**(3,957,609)**
Changes of deferred assets and liabilities for income tax:		
At beginning of reporting period:	**(3,957,609)**	**(3,613,337)**
Income/(expense) from deferred tax carried in statement of comprehensive income	1,320,321	(270,405)
Disposal of companies	(3,575)	(1,756)
Acquisition of companies	(1,058,348)	(72,111)
At end of reporting period:	**(3,699,211)**	**(3,957,609)**

As of December 31, 2020, deferred tax assets were the following.

(in thousands of Russian rubles, unless otherwise stated)

	December 31, 2019	Income/(expense) from deferred tax recognised in profit and loss statement	Purchase of companies	Sale of companies	December 31, 2020
Inventories and losses carried forward	439,443	2,458,101	2,765	(3,575)	2,896,734
Debt on credits and loans	33,547	1,619	-	-	35,166
Receivables, advances paid	89,668	(21,008)	-	-	68,660
Total	**562,658**	**2,438,712**	**2,765**	**(3,575)**	**3,000,560**

As of December 31, 2020, deferred tax liabilities were the following.

	December 31, 2019	Income/(expense) from deferred tax recognized in profit and loss statement	Purchase of companies	Income/(expense) from deferred tax recognised in statement of comprehensive income	December 31, 2020
Property, plant and equipment	(3,007,254)	27,447	(1,010,319)	(1,057,394)	(5,047,520)
Capitalized expenses for stripping	(185,461)	(13,008)	-	-	(198,469)
Inventories	(1,317,083)	(75,228)	-	-	(1,392,311)
Other assets and liabilities	(10,469)	-	(50,794)	(209)	(61,472)
Total	**(4,520,267)**	**(60,788)**	**(1,061,113)**	**(1,057,603)**	**(6,699,771)**

As of December 31, 2019, deferred tax assets were the following.

	December 31, 2018	Income/(expense) from deferred tax recognized in profit and loss statement	Purchase of companies	Sale of companies	December 31, 2019
Inventories and losses carried forward	173,312	242,889	24,998	(1,756)	439,443
Debt on credits and loans	4,171	(4,171)	-	-	-
Short-term receivables and advances paid	7,587	25,960	-	-	33,547
Other assets and liabilities	25,081	64,587	-	-	89,668
Total	**210,152**	**329,265**	**24,998**	**(1,756)**	**562,658**

As of December 31, 2019, deferred tax liabilities were the following.

(in thousands of Russian rubles, unless otherwise stated)

	December 31, 2018	Income/ (expense) from deferred tax recognized in profit and loss statement	Acquisition of companies	Income/ (expense) from deferred tax recognised in statement of comprehensive income	December 31, 2019
Property, plant and equipment	(3,122,970)	212,825	(97,109)	-	(3,007,254)
Capitalized expenses for stripping	(181,824)	(3,637)	-	-	(185,461)
Inventories	(497,805)	(819,278)	-	-	(1,317,083)
Other assets and liabilities	(20,890)	14,546		(4,125)	(10,469)
Total	**(3,823,489)**	**(595,544)**	**(97,109)**	**(4,125)**	**(4,520,267)**

18.INVENTORIES

	As of December 31, 2020	As of December 31, 2019
Finished products (gold)	271,704	500,464
Finished products (tin concentrate)	613,043	614,843
Gold at processing stage, at production cost	7,798,303	7,656,134
Tin at processing stage, at production cost	154,464	316,637
Ore dumps (gold)	5,336,387	4,943,462
Ore dumps (tin)	1,116,447	895,203
Other inventories and materials (less provision for decrease in value of inventories in the amount of 277,424 thousand rubles as of December 31, 2020 (2019: 171,953 thousand rubles))	2,134,268	1,767,296
Total	**17,424,615**	**16,694,039**

In 2020, no impairment of ore dumps was recognized.

In 2019, the Group recognized impairment of ore in lean ore (gold) dumps for which the expected start date of processing exceeds the medium-term planning limit in the amount of 1,292,455 thousand rubles. These costs are recorded in the profit and loss statement of the Group.

As part of the "ore dumps (gold)" category reserves, 13.23 million tons (2019: 7.45 million tons) of ore in intermediate warehouses are recorded in the amount of 5,336,387 thousand rubles (2019: 4,943,462 thousand rubles).

The "gold at the processing stage" category includes the following items recorded at production cost: crushed ore at production facilities of the mining and processing works in the volume of 999 thousand tons (2019: 1 083 thousand tons) in the amount of 816,426 thousand rubles (2019: 1,195,902 thousand rubles), as well as ore stockpiles in progress in the reporting period in the volume of 9.54 million tons (2019: 6.28 million tons) in the amount of 4,839,445 thousand rubles (2019: 2,754,348 thousand rubles).

Unfinished semi-finished products (production in progress) at all processing stages amount to 2,296,896 thousand rubles (2019: 3,617,982 thousand rubles).

The products of a high degree of readiness (beads, cuttings, gold-containing cathodes) record products in the volume of 1,552 grams at the production cost of 3,590 thousand rubles (2019: 86,826 grams in the amount of 87,901 thousand rubles).

The finished product (gold) includes ore bars, gold in refineries and in metal accounts.

As of December 31, 2020, 0.0 gram of refined gold is placed on the Group's metal accounts (as of December 31, 2019: 247,557.5 grams), gold is placed on unallocated accounts opened with the largest Russian banks. This gold has instant liquidity, and at the closing date of the balance sheet, a market value of the metal was 0 thousand rubles (as of December 31, 2019: 750,346 thousand rubles).

