THE GOLD SEGMENT OF STATE COMPANY "NAVOI MINING AND METALLURGICAL COMBINAT"

IFRS-LIKE PRO-FORMA INCOME STATEMENT AND BALANCE SHEET WITH ACCOMPANYING NOTES FOR THE YEAR ENDED 31 DECEMBER 2019

Contents

IFRS-like pro-forma Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019

In millions of US Dollars	Notes	2019	2018
Revenue from gold sales	7	**3,368.6**	**2,993.5**
Revenue from other sales		37.0	27.4
Cost of gold sales, excluding royalty	8	(1008.1)	(758.3)
Royalty	9	(851.7)	(928.6)
Cost of other sales, including royalty		(22.4)	(17.2)
Gross Profit		**1,523.4**	**1,316.8**
Administrative expenses	11	(59.2)	(95.9)
Other operating expenses, net	13	(60.1)	(50.4)
Operating profit		**1,404.1**	**1170.5**
Finance (costs)/income, net	14	(63.4)	24.7
Profit before tax		**1340.7**	**1195.2**
Income tax on earnings capped to 5% profitability	15	(20.4)	-
Income tax on earnings in excess of 5% margin	15	(1088.7)	-
Income tax expense	15	-	(146.7)
Net profit for the period		**231.6**	**1048.5**
Contributions to the state budget	16	-	(849.5)
Total after contributions to the state budget		**231.6**	**199.0**

General director, Sanakulov K.S.

First deputy general director, Ponkratova O.I.

IFRS-like pro-forma Balance Sheet
at 31 December 2019

In millions of US Dollars	Notes	31 December 2019	31 December 2018
ASSETS			
Non-current assets			
Property, plant and equipment	17	1,413.4	1,062.9
Letters of credit	18	125.2	53.5
Advances paid for the purchase of non-current assets		45.5	4.6
Inventory for the construction of non-current assets		34.8	15.1
Investments classified at fair value through other comprehensive income		-	3.3
Intangible assets		-	0.1
Other non-current assets		2.6	1.5
Total non-current assets		**1,621.5**	**1,141.0**
Current assets			
Inventory	19	234.2	147.5
Cash and cash equivalents	20	42.2	1.0
Advances paid		64.9	48.4
Income tax prepaid		3.3	4.4
Trade receivables	21	1.4	6.9
Reimbursable VAT and other prepaid taxes	22	51.3	6.1
Other receivables	23	36.3	30.7
Total current assets		**433.6**	**245.0**
TOTAL ASSETS		**2,055.1**	**1,386.0**
Equity			
Share capital		302.2	306.9
Retained earnings		485.7	457.2
Foreign exchange translation reserve		(199.4)	(188.0)
Other reserves	24	375.1	390.6
TOTAL EQUITY		**963.6**	**966.7**
LIABILITIES			
Non-current liabilities			
Long-term borrowings	25	809.5	195.9
Other non-current liabilities		0.3	2.5
Total non-current liabilities		**809.8**	**198.4**
Current liabilities			
Trade payables	26	130.6	106.0
Income tax payable		49.3	-
Short-term borrowings		0.8	-
Advances received		0.1	2.6
Other taxes payable	27	82.1	96.7
Other payables	28	18.8	15.6
Total current liabilities		**281.7**	**220.9**
TOTAL LIABILITIES		**1,091.5**	**419.3**
TOTAL EQUITY AND LIABILITIES		**2,055.1**	**1,386.0**

1. General Information

The 100% state owned enterprise Navoi mining and metallurgical Combinat (hereinafter referred as «NMMC» or «the Company») is an organization in the form of the State Unitary Enterprise based in Uzbekistan. NMMC's registered address: The Republic of Uzbekistan, Navoi, Navoi Street 27.

The Company's main activities are mining, refining and sales of fine gold and uranium oxide concentrate. NMMC is the largest gold producer in Uzbekistan and 6th producer by volume based on GFMS Gold Survey 2018, Thomson Reuters. The Company's operating gold assets include 5 main metallurgical plants and 15 main mines. NMMC's gold ore resource base includes reserves of 73 deposits in Western Uzbekistan. Based on state committee of Geology reports, as of 01.01.2020 NMMC had a total of 3,540 tons of C1 + C2 gold reserves in relation to the current deposits. Additional 347 tons of C1 + C2 gold reserves are available in the perspective fields which are at the stage of geological exploration.

The Company does not have any entities, over which it exercises control and which could have been classified as subsidiaries and consolidated in accordance with IFRS.

NMMC employs about 57 thousand people. The Company plays a leading role in the economy of the Republic of Uzbekistan, forming the largest contribution to the state budget.

NMMC Transformation Project: Separation of Gold and Uranium oxide concentrate businesses

The Presidential Decree # 4629 dated 06.03.2020 made the transformation process official and launched formation of the new Joint-stock company for gold producing business of NMMC. In accordance with the decree, NMMC will be renamed to state owned enterprise "Navoiuran", and 2 distinct legal entities will be established. Assets and liabilities of NMMC, related to uranium production, will remain in the "Navoiuran". Other assets and liabilities that are not related in production of uranium will be distributed among 2 legal entities.

Currently NMMC is undergoing business transformation launched by the President of the Republic of Uzbekistan in the beginning of 2019. The transformation is designed to separate gold and other businesses, increase gold production and efficiency, introduce the world's best practices in operations with the aim to attract foreign investors via IPO on an international stock exchange in 2023. This document is primarily focused on 2019 and 2018 Statement of Profit or Loss and Other comprehensive income results and Balance sheet as at 31 December 2019 of the Gold Business of NMMC.

Going Concern

In assessing the appropriateness of the going concern assumption, the Management have taken into account the Company's Gold business financial position, expected future trading performance, its borrowings, available credit facilities and its capital expenditure commitments, expectations of the future gold price, currency exchange rates and other risks facing the Company. The Company's management considers that the Company has adequate resources to continue in operational existence for at least the next 12 months from the date of signing these financial statements.

