

Czech University of Life Sciences Prague

Faculty of Economics and Management

Business Administration



Master's Thesis

**Assessment of the Financial Position and Performance of the
Chosen Leading Companies in the Mining
Industry in the Kyrgyz Republic**

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Objectives of thesis

The aim of this thesis is to assess and compare the financial position and performance of two leading companies operating in the mining industry in the Kyrgyz republic, by analyzing the companies' financial statements with focus on the representation and changes of the reported assets, liabilities, expenses and revenues for a chosen period to identify the potential financial problems and the most significant factors influencing the profit from the company and industry point of view.

Methodology

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The practical part of the thesis will be based on the information gained from the published annual reports of the chosen companies. Vertical and horizontal analysis and ratio analysis of the financial statements will be used to assess the financial position and performance of the companies and to prepare the practical part of the thesis. The methods of analysis, synthesis, comparison and deduction will be used to formulate the conclusions of the thesis.

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financial statements, financial position, balance sheet, assets, liabilities, equity, financial performance, income statement, expenses, revenues, profit, financial analysis, mining industry

Recommended information sources

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Declaration

I declare that I have worked on my master's thesis titled " Assessment of the Financial Position and Performance of the Chosen Leading Companies in the Mining Industry in the Kyrgyz Republic" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the master's thesis, I declare that the thesis does not break any copyrights.

In Prague on 30 November 2021



Rukiia Akumova

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Assessment of the Financial Position and Performance of the Chosen Leading Companies in the Mining Industry in the Kyrgyz Republic

Abstract

This diploma thesis is focusing on the assessment of financial position and performance of two leading companies that operate in Kyrgyz Republic – Centerra Gold Inc. and Kaz Minerals. Both companies have foreign investments, therefore recognizing its financial activity according to IFRS reporting standards. The thesis will discuss the legislative basis of accounting and financial performance policies applied for Kyrgyz Republic in the theoretical part. Apart from this, theoretical part will briefly describe the methods of the analysis performed in practical part such as horizontal and vertical analysis. The mining industry worldwide and in Kyrgyz Republic would be covered by general information and actual challenges that impacting the end business results and potential risks. Understanding of the components of Balance Sheet and Income Statements will be explained in first part of theory in order to use those financial forms for practical analysis of the thesis. Practical part performs the detailed horizontal and vertical analysis of Financial position (Balance Sheet) and Financial performance (Income Statement) of the chosen leading mining companies operating in Kyrgyz Republic – Centerra Gold Inc. and Kaz Minerals. The analytical period is covering last four audited years based on published Annual reports 2017-2020 years. Both companies audited by KPMG on a group level. The comparative analysis of the financial indicators of chosen companies will be performed in the result and discussion part. The challenges occurred during the business activity in particular sector and country might be disclosed in discussion by providing some potential factors lately – political and social (Covid19). Overall, this thesis will try to point those mentioned aspects in order to illustrate possible challenges and benefits that companies could face. The conclusion of the thesis briefly describes actual situation based on performed analysis and updates happened in mining of Kyrgyz Republic.

Keywords: mining industry, Kyrgyz Republic, financial performance, financial position, IFRS, balance sheet, income statement, Kumtor, Centerra Gold, Bozymchak, Kaz Minerals.

Posouzení finanční pozice a výkonnosti vybraných předních společností v hornictví Průmysl v Kyrgyzské republice

Abstrakt

Tento výzkumný dokument se zaměřuje na hodnocení finanční pozice a výkonnosti dvou předních společností působících v Kyrgyzské republice – Centerra Gold Inc. a Kaz Minerals. Obě společnosti mají zahraniční investice, a proto vykazují svou finanční aktivitu podle standardů vykazování IFRS. V teoretické části se práce bude zabývat legislativním základem účetních a finančních politik uplatňovaných pro Kyrgyzskou republiku. Kromě toho budou v teoretické části stručně popsány metody analýzy prováděné v praktické části, jako je horizontální a vertikální analýza. Těžební průmysl po celém světě a v Kyrgyzské republice by byl pokryt obecnými informacemi a aktuálními výzvami, které ovlivňují konečné obchodní výsledky a potenciální rizika. V první části teorie bude vysvětleno pochopení složek rozvahy a výsledovky, aby bylo možné tyto finanční formy využít pro praktickou analýzu diplomové práce. Praktická část provádí podrobnou horizontální a vertikální analýzu finanční pozice (rozvaha) a finanční výkonnosti (výkaz zisku a ztráty) vybraných předních těžařských společností působících v Kyrgyzské republice – Centerra Gold Inc. a Kaz Minerals. Analytické období zahrnuje poslední čtyři auditované roky na základě zveřejněných výročních zpráv za roky 2017-2020. Obě společnosti byly auditovány KPMG na úrovni skupiny. Ve výsledkové a diskusní části bude provedena srovnávací analýza finančních ukazatelů vybraných společností. Výzvy, které se vyskytly během podnikatelské činnosti v konkrétním sektoru a zemi, mohou být odhaleny v diskuzi poskytnutím některých potenciálních faktorů v poslední době – politických a sociálních (Covid19). Celkově se tento výzkum pokusí poukázat na zmíněné aspekty, aby ilustroval možné výzvy a výhody, kterým by společnosti mohly čelit. V závěru práce je stručně popsán aktuální stav na základě provedených analýz a aktualizací v těžbě Kyrgyzské republiky.

Klíčová slova: těžební průmysl, Kyrgyzská republika, finanční výkonnost, finanční situace, IFRS, rozvaha, výsledovka, Kumtor, Centerra Gold, Bozymchak, Kaz Minerals.

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1 Introduction

In a market economy, one of the most important conditions for successful financial management of an enterprise is the analysis of its financial condition. The financial position is characterized by a set of indicators reflecting the process of formation and use of its financial resources. In a market economy, the financial position and performance of an enterprise essentially reflects the results of its activities. It is the results of the enterprise that are of interest to the owners of the enterprise, its business partners, and the tax (finance) authorities. This predetermines the importance of analyzing the financial position of an economic entity and increases the role of such analysis in the economic process.

Only based on financial analysis, identifying the strengths and weaknesses in the financial position of the enterprise, it is possible to outline measures to strengthen it or get out of a difficult financial situation. An important stage in the analysis of the financial position of the enterprise is the analysis of the solvency and financial stability of the business. It allows you to assess the activities of an enterprise in various areas and develop a financial policy of the enterprise that allows you to achieve the goals set during the formation of the company.

In modern economic conditions, every finance manager must know the technology for conducting such an analysis, be able to draw the necessary conclusions on its basis, develop and propose to the company's management measures to improve the solvency, financial stability of the company. Elements of the financial mechanism are the main regulators of the economy, and financial results most fully reflect the overall results of the activities of individual enterprises.

The financial activities of the company include:

- meeting the need for financial resources.
- optimization of the structure of financial capital according to the sources of its transformation.
- ensuring financial discipline in relations with other enterprises (suppliers and consumers), banks, tax authorities.
- regulation of the financial relations of the enterprise with the owners (shareholders), hired personnel, between divisions (branches), etc.

To determine the financial position of a company, several characteristics are used that most fully and accurately show the state of the enterprise both in the internal and in the external

environment. The financial stability of an enterprise is one of these characteristics. It is associated with dependence on creditors, investors, i.e., with the ratio “equity capital - borrowed capital”. The presence of significant liabilities that are not fully covered by their own liquid capital creates the preconditions for bankruptcy if large creditors demand the return of their funds. But at the same time, the investment of borrowed funds can significantly increase the return on equity. Therefore, when analyzing the company’s financial stability, it is very important to use a system of indicators that reflect the risk and profitability of the company in the future.

The mining industry is one of the leading sectors of the global economy. According to the British newspaper "Financial Times", this industry ranked 5th in the world in terms of capitalization of the largest companies, after the banking sector, oil and gas, pharmaceutical and computer industries. The five countries with the most developed mining industries include Canada, South Africa, Australia, Russia and Chile. At the same time, the role of the industry in the economy of these and a number of other countries has significantly increased due to the rise in commodity prices in the last 10-15 years. So, the share of the mining industry in the total volume of industrial production for 1997-2008. grew (in current prices) in Brazil from 4 to 14%, the USA - from 5 to 13%, Canada - from 18 to 31%, Australia - from 25 to 44%, Russia - from 28 to 53%, Chile - from 26 up to 59%.

The choice of the topic of the thesis is justified by the fact that in market conditions, the guarantee of survival and the basis for the stable position of business is its financial stability. If an enterprise is financially stable, solvent, then it has several advantages over other enterprises of the same profile for obtaining loans, attracting investments, in choosing suppliers and in the selection of qualified personnel. The stable financial condition of the enterprise is the result of competent and skillful management of the entire complex of factors that directly determine the results of the economic activity of the enterprise. The higher the stability of an enterprise, the more it is independent of an unexpected change in market conditions and, consequently, the less the risk of being on the verge of bankruptcy.

2 Objectives and Methodology

2.1 Objectives

The aim of this thesis is to assess and compare the financial position and performance of two leading companies operating in the mining industry in the Kyrgyz republic, by analysing the companies' financial statements with focus on the representation and changes of the reported assets, liabilities, expenses and revenues for a chosen period to identify the potential financial problems and the most significant factors influencing the profit from the company and industry point of view.

One of the most important indicators characterizing the company's financial position is its solvency, i.e., the ability to timely pay off your payment obligations in cash. Solvency analysis is necessary not only for an enterprise in order to assess and forecast financial activities, but also for external investors (banks). Before issuing a loan, the bank must verify the creditworthiness of the borrower. The same should be done by the company itself that want to enter economic relations with each other. It is especially important to know about the financial capabilities of the partner if there is a question about granting him a commercial loan or deferred payment.

Assessment of financial stability and solvency is also the main element of the analysis of the financial position, necessary for control, allowing the company to assess the risk of violation of obligations for the settlements of the enterprise. The problem of maintaining a stable financial position has always faced the management of the company and was largely determined by the ability to analyze its activities. Conducting a regular comprehensive financial analysis based on financial statements allows to solve this problem.

In modern conditions, namely, in an unstable economic and social situation, most often there is a situation when an enterprise, due to insufficient financial stability, is very close to a state of bankruptcy. But this can be avoided, or the losses can be reduced by resorting to the help of financial analysis - to the analysis of financial stability and it is more likely to avoid "troubles" or reduce the degree of risk. In such conditions, forecasting financial indicators for the coming period can play a very important role.

The above confirms the relevance of the topic of the final thesis " Assessment of the financial position and performance of mining industry in Kyrgyz Republic."

The object of the thesis diploma is mining industry of Kyrgyzstan based on 2 major leaders – Centerra Gold Inc. and KAZ Minerals. The analysis will be carried out from 2018 onwards to 2020. The purpose of this work is to determine, based on the analysis of financial indicators of above-mentioned companies, measures to improve the financial stability and solvency of the enterprise. In order to achieve this goal, the following tasks are being presented:

- identifying the essence and purpose of financial analysis in general
- disclosure of the concept of solvency and financial stability of the companies
- consideration of the methodology for calculating indicators characterizing the solvency and financial stability
- a description of the financial and economic activities of Centerra Gold Inc. and KAZ Minerals
- analysis of the solvency and assessment of the financial position of Centerra Gold Inc. and KAZ Minerals
- development of measures and recommendations to improve the financial stability and solvency of Centerra Gold Inc. and KAZ Minerals
- familiarization with the technology of computer analysis of the solvency and financial stability of the enterprise.

Mining in the Kyrgyz Republic remains a sensitive area, and major investors must consider both politics and economics when determining whether to enter the local market. However, supplying the mining industry provides opportunities for U.S. exporters. The Kyrgyz Republic is home to a plethora of minerals, including gold, iron, copper, coal, and antimony. It should be noted that since the beginning of 2020, new legislation has entered into force, banning the development of uranium and thorium deposits, as well as the import of uranium-containing raw materials. Mining has become a critical component of the Kyrgyz Republic's economy. The country's mining sector has been developed over the last three decades to profit from its extensive mineral resources, including coal, gold, silver, copper, mercury, and others. The mining sector has grown to account for more than half of the Kyrgyz Republic's industrial production and comprises 29.2 percent of total GDP. The Kyrgyz Republic has some small oil deposits, but gold remains its primary export commodity.

2.2 Methodology

Methodology for the literature overview is based on data collection from the relevant legal framework, specialized publications and other written or online sources. The practical part of the thesis will be based on the information gained from the published annual reports of the chosen companies. Vertical and horizontal analysis and ratio analysis of the financial statements will be used to assess the financial position and performance of the companies and to prepare the practical part of the thesis. The methods of analysis, synthesis, comparison and deduction will be used to formulate the conclusions of the thesis.

In order to demonstrate the tools of financial assessment, the thesis work will focus on mining industry of Kyrgyz Republic, particularly on 2 major players – Centerra Gold Inc. and KAZ Minerals. The paper will briefly express the actual situation of the mining industry, competitors, indicators, and potential economic future.

The analytical period will cover 4 years from 2017 to 2020 based on annual reports of mentioned leaders in mining industry of Kyrgyz Republic. Balance Sheet and Income Statement of the companies will be primary data analytics for vertical and horizontal analysis that is basically constructed on chain year approach comparing the actual figures to the previous years. As secondary research, the information from different sources such as political and economic articles as mining industry struggles various speculations and discussions in Kyrgyz Republic.

3 Literature Review

3.1 Financial Statements – accounting system in Kyrgyz Republic.

Financial statements are a set of reporting forms compiled based on financial accounting data in order to provide users with generalized information about the financial position and activities of an enterprise. Financial accounting, in turn, summarizes production accounting data that are accumulated and used by the company for internal use. The need for a functional separation of accounting in the new conditions into financial and management accounting is determined by the fundamental differences between accounting tasks in a planned and market economy.

According to Peterson, P. P., & Fabozzi, F. J. (1999) financial analysis is just such a tool, its results are clear and understandable, contribute to the formation of the evaluator's understanding of the processes in the activities of the company. The added benefit of financial analysis is that its results are numeric, so it is permissible application of mathematical and statistical approaches to the transfer of these results on the value of the business. A set of indicators of financial analysis can be unambiguously interpreted, so the analysis results can be brought to a form understandable to a person who is not a professional appraiser or a financial analyst. This becomes especially important in view of the fact that the users of the assessment report can be people without knowledge and experience, associated with the financial analysis of the enterprise. The general definition of financial analysis is as follows: financial analysis (microeconomic) - a set of analytical procedures based on as a rule, on publicly available information of a financial nature and designed to assess the condition and effectiveness of use the economic potential of the company, as well as management decisions in regarding the optimization of its activities or participation in it.

Based on the Law of Kyrgyz Republic on Accounting (2002), International Financial Reporting Standards (IFRS) were adopted in the Kyrgyz Republic in 2002, and since then should be used as a methodological basis for accounting and financial reporting by all enterprises in the country, except for individual entrepreneurs and government agencies. In February 2013, amendments were made to the Law “On Accounting”, as a result of which some of the reporting requirements were more clearly formulated. The positive achievements achieved as a result of these changes, in particular, were:

- introduction of a multi-level approach to the preparation of financial statements, which delimits reporting requirements based on the size and degree of public interest in business entities (the full version of IFRS must be applied only by public interest organizations, including listed companies, banks, other financial institutions, investment funds, insurance companies, non-state pension funds).

- adoption of IFRS for small and medium-sized enterprises (IFRS for SMEs) for use by all businesses that do not meet the definition of public interest organizations.

Also, in 2013, the Government of the Kyrgyz Republic adopted the State Strategy for the Development of Corporate Financial Reporting and Auditing in the Kyrgyz Republic for 2014-2020 and identified the reform of accounting and auditing as one of the primary tasks of the country's development. The implementation of the Strategy is expected to improve the quality and availability of financial information in the market, which, in turn, will enhance the accountability and transparency of the private sector, improve access to finance and build investor confidence.

As stated in Centralized Data Bank Legal Information of KR (2021), financial statements - presentation of information about the financial position, results of operations and changes in the financial position of an entity. Subjects are required to prepare financial statements in accordance with the rules specified in Article 1 of this Law. Indicators of financial statements must be drawn up in the national currency of the Kyrgyz Republic, unless otherwise stipulated by international treaties that have entered into force in the manner prescribed by law, to which the Kyrgyz Republic is a party. In the cases provided for by IFRS, IFRS for SMEs and IPSAS, entities are required to prepare consolidated financial statements (As amended by the Laws of the Kyrgyz Republic of May 18, 2012 N 56, April 26, 2013 N 61).

In 2021, the accounting sector in Kyrgyzstan will face large-scale transformations. The new edition of the Law "On accounting" has already been developed and sent for consideration to the government apparatus. For the intensive development of the economy of Kyrgyzstan, it is periodically necessary to revise the previously existing normative acts and develop a new legislative framework. As Nurmatova Zh. stated (2020), one such area in the process of reform is the accounting system. This is laid down in the Strategy for the Development of Corporate Financial Reporting and Auditing in the Kyrgyz Republic for 2014-2020. In addition, the plan provides for bringing the legislation of Kyrgyzstan in the field of accounting into line with the developed draft law "On audit activity".

The following changes are proposed:

- introduction of the concept of a large business entity.
- creation by subjects of public interest and subjects of large business of audit committees.
- setting criteria for large and small entities.
- maintaining a public depository of financial statements.

The depository will be a unified electronic system for collecting, storing, summarizing, analyzing and publishing financial statements, management's report and auditor's report, submitted annually by public interest organizations, with access open to users. The depository will ensure the availability and transparency of the financial statements of organizations, which will increase their investment attractiveness, and will also help to improve the quality and reliability of information about the financial and economic activities of companies, on the basis of which users will be able to make informed economic decisions. A public depository of financial statements should be aimed at supporting government authorities, on the one hand, and the business environment in Kyrgyzstan, on the other. It should also be seen as part of the enforcement system because it will:

- identify all entities that are required to submit financial statements of general purpose in accordance with the law
- ensure that the financial statements are prepared on the basis of standards applicable to a particular organization
- collect individual and consolidated financial statements
- ensure that the financial statements are audited, and auditors have the authority to conduct them
- identify entities that did not submit financial statements on time.