(in thousands of Russian rubles, unless otherwise stated)

19.RECEIVABLES AND ADVANCES PAID

	As of December 31, 2020	As of December 31, 2019
Financial assets		
Receivables from buyers and customers	919,757	908,744
Other receivables	378,457	400,044
Reserve for doubtful debts	(34,197)	(27,473)
Non-financial assets		
Prepaid expenses	1,499,564	1,238,659
Impairment provision for advances paid	(14,198)	(12,377)
Total	**2,749,833**	**2,507,597**

In the reporting period, the Management made a decision to reclassify the debt of Lunnoe JSC in the amount of RUB 220,282 thousand. (2019: RUB 690,766 thousand) from other receivables to trade receivables, for better presentation purposes. This reclassification does not affect the total amount of receivables and the Group's cash flows.

The estimated fair value of short-term receivables is approximately equal to their book value. The credit risk limit is equal to the Group's accounts receivable.

Receivables at the reporting date in 2019 and 2020, accordingly, are mainly in rubles and relate to the sales in the Russian Federation, except for receivables in the amount of 20,248 thousand rubles (2019: 3,986 thousand rubles), denominated in US dollars and relating to the sales in the China and Malaysia.

Changes in the provision for receivables as of December 31, 2019 and December 31, 2020 are provided below:

	As of December 31, 2020	As of December 31, 2019
Provision as of beginning of period (for 2019 and 2020 – estimated at 12-month expected credit losses for trade and other receivables)	**(39,850)**	**(29,851)**
Provision charged for accounting period	(8,100)	(14,397)
Provision used to write off debts	5	4,398
Provision as of end of the period	**(47,945)**	**(39,850)**

The Group's receivables as of December 31, 2019 and December 31, 2020 by overdue periods are as follows.

	As of December 31, 2019		**As of December 31, 2020**	
	Receivables from buyers and customers	Other receivables	Receivables from buyers and customers	Other receivables
Not overdue	893,886	347,058	918,725	336,241
Under 6 months	2,088	25,522	1,032	32,014
From 6 months to 1 year	-	12,761	-	10,202
More than 1 year	-	-	-	

20.LOANS GRANTED

(in thousands of Russian rubles, unless otherwise stated)

	Interest rate under contract	As of December 31, 2020	As of December 31, 2019
Loans granted to related parties in US dollars, short-term			
JSC “Lunnoe”	7.0–9.5%	2,804,079	1,656,467
Loans granted to related parties in rubles, long-term			
Other	12.5%	-	44,796
Loans issued in securities to related parties, short-term			
JSC "Treasury Invest"	0.09%	448,042	-
Loans granted to related parties in US dollars, long-term			
JSC “Lunnoe”	7.5%	-	1,044,211
Total		**3,252,121**	**2,745,474**

	As of January 01, 2020	Decrease of provision	Increase of provision
Provision for losses estimated at 12-month expected credit losses	9,689	(586)	-
Provision for losses estimated at expected credit losses for entire period	-	-	-

	As of January 01, 2019	Decrease of provision	Increase of provision
Provision for losses estimated at 12-month expected credit losses	10,688	(999)	-
Provision for losses estimated at expected credit losses for entire period	-	-	-

Loans are not secured at the reporting date.

21.OTHER CURRENT ASSETS

	As of December 31, 2020	As of December 31, 2019
Prepaid expenses	453,080	433,864
Prepayment for other taxes	4,639	3,985
Total	**457,719**	**437,848**

Prepaid expenses related to the pre-season preparation of production at gold and tin mining enterprises generally include expenses for stripping and ground excavation.

22.CASH AND CASH EQUIVALENTS

	As of December 31, 2020	As of December 31, 2019
Cash on hand	1,005	821
Cash at bank, Russian rubles	3,526,150	702,525
Cash at bank, US dollars	49,222	17,681
Total	**3,576,378**	**721,026**

Cash placed in rubles as of December 31, 2020 includes deposits in the amount of 3,520,000 thousand rubles (2019: 481,000 thousand rubles), the term of placement is less than 3 months.

The Group places cash at high-rated banks and assumes that these assets would not show depreciation. As of December 31, 2019 and December 31, 2020, the cash assets are placed mainly with bank VTB Bank (PJSC) and with bank Gazprombank JSC.

Moreover, as of December 31, 2020, 0 grams (2019: 247,557.5 grams) of unrealized refined gold recorded in accordance with the inventory accounting rules was placed in a metal account with VTB Bank (PJSC). This gold has instant liquidity, and at the closing date of the balance sheet, a market value of the metal was 0.00 thousand rubles (2019: 750,346 thousand rubles).

(in thousands of Russian rubles, unless otherwise stated)

23. SHARE CAPITAL

As of 31 December 2019 and 31 December 2020, shareholders (owners of ordinary shares (excluding treasury shares)) included:

	As of December 31, 2020	As of December 31, 2019
BACKSTAR Holdings Limited	0.01%	23.86%
JSC "Ladya-Finance"	1.01%	18.87%
Sergey Mikhailovich Tatarinov	7.53%	7.93%
Konstantin Aleksandrovich Bejrit	8.31%	7.29%
JSC "Preussisch-Eylau"	0.00%	9.21%
LLC "Maximus"	23.24%	4.60%
LLC "Ladya River"	4.90%	5.68%
Treasure Invest Joint Stock Company	4.86%	0.00%
Limited Liability Company "BVT HOUSE"	14.15%	0.00%
Limited Liability Company "TREBBIA"	12.61%	0.00%
Other legal entities and individuals	23.38%	22.56%
	100%	**100%**

To calculate the share, the number of ordinary shares outstanding and owned by shareholders other than the Group's companies at the reporting date was used: 842 354 730 shares as of December 31, 2020 (799 073 500 shares as of December 31, 2019).

