JSC “Navoi Mining and Metallurgical Company”

Financial statements
for the years ended
31 December 2021 and 2020

JSC "NAVOI MINING AND METALLURGICAL COMPANY"

CONTENTS

JSC "NAVOI MINING AND METALLURGICAL COMPANY"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

Management of JSC "Navoi Mining and Metallurgical Company" (the "Company") is responsible for the preparation of these financial statements that fairly presents in all material respects the financial position of the Company at 31 December 2021 and 2020 and 1 January 2020, and the results of its operations, cash flows and changes in equity for the years ended 31 December 2021 and 2020, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- compliance with the requirement of IFRS and providing additional disclosures when compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- maintaining adequate accounting records that are sufficient to show and explain the Company transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that these financial statements of the Company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation and accounting standards of the Republic of Uzbekistan;
- taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- detecting and preventing fraud and other irregularities.

The financial statements of the Company for the years ended 31 December 2021 and 2020 were approved by management on 30 May 2022.

On behalf of Management:

Shaymardanov A.S. Deputy General Director for Economy and Finance	**Grinenko E.S.** Deputy Chief Accountant for IFRS

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Supervisory Board of JSC "Navoi Mining and Metallurgical Company"

Opinion

We have audited the financial statements of JSC "Navoi Mining and Metallurgical Company" (the "Company"), which comprise the statement of financial position as at 31 December 2021 and 2020 and 1 January 2020, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the years ended 31 December 2021 and 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and 2020 and 1 January 2020, and its financial performance and its cash flows for the years ended 31 December 2021 and 2020 in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Uzbekistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Erkin Ayupov, Qualified Auditor/Engagement Partner

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Erkin Ayupov, Qualified Auditor/Engagement Partner

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

“Deloitte & Touche” Audit Organization LLC

“Deloitte & Touche” Audit Organization LLC is included in the Register of audit organisations of the Ministry of Finance of the Republic of Uzbekistan from 8 June 2021

Erkin Ayupov

Qualified Auditor/Engagement Partner

Auditor qualification certificate authorising audit of companies, #04830 dated 22 May 2010 issued by the Ministry of Finance of the Republic of Uzbekistan

“Deloitte & Touche” Audit Organization LLC Director

30 May 2022
Tashkent, Uzbekistan

STATEMENT OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(in millions of US Dollars, unless otherwise stated)

	Notes	2021	2020
Revenue		4,795	4,558
Cost of sales	6	(1,966)	(2,032)
Gross profit		**2,829**	**2,526**
Administrative and selling expenses		(81)	(73)
Other expenses		(55)	(52)
Operating profit		**2,693**	**2,401**
Finance income		1	1
Finance cost		(70)	(66)
Foreign exchange loss		(51)	(87)
Profit before income tax		**2,573**	**2,249**
Income tax expense	7	(1,308)	(1,430)
Profit for the year		**1,265**	**819**

The above statement of profit or loss should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(in millions of US Dollars, unless otherwise stated)

	2021	2020
Profit for the year	**1,265**	**819**
Items that will not be reclassified through profit or loss:		
Remeasurement of defined benefit liability	(1)	(5)
Income tax relating to item that will not be reclassified subsequently to profit or loss	–	1
Items that may be reclassified through profit or loss:		
Effect of translation to presentation currency	(183)	(512)
Other comprehensive loss for the year, net of tax	**(184)**	**(516)**
Total comprehensive income for the year	**1,081**	**303**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

JSC "NAVOI MINING AND METALLURGICAL COMPANY"

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 AND 2020 AND 1 JANUARY 2020
(in millions of US Dollars, unless otherwise stated)

	Notes	31 December 2021	31 December 2020	1 January 2020
Assets				
Non-current assets				
Property, plant and equipment	8	8,068	7,863	8,223
Inventories	9	30	–	–
Other non-current assets		4	2	3
Total non-current assets		**8,102**	**7,865**	**8,226**
Current assets				
Inventories	9	462	355	277
Advances paid		172	108	112
Income tax receivable		18	–	–
Other taxes receivable		36	29	39
Trade and other receivables		7	8	13
Cash and cash equivalents	10	16	198	42
Total current assets		**711**	**698**	**483**
Total assets		**8,813**	**8,563**	**8,709**
Equity				
Share capital	11	1,418	1,418	1,418
Translation reserve		(695)	(512)	–
Other reserves		(5)	(4)	–
Retained earnings		5,056	4,380	4,311
Total equity		**5,774**	**5,282**	**5,729**
Non-current liabilities				
Borrowings	12	1,055	887	739
Employee benefits		74	90	78
Environmental obligations		93	77	150
Deferred tax liabilities	13	871	1,579	1,652
Other non-current liabilities		–	1	–
Total non-current liabilities		**2,093**	**2,634**	**2,619**
Current liabilities				
Borrowings	12	729	345	31
Trade and other payables	14	133	151	190
Income tax payable		–	47	46
Other taxes payable		70	95	85
Other current liabilities		14	9	9
Total current liabilities		**946**	**647**	**361**
Total liabilities		**3,039**	**3,281**	**2,980**
Total equity and liabilities		**8,813**	**8,563**	**8,709**

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(in millions of US Dollars, unless otherwise stated)

	Notes	Share capital	Translation reserve	Other reserves	Retained earnings	Total
Balance at 1 January 2020	11	**1,418**	–	–	**4,311**	**5,729**
Profit for the year		–	–	–	819	**819**
Other comprehensive loss		–	(512)	(4)	–	**(516)**
Total comprehensive income		**–**	**(512)**	**(4)**	**819**	**303**
Dividends declared	11	–	–	–	(755)	**(755)**
Cash movements related to non-Gold segments, net		–	–	–	44	**44**
Free of charge transfer of property, plant and equipment in accordance with the orders of state regulatory and supervisory authorities	8, 11	–	–	–	(45)	**(45)**
Charity and sponsorship in accordance with the orders of state regulatory and supervisory authorities	11	–	–	–	(33)	**(33)**
Related current tax	7	–	–	–	39	**39**
Balance at 31 December 2020		**1,418**	**(512)**	**(4)**	**4,380**	**5,282**
Profit for the year		–	–	–	1,265	**1,265**
Other comprehensive loss		–	(183)	(1)	–	**(184)**
Total comprehensive income		**–**	**(183)**	**(1)**	**1,265**	**1,081**
Dividends declared	11	–	–	–	(982)	**(982)**
Cash movements related to non-Gold segments, net		–	–	–	23	**23**
Net assets transferred to non-Gold segments as a result of the Company formation	11	–	–	–	(89)	**(89)**
Change of taxable base of property, plant and equipment due to transformation and the Company formation	13	–	–	–	511	**511**
Charity and sponsorship in accordance with the orders of state regulatory and supervisory authorities	11	–	–	–	(68)	**(68)**
Related current tax	7	–	–	–	16	**16**
Balance at 31 December 2021		**1,418**	**(695)**	**(5)**	**5,056**	**5,774**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(in millions of US Dollars, unless otherwise stated)