The current stage of economic development is characterized by the intensification of globalization processes. Kyrgyzstan is integrating into the world economic community in all key areas. Small and medium-sized businesses also do not stand aside. An essential condition for the effectiveness of a business in a new environment is the high quality of information about its activities. The best basis for obtaining useful economic information about an entity, as noted earlier, is international financial reporting standards. The application of IFRS requires a certain

level of knowledge and competence. One of the problems in the implementation of the proposed norms of the draft law is the lack of qualified personnel who could competently draw up reports using international standards.

According to Nurmatova, secretary of State Financial supervision (2020) in order to resolve this problem, within the framework of the implementation of the Project for the Development of Audit and Financial Reporting in Kyrgyzstan, work is being carried out to improve the professional qualifications of accountants and auditors. In particular, it is planned to integrate higher education into this qualification with the introduction and improvement of special training programs for IFRS. The project also provides systematic training for accountants in the application of international standards.

Regarding the provision of financial statements to the depository, the entities should not have problems, since within the framework of digitalization, companies already submit reports to the fiscal authorities in electronic form and have certain skills. It should be noted that reports will be provided to the depository free of charge, and in terms of finance, there will be no burden on the business.

3.1.1 Balance Sheet and Income Statement.

The largest amount of information required for analysis contains the balance sheet, the asset of which characterizes the property of the organization, its composition and state in monetary form. In the Kyrgyz Republic, the balance sheet asset is built in the order of decreasing liquidity of funds. The balance sheet liabilities reflect the composition and state of rights to property arising in the course of the economic activity of the enterprise. The balance sheet form must take into account the approved uniform encoding of strings. As per Dichev, I. (2008), the data on the corresponding balance sheet items are formed on the basis of turnovers and balances on analytical accounts of the General Ledger at the end of the reporting year. It should be borne in mind that the organization's reporting also includes indicators of the activities of structural divisions (including branches and representative offices). The balance allows you to assess the efficiency of capital allocation, its sufficiency for current economic activity and development, the size and structure of borrowed funds, and the effectiveness of their attraction.

The income statement provides data on the income and expenses of the organization, its financial results for the reporting year. The data of the report is presented on an accrual basis from the beginning of the year based on the turnover of the corresponding accounting accounts.

The appendix to the balance sheet reflects the movement of depreciable property (intangible assets, fixed assets) and property intended for leasing or provided under a rental agreement, expenses for the development of natural resources, financial investments, accounts receivable and payable, expenses for ordinary activities.

Timely and complete analysis of the data of primary and consolidated accounting registers and reporting ensures the adoption of the necessary corrective measures aimed at achieving better business results.

The data of statistical accounting and reporting of the enterprise are used for in-depth study of the trends of the main indicators and the factors that form their level. The study of the data of macroeconomic statistics as a whole for the industry or the national economy is necessary to assess the external conditions for the functioning of the enterprise and the degree of economic and financial risks.

Operational accounting and reporting help to provide analysis with the necessary data (for example, on production and shipment of products, on the state of inventories) more quickly than statistics or accounting, and thereby create conditions for increasing the efficiency of analytical research.

Financial statements should reflect all information necessary for users, which should be adequate and reliable. Balance sheet should include indicators such as: new funds, intangible assets, cash and their equivalents tapes, receivables and payables, financial assets, investment taxation, income tax and liabilities, capital, and reserves. Composition - balance sheet is the disclosure of company funds and their sources in the context of the main items of assets and liabilities, as well as in comparison of data for the reporting period with data for the previous period. Additional materials that reveal the content of the articles, are found in the balance sheet and in appendices to financial statements in accordance with the requirements of the standard. Items directly related to the measurement of financial liabilities are assets, liabilities and capital.

Profit and Loss Statement - Should include information as revenue, results from operating activities, finance costs share of profits and losses of associates and joint activities accounted for using the participation method, expenses, taxes, profit or loss from ordinary activities, the results

of extraordinary circumstances, minority interest, net profit or loss for the period. Drawing up the Profit and Loss Statement consists in adjusting the semi-revenues calculated in the reporting period by adding the amount of the received income and deduction of the amount of expenses incurred, which ultimately gives the net profit for the reporting period. Additional Information, disclosing the content of articles, is given in the balance sheet or in annexes to financial statements. Elements related to the measurement of performance the profit and loss account are income and expenses.

3.2 Financial Analysis – horizontal and vertical analysis.

According to Van Horne & Wachowicz (2005) the content and the main goal of financial analysis is to assess the financial condition and identify the possibility of increasing the efficiency of the functioning of an economic entity with the help of a rational financial policy. Bernstein, L. (1993) stated that the financial condition of an economic entity is a characteristic of its financial competitiveness, the use of financial resources and capital, the fulfilment of obligations to the state and other business entities. In the traditional sense, financial analysis is a method of assessing and predicting the financial condition of an enterprise based on its financial statements.

Bushman (2007) mentioned that the practice of financial analysis has developed the basic rules (methods) for the analysis of financial statements. They can be conditionally divided into four types of analysis:

- horizontal (time) analysis - comparison of each position of the reporting with the previous period.

- vertical (structural) analysis - determination of the structure of the final indicators with the identification of the influence of each reporting item on the result as a whole.

- trend analysis - comparing each reporting position with a number of previous periods and determining the trend, that is, the main trend of the indicator's dynamics, cleared of random influences and individual characteristics of individual periods. With the help of a trend, possible values of indicators in the future are formed, thus, a trend is a forward-looking, predictive analysis.

- analysis of financial ratios - calculation of relative reporting data, identification of the relationship of indicators.

Financial position is a complex concept that is characterized by a system of indicators reflecting the availability, placement and use of financial resources of an enterprise. Financial

condition is a characteristic of its financial competitiveness (i.e., solvency), fulfillment of obligations to the state and other economic entities. " Analysis of solvency serves as an assessment of the activities of enterprises in more than 88 percent of the total number of reviewed sources of information. The analysis of financial stability serves to assess the performance of enterprises at more than 52 percent.

The method for assessing the financial stability of an enterprise using absolute indicators is based on the calculation of indicators that, from the point of view of this method, most fully characterize the financial stability of the enterprise. The absolute indicators when assessing the financial stability of an enterprise include the total amount of stocks and costs.

To characterize the sources of formation of stocks and costs, several indicators are used that reflect different types of sources:

1. Availability of own working capital
2. Availability of own and long-term borrowed sources of formation of reserves and costs or functioning capital
3. The total value of the main sources of formation of stocks and costs.

The most generalized indicator of financial stability is the surplus or lack of sources of funds for the formation of stocks and costs, obtained in the form of the difference in the size of sources of funds and the number of stocks and costs (Zelgalve & Zaharcenko (2012). This refers to the provision of certain types of sources (own, credit and other borrowed), since the sufficiency of the sum of all possible types of sources (including short-term accounts payable and other liabilities) is guaranteed by the identity of the totals of the asset and the liability of the balance

Used in the practice of foreign firms, the indicator of the cost of net mobile assets, equal to the difference between current assets and short-term debt, corresponds to the indicator of the availability of own and long-term borrowed sources for the formation of stocks and costs.

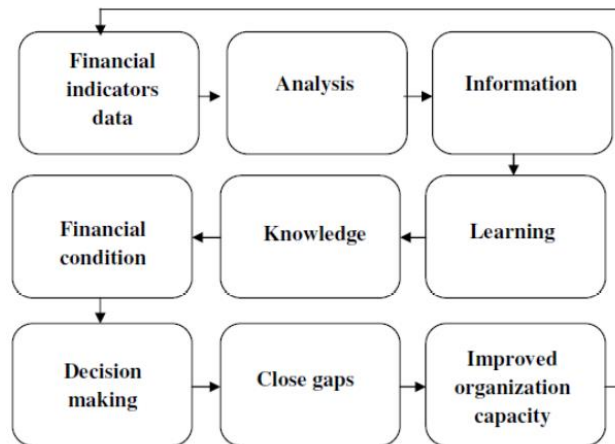


Figure 1. Use of financial indicators in improvement of organization

3.3 Mining industry worldwide and in Kyrgyz Republic.

The mining industry is a broad segment of the economy, with about 6,000 companies and 2.5 million people employed worldwide, as well as an informal component known as traditional and small mining businesses, involving about 15–25 million people (Kondratiev, 2012). The industry affects the interests of many actors, including the government (which plays a key role as a regulator in enabling extractive companies to maximize their contribution to the economy), investors, contractors and suppliers, service companies, indigenous peoples and their organizations, settlements affected by development, labor unions, research organizations and consumers.

Revenues and costs vary across the lifecycle stages of a mining project. For example, while direct labor costs are highest in the early stages of mine construction, it takes a certain amount of time to generate most of the financial income. At different stages of the life cycle, the overall potential and real contribution of a mining project is different and may include, in addition to financial, many other aspects discussed below. This gives rise to an important problem for the state - how to use its mineral revenues in the most efficient way.

Kondratiev stated (2012) that in just a period of 10–12 years (from 2002 to 2012), the role of the mining industry in the global economy has grown rapidly. The total volume of mining output by value in 2012 was six times higher than in 2000 and 60% higher than in 2008. The data indicate that during this period the growth rate of the mining industry significantly exceeded the rate of world GNP growth, reflecting the relative rise in the importance of mining to the global economy.

This boom was fueled in large part by the unprecedented growth in demand for minerals and metals in China, India and other developing countries, in contrast to the lack of any growth in the previous decade. This growth in the mining industry was the result of a combination of higher prices and increased production volumes.

However, in 2011, prices for all raw materials began to fall. This was especially noticeable for three key metal minerals (gold, copper and iron ore), which together account for about 70% of the value of the global mining industry. Among the leading mining countries are the BRICS countries: China, Brazil, Russia, South Africa and India. At the same time, the share of all countries, especially China, is growing significantly in world production, with the exception of Russia, whose share has decreased by almost one and a half times (from 8.4 to 6.8%). Developed countries such as the USA, Australia and Canada are also in the top ten countries of the world. At the same time, the role of Australia is growing, while the other two are falling. Australia, however, lost its role as a world leader in the mining industry, giving it to China. In Europe, despite the significant decline in the role of the mining industry, several minerals continue to be mined on a significant scale. Thus, the volumes of extraction of copper and iron ore are, respectively, 775 thousand tons and 30 million tons annually. In the Nordic countries, polymetallic ores have been mined for centuries and today they dominate the European mining industry. While mining shifts from developed to developing countries, smelting and beneficiation capacity continues to remain largely in developed countries. Although here, too, the balance begins to change noticeably with the development of the production of refined copper and aluminum in China.

According to Kondratiev (2012) these companies employ about 2.5 million people around the world. Global and leading companies account for about half of this number. Global companies prefer projects with a life cycle of at least 20 years. Formal sector companies, linked by a variety of national, regional and product associations representing their interests, operate in accordance with the legal and financial environment available. In contrast to the formal segment, small-scale mining constitutes the informal segment. There is usually no legal or financial environment, although as the state realizes the potential instability posed by the fact that hundreds of thousands of people in many countries work illegally and may become victims of exploitation by criminal networks and paramilitary groups, the situation is gradually changing. According to World Bank estimates, the informal segment currently employs 15 to 20 million people in 30 countries of the world and about 80-100 million depend on this activity.

Extractive companies play a crucial role in solving the problems of a new resource model of growth - harmonization of their own interests and the interests of resource countries. Nearly half of the known (explored) mineral reserves are concentrated in countries that are neither OECD nor OPEC members, and which may be characterized by high political risk, undeveloped infrastructure, and little government experience in the effective management of resource wealth. In this regard, many companies are revising the goals of their activities, moving away from the exclusive emphasis on resource extraction and include in them a strategy of economic development in cooperation with the country and the state where they operate.

PwC reports (2021) that 40 largest mining companies are quite successfully overcoming the difficulties that have befallen them in connection with the COVID-19 pandemic - they certainly coped with the situation better than many other sectors of the economy. The ability of Top 40 companies to meet future resource requirements remains important in the current environment - for many countries in the near future, the mining industry will be especially important as the basis for economic recovery from the crisis. Mining companies have demonstrated resilience to a global shock event. Bendall (PwC, 2020) mentioned their strong financial position, coupled with good risk management, has allowed them to stay afloat - and the results of FY2020 are likely to be negatively impacted by volatility in demand. Many mining companies, some for the first time, are experiencing the negative effects of the globalization of supply chains, beyond lean and specialization. The pandemic unveils the resilience of the industry and the role that mining companies play in supporting local communities and the economy as a whole. While the crisis is still a long way off, mining companies are already analyzing the lessons they have learned from the current situation.

“The mining industry is, to some extent, well positioned in the context of the impact of COVID-19 on the global economy and production. Mining companies are financially strong and most of them continue to operate, albeit with heightened levels of precaution and preventive control. However, the long-term consequences of the pandemic are still unknown. The top 40 mining companies must take advantage of current financial stability to rethink their strategy. This will increase the stability of the business in the future (Buchnev, PwC partner, 2020)”.

The Kyrgyz Republic has significant reserves of coal and gold, which constitute a significant part of the economy. Mining has continued in Kyrgyzstan for many years, although extensive mining has only begun in the past three decades. The southern regions of the country have

insignificant oil reserves, but gold mining continues to be the largest source of the Kyrgyz economy. The largest gold mine, Kumtor (Centerra Gold), accounts for about 10% of Kyrgyzstan's GDP. Based on data from National Statistical Committee of the Kyrgyz Republic (2020), the mining activities of the Kyrgyz Republic are centered around its mining sector and gold and coal mining. There are also deposits of other mineral resources such as silver, copper, iron, mercury, fluorite, tin, tungsten, bismuth, plum, zinc, lead, arsenic, molybdenum and terraces.

	2015	2016	2017	2018	2019
Bituminous coal and lignite, thousand tons	1 928.7	1 851.3	1870.4	2395.2	2 532.7
Crude oil, thousand tons	107.1	145.3	173.2	200	236.4
Natural gas, million cubic meters	31.6	28.9	26	27.3	24.4

Figure 2: Mining industry in Kyrgyz Republic

Li (2019) stated in the article that 2019 year marks the 15th anniversary of the republic's accession to the Extractive Industries Transparency Initiative (EITI). After the triumph of 2011, when it was announced at the global conference in Paris that Kyrgyzstan had successfully fulfilled all the conditions, passed the validation (assessment of the implementation progress), and therefore earned the status of a follower of the initiative, stagnation occurred in this area. The annual reports on the activities of mining companies, after verification with the data of state bodies, ceased to be published in the media two years after that conference. It is only recently that a consortium of nongovernmental organizations and the national EITI secretariat have publicly presented the results of the audit from 2015 to 2017. But with an important caveat: if earlier such reports contained complete information about the work of 100 companies, then the latest report used data on payments within the framework of the initiative of only 14 large enterprises, whose annual income is estimated at a million dollars and more. The EITI Supervisory Board, which includes representatives of government agencies, parliament, public organizations, and business associations, decided to reduce the list of subsoil users.

Although, at first glance, the information in the report is outdated, it is still of interest to the public, since it allows you to see a more or less complete picture of what was happening in the industry - how much and what taxes went to the budget, to which companies the State Committee for Industry, Energy and subsoil use issued licenses, the inflow of investments is increasing or

decreasing. Readers are particularly interested in an overview of financing mechanisms for development funds, which was not previously included in the reports. This is a very important section as it talks about the maintenance of the infrastructure at the local level. It is no secret that a mandatory requirement of the population for development companies is their participation in the development of regions and the provision of social assistance. As the analysis of conflicts arising between investors and representatives of local communities has shown, one of the reasons for the confrontation lies in people's ignorance of the contribution of miners to the infrastructure of a district or a separate *ayil okmotu*. And he is not so small. Investors annually transfer substantial sums to regional development funds (RDFs): in 2017 - about 316 million soms.

According to the Geological Survey, there are about 2,500 gold deposits in Kyrgyzstan. Experts say that it makes no sense to start development at most deposits due to the small volume of precious metal reserves in them. According to the data for 2018 of the State Commission on Mineral Reserves, there are 46 large gold deposits on the territory of the state. The total volume of gold reserves is estimated at 666 tons. In Kyrgyzstan, 593 licenses were issued for geological exploration of valuable metals, of which 104 were for the development of deposits (Asanov, Radio Azattyk, 2018).

Kumtor (Centerra Gold)

In some fields, active work is not observed, in others there are misunderstandings between companies, local residents and government agencies. All scandals around production at the fields began with Kumtor, and so far, there has not been an end to these disputes. According to the State Commission on Mineral Reserves, exploration at Kumtor began in the 1970s, and gold mining began in 1996. According to the commission, it was believed that 396 tons of gold were deposited at Kumtor; by 2013, 304 tons were mined there. The website of the Kumtor Gold Company states that the mine produces an average of 17 tons of gold annually. As a result, approximately 390 tons of gold have been produced to date. More than 90 tons of gold are located at the Sary-Tor section. Grievances over the development of the field have been going on since the 1992 agreement between the Kyrgyz government and the Canadian company Cameco was concluded. First, the Kumtor Operating Company was established, and in 1996 gold production began. Then Kyrgyzstan owned 67 percent, and Cameco - 33 percent. In 2004, an agreement was signed to restructure the project. As a result, all shares of Kyrgyzstan and Cameco were transferred to a new company, Centerra Gold, in which Kyrgyzstan received only 33 percent of the shares. In 2009, a

new agreement was concluded, but the distribution of shares remained the same. Since then, dissatisfaction has been expressed over the fact that the interests of Kyrgyzstan were not taken into account in the 2009 agreement on Kumtor. For this reason, after the April 2010 events, the parliamentary and then the state commissions began their work. Both of them came to the conclusion that these agreements do not meet the interests of Kyrgyzstan; it was proposed to revise the terms of the agreement. In addition, the deterioration of the environmental situation at the field was noted. Since then, the government has held several negotiations with Centerra Gold, and several proposals have been made to amend the terms of the agreement. Among other things, it was proposed to create a joint venture with 50/50 shares, to replace the members of the Board of Directors of Centerra Gold, but these proposals were not implemented, so the 2009 agreement is still in effect. But last year, the share of Kyrgyzstan in Centerra Gold decreased. The reason was Centerra's purchase of another Canadian company, Thompson Creek Metals. After this operation, the share of Kyrgyzstan in Centerra decreased from 32 to 26.6 percent.