2. Basis for preparing pro-forma financial statements

IFRS-like pro-forma Balance Sheet	Method of separation of Gold and other segments
Assets	
Property, plant and equipment Letter of credit Trade receivables Inventory Other prepaid taxes Other non-current assets Advances paid Investments classified at fair value through other comprehensive income Other receivables	Directly attributable to segment
Intangible assets Advances paid for the purchase of non-current assets Inventory for the construction of non-current assets Cash and cash equivalents Income tax prepaid	Fully to Gold Business
Liabilities	
Long-term borrowings Other non-current liabilities Short-term borrowings Income tax payable	Fully to Gold Business
Other taxes payable Other payables Trade payables Advances received	Directly attributable to segment

The transformation process of NMMC in separating gold and other business segments was launched in 2019. Historically NMMC did not maintain separate balance sheets for gold and other business segments. To arrive at the gold business segment balance sheets management used simplified assumptions of applying proportion of gold operations in total cost of sales to each respective balance sheet line as at 31 December 2018.

Starting from 30 June 2019 a more thorough approach was applied by management in preparing IFRS-like balance sheet by selecting individual assets and liabilities in each line attributable to gold and other segments.

As a result, the balance sheets presented in this document are not fully comparable.

IFRS-like pro-forma Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2019	Method of separation of Gold and other segments
Revenue from gold Cost of goods sold, excluding royalty Royalty	Directly attributable to segment, based on management accounts
Income tax expense Finance income/(costs) Administrative expenses: - *taxes other than royalty and income taxes* - *transportation costs*	

Other operating income/(expenses): - *social infrastructure costs* - *payments to the state committee of Geology and Mineral Resources of Uzbekistan* - *other operating income*	
Income tax on earnings in excess of 5% margin	Fully to Gold
Administrative expenses (other lines) Other operating expenses, net (other lines)	Proportionately, based on management accounts

Resulting pro-forma statements by key segments

For the year ended 31 December 2019	**Gold Business**	**Other segments**	**NMMC Total**
Revenue	3,405.6	210.0	3,615.6
Cost of goods sold, excluding royalty	(1,008.1)	(99.3)	(1,107.4)
Royalty	(851.7)	(23.2)	(874.9)
Cost of other sales, including royalty	(22.4)	-	(22.4)
Gross Profit	**1,523.4**	**87.5**	**1,610.9**
Administrative expenses	(59.2)	(18.6)	(77.8)
Other operating expenses, net	(60.1)	(41.4)	(101.5)
Operating profit	**1,404.1**	**27.5**	**1,431.6**
Finance (costs)/income, net	(63.4)	4.8	(58.6)
Profit before tax	**1,340.7**	**32.3**	**1,373.0**
Income tax expense	(20.4)	(1.4)	(21.8)
Excess profit tax expense	(1,088.7)	-	(1,088.7)
Net profit for the period	**231.6**	**30.9**	**262.5**

For the year ended 31 December 2018	**Gold Business**	**Other segments**	**NMMC Total**
Revenue	3,020.9	221.6	3,242.5
Cost of goods sold, excluding royalty	(758.3)	(104.3)	(862.6)
Royalty	(928.6)	(21.8)	(950.4)
Cost of other sales, including royalty	(17.2)	-	(17.2)
Gross Profit	**1,316.8**	**95.5**	**1,412.3**
Administrative expenses	(95.9)	(30.4)	(126.3)
Other operating expenses, net	(50.4)	(29.8)	(80.2)
Operating profit	**1,170.5**	**35.2**	**1,205.7**
Finance (costs)/income, net	24.7	0.6	25.3
Profit before tax	**1,195.2**	**35.8**	**1,231.0**
Income tax expense	(146.7)	(1.3)	(148.0)
Net profit for the period	**1,048.5**	**34.5**	**1,083.0**
Contributions to the state budget	(849.5)	-	(849.5)
Total after contributions to the state budget	**199.0**	**34.5**	**233.5**

3. Accounting principles and limitations on application of IFRS principles

The Company maintains its accounting records in accordance with the laws, accounting and reporting regulations of the Republic of Uzbekistan. Its accounting principles and financial reporting procedures in this jurisdiction may differ from generally accepted under International Financial Reporting Standards. Accordingly, such financial information has been selectively adjusted with selective application of the IFRS principles. The adjustments made are described below:

Adjustments	Reclassifications	Pro-forma adjustments (applicable to 2018 only)
• write-off of investments classified at fair value through other comprehensive income; • write off of slow-moving inventory; • accrual of bad debt provision; • adjustment for currency exchange rate changes; • adjustment for recognize financial liabilities (including borrowings) at fair value loans;	• advances paid from receivables to advances paid for the purchase of non-current assets; • letters of credit from cash to non-current assets; • short-term commodity loan into other receivables for inventory transferred to customers; • stripping costs into property, plant and equipment, which have met criteria of capitalization; • construction inventory from current assets to non-current assets; • received commodity loans into other payables; • other reserves into other payables, other long-term payables and retained earnings; • offset of balances and transactions between divisions of the Company; • offset of tax prepaid and tax payable; • offset of receivables and payables between RU-5 and Company;	• recalculation of nine months of 2018 revenue from sale of fine gold retrospectively applying the formula and arrangement effective from 1 January 2019; • adjustment of royalty and corporate income tax in line with recalculated revenue and actual royalty and tax rates; • adjustment of trade receivables to reflect the change in sales as described above; • adjustment of tax payable to reflect the change in royalty and corporate income tax as described above; • adjustment for income tax of Gold business based on reported profit before tax and 12% corporate tax rate.