	Notes	2021	2020
Operating activities			
Profit before income tax		**2,573**	**2,249**
Adjustments for:			
Depreciation and amortisation		310	287
Loss on disposal of property, plant and equipment		21	13
Finance income		(1)	(1)
Finance costs		70	66
Foreign exchange loss		51	87
Change in employee benefits		(22)	7
Other adjustments		1	1
Net cash generated from operating activities before changes in working capital		**3,003**	**2,709**
Movements in working capital:			
Inventories		(119)	(83)
Advances paid		(69)	(6)
Trade and other receivables		1	1
Other taxes receivable		(8)	6
Trade and other payables		64	(6)
Other taxes payable		(22)	18
Other liabilities		5	2
Cash generated by operations		**2,855**	**2,641**
Income tax paid		(1,507)	(1,301)
Net cash generated from operating activities		**1,348**	**1,340**
Investing activities			
Purchase of property, plant and equipment		(857)	(855)
Interest received		–	3
Net cash used in investing activities		**(857)**	**(852)**
Financing activities			
Dividends paid		(982)	(755)
Cash paid as charity and sponsorship in accordance with the orders of state regulatory and supervisory authorities		(62)	(33)
Cash transferred to non-Gold segments as a result of the Company formation	10, 11	(124)	–
Proceeds from borrowings	12	1,088	615
Repayments of borrowings	12	(552)	(180)
Interest paid	12	(58)	(37)
Commission on borrowings paid	12	(10)	(3)
Cash movements related to non-Gold segments, net		23	44
Net cash used in financing activities		**(677)**	**(349)**
Net (decrease)/increase in cash and cash equivalents		**(186)**	**139**
Cash and cash equivalents at the beginning of the year	10	**198**	**42**
Effect of foreign exchange changes on cash and cash equivalents		4	17
Cash and cash equivalents at the end of the year	10	**16**	**198**

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. GENERAL INFORMATION

1.1. Organisation and operations

JSC “Navoi Mining and Metallurgical Company” (“NMMC” or the “Company”) was incorporated in Navoi, Republic of Uzbekistan, on 23 April 2021 on the basis of the Decree of the President of the Republic of Uzbekistan No. PP-4629 dated 6 March 2020 "On measures to reform the State Enterprise “Navoi Mining and Metallurgical Combinat". The Company is 100% owned by the Republic of Uzbekistan and is controlled via the Cabinet of Ministers of the Republic of Uzbekistan. NMMC registered address is the Republic of Uzbekistan, Navoi, Navoi Street 27.

The Company was formed to facilitate the transformation of the activities relating to the extraction and processing of fine gold (the “Gold Segment”) of State Enterprise “Navoi Mining and Metallurgical Combinat” (the “Predecessor Company”) – a state-owned unitary enterprise which other activities include the extraction and processing of uranium oxide, other mineral resources and other non-core activities (the “non-Gold segments”).

The principal activities of the Company are the extraction, refining and sale of precious metals, primarily fine gold. Its mining facilities are located in the cities of Zarafshan, Uchkuduk, Marjanbulak, Zarmitan and Navoi in the Republic of Uzbekistan.

1.2. Business environment

The operations of the Company are located in the Republic of Uzbekistan. Consequently, the Company is exposed to the economic and financial risks of the Republic of Uzbekistan, which have emerging market characteristics. The legal, tax, and regulatory frameworks continue to be developed and are subject to varying interpretations and frequent changes which, together with other legal and fiscal impediments, add to the challenges faced by entities operating in the Republic of Uzbekistan.

During 2019-2021, the Republic of Uzbekistan continued reforms initiated by the President under the program “Action on five priority directions of development of the Republic of Uzbekistan in 2017-2021”. In recent years the major currency conversion restrictions have been repealed, mandatory sale of foreign currency generated by export sales has been abolished, settlement period for export transactions has increased, one-stop-shop of government services has been introduced and other changes have been implemented.

Starting from early 2020 a new coronavirus disease (“COVID-19”) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organisation in March 2020. Responses put in place by many countries to contain the spread of COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. The Company was not impacted negatively by these developments as it secured the supplies and the demand for the produced precious metals remained strong, as well there was no impact on the Company’s operating activities.

(in millions of US Dollars, unless otherwise stated)

These financial statements reflect management's assessment of the impact of the business environment in the Republic of Uzbekistan on the Company's financial position and results of its operations, cash flows and changes in equity for the years ended 31 December 2021 and 2020. The future business environment may differ from management's assessment.

1.3. Overall tax burden and special tax regime

On 30 December 2019, the President of the Republic of Uzbekistan approved a number of amendments to the Tax Code. The table below shows the rates for the main regular taxes affecting operations of the Company:

Regular taxes	
Social tax	12%
Personal income tax	12%
Value-added tax ("VAT")	15%
VAT on refined gold sales	0%
Income tax	15%
Dividends tax	5%
Property tax	2%

In addition to regular taxes, the Company is subject to specific taxes. The table below shows the rates for the Company business specific taxes:

	Rates			
	2020	**2021**	**2022**	**2023+**
Royalty (Mineral extraction tax)	15%	15%	10%	10%
Income tax in excess of established profitability	75%	75%	50%	25%

Rates for 2021 were set in the Decree of the President of the Republic of Uzbekistan No. PP-4938 dated 30 December 2020 ("Decree №PP-4938"). Rates for 2022 were set in the Decree No. PP-73 dated 30 December 2021. Commencing 1 January 2023, the rates are based on a letter of the Ministry of Finance of the Republic of Uzbekistan (note 4.1.3).

2. BASIS FOR PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

These financial statements are the first financial statements prepared in accordance with IFRS and therefore the requirements of IFRS 1 *First-time Adoption of International Financial Reporting Standards* were applied. See this note and note 3 on further information. As described in the "Carve-out" section of this note, these financial statements were prepared for the Gold Segment (where applicable) as part of the Company formation and transfer of the Gold Segment assets to a newly established legal entity.

These financial statements were authorised for issue by the management on 30 May 2022.

Basis of measurement

During preparation of these financial statements management applied adjustments and reclassifications as deemed necessary to bring historical financial information of the Company prepared in accordance with the accounting principles generally accepted in the Republic of Uzbekistan in compliance with IFRS requirements.