As of December 31, 2019 and December 31, 2020, the Group had no controlling shareholders.

Amounts of basic earnings per share are calculated through dividing net income for the period attributable to holders of ordinary shares of the parent company by an average weighted number of ordinary shares in circulation during the reporting period.

Overall, the parent company owns 842,355 thousand ordinary shares, and 150,000 thousand preference shares with a par value of 1.00 ruble.

As of December 31, 2020, all shares of the Group have been placed.

Basic earnings per share for the 12 months of 2019 and 2020 were as follows:

	For year ended on December 31, 2020	For year ended December 31, 2019
Average weighted number of outstanding ordinary shares for calculation of basic earnings per share (takes into account average weighted impact from changes in number of ordinary shares during the period), thousand pcs.	842,355	668,589
Profit attributable to holders of ordinary shares of the parent company for calculation of basic earnings	240,949	2,442,289
Basic earnings per share, rubles	**0.29**	**3.65**

There was no dilutive effect in the reporting and preceding periods.

In 2020, 64,203 thousand shares (2019: 178,573 thousand shares) of those repurchased by the Group were sold to third parties.

In 2020, dividends in the amount of 3,682,177 thousand rubles (2019: 1,332,037 thousand rubles) were declared. At the reporting date, dividends are fully paid.

24. LOANS AND BORROWINGS

(in thousands of Russian rubles, unless otherwise stated)

	Interest rate under contract	As of December 31, 2020	As of December 31, 2019
Long-term borrowings nominated in gold:			
VTB Bank (PJSC)*	4.95%	35,657,508	24,240,859
Long-term loans in US dollars received from related parties:			
JSC "Treasury Invest"	5.1%	3,709,741	-
Long-term loans in rubles received from related parties:			
JSC "Treasury Invest"	9%	201,557	-
Long-term loans in rubles			
Bonds**	9.5%	448,082	699,103
Other	4.5%	667,265	-
Total long-term loans and borrowings		**40,684,153**	**24,939,962**
Short-term portion due to be paid within 12 months			
VTB Bank (PJSC)*		1,796,687	-
JSC "Treasury Invest"		19,121	-
Bonds**		2	15,153
Total short-term portion		**1,815,810**	**15,153**

* Loan facilitywith VTB Bank (PJSC) nominated in gold with a final maturity date August 30, 2024 (“Loan facility”). Use of proceeds is general corporate purposes and working capital financing.

The Loan facility have restrictive covenants including, but not limited to, the requirement to maintain minimum ratios associated with:

- Consolidated net debt to earnings before interest, taxes, depreciation and amortization (EBITDA); and
- EBITDA to consolidated interest expenses.

The Loan facility is secured by the pledge of assets for the total amount of RUB 3 122 864 thousand(2019: RUB 24,240,859 thousand).

The covenants are calculated based on the IFRS financial statements of the Group on a semi-annual basis. As of 31 December 2019 and 31 December 2020, the Group is in compliance with all such covenants.

** On February 27, 2019 LLC Pravourmiyskoye placed Rouble bonds (series BO-01) with the total par value of RUB 3.0 billion. The bonds bear interest of 9.5% per annum. The issue has a 5-year call option, allowing the early redemption of the bonds at the issuer’s decision.

November 19, 2020 Rusolovo PJSC transferred 448,000 bonds issued by Pravourmiyskoye LLC under a loan agreement, by transferring them from its depo account to the borrower's depo account, the loan issued is reflected in the Consolidated Statement of Financial Position and Note 20. A prerequisite of the loan agreement is the return by the borrower of securities at the end of the loan term and the amounts of coupon income received on them within 3 working days from the date of their actual payment by the issuer in favor of the owners of securities, in connection with which the Group recognizes the accrued coupon income on the transferred bonds as being intercompany.

As of December 31, 2020, the Group had available credit limits in the total amount of RUB 10,401,921 thousand

25.LEASE LIABILITIES

As of December 31, 2019 and December 31, 2020, the Group had the following lease-related liabilities:

Repayment as of December 31, 2019	Lease payments	Less prepaid interest expense	Outstanding finance lease payments
Less than one year	658,232	(117,590)	540,642
One to five years	867,449	(211,012)	656,437
	1,525,681	**(328,602)**	**1,197,079**

(in thousands of Russian rubles, unless otherwise stated)

As of December 31, 2020	Lease payments	Less prepaid interest expense	Outstanding finance lease payments
Less than one year	578,672	(47,245)	531,427
One to five years	414,268	(100,084)	314,184
	992,940	**(147,329)**	**845,611**

As of December 31, 2020, lease payments previously classified as finance lease amounted to 469,042 thousand rubles, and their discounted amount, excluding interest payable, amounted to 408,704 thousand rubles.

Under the lease agreements, the Group leases mining equipment, cargo vehicles and loading-and-unloading machines, land plots. At the end of the lease term, title to part of the property transfers to the lessee. Payments under the lease agreements are made in US dollars and Russian rubles.

During the 12 months of 2019 and 12 months of 2020, the Group entered into a significant amount of contracts for the lease of vehicles, machinery and equipment for gold mining with third parties and unrelated parties.

The range of discount rates used for calculating right-of-use assets was 6.5–9% for settlements in rubles and 3-6% for settlements in US dollars.

Expenses related to lease agreements recognized in the profit and loss statement, expenses related to variable lease payments that are not included in the measurement of lease liabilities, future cash flows that the lessee is potentially exposed to, that are not recorded in the measurement of lease liabilities (variable payments, leases that have not yet begun, etc.) are not substantial.