The restrictions for preparation of these pro-forma financial statements are set in the table below:

Section	Description of the Company's approach and the assumptions	Description of IFRS requirements and potential impact on the pro-forma IFRS –	Link to IFRS, IAS

	used in the preparation of IFRS-like statements	like financial statements	
Fixed assets (hereinafter – "FA»)	The cost of fixed assets and construction in progress is reflected in accordance with the requirements of the National Accounting Standards (hereafter – "NAS"). According to NAS, fixed assets are initially recognized at cost, and subsequently revalued in accordance with the requirements of the legislation of the Republic of Uzbekistan. In addition, the cost of fixed assets includes the following expenses: - mining and geological exploration costs reflected in the NAS as part of deferred expenses. - capitalized interest on loans for investment purposes (see section on loans below).	The Company has chosen fair value of fixed assets as deemed cost which will be determined by the independent professional appraiser. The appraiser determines the useful lives of fixed assets which will reflect the term of obtaining economic benefits. The mineral rights (mining licenses) will be reflected as fixed assets in IFRS. The Company plans to analyze the capitalized costs of mining and site preparation works in order to classify them as stripping costs and develop an accounting policy for IFRS reporting purposes The Company will develop an accounting policy with respect to exploration and evaluation costs with the determination of the moment from which the costs are to be capitalized in accordance with IFRS. IFRS 6 permits the application of local standards accounting policies for IFRS purposes with some restrictions. The potential impact on the presented financial statements may be material.	IAS 16.29, IFRS1. D5, D6 IAS 16 para 56, 60-62 IFRS 6
	The Company did not analyze the following assets during the preparation of the Forms: - fixed assets (real estate) intended for lease; - assets held for sale or disposal free of charge, included in capital investments and fixed assets, - fixed assets that are actually used but not put into operation. NMMC is a fully state-owned entity and has no right to independently dispose of property. The transfer or lease was carried out only with the permission of the	If the Company has objects for leasing out, they shall be considered as a part of investment property according to IAS 40. The Company will choose fair value model in its IFRS accounting policy for recognition of investment property. At the same time, fair value will be used as the deemed cost at the date of transition to IFRS. Assets held for sale or disposal free of charge to the state or other companies, potentially cannot meet definition of assets in IFRS, therefore, additional analysis is required. Objects that do not meet the definition of assets are not recognized as fixed assets. The costs of creating these objects are recognized in profit or loss as they occur. The main criteria for putting an object into	IAS 40.30, IFRS1.D7 IAS 16.7

	Cabinet of Ministers.	operation in IFRS is its readiness for use. The potential impact to the presented financial statements may be material.	IAS 16.55
	As at the date of transition to IFRS, it is recommended to use fair value of assets as deemed cost which was not required for the purposes of preparation of the management reporting forms. The Company did not make adjustments: - to reflect the impairment of assets, - to reflect the cost of decommissioning of an asset, - the depreciation charge of assets that was not used for a certain period of time. For additional analysis of fixed assets and construction in progress, the Company will classify them into the following groups: - fixed assets and construction in progress of the production; - fixed assets and unfinished construction of the social sector; - unused fixed assets; - objects of construction in progress, which are not planned to be used in future.	Fixed assets that are unable to bring economic benefits to the Company in the future and have no value in use should be written off. In accordance with IAS 36 depreciable fixed assets are tested for impairment when there are any events or changes in circumstances that indicate that their carrying amount cannot be recovered. An impairment loss is recognized in excess of the carrying amount of an asset over its recoverable amount. The impairment of the asset recorded in past periods is further analyzed in terms of possible recovery at each reporting date. In accordance with IAS 16 the cost of decommissioning of an asset at the end of its useful life should increase the asset value with the provision for expected expenses recognized in accordance with IAS 37. The Company is in the process of assessing the future costs of decommissioning of such assets and will revise the forecast at each reporting date. IAS 16 permits, as an acceptable method of depreciation, a method of writing off value in proportion to output (Unit of production). This method of depreciation is the most commonly used in mining industry. The Company is in the process of considering the choice of depreciation method in respect of the fixed assets used in the production. Depreciation charge is not suspended regardless of whether the objects are unused. The Company has chosen fair value of fixed assets as deemed cost at the date of transition to IFRS. After this the Company will conduct additional analysis and will make the following accounting entries if necessary: - impairment of fixed assets and construction in progress; - depreciation charge on unused assets, which have straight-line method of depreciation in the accounting policy; - changes of the asset value in the amount of provision for the decommissioning of the	IAS 16.7 IAS 36 para 1, 9, 12 IAS 16.16 (c) IAS 37.59 IAS 16 para 50, 55

		asset; - depreciation in accordance with the expected useful lives of fixed assets. The potential impact to the financial statements may be material.	
Advances given for the purchases of fixed assets and intangible assets	The Company prepared breakdown of advances given by counterparties indicating the subject of the advance. The management selected the advances given for the purchase of fixed assets and for construction of fixed assets from the breakdown. The Company did not identify other groups of assets to be reflected in non-current assets, including: - advances given for construction materials; - advances given for the exploration and evaluation expenditure, which subsequently have to be capitalized.	If the advance relates to fixed asset that should be recognized as a non-current asset at initial recognition, then it is a non-current advance. In this case the advance for construction materials may be presented in line item of construction in progress. Advances for exploration and evaluation expenditure should be presented as a non-current asset. The potential impact to the financial statements may be material.	IAS 1.66
Intangible assets ("IA") (except mineral rights (mining licenses))	The cost of IA is reflected in accordance with the requirements of the NAS, according to which, the cost is formed based on actual costs for obtaining the asset (license) with subsequent accrual of depreciation during the useful life.	According to IFRS, IA is an identifiable non-monetary asset that has no physical form. Historical cost will be used as deemed cost when IFRS are adopted for the first time.	IAS 38 para 8, 72, 78, IFRS 1.D7
	Non-exclusive rights to use software products are booked on a balance sheet of the Company as part of IA. The Company does not create IA on its own. The Company assessed acquisition costs of intangible assets as immaterial.	Under IAS 36, intangible assets that are subject to amortization are tested for impairment when there are any events or changes in circumstances that indicate that their carrying amount cannot be recovered. An impairment loss is recognized in excess of the carrying amount of an asset over its recoverable amount. The impairment of IA recorded in past periods is further analyzed in terms of possible recovery at each reporting date. An asset that meets the criteria and definition of IA under IFRS needs to be recognized as IA. IA that do not meet the criteria and	IAS 36 para 1,9, 12 IAS 38 para 8-18