The Kumtor project is the largest enterprise in the country. It accounts for almost 10% of the total GDP of Kyrgyzstan and more than 20% in the structure of industry. According to the company itself, since the start of the project until 2017, Kyrgyzstan received a profit of \$ 3 billion 472 thousand from Kumtor. Centerra Gold has a total of nine assets or nine fields that are currently being developed. The largest of these is Kumtor. For example, in 2017, the company made a profit of \$ 1.2 billion. Of these, \$ 928 million was received in the form of income from the sale of gold and \$ 685 million - proceeds from the sale of gold of Kumtor. Centerra Gold's shares are traded on the Toronto International Stock Exchange. As of October 27, their market price was \$ 1 billion 436 million.

Bozymchak (KAZ Minerals)

From time to time on the Bozymchak deposit investors suspend work. There is more copper in this deposit in Ala-Buk than gold. According to the State Commission on Mineral Reserves, gold reserves at Bozymchak are 23 tons, and copper - 145.8 thousand tons. In 2007, the Kazakh company Kazakhmys received a license to develop the field. In 2015, the local company KAZ Minerals Bozymchak was established, and it began mining and production of gold. Currently, the mining and processing plant employs about a thousand people. During its operation, the company paid 3 billion soms in taxes. But this year, a scandal erupted around the company, and work was suspended. The reason was that the company could not find a common language with the

authorities. Employees of the State Service for Combating Economic Crimes checked the documents and made an additional assessment of 55 million soms of tax on the company, which previously paid taxes only for the extraction of copper concentrate, but not for gold concentrate. For this reason, the director of the KAZ Minerals company, Ilyas Tulekeyev, was detained for two days, but then released. At the present time, the court proceedings are underway on the claim of "KAZ Minerals" against GSBEP.

In Kyrgyzstan, 39 private companies operate at the fields. In recent years, mining companies have paid over 7 billion soms in taxes. In 2014-2016, 17 thousand people worked in this industry. Despite the holding of shares of dissatisfaction, gold mining continues. However, in some fields, local residents' express dissatisfaction with non-compliance with environmental requirements. Experts associate this situation with gaps in legislation in the field of subsoil use and insufficient measures that are taken by local and central authorities. In recent years, mining companies have paid over 7 billion soms in taxes. In 2014-2016, 17 thousand people worked in the industry. In 2017, 22 tons of 797 kilograms of gold were produced in Kyrgyzstan, production of 21 tons 730 kilograms is planned for 2018.

Eratov (2018) discussed in the article the accusations of corruption and harm to the environment, interrogations of top officials of the state, the beginning of the process of nationalization. All this is part of the ongoing investigation in Kyrgyzstan on the case of the country's largest gold mine "Kumtor". We will tell you how the mine became a stumbling block between the Canadian mining company and the Kyrgyz authorities (Ryskulova, BBC, 2021). After 16 years of disgrace, the first president of Kyrgyzstan, Askar Akayev, returned to the country for interrogation in a corruption case. He is suspected of abuse of office when he signed an agreement on the Kumtor project in 1992 with the Canadian energy giant Cameco Corporation, which later transferred its shares to the subsidiary Centerra Gold Inc. The list of suspected corruption in the deal and interrogated current and former high-ranking officials and deputies is growing, including another disgraced ex-president, Kurmanbek Bakiyev, as well as former prime ministers Temir Sariyev and Omurbek Babanov.

This time, the authorities took an unprecedented step by introducing external management of Kumtor after a court decision to collect 261.7 billion soms (\$ 3 billion) from the gold mining company Kumtor Gold Company in favor of the state. Kumtor is not only the largest gold mine in Central Asia with gold reserves of about 700 tons, but also the largest taxpayer and investor in

Kyrgyzstan: according to official data, revenues from it make up about 12.5% of Kyrgyzstan's GDP, 23% of industrial production and about 30 percent of the country's total exports. According to the company itself, by 2020 Kyrgyzstan received from Kumtor a total profit of \$ 4 billion 144 thousand - and according to the authorities, about \$ 13 billion. About 5 thousand Kyrgyzstanis work at the mine.

The actions of the Kyrgyz government have been criticized by many international analysts, including the European Bank for Reconstruction and Development, who fear that the introduction of external control and the virtual expulsion of Centerra Gold Inc. will scare foreign investors away from Kyrgyzstan for a long time. The embassies of Canada and the United Kingdom in Kyrgyzstan have also expressed concern over developments in the mining sector. In the long term, the departure of investors could lead to an even deeper economic crisis in the country. After the Canadians left, the potential - and only - investors interested in the development of the mine may be the Chinese, but those who have had many difficulties in recent years at the deposits in Kyrgyzstan. 45% of the total external debt of Kyrgyzstan is debt to the PRC, and the arrival of Chinese investors will make it even more dependent on Beijing. In 2018, Kyrgyzstan was already among the ten most vulnerable states to China. Whether the country will be able to independently develop the mine remains a big question.

4 Practical Part

4.1 Centerra Gold Inc. (Kumtor)

This first and most important operation in the Kyrgyz mining sector is based on foreign investment. At the present time, Kumtor's output accounts for more than one-third of the national export of goods and services, its mission being not limited to production alone. Kumtor open pit mine is the largest gold mine in Kyrgyz Republic. Kumtor Gold Company is the operator of the Kumtor project responsible for the entire production cycle.



Figure 3: Kumtor gold mine

Kumtor Gold Company provides jobs for over 4200 people. 99 percent of the Company full-time employees are Kyrgyz citizens, and this proportion is ever growing as the result of foreign managerial personnel being gradually replaced by national employees.

History

Despite the fact that the Kumtor gold deposit was discovered in 1978 and the feasibility study was drafted by GINALMAZZOLOTO of the Chief Directorate of Precious Metals and Diamonds of the USSR Council of Ministers in 1989, the development of the mine was delayed as the project was seen as being too costly: 995.4 million Soviet rubles (an approximate equivalent of 1.46 billion USD as it stood in those days). It was not until after Kyrgyzstan gained independence that it found itself in a position to attract western investment to start developing its own mineral resources. After thoroughly examining several investment offers, the Government of

the Kyrgyz Republic favored those made by Canadian Cameco Corporation, one of the world's largest uranium producers. On December 4, 1992, in Toronto the sides signed the Kumtor Master Agreement.

1978 A geophysical expedition of the Kyrgyz State Geological Committee discovers the Kumtor deposit.

1989 The USSR Geology Ministry publishes the results of the detailed exploration of the Kumtor deposit.

1992 Cameco geologists travel to the CIS in search of promising deposits.

1992 The Government of Kyrgyzstan and Cameco Corporation sign Master Agreement forming the Kumtor Gold Project.

1993 Kumtor Operating Company is formed as the project operator.

1994 The feasibility study finalized. Construction at Kumtor began.

1995 Initial financial package necessary for getting credits is completed and approved.

1996 The gold mill inauguration was held.

1997 Commercial gold production began.

1998 A million ounces of gold produced.

2002 Gold production at Kumtor exceeded 100 tonnes (3.2 million ounces).

2004 Project restructuring. Centerra Gold Inc. was formed. The Investment Agreement came into effect (June 22, 2004).

2005 Based on exploration results, the Kumtor mine-life extended till 2013.

2006 95 million USD invested in the Kumtor modernization program.

2009 Parliament of the Kyrgyz Republic signed and ratified the Agreement on New Terms for the Kumtor Project.

2010 183 million USD was invested in capital expenditures.

2012 Largest investments in the development of production – 385.2 million USD.

2012 Based on exploration results, the Kumtor mine-life extended till 2023, and milling operations to conclude in 2026.

2014 Transfer of operations activities from Kumtor Operating Company to Kumtor Gold Company.

2017 Strategic Agreement on Environmental Protection and Investment Promotion among the Government of the Kyrgyz Republic and Centerra Gold Inc. and Kumtor Gold Company CJSC and Kumtor Operating Company CJSC

4.1.1 Vertical and horizontal analysis of Financial Statement, Centerra Gold

Vertical analysis Assets, 2017-2020

Consolidated Statements of Financial Position	December 31,	%	December 31,	%
(Expressed in thousands of United States Dollars)	2018		2017	
Assets				
Cash and cash equivalents	151,705	5.37	415,891	15.00
Amounts receivable	59,558	2.11	63,902	2.31
Inventories	596,911	21.12	506,208	18.26
Prepaid expenses and other current assets	24,734	0.88	23,970	0.86
Current portion of derivative assets	1,081	0.04	1,963	0.07
Total CA	833,989	29.50	1,011,934	36.50
Property, plant and equipment	1,886,046	66.72	1,674,444	60.40
Goodwill	16,070	0.57	16,070	0.58
Restricted cash	27,505	0.97	687	0.02
Reclamation deposits	30,841	1.09	26,525	0.96
Derivative assets	-	-	545	0.02
Other assets	32,260	1.14	41,970	1.51
Total NCA	1,992,722	70.50	1,760,241	63.50
Total assets	2,826,711	100.00	2,772,175	100.00

Consolidated Statements of Financial Position	December 31,	%	December 31,	%
(Expressed in thousands of United States Dollars)	2020		2019	
Assets				
Cash and cash equivalents	545,180	17.38	42,717	1.58
Amounts receivable	66,108	2.11	79,022	2.92
Inventories	580,587	18.51	774,060	28.65
Assets held-for-sale	140,005	4.46	-	-
Other current assets	40,961	1.31	36,869	1.36
Total assets	1,372,841	43.78	932,668	34.52
Property, plant and equipment	1,686,067	53.76	1,669,516	61.80
Reclamation deposits	47,083	1.50	40,999	1.52
Other assets	30,018	0.96	58,470	2.16
Total NCA	1,763,168	56.22	1,768,985	65.48
Total assets	3,136,009	100.00	2,701,653	100.00

Table 1: Vertical analysis of Assets, 2017-2020 YY, Centerra Gold Inc.

Based on the balance sheet figures for the period of 2017-2020, it can be stated that proportion of Current assets and Non-current assets represented as ¼ and ¾ accordingly in 2017 - 2020 YY. Cash position have decreased within 2 years. Usually, this balance shows the actual connection with Cash Flow activities and can't be counted as negative aspect (Financial statements doesn't disclose this account). As at December 31, 2018, provisionally priced amounts receivable from gold and copper concentrate sales of \$7.9 million. These sales are provisionally priced and settle at prices determined at a future date pursuant to various off-take agreements (see tab Amounts receivable 2018-2017). Aging of the AR shows that collection of receivables is on track and no huge bad debt provisions could be posted.

	2018	2017
Gold sales receivable from related party (note 25)	\$ 234	\$ 20
Gold and copper concentrate sales receivable	7,667	13,650
Molybdenum sales receivable	22,963	22,999
Provisionally priced gold and copper concentrate sales receivable	17,799	20,890
Consumption tax receivable	7,847	3,817
Other receivables	3,048	2,526
Total amounts receivable	\$ 59,558	\$ 63,902

The aging of amounts receivable at each reporting date was as follows:

	2018	2017
Less than one month	\$ 36,716	\$ 33,113
One to three months	15,666	12,230
Three to six months	7,133	17,636
Over six months	43	923
Total amounts receivable	\$ 59,558	\$ 63,902

Table 2: Account receivable, 2018-2017

Inventories remain the same and represented by 50% of the total Current assets. There was booked provision of Obsolescence in the amount of 21mln USD and 27mln USD in 2018 and 2017 respectively. Molybdenum inventory consists of Work in progress value (33mln USD) and Finished goods (32mln USD).

	2018	2017
Stockpiles of ore (a)	\$ 265,488	\$ 212,114
Gold in-circuit	20,136	23,595
Gold doré	16,524	15,023
Copper and gold concentrate	21,907	6,745
Molybdenum inventory	65,201	41,427
	389,256	298,904
Supplies (net of provision)	209,396	209,032
Total inventories (net of provisions)	\$ 598,652	\$ 507,936
Less: Long-term supplies inventory (note 12)	(1,741)	(1,728)
Total inventories - current portion	\$ 596,911	\$ 506,208

(a) As at December 31, 2018, the amount of ore not scheduled for processing within the next 12 months, but available on-demand, is \$181.3 million (December 31, 2017 – \$111.8 million).

Table 3: Inventory, 2018-2017

Prepaid expenses have only 2017-2018 almost similar balances and consist of deposits for consumables, insurances. The portion of current assets in trend shows different balances due to the changes on Cash positions and Current portion of derivative assets (2017-2018).

The majority of Non-current assets is represented by Property, Plant and Equipment (PPE) balance with the scale of 53-67 % of net position. The balance of PPE changed depending on additions, reclassifications, disposal, fully depreciated assets, and impairments. Due to adoption of IFRS16, the template of Financial Statements of the period 2019-2020 has been changed. Please see below comparison of 2 reporting periods (2018 and 2019).

	Buildings, Plant and Equipment (a)	Mineral Properties (b)	Capitalized Stripping Costs	Construction in Progress	Total
Cost					
January 1, 2019	\$ 1,628,045	\$ 577,670	\$ 486,346	\$ 153,818	\$ 2,845,879
IFRS 16 adoption	20,381	-	-	-	20,381
Additions	14,941	43,598	97,152	209,948	365,639
Disposals	(5,476)	(449)	-	-	(5,925)
Reclassification	82,964	6,256	-	(89,220)	-
Balance December 31, 2019	\$ 1,740,855	\$ 627,075	\$ 583,498	\$ 274,546	\$ 3,225,974
Additions	7,866	37,365	200,498	150,544	396,273
Disposal	(6,911)	-	-	-	(6,911)
Reclamation revaluation	-	1,999	-	-	1,999
Foreign currency translation	-	831	-	-	831
Transfers (c)	299,232	23,058	-	(322,290)	-
Reclassified to assets held- for-sale (note 5)	(625)	(139,436)	-	-	(140,061)
Balance December 31, 2020	\$ 2,040,417	\$ 550,892	\$ 783,996	\$ 102,800	\$ 3,478,105

	Buildings, Plant and Equipment	Mineral Properties	Capitalized Stripping Costs	Mobile Equipment	Construction In Progress	Total
Cost and impairment						
January 1, 2017	\$ 1,083,911	\$ 517,249	\$ 181,724	\$ 537,938	\$ 82,966	\$ 2,403,788
Additions	386	12,645	200,223	1,596	119,296	334,146
Disposals	(868)	(2,003)	-	(7,271)	-	(10,142)
Impairment	(25,000)	(1,952)	-	-	(14,348)	(41,300)
Fully depreciated assets	(3,591)	-	(34,375)	(38,300)	-	(76,266)
Reclassification	24,107	2,350	-	55,890	(82,347)	-
Balance December 31, 2017	\$ 1,078,945	\$ 528,289	\$ 347,572	\$ 549,853	\$ 105,567	\$ 2,610,226
Acquisition of AuRico (note 6)	56,814	113,454	-	1,082	-	171,350
Additions	1,257	15,815	138,774	7,216	181,281	344,343
Disposal	(13,501)	-	-	(4,010)	-	(17,511)
Impairment	-	-	-	-	(8,385)	(8,385)
Disposal of Mongolian business unit (note 7)	(89,254)	(81,432)	-	(14,474)	(23,172)	(208,332)
Fully depreciated assets	(15,338)	-	-	(49,942)	-	(65,280)
Reclassification	49,958	1,544	-	69,439	(120,941)	-
Balance December 31, 2018	\$ 1,068,881	\$ 577,670	\$ 486,346	\$ 559,164	\$ 134,350	\$ 2,826,411

Table 4: PPE presentations in 2018, 2019 FY

Internal reclassification of PPE split its assets as 4 categories:

Buildings, Plant, and Equipment, 37 %

Mineral properties, 20%

Capitalized Stripping costs, 17%

Mobile equipment, 19%

Construction in Progress, 7%

The changes from company's acquired AuRico company has brought to the corporate balance the PPE position of 171k USD. Meanwhile the disposed assets of Mongolian business unit decreased net book value by (208k) USD.

Other assets remained be equally the same for analyzed period by 1.5-2.5% and consist of prepayments for PPE, recoverable amounts of VAT, long term deposits, and restricted cash.

The overall increase of Total assets position in 2020 was due to Cash position by 545k USD in the end of reporting period.

Vertical analysis Equity and Liabilities, 2017- 2020.