In the preparation of these financial statements, management applied IFRS 1 principles and certain permitted exemptions from the retrospective application of IFRS requirements, in particular:

- Property, plant and equipment was measured at deemed cost, which is its fair value at the date of transition to IFRS. Fair value was determined through an independent valuation performed at 1 January 2020. Given that fair value is used as the deemed cost, the valuation is grossed up for any close down and restoration provisions.
- Stripping activity assets were measured as nil at 1 January 2020, as the Company applied prospective approach to accounting of the production stripping costs.
- Cumulative currency translation differences were deemed to be nil at 1 January 2020.

Carve-out

These financial statements and particularly financial information up to the date of transfer of corresponding assets from the Predecessor Company to the Company has been prepared on a “carve-out basis” and represent financial information pertaining to those assets and liabilities, transactions and operations that are related to the Gold Segment only.

On 6 March 2020, the Decree of the President of the Republic of Uzbekistan No. PP-4629 was issued stating that a new joint-stock company should be set up using the labour, licences, assets and liabilities of the Predecessor Company involved in production of precious metals.
On 1 December 2021, the Gold Segment assets and liabilities together with appropriate labour forces were transferred to the newly established legal entity.

Management developed an approach to identify assets and liabilities of the Gold Segment for them to be consistent with assets and liabilities transferred to the Company at 1 December 2021 as follows:

- *Directly attributable assets and liabilities.* The assets and liabilities that are fully attributed to the gold operations and which were transferred to the newly established legal entity are fully allocated to the Gold Segment from the date when corresponding assets were acquired and/or liabilities assumed by the Predecessor Company;
- *Other assets and liabilities, except for centralised business processes.* The assets and liabilities of the business units that are involved in both gold and other businesses of the Predecessor Company were individually considered on an item-by-item basis based on characteristics, location, agreements, requests and other evidence, including intersegment transfers and their allocation approach established on the date of spin-off; and
- *Centralised business processes.* Certain business processes such as treasury and cash management functions were centralised in the Predecessor Company, accordingly outstanding balances of borrowings, cash and cash equivalents of the Predecessor Company were allocated to the Gold Segment, unless it is clear that outstanding balances are directly attributable to non-Gold segments.

Management believes that the principles described above that were applied in preparation of these financial statements resulted in an accurate carve-out of all the assets and liabilities associated with the Gold Segment of the Predecessor Company. However, as the Gold Segment was not operating as a standalone entity up to 1 December 2021, the financial statements may not be indicative of the Company's future performance and may not necessarily reflect what its financial position would have been had it operated as a separate entity at 1 January 2020 and 31 December 2020. Up to the spin-off date all transactions with non-Gold segments of the Predecessor Company were presented in statement of changes in equity and statement of cash flows on a net basis. Share capital of the Company was recognised at the date of transition to IFRS.

Going concern

These financial statements have been prepared on the going concern basis as the Company's management has, at the date of approval of these financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for at least the next 12 months.

In assessing its going concern status, management of the Company has taken account of its financial position, expected future trading performance, its borrowings and other available credit facilities, its forecast compliance with covenants on those borrowings and its capital expenditure commitments and future expansion plans.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Functional and presentation currency

Functional currency

The functional currency of the Company is the Uzbek Sum ("UZS").

Foreign currency

In preparing the Company's financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Presentation currency

These financial statements are presented in US Dollars ("USD"), as management believes it is a more convenient presentation currency for its users and a common presentation currency in the mining industry.

(in millions of US Dollars, unless otherwise stated)

The translation from functional currency into presentation currency is performed as follows:

- *assets and liabilities* are expressed in the presentation currency using exchange rates prevailing at each reporting date;
- *profit or loss* items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- *exchange differences*, if any, are presented in the *Translation reserve* within the statement of changes in equity; and
- *cash flows*: cash balances at beginning and end of each reporting period presented are translated at exchange rates at the respective dates. All cash flows are translated at the average exchange rates for the period presented, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Resulting exchange differences, if any, are presented as *Effect of foreign exchange changes on cash and cash equivalents*.

Exchange rates used in the preparation of these financial statements are as follows:

	31 December 2021	31 December 2020	1 January 2020
1 USD exchange rates, UZS			
Closing exchange rates at the end of the year	10,837.66	10,476.92	9,507.56
Average exchange rates for the year ended	10,609.98	10,055.78	N/A

3.2. Property, plant and equipment

Recognition and measurement

Property, plant and equipment acquired or constructed before 1 January 2020 were recorded at the date of transition of IFRS at fair value determined by an independent and qualified appraiser. In some instances, when items of property, plant and equipment are of a specialised nature, they were valued at depreciated replacement cost.

For each item of property, plant and equipment the new replacement cost was established as the current cost to replace the assets with a functional equivalent asset. The new replacement cost was then adjusted for accumulated depreciation, including physical, functional and economic obsolescence.

Stripping assets were measured as nil as at 1 January 2020, as the Company applied prospective approach to accounting of the production stripping costs following certain permitted exemption under IFRS 1 from the retrospective application of IFRS requirements.

Items of property plant and equipment acquired thereafter are recorded at purchase or construction cost.

Capital construction in progress

Capital construction in progress comprise costs directly related to the construction or acquisition of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction as well as costs of purchase of other assets (i.e. software that is integral part of related equipment) that require installation or preparation for their use. Finance costs that are attributable to the acquisition or construction of assets, that necessary takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of that asset.

When capital construction in progress has been completed and it is in a condition necessary to be capable of operating in the manner intended by management, the objects are reclassified to mining or non-mining assets, appropriately.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The Company recognises the cost of replacing part in the carrying amount of an item of property, plant and equipment if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the assets and is recognised in profit or loss, except for free of charge transfers of property, plant and equipment in accordance with the orders of state regulatory and supervisory authorities.

Mines under development

Mines under development include costs related to acquiring and developing mining properties, pre-production expenditure, and mine infrastructure; depreciation of equipment used in the development, mineral rights, mining and exploration licenses and the present value of future site restoration, decommissioning and environmental costs. Stripping costs incurred in order to provide initial access to the ore body (pre-production stripping) are also capitalised as mines under development.

Mines under development also include mines ready for development which comprises costs accumulated for the mines where technical feasibility and commercial viability of extracting the gold resource are demonstrable and a decision has been made to develop the mine, but development work is planned for the future.

When mine under development reaches a condition in which it is operating in the manner intended by management, the related items are reclassified to mining assets.

Mining assets

Mining assets are recorded at cost (deemed cost) less accumulated depreciation and impairment losses. Such costs include:

- mineral rights;
- cost of acquiring and developing mining properties and mine infrastructure; and
- value of future site restoration, decommissioning and environmental costs.

Mineral rights

Mineral rights are classified as property, plant and equipment.

Mineral rights are included in mines under development or mining assets and consist of:

- the rights to extract mineral resources on production stage mines; and
- the rights to explore on mines under development.

