

# **JSC “Navoi Mining and Metallurgical Company”**

Financial statements  
for the year ended 31 December 2022

# **JSC “NAVOI MINING AND METALLURGICAL COMPANY”**

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## JSC "NAVOI MINING AND METALLURGICAL COMPANY"

### STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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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 2022, and the results of its operations, cash flows and changes in equity for the years ended 31 December 2022, 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's 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 year ended 31 December 2022 were approved by management on 26 September 2023.

On behalf of Management:



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**Aminov Sh.T.**  
Acting Deputy General Director for Economy  
and Finance



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**Novikova J.V.**  
Chief Accountant

## 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 2022, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 31 December 2022, 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 2022, and its financial performance and its cash flows for the year ended 31 December 2022 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.



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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.



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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.



Audit Organisation "Deloitte & Touche" LLC is included in the Register of audit organisations of the Ministry of Finance of the Republic of Uzbekistan dated 08 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

26 September 2023  
Tashkent, Uzbekistan



Director,  
Audit Organisation "Deloitte & Touche" LLC

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

	Notes	<u>2022</u>	<u>2021</u>
Revenue		5,095	4,795
Cost of sales	6	<u>(2,163)</u>	<u>(1,966)</u>
<b>Gross profit</b>		<b>2,932</b>	<b>2,829</b>
Administrative and selling expenses		(99)	(81)
Other expenses		<u>(25)</u>	<u>(55)</u>
<b>Operating profit</b>		<b>2,808</b>	<b>2,693</b>
Finance income		2	1
Finance cost		(134)	(70)
Foreign exchange loss		<u>(68)</u>	<u>(51)</u>
<b>Profit before income tax</b>		<b>2 608</b>	<b>2,573</b>
Income tax expense	7	<u>(1,600)</u>	<u>(1,308)</u>
<b>Profit for the year</b>		<b><u>1,008</u></b>	<b><u>1,265</u></b>

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

## JSC "NAVOI MINING AND METALLURGICAL COMPANY"

### STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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	<u>2022</u>	<u>2021</u>
<b>Profit for the year</b>	<b>1,008</b>	<b>1,265</b>
<i>Items that will not be reclassified through profit or loss:</i>		
Remeasurement of defined benefit liability	(16)	(1)
<i>Items that may be reclassified through profit or loss:</i>		
Effect of translation to presentation currency	<u>(191)</u>	<u>(183)</u>
<b>Other comprehensive loss for the year, net of tax</b>	<b><u>(207)</u></b>	<b><u>(184)</u></b>
<b>Total comprehensive income for the year</b>	<b><u><u>801</u></u></b>	<b><u><u>1,081</u></u></b>

*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 2022

*(in millions of US Dollars, unless otherwise stated)*

	Notes	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	8,065	8,068
Inventories	9	64	30
Other non-current assets		4	4
<b>Total non-current assets</b>		<b>8,133</b>	<b>8,102</b>
<b>Current assets</b>			
Inventories	9	548	462
Advances paid		128	172
Income tax receivable		52	18
Other taxes receivable		73	36
Trade and other receivables		11	7
Cash and cash equivalents	10	105	16
<b>Total current assets</b>		<b>917</b>	<b>711</b>
<b>Total assets</b>		<b>9,050</b>	<b>8,813</b>
<b>Equity</b>			
Share capital	11	1,418	1,418
Translation reserve		(886)	(695)
Other reserves		(21)	(5)
Retained earnings		4,454	5,056
<b>Total equity</b>		<b>4,965</b>	<b>5,774</b>
<b>Non-current liabilities</b>			
Borrowings	12	1,638	1,055
Employee benefits		79	74
Environmental obligations		45	93
Deferred tax liabilities	13	1,469	871
<b>Total non-current liabilities</b>		<b>3,231</b>	<b>2,093</b>
<b>Current liabilities</b>			
Borrowings	12	543	729
Trade and other payables	14	229	133
Other taxes payable		74	70
Other current liabilities		8	14
<b>Total current liabilities</b>		<b>854</b>	<b>946</b>
<b>Total liabilities</b>		<b>4,085</b>	<b>3,039</b>
<b>Total equity and liabilities</b>		<b>9,050</b>	<b>8,813</b>