26.PAYABLES AND ADVANCES RECEIVED

	As of December 31, 2020	As of December 31, 2019
Financial liabilities		
Trade payables	1,954,544	1,924,334
Other payables	2,081,850	2,347,078
Non-financial liabilities		
Advances received	15,839	133,781
Payables for other taxes	849,127	386,695
Payables to employees	1,064,483	1,028,403
Total short-term payables and advances received	**5,965,844**	**5,820,290**

Information on balances and related party transactions is provided in Note 32.

Tax payables are presented in the following way:

	As of December 31, 2020	As of December 31, 2019
Contributions to the Pension Fund of the Russian Federation	264,668	232,069
Value added tax	432,403	35,337
Individual income tax	100,723	89,088
Property tax	20,651	4,879
Transport tax	1,629	1,348
Mineral deposit tax	27,669	20,999
Other taxes	1,384	2,975
Total short-term tax payables	**849,127**	**386,695**

27. CONSOLIDATION

As of December 31, 2019 and December 31, 2020, the Group presented itself a combination of the following legal entities:

(in thousands of Russian rubles, unless otherwise stated)

Company	Type of business	Interest as of December 31, 2020	Interest as of December 31, 2019
PJSC "Seligdar"	management of holding companies	X	X
JSC “Seligdar Gold”	prospecting, extraction and sale of gold	100%	100%
Ltd “Ryabinovoye”	prospecting, extraction and sale of gold	100%	100%
LLC “Teploservis”	transport services	100%	70%
Ltd "OMC"	prospecting, extraction and sale of gold	100%	100%
LLC “ARTEL STARATELEY ‘POISK”	prospecting, extraction and sale of gold	100%	100%
Ltd “Artel Starateley ‘Sininda-1’”	extraction and sale of gold	100%	100%
LLC “Azimut”	capital investments in securities	-	100%
LLC “Nirungan”	prospecting, extraction and sale of gold	70%	-
PJSC “Rusolovo”	extraction of tin and tungsten, trading in securities	97.79%	95.14%
JSC "Tin Mining Company"	extraction of tin and tungsten	96.76%	94.14%
Ltd " Samolazovskoe"	prospecting, extraction and sale of gold	100%	100%
LLC "Capital Center"	operation of buildings	-	100%
LLC "Gaznefteinzhiniring"	operation of buildings	100%	100%
LLC "Territoriya"	extraction of tin and tungsten	100%	-
LLC "Pravourmiyskoye"	extraction of tin and tungsten	32.59%	31.71%

In 2020, the Group:

- obtained control over Nirungan LLC (Note 14),
- established the company Territoriya LLC,
- Capital-Center LLC was merged with Gaznefteinzhiniring LLC,
- sold the company to Azimut LLC (Note 15),
- acquired a minority interest in Teploservice LLC for the purpose of reorganization, the result of the transaction is reflected in the Group's statement of capital flows,
- purchased an additional 2.65% shareholding in PJSC "Rusolovo." The result of the transaction is recognized in the Group's statement of changes in equity.

In 2019, the Group:

- established the company Samolazovskoe Ltd,
- acquired the companies Gaznefteinzhiniring LLC and Capital-Center LLC (Note 14),
- purchased an additional 2.86% shareholding in PJSC "Rusolovo." The result of the transaction is recognized in the Group's statement of changes in equity,
- sold JSC "Preussisch-Eylau" (Note 15).

28. NON-CONTROLLING INTERESTS

Non-controlling interests include:

(in thousands of Russian rubles, unless otherwise stated)

Company	Interest as of December 31, 2019			Interest as of December 31, 2020		
	Non-controlling interest, %	**Non-controlling interest at end of year**	**Non-controlling interest in profit and loss statement**	**Non-controlling interest, %**	**Non-controlling interest at end of year**	**Non-controlling interest in profit and loss statement**
LLC “Teploservis”	30%	(36,026)	(1,349)	-	-	(555)
PJSC “Rusolovo”	4.86%	157,891	(25,860)	2.21%	46,043	(3,764)
JSC "Tin Mining Company"	5.86%	46,580	(21,013)	3.24%	56,446	(27,413)
LLC “Nirungan”	-	-	-	30%	1,048,715	-
LLC "Pravourmiyskoye"	68.29%	1,481,042	(268,120)	67.41%	1,260,209	(204,832)
Total non-controlling interests	**-**	**1,649,886**	**(316,342)**	**-**	**2,411,413**	**(236,564)**

In February 2020, the Group purchased an additional 2.65% shareholding in PJSC "Rusolovo" (Note 27).

In November 2019, the Group purchased an additional 2.86% shareholding in PJSC "Rusolovo" (Note 27).

Summarized financial information on the subsidiaries in which there are significant non-controlling interests that represent more than 1% of the total equity, is presented below. This information is based on the data before the exclusion of intra-Group settlements.

	As of December 31, 2019	**As of December 31, 2020**
LLC "Pravourmiyskoye"		
Current assets	1,464,129	1,351,244
Non-current assets	4,782,879	4,949,347
Curent liabilities	(1,487,710)	(1,733,211)
Long-term liabilities	(2,590,544)	(2,697,911)
Capital owned by Group	**687,712**	**609,260**
Non-controlling interest	1,481,042	1,260,209

	As of December 31, 2019	**As of December 31, 2020**
LLC "Pravourmiyskoye"		
Revenue	1,405,734	1,259,026
Cost and administrative expenses	(1,526,166)	(1,313,576)
Other income and expenses	(308,038)	(249,310)
Income tax	35,850	-
Profit owned by the Group	**(124,500)**	**(99,028)**
Non-controlling interest	(268,120)	(204,832)

For Nirungan LLC, the financial information included in the Group's consolidated statement of financial position is disclosed in Note 14.