Consolidated Statements of Financial Position	December 31,	%	December 31,	%
(Expressed in thousands of United States Dollars)	2018		2017	
Liabilities and Shareholders' equity				
Accounts payable and accrued liabilities	173,783	6.15	181,829	6.56
Provision for Kyrgyz Republic settlement	53,000	1.87	53,000	1.91

Short-term debt	5,000	0.18	80,522	2.90
Current portion of lease obligations	797	0.03	-	-
Revenue-based taxes payable	954	0.03	15,953	0.58
Taxes payable	878	0.03	2,592	0.09
Current portion of provision for reclamation	197	0.01	832	0.03
Current portion of derivative liabilities	101	0.00	16,057	0.58
Other current liabilities	67	0.00	7,021	0.25
Total CL	234,777	8.31	357,806	12.91
Long-term debt	179,266	6.34	211,611	7.63
Provision for reclamation	212,248	7.51	166,174	5.99
Lease obligations	4,229	0.15	-	-
Deferred income tax liability	44,524	1.58	-	-
Derivative liabilities	-	-	7,273	0.26
Other liabilities	3,636	0.13	3,882	0.14
Total LTL	443,903	15.70	388,940	14.03
Share capital	949,328	33.58	948,121	34.20
Contributed surplus	27,364	0.97	25,781	0.93
Accumulated other comprehensive loss	(2,088)	(0.07)	(14,371)	(0.52)
Retained earnings	1,173,427	41.51	1,065,898	38.45
Total Equity	2,148,031	75.99	2,025,429	73.06
Total liabilities and Shareholders' equity	2,826,711	100.00	2,772,175	100.00

Consolidated Statements of Financial Position (Expressed in thousands of United States Dollars)	December 31,	%	December 31,	%
	2020		2019	
Liabilities and Shareholders' equity				
Accounts payable and accrued liabilities	232,704	7.42	238,339	8.82
Revenue-based tax payable	5,073	0.16	744	0.03
Income tax payable	2,474	0.08	1,034	0.04
Liabilities held-for-sale	2,255	0.07	-	-
Other current liabilities	15,322	0.49	4,692	0.17
Total CL	257,828	8.22	244,809	9.06
Long-term debt	-	-	70,007	2.59
Deferred income tax liability	39,473	1.26	33,733	1.25
Provision for reclamation	351,149	11.20	265,049	9.81
Other liabilities	21,541	0.69	22,211	0.82
Total LTL	412,163	13.14	391,000	14.47
Share capital	975,122	31.09	960,404	35.55
Contributed surplus	30,601	0.98	26,278	0.97
Accumulated other comprehensive income (loss)	11,600	0.37	(752)	(0.03)

Retained earnings	1,448,695	46.20	1,079,914	39.97
Total Equity	2,466,018	78.64	2,065,844	76.47
Total liabilities and Shareholders' equity	3,136,009	100.00	2,701,653	100.00

Table 5: Vertical analysis of Equity and Liabilities, 2017-2020 YY, Centerra Gold Inc.

Accounts payable and accrued liabilities has increased within analyzed period from 6 % to 8% of the current liabilities balance. It includes recurring provisions for suppliers, streaming interest fees for Royal Gold (Michigan) and yearly settlement provision for Kyrgyz Republic (As part of the completion of the Strategic Agreement with the Kyrgyz Government in August 2019, the Company's obligations included a payment of \$5.0 million to a Nature Development Fund for the purpose of financing environmental conservation projects and nature preservation in the Kyrgyz Republic and \$3.0 million to a Cancer Care Fund for the purpose of funding cancer treatment, research, support and outreach in the Kyrgyz Republic. Payments to the Nature Development Fund and Cancer Care Fund were made in the third and fourth quarters of 2020, respectively).

As mentioned, the template was changed, and some positions of balance is not disclosed in the same approach. The company has applied for long-term debt for facilities LIBOR and OMAS (Kyrgyz project) that was reported in balance sheet sides as Long-term debt and Short-term part. Please see detailed table below.

	Corporate Revolving Facility	OMAS Facility	Total
Principal			
Balance December 31, 2019	\$ -	\$ 77,472	\$ 77,472
Drawdown	250,000	-	250,000
Repayment	(250,000)	(77,472)	(327,472)
Balance December 31, 2020	\$ -	\$ -	\$ -
Deferred costs			
Balance December 31, 2019	\$ (1,430)	\$ (6,035)	\$ (7,465)
Amortization	1,430	6,035	7,465
Balance December 31, 2020	\$ -	\$ -	\$ -
Debt (net of deferred financing costs)			
Balance December 31, 2019	\$ (1,430)	\$ 71,437	\$ 70,007
Balance December 31, 2020	\$ -	\$ -	\$ -

Table 6: Debt 2019-2020, Centerra Gold Inc.

Corporate Revolving Facility

On February 1, 2018, the Company entered into a \$500 million four-year senior secured revolving credit facility (the “2018 Corporate Facility”) with a lending syndicate led by the Bank of Nova Scotia and National Bank of Canada. The credit facility had an interest rate of London Interbank Offered Rate (“LIBOR”), plus a margin that ranges from 2.25% to 3.75%. On December 31, 2020, the Company entered into a new \$400 million four-year revolving credit facility with a \$200 million accordion feature (the “2020 Corporate Facility”). The interest rate payable on any outstanding borrowings under the 2020 Corporate Facility is LIBOR, plus 2.25% to 3.25% and the maturity date of the facility is December 31, 2024. The 2020 Corporate Facility replaced the Company’s 2018 Corporate Facility. As at December 31, 2020, the 2020 Corporate Facility was undrawn (December 31, 2019 - \$nil). As a result of the new facility, the Company expensed \$0.9 million of previously capitalized deferred costs associated with the 2018 Corporate Facility, as well as \$2.4 million in transaction costs associated with the 2020 Corporate Facility in the Statement of Earnings.

OMAS Facility

In the first quarter of 2020, the Company repaid and cancelled its \$150 million five-year project financing facility with UniCredit Bank AG and European Bank for Reconstruction and Development (the “OMAS Facility”). The purpose of the OMAS Facility was to assist in financing the construction of the Company’s Öksüt Mine. As a condition of the OMAS Facility, the Company deposited \$25 million into a restricted account, including \$15 million, which was restricted until the Öksüt Project mining lease was extended and \$10 million, which was restricted during the construction phase. As part of the repayment and cancellation of the OMAS Facility, the total amount of \$25 million in restricted cash funds were released. Since the company has initiated the cancellation of 150mln USD loan for OMAS project, there is nil reported in Long-term position.

Provisions for reclamation is represented by 12% of long-term liability and relates to Kyrgyz Oksut mine. The Company completed its regularly scheduled update to its closure costs estimates in December 2020. The following table reconciles the beginning and ending carrying amounts of the Company’s reclamation provision. The settlement of the obligation is estimated to occur through to 2129. Regulatory authorities in certain jurisdictions require that security be provided to cover the estimated reclamation and remediation obligations. As at December 31, 2020, the

Company has provided the regulatory authorities with \$160.4 million (December 31, 2019 - \$139.3 million) in reclamation bonds and letters of credit for mine closure obligations. In 1998, a Reclamation Trust Fund was established to cover the future costs of reclamation, net of salvage values at the Kuntor Mine. On December 31, 2020, this fund had a balance of \$47.1million (December 31, 2019 - \$41 million), which includes the accelerated contributions required by the Strategic Agreement.

	2020	2019
Non-operating sites (a)		
Balance, beginning of year	\$ 180,404	\$ 137,900
Reclassification of Öksüt Mine	(2,600)	-
Changes in estimate (b)	7,961	4,385
Changes in discount rate (b)	46,593	34,682
Accretion	2,252	2,476
Liabilities settled	(245)	(604)
Foreign exchange revaluation (b)	2,177	1,565
Balance, end of year	\$ 236,542	\$ 180,404
Operating sites (a)		
Balance, beginning of year	\$ 84,799	\$ 74,545
Reclassification of Öksüt Mine	2,600	-
Changes in estimate (c)	24,433	2,961
Changes in discount rate	2,007	4,690
Accretion	1,000	1,909
Foreign exchange revaluation	863	694
Balance, end of year	\$ 115,702	\$ 84,799
Current portion of reclamation provision	1,095	154
Long-term portion of reclamation provision	351,149	265,049
Total provision for reclamation	\$ 352,244	\$ 265,203

Table 7: Provision for reclamation 2019-2020, Centerra Gold Inc.

Shared capital holds one of largest positions in Balance sheet and Centerra is authorized to issue an unlimited number of common shares, class A non-voting shares and preference shares with no par value.

	Number of common shares	Amount
Balance at January 1, 2019	291,999,949	\$ 949,328
Shares issued on exercise of stock options	1,505,768	9,960
Shares issued on redemption of restricted share units	14,849	101
Shares issued under the employee share purchase plan	169,890	1,015
Balance at December 31, 2019	293,690,456	\$ 960,404
Shares issued on exercise of stock options	1,490,465	10,641
Shares issued on redemption of restricted share units	126,820	1,096
Shares issued under the employee share purchase plan	520,165	2,981
Balance at December 31, 2020	295,827,906	\$ 975,122

Table 8: Share capital 2020, Centerra Gold Inc.

Retained earnings tend to present stable indicated portion of 38-46% of total Equity that proves the company's profitability.

Horizontal analysis Assets, 2017-2020.

Consolidated Statements of Financial Position (Expressed in thousands of United States Dollars)	%	December 31,	%	December 31,	%	December 31,	December 31,
		2020		2019		2018	2017
Cash and cash equivalents	1,176.26	545,180	(71.84)	42,717	(63.52)	151,705	415,891
Amounts receivable	(16.34)	66,108	32.68	79,022	(6.80)	59,558	63,902
Inventories	(24.99)	580,587	29.68	774,060	17.92	596,911	506,208
Assets held-for-sale	100.00	140,005		-	-	-	-
Other current assets	11.10	40,961	49.06	36,869	3.19	24,734	23,970
Current portion of derivative assets			(100.00)		(44.93)	1,081	1,963
Property, plant and equipment	0.99	1,686,067	(11.48)	1,669,516	12.64	1,886,046	1,674,444
Reclamation deposits	14.84	47,083	32.94	40,999	16.27	30,841	26,525
Other assets	(48.66)	30,018	81.25	58,470	(23.14)	32,260	41,970
Goodwill			(100.00)		-	16,070	16,070
Restricted cash			(100.00)		3,903.64	27,505	687
Derivative assets					-	-	545
Total assets	16.08	3,136,009	(4.42)	2,701,653	1.97	2,826,711	2,772,175

Table 9: Horizontal analysis of Assets, 2017-2020 YY, Centerra Gold Inc.

According to the percentage dynamic above, it can be stated that most changes occurred within the reporting period of 2020 FY. As mentioned before, change of Cash position usually differs period from period without any reasonable aspect. Amounts receivables' dynamic shows stable trend, except for 2019 FY with 79mln USD balance.

Amounts receivables have been decreased from 2019 to 2020 by 200mln USD meaning that most of it was realized or used within the production.

	2020	2019
Stockpiles of ore (a)	\$ 239,219	\$ 427,644
Gold in-circuit	19,450	20,681
Gold doré	24,953	19,814
Copper and gold concentrate	32,201	29,577
Molybdenum inventory (b)	57,238	67,019
Total inventories (net of provisions)	373,061	564,735
Supplies (net of provision) (c)	207,526	209,325
Total inventories (d)	\$ 580,587	\$ 774,060

Table 10: Inventory, 2019-2020 YY, Centerra Gold Inc.

From table above, we can identify that most decreased the amount is presented by Stockpiles of ore by 180mln USD. Supplies keeps the same balance of 200mln USD.

PPE has slight change in 2018 FY compared to 2017 by 13% due to acquired AuRiCo assets and new additions. Due to yearly of additions in the form of Work in Progress fixed assets there is minor change of net book value of each year, though there are assets that have been disposed or fully amortized.

Overall position of assets doesn't represent huge changes; thus it can be stated that company controls its assets in a compliant form according to IFRS requirement and its successful business model.

Horizontal analysis Equity and Liabilities, 2017- 2020.

Consolidated Statements of Financial Position (Expressed in thousands of United States Dollars)	%	December 31,	%	December 31,	%	December 31,	December 31,
		2020		2019		2018	2017
Accounts payable and accrued liabilities	(2.36)	232,704	37.15	238,339	(4.43)	173,783	181,829
Revenue-based tax payable	581.85	5,073	(22.01)	744	(94.02)	954	15,953
Income tax payable	139.26	2,474	17.77	1,034	(66.13)	878	2,592
Liabilities held-for-sale	-	2,255	-	-		-	-
Other current liabilities	226.56	15,322	6,902.99	4,692	(99.05)	67	7,021

Provision for Kyrgyz Republic settlement	-	-	(100.00)	-	-	53,000	53,000
Short-term debt	-	-	(100.00)	-	(93.79)	5,000	80,522
Current portion of lease obligations	-	-	(100.00)	-	-	797	-
Current portion of provision for reclamation	-	-	(100.00)	-	(76.32)	197	832
Current portion of derivative liabilities	-	-	(100.00)	-	(99.37)	101	16,057
Long-term debt	-	-	(60.95)	70,007	(15.29)	179,266	211,611
Deferred income tax liability	17.02	39,473	(24.24)	33,733		44,524	-
Provision for reclamation	32.48	351,149	24.88	265,049	27.73	212,248	166,174
Other liabilities	(3.02)	21,541	510.86	22,211	(6.34)	3,636	3,882
Derivative liabilities	-		-			-	7,273
Lease obligations	-		(100.00)			4,229	-
Share capital	1.53	975,122	1.17	960,404	0.13	949,328	948,121
Contributed surplus	16.45	30,601	(3.97)	26,278	6.14	27,364	25,781
Accumulated other comprehensive income (loss)	(1,642.55)	11,600	(63.98)	(752)	(85.47)	(2,088)	(14,371)
Retained earnings	34.15	1,448,695	(7.97)	1,079,914	10.09	1,173,427	1,065,898
Total liabilities and Shareholders' equity	19.37	2,466,018	(3.83)	2,065,844	6.05	2,148,031	2,025,429

Table 11: Horizontal analysis of Equity & Liabilities, 2017-2020 YY, Centerra Gold Inc.

Overall balance is standing by diapason of 2148mln - 2466mln USD within 4 FY. Last 2 years Account's payables and accruals tend to have increased balances due to higher debts to suppliers and provisions. Considering the fact of higher Cash position in YE 2020, it can be assumed that the timing difference creates these overbalanced amounts (i.e., money in transit, payment run created yet not posted and cleared in the system).

Other current liability shows huge change from 2017 to 2020 and balancing by 200% increase in the end of 2020 year. Reason could be in Short-term derivative liabilities that arose from the diesel, foreign exchange and strategic copper hedging contracts entered into in the period 2020 (below details and disclosure).

Hedges

The derivative instruments outstanding as at December 31, 2020 that are accounted for as hedges are summarized below:

Instrument	Unit	Average Strike Price		Type	Total Position (a)
		2021	2022		
<i>Fuel hedge contracts</i>					
Brent Crude Oil zero-cost collars	Barrels	\$40/\$46	\$44/\$51	Fixed	176,678
Brent Crude Oil swap contracts	Barrels	\$42	\$47	Fixed	251,335
ULSD zero-cost collars	Barrels	\$53/\$59	\$54/\$64	Fixed	184,470
ULSD swap contracts	Barrels	\$55	\$59	Fixed	302,505
<i>Foreign exchange contracts</i>					
USD/Cdn\$ zero cost-collars	Cdn\$	\$1.33/\$1.40	\$1.32/\$1.38	Fixed	366,800,000
USD/Cdn\$ forward contracts	Cdn\$	\$1.38	\$1.32	Fixed	148,000,000
<i>Strategic copper contracts</i>					
Copper forward contracts	Pounds	\$3.37	N/A	Fixed	59,800,000

(a) Total amounts expressed in the units identified.

Table 12: Hedges, 2021-2022.

Fuel Hedge Contracts

The Company applies hedge accounting to derivative instruments which hedge a portion of its estimated future diesel fuel purchases at its Kumtor and Mount Milligan operations to manage the risk associated with changes in diesel fuel prices to the cost of operations at the Kumtor and Mount Milligan mines. The fuel hedge contracts are expected to settle by the end of 2022.

Foreign Exchange Contracts

The Company also applies hedge accounting to the foreign exchange contracts it entered into after April 1, 2020 to hedge a portion of its future Canadian denominated expenditures. The foreign exchange contracts are expected to settle by the end of 2022 (Annual Report 2017-2020, Centerra Gold Inc.).

Strategic Copper

Contracts In the fourth quarter of 2020, the Company commenced a copper hedging program, entering into forward contracts to secure the copper price for a majority of Mount Milligan's copper sales until the end of 2021.

Since the company has applied for the loan cancellation for facility OMAS, it brought changes in trend for long-term and short-term debts amounting to nil.

Deferred taxation scheme presents the same values considering the stable results and expected profits by change from 33mln USD to 39mln USD respectively for 2019 – 2020.

Provision for reclamation was increased by the changes in the balances of both operating and non-operating sites. Site located in Oksut (Kyrgyz Republic) was reclassified to operating site since 2020 FY - Includes an increase in the cost estimate of \$23.1 million at the Öksüt Mine (below details). Kumtor mine remains as non-operating site. The Company completed its regularly scheduled update to its closure costs estimates in December 2020. The following table reconciles the beginning and ending carrying amounts of the Company's reclamation provision. The settlement of the obligation is estimated to occur through to 2129 (Annual Report 2017-2020, Centerra Gold Inc.).

	2020	2019
Non-operating sites (a)		
Balance, beginning of year	\$ 180,404	\$ 137,900
Reclassification of Öksüt Mine	(2,600)	-
Changes in estimate (b)	7,961	4,385
Changes in discount rate (b)	46,593	34,682
Accretion	2,252	2,476
Liabilities settled	(245)	(604)
Foreign exchange revaluation (b)	2,177	1,565
Balance, end of year	\$ 236,542	\$ 180,404
Operating sites (a)		
Balance, beginning of year	\$ 84,799	\$ 74,545
Reclassification of Öksüt Mine	2,600	-
Changes in estimate (c)	24,433	2,961
Changes in discount rate	2,007	4,690
Accretion	1,000	1,909
Foreign exchange revaluation	863	694
Balance, end of year	\$ 115,702	\$ 84,799
Current portion of reclamation provision	1,095	154
Long-term portion of reclamation provision	351,149	265,049
Total provision for reclamation	\$ 352,244	\$ 265,203

Table 13: Provision for reclamation, 2021-2022.

Other liabilities increased once during 2018-2019 period and remains the same for 2020 FY by 21mln USD. The amount is collected from Long-term portion of lease obligations according to IFRS16 implementation from 2019, Post-retirement benefits based on IAS19 standard and Long-term derivative liabilities (diesel, foreign exchange and strategic copper hedge contracts).