Stripping activity assets

In open pit mining operations, it is necessary to remove overburden and other waste rock in order to access the ore body. During the mines under development stage, these costs are capitalised as part of the mines development costs. At the same time the Company incurs stripping costs during production phase of mine, during which such costs are considered to create two benefits, being the production of inventory (ore mined) in the current period and/or improved access to the ore body to be mined in the future. Where stripping costs are incurred and the benefit that was created is improved access to the component of the ore body to be mined in the future, the stripping costs are recognised as a stripping activity assets, if the following criteria are met:

- future economic benefits (being improved access to the ore body) are probable;
- the component of the ore body for which access will be improved can be accurately identified; and
- the costs associated with the improved access can be reliably measured.

If not all of the above-mentioned criteria are met, the stripping costs are included in the production cost of inventory (ore mined), otherwise the stripping costs in excess of the average long-term ore-to-waste ratio evaluated for the life of mine of that component and recognised as non-current assets and presented within property, plant and equipment as a separate class of assets.

Non-mining assets

Other property, plant and equipment are stated at cost (deemed cost) less accumulated depreciation and impairment losses. Non-mining assets include:

- processing facilities,
- machinery and equipment; and
- other fixed assets.

Depreciation

Depreciation of mining assets

Depreciation of mining assets is charged from the date on which deposit reached commercial production volumes and calculated using the following approach:

- ***mineral rights and stripping activity assets*** are amortised on the unit-of-production method based on the estimated ore reserves;

- ***exploration and evaluation and mines under development assets*** are not amortised; and
- ***other mining assets*** are depreciated based on the straight-line method over the estimated economic useful life of the asset, which is limited to the remaining life-of-mine evaluated based on the estimated ore reserves.

Depreciation of other assets

Depreciation of other assets is calculated on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives (in years) of major sub-classes of other property, plant and equipment used in determination of depreciation charge for the year ended 31 December 2021 are as follows:

Processing facilities	up to 30 years
Machinery and equipment	up to 25 years
Other assets	up to 10 years

Depreciation and amortisation methods, remaining useful lives and residual values (if any) are reviewed at each reporting date, with the effect of any changes in estimates being accounted for on a prospective basis.

3.3. Impairment of property, plant and equipment

At the end of each reporting period, the management of the Company reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of property, plant and equipment asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the management of the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Assets with indefinite useful lives and property, plant and equipment not yet available for use are tested for impairment annually (except for exploration and evaluation assets), and whenever there is an indication that the asset may be impaired.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Recoverable amount is the higher of fair value less cost to sell and value in use.
In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss is subsequently reversed, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.4. Inventories

Inventories including refined metals, doré, metals in concentrate and in process, ore stockpiles, materials and consumables are stated at the lower of cost and net realisable value.

Cost comprises direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price for product based on forecast metal price, less estimated costs to complete production and marketing, selling and distribution costs necessary to make the sale.

3.5. Financial instruments

Financial assets

Financial assets are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets primarily include trade receivables and cash and cash equivalents, comprising cash at bank and short-term deposits and are measured at amortised cost.

Impairment of financial assets

In accordance with IFRS 9 *Financial instruments*, the Company evaluates at each reporting period whether there is any objective evidence that financial assets measured at amortised cost are impaired under an expected credit loss model. The amount of expected credit losses ("ECL") is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade and other receivables (the "simplified approach" under IFRS 9 *Financial instruments*). ECL on these financial assets are estimated using a provision matrix based on the Company historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and the forecast direction of conditions at the reporting date.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Derecognition of financial assets

The management of the Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transferred nor retains substantially all the risks and rewards of ownership and continues to control the transferred assets, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Financial liabilities primarily consist of trade payables, other accounts payable and borrowings. They are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The management of the Company derecognises financial liabilities when, and only when, the Company obligations are discharged, cancelled or they expire.

3.6. Income tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company liabilities for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of reporting period.

Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the management of the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or loss or directly in equity, in which case, the current and deferred tax are also recognised in the statement of comprehensive income or in the statement of changes in equity, respectively.

3.7. Provisions and contingencies

Environmental obligations

Environmental obligations relate primarily to the mine closure costs, rehabilitation and decommissioning of related infrastructure. Management estimates the obligation related to these costs based on internally generated engineering estimates, current statutory requirements and respective industry practices. Future decommissioning costs, discounted to net present value, are capitalised and a corresponding obligation is recognised as soon as a constructive obligation to incur such costs arises and the amount can be reliably estimated. The unwinding of discount is recognised as finance costs.

The provision for environmental closure cost obligations is reassessed at the end of each reporting period presented following the changes in underlying estimates and assumptions. Such changes, including changes in legal and/or regulatory requirements, expected closure dates, discount factor, and other assumption that in aggregate affect amount of environmental obligations with corresponding adjustment of decommissioning assets.

3.8. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, excluding value added tax (if applicable).

Revenue is recognised when or as a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer and the revenue and costs incurred or to be incurred in respect of transaction can be reliably measured. Cash received in advance from customers is not treated as revenue, and is recognised as advances received within trade and other payables.

Revenue is represented by gold sales and recognised upon physical shipment of gold from the refinery plant to the Central Bank of the Republic of Uzbekistan which is a related party of the Company and the only customer for gold sales. Refined gold sales are calculated based on London Bullion Market Association gold prices.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of accounting policies, management is required to make judgements that have a significant impact on the amounts recognised, and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are to be reviewed on an ongoing basis. Revisions to accounting estimates will be recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Critical judgements in applying accounting policies

4.1.1. Functional currency

Determination of functional currency involves significant judgment to establish the primary economic environment in which the Company operates.

Management has carefully considered all the factors affecting functional currency, such as currency of sale price, costs, borrowings and other business areas, and concluded that the functional currency is UZS. This determination may be reconsidered if there is a change in events and conditions which define the primary economic environment for the Company.

4.1.2. Cash generating unit ("CGU") determination

Management determined CGUs for the purpose of valuation of property, plant and equipment. Management exercised judgement in determining the Company's individual CGUs based upon an assessment of whether the cash inflows generated are capable of being separately identifiable and independent. Management also applied judgement in allocating assets that do not generate independent cash inflows to the CGU.

Management analysed business divisions and their ability to generate cash inflows independently and concluded that the Company represents a single CGU as cash inflows are generated by the main metallurgical complex producing refined gold. Other metallurgical complexes produce gold-containing products that are used in gold bullion production but cannot be sold to other customers as there is no accessible active market for them.

Any changes affecting determinations of the CGUs may impact the carrying values of the respective CGUs.