29.CASH FLOW

Reconciliation of changes in financing activities in the Cash Flow Statement with the on-balance-sheet items of liabilities.

(in thousands of Russian rubles, unless otherwise stated)

	Loans and borrowings	Finance lease liabilities	Financial instrument liabilities	Total
Balance as of 1 January 2020	**24,939,962**	**1,197,079**	**-**	**26,137,041**
Financing activity (cash flow)				
Proceeds from borrowings	3,472,662	-	-	3,772,662
Repayment of borrowings	(683,870)	-	-	(983,870)
Payments under finance lease	-	(577,664)	-	(577,664)
Interest paid	(2,277,580)	(147,266)	-	(2,424,846)
Operating and investing activities (non-cash flow)				
Other non-cash flows	171,769	-	-	171,769
Increase as a result of the purchase of the company	868,822	-	-	868,822
Foreign exchange (loss)/gain	12,040,895	104,950	-	12,145,845
Acquisition of assets	-	121,246	-	121,246
Financial expenses	2,151,493	147,266	-	2,298,759
Balance as of 31 December, 2020	**40,684,153**	**845,611**		**41,529,764**

	Loans and borrowings	Finance lease liabilities	Financial instrument liabilities	Total
Balance as of January 01, 2019	**20,027,372**	**1,144,729**	**25,301**	**21,197,402**
Financing activity (cash flow)				
Proceeds from borrowings	26,041,478	-	-	26,041,478
Repayment of borrowings	(21,851,155)	-	-	(21,851,155)
Payments under finance lease	-	(710,086)	-	(710,086)
Interest paid	(1,524,851)	(158,052)	-	(1,682,903)
Operating and investing activities (non-cash flow)				
Foreign exchange (loss)/gain	722,267	132,837	-	855,104
Acquisition of assets	-	629,599	-	629,599
Financial expenses	1,524,851	158,052	-	1,682,903
Net change in other financial liabilities	-	-	(25,301)	(25,301)
Balance as of December 31, 2019	**24,939,962**	**1,197,079**	**-**	**26,137,041**

30.INVESTMENTS IN ASSOCIATES

	As of December 31, 2020	As of December 31, 2019
Investments in associates:		
JSC “Lunnoe”	-	-
Total investments in associates	**-**	**-**

As part of the acquisition of a subsidiary, JSC “Seligdar Gold”, an interest in an associate company, JSC “Lunnoe,” which was created in order to develop the Lunnoe gold-uranium field, was purchased. As part of the implementation of this project, the Group was brought in as a private investor.

As of December 31, 2020 and December 31, 2019, the owners of JSC “Lunnoe” are a state-owned company, JSC “Atomredmetzoloto,” in the amount of 50.03%, and JSC “Seligdar Gold” in the amount of 49.97%.

Summary on investments as of December 31, 2020, is provided below:

(in thousands of Russian rubles, unless otherwise stated)

	As of December 31, 2020	As of December 31, 2019
Group’s interest in statement of financial position of associate company		
Current assets	1,443,105	1,313,126
Non-current assets	1,069,221	1,289,426
Short-term liabilities	(1,753,808)	(1,404,646)
Long-term liabilities	(222,454)	(803,446)
Capital owned by Group	**536,064**	**394,460**
Book value of investments (including loss for period)	-	-
	For year ended on December 31, 2020	**For year ended December 31, 2019**
Group’s share in revenue and profit of associate company		
Revenue	1,170,389	688,121
Profit	307,993	184,401

In 2013, the Group recognized investment losses in the amount of 1,428 thousand rubles.

31. FINANCIAL RISK MANAGEMENT

The Group’s activities are exposed to various risks, including market risks (risk of changes in the currency exchange rate, risk of impact from changes in interest rates on fair value and cash flows), credit risk and liquidity risk. The overall policy of the Group in respect to risk management is aimed at minimizing potential adverse impact on the Group’s financial results.

31.1. Market risk

Market risk is the risk of impact of changes in market factors, including prices for gold, tin and quoted securities, foreign currency exchange rates, interest rates on the Group’s financial performance or the value of financial instruments owned by the Group.

The analysis of market risks performed by the Group comprises an assessment of industry and country risks.

Significant industry risks include:

- deterioration of mining and geological conditions in the fields under development: decrease or non-confirmation of the average content of the useful component for the field under development;
- changes in prices for electricity, fuel and lubricants, spares and materials used to ensure the operation of mining-and-transport and excavation machinery, as well as the operation of the technological complex.

These factors lead to an increase in the cost of extracted products. The impact of possible worsening of the situation in the industry on the Group’s activity and fulfillment of obligations in respect to the Group’s securities is estimated to be insignificant. If the indicated situation occurs, the Group presumes to maintain the market of production sales due to established contacts, experience and high quality of delivered products.

Most significant, according to the Group, probable changes in the industry

In the domestic market

Since the public demand for the main end product – gold – is stable in the internal market, sharp changes in the market volumes are not possible due to the industry’s specifics, significant changes in the industry are not expected in the estimated forecast.

In the external market

Since the Group plans to operate mainly in the domestic market in the next year, there are no significant probable changes in the industry for the Group in the external market.

Presumed actions of the Group in case of negative changes in the industry

To counterbalance negative scenarios both across the industry and in the Company in particular, it is planned to:

- reduce own material costs;
- introduce changes to the investment program.

Risks related to possible changes in prices for raw materials, services used by the Group in its operations

The impact of risks related to possible changes in prices for raw materials and services which the Group expects to use on the Group’s activity and fulfillment of obligations in respect to the Company’s securities is estimated to be insignificant.