Other liabilities

Long-term portion of lease obligations (note 14)	\$	14,340	\$	18,336
Post-retirement benefits		4,060		3,875
Long-term derivative liabilities (a)		3,141		-
Total other liabilities	\$	21,541	\$	22,211

Table 14: Other liabilities, 2019-2020.

Lease obligations end up with nil balances that illustrates the payables from IFRS16 liability is paid out on the end of the financial period.

The overall position of Equity side remains constant with slight changes and fluctuations.

Horizontal analysis Income Statement, 2017-2020.

Consolidated Statements of Earnings and Comprehensive Income For the years ended December 31, (Expressed in thousands of United States Dollars) (except per share amounts)	2018	2017	%
Gold sales	833,554	928,099	(10.19)
Copper sales	89,494	125,938	(28.94)
Molybdenum sales	197,117	136,760	44.13
Tolling, calcining and other	9,171	8,231	11.42
Revenue	1,129,336	1,199,028	(5.81)
Cost of sales	761,367	682,094	11.62
Standby costs	10,849	-	-
Regional office administration	13,766	18,212	(24.41)
Earnings from mine operations	343,354	498,722	(31.15)
Revenue-based taxes	92,988	96,729	(3.87)
Other operating expenses	13,127	12,852	2.14
Care and maintenance expense	29,344	13,024	125.31
Reclamation expense	40,355	176	22,828.98
Pre-development project costs	12,425	4,794	159.18
Exploration expenses and business development	22,351	10,707	108.75
Business combination acquisition and integration expenses	4,515	3,915	15.33
Corporate administration	29,636	37,612	(21.21)
Kyrgyz Republic settlement	-	60,000	-
Earnings from operations	98,613	258,913	(61.91)
Gain on sale of Royalty Portfolio	-27,993	-	-
Other income, net	-2,449	-3,135	(21.88)
Finance costs	30,232	30,039	0.64
Earnings before income tax	98,823	232,009	(57.41)
Income tax recovery	-14,647	-19,790	(25.99)

Net earnings from continuing operations	113,470	251,799	(54.94)
Net loss from discontinued operations	-5,941	-42,266	(85.94)
Net earnings	107,529	209,533	(48.68)
Items that may be subsequently reclassified to earnings:			
Net (loss) gain on translation of foreign operation	-3,133	2,405	(230.27)
Net unrealized gain (loss) on derivative instruments, net of tax	14,938	-14,143	(205.62)
Post-retirement benefit, net of tax	478	-41	(1,265.85)
Other comprehensive income (loss)	12,283	-11,779	(204.28)
Total comprehensive income	119,812	197,754	(39.41)
Basic earnings per share - Continuing operations	\$ 0.39	\$ 0.86	(54.65)
Diluted earnings per share - Continuing operations	\$ 0.38	\$ 0.86	(55.81)
Basic earnings per share	\$ 0.37	\$ 0.72	(48.61)
Diluted earnings per share	\$ 0.36	\$ 0.72	(50.00)

Table 15: Horizontal analysis of Income Statement, 2017-2018 YY, Centerra Gold Inc.

While comparing Revenues with Cost of sales, it can be pointed that costs have been increased in the percentage indicator by 12% while Revenue shows drop in the amount of 70mln USD. Also, there is extra Stand by costs in 2018 year caused by the temporary suspension of mill processing operations at the Mount Milligan Mine, \$10.9 million of operating costs incurred in the year ended December 31, 2018. Earnings from mine operations decreased by 31% due to higher operation costs (salaries, consumables and maintenance charges, Changes in inventories).

Reclamation costs shows increase of scheduled provisions mentioned before (see Table 13). Exploration and R&D costs brought the lower position of Earnings from operations in 2018 compared to 2017 by 62%. Net earnings in 2018 compared to 2017 has dropped from 209mln USD to 107mln USD. Other financial costs such as pensions from IAS19 has also costed the position of Post-employment benefit to 478mln USD due to remeasurements.

Generally, the above detailed analysis explains the drop of earnings per share both Basic earnings and Diluted earnings per share by almost 50%.

Consolidated Statements of Earnings and Comprehensive Income For the years ended December 31, (Expressed in thousands of United States Dollars) (except per share amounts)	<u>2020</u>	<u>2019</u>	<u>%</u>
Revenue	1,688,675	1,375,328	22.78
Cost of sales Production costs	590,624	676,632	(12.71)
Depreciation, depletion and amortization	305,286	239,511	27.46

Standby costs	6,728	9,100	(26.07)
Earnings from mine operations	786,037	450,085	74.64
Revenue-based taxes	138,493	116,417	18.96
Exploration and development costs	47,442	45,958	3.23
Corporate administration	45,674	45,265	0.90
Care and maintenance expense	29,117	28,529	2.06
Impairment	-	230,500	-
Other operating expenses	87,095	69,113	26.02
Earnings (loss) from operations	438,216	(85,697)	(611.36)
Other expense (income), net	7,028	(1,450)	(584.69)
Finance costs	14,941	16,337	(8.55)
Earnings (loss) before income tax	416,247	(100,584)	(513.83)
Income tax expense (recovery)	7,709	(7,071)	(209.02)
Net earnings (loss)	408,538	(93513)	(536.88)
Other Comprehensive Income (Loss)	839	1753	(52.14)
Items that may be subsequently reclassified to earnings:			
Net gain on translation of foreign operation			
Net unrealized gain (loss) on derivative instruments	11,513	(395)	(3,014.68)
Post-retirement benefit	-	(22)	-
Other comprehensive income ("OCI")	12,352	1,336	824.55
Total comprehensive income (loss)	\$ 420,890	(\$ 92,177)	(556.61)
Basic earnings (loss) per share	\$ 1.39	(\$ 0.32)	(534.38)
Diluted earnings (loss) per share	\$ 1.37	(\$ 0.32)	(528.13)

Table 16: Horizontal analysis of Income Statement, 2019-2020 YY, Centerra Gold Inc.

The template of Financial Statements in 2019-2020 has been changed, thus the analysis is done separately.

Revenues increased in 2020 compared to 2019 by 23% and reduced costs of sales amounting to 13% that performs good indicators for Gross Profit margin. Depreciation, depletion and amortization position was disclosed in Cost of sales and it was higher compared to 2019 by 27%

in 2020 FY due to new additions and activated Work in Progress PPE. Earnings from mine operations has positive trend by increased position of 75% compared to 2019 FY.

Revenue based taxes of 2020 FY has a slight change by 19% due to the fact that Kumtor pays taxes on revenue generated from the Kumtor Mine (Kyrgyz Republic), at a rate of 13% of gross revenue, with an additional contribution of 1% of gross revenue payable to the Issyk-Kul Oblast Development Fund. Exploration and development, Corporate administration costs, Care and maintenance expenses showed the equal change of 2-3% that didn't bring huge fluctuations.

The other operating costs increased by 26% in 2020 year because of changes in provisional reclamation schedules; social development contributions (The Company made a \$9.0 million contribution to the Regional Development Fund in the first quarter of 2020 for regional development in the Kyrgyz Republic); Direct costs related to COVID-19 (incremental costs such as medical services and cleaning costs, incurred to mitigate the spread of COVID-19. For the year ended December 31, 2020, production costs include \$1.7 million of compensation expense for employees who were unable to return to site during the COVID-19 pandemic).

As result, during pandemic situation the company was able to gain earnings from operations by 611% compared to 2019 loss result. Accordingly, earnings before taxes represent good picture with gained 408mln USD. After all finance costs, company was able to end up with profits and upgrade its earnings per share by 534% and be able to sell it by 1.39USD per share.

Revenue split by product analysis, 2017-2020.

Revenue	2020	%	2019	%	2018	%	2017	%
Gold revenue	1,373,124	81.31	1,021,690	74.29	833,554	73.81	928,099	77.40
Copper revenue	178,597	10.58	140,866	10.24	89,494	7.92	125,938	10.50
Molybdenum revenue	136,954	8.11	212,772	15.47	197,117	17.45	136,760	11.41
Tolling, calcining and other	0	-	0	-	9,171	0.81	8,231	0.69
Total revenue	\$ 1,688,675	100.00	\$ 1,375,328	100.00	\$ 1,129,336	100.00	\$ 1,199,028	100.00

Table 17: Vertical analysis of Revenue by product, 2017-2020 YY, Centerra Gold Inc.

As performed above, gold mining is the main product and its explorations stably rising. Its portion among all revenues varies from 73 to 81 percent. Despite the COVID19 gold mining brought the company 1373mln USD of sales. Copper and Molybdenum revenues spares average portions of 10%, but also show increase in some years – 2020 and 2019 for Copper and Molybdenum respectively. In order to provide more data on Kyrgyz market, the Revenues

generated to local Kyrgyz company in gold industry are represented below. Kyrgyzaltyn OJSC is the largest gold mining company in the Kyrgyz Republic, a shareholder in the international company Centerra Gold. Inc. ", registered on the stock exchange in Toronto (Canada). The refinery of Kyrgyzaltyn OJSC produces gold bars with the Good Delivery status, certified by the London Precious Metals Exchange, and is included in the list of accredited factories in the current Good Delivery List. Revenues from finished gold sales from Kumtor are based on the London Bullion Market Association ("LBMA") PM spot price less discounts stipulated in the agreement with Kyrgyzaltyn JSC ("Kyrgyzaltyn"). Payment is due within 12 days from the date of shipment, when control of the finished gold is transferred to the customer.

	2020	2019	2018	2017
<i>Revenue</i>				
Gross gold and silver sales to Kyrgyzaltyn	\$ 995,111	\$ 836,689	\$ 669,012	\$ 695,288
Deduct: refinery and financing charges	(6,164)	(5,141)	(4,809)	(4,364)
Net revenue received from Kyrgyzaltyn	\$ 988,947	\$ 831,548	\$ 664,203	\$ 690,924
<i>Expenses</i>				
Contracting services provided by Kyrgyzaltyn	\$ 658	\$ 1,146	\$ 1352	\$ 1,250
Management fees payable to Kyrgyzaltyn	569	600	530	550
Expenses paid to Kyrgyzaltyn	\$ 1,227	\$ 1,746	\$ 1,882	\$ 1,800

Table 18: Vertical analysis of Revenue to Kyrgyzaltyn, 2017-2020 YY, Centerra Gold Inc.

The sole customer of gold doré from the Kumtor Mine, Kyrgyzaltyn, is a shareholder of the Company and is a state-owned entity of the Kyrgyz Republic. Gold produced by the Kumtor Mine is purchased at the mine site by Kyrgyzaltyn, for processing at its refinery in the Kyrgyz Republic pursuant to the Restated Gold and Silver Sales Agreement ("Sales Agreement") between Kumtor Gold Company, Kyrgyzaltyn and the Government of the Kyrgyz Republic. Amounts receivable from Kyrgyzaltyn arise from the sale of gold to Kyrgyzaltyn. Kyrgyzaltyn is required to pay for gold delivered within 12 days from the date of shipment. Default interest is accrued on any unpaid balance after the permitted payment period of 12 days. The obligations of Kyrgyzaltyn are partially secured by a pledge of 2,850,000 shares of the Company owned by Kyrgyzaltyn. Revenues from the Kumtor Mine are subject to a management fee of \$1.00 per ounce based on sales volumes, payable to Kyrgyzaltyn. The trend of revenues charged to Kyrgyzaltyn shows positive dynamic from 695k USD to 995k USD.

4.2 KAZ MINERALS (Bozymchak)

KAZ Minerals is a high growth copper company focused on large scale, low-cost open pit mining in the CIS region, with a proven track record for the successful delivery of greenfield mining projects. KAZ Minerals has been wholly acquired by Nova Resources BV to support the Company's pursuit of a capital-intensive strategy focused on long-term growth. The Company delisted from the London and Kazakhstan Stock Exchanges on 11 May 2021. In 2020, Bozymchak mined 1,086 kt of ore and processed 808 kt at a copper grade of 0.76%, producing 5.1 kt of copper and 30.5 koz of gold. The mine is currently operating as an open pit with up to 1 Mt of ore extraction per year. Bozymchak is expected to have an average annual output of 6 kt of copper cathode and 28 koz of gold bar over the life of the mine.

BOZYMCHAK PRODUCTION SUMMARY

Copper

kt (unless otherwise stated)

	2016	2017	2018	2019	2020
Ore extraction (kt)	935	921	937	1,081	1,086
Ore processed	1,034	1,009	1,002	1,024	808
Average copper grade processed (%)	0.88	0.89	0.86	0.82	0.76
Average recovery rate (%)	90.6	89.0	88.1	87.7	87.9
Copper in concentrate	8.2	8.0	7.6	7.3	5.4
Copper production	7.9	7.5	7.2	7.0	5.1

Figure 4: Bozymchak production summary, 2016-2020

For the research different sources will be used such as official websites, analytical reports and research papers. The main data will be retrieved from the annual financial reports of the companies in order to evaluate the actual financial position and conduct the analysis of financial stability (profitability) of the companies.

4.2.1 Vertical and horizontal analysis of Financial Statement, KAZ Minerals

Vertical analysis 2017-2020, Kaz Minerals PLC

\$ million	2020	%	2019	%	2018	%	2017	%
Non-current assets								
Intangible assets	5	0.07	5	0.08	6	0.12	7	0.12
Property, plant and equipment	2,778	40.33	2,756	45.43	2,130	42.26	2,535	45.09
Mining assets	1,559	22.63	1,457	24.02	432	8.57	438	7.79
Other non-current assets	257	3.73	338	5.57	301	5.97	170	3.02
Deferred tax asset	40	0.58	40	0.66	28	0.56	65	1.16
Total NCA	4,639	67.34	4,596	75.77	2,897	57.48	3,215	57.19
Current assets								
Inventories	614	8.91	553	9.12	439	8.71	359	6.39
Prepayments and other current assets	174	2.53	193	3.18	90	1.79	82	1.46
Income taxes prepaid	8	0.12	7	0.12	18	0.36	13	0.23
Trade and other receivables	155	2.25	176	2.90	127	2.52	132	2.35
Current investments	425	6.17	-	-	250	4.96	-	-
Cash and cash equivalents	874	12.69	541	8.92	1,219	24.19	1,821	32.39
Total CA	2,250	32.66	1,470	24.23	2,143	42.52	2,407	42.81
Total assets	6,889	100.00	6,066	100.00	5,040	100.00	5,622	100.00

Table 19: Vertical analysis of Assets, 2017-2020, Kaz Minerals PLC.

Above represented analysis shows the percentage proportion trend of each Balance sheet position withing FY periods 2017-2020. Most of Non-current assets represented by Property, Plant & Equipment (PPE) and amounted in the scale of 40-45%. The PPE balance is formed by Land and buildings, Plant and equipment, Construction in progress, and Others (see Table 2). The majority of PPE is represented by Plant & Equipment by 63%. As standard - movements of additions, disposals, reclassifications, impairments, and yearly charge of depreciation have shown in the disclosure notes. For property, plant and equipment depreciated on a straight-line basis over its useful economic life, the appropriateness of the asset's useful economic life is reviewed at least annually, and changes could affect prospective depreciation rates and asset carrying values. Production at the Group's Bozymchak CGU in Kyrgyzstan was temporarily suspended between 7 October and 26 December 2020 to ensure employee safety following a period of political instability in Kyrgyzstan. The duration of the shutdown was not considered to be an indicator of impairment as production restarted and the site is now operating as normal. The Covid-19 pandemic has had a significant impact on the global macroeconomic environment and may continue to affect markets in the future.

\$ million	Land and buildings	Plant and equipment	Other	Construction in progress	Total
Cost					
At 1 January 2019	915	1,694	137	133	2,879
Additions ¹	25	38	17	735	815
Capitalised borrowing costs	–	–	–	34	34
Capitalised depreciation	–	–	–	6	6
Transfers	106	25	37	(168)	–
Disposals	(12)	(12)	(3)	(1)	(28)
Net exchange adjustment	8	13	1	8	30
At 31 December 2019	1,042	1,758	189	747	3,736
Additions ¹	31	15	9	417	472
Capitalised borrowing costs	–	–	–	45	45
Capitalised depreciation	–	–	–	7	7
Transfers	134	81	16	(231)	–
Disposals	(3)	(14)	(17)	(3)	(37)
Net exchange adjustment	(108)	(169)	(18)	(80)	(375)
At 31 December 2020	1,096	1,671	179	902	3,848
Depreciation and impairment					
At 1 January 2019	268	397	67	17	749
Depreciation charge	60	158	24	–	242
Transfers	3	(6)	3	–	–
Disposals	(5)	(11)	(3)	–	(19)
Impairment	–	–	–	1	1
Net exchange adjustment	2	4	1	–	7
At 31 December 2019	328	542	92	18	980
Depreciation charge	56	154	21	–	231
Transfers	7	(5)	(2)	–	–
Disposals	(2)	(15)	(17)	(1)	(35)
Impairment	–	–	–	3	3
Net exchange adjustment	(42)	(56)	(9)	(2)	(109)
At 31 December 2020	347	620	85	18	1,070
Net book value					
At 31 December 2020	749	1,051	94	884	2,778
At 31 December 2019	714	1,216	97	729	2,756

Table 20: PPE, 2019-2020, Kaz Minerals PLC.

Another greatest position of Non-current assets is Mining Assets that demonstrates higher increase in 2019-2020 compare to 2017-2018 YY by growth from 8% to 24%. The reason - in 2019, additions to mineral licenses and properties related to the acquisition of the Baimskaya copper project (see Table 3).