		definition of IA in IFRS should be written off. The potential impact to the financial statements is immaterial.	
Investments (except loans issued)	The Company used the book value of investments that is reflected in accordance with the requirements of the NAS. By means of adjustments, the Company has written off the investments that are not expected to bring economic benefits in the future. The value of shares quoted on the Tashkent stock exchange has not been reflected at market value, as there are single transactions on the stock exchange (does not meet the definition of an active market). The Company made a breakdown of the investments into three groups: - investments in subsidiaries (written-off: organizations either liquidated or not functioning, the Company assumed the turnover and balances for consolidation are immaterial), - investments in associates (partly written down, the rest are not included in the accounts using the equity method because the amounts are immaterial), - other investments in the authorized capital of other companies and shares.	In accordance with the requirements of IFRS 10, entities, over which the Company exercises control, must be consolidated in the financial statements of the Group. In accordance with the requirements of IAS 28 organizations over which the enterprise has significant influence should be booked using the equity method. According to IFRS 9, financial assets in the form of shares, bonds, investments in the authorized share capital of other companies and other investments that are not included in the group of subsidiaries and associates must be classified as financial assets at fair value or amortized cost. To determine the classification of a financial asset, it is necessary to analyze the business model in accordance with IFRS 9 and, depending on the model, use the appropriate classification from the accounting policy. Fair value of investments can be determined with the assistance of expert evaluation if it cannot be determined using quotes in the market. The Company is in the process of analyzing investments for control or significant impact for the purposes of preparation of financial statements in accordance with IFRS. The Company will use expected credit loss model under IFRS 9 for impairment analysis of its financial assets. Upon initial recognition of financial assets, it is immediately necessary to reflect losses in the amount of expected credit losses for 12 months that are not credit impairment losses (or in the amount of expected credit losses for the entire term of the financial instrument for trade receivables). If there has been a significant increase in credit risk, the impairment is estimated on the basis of expected credit losses for the entire term of the financial instrument, rather than on the basis of expected credit losses for 12 months. The potential impact to the financial statements is immaterial.	IFRS 10 para 10-18 IAS 28 para 5, 16 IFRS 9 p.4.1 IFRS 9 p.5.5
Inventory	The cost of inventories is recorded at historical cost in accordance with the requirements of the NAS, taking into account the	According to IFRS, inventories are measured at the lower of cost and net realizable value. If inventories are intended to be used in construction process, such inventories have to	IAS 2.9

	adjustments: - impairment of inventories that are not moving during the year, - reclassification of inventory acquired for construction of fixed assets to a separate line. Fixed assets with cost less than fifty times of the minimum wage established in the Republic of Uzbekistan (at the time of acquisition) per unit are booked as inventories in accordance with NAS.	be included in the construction in progress because such assets do not meet the definition of a current asset. IFRS does not provide for the threshold of a value limit of fixed assets, and, as a consequence, the recognition of part of the fixed assets as inventories.	IAS 1.66, IAS 2.35 Framework QC11, IAS 8.8, IAS 1.31
	The Company did not collect the information for analysis and making of the following adjustments, if appeared to be applicable: - write-off of the value of the finished product to the net realizable value, if it is less than the cost. Yet management does not expect any instances of net realizable value to be lower than the cost of gold business finished product; - write-off of work-in-progress balances to net realizable value, including costs of bringing work-in-progress to finished products; - evaluation of poor ore, kept off-balance by the Company.	According to IFRS, inventories are measured at the lower of cost and net realizable value. Assets must be recognized as inventories, if they meet the criteria for recognition and identification. In NAS the Company records low grade ore as work in progress. In addition, the Company has large volume of low-grade ore (referred to as Mineral mass). The Company plans to hire independent engineering contractor to assess whether such low-grade ore can be processed efficiently. If the feasibility study finds that the fine gold value from such ore exceeds costs, the Company will have the right to record such ore on balance sheet in IFRS as an asset. The potential impact to the financial statements is immaterial.	IAS 2.9 IAS 2.6 IAS 1.66
Trade receivables Advances paid and other receivables	The cost of trade receivables, advances issued are recorded at cost in these pro-forma financial statements. The book values based on the NAS were used, taking into account the adjustments: - write-off of receivables for which cash was not received within one year, - reclassification of commodity loans to other receivables*. * A list of all loans related to the commodity was prepared during the preparation of the Forms. When classifying commodity loans as part of short-term other receivables, the Company applied the assumption that these loans can	The Company will use expected credit loss model under IFRS 9 for impairment analysis of its financial assets. The expected credit loss model includes operational simplifications for trade receivables. Receivables that correspond to the third stage of credit quality "impaired" are written off. The Company has a practice of providing goods (materials, fixed assets, etc.) to contractors on the terms of subsequent repayment by similar goods. The Company will analyze the terms of contracts and pay attention to the following factual circumstances of repayment of commodity loans during preparation of IFRS financial statements: - change of conditions when the loan is repaid in cash; - change of conditions when the loan is repaid	IFRS 9 p.5.5