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

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

*(in millions of US Dollars, unless otherwise stated)*

	Notes	Share capital	Translation reserve	Other reserves	Retained earnings	Total
<b>Balance at 1 January 2021</b>	11	<b>1,418</b>	<b>(512)</b>	<b>(4)</b>	<b>4,380</b>	<b>5,282</b>
Profit for the year		–	–	–	1,265	<b>1,265</b>
Other comprehensive loss		–	<u>(183)</u>	<u>(1)</u>	–	<u>(184)</u>
<b>Total comprehensive income</b>		<u>–</u>	<u>(183)</u>	<u>(1)</u>	<u>1,265</u>	<u>1,081</u>
Dividends declared	11	–	–	–	(982)	<b>(982)</b>
Cash movements related to non-Gold segments, net		–	–	–	23	<b>23</b>
Net assets transferred to non-Gold segments as a result of the Company formation	11	–	–	–	(89)	<b>(89)</b>
Change of taxable base of property, plant and equipment due to transformation and the Company formation	13	–	–	–	511	<b>511</b>
Charity and sponsorship in accordance with the orders of state regulatory and supervisory authorities	11	–	–	–	(68)	<b>(68)</b>
Related current tax	7	–	–	–	16	<b>16</b>
<b>Balance at 31 December 2021</b>		<u><b>1,418</b></u>	<u><b>(695)</b></u>	<u><b>(5)</b></u>	<u><b>5,056</b></u>	<u><b>5,774</b></u>
<b>Balance at 1 January 2022</b>		<b>1,418</b>	<b>(695)</b>	<b>(5)</b>	<b>5,056</b>	<b>5,774</b>
Profit for the year		–	–	–	1,008	<b>1,008</b>
Other comprehensive loss		–	<u>(191)</u>	<u>(16)</u>	–	<u>(207)</u>
<b>Total comprehensive income</b>		<u>–</u>	<u>(191)</u>	<u>(16)</u>	<u>1,008</u>	<u>801</u>
Dividends declared	11	–	–	–	(1,389)	<b>(1,389)</b>
Charity and sponsorship in accordance with the orders of state regulatory and supervisory authorities	11	–	–	–	(221)	<b>(221)</b>
<b>Balance at 31 December 2022</b>		<u><b>1,418</b></u>	<u><b>(886)</b></u>	<u><b>(21)</b></u>	<u><b>4,454</b></u>	<u><b>4,965</b></u>

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

# JSC “NAVOI MINING AND METALLURGICAL COMPANY”

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of US Dollars, unless otherwise stated)

	Notes	<u>2022</u>	<u>2021</u>
<b>Operating activities</b>			
<b>Profit before income tax</b>		<b>2,608</b>	<b>2,573</b>
<i>Adjustments for:</i>			
Depreciation and amortisation		333	310
Loss on disposal of property, plant and equipment		2	21
Finance income		(2)	(1)
Finance costs		134	70
Foreign exchange loss		68	51
Change in employee benefits		(22)	(22)
Other adjustments		2	1
<b>Net cash generated from operating activities before changes in working capital</b>		<b><u>3,123</u></b>	<b><u>3,003</u></b>
<i>Movements in working capital:</i>			
Inventories		(136)	(119)
Advances paid		39	(69)
Trade and other receivables		(5)	1
Other taxes receivable		(39)	(8)
Trade and other payables		89	64
Other taxes payable		6	(22)
Other liabilities		(6)	5
<b>Cash generated by operations</b>		<b><u>3,071</u></b>	<b><u>2,855</u></b>
Income tax paid		(993)	(1,507)
<b>Net cash generated from operating activities</b>		<b><u>2,078</u></b>	<b><u>1,348</u></b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(656)	(857)
<b>Net cash used in investing activities</b>		<b><u>(656)</u></b>	<b><u>(857)</u></b>
<b>Financing activities</b>			
Dividends paid		(1,389)	(982)
Cash paid as charity and sponsorship in accordance with the orders of state regulatory and supervisory authorities		(213)	(62)
Cash transferred to non-Gold segments as a result of the Company formation	10	–	(124)
Proceeds from borrowings	12	1,593	1,088
Repayments of borrowings	12	(1,205)	(552)
Interest paid	12	(104)	(58)
Commission on borrowings paid	12	(16)	(10)
Cash movements related to non-Gold segments, net		–	23
<b>Net cash used in financing activities</b>		<b><u>(1,334)</u></b>	<b><u>(677)</u></b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>88</b>	<b>(186)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	10	<b>16</b>	<b>198</b>
Effect of foreign exchange changes on cash and cash equivalents		1	4
<b>Cash and cash equivalents at the end of the year</b>	10	<b><u>105</u></b>	<b><u>16</u></b>

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

# JSC “NAVOI MINING AND METALLURGICAL COMPANY”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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### 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 Ministry of Finance 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.

