

Financial Statements

Notes to the Financial Statements continued

18 Impairment (continued)

The carrying value for the Group of the Palito and Sao Chico cash generating unit at 31 December 2014 comprises:

	Carrying value before impairment US\$ million	Impairment provision at 1 January 2014 US\$ million	Impairment provision written back US\$ million	Carrying value at 31 December 2014 US\$ million
Mining Property	33.58	(2.12)	2.12	33.58
Projects in Construction	10.90	–	–	10.90
Plant and Equipment	5.85	–	–	5.85
Land and Buildings	1.50	(0.47)	0.47	1.50
	51.84	(2.59)	2.59	51.84

The initial impairment provision against the carrying value of the Palito cash generating unit for the Group, was established in the financial year ended 31 December 2009. The provision was first applied against Goodwill of US\$1,752,516 and accordingly the value reported by the Group as goodwill at that time was impaired in full.

The plan presented by management to support the impairment assessment, anticipates total Life of Mine ("LOM") production of 218,000 gold ounces compared with the Group's current inventory of Measured and Indicated mineral resources of 206,000 gold equivalent ounces and Inferred resources of 393,000 gold ounces as estimated at the end of March 2008.

The Net Present Value calculation used the following key assumptions:

Period of operations	1 January 2015 to 31 December 2022
Gold price	US\$1,200 for each year of the plan
Exchange rate BrR\$ to US\$	2.6556 for each year of the plan. This was the prevailing exchange rate at 31 December 2014. The rate on 27 March 2015 was BrR\$3.225: US\$1.00.
Discount factor	10%
Cost estimates	Based on current estimates being used by management for budgetary purposes.
Mine plan	Palito – to operate at levels of approximately 90,000 tonnes per annum and during 2015 running down stockpiles of coarse ore and flotation tailings. Sao Chico – to be in development for 2015 with limited production being generated from stoping and only in 2016 to reach full mine production rates.
Average annual plant throughput rate (2016 onwards)	127,000 tonnes per annum
Average annual LOM gold production (2016 onwards)	42,000 ounces
Production period	Eight years

As required by IAS 36 no benefit has been recognised for any additional value that could be generated from the assets through improving the performance of the assets through additional cash outflows. No recognition has been taken of other mineral resources at Palito.

It is estimated that the effect of changes in key assumptions would result in the following changes in value in use:

	Improvement US\$m	Decline US\$m
Change in gold price by \$100	20.7	(20.7)
Variation of BrR\$:US\$ exchange rate by 10%	14.0	(17.1)
Variation in discount factor by 1% point	13.6	(13.6)
Variation in cost estimates by 10%	3.4	(3.3)