16. Mining assets

\$ million	Mineral licences and properties	Exploration costs	Mine development costs	Mine stripping costs	Construction in progress	Total
Cost						
At 1 January 2019	234	20	250	60	52	616
Additions ^{1,2}	880	94	4	2	46	1,026
Capitalised borrowing costs	–	–	–	–	3	3
Capitalised depreciation	–	–	–	1	–	1
Transfers	–	–	21	–	(21)	–
Disposals	–	–	(13)	–	–	(13)
Net exchange adjustment	6	4	3	–	–	13
At 31 December 2019	1,120	118	265	63	80	1,646
Additions ²	–	120	(2)	7	37	162
Capitalised borrowing costs	–	–	–	–	10	10
Capitalised depreciation	–	2	–	3	–	5
Transfers	–	–	24	–	(24)	–
Disposals	–	–	–	–	(1)	(1)
Net exchange adjustment	(7)	(32)	(31)	(8)	(7)	(85)
At 31 December 2020	1,113	208	256	65	95	1,737
Depletion and impairment						
At 1 January 2019	1	2	157	24	–	184
Depletion charge	–	–	11	4	–	15
Disposals	–	–	(13)	–	–	(13)
Impairment	–	–	–	–	2	2
Net exchange adjustment	–	–	1	–	–	1
At 31 December 2019	1	2	156	28	2	189
Depletion charge	–	–	11	3	–	14
Disposals	–	–	–	–	(1)	(1)
Net exchange adjustment	–	–	(20)	(4)	–	(24)
At 31 December 2020	1	2	147	27	1	178
Net book value						
At 31 December 2020	1,112	206	109	38	94	1,559
At 31 December 2019	1,119	116	109	35	78	1,457

Table 21: Mining assets, 2019-2020, Kaz Minerals PLC.

Other NCA are formed by some non-current inventories, paid advances for PPE, long-term bank deposits, and VAT receivables. Non-current inventories comprise ore stockpiles that are expected to be processed in excess of 12 months from the balance sheet date and relate mainly to clay ore at Bozshakol and low-grade sulphide ore at Aktogay. There were no such fluctuations during the analytical period and counted as 3-5% of total Non-current assets. Comprises VAT incurred at Bozymchak which is subject to audit and other administrative procedures prior to refund, with anticipated refund dates in excess of 12 months from the balance sheet dates (see Table 4).

\$ million	2018	2017
Advances paid for property, plant and equipment	147	8
Non-current VAT receivable ¹	11	38
Non-current inventories ²	127	124
Long-term bank deposits ³	3	2
Other long-term advances ⁴	15	–
Gross value of other non-current assets	303	172
Provision for impairment	(2)	(2)
	301	170

\$ million	2020	2019
Non-current inventories ¹	168	176
Advances paid for property, plant and equipment and mining assets	70	144
Non-current VAT receivable ²	15	15
Long-term bank deposits ³	5	4
Gross value of other non-current assets	258	339
Provision for impairment	(1)	(1)
	257	338

Table 22: Other non-current assets, 2017-2020, Kaz Minerals PLC.

The dynamic of Inventory position shows that company has the ability of proper internal control in the stocks. This balance sheet Inventory and Cash positions show the largest parts of Current assets by 7-9% and 9-42% respectively. As discussed on previous example, cash position can be impacted by timing difference in case of money in transit status or payment runs have not yet being cleared. Inventories include Raw materials, Work In Progress, Finished goods, and provision for inventories. According to the notes, the carrying amount of inventory that has been written down to net realizable value is \$6 million (2017: \$5 million).

\$ million	2018	2017
Raw materials and consumables	248	157
Work in progress	115	128
Finished goods	82	79
Gross value of inventories	445	364
Inventories provision	(6)	(5)
	439	359

\$ million	2020	2019
Raw materials and consumables	381	358
Work in progress	162	156
Finished goods	78	45
Gross value of inventories	621	559
Inventories provision	(7)	(6)
	614	553

Table 23: Inventory, 2017-2020, Kaz Minerals PLC.

Prepayment's position remains equal and performed by 1.5-3% during 2017-2020 YY. The company's prepayments consist of Advances paid for goods and services, VAT receivable, and

Provision for impairment of prepayments and other current assets. The provision of \$6 million relates to VAT incurred at the East Region operations, the recovery of which is regarded as less than probable and includes claims where the statute of limitation is approaching (see Table 6).

\$ million	2018	2017
Advances paid for goods and services	17	13
VAT receivable	72	63
Amounts due from related parties	3	1
Other	4	5
Gross value of prepayments and other current assets	96	82
Provision for impairment of prepayments and other current assets ¹	(6)	–
	90	82

Table 24: Prepayments, 2017-2018, Kaz Minerals PLC.

Trade and Other receivables didn't change its position and have shown only 2.5% of Current assets. It formed by the transactions from Related parties and third parties. Also, company books Allowance for expected credit losses for expected credit losses of \$1 million (2017: \$1 million) relates to trade receivables measured at amortized cost with a gross value of \$1 million (2017: \$1 million). The East Region may at times provide certain social services to municipal authorities in the communities in which it operates as part of its contractual obligations under its subsoil licenses. For most receivable balances due from municipal authorities, if any, expected credit losses are recognized on a forward-looking basis taking into account past payment history. The Group applies a simplified approach to measure the loss allowance for trade receivables not subject to provisional pricing and possible default events have been considered over the lifetime of those receivables (see Table 7).

\$ million	2018	2017
Trade receivables ¹	125	131
Amounts due from related parties	–	1
Amounts due from third parties ²	125	130
Interest receivable	3	2
Gross value of trade and other receivables	128	133
Allowance for expected credit losses ³	(1)	(1)
	127	132

Table 25: Trade receivables, 2017-2018, Kaz Minerals PLC.

There were some investments in 2018 and 2020. In 2018, both the Group's major growth projects had achieved design levels of production, following which it announced the payment of an interim dividend in the second half of the year. This resulted in a change in the purpose of the Group's term deposits and constituted a change in conditions in accordance with paragraph 16 of

IAS 8. Therefore, the Group has prospectively classified deposits with original maturity of greater than three months as current investments.

Vertical analysis Equity and Liabilities, 2017- 2020.

\$ million	2020	%	2019	%	2018	%	2017	%
Equity and liabilities								
Share capital 12(a)	177	2.57	177	2.92	171	3.39	171	3.04
Share premium	2,883	41.85	2,883	47.53	2,650	52.58	2,650	47.14
Capital reserves 12(b)	(2,493)	(36.19)	(2,158)	(35.58)	(2,457)	(48.75)	(2,029)	(36.09)
Retained earnings	1,799	26.11	1,213	20.00	686	13.61	203	3.61
Attributable to equity holders of the Company	2,366	34.34	2,115	34.87	1,050	20.83	995	17.70
Non-controlling interests	58	0.84	59	0.97	4	0.08	3	0.05
Total equity	2,424	35.19	2,174	35.84	1,054	20.91	998	17.75
Non-current liabilities		-		-		-		-
Borrowings	3,372	48.95	2,755	45.42	2,914	57.82	3,459	61.53
Deferred tax liability	107	1.55	110	1.81	76	1.51	70	1.25
Employee benefits	8	0.12	15	0.25	12	0.24	14	0.25
Provision for closure and site restoration	107	1.55	74	1.22	58	1.15	67	1.19
Other non-current liabilities	13	0.19	12	0.20	7	0.14	7	0.12
	3,607	52.36	2,966	48.90	3,067	60.85	3,617	64.34
Current liabilities		-		-		-		-
Trade and other payables	307	4.46	360	5.93	320	6.35	272	4.84
Borrowings	528	7.66	545	8.98	539	10.69	418	7.44
Income taxes payable	17	0.25	16	0.26	11	0.22	15	0.27
Employee benefits	2	0.03	2	0.03	2	0.04	2	0.04
Other current liabilities	4	0.06	3	0.05	46	0.91	300	5.34
	858	12.45	926	15.27	919	18.23	1,007	17.91
Total liabilities	4,465	64.81	3,892	64.16	3,986	79.09	4,624	82.25
Total equity and liabilities	6,889	100.00	6,066	100.00	5,040	100.00	5,622	100.00

Table 26: Vertical analysis of Equity & Liability, 2017-2020, Kaz Minerals PLC.

Share Capital and Share Premium remain the same withing analyzed period and forms 2-3% and 42-52 % of Equity and Liability respectively.

\$ million	Currency translation reserve	Capital redemption reserve	Total
At 1 January 2017	(2,068)	31	(2,037)
Exchange differences on retranslation of foreign operations	8	-	8
At 31 December 2017	(2,060)	31	(2,029)
Exchange differences on retranslation of foreign operations	(428)	-	(428)
At 31 December 2018	(2,488)	31	(2,457)

Table 27: Capital reserves, 2017-2020, Kaz Minerals PLC.

As a result of the share buy-back program undertaken in 2008 and the repurchase of Company shares in 2013, transfers were made from share capital to the capital redemption reserve based on the nominal value of the shares cancelled (Annual Report 2017-2020, Kaz Minerals).

The major balance part is formed by Borrowings that has been increasing steadily from year to year (see details). It consists of debt to each major mining site of a Company, disclosure presented below for Kyrgyz Republic's site Bozymchak.

	Maturity	Average interest rate during the year	Currency of denomination	Current \$ million	Non-current \$ million	Total \$ million
31 December 2018						
CDB-Bozshakol and Bozymchak – US\$ LIBOR + 4.50%	2025	6.65%	US dollar	180	1,165	1,345
CDB-Aktogay facility – PBoC 5 year	2028	5.17%	CNY	12	98	110
CDB-Aktogay facility – US\$ LIBOR + 4.20%	2029	6.45%	US dollar	105	1,116	1,221
Pre-export finance facility – US\$ LIBOR + 3.00% - 4.50%	2021	4.97%	US dollar	200	300	500
Development Bank of Kazakhstan – US\$ LIBOR + 4.50%	2025	6.70%	US dollar	42	235	277
				539	2,914	3,453
31 December 2017						
CDB-Bozshakol and Bozymchak – US\$ LIBOR + 4.50%	2025	5.87%	US dollar	179	1,345	1,524
CDB-Aktogay facility – PBoC 5 year	2028	4.54%	CNY	12	116	128
CDB-Aktogay facility – US\$ LIBOR + 4.20%	2029	5.60%	US dollar	105	1,222	1,327
Pre-export finance facility – US\$ LIBOR + 3.00% - 4.50%	2021	5.04%	US dollar	100	500	600
Development Bank of Kazakhstan – US\$ LIBOR + 4.50%	2025	5.89%	US dollar	22	276	298
				418	3,459	3,877

Table 28: Borrowings, Kaz Minerals PLC.

CDB-Bozshakol and Bozymchak facilities At 31 December 2018, \$1.3 billion (2017: \$1.5 billion) was drawn under the facility agreements. The facilities accrue interest at US\$ LIBOR plus 4.50% and arrangement fees with an amortised cost at 31 December 2018 of \$12 million (2017: \$15 million) have been netted off against these borrowings in accordance with IFRS 9. During 2018, \$183 million of the borrowing was repaid, with \$180 million due to be paid within 12 months of the balance sheet date (including \$3 million of unamortised debt costs). The facility is repayable in semi-annual instalments in January and July with final maturity in 2025. KAZ Minerals PLC acts as guarantor of the facilities.

IAS19 standard has applied the Employee benefit position that has been presented by 0.25% or 12-15mln USD. Vostoksvetmet LLC provides post-retirement benefits and other long-term benefits in Kazakhstan which are partially funded. The largest portion of the employee benefits provision is for other long-term benefits, of which the most significant is for long-term disability allowances and which exposes the Group to actuarial risks reflected in the key assumptions below.

The other benefits provided include one-time retirement grants, financial aid, dental care, medical benefits, sanatorium visits, annual financial support to pensioners and funeral aid.

Other Current Liabilities show the trend of stable portion of 0.5% in 2018-2020 compare to 2017 position of 5%. It consists of Payments for licences, Non-current other taxes payable, and Other including leases (Includes lease contracts, which mainly related to leased office buildings and payments for land, for which related liability was found to be immaterial). For this reason, there is no change in PPE presentation as IFRS16 leased assets.

\$ million	2020	2019
Payments for licences	6	7
Other including leases ¹	8	8
Other liabilities regarded as financial instruments for disclosure purposes – note 32	14	15
Non-current other taxes payable	3	–
	17	15
Current	4	3
Non-current	13	12
	17	15

Table 29: Other current liabilities, Kaz Minerals PLC.

Horizontal analysis 2017-2020, Kaz Minerals PLC.

\$ million	%	2020	%	2019	%	2018	2017
Non-current assets							
Intangible assets	-	5	(16.67)	5	(14.29)	6	7
Property, plant and equipment	0.80	2,778	29.39	2,756	(15.98)	2,130	2,535
Mining assets	7.00	1,559	237.27	1,457	(1.37)	432	438
Other non-current assets	(23.96)	257	12.29	338	77.06	301	170
Deferred tax asset	-	40	42.86	40	(56.92)	28	65
Current assets							
Inventories	11.03	614	25.97	553	22.28	439	359
Prepayments and other current assets	(9.84)	174	114.44	193	9.76	90	82
Income taxes prepaid	14.29	8	(61.11)	7	38.46	18	13
Trade and other receivables	(11.93)	155	38.58	176	(3.79)	127	132
Current investments 15(c)	-	425	-	-	-	250	-
Cash and cash equivalents 15(b)	61.55	874	(55.62)	541	(33.06)	1,219	1,821
Total assets	13.57	6,889	20.36	6,066	(10.35)	5,040	5,622
Equity and liabilities							
Share capital 12(a)	-	177	3.51	177	-	171	171
Share premium	-	2,883	8.79	2,883	-	2,650	2,650
Capital reserves 12(c)	15.52	(2,493)	(12.17)	(2,158)	21.09	(2,457)	(2,029)
Retained earnings	48.31	1,799	76.82	1,213	237.93	686	203

Attributable to equity holders of the Company						1,050	995
	11.87	2,366	101.43	2,115	5.53		
Non-controlling interests	(1.69)	58	1,375.00	59	33.33	4	3
Total equity	11.50	2,424	106.26	2,174	5.61	1,054	998
Non-current liabilities							
Borrowings	22.40	3,372	(5.46)	2,755	(15.76)	2,914	3,459
Deferred tax liability	(2.73)	107	44.74	110	8.57	76	70
Employee benefits	(46.67)	8	25.00	15	(14.29)	12	14
Provision for closure and site restoration	44.59	107	27.59	74	(13.43)	58	67
Other non-current liabilities	8.33	13	71.43	12	-	7	7
Current liabilities							
Trade and other payables	(14.72)	307	12.50	360	17.65	320	272
Borrowings	(3.12)	528	1.11	545	28.95	539	418
Income taxes payable	6.25	17	45.45	16	(26.67)	11	15
Employee benefits	-	2	-	2	-	2	2
Provision for closure and site restoration			(100.00)		-	1	-
Other current liabilities	33.33	4	(93.48)	3	(84.67)	46	300
Total liabilities	14.72	4,465	(2.36)	3,892	(13.80)	3,986	4,624
Total equity and liabilities	13.57	6,889	20.36	6,066	(10.35)	5,040	5,622

Table 30: Horizontal analysis Balance sheet, 2017-2020.

Overall picture of Balance sheet for the financial periods 2017-2020 have shown increase of ending balance and marked up with 14% or almost 7000mln USD.

PPE balances remain stable and has slightly changed due to annual depreciations.

Mining assets represented the same stability in 2017-2018 YY, but in 2019 there were additions to mineral licenses and properties related to the acquisition of the Baimskaya copper project that has increased balance in 2019-2020 YY by 230% or 1000mln USD.

Other long-term assets have instable fluctuation and was resulted with decreased balance in 2020 of 24% drop from 338mln to 257mln USD.

Deferred tax asset calculated in the end of each year remains stable and was reported as nil in 2020 FY.

Inventories have been partially growing by averaged 20% due to acquired copper projects in Baimskaya.

The balance of Prepayments has been increasing till 2019 and in 2020 FY there was a drop by 10% due to lower VAT receivable position.

Retained earnings have demonstrated the net profit from operating period and it has been increasing steadily within the analyzed period from 203mln USD to 1799mln USD by averaged 120% percentage each year.

Non-controlling interests as well have demonstrated positive trend and was formed solely for the investment of Koksay project. The balance was grown from 3 to 58 mln USD.

Along with the investments and acquisitions, Borrowings have been increased and ended up with the balance of 3372mln USD.

Deferred tax liability usually formed by IAS19 obligations and have been showing almost the same positions. Accordingly, Employee benefits have the impact of Defined benefit obligation in the accordance of IAS19 treatment.

Provisions for closure and site restorations include accrued amounts capitalized to property, plant and equipment was \$28 million (2019: \$21 million), whilst a reduction in estimate of \$3 million was deducted from the cost of mining assets (2019: \$nil), and \$10 million was expensed (2019: \$nil). The costs of decommissioning and reclamation of mines and processing facilities within the Group are based on the current obligations under Kazakhstan and Kyrgyzstan legislation governing closure and rehabilitation. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines based on the current estimated life of mine

for each deposit. The liability usually becomes payable after the end of the useful life of each mine, which ranges from seven years to around 40 years. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, the levels of discount and inflation rates and the estimated timing of closure and decommissioning (Annual Report 2017-2020, Kaz Minerals).

\$ million	2020	2019
At 1 January	74	59
Utilised	–	(1)
Change in estimate ¹	35	21
Disposals	–	(9)
Unwinding of discount	4	4
Net exchange adjustment	(6)	–
At 31 December	107	74
Current	–	–
Non-current	107	74
	107	74

Table 31: Provisions for closure and site restorations, 2019-2020.

Trade and other payables also show more or less equal balances, and the ending balance could be characterized by timing differences of supplier debts', late payments not cleared or in transit.

In general, the changes on Balance sheet are explainable and didn't create big differences due to 2020 Covid19 change meaning that operations weren't stopped at sites and there were no interruption in supplies.

Analysis of Income Statement 2017-2020, Kaz Minerals PLC.

In order to disclose and differentiate the Revenues, it has been presented by product split and by mining sites.