4.1.3. Income tax rates in excess of established profitability

According to IAS 12 *Income Taxes*, deferred tax shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The Company is subject to the income tax as well as the specific income tax calculated on profits exceeding a certain level (notes 1, 7, 13). The rates for the income tax in excess of established profitability for 2020 were enacted in the Decree No. PP-4555 based on the parameters of the state budget for 2020, the rates for the income tax in excess of established profitability for 2021 were enacted in the Decree No. PP-4938 based on the parameters of the state budget for 2021. Rates for

(in millions of US Dollars, unless otherwise stated)

2022 were set in the Decree No. PP-73 based on the parameters of the state budget for 2022. Commencing 1 January 2023, the rates are based on a letter of the Ministry of Finance of the Republic of Uzbekistan (the "Letter").

The Letter does not represent a legal statue, however management considers it to be an equivalent to substantively enacted law as the Ministry of Finance of the Republic of Uzbekistan is a body responsible for taxation in the Republic of Uzbekistan.

In the unlikely event of these changes in the applicable tax rates not surviving formal finalisation of the legal process, the tax rates set in the Law on the State Budget for 2022 would continue to be applied for 2023 and thereafter increasing the deferred tax liability by USD 668 million.

4.2. Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- valuation of mineral rights at deemed cost at the date of transition to IFRS;
- ore reserves and life of mine; and
- taxation.

4.2.1. Valuation of mineral rights at deemed cost at the date of transition to IFRS

Mineral rights are stated based on a discounted cash flow valuation model. Carrying value of mineral rights is determined by deducting fair values of capital construction in progress, tangible mining assets and non-mining assets from the discounted cash flow.

Discounted cash flow valuation model is highly sensitive to a number of macroeconomic and operational assumptions as well as estimation of ore reserves and lives of mines.

Macroeconomic assumptions

The following key macroeconomic assumptions were used in the discounted cash flow valuation model at 1 January 2020:

Assumption	Value	Basis
Gold price forecast	USD 1,500[1] per ounce	Consensus forecast of investment banks
Discount rate	11.9 per cent	Independent valuation (CAPM model)
Average payroll per employee benchmark	USD 1,105[1] per month	Average level of salaries in the mining industry of the Republic of Kazakhstan
Long-term Uzbekistan Consumer Price Index	4.2 per cent	Global Insights Agency forecast
Long-term UZS/USD exchange	UZS 9,977[1] per 1 USD	Global Insights Agency forecast
Diesel fuel benchmark	USD 61,9[1] per bbl	Crude oil consensus forecast of investment banks
Electricity price benchmark	USD 57[1] per kWh	Electricity tariff in the Russian Federation

[1] Subject to indexation.

(in millions of US Dollars, unless otherwise stated)

The following possible changes in assumptions applied to the first forecasted year would have the following effect on the fair value of the mineral rights at 1 January 2020:

	Decrease of the carrying value of mining assets	Increase of the carrying value of mining assets
Decrease/ increase in gold price forecast by 10%	(2,334)	2,334
Increase/ decrease in discount rate by 1 percentage point	(869)	1,026
Increase/ decrease in average payroll per employee benchmark by 10%	(353)	191
Increase/ decrease in long-term Uzbekistan Producer Price Index by 1 percentage point	(237)	184
Decrease/ increase in long-term UZS/USD exchange by 10%	(225)	352
Increase/ decrease in diesel fuel price benchmark by 10%	(190)	137
Increase/ decrease in electricity price benchmark by 10%	(138)	189

Operational assumptions

Estimated production volumes are based on detailed life-of-mine plans up to year 2030 inclusively with averaging of gold grade and stripping ratio thereafter. The discounted cash flow valuation model assumes gradually increasing production volumes reaching 153% of existing levels or additional 28.7 Mtpa by 2026 and corresponding total capital expenditures of USD 3,313 million during 2020-2026. Capital expenditure program of the Company for 2020-2022 is covered in detail by the Decree of the President of the Republic of Uzbekistan No. PP-4563 dated 9 January 2020.

If the production volumes are 10% lower (higher) compared to the forecast, the carrying value of the mining assets would decrease by USD 907 million (increase by USD 913 million).

4.2.2. Ore reserves and life of mine ("LoM")

The Company estimates ore, stripping volumes, grades and mine operation plans based on the data that accounts national geological regulations as well as Joint Ore Reserves Committee Code (JORC) principles. The main operation plans are prepared based on geological, technical and economic factors. This process requires complex and difficult geological judgements and calculations to interpret the data.

Discounted cash flow model used for calculation of fair value of property, plant and equipment on 1 January 2020 was based on the estimation of total quantity of the gold ore to be extracted and processed during the LoM.

Estimates of the quantities of ore reserves form the basis for the LoM operation plans which are used for a number of important business and accounting purposes, including:

- estimations of useful economic lives of property, plant and equipment;
- calculation of depreciation expense;
- capitalisation of production stripping costs;
- determination of the timing of cash outflows related to environmental obligations; and
- property, plant and equipment impairment testing.

Mine operation plans are adjusted regularly based on the latest production data and new exploration data, taking into consideration latest changes of consumables and utilities costs, gold price, salaries level and other economic factors.

4.2.3. Taxation

The taxation system in the Republic of Uzbekistan continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by various levels of authorities, which have the authority to impose severe fines, penalties, and interest charges. A tax year generally remains open for review by the tax authorities during the five subsequent years.

All these circumstances may create tax risks in the Republic of Uzbekistan that are more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Uzbekistan tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to reform of the supreme courts that are resolving tax disputes, could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

In addition, the gold production is subject to specific taxes. Related tax rates are expected to change in the future. Management recognised assets and liabilities (including valuation of mineral rights) based on the assumptions that special tax rates will be changed according to the Letter from the Ministry of Finance of the Republic of Uzbekistan (note 1 and 4.1.3).

5. ADOPTION OF NEW AND REVISED STANDARDS

In preparing these financial statements for the year ended 31 December 2021, the Company applied all the Standards and Interpretations effective for the annual period ended 31 December 2021 for which the first complete set of financial statements is prepared. The management of the Company applied all Standard and Interpretation starting from 1 January 2020, the date of the Company transition to IFRS with corresponding effects, if any, reflected as of 1 January 2020 and all reporting periods presented in these financial statements.

(in millions of US Dollars, unless otherwise stated)

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17 (including the June 2020 amendments to IFRS 17)	Insurance Contracts
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

6. COST OF SALES

	2021	2020
Royalty (Mineral extraction tax)	723	921
Consumables and spares	437	344
Depreciation and amortisation (note 8)	345	310
Labour	251	225
Utilities	149	143
Fuel	115	87
Other	38	36
Total cost of production	**2,058**	**2,066**
Change in work in progress and finished goods	(92)	(34)
Total	**1,966**	**2,032**

7. INCOME TAX EXPENSE

	2021	2020
Current tax		
Current tax expense	1,458	1,347
Total current tax expense	**1,458**	**1,347**
Deferred tax		
Origination and reversal of temporary differences	(144)	235
Effect of changes in expected future income tax rates	(6)	(152)
Total deferred tax expense	**(150)**	**83**
Total	**1,308**	**1,430**

(in millions of US Dollars, unless otherwise stated)

For the years ended 31 December 2021 and 2020, if the amount of taxable profit, determined in accordance with Tax legislation of Republic of Uzbekistan, does not exceed 15% of the Company revenue, the income tax rate is 15%. Taxable profit higher than 15% of revenue is taxed at income tax rate of 75%.