Uzbekistan produces and exports gold in large volume. As a result, its economy is sensitive to the price of gold on the world market. During 2022, the gold price was subject to significant fluctuations with the average price of 1,801.87 USD per troy ounce (2021: 1,798.89 USD per troy ounce). At the end of 2022 the Uzbekistan’s gross domestic product grew by 5.7%. In 2022, the highest inflation over the past three years was recorded in the country, amounting to 12.3% per annum (2021: 9.98%).

The military and political conflict between Russia and Ukraine escalated in early 2022. As a result, several countries introduced economic sanctions against Russia and Belarus, including measures to ban new investment and restrict interaction with major financial institutions and many state enterprises. As a result of these sanctions, the export of labour to Russia and the related level remittances may also reduce, which could have a negative impact on the economy of Uzbekistan. However, it has not had significant impact on the Company’s operations.

Moreover, in March 2022, the Uzbekistan Soum (“UZS”) depreciated against major foreign currencies amid the external geopolitical situation. To reduce the negative impact of external factors on the economy of Uzbekistan, the Central Bank of the Republic of Uzbekistan made

# JSC “NAVOI MINING AND METALLURGICAL COMPANY”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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a number of adjustments to the base rate throughout 2022 and fixed it at 15% per annum at the end of the year comparing to 14% per annum at the beginning of the period. In addition, interventions on the currency market were performed to support the UZS exchange rate against foreign currencies. However, there is uncertainty related to the future developments of geopolitical risks and their impact on the economy of the Republic of Uzbekistan.

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 year ended 31 December 2022.

The future business environment may differ from management’s assessment.

## 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. The financial statements have been prepared on a historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### **Carve-out**

The comparative information up to the date of the Company formation is presented on a “carve-out” basis and represents financial information pertaining to those transactions and operations that are related to the activities relating to the extraction and processing of fine gold (the “Gold Segment”) of State Enterprise “Navoi Mining and Metallurgical Combinat”, a predecessor company. On 1 December 2021, the Gold Segment’s assets and liabilities together with appropriate labour forces were transferred to a newly established legal entity and since then the Company operates on a standalone basis.

Operations before 1 December 2021 are based on the approach developed by management to identify the 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

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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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 the comparative information resulted in an accurate carve-out of all the assets and liabilities associated with the Gold Segment of the predecessor company. Up to the spin-off date, all transactions with non-Gold segments of the predecessor company were presented in the statement of changes in equity and statement of cash flows on a net basis.

#### **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 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.

# JSC “NAVOI MINING AND METALLURGICAL COMPANY”

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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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:

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>1 USD exchange rates, UZS</b>		
Closing exchange rates at the end of the year	11,225.46	10,837.66
Average exchange rates for the year ended	11,051.22	10,609.98

### 3.2. Property, plant and equipment

Property, plant and equipment include stripping activity assets, mines under development, capital construction in progress, mining assets and non-mining assets

#### ***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

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

*(in millions of US Dollars, unless otherwise stated)*

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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 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.

#### ***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:



## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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- 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 less accumulated depreciation and impairment losses. Non-mining assets include:

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

#### ***Depreciation***

Depreciation of fixed assets is charged from the date on which deposit reached commercial production volumes. Depreciation is 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;
- ***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; and
- ***non-mining assets*** are 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 2022 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.

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**3.3. Impairment of property, plant and equipment**

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Exploration and evaluation assets are tested for impairment when reclassified to development tangible or intangible assets, or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets’ carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets’ fair value less costs of disposal and their value in use.

**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***

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

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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.

## JSC "NAVOI MINING AND METALLURGICAL COMPANY"

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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#### 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.

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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#### **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.

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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#### 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

No critical judgements have been applied when selecting the appropriate accounting policies.