	%	2018	%	2017
Gross Revenues¹		756		719
Copper		596		572
Gold	19.05	144	19.05	137
Silver		11		10
Others		5		–
Revenues		756		698
Sales volumes¹				
Copper sales (kt)		102		99
Gold sales (koz)	15.21	115	15.33	107
Silver sales (koz)		724		617
Gross EBITDA ¹		520		515
Capitalised EBITDA		–		(12)
EBITDA		520		503
Operating profit		361		365
Gross cash costs (USc/lb) ¹		129		121
Net cash costs (USc/lb) ¹		58		54
Capital expenditure		29		74
Sustaining		24		10
Expansionary		5		64
	%	2020	%	2019
Revenues		1,032		851
Copper		729		601
Gold	27.23	281	27.50	234
Silver		20		13
Other		2		3
Sales volumes		1,226		1044
Copper sales (kt)		121		107
Gold sales (koz)	12.64	155	15.80	165
Silver sales (koz)		950		772
EBITDA¹		742		585
Operating profit		583		427
Gross cash costs ¹ (USc/lb)		126		137
Net cash costs ¹ (USc/lb)		12		31
Capital expenditure		40		92
Sustaining		40		55
Expansionary		-		37

Table 32: Revenue split by product, 2017-2020

The amounts of Gross Revenues and Sales for gold have been growing from 2017 to 2020 by 15 and 27 % respectively and has reached 280mln USD. After Copper, gold explorations stay on 2nd place and tend to increase its indicators.

Similar picture is demonstrated by Sales amounts of gold produced by increased balance of 107 to 165mln US with average 14% growth.

Kyrgyz Republic presents itself in Kaz Minerals' portfolio by the gold exploration site in Bozymchak. Below table with main indicators and margin of this mining site (see table 16). Based on the data below, it can be concluded that it brings 3rd profitable mining site.

Revenues at East Region and Bozymchak of \$517 million decreased by \$35 million in 2020 following lower sales of all metals other than zinc, which more than offset the benefit of higher realised prices for copper, gold and silver. Copper sales volumes fell by 13 kt from 2019, which benefited from the additional sale of finished goods inventory. Sales of inventory from Bozymchak were able to continue throughout the year, mitigating the impact on revenues of the site's shutdown in the fourth quarter. Revenues from gold and silver increased compared with the prior period, as the 27% rise in average LBMA prices for both metals more than offset the lower sales volumes. Zinc revenues also rose as the increased sales of zinc in concentrate more than offset the 11% reduction in the average LME zinc price in 2020 compared with 2019.

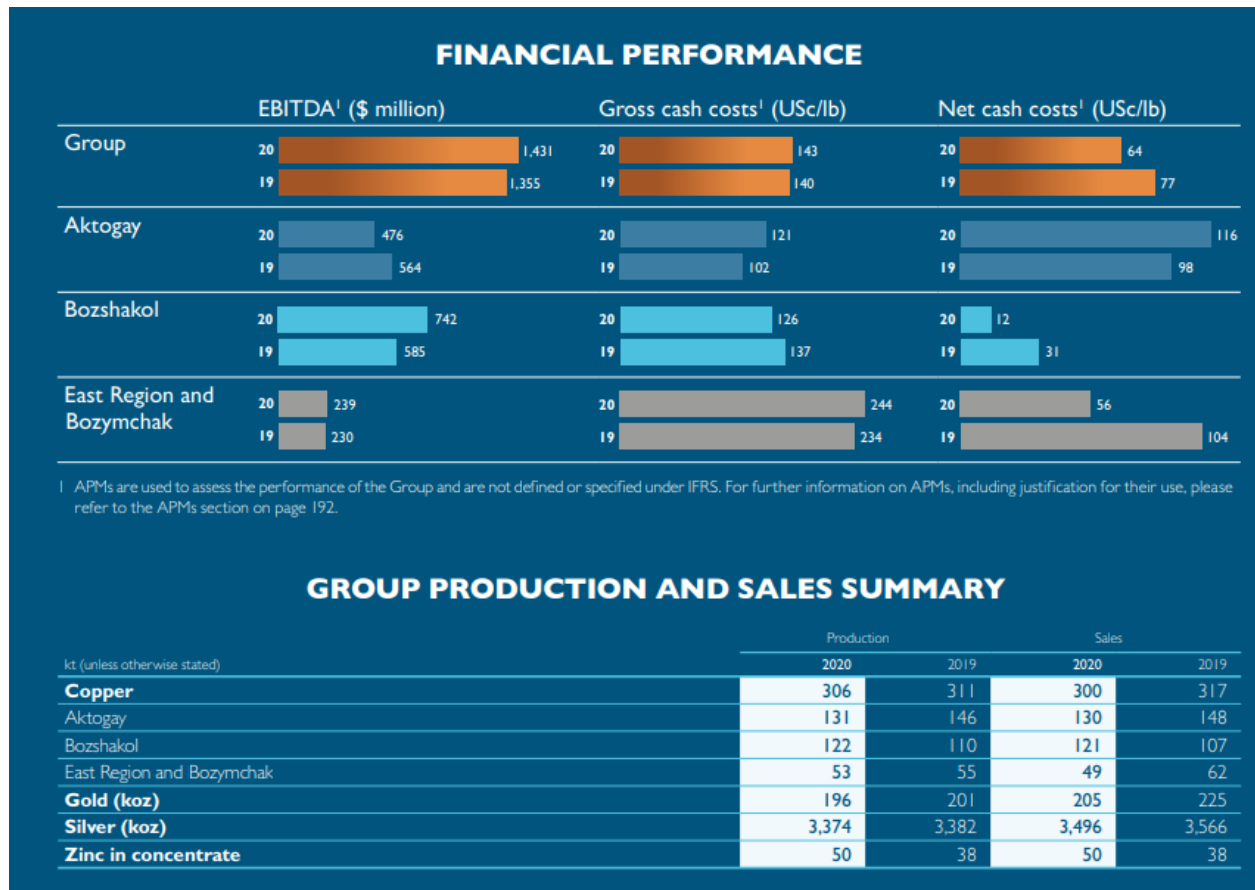
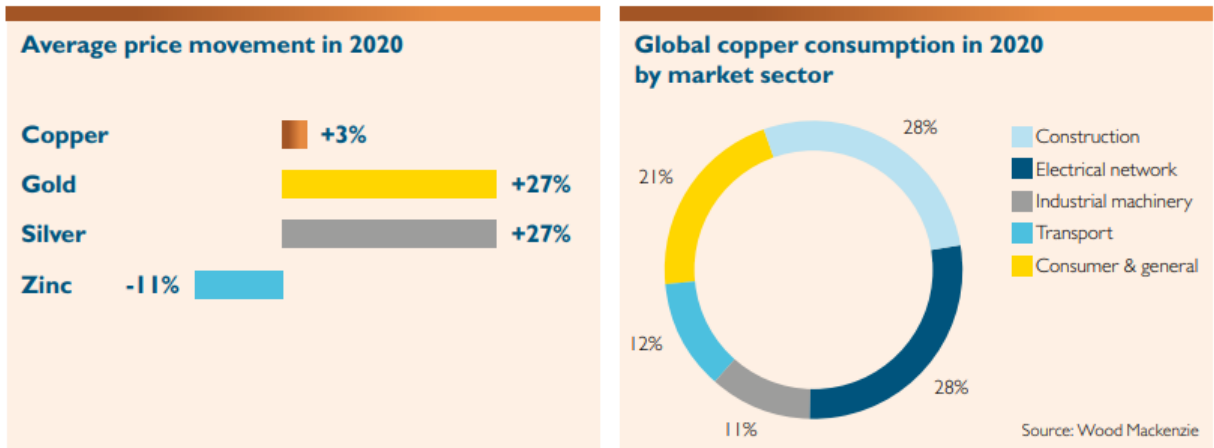


Figure 5: Basic indicators, Kaz Minerals PLC

2018		Aktogay	East Region and Bozymchak	Corporate Services	Total
Revenues	Bozshakol				
Gross Revenues					
Pre-commercial production revenues capitalised to property, plant and equipment ³					
Revenues – income statement	756	775	631	–	2,162
EBITDA	520	530	284	(24)	1,310
Special items	–	–	(20)	–	(20)
EBITDA (after special items)	520	530	264	(24)	1,290
Less: depreciation, depletion and amortisation ¹	(90)	(108)	(40)	(1)	(239)
Less: MET and royalties ^{1,2}	(69)	(72)	(59)	–	(200)
Operating profit/(loss)	361	350	165	(25)	851
Net finance costs and foreign exchange gain					(209)
Income tax expense					(132)
Profit for the year			510		
2017		Aktogay	East Region and Bozymchak	Services	Total
Revenues	Bozshakol				
Gross Revenues	719	530	689	–	1,938
Pre-commercial production revenues capitalised to property, plant and equipment ³	(21)	(254)	–	–	(275)
Revenues – income statement	698	276	689	–	1,663
Gross EBITDA	515	374	371	(25)	1,235
Pre-commercial production EBITDA capitalised to property, plant and equipment ^{2,3}	(12)	(185)	–	–	(197)
EBITDA	503	189	371	(25)	1,038
Special items ⁴ – note 6	–	–	(3)	(16)	(19)
EBITDA (after special items)	503	189	368	(41)	1,019
Less: depreciation, depletion and amortisation ¹	(86)	(42)	(43)	(1)	(172)
Less: MET and royalties ^{1,2}	(52)	(21)	(59)	–	(132)
Operating profit/(loss)	365	126	266	(42)	715
Net finance costs and foreign exchange loss					(135)

Income tax expense					(133)	
Profit for the year					447	
2020	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
Revenues	806	1,032	517	–	–	2,355
EBITDA¹	476	742	239	(9)	(17)	1,431
Special items – note 6	–	–	–	–	(11)	(11)
EBITDA (after special items)	476	742	239	(9)	(28)	1,420
Less: depreciation, depletion and amortisation ²	(111)	(86)	(38)	–	(2)	(237)
Less: MET and royalties ^{2,3}	(56)	(73)	(49)	–	–	(178)
Operating profit/(loss)	309	583	152	(9)	(30)	1,005
Net finance costs and foreign exchange loss						(201)
Income tax expense						(165)
Profit for the year	639					
2019	Bozshakol	Aktogay	East Region and Bozymchak	Mining Projects	Corporate Services	Total
Revenues	863	851	552	–	–	2,266
EBITDA¹	564	585	230	(4)	(20)	1,355
Less: depreciation, depletion and amortisation ²	(104)	(90)	(41)	–	(1)	(236)
Less: MET and royalties ^{2,3}	(79)	(68)	(49)	–	–	(196)
Operating profit/(loss)	381	427	140	(4)	(21)	923
Net finance costs and foreign exchange loss						(197)
Income tax expense						(155)
Profit for the year						571

Table 33: Revenue split by mining site location, 2017-2020

5 Results and Discussion

5.1 Comparative analysis of 2 leading mining companies – Financial Position.

Performed analysis of two leading companies in mining industry of Kyrgyz Republic has illustrated the overall comprehensive picture of the financial position within 2017-2020 years. Despite the fact of changed conditions in the market and economy in the pandemic era of COVID19, the companies were able to maintain its operations and continue with the explorations. “In 2020, KAZ Minerals extended its record of strong operational performance, with copper output exceeding the top end of the guidance range despite Covid-19. During the Covid-19 pandemic we took comprehensive measures to protect the safety of our employees and contractors and preserved full employment. With the support of our workforce, we maintained operations, achieving our production and financial targets. I am also proud that KAZ Minerals was able to support affected communities in Kazakhstan, Kyrgyzstan and Russia through the provision of financial and medical assistance” (Annual report 2020, Kaz Minerals). Due to the specific of the industry, the supply chain and logistics was not the challenging problem for these mining giants.

The balance sheet of Centerra Gold remained stable during analytical period and the portion of Current and Non-Current Assets showed stable dynamic, whereas Non-Current Assets have prevailed values (average 64%).

Consolidated Statements of Financial Position	2020	2019	2018	2017
(Expressed in %)				
Assets				
	43.78	34.52	29.50	36.50
Total CA				
Total NCA	56.22	65.48	70.50	63.50
Total assets	100.00	100.00	100.00	100.00

Table 34: Assets split, Centerra Gold, 2017-2020

The balance sheet of Centerra Gold remained stable during analytical period and the portion of Current and Non-Current Assets showed stable dynamic (Table 17), whereas Non-Current Assets have prevailed values (average 64%).

%	2020	2019	2018	2017
Assets				
Total NCA	67.34	75.77	57.48	57.19
Total CA	32.66	24.23	42.52	42.81
Total assets	100.00	100.00	100.00	100.00

Table 35: Assets split, Kaz Minerals, 2017-2020

According to Table 18 the balance sheet of Kaz Minerals remained stable during analytical period and the portion of Current and Non-Current Assets showed stable dynamic, whereas Non-Current Assets have prevailed values (average 65%).

To conclude – basically two leading companies have similar presentation of the Assets that is comprised from the requirements by local legislation and IFRS standards. The changes were major in 2019, when Kaz Minerals has acquired Baimskaya copper project that brought changes in assets balances. Also, the impact of IFRS16 Leases implementation had brought changes in the presentation of figures from 2018 to 2019 years in both companies.

Consolidated Statements of Financial Position	2020	2019	2018	2018
(Expressed in %)				
Liabilities and Shareholders' equity				
Total CL	8.22	9.06	8.31	12.91
Total LTL	13.14	14.47	15.70	14.03
Total Equity	78.64	76.47	75.99	73.06
Total liabilities and Shareholders' equity	100.00	100.00	100.00	100.00

Table 36: Equity & Liabilities split, Centerra Gold, 2017-2020

Based on Table 19 it can be viewed that proportion of balances remained similar within 4 years. The company of Centerra Gold follows the rule of holding its own sources higher than 70% in order to perform the credibility of its performance. Long-term Liabilities in majority consist of provisions for reclamations according to internal policies and specific of industry. There was a long-term debt that has been reduced and paid out in 2020.

In regards of Equity, the main changes were formed by the remeasurements of pension provisions or planned assets that has decreased the balance of Other Comprehensive Income in 2020 (IAS 19 Employee benefits). The maximum figure of Retained earnings in 2020 ended up the Equity overall position by 79%. As per disclosure notes, “The Company’s primary objective with respect to its capital management is to provide returns for shareholders by ensuring that it has sufficient cash resources to maintain its ongoing operations, pursue and support growth opportunities, continue the development and exploration of its mineral properties and satisfy debt repayment requirements and other obligations. The Company’s capital structure consists of debt, lease obligations and shareholders’ equity. The Company manages its capital structure and makes adjustments in light of changes in its economic and operating environment and the risk characteristics of the Company’s assets. For effective capital management, the Company implemented planning, budgeting and forecasting processes to help determine the funds required to ensure the Company has the appropriate

liquidity to meet its operating and growth objectives. The Company ensures that there is access to sufficient funds to meet its short-term business, operating and financing requirements, taking into account its anticipated cash flows from operations and its holdings of cash and cash equivalents.” (Financial statements, Kaz Minerals, 2020).

%	2020	2019	2018	2017
Equity and liabilities				
Total equity	35.19	35.84	20.91	17.75
Total LTL	52.36	48.90	60.85	64.34
Total CL	12.45	15.27	18.23	17.91
Total liabilities	64.81	64.16	79.09	82.25
Total equity and liabilities	100.00	100.00	100.00	100.00

Table 37: Equity & Liabilities split, Kaz Minerals, 2017-2020

According to the Table 20, the dynamic started to transform and show decreased positions of Equity in 2019-2020 years. Share capital pushed down the overall balance of Equity due to its reserves created equally to its capital.

The borrowings remained active during the analytical period, thus impacted net position of Liabilities in both sides of Long-Term and Short-Term. Deferred taxation provisions also have been increased in 2019-2020 year and has also brought proportion of higher own resources to 52% that can be pointed as warning message to company’s stakeholders and external users of financial statements. The acquired new mining site and other logistics or supplies have created the procurement process more costly materially and timely. “In a challenging year, our low-cost copper mining operations have proved resilient, enabling KAZ Minerals to report strong production and financial results. The Aktogay expansion project remains on track to commence production by the end of 2021 and will generate near-term production growth. Baimskaya is expected to deliver longer-dated growth and we are currently focused on completing the Bankable Feasibility Study in the first half of this year” (Financial Statements Kaz Minerals, 2020).

Covid19 pandemic pushed companies to reconsider the operations itself and accounting presentation. Especially, the challenge is in recognizing the assets and switching possible assets under lease terms that would allow free cash flow to cover reserves and increase its capital – “The Covid-19 pandemic presented major challenges to the industry during the year, causing disruption to mining companies worldwide. The Group took pre-emptive steps to protect its sites from the virus, prioritising the safety, health and wellbeing of its employees and contractors. These actions ensured that there was no major impact on the Group’s operations during 2020. The Group’s comprehensive measures, including testing and isolation of staff, remain in place to mitigate the risk of disruption to operations” (Annual report, Kaz Minerals, 2020).

5.2 Comparative analysis of 2 leading mining companies – Financial Performance

Financial performance is the tool for all users to have comprehensive data about the efficiency of management and if business has met its expectations or budgeted costs. Standard format of the Income Statement based on requirement of IFRS reporting could allow users to compare the most basic indicators in order to evaluate the operations of each company.

(Expressed in thousands of United States Dollars)	2020	2019	2018	2017
Revenue	1,688,675.00	1,375,328.00	1,129,336.00	1,199,028.00
Cost of sales Production costs	590,624.00	676,632.00	761,367.00	682,094.00
Depreciation, depletion and amortization	305,286.00	239,511.00	10,849.00	-
Standby costs	6,728.00	9,100.00	13,766.00	18,212.00
Earnings from mine operations	786,037.00	450,085.00	343,354.00	498,722.00

Table 38: Gross Profit, Centerra Gold, 2017-2020

Gross Profit amounts represent the margin generated from Sales and Direct costs. The above table shows that with the growth of revenue from 2017 to 2020, the costs were also increasing. However, the result of gross margin represents good position. Higher depreciation values were formed after IFRS16 Lease standard that has obliged to recognize leased costs through depreciation accounts by activated and put in use assets of financial lease. Production costs remained constant within analysed period and despite the fact of Covid19 pandemic, Centerra Gold was able to keep the expenditures on the same level.