(in thousands of Russian rubles, unless otherwise stated)

Risks related to possible changes in prices for products and/or services of the Company

The impact of risks related to possible changes in prices for products and/or services of the Company on the Company’s activity and fulfillment of obligations in respect to the securities is estimated to be insignificant.

31.2. Risk of changes in gold and tin prices

Price risk is the likelihood of unforeseen financial losses from changes in the level of prices for products. In 2020, the minimum price of gold for the Central Bank was RUB 3,031.25/g and the maximum is RUB 4,887.70/g, which indicates significant price volatility in the market. However, despite the fluctuations, the Gold price is trending upward. In addition, the Group uses gold price fixing instruments.

The Group regularly analyzes the sensitivity of key business parameters to market price fluctuations. In particular, the Group carries out operational management of commodity balances depending on the market conditions, and also forms a portfolio of investment projects taking into account the results of analysis of the stability of projects to price changes.

The gold price also affects the amount of the Group's debt obligations denominated in gold (90% of the loan portfolio). In turn, gold is the main product of the Group's production, completely leveling the price risk in relation to these liabilities.

Currently tin prices are not a significant factor for the Group, as the share of tin sales is relatively small in the total sales of the Group.

31.3.Interest rate risk for cash flows

The Group is exposed to interest rate risk in respect to long-term and short-term credits and loans. An increase in interest rates in the market may lead to an increase in the costs of servicing liabilities raised to finance the investment program and current activities.

The trend of decreasing interest rates in the Russian market observed in 2020 (change in the key rate of the Bank of Russia from 6.25% to 4.25%) allowed the Group to reduce the cost of working capital in rubles. In addition, by lowering the rate on the gold loan (90% of the loan portfolio, fixed rate), the Group managed to reduce the effective rate of debt financing.

If changes in current market fixed or floating interest rates appear to be material, the Group’s management can consider the possibility of refinancing particular credits and loans on the terms related to interest rates which are more favorable for the Group. When drawing a new credit or loan, the Group’s management, on the basis of its effective financing strategy, decides what credits and loans, with fixed or floating interest rates, are more beneficial for the Group for the period of their drawing.

Currently, the Group does not use derivative financial instruments to hedge changes in the fair value of cash flows due to changes in interest rates.

Credits and loans received by the Group as of December 31, 2020 were obtained at fixed rates.

Book values of credits and loans at fixed rates are presented below:

	As of December 31, 2020	As of December 31, 2019
Long-term loans and borrowings		
At fixed interest rates	38,868,343	24,924,809
Short-term loans and borrowings		
At fixed interest rates	1,815,810	15,153
Total	**40,684,153**	**24,939,962**

31.4.Exchange rate risk

Exchange rate risk is the risk of a negative impact of changes in the exchange rate on the Group’s financial performance.

The Group is exposed to risks related to changes in foreign exchange rates established by the Bank of Russia due to the fact that the Group's liabilities are partially pegged to the US dollar exchange rate. In this regard, a significant increase in the US dollar exchange rate has a significant impact on the debt burden of the Group. However, the Group's loans are long-term loans, and revenue is calculated based on the current exchange rate (Notes 4, 24), thus being the instrument of natural hedging of liabilities. In addition, the Group uses exchange rate fixing instruments.

The Group's management believes that all efforts are being made to minimize exchange rate risks in the current and long term.

(in thousands of Russian rubles, unless otherwise stated)

As of December 31, 2020, had the ruble value decreased in regard to the US dollar and Euro by 10% with all the other variables being unchanged, profit before tax for the period would have decreased by 859,608 thousand rubles (12 months of 2019: decreased by 406,544 thousand rubles).

In 2020 and 2019, the Group had no balances denominated in other currencies.

31.5. Credit risk

Credit risk is the risk of a potential financial loss for the Group if its counterparties fail to discharge their contractual obligations.

Financial assets of the Group with potential exposure to the credit risk are represented, mainly, by receivables, financial assets available for sale and loans given. The table below provides information on the maximum exposure of the Group to the credit risk:

	As of December 31, 2020	As of December 31, 2019
Long-term financial assets at fair value through other comprehensive income	595,688	600,881
Short-term receivables from buyers and customers, advances paid and other receivables	2,749,833	2,507,597
Short-term and long-term loans granted	3,252,121	2,745,474
Cash	3,576,378	721,026
Total maximum credit risk	**10,174,019**	**6,574,978**

31.6. Liquidity risk

Liquidity risk arises if it is impossible to fulfill payment obligations in a timely manner. The Group pays special attention to the level of liquidity to provide sufficient support for current, investment and financial activities. Effective liquidity risk management includes both maintaining a sufficient amount of cash and cash equivalents on the balance sheet of the Group, and the ability to promptly raise external financing.

Due to the dynamic nature of its business, the Group's management maintains flexibility of financing through securing of existence of approved credit facilities and estimated cash flows from operating activities. The management monitors current forecasts in respect to the provision of liquid assets of the Group (which comprises the unused part of loans and cash and cash equivalents) on the basis of estimated changes in cash flows. Monitoring is performed monthly and annually at the Group's level. Besides, the Group's policy on liquidity management provides for the preparation of forecasts of cash flows in main currencies, as well as analysis of the level of liquid assets required for these purposes, and fulfillment of plans to draw loans.

The management of the Group believes that as of 31.12.2020 and 12/31/2019 the Group will timely fulfill all obligations to repay short-term debt.