##### 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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- ore reserves and life of mine; and
- taxation.

##### 4.2.1. 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.

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 annually 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.

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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#### 4.2.2. 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.

## 5. ADOPTION OF NEW AND REVISED STANDARDS

The Company has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
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

The amendments listed above did not have any impact on the amounts recognised in prior periods and do not have any material effect on the financial statements.

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	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 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

These standards, amendments or interpretations are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of US Dollars, unless otherwise stated)

#### 6. COST OF SALES

	<u>2022</u>	<u>2021</u>
Royalty (Mineral extraction tax)	517	723
Consumables and spares	560	437
Depreciation and amortisation (note 8)	343	345
Labour	332	251
Utilities	227	149
Fuel	228	115
Other	60	38
<b>Total cost of production</b>	<b>2,267</b>	<b>2,058</b>
Change in work in progress and finished goods	<u>(104)</u>	<u>(92)</u>
<b>Total</b>	<b><u>2,163</u></b>	<b><u>1,966</u></b>

Royalty has decreased due to the decrease in mineral extraction tax rate in 2022 to 10% (2021: 15%).

#### 7. INCOME TAX EXPENSE

	<u>2022</u>	<u>2021</u>
Current tax expense	958	1,458
Deferred tax expense	<u>642</u>	<u>(150)</u>
<b>Total</b>	<b><u>1,600</u></b>	<b><u>1,308</u></b>

The Company is subject to the regular corporate income tax as well as the specific income tax calculated on profits exceeding a certain level. 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 regular corporate income tax rate is 15%. Taxable profit related to the amount in excess of 15% of revenue was taxed at income tax rate of 50% in 2022 (2021: 75%).

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

	<u>2022</u>	<u>2021</u>
<b>Profit before income tax</b>	<b>2,608</b>	<b>2,573</b>
Income tax computed at statutory income tax rate	996	1,296
Effect of changes in expected future income tax rates	591	(6)
Expenses not deductible for tax purposes	<u>13</u>	<u>18</u>
<b>Total presented in profit and loss</b>	<b><u>1,600</u></b>	<b><u>1,308</u></b>

On 22 January 2020, the Ministry of Finance of the Republic of Uzbekistan issued a letter indicating income tax rates relevant to the Company for periods starting 1 January 2020 (the “Tax rates letter”). The Tax rates letter did not represent a legal statute, however management considered 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. At the end of each



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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of US Dollars, unless otherwise stated)

calendar year, the President of the Republic of Uzbekistan issues a decree on the parameters of the state budget for the next calendar year indicating a number of fiscal data including corporate income tax rates and income tax rates in excess of established profitability.

Previously issued decrees related to 2020, 2021 and 2022 years confirmed parameters indicated in the Tax rates letter. However, the Decree No. PP-471 dated 30 December 2022 specified higher income tax rates for 2023, than indicated in the Tax rates letter. As a result of the change, the deferred tax liability amount increased by USD 591 million as at 31 December 2022.

Income tax rates in excess of established profitability relevant to calculation of deferred taxes in the reporting and comparative periods were as follows:

	Rates		
	2021	2022	2023 and after
The Tax rates letter	75%	50%	25%
The Decrees of the President of the Republic of Uzbekistan	75% <sup>1</sup>	50% <sup>2</sup>	50% <sup>3</sup>

<sup>1</sup> the Decree of the President of the Republic of Uzbekistan No. PP-4938 dated 30 December 2020

<sup>2</sup> the Decree of the President of the Republic of Uzbekistan No. PP-73 dated 30 December 2021

<sup>3</sup> the Decree of the President of the Republic of Uzbekistan No. PP-471 dated 30 December 2022

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:

	2022	2021
<b>Current tax</b>		
Free of charge transfer of property, plant and equipment, charity and sponsorship in accordance with the orders of state regulatory and supervisory authorities	-	16
<b>Deferred tax</b>		
Remeasurement of defined benefit liability	3	-
Change of taxable base of property, plant and equipment due to transformation and the Company formation	-	511
<b>Total</b>	<b>3</b>	<b>527</b>

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 Generally Accepted Accounting Principles 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.