A reconciliation to the amount of actual income tax expense presented in these financial statements is presented as follows:

	2021	**2020**
Profit before income tax	**2,573**	**2,249**
Income tax computed at expected statutory income tax rate	1,296	1,563
Effect of changes in expected future income tax rates	(6)	(152)
Expenses not deductible for tax purposes	18	19
Total presented in profit and loss	**1,308**	**1,430**

Weighted average expected statutory income tax rate of 50% (31 December 2020: 69%) was determined as the expected amount of current tax calculated at 15% and 75% tax rates applied to corresponding taxable basis divided by expected taxable profit and which was calculated in previous reporting period for the purposes of deferred tax liabilities assessment as at 31 December 2020 and 1 January 2020, respectively.

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly credited to equity and/or other comprehensive income or loss:

	2021	**2020**
Current tax		
Free of charge transfer of property, plant and equipment, charity and sponsorship in accordance with the orders of state regulatory and supervisory authorities	16	39
Deferred tax		
Change of taxable base of property, plant and equipment due to transformation and the Company formation	511	–
Remeasurement of defined benefit liability	–	1
Total	**527**	**40**

On 1 December 2021, the property plant and equipment transferred as a contribution to the share capital of newly established legal entity were revalued by the Predecessor Company (transferring party). New fair value determined by independent and qualified appraisal formed deemed cost in national GAAP and tax registers of the Company. Day one change in taxable base and appropriate effect on deferred tax liabilities attributable to contributed assets were reflected directly in the statement of changes in equity.

(in millions of US Dollars, unless otherwise stated)

8. PRORERTY, PLANT AND EQUIPMENT

	Stripping assets	Mine under development	Capital construction in progress	Mining assets	Non-mining assets	Total
Deemed costs						
Balance at 1 January 2020	**–**	**779**	**484**	**4,600**	**2,360**	**8,223**
Additions	256	15	687	–	1	**959**
Change in environmental obligations	–	–	–	(72)	–	**(72)**
Transfers	–	–	(447)	25	422	**–**
Disposals	–	–	(1)	–	(63)	**(64)**
Translation	(10)	(73)	(54)	(423)	(233)	**(793)**
Balance at 31 December 2020	**246**	**721**	**669**	**4,130**	**2,487**	**8,253**
Additions	315	74	535	–	18	**942**
Change in environmental obligations	–	–	–	12	–	**12**
Transfers	–	(8)	(600)	18	590	–
Disposals	–	–	–	(1)	(38)	**(39)**
Translation	(15)	(25)	(22)	(138)	(95)	**(295)**
Balance at 31 December 2021	**546**	**762**	**582**	**4,021**	**2,962**	**8,873**
Accumulated depreciation and impairment						
Balance at 1 January 2020	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation charge	15	–	–	121	275	**411**
Disposals	–	–	–	–	(6)	**(6)**
Translation	–	–	–	(5)	(10)	**(15)**
Balance at 31 December 2020	**15**	**–**	**–**	**116**	**259**	**390**
Depreciation charge	22	–	–	107	326	**455**
Disposals	–	–	–	–	(17)	**(17)**
Translation	(2)	–	–	(7)	(14)	**(23)**
Balance at 31 December 2021	**35**	**–**	**–**	**216**	**554**	**805**
Carrying value						
Balance at 1 January 2020	**–**	**779**	**484**	**4,600**	**2,360**	**8,223**
Balance at 31 December 2020	**231**	**721**	**669**	**4,014**	**2,228**	**7,863**
Balance at 31 December 2021	**511**	**762**	**582**	**3,805**	**2,408**	**8,068**

The following amounts associated with the acquisition of property, plant and equipment are included in the outstanding balance of construction in progress:

	31 December 2021	31 December 2020	1 January 2020
Advances paid	135	65	47
Amounts deposited with banks as cover under irrevocable letters of credit	13	91	93
Total	**148**	**156**	**140**

(in millions of US Dollars, unless otherwise stated)

Disposals

In 2020, the carrying value of property, plant and equipment in the amount of USD 45 million represented free of charge transfer of electricity grids in accordance with the orders of state regulatory and supervisory authorities and was recognised within statement of changes in equity as in-kind distribution (note 11).

Mineral rights

The carrying values of mineral rights included in mining assets and mine under development are presented as follows:

	31 December 2021	31 December 2020	1 January 2020
Mining assets	3,581	3,791	4,288
Mine under development	677	707	779
Total	**4,258**	**4,498**	**5,067**

Depreciation

Depreciation charges are allocated as follows:

	2021	2020
Cost of gold sales	308	285
Depreciation in change in inventory	37	25
Depreciation within cost of gold production (note 6)	**345**	**310**
Capitalised within property, plant and equipment	108	99
Administrative and selling expenses	1	1
Other expenses	1	1
Total depreciation of property, plant and equipment	**455**	**411**

For the year ended 31 December 2021, borrowing costs included in the cost of qualifying assets were calculated by applying the weighted average capitalisation rate on funds borrowed of 5.88% per annum (31 December 2020: 6.72%). The total amount of finance costs capitalised was USD 28 million (31 December 2020: USD 21 million) (note 12).

(in millions of US Dollars, unless otherwise stated)

9. INVENTORIES

	31 December 2021	31 December 2020	1 January 2020
Materials and consumables	296	242	180
Work in progress	126	93	83
Stockpiles	70	20	13
Finished goods	–	–	1
Total	**492**	**355**	**277**
Less non-current portion of stockpiles	(30)	–	–
Total current inventories	**462**	**355**	**277**

10. CASH AND CASH EQUIVALENT

	31 December 2021	31 December 2020	1 January 2020
Current bank accounts, related parties:			
USD-denominated	1	122	20
UZS-denominated	10	76	22
Cash in the Federal Treasury of Republic of Uzbekistan	5	–	–
Total	**16**	**198**	**42**

On 1 December 2021, as a result of the Company formation and completion of assets and liabilities separation procedure USD 124 million (translated at the exchange rate as of the date of transaction) of cash was transferred to the non-Gold segments as a result of the Company formation (Note 11). Taking into account that all cash balances as it was presented in these financial statements were initially attributable to Gold segment assets such transaction was presented as *Cash transferred to non-Gold segments as a result of the Company formation* and presented in statement of cash flows within financing activities.

