

Independent auditor's report

To the Shareholder, Temporary External Manager of Kumtor Gold Company CJSC and the Cabinet of Ministers of Kyrgyz Republic

Opinion

We have audited the financial statements of Kumtor Gold Company CJSC (hereinafter, the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and its cash flows for the year then ended 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 19 March 2021.

Responsibilities of management 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.

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.

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.



Paul Cohn
Auditor / General Director
Ernst & Young Audit LLC

Qualification certificate of the auditor:
Series A No. 0366, registration number
No. 0446 of October 22, 2018

Audit license: Series A, No. 0036, registration
number No. 0065, issued February 20, 2010
by the State Service for Regulation and
Supervision of the Financial Market under the
Government of the Kyrgyz Republic

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720001, Bishkek, Kyrgyz Republic

9 August 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

<i>In thousands of United States Dollars</i>	Note	2021	2020 (restated*)
Revenue from contracts with customers	5	855,965	988,947
Cost of sales	6	(385,546)	(396,013)
Gross profit		470,419	592,934
General and administrative expenses	7	(8,038)	(9,748)
Taxes	8	(169,543)	(168,815)
Exploration costs	9	(12,787)	(15,905)
Regional Development and Nature Development Fund	10	(7,124)	(16,657)
Management fee		(114)	(569)
Expected credit losses	12	(41,685)	–
Other operating income		3,388	–
Other operating expenses	13	(2,707)	(9,299)
Operating profit		231,809	371,941
Finance income	14	2,895	2,607
Finance costs	14	(2,304)	(1,123)
Social development contributions	15	(1,685)	(2,625)
Other expenses		(495)	(18)
Foreign exchange gain, net		2,939	18,712
Profit for the year		233,159	389,494


* Certain amounts given in this column are not consistent with the financial statements for 2020 as they reflect the restatements made, disclosed in Note 4.

Signed on behalf of Management of the Company:


Kubanych Moldobekov
Executive Director

9 August 2022
Bishkek, Kyrgyz Republic




Rysbek Toktogul
Director, Financial Management

9 August 2022
Bishkek, Kyrgyz Republic



The explanatory notes 1-30 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2021

<i>In thousands of United States Dollars</i>	Note	31 December 2021	31 December 2020 (restated*)	31 December 2019 (restated*)
Assets				
Non-current assets				
Property, plant and equipment	16	604,124	550,748	412,765
Reclamation trust fund	26	52,874	46,992	40,911
Prepayment for non-current assets		8,466	8,127	306
Long-term deposit	17	7,967	–	–
		673,431	605,867	453,982
Current assets				
Inventories	18	185,383	229,210	422,578
Supplies and prepayments	19	162,914	156,491	165,817
Loans given	20	50,000	415,734	237,550
Trade and other receivables	21	32,467	628	884
Cash and cash equivalents	22	198,581	19,782	10,700
		629,345	821,845	837,529
Total assets		1,302,776	1,427,712	1,291,511
Equity				
Share capital	25	1	1	1
Additional paid-in capital	25	45,000	45,000	45,000
Retained earnings		971,193	1,118,034	978,540
Total equity		1,016,194	1,163,035	1,023,541
Non-current liabilities				
Provision for site restoration	26	56,451	56,451	54,671
Lease liabilities		1,076	–	–
		57,527	56,451	54,671
Current liabilities				
Trade and other payables	23	43,332	61,689	75,629
Other taxes payable	24	185,635	146,537	129,670
Lease liabilities		88	–	–
Payable for Kyrgyz Republic Settlements		–	–	8,000
		229,055	208,226	213,299
Total liabilities		286,582	264,677	267,970
Total equity and liabilities		1,302,776	1,427,712	1,291,511

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Signed on behalf of Management of the Company:



 Kubanych Moldobekov
 Executive Director
 9 August 2022
 Bishkek, Kyrgyz Republic



 Rysbek Toktogul
 Director, Financial Management
 9 August 2022
 Bishkek, Kyrgyz Republic

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STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

<i>In thousands of United States Dollars</i>	Note	2021	2020 (restated*)
Cash flows from operating activities			
Profit for the year		233,159	389,494
Adjustments for:			
Depreciation and depletion		89,100	76,036
Inventories written off to NRV		3,108	4,866
Expected credit loss on financial assets	12	41,685	–
Unwind of discount on site restoration provision		–	1,001
Finance income		(2,895)	(2,607)
Finance costs		2,304	1,123
Foreign exchange gain		(2,939)	(18,712)
Other expenses		1,318	2,273
Loss on disposal of property, plant and equipment		401	240
		365,241	453,714
Change in inventories		43,827	193,368
Change in supplies and prepayments		(10,850)	4,460
Change in trade and other receivables		(34,149)	256
Change in trade and other payables		(16,856)	(23,983)
Change in taxes payable		42,545	36,511
		389,758	664,326
Interest received		1,594	3,425
Net cash flows from operating activities		391,352	667,751
Cash flows from investing activities			
Acquisition of property, plant and equipment		(143,822)	(222,676)
Placement of long-term deposit		(10,028)	–
Proceeds from loans given		100,000	80,000
Loans given		(146,000)	(509,000)
Allocation to reclamation trust fund		(5,882)	(6,081)
Proceeds from sale of property, plant and equipment		44	20
Net cash flows used in investing activities		(205,688)	(657,737)
Net increase in cash and cash equivalents		185,664	10,014
Effect of movements in exchange rates on cash and cash equivalents		(508)	(932)
Effect of expected credit loss on cash and cash equivalents	12	(6,357)	–
Cash and cash equivalents at 1 January		19,782	10,700
Cash and cash equivalents at 31 December	22	198,581	19,782

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Executive Director

9 August 2022
Bishkek, Kyrgyz Republic




Rysbek Toktogul
Director, Financial Management

9 August 2022
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STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

<i>In thousands of United States Dollars</i>	Share capital	Additional paid-in capital	Retained earnings	Total
At 1 January 2020 (as previously reported*)	1	45,000	1,106,047	1,151,048
Correction of errors (refer to Note 4)	–	–	(127,507)	(127,507)
Balance as at beginning of the period (restated*)	1	45,000	978,540	1,023,541
Profit for the year*	–	–	389,494	389,494
Total comprehensive income for the year	–	–	389,494	389,494
Dividends declared	–	–	(250,000)	(250,000)
At 31 December 2020 (restated*)	1	45,000	1,118,034	1,163,035
Profit for the year	–	–	233,159	233,159
Total comprehensive income for the year	–	–	233,159	233,159
Dividends declared	–	–	(380,000)	(380,000)
At 31 December 2021	1	45,000	971,193	1,016,194

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Signed on behalf of Management of the Company:



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 Executive Director
 9 August 2022
 Bishkek, Kyrgyz Republic



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 9 August 2022
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