# JSC "NAVOI MINING AND METALLURGICAL COMPANY"

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of US Dollars, unless otherwise stated)

### 8. PROPERTY, PLANT AND EQUIPMENT

	Stripping assets	Mine under development	Capital construction in progress	Mining assets	Non-mining assets	Total
<b>Costs</b>						
<b>Balance at 1 January 2021</b>	<b>246</b>	<b>721</b>	<b>669</b>	<b>4,130</b>	<b>2,487</b>	<b>8,253</b>
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)
<b>Balance at 31 December 2021</b>	<b>546</b>	<b>762</b>	<b>582</b>	<b>4,021</b>	<b>2,962</b>	<b>8,873</b>
Additions	325	72	414	–	14	825
Change in environmental obligations	–	–	–	(51)	–	(51)
Transfers	–	(78)	(315)	89	304	–
Disposals	–	–	(2)	–	(5)	(7)
Translation	(23)	(26)	(22)	(139)	(107)	(317)
<b>Balance at 31 December 2022</b>	<b>848</b>	<b>730</b>	<b>657</b>	<b>3,920</b>	<b>3,168</b>	<b>9,323</b>
<b>Accumulated depreciation and impairment</b>						
<b>Balance at 1 January 2021</b>	<b>15</b>	<b>–</b>	<b>–</b>	<b>116</b>	<b>259</b>	<b>390</b>
Depreciation charge	22	–	–	107	326	455
Disposals	–	–	–	–	(17)	(17)
Translation	(2)	–	–	(7)	(14)	(23)
<b>Balance at 31 December 2021</b>	<b>35</b>	<b>–</b>	<b>–</b>	<b>216</b>	<b>554</b>	<b>805</b>
Depreciation charge	37	–	–	121	331	489
Disposals	–	–	–	–	(2)	(2)
Translation	(2)	–	–	(9)	(23)	(34)
<b>Balance at 31 December 2022</b>	<b>70</b>	<b>–</b>	<b>–</b>	<b>328</b>	<b>860</b>	<b>1,258</b>
<b>Carrying value</b>						
<b>Balance at 1 January 2021</b>	<b>231</b>	<b>721</b>	<b>669</b>	<b>4,014</b>	<b>2,228</b>	<b>7,863</b>
<b>Balance at 31 December 2021</b>	<b>511</b>	<b>762</b>	<b>582</b>	<b>3,805</b>	<b>2,408</b>	<b>8,068</b>
<b>Balance at 31 December 2022</b>	<b>778</b>	<b>730</b>	<b>657</b>	<b>3,592</b>	<b>2,308</b>	<b>8,065</b>

# JSC "NAVOI MINING AND METALLURGICAL COMPANY"

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of US Dollars, unless otherwise stated)

### Mineral rights

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
Mining assets	3,425	3,581
Mine under development	<u>582</u>	<u>677</u>
<b>Total</b>	<b><u>4,007</u></b>	<b><u>4,258</u></b>

### Depreciation

Depreciation charges are allocated as follows:

	<u>2022</u>	<u>2021</u>
Cost of gold sales	331	308
Depreciation in change in inventory	<u>12</u>	<u>37</u>
<b>Depreciation within cost of gold production (note 6)</b>	<b>343</b>	<b>345</b>
Capitalised within property, plant and equipment	144	108
Administrative and selling expenses	1	1
Other expenses	<u>1</u>	<u>1</u>
<b>Total depreciation of property, plant and equipment</b>	<b><u>489</u></b>	<b><u>455</u></b>

For the year ended 31 December 2022, the total amount of capitalised interest included in the cost of qualifying assets was calculated by applying the weighted average capitalisation rate on funds borrowed of 6.73% per annum (31 December 2021: 5.88%). The total amount of finance costs capitalised was USD 25 million (31 December 2021: USD 28 million).

## 9. INVENTORIES

	<u>31 December 2022</u>	<u>31 December 2021</u>
Materials and consumables	314	296
Work in progress	169	126
Stockpiles	<u>129</u>	<u>70</u>
<b>Total</b>	<b>612</b>	<b>492</b>
Less non-current portion of stockpiles	<u>(64)</u>	<u>(30)</u>
<b>Total current inventories</b>	<b><u>548</u></b>	<b><u>462</u></b>

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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#### 10. CASH AND CASH EQUIVALENTS

	<u>31 December 2022</u>	<u>31 December 2021</u>
Current bank accounts, related parties:		
USD-denominated	3	1
UZS-denominated	1	10
Deposits	1	–
Cash in the Federal Treasury of Republic of Uzbekistan, USD-denominated	100	5
<b>Total</b>	<u><b>105</b></u>	<u><b>16</b></u>

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).