11. EQUITY

Share capital

On 23 April 2021 (the date when the Company was established), the share capital of the Company consisted of 15,000,000,000 authorised ordinary shares with a par value of UZS 1,000, carrying one vote per share and a right to dividends.

The share capital as presented in these financial statements at 1 January 2020, was translated in USD by applying exchange rate of 10,577 UZS per USD on the date of authorisation of shares for issuance.

Share capital of the Company was formed according to the Decree of the Cabinet of Ministers of the Republic of Uzbekistan No. PKM-170 dated 30 March 2021 in the form approved by the Supervisory Board of the Company on 22 November 2021.

(in millions of US Dollars, unless otherwise stated)

Dividends and in-kind distribution

In 2021, NMMC declared dividends in the amount of USD 982 million (2020: USD 755 million) (at exchange rates on the dates of approval).

During the years ended 31 December 2021 and 2020, following the orders of the state regulatory and supervisory authorities, the Company made the following distributions which were considered as in-kind distribution to the controlling shareholder and presented within the statement of changes in equity:

	2021	2020
Net assets transferred to non-Gold segments as a result of the Company formation	89	–
Free of charge transfer of electricity grids – carrying value	–	45
Charity and sponsorship	68	33
Total	**157**	**78**

Below is a breakdown of net assets transferred to non-Gold segment on 1 December 2021 as a result of the Company formation:

Cash transferred to non-Gold segments as a result of the Company formation (Note 10)	124
Liabilities of the Gold Segment remained in the Predecessor Company's books	
Other taxes payable	(13)
Trade and other payables	(22)
Total	**89**

12. BORROWINGS

	Maturity	31 December 2021	31 December 2020	1 January 2020
Bank loans, related parties	2022-2029	776	848	685
Bank loans, other	2022-2026	921	298	–
Loans from the Ministry of Finance, related party	2024-2029	87	86	85
Total		**1,784**	**1,232**	**770**
Less current portion		(729)	(345)	(31)
Total non-current borrowings		**1,055**	**887**	**739**
Weighted average effective interest rate, % per annum		5.88%	6.72%	7.23%

All borrowings are denominated in USD and carried at fixed and variable interest rates.

Pledge

Certain bank loans are secured by guarantee of the Republic of Uzbekistan and by cash proceeds from the Company's gold sales. Loans from the Ministry of Finance are unsecured.

(in millions of US Dollars, unless otherwise stated)

Unused credit facilities

As at 31 December 2021, available credit facilities of USD 676 million carried interest at 4.8% with maturity in 2026 (31 December 2020: USD 101 million at 4.2% matured in 2022).

Covenants

There are a number of financial and non-financial covenants under several bank loan agreements. Following such covenants, the Company is limited to:

- maintenance of certain financial ratios (such as gold sales, positive net assets, etc.);
- maintenance of certain non-GAAP measures (EBITDA and similar measures, net debt, etc.);
- provision year-end audited and interim unaudited financial statements/information prepared in accordance with local GAAP and IFRS accounting frameworks;
- other restrictions.

The Company has tested financial covenants based on these financial statements and local GAAP measures. At 31 December 2021, according to these calculations the Company was in compliance with related covenants.

Reconciliation of liabilities arising from financing activities

	2021	2020
Borrowings at amortised cost	1,220	769
Accrued but unpaid interest	12	1
Carrying value at 1 January	**1,232**	**770**
Borrowings obtained	1,088	615
Borrowings repaid	(552)	(180)
Commission paid	(10)	(3)
Interest paid	(58)	(37)
Net cash flows	**468**	**395**
Non-cash changes, including:		
Interest expense on borrowings as presented in profit and loss	56	46
Interest included in the cost of qualifying assets	28	21
Foreign exchange loss	50	91
Effect of translation to presentation currency	(50)	(91)
Borrowings at amortised cost	1,770	1,220
Accrued but unpaid interest	14	12
Carrying value at 31 December	**1,784**	**1,232**

(in millions of US Dollars, unless otherwise stated)

13. DEFERRED TAX LIABILITIES

	31 December 2020	Recognised in profit or loss	Recognised outside of profit or loss	Translation	31 December 2021
Property, plant and equipment	**1,607**	(83)	(511)	(48)	965
Borrowings	**28**	(10)	–	(1)	17
Inventories	**(5)**	(67)	–	1	(71)
Environmental obligations	**(19)**	(4)	–	1	(22)
Other	**(32)**	14	–	–	(18)
Total	**1,579**	**(150)**	**(511)**	**(47)**	**871**

USD 511 million associated with day one change of taxable base of property, plant and equipment due to transformation and the Company formation (note 7) was reflected directly in the statement of changes in equity.

	1 January 2020	Recognised in profit or loss	Recognised outside of profit or loss	Translation	31 December 2020
Property, plant and equipment	**1,676**	88	–	(157)	**1,607**
Borrowings	**36**	(5)	–	(3)	**28**
Inventories	**3**	(8)	–	–	**(5)**
Environmental obligations	**(32)**	11	–	2	**(19)**
Other	**(31)**	(3)	(1)	3	**(32)**
Total	**1,652**	**83**	**(1)**	**(155)**	**1,579**

The Company is subject to two types of income taxes:

- income tax applied to taxable profit less than 15% of revenue; and
- income tax applied to taxable profit higher than 15% of revenue.

The income tax rates are presented in note 1.3 and note 7.

14. TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020	1 January 2020
Trade payables	78	108	154
Accrued annual leave	20	19	14
Wages and salaries payable	29	19	14
Other accounts payable and accrued expenses	6	5	8
Total	**133**	**151**	**190**

(in millions of US Dollars, unless otherwise stated)

15. COMMITMENTS

Capital commitments

The Company contracted capital expenditure commitments are presented as follows:

	31 December 2021	31 December 2020	1 January 2020
Contractual capital commitments	184	303	375

Social commitments

The Company contributes to maintenance of the local infrastructure and the welfare of its employees, including contributions to development and maintenance of housing, hospitals, transport services, recreation and other social needs in the geographical areas in which it operates.

16. RELATED PARTIES

The Company has applied the exemption as allowed by IAS 24 *Related party disclosures* not to disclose all government related transactions, as it is ultimately controlled by the government of the Republic of Uzbekistan. In the course of its ordinary business the Company enters into transactions with government-related entities. Transactions with the state also include taxes.

The only customer of the Company is the Central Bank of the Republic of Uzbekistan which is a related party. The Company also received loans from the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan, the Ministry of Finance and other government owned banks which are also related parties (note 12). All Company’s cash is placed on the current accounts in government owned banks (note 10). Utilities consumed by the Company are fully supplied by government owned entities (note 6). Certain government owned entities supply the Company with essential consumables such as grinding balls, metal rolling, chemicals, etc. In 2021, the Company’s purchases from JSC Uzmetkombinat and JSC Navoiyazot, government owned entities, comprised USD 172 million and USD 118 million respectively (2020: USD 125 million and USD 188 million). There were no other individually significant government related transactions.