	be repaid on demand.	by return of non-similar goods.	
	The Company did not collect the information during the preparation of the Forms for analysis and, if applicable, for making the following adjustments: - recognition of provision for trade receivables using expected credit loss model; - booking of trade receivables at fair value (if applicable); - discounting long-term receivables and its reclassification to non-current assets. The Company assumed that these amendments should not have a significant impact on the Forms of the Company.	To analyze financial assets for impairment, IFRS 9 uses the impairment loss recognition model: the expected credit loss model. The expected credit loss model includes operational simplifications for trade receivables. See investments section above for detailed description of the definition of expected credit losses. If the Company determines the sales price in the supply contract in relation to the commodity price (trade price for a group of goods) or to the index, the contract may contain a built-in derivative. It will also affect the classification of receivables at fair value. The assets are presented in the appropriate sections according to the classification between the long-term and short-term parts in the statement of financial position. The potential impact to the financial statements is immaterial.	IFRS 9 p.5.5 IFRS 9 para 4.3.1 IAs 1.60
Cash and cash equivalents	The cash and cash equivalents are presented in the Forms, taking into account the adjustments made to reclassify letters of credit to non-current assets. The Company used the assumption that the existing letters of credit are similar to advances for equipment and capital projects. The analysis of contracts for the placement and repayment of the letter of credit was not carried out.	A letter of credit is a contract that leads to the recognition of one or more financial instruments. It is necessary to perform the analysis of the terms of the contract to determine the accounting treatment. To analyze financial assets for impairment, IFRS 9 uses the impairment loss recognition model: the expected credit loss model. Cash and cash equivalents may also be impaired using this model. The potential impact to the financial statements is immaterial.	IAS 7.48
Loans and borrowings received	The Company made lists of loans and borrowings, based on the information collected during the preparation of the Forms: - the loans that have been reclassified as commodity loans within other payables. When classifying commodity loans as part of short-term other payables, the Company used the assumption that these loans can be claimed by counterparties upon a demand at any time; - interest on existing long-term bank loans was capitalized; - the short-term portion of long-	Qualifying assets (qualifying asset) is an asset, the preparation of which for intended use or sale requires significant time (over 12 months). Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized by including it in the cost of the asset. The Company will perform a full analysis of loan agreements, including the identification of additional costs for loans. Additionally, the Company will analyze which objects should have borrowing costs capitalized and will organize the accounting of investment programs and construction in progress, the acquisition of which is financed by a	IAS 23.8 IAS 23.17

	term loans was reclassified to short-term loans.	loan/borrowing, for the correct capitalization of borrowing costs. Liabilities are presented in the relevant sections according to the classification between the long-term and short-term parts in the statement of financial position. The potential impact to the financial statements is immaterial.	IAS 1.66
Accounts payable	The accounts payable, advances received are reflected at cost in the Forms as they are booked in accordance with the requirements of the NAS. No information has been collected for additional analysis and assessment, if applicable, of the following adjustments: - recognition of liabilities for expenses for which documents are not received (accruals), - allocation of a long-term portion of accounts payable, if any, with subsequent discounting of it, - recognition of the fair value of obligation of unused annual leave of employees, - recognition of fair value of post employment benefits in accordance with the terms of the Collective Agreement. The obligations of the Company in respect of one-time payments upon retirement of the employee, as well as other obligations of the Company for employee benefits were not analyzed during preparation of Forms.	The relevant items are recognized as assets, liabilities, capital, income and expenses (elements of the financial statements) in accordance with the definitions and recognition criteria of these elements when the accrual principle is applied. The Company will develop an approach to the accrual of expenses in those periods in which services were consumed, goods were received. The Company recognizes the expected costs of short-term employee benefits in the form of paid absences (e.g. vacations) as follows: (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; (b) in the case of non-accumulating paid absences, when the absences occur. The Company plans to organize a personalized system of collecting data on vacation days to be used in the future and the average salary to calculate and recognize the obligation of unused annual leave of employees. It is necessary to analyze the agreement, according to which the Company provides post-employment benefits: they are divided into programs with defined benefit plans and defined contribution plans, depending on the economic content of the program, arising from its basic conditions. The potential impact to the financial statements may be material.	IAS 1.27-28 Framework para OB17 IAS 19.13 IAS 19.27
Provisions for liabilities and charges	The following provisions have not been accrued: - provisions for contingent liabilities; the Company used the assumption that the probability of recognition of losses from claims received from the contractors and the fiscal authorities, is low.	These provisions are required to be accrued in accordance with IFRS. The potential impact to the financial statements is material.	IAS 37.14

	- estimated liabilities on withdrawal of assets from operation (described in section of fixed assets). NMMC is not allowed independently accrue the provisions because the law determined that reserves are created only with the permission of Cabinet of Ministers		
Capital	The disclosures of provisions were prepared, on the basis of which a consolidated adjustment was made for retained earnings in terms of reserve capital and capital received for special purposes: - adjustments of capital to assets received free of charge, - adjustment of capital in relation to the capital received for special purposes that was booked in statutory accounts, - adjustment of capital on tax exemption.	IFRS does not contain the definition of the reserve capital. It may arise as a result of accounting requirements (for example, Foreign exchange translation reserve) or local legal requirements that require adjustment if they contradict with IFRS requirements.	IAS 32 para 2
Statement of profit or loss and other comprehensive income	The Company prepared Statement of profit or loss and other comprehensive income for the nine months ended 30 September 2019 taking into account the specifics of its business and operating environment: - the main source of revenue was reported, - cost of sales was broken down by the cost elements (see limitations of the analysis of the cost components disclosure), - operating expenses were classified by function. Part of the income and expenses was reflected in the items of retained earnings in NAS, without their reflection in the income statement. These income and expenses have been transferred to the corresponding income and expense items of Statement of profit or loss and other comprehensive income in these pro-forma financial statements. A Cut-off adjustment was formed to transfer the income, booked in	IAS 1 prescribes mandatory line items for presentation in Statement of profit or loss and other comprehensive income, as well as the structure of the report. According to IAS 1, an organization classifying expenses by function should disclose additional information about the nature of expenses, including expenses related to depreciation of fixed assets and intangible assets and expenses related to employee benefits. Accrual accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur on the basis of their economic substance, and not the actual date of the supporting documents for those transactions and events.	IAS 1.82 IAS 1.103, 104 Framework para OB17

	2018, but related to the previous periods. Other adjustments that also relate to Statement of profit or loss and other comprehensive income are described in the sections above.		