#### 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.

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.

##### Dividends and in-kind distribution

In 2022, NMMC declared dividends in the amount of USD 1,389 million (2021: USD 982 million) (at exchange rates on the dates of approval).

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

*(in millions of US Dollars, unless otherwise stated)*

During the years ended 31 December 2022 and 2021, following the Orders of the state regulatory and supervisory authorities, the Company made the following charity and sponsorship contributions (such contributions were considered as in-kind distribution to the controlling shareholder and presented within statement of changes in equity):

	<u>2022</u>	<u>2021</u>
Net assets transferred to non-Gold segments as a result of the Company formation	–	89
Charity and sponsorship	<u>221</u>	<u>68</u>
<b>Total</b>	<b><u>221</u></b>	<b><u>157</u></b>

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	124
Liabilities of the Gold Segment remained in the Predecessor Company’s books	
Other taxes payable	(13)
Trade and other payables	<u>(22)</u>
<b>Total</b>	<b><u>89</u></b>

## 12. BORROWINGS

	<u>Maturity</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
Bank loans, related parties	2023-2029	944	776
Bank loans, other	2026-2027	1,188	921
Loans from the Ministry of Finance, related party	2029	<u>49</u>	<u>87</u>
<b>Total</b>		<b><u>2,181</u></b>	<b><u>1,784</u></b>
Less current portion		<u>(543)</u>	<u>(729)</u>
<b>Total non-current borrowings</b>		<b><u>1,638</u></b>	<b><u>1,055</u></b>
Weighted average effective interest rate, % per annum		6.73%	5.88%

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.

### Unused credit facilities

As at 31 December 2022, available credit facilities of USD 254 million carried interest at SOFR 6m+3.2% % with maturity in 2023 (31 December 2021: USD 676 million at 4.8% matured in 2026).

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of US Dollars, unless otherwise stated)

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#### 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 2022, according to these calculations the Company was in compliance with related covenants.

#### Reconciliation of liabilities arising from financing activities

	<u>2022</u>	<u>2021</u>
Borrowings at amortised cost	1,770	1,220
Accrued but unpaid interest	14	12
<b>Carrying value at 1 January</b>	<b><u>1,784</u></b>	<b><u>1,232</u></b>
Borrowings obtained	1,593	1,088
Borrowings repaid	(1,205)	(552)
Commission paid	(16)	(10)
Interest paid	(104)	(58)
<b>Net cash flows</b>	<b>268</b>	<b>468</b>
<i>Non-cash changes, including:</i>		
Interest expense on borrowings as presented in profit and loss	104	56
Interest included in the cost of qualifying assets	25	28
Foreign exchange loss	62	50
Effect of translation to presentation currency	(62)	(50)
Borrowings at amortised cost	2,158	1,770
Accrued but unpaid interest	23	14
<b>Carrying value at 31 December</b>	<b><u>2,181</u></b>	<b><u>1,784</u></b>

## JSC "NAVOI MINING AND METALLURGICAL COMPANY"

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of US Dollars, unless otherwise stated)

#### 13. DEFERRED TAX LIABILITIES

	31 December 2021	Recognised in profit or loss	Recognised outside of profit or loss	Translation	31 December 2022
Property, plant and equipment	965	630	–	(48)	1,547
Borrowings	17	5	–	(1)	21
Inventories	(71)	14	–	2	(55)
Environmental obligations	(22)	3	–	1	(18)
Other	(18)	(10)	–	2	(26)
<b>Total</b>	<b>871</b>	<b>642</b>	<b>–</b>	<b>(44)</b>	<b>1,469</b>

	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)
<b>Total</b>	<b>1,579</b>	<b>(150)</b>	<b>(511)</b>	<b>(47)</b>	<b>871</b>

In 2021, 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.

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 7.