In 2021, key management personnel compensation included only short-term employee benefits and was equal to USD 1 million (2020: USD 1 million).

17. FINANCIAL RISK MANAGEMENT

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to the equity holder through the optimisation of the debt and equity balance. The management of the Company reviews the capital structure on a regular basis, including verification of compliance with bank covenants. Based on the results of this review, the management takes steps to balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of outstanding balances.

(in millions of US Dollars, unless otherwise stated)

Classes and categories of financial instruments and their fair values

The principal financial instruments comprise cash and cash equivalents, trade and other receivables, borrowings and trade and other payables. The carrying amounts of financial assets and liabilities recorded at amortised cost in these financial statements approximate their fair value, except for borrowings.

The fair value of borrowings was measured based on the present value of discounted cash flows at the market interest rate at the end of each reporting periods presented.

	Carrying value	Fair value
Borrowings at 1 January 2020	770	795
Borrowings at 31 December 2020	1,232	1,259
Borrowings at 31 December 2021	1,784	1,790

Whilst accounted for at amortised cost, the fair value measurement of borrowings is within Level 2 of the fair value hierarchy in accordance with IFRS 13 *Fair value measurement*.

The main risks arising from the Company's financial instruments are gold price risk, foreign currency, interest rate, liquidity and credit risks.

Gold price risk

The sale price of gold is a function of morning fixing price of the London Bullion Market Association. The Company is exposed to changes in the market price of gold due to its significant volatility. The Company does not hedge its exposure to gold price fluctuations.

Foreign currency risk

Currency risk is the risk that the financial results of the Company will be adversely affected by changes in exchange rates to which the Company is exposed. The Company undertakes certain transactions denominated in foreign currencies. Prices for gold are quoted in UZS based on international quoted market prices in US dollars. The Company's borrowing and substantial portion of outstanding balance of cash and cash equivalents are denominated in US dollars.

(in millions of US Dollars, unless otherwise stated)

The carrying amounts of monetary assets and liabilities denominated in USD were as follows:

	31 December 2021	31 December 2020	1 January 2020
Financial assets			
Cash and cash equivalents	1	122	20
Trade and other receivables	–	1	1
Total financial assets	**1**	**123**	**21**
Financial liabilities			
Borrowings	1,784	1,232	770
Trade and other payables	10	10	82
Total financial liabilities	**1,794**	**1,242**	**852**

The table below details the Company's sensitivity analysis to a 10% decrease in the UZS against the USD. The analysis was applied to all monetary items at the end of each reporting period denominated in respective foreign currency.

	31 December 2021	31 December 2020	1 January 2020
Impact on profit before income tax	(179)	(112)	(83)

In case of appreciation of UZS, the effect will be opposite.

Interest rate risk

The Company's interest risk arises from borrowings with variable rates, which expose the Company to cash flow interest rate risk. The risk is managed by the Company by maintaining an appropriate mix between fixed and variable rate borrowings.

The exposure of the Company's borrowings to interest rate changes at the end of the reporting period is as follows:

	31 December 2021	31 December 2020	1 January 2020
Variable rate borrowings	885	350	–

(in millions of US Dollars, unless otherwise stated)

The table below details the Company's sensitivity analysis to a 100 basis points increase in variable interest rates. The sensitivity analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year:

	31 December 2021	31 December 2020	1 January 2020
Impact on profit before income tax	(9)	(4)	–

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle all liabilities as they are due. The liquidity position is carefully monitored and managed. The liquidity risk is managed by maintaining detailed budgeting and cash forecasting processes and matching the maturity profiles of financial assets and liabilities to help ensure that it has adequate cash available to meet payment obligations.

Presented below is the maturity profile of the financial liabilities at 31 December 2021 based on undiscounted contractual cash payments, including interest payments:

	Borrowings		Trade and other	
	Principal	Interest	payables	Total
Less than 1 year	728	63	133	924
1-2 years	289	61	–	350
2-5 years	639	93	–	732
More than 5 years	170	33	–	203
Total	**1,826**	**250**	**133**	**2,209**

Presented below is the maturity profile of the financial liabilities at 31 December 2020 based on undiscounted contractual cash payments, including interest payments:

	Borrowings		Trade and other	
	Principal	Interest	payables	Total
Less than 1 year	352	46	151	549
1-2 years	329	32	1	362
2-5 years	366	56	–	422
More than 5 years	246	26	–	272
Total	**1,293**	**160**	**152**	**1,605**

(in millions of US Dollars, unless otherwise stated)

Presented below is the maturity profile of the financial liabilities at 1 January 2020 based on undiscounted contractual cash payments, including interest payments:

	Borrowings		Trade and other	
	Principal	Interest	payables	Total
Less than 1 year	33	31	190	254
1-2 years	95	36	–	131
2-5 years	407	77	–	484
More than 5 years	308	43	–	351
Total	**843**	**187**	**190**	**1,220**

Credit risk

Credit risk is the risk that a customer may default or not meet its obligations on a timely basis, leading to financial losses to the Company. Credit risk arises from cash, cash equivalents, trade and other receivables.

The only gold customer of the Company is the Central Bank of the Republic of Uzbekistan.

The maximum exposure to credit risk at the reporting date is the carrying value of each of the financial assets presented as follows:

	31 December 2021	31 December 2020	1 January 2020
Cash and cash equivalents	16	198	42
Trade and other receivables	7	8	13
Total	**23**	**206**	**55**

Cash is kept on bank accounts of the National Bank for Foreign Economic Affairs of the Republic of Uzbekistan which has credit rating of BB- (Standard & Poor's).

18. EVENTS AFTER THE REPORTING PERIOD

Dividends

In 2022, the Company declared dividends in the amount of USD 305 million (at exchange rates on the dates of approval), including USD 153 million dividends distributing prior year profits. Up to the date of authorisation of these financial statements for issuance all dividends were paid in full.

Social commitments

In January-April 2022, the Company signed-off agreements under which it is committed to support social infrastructure in the location of the Company's operations. The total amount of social commitments of USD 33 million covers period up to 30 June 2022.

Social commitments of the Company for periods after 30 June 2022 will be estimated and approved by management of the Company in due course.

Credit facilities

Up to the date of authorisation of these financial statements for issuance, the Company entered in a number of credit facilities with different credit institutions. In January-May 2022, the Company received USD 609 million general corporate purpose unsecured loan facilities with interest rates from 2% to 6.75% and maturities from 2022 to 2031 years. Proceeds from credit facilities were used for operating and investing activities and repayment of borrowing and accrued interest due in 2022 financial year.