The table below provides summarized information as of December 31, 2019 and December 31, 2020 on contractual undiscounted payments under the Group's financial liabilities by maturity dates:

	Note	Under 6 months	6 to 12 months	More than 1 year
As of December 31, 2020				
Long-term and short-term borrowings	**24**	758,203	1,057,714	45,931,184
Lease liabilities	**25**	278,003	300,669	414,268
Accounts payable	**26**	1,978,999	2,057,395	318,561
As of December 31, 2019				
Long-term and short-term borrowings	**25, 27**	30,136	1,436,106	28,827,541
Lease liabilities	**26**	330,205	328,027	867,449
Accounts payable	**28**	4,271,412	-	-

(in thousands of Russian rubles, unless otherwise stated)

31.7. Capital risk management

Capital risk management is primarily aimed at preserving the ability to continue the Group's operations for the purposes of ensuring profitability of resources invested by shareholders and other interested parties and maintaining the optimal capital structure in order to decrease its cost.

To maintain or change the capital structure, the Group can apply such methods as adjustments of dividend amounts payable to shareholders, repurchase of its own shares, additional issue of shares or sale of assets in order to reduce debt. To preserve the capital structure, the Group can reconsider its investment program, draw new and repay existing loans and credits.

As of December 31, 2019, and September 30, 2020, the Group had no obligations to meet external bank requirements for equity in IFRS statements, except for the requirement of the Russian laws in regard to the excess of the authorized capital over the net assets of a joint stock company.

The Group monitors capital levels primarily based on the ratio of net debt to equity and net debt in order to maintain the key debt parameters at an optimal level. This ratio is calculated as a ratio of net debt to total equity. Net debt is calculated as total borrowings carried in the consolidated statement of financial position less cash and cash equivalents. The total amount of equity is calculated as share capital carried in the consolidated statement of financial position plus the amount of net debt.

The management believes that the main elements of capital management are own and borrowed funds. The main objective of the Group in respect to capital management is to ensure stable solvency and an adequate level of equity in order to carry out the Group's activities and maximize profit attributable to shareholders.

Below is the calculation of the ratio of net debt to equity and net debt of the Group as of December 31, 2019 and December 31, 2020.

	Note	As of December 31, 2020	As of December 31, 2019
Long-term borrowings	**24**	38,868,343	24,924,809
Short-term borrowings	**24**	1,815,810	15,153
Accounts payable	**26**	5,965,844	5,820,290
Less cash and advances received	**22**	(3,576,378)	(721,026)
Net debt		**43,073,619**	**30,039,226**
Equity		23,066,822	21,275,480
Equity and net debt		**66,140,441**	**51,314,706**
The ratio of net debt to equity and net debt, %		65%	59%

The management believes that the Group is able to generate sufficient cash inflows to cover its liabilities.

The Group also calculates EBITDA as gross profit, net of administrative expenses, plus accrued amortization of licenses, intangible assets and depreciation of property, plant and equipment.

32. RELATED PARTIES

Parties are considered to be related if they are under common control, or one party has the ability to control the other party, or can exercise significant influence over the other party when making financial or management decisions as it is defined in revised IAS 24 Related Party Disclosures. When considering whether parties are related, the nature of the relationship between the parties is taken into account and not merely their legal form.

Related parties may enter into transactions that would not be closed between unrelated parties. Prices and terms of such transactions can differ from prices and terms of transactions between unrelated parties. The management believes that the Group has the relevant procedures to determine, account and adequately disclose related party transactions.

(in thousands of Russian rubles, unless otherwise stated)

The nature of the relationship with those related parties with whom the Group had major transactions or significant balances at December 31, 2020, is disclosed below.

Balances of settlements with related parties

As of December 31, 2020 and December 31, 2019, the balances under major related party transactions (receivables and payables) were as follows:

	December 31, 2020		December 31, 2019	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Other receivables and advances paid				
Receivables from associates	220,282	-	690,766	-
Debt of companies under common control of shareholders (advances for non-current assets)	550,000	-	550,000	-
Debt of companies under common control of shareholders (current debt)	836,421	-	414,125	-
Shareholders' debt	-	-		
Trade, other accounts payable and advances				
Payables to companies under common control	-	13,978	-	459,370
Payables to associates	-	10,761	-	9,887

Related party transactions

Major transactions carried out by the Group with related parties:

	For year ended on December 31, 2020	For year ended December 31, 2019
Proceeds from other sales		
Associates	1,529,474	1,603,742
Companies under common control of shareholders	9,264	16,164
Other income from sale of materials		
Associates	30,665	34,406
Companies under common control of shareholders	36,880	152,746
Sale of financial assets		
Companies under common control of shareholders	6,748,043	7,200,050
Acquisition of financial assets		
Companies under common control of shareholders	6,828,004	10,079,868
Shareholders	-	5,257
Purchase of services and materials		
Companies under common control of shareholders	446,268	424,881
Associates	401,941	61,219
Interest receivable		
Associates	164,166	191,306
Companies under common control of shareholders	31,088	122,046

(in thousands of Russian rubles, unless otherwise stated)

Compensations to senior management personnel

Remuneration for the key management personnel amounted to RUB 340,520 thousand for the 12 months ended December 31, 2020 (December 31, 2019: RUB 288,012 thousand).

33.FAIR VALUE

The fair value of financial assets and liabilities is measured in the following way:

- a fair value of financial assets and financial liabilities traded in active liquidity markets is measured in accordance with market quotations;
- a fair value of other financial assets and financial liabilities is measured in accordance with generally accepted models based on the analysis of discounted cash flows with prices used in existing transactions in the current market;
- a fair value of derivative financial instruments is measured using market quotations. If these quotations are unavailable, a fair value is measured using the measurement models based on assumptions confirmed by observable market values or rates as of the accounting date.

Assets and liabilities of the Group that are recurrently measured at fair value are presented in the table below in accordance with the fair value hierarchy.