(Expressed in millions of United States Dollars)	2020	2019	2018	2017
Revenues	2,355	2,266	2,162	1,663
Cost of sales	(1,101)	(1,124)	(1,077)	(755)
Gross profit	1,254	1,142	1,085	908
Selling and distribution expenses Administrative expenses	(94)	(91)	(94)	(69)
Net other operating income	(152)	(132)	(115)	(108)
Impairment losses	-	9	4	4
	(3)	(5)	(29)	(20)
Operating profit	1,005	923	851	715

Table 39: Gross/Operating Profit, Kaz Minerals, 2017-2020

The presentation of Gross Profit for Kaz Minerals differs from Centerra Gold. The main difference is visible from Cost of Sales – that includes all direct expenditures for production at mining with considered depreciation from leased and own assets. If compare the Gross Profit balance with Centerra Gold, it can be mentioned that it is steadily growing and the result of Operating profit after Administrative and Distribution costs remained positively increased.

(Expressed in thousands of United States Dollars) (except per share amounts)	2020	2019	2018	2017
Earnings (loss) from operations	438,216.00	(85,697.00)	98,613.00	258,913.00
Earnings (loss) before income tax	416,247.00	(100,584.00)	98,823.00	232,009.00
Income tax expense (recovery)	7,709.00	(7,071.00)	(14,647.00)	(19,790.00)
Net earnings (loss)	408,538.00	(93,513.00)	107,529.00	209,533.00
Other comprehensive income ("OCI")	12,352.00	1,336.00	12,283.00	(11,779.00)
Total comprehensive income (loss)	420,890.00	(92,177.00)	119,812.00	197,754.00
Basic earnings (loss) per share	1.39	(0.32)	0.39	0.86
Diluted earnings (loss) per share	1.37	(0.32)	0.36	0.72

Table 40: Basic Indicators of result, Centerra Gold, 2017-2020

The table above represents main indicators for investors in order to provide relevant data for decision making process in investment policy. Also, creditors would be interested in this information while approving the loans.

Earning from operations increased in 2020 as the mining exploration were not stopped at site. 2019 result was negative due to several disruptions on site – disputes with Kyrgyz government on Kumtor site. Net earnings in 2020 represent successful management of the company's operation.

(Expressed in millions of United States Dollars) (except per share amounts)	2020	2019	2018	2017
Profit before tax	804	726	642	580
Income tax expense	(165)	(155)	(132)	(133)
Profit for the year	639	571	510	447
Other comprehensive (expense)/income for the year	(335)	63	(427)	9
Total comprehensive income for the year	304	634	83	456
Earnings per share attributable to equity shareholders of the Company	1.35	1.21		
Ordinary EPS – basic and diluted (\$)	1.29	1.17	1.14	1.00
EPS based on Underlying Profit – basic and diluted (\$)	1.38	1.21	1.18	1.07

Table 41: Basic Indicators of result, Kaz Minerals, 2017-2020

The same picture can be seen from above Table 24 for Kaz Minerals. Profit before tax increased from 580 million to 804 million USD. Accordingly, Income Taxes generated higher values due to result of the business. Other comprehensive income was fluctuating due to each years' remeasurements from pension funds that consider changes such as inflation and other measures. Ordinary Earnings per share as well produced attractive coefficients for investors and other users.

To conclude, Kaz Minerals and Centerra Gold Inc. have quiet compatible results of Financial Performance during analysed periods. The only negative impact of continuous disputes with government and local representatives might stop the exploration and productions on site of Kumtor, which would negatively change the portfolio of Centerra Gold company.

5.3 The most significant factors influencing the profit (internal/external).

Changes in economic indicators for any time period occur under the influence of many different factors. The variety of factors affecting profit requires their classification, which at the same time is important for determining the main directions, searching for reserves to improve the efficiency of management. Factors affecting profit can be classified according to different criteria. This is how external and internal factors are distinguished. *Internal factors* include factors that depend on the activities of the enterprise itself and characterize various aspects of the work of a given team. Specifically, for Centerra Gold and Kaz Minerals it could be – provisions for reclamation, research and development costs that impact the net profit result. *External factors* include factors that do not depend on the activities of the enterprise itself, but some of them can have a significant impact on the growth rate of profits and profitability of production. In turn, internal factors are divided into production and non-production. Non-production factors are mainly associated with commercial, environmental, claims and other similar activities of the enterprise.

Production factors reflect the presence and use of the main elements of the production process involved in the formation of profit - the means of labour, objects of labour and labour itself. For each of these elements, groups of extensive and intensive factors are distinguished. Extensive factors include factors that reflect the volume of production resources (for example, changes in the number of employees, the cost of fixed assets), their use over time (change in the length of the working day, equipment replacement rate, etc.), as well as non-production use of resources (material costs for scrap, losses due to waste). reflecting the efficiency of the use of resources or contributing to this (for example, improving the qualifications of workers, equipment productivity, the introduction of advanced technologies).

In the process of carrying out the production activities of the enterprise related to the production, sale of products and making a profit, these factors are closely interconnected and dependent. The primary factors of production affect the profit through a system of generalizing factor indicators of a higher order. These indicators reflect, on the one hand, the volume and efficiency of using their consumed part involved in the formation of the cost. Thus, we can conclude that the same elements of the production process, namely the means of labour, objects of labour and labour, are considered, from one hand, as the main primary factors in the increase in the volume of industrial production, and on the other hand, as the main primary factors determining production costs. Since profit is the difference between the volume of production and its cost, its value and growth rates depend on the same three primary factors production, which affect profit through a system of indicators of industrial output and production costs.

5.4 The challenges and problems in mining industry in KG.

Meanwhile, in many countries, taxes on the mining industry range from 15 to 50 percent. In Kyrgyzstan, the tax burden is on average only 8-10 percent.

The development of the mining industry is hampered by existing problems. These include the chaotic issuance of mining licenses, conflicts between companies and the local population, flaws in the laws and corruption in the industry.

The disorderly issuance of licenses is one of the acute problems in the field of subsoil use. Over the years of independence, more than 2.5 thousand licenses have been issued, and in fact, only a few fields are being developed. The thing is that some companies acquired an unlimited number of licenses and resold them to third parties. The corruption of the licensing system was also highlighted by the Security Council at the end of January this year.

Resale of licenses has become a kind of business. This is evidenced by the numbers. The re-registration of companies has increased 8 times over 6 years. At the end of last year, the Prosecutor General's Office revealed 39 violations of the law. Five criminal cases were initiated for abuse of office, in which damage over 35 million soms was recovered.

Some particularly enterprising officials were not averse to taking advantage of the available possibilities of the law. According to the State Committee for National Security, most of the licenses in the mining industry were redistributed when Duishenbek Zilaliev was the head of the State Committee for Industry, Energy and Subsoil Use. An investigation is underway on the fact that Duishenbek Zilaliev issued licenses to 13 foreign companies.

According to experts, the main reason for this chaos is the lack of control and poorly developed mechanisms for issuing permits. To settle the situation in the system of issuing licenses, first, it is necessary to amend the law and appoint competent personnel, experts say.

Another problem in the field of subsoil use is conflicts between investors and the population. The main reasons are:

- firstly, the residents of the regions are not sufficiently aware of the possibilities and potential consequences of the development of mineral deposits,
- secondly, conflicts are provoked by third parties interested in them. The system should encourage conscientious investors, representatives of local governments should carry out proper explanatory work, - Sooronbai Jeenbekov said at the Security Council.

About 12 billion soms are annually transferred to the state treasury from the mining industry. This area provides jobs for 18 thousand people. If all issues in this area are settled, it is possible not only to increase incomes several times, but also to develop the regional economies, experts say.

According to the overall country assessment of the Kyrgyz Republic, the private sector today is the backbone of the Kyrgyz economy. More than 90% of gross output in all key sectors of the economy is produced by private enterprises. According to EBRD estimates, the share of the private sector in Kyrgyzstan's GDP is 75%. The private sector in Kyrgyzstan is mainly composed of micro, small and medium enterprises; large enterprises that are concentrated in certain sectors of the economy - mining, communications, and several other industries. Tax revenues of the republican budget from the mining industry, including from the Kumtor deposit, constitute a significant part of the budget. Considering that 76% of the state revenues of Kyrgyzstan are provided by tax revenues, a significant part falls on revenues from subsoil use. At the same time, if in 2012 the volume of foreign investments in the field of mining amounted to 76.8 million US dollars, then in 2016 it was 222.6 million US dollars, which indicates an increase of almost three times. This increase is due to the obvious importance and interest of investors in the mining industry. Despite the importance of the industry and its financing, subsoil use in the Kyrgyz Republic is not quite smooth, which is confirmed by some incidents.

Precedents in the mining industry of Kyrgyzstan

Despite its great importance, the formation of the mining sector has caused and is causing a lot of controversy. Thus, conflicts are increasing between investors - subsoil users with the local population, as well as between subsoil users, on the one hand, and with state authorities, local governments, on the other hand. In fact, conflicts in the field of subsoil use occur at several levels and with the involvement of several parties to the conflict.

In order to develop an algorithm of actions in the event of conflict situations in the mining sector, to identify the reasons, on December 11, 2017, by order of the State Committee for Energy, Industry and Subsoil Use of the Kyrgyz Republic, a Guide to Conflict Management in the Mining Industry of the Kyrgyz Republic was prepared [5]. The document identifies several reasons for conflicts:

- concern about environmental damage
- lack of platforms for constant communication and dialogue between mining companies and local communities affected by their operations
- lack of awareness of local communities about the opportunities and potential consequences associated with the development of mineral deposits

- perceived as unfair or unethical practice of hiring employees by mining companies, which does not give preferences to residents
- concern about the lack of transparency in the system of granting subsoil use rights
- lack of trust in local governments as intermediaries between mining companies and local communities.

Special attention should be paid to the concerns of the local community about obtaining their share of the extraction of minerals, as well as the consequences of the development of deposits on the natural ecosystem. Such unresolved problems create great barriers to efficient and full-fledged subsoil use, and thus scare off many investors. The situation is aggravated by a small credit of trust of the local community in state authorities and local self-government bodies.

An analysis of individual precedents indicates the need to establish and strengthen a communication bridge between the subsoil user and the local population. So, in 2012, Full Gold Mining workers went on strike and demanded a 50% increase in wages. Workers-drivers and laboratory staff took part in the strike. After negotiations, the company's management and employees agreed to increase salaries by 30%. The enterprise increased the total wages fund by 20 million soms. In 2014, Full Gold Mining LLC was accused of large-scale tax evasion. This fact was revealed by the State Service for Combating Economic Crimes (GSBEP) and the State Tax Service. The damage to the budget "as a result of the criminal actions of Full Gold Mining" was estimated at \$ 1.16 million. The Investigation Department of the State Service for Combating Economic Crimes has initiated a criminal case. However, even at the stage of investigation, the developer admitted his guilt and compensated the damage in full. The work at the Kumtor and Jerui gold deposits is not complete without excesses. So, in 2013, riots broke out at the Kumtor gold deposit in the Issyk-Kul region. The protesters demanded the nationalization of the enterprise and the improvement of material conditions, environmental problems were raised. And since 1992, the Jerui deposit has changed more than ten investors in total. The agreements concluded between foreign investors and the government were not implemented for various reasons. Residents have repeatedly expressed their dissatisfaction with the authorities' intentions to develop the Jerui deposit. In this regard, rallies were held several times in the Talas region with the adoption of a resolution against the development of the Jerui deposit. The local population believes that if the authorities do not fulfill their demands and the development of the field is not canceled, they will go to extreme measures. In particular, the fears of the villagers are connected with the unsuccessful experience of Kumtor, which may be repeated in Jerui. In addition, based on the example of the work of the gold mining company Centerra Gold Ltd, Talas residents are afraid that the Russian investor will not withstand the conditions prescribed in the

agreement. They also advocate the preservation of the environment, fearing that the development of the field will cause irreparable damage to the nature of the region.

Considering the realities and specifics inherent in Kyrgyzstan, the following recommendations can be made:

- to hold public hearings and local gatherings for the Government of the Kyrgyz Republic, together with local self-government bodies and investors, before the start of subsoil use
- to introduce clause 23-1 into the Regulation on the procedure for licensing subsoil use and state it in the following edition: “The Commission must include representatives of the local community, employees of the executive and representative body of local self-government”
- to conduct a subsoil user, the Government of the Kyrgyz Republic, a complete and open information policy - on the employment of residents, the environmental situation, etc.
- for local authorities and subsoil users to organize a free telephone "hot line"
- to form insurance funds.

By preventing conflict situations, considering the interests of stakeholders and guaranteeing the implementation of regulatory legal acts, the inflow of investments into the mining industry will increase, therefore, the standard of living of the population as a whole will improve.

Actual situation on Kumtor site

Canadian company Centerra Gold Inc. canceled the results of its operations at the Kumtor mine for the second quarter of 2021 and recognized a loss of \$ 926.4 million (Radio Azattyk, 2021). The company said that the “takeover” of Kumtor by the Kyrgyz authorities resulted in a loss of control over the mine and therefore now counts it as a discontinued operation. Centerra Gold Inc. published on the company's website on November 19. In it, Centerra reported that the Ontario Securities Commission requested information related to the situation at the Kumtor mine. In this regard, the company filed a report on changes in its work with the Canadian Electronic Document Analysis and Search System (SEDAR), claiming that it had “taken over” the field. Centerra's information was confirmed by the Cabinet of Ministers of Kyrgyzstan, in particular, the head of the Cabinet of Ministers Akylbek Zhaparov commented on it.

In October 2021, after negotiations with the management of Centerra Gold Inc. In Geneva, Akylbek Zhaparov said that the Canadian company is ready to leave the Kumtor gold mine to Kyrgyzstan but asks Bishkek to give up its share in Centerra, which is about 26%.

Kumtor is the largest deposit in Kyrgyzstan, where 15-17 tons of gold are mined annually. The development of the mine through its subsidiary Kumtor Gold Company was carried out by the Canadian company Centerra Gold Inc., 26% of which belongs to Kyrgyzstan. For many years, there were disputes in the country about the future of the deposit; opposition politicians often demanded that the mine be nationalized.

In the spring of 2021, the situation around Kumtor escalated sharply. In May, the country's parliament heard the report of the state commission on checking the activities of Kumtor Gold Company and instructed the cabinet of ministers to temporarily introduce external management at the enterprise, the next day Tengiz Bolturuk was appointed external manager. The state commission said the Canadian company must pay Kyrgyzstan \$ 4,252 million in taxes and environmental sanctions. Prior to that, the Oktyabrskiy District Court of Bishkek ordered the Canadian company to pay the state 261 billion 719 million soms for violating environmental standards.

The company denied the charges and filed several lawsuits against the Kyrgyz government in international courts, banned Kyrgyzaltyn from operations with its shares in Centerra Gold Inc and sued Tengiz Bolturuk. July 7 Centerra Gold Inc. filed claims against Kyrgyzaltyn OJSC, Centerra's largest shareholder. Bishkek declares its readiness to sue Centerra, pointing to corruption deals under the previous government. The State Committee for National Security opened a criminal case under the article "Corruption", within the framework of which several current and former high-ranking officials were detained.

Conclusion

Modern conditions put the companies into a very critical situation when the challenges drive their internal policies and strategies to change quickly in accordance with external factors. Financial performance depends not only the tools and policy maintained in the company, but the external events occurred in the economic, political, and social life. The unstable political situation and corrupted system in Kyrgyz Republic put companies, especially the ones with foreign investments in such demanding position that its owners and management have to negotiate further operations and activity on sites. Kyrgyz Republic's territory is rich and represents majority of chemical elements of the periodic table, thus it became very attractive for investors to capitalize the funds with a long-term perspective. Kyrgyzstan has a significant mineral resource base for many types of minerals. The State Balance of Mineral Resources contains about two hundred deposits with fully explored or actively explored reserves of mineral raw materials. The dominant position in terms of value is occupied by gold reserves. Currently, 8 primary gold deposits are being developed - Kumtor, Makmal, Solton-Sary, Terekkan, Ishtamberdy, Jamgyr, Karakazyk and Levoberezhnoe. Their balance reserves amount to 131.9 tons. The historical maximum volume of gold production in the country reached in 2008 and amounted to 26.9 tons. The development of the country's mining industry at this stage is possible only by attracting investments. And the investor will come when he is confident in the security of his financial investments. In recent years, much has been said about improving the investment climate, and even certain measures have been taken. But the situation is getting worse. This is clearly seen in the dynamics of foreign direct investment. In order to form a consistent and orderly state policy for the development of the industry for the medium and long term, it was decided to develop a strategy for the development of the mining industry for the period 2015-2035.

To minimize the risks of sustainable development of the mining industry, a prerequisite is the creation of a political environment where: political interference in the administrative and technical work of regulatory bodies is excluded; in practice, a uniform policy is observed, which should be based on unity of opinion and a single non-discriminatory approach to all companies.

The finances of companies, being part of the general system of financial relations, reflect the process of formation, distribution and use of income at enterprises of various sectors of the national economy and are closely related to entrepreneurship, since an enterprise is a form of entrepreneurial activity.

The purpose of assessing financial stability is to consider the financial condition of an enterprise in terms of its financial independence from external sources on the basis of accounting documents.

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8 Appendix



Picture 1: The Kumtor gold mine (<https://www.mining.com/kyrgyzstan-to-temporarily-take-over-centerras-kumtor-mine/>)



Picture 2: Kumtor gold mine works (<https://globalriskinsights.com/2014/02/tension-builds-over-kumtor-gold-mine-in-kyrgyzstan/>)



Picture 3: Bozymchak mine

(<https://voxpopuli.kz/bozymchak-20-tonn-zolota-dlya-kazahstana/>)



Picture 4: Bozymchak works (<https://www.mining-journal.com/politics/news/1265029/kaz-comes-cropper-kyrgyzstan>)