4. Functional currency
The functional currency of the Company is the Uzbek sum (UZS).

5. Presentation currency
NMMC presents these pro-forma financial statements in US Dollar ("USD"), as management believes it is a more convenient presentation currency for international users of the pro-forma financial statements of the Company and is a common presentation currency in the mining industry. The translation of the financial statements from the functional currency to the presentation currency was performed as follows:

- All assets, liabilities, both monetary and non-monetary, are translated at closing exchange rates at each reporting date;
- All other income (except revenue) and expenses are translated at the yearly average exchange rates.

Resulting exchange rate differences are included in equity and presented as *Effect of translation to presentation currency* within the *Translation reserve.*

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

UZS/US Dollar	31 December 2019	31 December 2018
Exchange rate	9,507.56	8,339.55
Average rate	8,851.36	8,069.04

6. Limitation to the audit

The Company currently combines Gold operations with other business segments. Gold operations have not been yet separated into distinct legal entity and, hence, cannot be subject to full IFRS audit.

7. Revenue from gold sales

The sale of gold is calculated based on LBMA price on the date of gold delivery.

IFRS-like for year ended 31 December 2019

Month	Volume in k oz	Actual price, USD per oz	Revenue, USD'm
January	200.022	1,322.5	**264.5**
February	180.907	1,325.5	**239.8**
March	200.480	1,291.2	**258.9**
April	199.432	1,285.2	**256.3**
May	204.665	1,296.0	**265.2**
June	198.266	1,413.2	**280.2**
July	204.884	1,430.6	**293.1**
August	204.841	1,526.6	**312.7**
September	197.709	1,487.6	**294.1**
October	203.086	1,506.4	**305.9**
November	198.072	1,456.4	**288.5**
December	204.666	1,511.5	**309.4**
Total	**2,397.0**		**3,368.6**

IFRS-like for year ended 31 December 2018

		IFRS-like pro-forma		National Accounting Standards	
	Volume in k oz	LBMA price on date of sale	USD'm	Fixed price	USD'm
January	199.841	1,343.4	**268.5**	*656.0*	***131.1***
February	180.736	1,320.3	**238.6**	*656.0*	***118.6***
March	200.313	1,323.9	**265.2**	*656.0*	***131.4***
April	195.333	1,316.3	**257.1**	*656.0*	***128.1***
May	201.947	1,303.5	**263.2**	*656.0*	***132.5***
June	195.558	1,250.6	**244.6**	*656.0*	***128.3***
July	201.878	1,219.2	**246.1**	*656.0*	***132.4***
August	202.005	1,206.9	**243.8**	*656.0*	***132.5***
September	195.431	1,183.5	**231.3**	*656.0*	***128.2***
October	199.450	1,217.7	**242.9**	*656.0*	***130.8***
November	193.987	1,220.5	**236.8**	*656.0*	***127.3***
December	199.238	1,281.7	**255.4**	*656.0*	***130.7***
Total	**2,365.7**		**2,993.5**		**1,551.9**

8. Cost of gold sales, excluding royalty

	For the year ended 31 December 2019	For the year ended 31 December 2018
Materials and spare parts	346.1	295.4
Fuel, energy, gas and water supplies	273.4	192.0
Salary and related taxes	224.8	167.5
Depreciation	117.1	66.0
Other	46.7	37.4
Total	**1,008.1**	**758.3**

As the economy of the Republic of Uzbekistan is moving quickly towards market, in 2018 and 2019 NMMC, experienced significant growth in energy and utilities tariffs (uzbekenergo.uz), which as a result impacted the cost of locally produced materials and chemicals. NMMC management is developing a cost reduction program to reduce impact of growing tariffs.

9. Royalty

	For the year ended 31 December 2019 (Actual)	For the year ended 31 December 2018 (Pro-forma)
Revenue	**3,368.6**	**2,993.5**
- revenue from gold sales (1 half year)	*1,564.9*	*1,537.3*
- revenue from gold sales (2 nd half year)	*1,803.7*	*1,456.2*
Royalty	**851.7**	**928.6**
Rate (1 half year)	*25%*	*30%*
Rate (2 half year)	*25%*	*32%*
- royalty in relation to gold sales (1 half year)	*391.2*	*461.1*
- royalty in relation to gold sales (2 half year)	*450.9*	*466.0*
- royalty in relation to other sales	*9.6*	*1.5*

10. Total cash costs (TCC) and All-in sustaining costs (AISC)

As presented in Note 9, currently NMMC is subject to high royalty rates (30-32% in 2018, reduced to 25% in 2019) compared to the world benchmarks (around 7%). To fulfill the tasks set by government, Cabinet of Ministers lowered the royalty rate. Starting from 2020 rate is reduced to 20% and, accordingly, as of 2023 it will be reduced to 10%.

Below we present a summary of NMMC Total cash costs and All-in sustaining costs based on the two scenarios: i) costs with the actual high royalty rate, ii) costs adjusted to world benchmark of 7% royalty.

In millions of US Dollars	**For the year ended 31 December 2019**		**For the year ended 31 December 2018**	
	Actual, reported	*Adjusted, 7% Royalty*	*Actual, reported*	*Adjusted, 7% Royalty*
Cost of goods sold, excluding royalty	1,008.1	1,008.1	758.3	758.3
Royalty (gold)[1]	842.1	235.8	927.1	209.5
Total cost of goods sold	**1,850.2**	**1,243.9**	**1,685.4**	**967.8**
Add back Depreciation	(117.1)	(117.1)	(66.0)	(66.0)
Add back other non-cash items	-	-	18.5	18.5
Total cash costs (TCC)	**1,733.1**	**1,126.8**	**1,637.9**	**920.3**
Administrative expenses (gold)[2]	58.8	58.8	95.9	95.9
Add back Depreciation and Amortization (admin. exp.)	(0.4)	(0.4)	(0.2)	(0.2)
Exploration and evaluation cost (sustaining)	0.2	0.2	0.1	0.1
Sustaining capital expenditure	71.0	71.0	60.9	60.9
All-in sustaining costs (AISC)	**1,862.7**	**1,256.4**	**1,794.6**	**1,077.0**
Gold sold (k oz)	2,397.0	2,397.0	2,365.7	2,365.7
TCC per oz ($)	**723.0**	**470.1**	**692.3**	**389.0**
AISC per oz ($)	**777.1**	**524.1**	**758.6**	**455.3**