	Measurement at fair value as of December 31, 2020			Measurement at fair value as of December 31, 2019		
	Level 2	**Level 3**	**Total**	**Level 2**	**Level 3**	**Total**
Assets:						
Current assets						
Other financial assets	229,238	-	229,238	-	-	-
Non-current assets						
Long-term financial assets at fair value through other comprehensive income	591,644	4,044	595,688	590,987	9,894	600,881
Total assets at fair value	**820,882**	**4,044**	**595,688**	**590,987**	**9,894**	**600,881**

A fair value of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, and derivative financial instruments included in Level 2 is measured at present value of estimated future cash flows using such parameters as market quotations of interest rates and forward rates.

During the reporting period, there was no movement of financial liabilities between the levels.

(in thousands of Russian rubles, unless otherwise stated)

	Carrying amount		Fair value	
	As of December 31, 2019	As of December 31, 2020	As of December 31, 2019	As of December 31, 2020
Liabilities:				
Financial liabilities measured at amortized cost				
Borrowings at fixed rate	24,939,962	40,684,153	24,938,191	40,682,009
Lease liabilities	1,197,079	845,611	1,197,079	845,611

34.CONTINGENCIES AND OPERATIONAL RISKS

Securities and pledges issued

In the reporting period, the Group has a guarantee obligations for third-party liabilities in the amount of 2,195,673 thousand rubles. (2019: 1,000,000 thousand rubles).

On 08/06/2020, the Group acted as a guarantor under the guarantee agreement concluded between Maximus LLC and VTB Bank (PJSC) for the amount of the limit of RUB 7,000,000,000.00, within which one guarantee was actually issued in the amount of RUB 6,097,426,000.00 valid until 06/20/2021. Maximus LLC is an affiliate of the Group.

The Group has no significant collateral or surety other than those described in Note 24.

Litigation

As of the reporting date, the Group is participating in certain litigations arising in the course of the Group’s operations. The management believes that at the reporting date, there is no litigation which would require charging of any additional provision for the purposes of these statements.

Crisis in global financial markets

The Group’s management believes that it takes all necessary measures for the sustainable operation of its business and improvement of the Group’s financial position under the existing circumstances.

Future capital investment commitments

At the reporting date, the Group has no significant non-cancellable capital commitments.

Insurance

Currently, the insurance industry in the Russian Federation has not reached the level of development comparable with other economically developed countries. The Group has no full insurance coverage of its operational and transportation activities, losses due to business suspension and payment of damages to third parties against industrial accidents, except for the minimal levels provided for by the Russian legislation.

Property of the Group in the amount of RUB 9,042,516 thousand (2019: RUB 8,134,025 thousand) is insured at the reporting date. Insurance is obtained against losses and interruptions in the production in the amount of 1,974,500 thousand rubles (2019: 1,974,500 thousand rubles)

Insurance coverage covers 88% (2019: 77%) of the company's property, plant and equipment. All property, plant and equipment that are important for the production process are insured. Uninsured items include low-value and expendable items.

Taxation in the Russian Federation

The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. The interpretation of such legislation by the Group's management in relation to such transactions and activity of the Group’s entities may be challenged by the relevant regional or federal authorities. Moreover, tax authorities may be taking a more assertive position in their interpretation of the legislation and review of tax payments, in particular, in respect to deductions of certain costs for the purpose of calculating income tax and it is possible that transactions and activity which were not challenged earlier will be challenged. As a result, significant additional tax amounts, penalties and fines may be charged. Tax audits may cover three calendar years of operation directly preceding the year of the audit. In certain conditions, earlier periods may be inspected too.

The Group's management closely monitors current developments that directly affect the core activities of the Group. The Group’s specialists analyze changes in tax laws, customs control rules, currency regulation, licensing and other tools of state regulation of the market economy. The accomplished work allows minimizing negative impacts of legal risks.

According to the Group’s management, as of December 31, 2019 and December 31, 2020, it interprets the respective clauses of legislation correctly and the probability of maintaining the Group's financial position in accordance with the tax, currency and customs laws is high. When, in the management’s opinion, there is a significant doubt in maintaining the Group’s financial position, appropriate liabilities are recognized in the financial statements.

Expenses for reclamation, restoration, and environmental protection

In accordance with license agreements, the Group is not responsible for considerable expenses whatsoever on reclamation, restoration and environmental protection that can be required when extraction terminates, except for the obligation to rehabilitate certain dislocated lands and tailings storages in the area of its production activity. The Group believes that the provision in the amount of 158,407 thousand rubles (2019: 156,930 thousand rubles) is sufficient to fulfil the Group's rehabilitation obligations.

35.POST BALANCE SHEET EVENTS

Exchange rate changes

The official exchange rate of Russian ruble to US dollar set by the Central Bank of the Russian Federation for the period from December 31, 2020 through April 28, 2021 decreased from 73.8757 to 74.9578 rubles per 1 US dollar.

The Group's management believes that all efforts are being made to minimize exchange rate risks in the current and long term.

Changes in gold prices

A significant part of the Group's loans are received in the equivalent of gold prices, which are dependent on the US dollar exchange rate. In this regard, a significant increase in the US dollar exchange rate has a significant impact on the debt burden of the Group. However, most loans of the Group are long-term loans, and revenue is calculated based on the current exchange rate.

Gold prices in the period from December 31, 2020 to April 28, 2021 decreased from 1,891.10 to 1,780.90 USD per ounce.

Termination of companies

On February 03, 2021, an entry was made on the termination of Teploservice LLC through reorganization in the form of a merger with Seligdar Gold JSC.

Purchase of companies

On April 13, 2021, Seligdar PJSC became the owner of a 65% stake in the authorized capital of Choulkovskoye LLC.

Other events

There are currently no other significant events after the reporting date.

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S. M. Tatarinov
General Director
April 28, 2021