#### 14. TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
Trade payables	161	78
Accrued annual leave	29	20
Wages and salaries payable	35	29
Other accounts payable and accrued expenses	4	6
<b>Total</b>	<b>229</b>	<b>133</b>

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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#### 15. COMMITMENTS

##### Capital commitments

The Company contracted capital expenditure commitments are presented as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Contractual capital commitments	181	184

##### 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. Utilities consumed by the Company are fully supplied by government owned entities. Certain government owned entities supply the Company with essential consumables such as grinding balls, metal rolling, chemicals. In 2022, the Company’s purchases from JSC Uzmetkombinat and JSC Navoiyazot, government owned entities, comprised USD 178 million and USD 121 million respectively (2021: USD 172 million and USD 118 million). Also, the Company has purchased the part of diesel from LLC Bukhara oil refinery factory in the amount of USD 100 million (2021: USD 18 million). There were no other individually significant government related transactions.

In 2022, key management personnel compensation included only short-term employee benefits and was equal to USD 1 million (2021: USD 1 million).



## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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#### 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.

##### 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.

	<u>Carrying value</u>	<u>Fair value</u>
Borrowings at 31 December 2021	1,784	1,790
Borrowings at 31 December 2022	2,181	2,128

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.

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (in millions of US Dollars, unless otherwise stated)

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

	<u>31 December 2022</u>	<u>31 December 2021</u>
<b>Financial assets</b>		
Cash and cash equivalents	103	1
Trade and other receivables	<u>1</u>	<u>-</u>
<b>Total financial assets</b>	<b><u>104</u></b>	<b><u>1</u></b>
<b>Financial liabilities</b>		
Borrowings	2,181	1,784
Trade and other payables	<u>18</u>	<u>10</u>
<b>Total financial liabilities</b>	<b><u>2,199</u></b>	<b><u>1,794</u></b>

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.

	<u>31 December 2022</u>	<u>31 December 2021</u>
Impact on profit before income tax	(210)	(179)

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:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Variable rate borrowings	1,472	885

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (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:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Impact on profit before income tax	(15)	(9)

#### 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 2022 based on undiscounted contractual cash payments, including interest payments:

	<u>Borrowings</u>		<u>Trade and other payables</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
Less than 1 year	538	124	226	888
1-2 years	162	125	–	287
2-5 years	1,416	219	–	1,635
More than 5 years	98	8	–	106
<b>Total</b>	<b><u>2,214</u></b>	<b><u>476</u></b>	<b><u>226</u></b>	<b><u>2,916</u></b>

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

	<u>Borrowings</u>		<u>Trade and other payables</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
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
<b>Total</b>	<b><u>1,826</u></b>	<b><u>250</u></b>	<b><u>133</u></b>	<b><u>2,209</u></b>

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 *(in millions of US Dollars, unless otherwise stated)*

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#### 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:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Cash and cash equivalents	105	16
Trade and other receivables	<u>11</u>	<u>7</u>
<b>Total</b>	<b><u>116</u></b>	<b><u>23</u></b>

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 2023, the Company declared dividends in the amount of USD 485 million (at exchange rates on the dates of approval). Up to the date of authorisation of these financial statements for issuance all dividends were paid in full.

#### Social commitments

The Company committed to provide support for social infrastructure in the location of the Company’s operations in the amount of USD 30 million for the period from 1 January to 30 September 2023. Up to the date of the authorisation of these financial statements USD 29 million have been paid.

#### Credit facilities

Up to the date of authorisation of these financial statements, the Company received USD 473 million and Euro 54 million from new and previously signed loan facilities with fixed and variable interest rates and maturity in 2024-2027. Proceeds were used for operating and investing activities. USD 512 million of loan facilities have been repaid.

## JSC “NAVOI MINING AND METALLURGICAL COMPANY”

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

*(in millions of US Dollars, unless otherwise stated)*

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#### **Covenants**

In May 2023 the Company has breached a non-financial covenant under certain bank loan agreements related to provision of the audited financial statements for the year ended 31 December 2022. At the date of the authorisation of these financial statements the Company has obtained covenant waivers from respective banks.

#### **Change in shareholder**

In March 2023, the shareholder of the Company has changed from the Ministry of Finance to the Agency for Strategic Reforms under the President of the Republic of Uzbekistan (100% ownership).

In August 2023, the shareholder of the Company has changed from the Agency for Strategic Reforms under the President of the Republic Uzbekistan to the Ministry of Economy and Finance (98% ownership) and the State Assets Management Agency of the Republic of Uzbekistan (2% ownership).