11. Administrative expenses

	For the year ended 31 December 2019	**For the year ended 31 December 2018**
Salary and related taxes	28.0	17.8
Professional services	12.5	7.8
Taxes other than royalty and income taxes	10.5	63.9
Transportation costs	4.5	3.5
Depreciation	0.4	0.2
Materials	0.3	0.1
Other general and administrative expenses	3.0	2.6
Total	**59.2**	**95.9**

In 2018 NMMC was subject to mandatory Pension, Road and School Funds charges. Starting from 1 January 2019 those charges were cancelled resulting in the decline of *Taxes other than royalty and income taxes.*

[1] Includes only royalty related to the gold production, does not include royalty on by-products (e.g. palladium, limestone, sand, etc.).
[2] Includes only administrative expenses related to the gold production, does not include expenses on by-products (e.g. palladium, limestone, sand, etc.).

12. Adjusted EBITDA

	For the year ended 31 December 2019	For the year ended 31 December 2018
Profit for the year	**231.6**	**1,048.5**
Income tax on earnings in excess of 5% margin	1,088.7	-
Income tax on earnings capped to 5% profitability	20.4	-
Income tax expense	-	146.7
Depreciation and amortization	117.5	66.2
Finance income	(21.7)	(18.8)
Finance expense	14.9	7.9
Reported EBITDA	**1,451.4**	**1,250.5**
Forex (gain)/loss	70.7	(13.5)
Other finance income	(0.5)	-
Allowance for doubtful debt	0.3	(4.4)
(Reverse)/Impairment of investments	(5.3)	3.2
(Reverse)/Impairment of inventory	(2.2)	0.6
(Gain)/Loss on asset disposal	(7.0)	12.0
Adjusted EBITDA	**1,507.4**	**1,248.4**

13. Other operating expenses, net

	For the year ended 31 December 2019	For the year ended 31 December 2018
Allowance for doubtful debts	(0.3)	4.4
Gain on sale of inventory and other assets	0.9	-
Social infrastructure cost	(60.8)	(35.2)
Gain/(Loss) on sale of fixed assets	7.0	(12.0)
Payments to the state committee of Geology and Mineral Resources of Uzbekistan	(4.1)	(5.5)
Sponsorships	(7.9)	(5.3)
Reverse/(Impairment) of investments	5.3	(3.2)
Reverse/(Impairment) of inventory	2.2	(0.6)
Penalties and fines	-	(0.1)
Other operating income	9.1	10.5
Other operating expenses	(11.5)	(3.4)
Total	**(60.1)**	**(50.4)**

NMMC is a town-forming company and bears social responsibility in the regions where its operations are carried out. *Social infrastructure costs* are incurred in relation to funding of social, medical, infrastructure and residential facilities.

14. Finance (costs)/income, net

	For the year ended 31 December 2019	For the year ended 31 December 2018
Interest income	21.7	18.8
Interest expense	(14.9)	(7.9)
Foreign exchange gains/(loss), net	(70.7)	13.5
Other financial income	0.5	0.3
Total	**(63.4)**	**24.7**

During 2019 NMMC drawn down loans in total amount of 500 million US dollars. During the reporting period, Uzbek sum slowly depreciated against USD until an 8% immediate depreciation occurred in August 2019. This led to a notable foreign exchange loss during 2019.

15. Income tax on earnings capped to 5% profitability and Income tax on earnings in excess of 5% margin

Starting from 1 January 2019 the Ministry of Finance introduced *Income tax on earnings in excess of 5% margin, calculated as 90%* of the Tax base. However, it is expected that Income tax on earnings in excess of 5% margin will be reduced in 2020 and subsequently abandoned to improve investment attractiveness of NMMC for potential investors during the planned IPO in 2023. Moreover, starting from 1 January 2019, calculation of Tax base for income tax expense has also changed. Currently it is calculated as 5% of revenue multiplied by 12% tax rate.

To fulfill the tasks set by government, Cabinet of Ministers lowered the Income tax on earnings in excess of 5% margin. Starting from 2020 rate is reduced to 75% and, accordingly, as of 2023 it will be reduced to 25%.

16. Contributions to the state budget

For the year ended 31 December 2018

Period	Volume in k oz	Market price, USD	Actual price, USD	Difference in prices, USD	Total contributions	
January	199.841	1,343.4	656	687.4	137.4	
February	180.736	1,320.3	656	664.3	120.1	
March	200.313	1,323.9	656	667.9	133.8	
April	195.333	1,316.3	656	660.3	129.0	
May	201.947	1,303.5	656	647.5	130.8	
June	195.558	1,250.6	656	594.6	116.3	
July	201.878	1,219.2	656	563.2	113.7	
August	202.005	1,206.9	656	550.9	111.3	
September	195.431	1,183.5	656	527.5	103.1	
October	199.450	1,217.7	656	561.7	112.0	
November	193.987	1,220.5	656	564.5	109.5	
December	199.238	1,281.7	656	625.7	124.7	
Total contributions					**1,441.7**	(A)
		Market price calculation	Actually paid			
Royalty		928.6	482.7		**445.9**	(B)
Income tax		146.7	0.4		**146.3**	(C)
Total contributions to the state budget					**849.5**	(A)-(B)-(C)

17. Property, plant and equipment

	Balance at 31 December 2019			Balance at 31 December 2018		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Machinery and equipment	907.1	(472.9)	434.3	666.7	(404.9)	261.8
Construction in progress	336.7	-	336.7	310.6	-	310.6
Trucks and vehicles	447.4	(173.6)	273.7	373.7	(152.3)	221.4
Buildings	348.1	(100.4)	247.7	294.9	(90.2)	204.7
Transmission equipment	169.6	(53.5)	116.2	110.9	(52.3)	58.6
Other fixed assets	11.2	(6.3)	4.8	11.3	(5.5)	5.8
TOTAL	**2,220.1**	**(806.7)**	**1,413.4**	**1,768.1**	**(705.1)**	**1,062.9**

In accordance with the Presidential Decree dated 01.03.2017, NMMC is carrying out a large-scale capital program which leads to an increase in production volumes, hence driving the growth of fixed assets.

18. Letters of credit

	31 December 2019	**31 December 2018**
USD	100.6	22.5
EUR	21.4	30.3
RUR	1.9	0.2
UZS	1.3	0.5
Total	**125.2**	**53.5**

Letters of credit are associated with acquisitions of equipment in line with the Company's equipment replacement and production increase capital programs.

19. Inventory

	31 December 2019	**31 December 2018**
Raw materials and supplies	**152.3**	**92.6**
- raw materials	87.8	49.7
- spare parts	44.6	28.2
- fuel	5.7	3.6
- other	14.2	11.1
Work in progress	**85.6**	**59.4**
- metals (gold) in process	84.6	54.8
- other	1.0	4.6
Finished goods and goods for resale	**0.5**	**1.6**
- by-products	0.2	0.9
- gold Dore/bullion	0.3	0.7
Less: obsolescence provision for raw materials and supplies	**(4.2)**	**(6.1)**
Total	**234.2**	**147.5**

20. Cash and cash equivalents

	31 December 2019	31 December 2018
Cash	-	0.1
Current bank account in UZS	22.1	0.6
Current bank account in USD	20.0	0.1
Other cash equivalents	0.1	0.2
Total	**42.2**	**1.0**

21. Trade receivables

	31 December 2019	31 December 2018
Trade receivables for gold	-	0.5
Other receivables	3.0	7.7
Less: allowance for doubtful debts	(1.6)	(1.3)
Total	**1.4**	**6.9**

22. Reimbursable VAT and other prepaid taxes

	31 December 2019	31 December 2018
Reimbursable VAT	51.1	5.5
Water tax prepaid	0.1	0.2
Other prepaid taxes	0.1	0.4
Total	**51.3**	**6.1**

23. Other receivables

	31 December 2019	31 December 2018
Commodity loans	28.0	26.8
Receivables from staff	5.3	3.2
Fines and penalties	1.1	-
Advances to staff	0.1	0.7
Other receivables	1.8	-
Total	**36.3**	**30.7**

Commodity loan represents inventory and materials, which are borrowed by companies (e.g. AMMC, NMMC other business segments), a borrower returns the same inventory within a specified period.

24. Other reserves

	31 December 2019	31 December 2018
Revaluation of Fixed assets	297.0	304.1
Property received free of charge	9.7	8.7
Other	68.4	77.8
Total	**375.1**	**390.6**

Since 2001, fixed assets were subject to revaluation on annual basis based on the revaluation indexes provided by the Ministry of Finance. The revaluation was designed to cover high inflation rates on UZS.

25. Long-term borrowings

	interest rate %	31 December 2019	31 December 2018	IFRS adjustment 2019	IFRS adjustment 2018	IFRS balance 31 December 2019	IFRS balance 31 December 2018
National Bank of Uzbekistan	2.000%	384.5	224.3	(44.4)	(28.4)	340.1	195.9
Ministry of Finance 5-year loan	5.750%	40.0	-	-	-	40.0	-
Ministry of Finance 10-year loan	6.375%	50.0	-	-	-	50.0	-
JSC Aloqa Bank	5.850%	20.0	-	-	-	20.0	-
JSC Aloqa Bank	6.475%	10.0	-	-	-	10.0	-
Classified syndicated loan	*	349.4	-	-	-	349.4	-
Total		**853.9**	**224.3**	**(44.4)**	**(28.4)**	**809.5**	**195.9**

IFRS requires to recognize financial liabilities (including borrowings) at fair value and subsequently measure at amortized cost. The Company considers 2% interest rate on the NBU loan to be below market.

26. Trade payables

	31 December 2019	31 December 2018
Trade payables	125.8	101.7
Non-current payables	0.4	0.4
Other payables	4.4	3.9
Total	**130.6**	**106.0**

In accordance with the Presidential Decree dated 01.03.2017, NMMC is carrying out a large-scale capital program which leads to an increase in production volumes, hence driving the growth of trade payables.

27. Other taxes payable

	31 December 2019	31 December 2018
Royalty payable	79.7	81.7
Payables to social funds	1.9	11.8
Personal income taxes and due to pension fund	0.4	3.0
Other taxes	0.1	0.2
Total	**82.1**	**96.7**

28. Other payables

	31 December 2019	31 December 2018
Wages payables	12.6	7.7
Fines and penalties	4.0	4.5
Other payables	2.2	3.4
Total	**18.8**	**15.6**

29. Events after reporting period

On 06.03.2020 was signed Presidential Decree # 4629 on transformation of NMMC.

In accordance with the Decree, NMMC will be transformed and renamed to state owned entity "Navoiuran" and 2 separate distinct legal entities will be established on the basis of part of the property of NMMC, one of which is Joint-stock company for production of gold. The Ministry of Finance, in its turn, will exercise the functions of a shareholder of the state shares of charter capital.

In order to fulfill the tasks, set out in the Decree, currently, NMMC undergoing a process of separation of assets and liabilities of NMMC which subsequently will be distributed among new legal entities, except those, related to the production of uranium. Assets and liabilities related to uranium production will remain in "Navoiuran".

Moreover, to fulfill the tasks set by government, Cabinet of Ministers lowered the tax rates. Particularly, starting from 2020 royalty rate is reduced from 25% to 20% and as of 2023 it will be reduced to 10%.

In addition, in 2020 and 2021, the income tax rate on taxable profits minus 5% of revenue will be reduced from 90% to 75%, and starting from 2023, the rate will be set at 25%.